

TOWN OF HICKORY CREEK

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2010

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, 2010, which collectively comprises the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of September 30, 2010, 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 22, 2010, on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



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

December 22, 2010

MANAGEMENT'S DISCUSSION & ANALYSIS

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TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2010

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, 2010. 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, 2010 by \$6,142,121. Of this amount, \$1,868,936 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,454,529.
- As of September 30, 2010, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$3,980,047, an increase of \$570,918 in comparison with the beginning of the period. Approximately 44 percent of this total amount, \$1,765,565, 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 \$1,765,565 or 47.3 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, 2010

- **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, 2010

Government-wide Financial Analysis

The Town's combined net assets were \$6,142,121 as of September 30, 2010. 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

	Governmental Activities	
	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 3,829,687	\$ 4,316,695
Capital assets	8,343,778	8,890,507
Total assets	<u>12,173,465</u>	<u>13,207,202</u>
Long-term liabilities outstanding	7,084,302	6,857,234
Other liabilities	401,571	207,847
Total liabilities	<u>7,485,873</u>	<u>7,065,081</u>
Net assets:		
Invested in capital assets, net of related debt	1,310,717	2,086,606
Restricted for:		
Debt service	13,071	33,499
Street improvements	2,235,257	2,089,777
Court security and technology	45,698	63,303
Unrestricted	<u>1,082,849</u>	<u>1,868,936</u>
Total net assets	<u>\$ 4,687,592</u>	<u>\$ 6,142,121</u>

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

Governmental Activities. The Town's general revenues for governmental activities for the years ended September 30, 2009 and 2010 are detailed below (Table 2).

Table 2
General Revenues

	<u>2009</u>	<u>2010</u>
Property taxes	\$1,466,456	\$1,363,385
Sales taxes	961,161	1,156,840
Franchise taxes	228,953	207,030
Mixed beverage taxes	7,930	7,842
Investment earnings	42,138	9,745
Miscellaneous	<u>11,196</u>	<u>7,900</u>
	<u>\$2,717,834</u>	<u>\$2,752,742</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2009 and 2010.

Table 3
Changes in Net Assets

	Governmental Activities	
	<u>2009</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 923,581	\$1,074,861
Operating grants and contributions	74,623	80,210
General revenues:		
Property taxes	1,466,456	1,363,385
Sales taxes	961,161	1,156,840
Other taxes	236,883	214,872
Investment earnings	42,138	9,745
Miscellaneous	<u>11,196</u>	<u>7,900</u>
	<u>3,716,038</u>	<u>3,907,813</u>
Expenses:		
Administration	460,804	611,891
Police	907,939	838,613
Fire	505,440	519,588
Municipal court	407,936	443,862
Public works	843,602	915,198
Debt service – interest and issuance costs	<u>324,546</u>	<u>309,023</u>
	<u>3,450,267</u>	<u>3,638,175</u>
Special Items	-	1,184,891
Change in net assets	265,771	1,454,529
Net assets – October 1 (beginning)	<u>4,421,821</u>	<u>4,687,592</u>
Net assets – September 30 (ending)	<u>\$4,687,592</u>	<u>\$6,142,121</u>

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2010

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 \$3,980,047, an increase of \$570,918 in comparison with the beginning of the period. Approximately 44.36 percent of this total amount (\$1,765,565) 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 (\$2,089,777), 2) to pay for court security costs (\$63,303), 3) to pay for debt retirement (\$33,499), and 4) to liquidate prepaid items (\$27,903).

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 \$1,765,565, while total fund balance was \$2,278,807. 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 47.36 percent of total general fund expenditures, while total fund balance represents 61.12 percent of that same amount.

The fund balance of the Town's general fund increased by \$738,172 during the current year. Key factors in this increase are as follows:

- Property tax revenue decreased from the previous year, but this was offset by an increase in the sales tax rate that was earmarked for property tax relief.
- The Town realized \$1,183,081 in option proceeds from entering a land purchase contract with TxDot on the Town's old Town hall/animal shelter facility.
- General fund expenditures were in total higher than the previous year due primarily to capital outlay costs for the construction of a new animal shelter.

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 no change in available fund balance. The available fund balance for the general fund actually increased in the amount of \$738,172.

