

**TOWN OF HICKORY CREEK**

FINANCIAL STATEMENTS  
AND  
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2009

**TOWN OF HICKORY CREEK**

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Town Council  
Town of Hickory Creek

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas ("Town") as of and for the year ended September 30, 2009, which collectively comprises the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and each major fund of the Town as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated December 15, 2009, on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Hickory Creek'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 are not a required part of the basic financial statements of the Town. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Hankins, Eastup, Deaton, Tonn & Seay*

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

December 15, 2009

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

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## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2009

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As management of the Town of Hickory Creek, we offer readers of the Town of Hickory Creek's financial statements this narrative overview and analysis of the financial activities of the Town of Hickory Creek for the year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

#### **Financial Highlights**

- The assets of the Town of Hickory Creek exceeded its liabilities at September 30, 2009 by \$4,687,592. Of this amount, \$1,082,849 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$265,771.
- As of September 30, 2009, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$3,409,129, a decrease of \$1,248,071 in comparison with the beginning of the period. Approximately 32 percent of this total amount, \$1,080,958, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current period, unreserved fund balance for the general fund was \$1,080,958 or 36.7 percent of total general fund expenditures.

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

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

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

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

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

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

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

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2009

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

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

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

The Town of Hickory Creek maintains two 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, 2009

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**Government-wide Financial Analysis**

The Town's combined net assets were \$4,687,592 as of September 30, 2009. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net assets (Table 1) and general revenues (Table 2) and changes in net assets (Table 3) of the Town's governmental activities.

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

Table 1

Net Assets

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	Governmental Activities	
	2008	2009
Current and other assets	\$ 5,283,935	\$ 3,829,687
Capital assets	<u>7,172,926</u>	<u>8,343,778</u>
Total assets	<u>12,456,861</u>	<u>12,173,465</u>
Long-term liabilities outstanding	7,420,664	7,084,302
Other liabilities	<u>614,376</u>	<u>401,571</u>
Total liabilities	<u>8,035,040</u>	<u>7,485,873</u>
Net assets:		
Invested in capital assets, net of related debt	(158,001)	1,310,717
Restricted for:		
Debt service	1,610	13,071
Street improvements	3,542,188	2,235,257
Court security and technology	36,581	45,698
Unrestricted	<u>999,443</u>	<u>1,082,849</u>
Total net assets	<u>\$ 4,421,821</u>	<u>\$ 4,687,592</u>

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009

**Governmental Activities.** The Town's general revenues for governmental activities for the years ended September 30, 2008 and 2009 are detailed below (Table 2).

Table 2  
General Revenues

	<u>2008</u>	<u>2009</u>
Property taxes	\$1,437,364	\$1,466,456
Sales taxes	972,853	961,161
Franchise taxes	205,263	228,953
Mixed beverage taxes	8,585	7,930
Investment earnings	209,105	42,138
Miscellaneous	<u>24,431</u>	<u>11,196</u>
	<u>\$2,857,601</u>	<u>\$2,717,834</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2008 and 2009.

Table 3  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 866,222	\$ 923,581
Operating grants and contributions	92,041	74,623
General revenues:		
Property taxes	1,437,364	1,466,456
Sales taxes	972,853	961,161
Other taxes	213,848	236,883
Investment earnings	209,105	42,138
Miscellaneous	<u>24,431</u>	<u>11,196</u>
	<u>3,815,864</u>	<u>3,716,038</u>
Expenses:		
Administration	561,031	460,804
Police	854,220	907,939
Fire	528,507	505,440
Municipal court	348,875	407,936
Public works	829,785	843,602
Debt service – interest and issuance costs	<u>342,083</u>	<u>324,546</u>
	<u>3,464,501</u>	<u>3,450,267</u>
Special Items	50,117	-
Change in net assets	401,480	265,771
Net assets – October 1 (beginning)	<u>4,020,341</u>	<u>4,421,821</u>
Net assets – September 30 (ending)	<u>\$4,421,821</u>	<u>\$4,687,592</u>

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2009

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

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

As of the end of the current period, the Town's governmental funds reported combined ending fund balances of \$3,409,129, a decrease of \$1,248,071 in comparison with the beginning of the period. Approximately 31.71 percent of this total amount (\$1,080,958) constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital improvements (\$2,235,257), 2) to pay for court security costs (\$45,698), 3) to pay for debt retirement (\$13,071), and 4) to liquidate prepaid items (\$34,145).

The general fund is the chief operating fund of the Town. At the end of the current period, unreserved fund balance of the general fund totaled \$1,080,958, while total fund balance was \$1,540,635. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.76 percent of total general fund expenditures, while total fund balance represents 52.39 percent of that same amount.