TOWN OF HICKORY CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of September 30, 2010, amount to \$8,890,507 (net of accumulated depreciation). This amount represents a net increase of \$546,729, or 6.5 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>
Animal shelter facility	\$ 626,663
Stormwater drainage improvements	192,182
Two police vehicles	67,998
Computer equipment	<u>38,025</u>
Total	<u>\$ 924,868</u>

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

	<u>Governmental Activities</u>
Land	\$ 471,805
Buildings	2,789,113
Equipment and Vehicles	419,816
Street and Road Infrastructure	4,083,506
Construction in Progress	<u>1,126,267</u>
Totals	<u>\$8,890,507</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 \$2,030,000, general obligation bonds outstanding of \$4,635,000, capital leases outstanding of \$24,215, and accrued compensated absences of \$53,333, for a total of \$6,857,234.

The Town's total debt decreased by \$346,987 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, 2010

Economic Factors and Next Year's Budgets and Rates

Due to strong financial management principles, the 2010-2011 budget did not require an increase to the property tax rate. The rate remained the same at \$0.424287 per \$100 of assessed value. During the 2009-2010 year, the Town of Hickory Creek built a new Animal Shelter adjacent to the Public Works Facility and completed several road improvements throughout the Town. The quarter percent increase in the sales tax rate which began in October 2009 help to offset a decrease in property tax reduction, a result of the economic conditions during the 2009-2010 budget year. During the 2009-2010 budget year, the Town replaced two of the older police units and six in-car laptops, switched over to the new communications system implemented by the Denton County Sheriff's Department, updated the sound system in the Council Chambers, and completed repair work and overlays on several roads throughout the Town.

For the 2010-2011 budget year, the Town has plans to work on drainage improvements throughout the Town, as well as to continue working to improve various roads throughout the Town in need of repairs. In addition, the Town will be working to complete improvements to the Public Works Facility and converting the Outdoor Emergency Warning Sirens from AC power to solar power, which should improve the energy efficiency of the Public Works Building and the Outdoor Emergency Warning Sirens and reduce the Town's total energy usage.

The Town of Hickory Creek continues to maintain a strong financial reserve. The 2010-2011 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, 2010

	<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	\$ 3,920,734	\$1,125,510
Receivables (net of allowance for uncollectibles):		
Taxes – Ad Valorem	17,652	-
Taxes – Sales	250,039	-
Other	5,405	-
Due from Federal Agencies	8,709	-
Internal Balances	(63,299)	63,299
Prepaid Costs	27,903	900
Debt Issuance Costs	149,552	7,812
Capital Assets:		
Land	471,805	325,942
Buildings, net	2,789,113	-
Equipment and Vehicles, net	419,816	-
Street and Road Infrastructure, net	4,083,506	127,388
Construction in Progress	<u>1,126,267</u>	<u>-</u>
Total Assets	<u>13,207,202</u>	<u>1,650,851</u>
LIABILITIES		
Accounts Payable	87,166	6,146
Accrued Wages	13,795	-
Accrued Interest	38,403	2,932
Due to State Agencies	65,482	-
Deferred Revenue	3,001	-
Noncurrent Liabilities:		
Due within one year	344,215	17,667
Due in more than one year	<u>6,513,019</u>	<u>275,741</u>
Total Liabilities	<u>7,065,081</u>	<u>302,486</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	2,086,606	159,922
Restricted for:		
Debt Retirement	33,499	-
Economic Development	-	1,188,443
Street Improvements/Maintenance	2,089,777	-
Court Security/Technology	63,303	-
Unrestricted Net Assets	<u>1,868,936</u>	<u>-</u>
Total Net Assets	<u>\$ 6,142,121</u>	<u>\$1,348,365</u>

The accompanying Notes are an integral part of this statement.

TOWN OF HICKORY CREEK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 611,891	\$ 7,480	\$ -
Police	838,613	513,139	8,014
Fire	519,588	-	-
Municipal Court	443,862	443,862	-
Public Works	915,198	110,380	953
Debt Service – Interest	300,211	-	71,243
Debt Service – Issuance Costs	<u>8,812</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,638,175</u>	<u>1,074,861</u>	<u>80,210</u>
TOTAL PRIMARY GOVERNMENT	<u>\$3,638,175</u>	<u>\$1,074,861</u>	<u>\$80,210</u>
COMPONENT UNITS:			
Economic Development Corporation	<u>\$ 238,420</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES:

Taxes:

Property taxes – maintenance and operation

Property taxes – debt service

Sales taxes

Franchise taxes

Mixed beverage taxes

Investment Earnings

Miscellaneous

Special item – land option contract proceeds

Special item – gain on sale of personal property

Total General Revenues and Special Items

Change in Net Assets

NET ASSETS, October 1 (beginning)

NET ASSETS, September 30 (ending)

The accompanying Notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Assets

<u>Governmental Activities</u>	<u>Component Units</u>
\$ (604,411)	\$ -
(317,460)	-
(519,588)	-
-	-
(803,865)	-
(228,968)	-
(8,812)	-
<u>(2,483,104)</u>	<u>-</u>
(2,483,104)	-
<u>-</u>	<u>(238,420)</u>
801,821	-
561,564	-
1,156,840	385,613
207,030	-
7,842	-
9,745	2,441
7,900	646
1,183,081	-
1,810	-
<u>3,937,633</u>	<u>388,700</u>
1,454,529	150,280
<u>4,687,592</u>	<u>1,198,085</u>
<u>\$6,142,121</u>	<u>\$1,348,365</u>

TOWN OF HICKORY CREEK

BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Investments	\$2,223,753	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes –Ad Valorem	11,429	6,223
Taxes - Sales	250,039	-
Other	14,114	-
Due from Other Funds	29,240	33,499
Prepaid Costs	<u>27,903</u>	<u>-</u>
Total Assets	<u>\$2,556,478</u>	<u>\$ 39,722</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 87,166	\$ -
Accrued Wages	13,795	-
Due to State Agencies	65,482	-
Due to EDC	63,299	-
Due to Other Funds	33,499	-
Deferred Revenue	<u>14,430</u>	<u>6,223</u>
Total Liabilities	<u>277,671</u>	<u>6,223</u>
Fund Equity:		
Fund Balances:		
Reserved for Prepaid Costs	27,903	-
Reserved for Debt Retirement	-	33,499
Reserved for Street Improvements	422,036	-
Reserved for Storm Drainage	-	-
Reserved for Court Security/Technology	63,303	-
Unreserved	<u>1,765,565</u>	<u>-</u>
Total Fund Equity	<u>2,278,807</u>	<u>33,499</u>
Total Liabilities and Fund Equity	<u>\$2,556,478</u>	<u>\$ 39,722</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$1,696,981	\$3,920,734
-	17,652
-	250,039
-	14,114
-	62,739
-	<u>27,903</u>
<u>\$1,696,981</u>	<u>\$4,293,181</u>

\$ -	\$ 87,166
-	13,795
-	65,482
-	63,299
29,240	62,739
-	<u>20,653</u>
<u>29,240</u>	<u>313,134</u>

-	27,903
-	33,499
331,791	753,827
1,335,950	1,335,950
-	63,303
-	<u>1,765,565</u>
<u>1,667,741</u>	<u>3,980,047</u>
<u>\$1,696,981</u>	<u>\$4,293,181</u>

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TOWN OF HICKORY CREEK

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total Fund Balances – Governmental Funds \$3,980,047

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 \$9,592,486 and the accumulated depreciation was \$1,248,708. In addition, long-term liabilities totaling \$7,204,221 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 increase net assets. 1,139,557

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. 1,311,309

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (415,856)

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. 127,064

Net Assets of Governmental Activities \$6,142,121

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, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>
Revenues:		
Taxes - Ad Valorem	\$ 804,861	\$ 562,676
- Franchise	207,030	-
- Sales	1,156,840	-
- Mixed Beverage	7,842	-
Court Citations	898,026	-
Corp of Engineers	32,658	-
Police Training Funds	1,387	-
Building Permits	39,152	-
Interest Income	5,245	-
Other Permits and Fees	60,947	-
Parks and Recreation	44,078	-
Gas Royalties	2,037	-
Donations from EDC	-	71,243
Public Donations and Grants	2,953	-
Drug Seizure	4,627	-
Other	5,863	-
Total Revenues	<u>3,273,546</u>	<u>633,919</u>
Expenditures:		
Current:		
General Government	568,643	-
Police	740,877	-
Fire	519,588	-
Municipal Court	432,125	-
Public Works	652,788	-
Debt Service:		
Principal	31,029	310,000
Interest	4,812	303,491
Capital Outlay	778,098	-
Total Expenditures	<u>3,727,960</u>	<u>613,491</u>
Excess (Deficit) of Revenues over Expenditures	<u>(454,414)</u>	<u>20,428</u>
Other Resources:		
Land Option Contract Proceeds	1,183,081	-
Sale of Personal Property	9,505	-
Total Other Resources	<u>1,192,586</u>	<u>-</u>
Net Change in Fund Balance	738,172	20,428
Fund Balance – October 1, (beginning)	<u>1,540,635</u>	<u>13,071</u>
Fund Balance – September 30 (ending)	<u>\$2,278,807</u>	<u>\$ 33,499</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,367,537
-	207,030
-	1,156,840
-	7,842
-	898,026
-	32,658
-	1,387
-	39,152
4,500	9,745
-	60,947
-	44,078
-	2,037
-	71,243
-	2,953
-	4,627
-	<u>5,863</u>
<u>4,500</u>	<u>3,911,965</u>
-	568,643
-	740,877
-	519,588
-	432,125
-	652,788
-	341,029
-	308,303
<u>192,182</u>	<u>970,280</u>
<u>192,182</u>	<u>4,533,633</u>
<u>(187,682)</u>	<u>(621,668)</u>
-	1,183,081
-	<u>9,505</u>
-	<u>1,192,586</u>
(187,682)	570,918
<u>1,855,423</u>	<u>3,409,129</u>
<u>\$ 1,667,741</u>	<u>\$ 3,980,047</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, 2010

Total Net Change in Fund Balances – Governmental Funds	\$ 570,918
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.	1,311,309
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.	(415,856)
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 decrease net assets.	<u>(11,842)</u>
Change in Net Assets of Governmental Activities	<u>\$1,454,529</u>

The accompanying Notes are an integral part of this statement.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

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, 2010

- 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, 2010, 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, 2010

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, 2010

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 2010, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2009, upon which the fiscal year 2010 levy was based, was \$317,875,400. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2010, was \$.424287 per \$100.

G. Prepaid Items

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

H. Capital Assets

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

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, 2010

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, 2010, 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, 2010, the Town had no designated fund balance.

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

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, 2010

1. Cash Deposits:

At September 30, 2010, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$77,190 and the bank balance was \$119,172. The Town's cash deposits at September 30, 2010 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, 2010, the Town's cash balances totaled \$119,172. 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, 2010, 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, 2010

- 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, 2010, 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, 2010 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	<u>\$3,843,284</u>	<u>\$3,843,284</u>
Total	<u>\$3,843,284</u>	<u>\$3,843,284</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 \$1,311,309 adjustment are as follows:

Current year capital outlay	\$ 970,280
Certificates of obligation principal payments	185,000
Lease principal payments	31,029
General obligation bond principal payments	<u>125,000</u>
Net adjustment	<u>\$1,311,309</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 \$127,064 adjustment are as follows:

Deferred tax revenue recognized as revenue	\$ 17,652
Accrued interest payable on long term debt	(38,403)
Decrease in accrued compensated absences	725
Capitalization of debt issuance costs	149,552
Amortization of bond premium costs	5,233
Basis of capital assets sold	<u>(7,695)</u>
Net adjustment	<u>\$ 127,064</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 \$(11,842) adjustment are as follows:

Current year change in deferred tax revenue	\$ (4,152)
Decrease in accrued interest payable	2,859
Decrease in accrued compensated absences	725
Amortization of debt issuance/bond premium costs	(3,579)
Basis of capital assets sold	<u>(7,695)</u>
Net adjustment	<u>\$ (11,842)</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

4. RECEIVABLES

Government-wide receivables as of September 30, 2010, 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	\$ 11,429	\$ 6,223	\$ 17,652
Sales taxes	250,039	-	250,039
Mixed beverage tax	1,935	-	1,935
Gas royalties	297	-	297
Corp of Engineer revenue	8,709	-	8,709
Workers Compensation refund	759	-	759
Event deposit	1,000	-	1,000
Credit cards in transit	1,344	-	1,344
Other	<u>70</u>	<u>-</u>	<u>70</u>
Gross Receivables	275,582	6,223	281,805
Less: Uncollectible allowance	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$275,582</u>	<u>\$ 6,223</u>	<u>\$281,805</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, 2010 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$ 29,240	\$ -
Debt Service Fund	-	33,499
Debt Service Fund:		
General Fund	33,499	-
Capital Projects Fund:		
General Fund	<u>-</u>	<u>29,240</u>
Total	<u>\$ 62,739</u>	<u>\$ 62,739</u>