The fund balance of the Town's general fund increased by \$108,546 during the current year. Key factors in this increase are as follows:

- Sales tax revenue decreased slightly from the previous year, but this was offset by significant increases in court citation revenue.
- General fund expenditures were in total lower than the previous year due to decreased capital outlay expenditures.

#### **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 increase available fund balance by \$167,489. The available fund balance for the general fund actually increased in the amount of \$108,546.

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009

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**Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities as of September 30, 2009, amount to \$8,343,778 (net of accumulated depreciation). This amount represents a net increase of \$1,170,852, or 16 percent, above the beginning of the year. The investment in capital assets includes land, buildings, equipment, vehicles, roads and construction in progress.

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

<u>Description</u>	<u>Amount</u>
East Side paving improvements	\$1,119,071
Public works facility	145,539
Stormwater drainage improvements	<u>166,982</u>
Total	<u>\$1,431,592</u>

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

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	<u>Governmental Activities</u>
Land	\$ 471,805
Buildings	2,868,274
Equipment and Vehicles	389,654
Street and Road Infrastructure	4,306,623
Construction in Progress	<u>307,422</u>
Totals	<u>\$8,343,778</u>

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

**Long-term Debt.** At the end of the current period, the Town had certificates of obligation outstanding of \$2,215,000, general obligation bonds outstanding of \$4,760,000, capital leases outstanding of \$55,244, and accrued compensated absences of \$54,058, for a total of \$7,084,302.

The Town's total debt decreased by \$336,362 during the current year. No new debt was incurred during the year. Information on the Town's long-term debt can be found in note 7 of this report.

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009

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

In November 2008 the Town of Hickory Creek held a special election to adopt an additional sale and use tax within the Town of Hickory Creek, Texas at a rate of  $\frac{1}{4}$  of 1% to be used to reduce the property tax rate. The sales tax rate of 8.25% became effective October 1, 2009. Due to the election the property tax rate for 2009 was reduced to 0.42487 per \$100 assessed value from 0.44562 per \$100 assessed value for 2008.

Sales tax revenue decreased \$17,208 during the 2008-2009 budget year. This represents a 1.26% decrease from the 2007-2008 budget year.

The Town of Hickory Creek completed the following projects with funds from the bond package passed by voters in May 2007. Road improvements in the Royal Oaks and Hickory Hills subdivisions were completed in the second quarter of the 2008-2009 budget year. The Storm Water Drainage project has been approved and is in the design/build process.

The Town of Hickory Creek continues to maintain a strong financial reserve. The 2009-2010 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 ASSETS  
SEPTEMBER 30, 2009

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Economic</u>
	<u>Activities</u>	<u>Development</u>
		<u>Corporation</u>
<b>ASSETS</b>		
Cash and Investments	\$ 3,453,691	\$ 958,044
Receivables (net of allowance for uncollectibles):		
Taxes – Ad Valorem	21,804	-
Taxes – Sales	222,204	-
Other	3,729	-
Due from Federal Agencies	-	-
Internal Balances	(64,250)	64,250
Prepaid Costs	34,145	21,573
Debt Issuance Costs	158,364	8,445
Capital Assets:		
Land	471,805	325,942
Buildings, net	2,868,274	-
Equipment and Vehicles, net	389,654	-
Street and Road Infrastructure, net	4,306,623	137,445
Construction in Progress	<u>307,422</u>	<u>-</u>
Total Assets	<u>12,173,465</u>	<u>1,515,699</u>
<b>LIABILITIES</b>		
Accounts Payable	142,098	4,240
Accrued Wages	10,925	-
Accrued Interest	41,262	3,109
Due to State Agencies	82,380	-
Deferred Revenue	4,987	-
Bond Premiums	119,919	-
Noncurrent Liabilities:		
Due within one year	342,824	16,857
Due in more than one year	<u>6,741,478</u>	<u>293,408</u>
Total Liabilities	<u>7,485,873</u>	<u>317,614</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	1,310,717	158,458
Restricted for:		
Debt Retirement	13,071	-
Economic Development	-	1,039,627
Street Improvements/Maintenance	2,235,257	-
Court Security/Technology	45,698	-
Unrestricted Net Assets	<u>1,082,849</u>	<u>-</u>
Total Net Assets	<u>\$ 4,687,592</u>	<u>\$1,198,085</u>

The accompanying Notes are an integral part of this statement.

TOWN OF HICKORY CREEK

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 460,804	\$ -	\$ -
Police	907,939	404,057	1,289
Fire	505,440	-	-
Municipal Court	407,936	407,936	-
Public Works	843,602	111,588	1,557
Debt Service – Interest	320,967	-	71,777
Debt Service – Issuance Costs	<u>3,579</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,450,267</u>	<u>923,581</u>	<u>74,623</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><b>\$3,450,267</b></u>	<u><b>\$923,581</b></u>	<u><b>\$74,623</b></u>
<b>COMPONENT UNITS:</b>			
Economic Development Corporation	<u>\$ 227,312</u>	<u>\$ -</u>	<u>\$ -</u>

**GENERAL REVENUES:**

Taxes:

Property taxes – maintenance and operation

Property taxes – debt service

Sales taxes

Franchise taxes

Mixed beverage taxes

Investment Earnings

Miscellaneous

Total General Revenues and Special Items

Change in Net Assets

NET ASSETS, October 1 (beginning)

NET ASSETS, September 30 (ending)

The accompanying Notes are an integral part of this statement.

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Net (Expense) Revenue and  
Change in Net Assets

<u>Governmental Activities</u>	<u>Component Units</u>
\$ (460,804)	\$ -
(502,593)	-
(505,440)	-
-	-
(730,457)	-
(249,190)	-
<u>(3,579)</u>	<u>-</u>
<u>(2,452,063)</u>	<u>-</u>
 <u>(2,452,063)</u>	 <u>-</u>
 <u>-</u>	 <u>(227,312)</u>
 903,692	 -
562,764	-
961,161	384,249
228,953	-
7,930	-
42,138	9,130
<u>11,196</u>	<u>523</u>
<u>2,717,834</u>	<u>393,902</u>
 265,771	 166,590
<u>4,421,821</u>	<u>1,031,495</u>
<u>\$4,687,592</u>	<u>\$1,198,085</u>

**TOWN OF HICKORY CREEK**

BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$1,318,678	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes --Ad Valorem	14,469	7,335
Taxes - Sales	222,204	-
Other	3,729	-
Due from Other Funds	279,590	13,071
Prepaid Costs	34,145	-
Total Assets	<u>\$1,872,815</u>	<u>\$ 20,406</u>
 <b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 142,098	\$ -
Accrued Wages	10,925	-
Due to State Agencies	82,380	-
Due to EDC	64,250	-
Due to Other Funds	13,071	-
Deferred Revenue	19,456	7,335
Total Liabilities	<u>332,180</u>	<u>7,335</u>
Fund Equity:		
Fund Balances:		
Reserved for Prepaid Costs	34,145	-
Reserved for Debt Retirement	-	13,071
Reserved for Street Improvements	379,834	-
Reserved for Storm Drainage	-	-
Reserved for Court Security/Technology	45,698	-
Unreserved	1,080,958	-
Total Fund Equity	<u>1,540,635</u>	<u>13,071</u>
Total Liabilities and Fund Equity	<u>\$1,872,815</u>	<u>\$ 20,406</u>

The accompanying Notes are an integral part of this statement.

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<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
----------------------------------	---

\$2,135,013	\$3,453,691
-	21,804
-	222,204
-	3,729
-	292,661
-	34,145
<u>\$2,135,013</u>	<u>\$4,028,234</u>

\$ -	\$ 142,098
-	10,925
-	82,380
-	64,250
279,590	292,661
-	26,791
<u>279,590</u>	<u>619,105</u>

-	34,145
-	13,071
330,967	710,801
1,524,456	1,524,456
-	45,698
-	1,080,958
<u>1,855,423</u>	<u>3,409,129</u>
<u>\$2,135,013</u>	<u>\$4,028,234</u>

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**TOWN OF HICKORY CREEK**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

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**Total Fund Balances – Governmental Funds** \$3,409,129

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$8,093,840 and the accumulated depreciation was \$920,914. In addition, long-term liabilities totaling \$7,420,664 are not due and payable in the current year, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets. (247,738)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 1,841,353

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (327,794)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. 12,642

**Net Assets of Governmental Activities** \$4,687,592

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, 2009

	General Fund	Debt Service Fund
<b>Revenues:</b>		
Taxes - Ad Valorem	\$ 900,732	\$ 560,136
- Franchise	228,953	-
- Sales	961,161	-
- Mixed Beverage	7,930	-
Court Citations	754,796	-
Corp of Engineers	32,619	-
Police Training Funds	1,289	-
Building Permits	21,691	-
Interest Income	12,574	-
Other Permits and Fees	68,482	-
Parks and Recreation	37,393	-
Gas Royalties	2,046	-
Donations from EDC	-	71,777
Public Donations and Grants	1,557	-
Insurance Proceeds	8,600	-
Utilities Settlement	3,364	-
Other	5,786	-
Total Revenues	<u>3,048,973</u>	<u>631,913</u>
<b>Expenditures:</b>		
Current:		
General Government	417,341	-
Police	832,878	-
Fire	505,440	-
Municipal Court	394,743	-
Public Works	641,180	-
Debt Service:		
Principal	42,707	300,000
Interest	5,134	320,452
Capital Outlay	101,004	-
Total Expenditures	<u>2,940,427</u>	<u>620,452</u>
Excess (Deficit) of Revenues over Expenditures	<u>108,546</u>	<u>11,461</u>
Net Change in Fund Balance	108,546	11,461
Fund Balance – October 1, (beginning)	1,432,089	1,610
Fund Balance – September 30 (ending)	<u>\$1,540,635</u>	<u>\$ 13,071</u>

The accompanying Notes are an integral part of this statement.