Internal balances between the primary government and component unit at September 30, 2010 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation		\$63,299
Economic Development Corporation:		
General Fund	<u>\$63,299</u>	
Total	<u>\$63,299</u>	<u>\$63,299</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 In:	
	Economic Development Corporation	Total
Transfer Out: General Fund	<u>\$386,565</u>	<u>\$386,565</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, 2010 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	3,136,819	-	-	3,136,819
Equipment and Vehicles	1,059,502	151,435	(90,124)	1,120,813
Street and Road Infrastructure	4,616,938	-	-	4,616,938
Construction in Progress	<u>307,422</u>	<u>818,845</u>	<u>-</u>	<u>1,126,267</u>
Totals at historic cost	<u>9,592,486</u>	<u>970,280</u>	<u>(90,124)</u>	<u>10,472,642</u>
Less accumulated depreciation for:				
Buildings	(268,545)	(79,161)	-	(347,706)
Equipment and Vehicles	(669,848)	(113,578)	82,429	(700,997)
Street and Road Infrastructure	<u>(310,315)</u>	<u>(223,117)</u>	<u>-</u>	<u>(533,432)</u>
Total accumulated depreciation	<u>(1,248,708)</u>	<u>(415,856)</u>	<u>82,429</u>	<u>(1,582,135)</u>
Governmental activities capital assets, net	<u>\$8,343,778</u>	<u>\$ 554,424</u>	<u>\$ (7,695)</u>	<u>\$ 8,890,507</u>

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

Governmental Activities:	
General government	\$ 43,248
Police	98,461
Municipal court	11,737
Public works	<u>262,410</u>
Total depreciation expense – Governmental activities	<u>\$415,856</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2010 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>(13,409)</u>	<u>(10,057)</u>	<u>-</u>	<u>(23,466)</u>
Total accumulated depreciation	<u>(13,409)</u>	<u>(10,057)</u>	<u>-</u>	<u>(23,466)</u>
Capital Assets, net	<u>\$ 463,387</u>	<u>\$ (10,057)</u>	<u>\$ -</u>	<u>\$ 453,330</u>

7. LONG TERM DEBT

Long term debt of the Town consists of three 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, 2010:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/09</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/10</u>	<u>Due Within One Year</u>
Certificates of Obligation						
Series 2004	3.91%	<u>\$2,215,000</u>	<u>\$ -</u>	<u>\$185,000</u>	<u>\$2,030,000</u>	<u>\$ 190,000</u>
General Obligation Bonds:						
Series 2007	4.25-5.0%	<u>4,760,000</u>	<u>-</u>	<u>125,000</u>	<u>4,635,000</u>	<u>130,000</u>
Capital Leases:						
Police Vehicles	6.12%	32,548	-	15,712	16,836	16,836
Public Works Vehicle	7.69%	13,890	-	6,511	7,379	7,379
Public Works Vehicle	6.75%	<u>8,806</u>	<u>-</u>	<u>8,806</u>	<u>-</u>	<u>-</u>
Total Capital Leases		<u>55,244</u>	<u>-</u>	<u>31,029</u>	<u>24,215</u>	<u>24,215</u>
Premiums on Bond Issuance		119,919	-	5,233	114,686	-
Compensated Absences	-	<u>54,058</u>	<u>-</u>	<u>725</u>	<u>53,333</u>	<u>-</u>
Total Long-Term Debt		<u>\$7,204,221</u>	<u>\$ -</u>	<u>\$346,987</u>	<u>\$6,857,234</u>	<u>\$ 344,215</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/09</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/10</u>	<u>Due Within One Year</u>
Bank Loan - Southside Bank	4.75%	\$310,265	\$ _____ -	\$16,857	\$293,408	\$17,667

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>
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	225,000	47,507	272,507
2016-2019	<u>990,000</u>	<u>98,337</u>	<u>1,088,337</u>
	<u>\$2,030,000</u>	<u>\$ 417,198</u>	<u>\$2,447,198</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>
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	155,000	192,720	347,720
2016-2020	860,000	866,400	1,726,400
2021-2025	1,065,000	664,593	1,729,593
2026-2030	1,360,000	372,000	1,732,000
2031-2032	<u>645,000</u>	<u>48,750</u>	<u>693,750</u>
	<u>\$4,635,000</u>	<u>\$2,974,368</u>	<u>\$7,609,368</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>
2011	\$ 24,215	\$ 1,598	\$ 25,813
	<u>\$ 24,215</u>	<u>\$ 1,598</u>	<u>\$ 25,813</u>

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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>
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	21,316	10,081	31,397
2016-2020	122,970	33,968	156,938
2021-2023	<u>73,194</u>	<u>5,067</u>	<u>78,261</u>
	<u>\$ 293,408</u>	<u>\$ 98,776</u>	<u>\$ 392,184</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.