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<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,460,868
-	228,953
-	961,161
-	7,930
-	754,796
-	32,619
-	1,289
-	21,691
29,564	42,138
-	68,482
-	37,393
-	2,046
-	71,777
-	1,557
-	8,600
-	3,364
-	5,786
<u>29,564</u>	<u>3,710,450</u>
-	417,341
-	832,878
-	505,440
-	394,743
-	641,180
-	342,707
-	325,586
<u>1,397,642</u>	<u>1,498,646</u>
<u>1,397,642</u>	<u>4,958,521</u>
(1,368,078)	(1,248,071)
(1,368,078)	(1,248,071)
<u>3,223,501</u>	<u>4,657,200</u>
<u>\$ 1,855,423</u>	<u>\$ 3,409,129</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, 2009

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**Total Net Change in Fund Balances – Governmental Funds** \$(1,248,071)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net assets. 1,841,353

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (327,794)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of lease purchases, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. 283

**Change in Net Assets of Governmental Activities** \$ 265,771

The accompanying Notes are an integral part of this statement.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2009

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hickory Creek (the "Town") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

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

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

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

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

#### A. Reporting Entity

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

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

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2009

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

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

The Town had one discretely presented component unit at September 30, 2009, the Hickory Creek Economic Development Corporation, which was created in fiscal year 2003 as the result of a successful 4B sales tax election.

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

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

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

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

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

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

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2009

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

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

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.

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

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

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

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

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

#### **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.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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**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 2009, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2008, upon which the fiscal year 2009 levy was based, was \$319,262,600. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2009, was \$.44562 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.

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.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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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. Reserves and Designations**

Reserves on fund balance in the fund financial statements indicate portions of fund equity legally segregated for a specific future use. At September 30, 2009, the Town's fund balances were reserved for the following purposes:

- Reserve for prepaid costs represents that portion of fund balance already disbursed on expenditures that relate to a subsequent fiscal year.
- Reserve for debt retirement represents that portion of fund balance legally restricted for retirement of long-term debt.
- Reserve for street improvements represents that portion of fund balance contributed by developers for future road improvements.
- Reserve for court security represents that portion of fund balance legally restricted for court security costs.
- Reserve for economic development represents the fund balance of the Hickory Creek Economic Development Corporation.

Designations indicate portions of fund equity, which are designated by the Town Council for a specific future use but are not legally restricted. At September 30, 2009, the Town had no designated fund balance.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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**K. 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.

**L. Net Assets**

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

**M. 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.

The Town administration is authorized to transfer budgeted amounts between departments with any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Expenditures should not exceed appropriations at the department level, the classification level as reported in the combined financial statements. Unused appropriations lapse at the end of each fiscal year.

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

**2. DEPOSITS AND INVESTMENTS**

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

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2009

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#### 1. Cash Deposits:

At September 30, 2009, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$161,744 and the bank balance was \$240,219. The Town's cash deposits at September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

#### 2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

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

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2009, the Town's cash balances totaled \$240,219. 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, 2009, 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).

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

- 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, 2009, 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, 2009 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	<u>\$3,291,687</u>	<u>\$3,291,687</u>
Total	<u>\$3,291,687</u>	<u>\$3,291,687</u>

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$1,841,353 adjustment are as follows:

Current year capital outlay	\$1,498,646
Certificates of obligation principal payments	180,000
Lease principal payments	42,707
General obligation bond principal payments	<u>120,000</u>
Net adjustment	<u>\$1,841,353</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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Another element of that reconciliation states that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$12,642 adjustment are as follows:

Deferred tax revenue recognized as revenue	\$ 21,804
Accrued interest payable on long term debt	(41,262)
Increase in accrued compensated absences	(6,345)
Capitalization of debt issuance costs	158,364
Capitalization of bond premium	<u>(119,919)</u>
Net adjustment	<u>\$ 12,642</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities: One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$283 adjustment are as follows:

Current year change in deferred tax revenue	\$ 5,588
Decrease in accrued interest payable	4,619
Increase in accrued compensated absences	(6,345)
Amortization of debt issuance/bond premium costs	<u>(3,579)</u>
Net adjustment	<u>\$ 283</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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**4. RECEIVABLES**

Government-wide receivables as of September 30, 2009, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 14,469	\$ 7,335	\$ 21,804
Sales taxes	222,204	-	222,204
Mixed beverage tax	1,824	-	1,824
Administrative fees	1,775	-	1,775
Gas royalties	<u>130</u>	<u>-</u>	<u>130</u>
Gross Receivables	240,402	7,335	247,737
Less: Uncollectible allowance	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$240,402</u>	<u>\$ 7,335</u>	<u>\$247,737</u>

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

**5. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2009 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$279,590	\$ -
Debt Service Fund	-	13,071
Debt Service Fund:		
General Fund	13,071	-
Capital Projects Fund:		
General Fund	<u>-</u>	<u>279,590</u>
Total	<u>\$292,661</u>	<u>\$292,661</u>

Internal balances between the primary government and component unit at September 30, 2009 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation		\$64,250
Economic Development Corporation:		
General Fund	<u>\$64,250</u>	
Total	<u>\$64,250</u>	<u>\$64,250</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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:

Transfer Out:	Transfer In:	
	Economic Development Corporation	Total
General Fund	<u>\$384,653</u>	<u>\$384,653</u>

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

**6. CAPITAL ASSETS**

Capital asset activity of the Town for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 471,805	\$ -	\$ -	\$ 471,805
Buildings	2,859,259	277,560	-	3,136,819
Equipment and Vehicles	995,543	63,959	-	1,059,502
Street and Road Infrastructure	2,032,281	2,584,657	-	4,616,938
Construction in Progress	<u>1,734,952</u>	<u>1,434,686</u>	<u>(2,862,216)</u>	<u>307,422</u>
Totals at historic cost	<u>8,093,840</u>	<u>4,360,862</u>	<u>(2,862,216)</u>	<u>9,592,486</u>
Less accumulated depreciation for:				
Buildings	(190,541)	(78,004)	-	(268,545)
Equipment and Vehicles	(562,196)	(107,652)	-	(669,848)
Street and Road Infrastructure	<u>(168,177)</u>	<u>(142,138)</u>	<u>-</u>	<u>(310,315)</u>
Total accumulated depreciation	<u>(920,914)</u>	<u>(327,794)</u>	<u>-</u>	<u>(1,248,708)</u>
Governmental activities capital assets, net	<u>\$7,172,926</u>	<u>\$4,033,068</u>	<u>\$(2,862,216)</u>	<u>\$8,343,778</u>

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

Governmental Activities:	
General government	\$ 42,581
Police	69,940
Municipal court	12,002
Public works	<u>203,271</u>
Total depreciation expense – Governmental activities	<u>\$327,794</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 325,942	\$ -	\$ -	\$ 325,942
Street and Road Infrastructure	<u>150,854</u>	<u>-</u>	<u>-</u>	<u>150,854</u>
Totals at historic cost	<u>476,796</u>	<u>-</u>	<u>-</u>	<u>476,796</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	<u>3,352</u>	<u>10,057</u>	<u>-</u>	<u>13,409</u>
Total accumulated depreciation	<u>3,352</u>	<u>10,057</u>	<u>-</u>	<u>13,409</u>
Capital Assets, net	<u>\$ 473,444</u>	<u>\$ (10,057)</u>	<u>\$ -</u>	<u>\$ 463,387</u>

**7. LONG TERM DEBT**

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

The following is a summary of the changes in the Town's Long-term Debt for the year ended September 30, 2009:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/08</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/09</u>	<u>Due Within One Year</u>
Certificates of Obligation Series 2004	3.91%	<u>\$2,395,000</u>	<u>\$ -</u>	<u>\$180,000</u>	<u>\$2,215,000</u>	<u>\$ 185,000</u>
General Obligation Bonds: Series 2007	4.25-5.0%	<u>4,880,000</u>	<u>-</u>	<u>120,000</u>	<u>4,760,000</u>	<u>125,000</u>
Capital Leases:						
Police Vehicle	8.98%	11,011	-	11,011	-	-
Police Vehicles	6.12%	48,302	-	15,754	32,548	16,524
Public Works Vehicle	7.69%	21,583	-	7,693	13,890	7,494
Public Works Vehicle	6.75%	<u>17,055</u>	<u>-</u>	<u>8,249</u>	<u>8,806</u>	<u>8,806</u>
Total Capital Leases		<u>97,951</u>	<u>-</u>	<u>42,707</u>	<u>55,244</u>	<u>32,824</u>
Compensated Absences	-	<u>47,713</u>	<u>6,345</u>	<u>-</u>	<u>54,058</u>	<u>-</u>
Total Long-Term Debt		<u>\$7,420,664</u>	<u>\$ 6,345</u>	<u>\$342,707</u>	<u>\$7,084,302</u>	<u>\$ 342,824</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

Long term debt of the Hickory Creek Economic Development Corporation consists of one bank note. A summary of the change in the long-term debt for the year ended September 30, 2009 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/08</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/09</u>	<u>Due Within One Year</u>
Bank Loan - Southside Bank	4.75%	<u>\$326,348</u>	<u>\$ -</u>	<u>\$16,083</u>	<u>\$310,265</u>	<u>\$16,857</u>