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 2009	Plan Year 2010
Employee deposit rate	7.0%	7.0%
Matching ratio (Town to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Reporting	70% of CPI Reporting

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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)	\$ 65,978
2. Annual Pension Cost (APC)	65,978
3. Contributions Made	<u>(65,978)</u>
4. Increase (decrease) in net pension obligation	-0-
5. Net Pension Obligation/(Asset), beginning of year	<u>-0-</u>
6. Net Pension Obligation/(Asset), end of year	<u><u>\$ -0-</u></u>

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years - closed period	29 years - closed period	29 years - closed period
Asset Valuation Method	Amortized cost	Amortized cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.5%	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	2.1%	2.1%	2.1%

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$864,187	\$934,239	92.5%	\$70,052	\$1,074,378	6.5%

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, 2010 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

11. RISK MANAGEMENT

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

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

12. COMMITMENT

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

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

13. LAND PURCHASE OPTION CONTRACT

In March, 2010 the Town and TxDot entered into an option contract whereby the Town gave TxDot the exclusive right to purchase its old Town hall/animal shelter property until April 30, 2015. In consideration for this, TxDot paid the Town \$1,183,081, which is 90% of an agreed purchase price of \$1,314,535. The option contract states that if TxDot fails to exercise its option, all monies paid to the Town will be kept by the Town. Thus, while title to the property has not changed hands, the \$1,183,081 option proceeds is recognized as revenue in the accompanying financial statements since the Town has no further requirements related to earning the funds and the funds will not be returned to TxDot under any circumstances. The remaining 10% to be paid by TxDot upon exercise of the option will not be recognized as revenue until if and when the option is exercised.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - Ad Valorem	\$ 794,424	\$ 804,861	\$ 804,861	\$ -
- Franchise	223,235	207,030	207,030	-
- Sales	1,155,500	1,128,053	1,156,840	28,787
- Mixed Beverage	8,000	7,731	7,842	111
Court Citations	718,500	898,007	898,026	19
Corp of Engineers	45,263	32,658	32,658	-
Police Training Funds	1,289	1,387	1,387	-
Building Permits	15,000	39,152	39,152	-
Interest Income	13,150	5,240	5,245	5
Other Permits and Fees	43,065	46,983	60,947	13,964
Parks and Recreation	46,000	44,078	44,078	-
Gas Lease/Royalties	3,000	1,871	2,037	166
Public Donations	-	1,453	2,953	1,500
Drug Seizure	-	4,627	4,627	-
Other	7,100	48,691	5,863	(42,828)
Total Revenues	<u>3,073,526</u>	<u>3,271,822</u>	<u>3,273,546</u>	<u>1,724</u>
Expenditures:				
Current:				
General Government	603,653	597,547	568,643	28,904
Police	818,237	780,684	740,877	39,807
Fire	519,592	519,588	519,588	-
Municipal Court	377,047	456,776	432,125	24,651
Public Works	705,271	734,315	652,788	81,527
Debt Service:				
Principal	31,029	31,029	31,029	-
Interest	4,898	4,812	4,812	-
Capital Outlay	35,000	659,323	778,098	(118,775)
Total Expenditures	<u>3,094,727</u>	<u>3,784,074</u>	<u>3,727,960</u>	<u>56,114</u>
Excess of Revenues Over Expenditures	<u>(21,201)</u>	<u>(512,252)</u>	<u>(454,414)</u>	<u>57,838</u>
Other Resources:				
Land Option Contract Proceeds	-	624,323	1,183,081	558,758
Sale of Personal Property	-	-	9,505	9,505
Total Other Resources	<u>-</u>	<u>624,323</u>	<u>1,192,586</u>	<u>568,263</u>
Net Change in Fund Balance	-	112,071	738,172	626,101
Fund Balance – October 1 (Beginning)	<u>1,540,635</u>	<u>1,540,635</u>	<u>1,540,635</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$1,519,434</u>	<u>\$1,652,706</u>	<u>\$2,278,807</u>	<u>\$ 626,101</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, 2010
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Expenditures:				
General Government:				
Salaries and Wages	\$ 214,722	\$ 215,036	\$ (314)	\$ 110,785
Insurance, Taxes and Retirement	42,544	40,755	1,789	23,739
Dues and Memberships	2,705	2,686	19	1,597
Training and Education	450	1,390	(940)	1,045
Office Supplies and Postage	10,461	9,530	931	9,198
Printing	1,082	1,082	-	2,191
Copier Rental	6,084	5,630	454	6,300
Computer Support and Maintenance	54,141	42,151	11,990	29,879
Advertising/Legal Notices	982	1,441	(459)	3,203
Public Relations	11,049	11,049	-	13,665
Telephone	12,858	12,320	538	12,527
Utilities	45,790	44,911	879	51,441
Legal Fees	61,537	59,798	1,739	40,677
Audit Fees	9,000	9,000	-	8,500
General Insurance	25,641	22,644	2,997	21,905
Building Maintenance and Supplies	39,567	29,967	9,600	21,750
Lake Cities Library	26,005	26,005	-	22,278
Election Costs	3,712	3,712	-	7,594
Travel	840	1,118	(278)	221
Tax Collection/Appraisal Costs	8,934	11,961	(3,027)	13,726
Ordinance Codification	2,570	2,570	-	3,330
Grants Network	-	-	-	1,250
Town Council Costs	1,897	1,897	-	1,206
Volunteer/Staff Events	6,943	5,943	1,000	6,860
Special Events	5,556	3,570	1,986	-
Other Expenditures	2,477	2,477	-	2,474
Total General Government Expenditures	<u>597,547</u>	<u>568,643</u>	<u>28,904</u>	<u>417,341</u>
Police Department:				
Salaries and Wages	528,141	529,541	(1,400)	619,383
Insurance, Taxes and Retirement	104,644	100,363	4,281	133,887
Office Supplies and Postage	1,344	1,098	246	1,888
Dues and Memberships	181	181	-	228
Personnel Equipment	1,170	2,594	(1,424)	1,641
Crime Lab Analysis	415	415	-	600
Auto Expense – Gas	26,932	29,890	(2,958)	27,400
Auto Expense – Repairs	28,526	18,783	9,743	27,553
Uniforms	2,843	2,843	-	5,720
Radios	-	-	-	641
Books and Subscriptions	580	285	295	295
Computer Support and Maintenance	38,233	11,190	27,043	10,235
Denton County Dispatch	39,697	39,697	-	-
Training	932	932	-	2,309