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 185,000	\$ 86,607	\$ 271,607
2011	190,000	79,373	269,373
2012	200,000	71,944	271,944
2013	210,000	64,124	274,124
2014	215,000	55,913	270,913
2015-2019	<u>1,215,000</u>	<u>145,844</u>	<u>1,360,844</u>
	<u>\$2,215,000</u>	<u>\$ 503,805</u>	<u>\$2,718,805</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>
2010	\$ 125,000	\$ 221,707	\$ 346,707
2011	130,000	216,395	346,395
2012	135,000	210,870	345,870
2013	140,000	204,120	344,120
2014	145,000	198,520	343,520
2015-2019	830,000	899,600	1,729,600
2020-2024	1,015,000	712,113	1,727,113
2025-2029	1,295,000	436,750	1,731,750
2030-2032	<u>945,000</u>	<u>96,000</u>	<u>1,041,000</u>
	<u>\$4,760,000</u>	<u>\$3,196,075</u>	<u>\$7,956,075</u>

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 32,824	\$ 3,017	\$ 35,841
2011	<u>22,420</u>	<u>1,256</u>	<u>23,676</u>
	<u>\$ 55,244</u>	<u>\$ 4,273</u>	<u>\$ 59,517</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2010	\$ 16,857	\$ 14,540	\$ 31,397
2011	17,667	13,730	31,397
2012	18,516	12,881	31,397
2013	19,406	11,991	31,397
2014	20,339	11,058	31,397
2015-2019	117,330	39,645	156,975
2020-2023	<u>100,150</u>	<u>9,472</u>	<u>109,622</u>
	<u>\$ 310,265</u>	<u>\$ 113,317</u>	<u>\$ 423,582</u>

**9. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

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

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

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (Town to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/25	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Reporting	70% of CPI Reporting

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

**Contributions**

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

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

1. Annual Required Contribution (ARC)	\$ 63,494
2. Annual Pension Cost (APC)	63,494
3. Contributions Made	<u>(63,494)</u>
4. Increase (decrease) in net pension obligation	-0-
5. Net Pension Obligation/(Asset), beginning of year	<u>-0-</u>
6. Net Pension Obligation/(Asset), end of year	<u>\$ -0-</u>

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/2008</u>
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years - open period	30 years - closed period	29 years - closed period
Asset Valuation Method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	N/A	2.1%	2.1%

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2008	\$724,285	\$772,775	93.7%	\$48,490	\$1,071,610	4.5%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**10. LITIGATION AND CONTINGENCIES**

The Town participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2009 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**11. RISK MANAGEMENT**

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

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

**12. COMMITMENT**

The donation from the Hickory Creek Economic Development Corporation to the Debt Service Fund of \$71,777 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes - Ad Valorem	\$ 908,376	\$ 900,732	\$ 900,732	\$ -
- Franchise	212,000	228,953	228,953	-
- Sales	982,300	969,967	961,161	(8,806)
- Mixed Beverage	-	-	7,930	7,930
Court Citations	686,000	755,829	754,796	(1,033)
Corp of Engineers	80,436	34,798	32,619	(2,179)
Police Training Funds	-	1,289	1,289	-
Building Permits	40,000	21,691	21,691	-
Interest Income	35,100	12,574	12,574	-
Other Permits and Fees	41,785	64,020	68,482	4,462
Parks and Recreation	32,000	37,393	37,393	-
Gas Lease/Royalties	5,500	3,018	2,046	(972)
Public Donations	15,868	1,557	1,557	-
Insurance Proceeds	-	-	8,600	8,600
Utilities Settlement	-	3,364	3,364	-
Other	-	21,393	5,786	(15,607)
Total Revenues	<u>3,039,365</u>	<u>3,056,578</u>	<u>3,048,973</u>	<u>(7,605)</u>
<b>Expenditures:</b>				
Current:				
General Government	503,489	413,954	417,341	(3,387)
Police	851,896	858,017	832,878	25,139
Fire	505,440	505,440	505,440	-
Municipal Court	341,458	370,918	394,743	(23,825)
Public Works	789,155	625,679	641,180	(15,501)
Debt Service:				
Principal	42,707	42,707	42,707	-
Interest	5,220	5,589	5,134	455
Capital Outlay	-	66,785	101,004	(34,219)
Total Expenditures	<u>3,039,365</u>	<u>2,889,089</u>	<u>2,940,427</u>	<u>(51,338)</u>
Excess of Revenues Over Expenditures	-	167,489	108,546	(58,943)
Net Change in Fund Balance	-	167,489	108,546	(58,943)
Fund Balance – October 1 (Beginning)	1,432,089	1,432,089	1,432,089	-
Fund Balance – September 30 (Ending)	<u>\$1,432,089</u>	<u>\$1,599,578</u>	<u>\$1,540,635</u>	<u>\$ (58,943)</u>