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Expenditures:				
Police Department (Continued):				
Drug Forfeiture/Seizure	\$ 332	\$ 332	\$ -	\$ -
Other Expenditures	<u>6,714</u>	<u>2,733</u>	<u>3,981</u>	<u>1,098</u>
Total Police Department Expenditures	<u>780,684</u>	<u>740,877</u>	<u>39,807</u>	<u>832,878</u>
Fire Department:				
Contract Services	<u>519,588</u>	<u>519,588</u>	<u>-</u>	<u>505,440</u>
Total Fire Department Expenditures	<u>519,588</u>	<u>519,588</u>	<u>-</u>	<u>505,440</u>
Municipal Court:				
Salaries and Wages	82,083	82,600	(517)	77,983
Insurance, Taxes and Retirement	16,264	15,655	609	16,827
Office Supplies and Postage	1,950	1,950	-	1,988
Travel	720	720	-	1,192
Municipal Judge	10,555	10,555	-	9,000
State Court Costs	313,050	296,152	16,898	245,669
Warrant Service Fees	16,912	10,239	6,673	21,907
County Jail Fees	3,960	3,960	-	1,840
Building Security/Court Technology Costs	9,315	8,712	603	15,461
Jury Costs	204	204	-	300
Citations	1,042	1,042	-	1,777
Other Expenditures	<u>721</u>	<u>336</u>	<u>385</u>	<u>799</u>
Total Municipal Court	<u>456,776</u>	<u>432,125</u>	<u>24,651</u>	<u>394,743</u>
Public Works:				
Salaries and Wages	259,285	259,545	(260)	248,700
Insurance, Taxes and Retirement	51,373	49,191	2,182	53,838
Dues and Memberships	486	486	-	602
Office Supplies and Postage	1,156	1,156	-	2,134
Animal Control	14,472	17,996	(3,524)	7,288
Auto Expense – Gas	14,911	15,810	(899)	15,461
Auto Expense – Repairs	22,828	21,413	1,415	17,843
Supplies	12,034	9,003	3,031	20,259
Equipment Repairs and Maintenance	6,768	6,905	(137)	11,879
Equipment Rent	2,137	2,137	-	2,204
Uniforms	5,737	5,737	-	5,907
Training	1,154	1,154	-	579
Travel	1,168	1,168	-	-
Street Lighting	27,808	28,390	(582)	30,131
Computer Hardware/Software	454	454	-	3,968
Street Repairs and Maintenance	233,956	150,606	83,350	130,978
Engineering	4,182	3,250	932	19,270
Inspection Fees	20,548	20,548	-	17,587
Street Sweeping	1,840	1,840	-	-
Landscaping Services	7,781	7,781	-	-