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009		Variance	2008
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Expenditures:				
General Government:				
Salaries and Wages	\$ 114,167	\$ 110,785	\$ 3,382	\$ 194,973
Insurance, Taxes and Retirement	23,739	23,739	-	36,142
Dues and Memberships	2,182	1,597	585	2,242
Training and Education	1,985	1,045	940	4,635
Office Supplies and Postage	8,267	9,198	(931)	7,202
Printing	2,191	2,191	-	1,755
Copier Rental	5,847	6,300	(453)	5,191
Computer Support and Maintenance	27,422	29,879	(2,457)	8,889
Advertising/Legal Notices	3,423	3,203	220	3,412
Public Relations	13,665	13,665	-	10,760
Telephone	12,178	12,527	(349)	13,109
Utilities	50,616	51,441	(825)	43,395
Legal Fees	39,521	40,677	(1,156)	60,742
Audit Fees	8,500	8,500	-	6,000
General Insurance	22,927	21,905	1,022	23,662
Building Maintenance and Supplies	21,750	21,750	-	23,443
Lake Cities Library	22,278	22,278	-	20,094
Election Costs	6,190	7,594	(1,404)	5,107
Travel	500	221	279	1,739
Tax Collection/Appraisal Costs	13,486	13,726	(240)	13,395
Ordinance Codification	3,330	3,330	-	8,683
Grants Network	-	1,250	(1,250)	6,249
Town Council Costs	1,206	1,206	-	1,499
Events/Employee Incentives	6,110	6,860	(750)	5,120
Contingency Costs	-	-	-	3,421
Other Expenditures	<u>2,474</u>	<u>2,474</u>	<u>-</u>	<u>5,166</u>
Total General Government Expenditures	<u>413,954</u>	<u>417,341</u>	<u>(3,387)</u>	<u>516,025</u>
Police Department:				
Salaries and Wages	637,878	619,383	18,495	556,106
Insurance, Taxes and Retirement	134,235	133,887	348	103,835
Office Supplies and Postage	1,641	1,888	(247)	1,545
Dues and Memberships	228	228	-	299
Personnel Equipment	1,376	1,641	(265)	4,448
Crime Lab Analysis	600	600	-	500
Auto Expense – Gas	32,280	27,400	4,880	43,706
Auto Expense – Repairs	27,134	27,553	(419)	12,106
Uniforms	5,720	5,720	-	5,484
Radios	641	641	-	5,490
Books and Subscriptions	295	295	-	988
Computer Support and Maintenance	12,307	10,235	2,072	12,144
Travel	-	-	-	98
Lake Cities Tactical	-	-	-	286

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Expenditures:				
Police Department (Continued):				
Training	\$ 2,309	\$ 2,309	\$ -	\$ 2,461
Drug Forfeiture/Seizure	-	-	-	348
Other Expenditures	<u>1,373</u>	<u>1,098</u>	<u>275</u>	<u>2,653</u>
Total Police Department Expenditures	<u>858,017</u>	<u>832,878</u>	<u>25,139</u>	<u>752,497</u>
Fire Department:				
Contract Services	<u>505,440</u>	<u>505,440</u>	-	<u>528,507</u>
Total Fire Department Expenditures	<u>505,440</u>	<u>505,440</u>	-	<u>528,507</u>
Municipal Court:				
Salaries and Wages	80,893	77,983	2,910	75,384
Insurance, Taxes and Retirement	16,827	16,827	-	13,974
Office Supplies and Postage	1,988	1,988	-	1,553
Travel	1,192	1,192	-	304
Municipal Judge	10,125	9,000	1,125	9,375
State Court Costs	215,382	245,669	(30,287)	200,133
Warrant Service Fees	24,194	21,907	2,287	18,459
County Jail Fees	1,980	1,840	140	2,600
Building Security/Court Technology Costs	15,461	15,461	-	10,644
Jury Costs	300	300	-	300
Citations	1,777	1,777	-	1,830
Other Expenditures	<u>799</u>	<u>799</u>	-	<u>354</u>
Total Municipal Court	<u>370,918</u>	<u>394,743</u>	<u>(23,825)</u>	<u>334,910</u>
Public Works:				
Salaries and Wages	258,466	248,700	9,766	278,818
Insurance, Taxes and Retirement	53,838	53,838	-	51,685
Dues and Memberships	602	602	-	804
Office Supplies and Postage	2,134	2,134	-	681
Animal Control	6,334	7,288	(954)	7,069
Auto Expense – Gas	16,992	15,461	1,531	26,501
Auto Expense – Repairs	17,843	17,843	-	13,217
Supplies	21,815	20,259	1,556	20,698
Equipment Repairs and Maintenance	11,879	11,879	-	17,007
Equipment Rent	2,204	2,204	-	3,689
Uniforms	5,907	5,907	-	11,784
Training	579	579	-	1,210
Travel	-	-	-	1,269
Street Lighting	29,777	30,131	(354)	28,785
Computer Hardware/Software	3,968	3,968	-	757
Street Repairs and Maintenance	65,366	130,978	(65,612)	57,378
Engineering	43,936	19,270	24,666	126,445
Inspection Fees	18,723	17,587	1,136	26,109

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009			
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	2008 <u>Actual</u>
Expenditures:				
Public Works:				
Parks and Recreation	\$ 40,601	\$ 28,319	\$ 12,282	\$ 17,608
Beautification	9,567	9,567	-	12,566
Community Events	7,553	7,553	-	7,930
Radios	5,711	5,229	482	5,298
Other Expenditures	1,884	1,884	-	2,163
Total Public Works Expenditures	<u>625,679</u>	<u>641,180</u>	<u>(15,501)</u>	<u>719,471</u>
Capital Outlay:				
Land	-	-	-	212,500
Construction in Progress	3,095	3,095	-	-
Building	33,950	33,950	-	-
Equipment and Vehicles	29,740	63,959	(34,219)	65,103
Street and Road Improvements	-	-	-	240,311
Total Capital Outlay	<u>66,785</u>	<u>101,004</u>	<u>(34,219)</u>	<u>517,914</u>
Debt Service:				
Principal Retirement	42,707	42,707	-	42,900
Interest	5,589	5,134	455	5,027
Total Debt Service Expenditures	<u>48,296</u>	<u>47,841</u>	<u>455</u>	<u>47,927</u>
Total Expenditures	<u>\$2,889,089</u>	<u>\$2,940,427</u>	<u>\$ (51,338)</u>	<u>\$3,417,251</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, 2009

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	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	\$556,976	\$560,136	\$560,136	\$ -
Donations from EDC	<u>71,777</u>	<u>71,777</u>	<u>71,777</u>	<u>-</u>
Total Revenues	<u>628,753</u>	<u>631,913</u>	<u>631,913</u>	<u>-</u>
Expenditures:				
Principal	300,000	300,000	300,000	-
Interest and Fees	<u>324,140</u>	<u>320,452</u>	<u>320,452</u>	<u>-</u>
Total Expenditures	<u>624,140</u>	<u>620,452</u>	<u>620,452</u>	<u>-</u>
Excess of Revenues over Expenditures	4,613	11,461	11,461	-
Fund Balance – October 1 (Beginning)	<u>1,610</u>	<u>1,610</u>	<u>1,610</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 6,223</u>	<u>\$ 13,071</u>	<u>\$ 13,071</u>	<u>\$ -</u>

TOWN OF HICKORY CREEK

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2009

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Tax Year	Tax Rates		Assessed Valuation	Balance
	Maintenance	Debt Service		September 30, 2008
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	637
2005	.34020	.00	259,282,187	1,268
2006	.34020	.00	287,603,175	1,745
2007	.27824	.16738	318,990,395	12,531
2008	.27442	.17120	319,262,600	-
Total				<u>\$ 16,216</u>

<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2009</u>
	\$ -	\$ -	\$ 2
	-	-	2
	-	-	2
	-	-	2
	-	-	2
	-	-	3
	-	-	2
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	6	6	5
	282	6	361
	380	6	894
	1,124	751	1,372
	11,187	895	2,239
<u>\$1,422,698</u>	<u>1,434,205</u>	<u>28,410</u>	<u>16,903</u>
<u>\$1,422,698</u>	<u>\$1,447,184</u>	<u>\$ 30,074</u>	21,804
Less allowance for uncollectible accounts			-
			<u>\$ 21,804</u>

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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Revenues:	
Taxes – Sales	\$ 384,249
Interest Income	9,130
Gas Royalties	<u>523</u>
Total Revenues	<u>393,902</u>
Expenditures:	
Administration:	
Legal and Professional	3,833
Marketing	13,222
Staff Consultant	49,500
Administrative Fees	7,100
Engineering	50,039
Contribution to Town for Debt Service	71,777
Office Supplies and Postage	584
Travel and Training	1,072
Dues and Subscriptions	162
Mowing	893
Debt Service:	
Note Principal	16,084
Note Interest	<u>15,331</u>
Total Expenditures	<u>229,597</u>
Excess of Revenues over Expenditures	<u>164,305</u>
Change in Fund Balance	164,305
Fund Balance – October 1 (beginning)	<u>875,322</u>
Fund Balance – September 30 (ending)	<u>\$1,039,627</u>

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

Honorable Mayor and Town Council  
Town of Hickory Creek

We have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas ("Town") as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

Compliance and Other Matters

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

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

December 15, 2009