TOWN OF HICKORY CREEK

STATEMENT OF GENERAL FUND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>2010</u>		Variance	
	<u>Budget</u>	<u>Actual</u>	Favorable	2009
			(Unfavorable)	<u>Actual</u>
Expenditures:				
Public Works:				
Parks and Recreation	\$ 31,210	\$ 35,191	\$ (3,981)	\$ 28,319
Beautification	3,775	3,775	-	9,567
Community Events	2,433	2,433	-	7,553
Radios	4,770	4,770	-	5,229
Other Expenditures	<u>2,049</u>	<u>2,049</u>	-	<u>1,884</u>
Total Public Works Expenditures	<u>734,315</u>	<u>652,788</u>	<u>81,527</u>	<u>641,180</u>
Capital Outlay:				
Land	-	-	-	-
Construction in Progress	585,274	626,663	(41,389)	3,095
Building	-	-	-	33,950
Equipment and Vehicles	<u>74,049</u>	<u>151,435</u>	<u>(77,386)</u>	<u>63,959</u>
Total Capital Outlay	<u>659,323</u>	<u>778,098</u>	<u>(118,775)</u>	<u>101,004</u>
Debt Service:				
Principal Retirement	31,029	31,029	-	42,707
Interest	<u>4,812</u>	<u>4,812</u>	-	<u>5,134</u>
Total Debt Service Expenditures	<u>35,841</u>	<u>35,841</u>	-	<u>47,841</u>
Total Expenditures	<u>\$3,784,074</u>	<u>\$3,727,960</u>	<u>\$ 56,114</u>	<u>\$2,940,427</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	\$555,958	\$562,676	\$562,676	\$ -
Donations from EDC	<u>71,243</u>	<u>71,243</u>	<u>71,243</u>	<u>-</u>
Total Revenues	<u>627,201</u>	<u>633,919</u>	<u>633,919</u>	<u>-</u>
Expenditures:				
Principal	310,000	310,000	310,000	-
Interest and Fees	<u>312,750</u>	<u>303,491</u>	<u>303,491</u>	<u>-</u>
Total Expenditures	<u>622,750</u>	<u>613,491</u>	<u>613,491</u>	<u>-</u>
Excess of Revenues over Expenditures	4,451	20,428	20,428	-
Fund Balance – October 1 (Beginning)	<u>13,071</u>	<u>13,071</u>	<u>13,071</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 17,522</u>	<u>\$ 33,499</u>	<u>\$ 33,499</u>	<u>\$ -</u>

TOWN OF HICKORY CREEK

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2010

Tax Year	Tax Rates		Assessed Valuation	Balance September 30, 2009
	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	894
2006	.34020	.00	287,603,175	1,372
2007	.27824	.16738	318,990,395	2,239
2008	.27442	.17120	319,262,600	16,903
2009	.249409	.174878	317,875,400	-
Total				<u>\$ 21,804</u>

<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2010</u>
	\$ -	\$ -	\$ 2
	-	-	2
	-	-	2
	-	-	2
	-	-	2
	-	-	3
	-	-	2
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	-	3
	-	-	5
	-	-	361
	-	(67)	827
	676	307	1,003
	1,300	489	1,428
	14,408	470	2,965
<u>\$1,314,235</u>	<u>1,337,671</u>	<u>34,469</u>	<u>11,033</u>
<u>\$1,314,235</u>	<u>\$1,354,055</u>	<u>\$ 35,668</u>	17,652
Less allowance for uncollectible accounts			-
			<u>\$ 17,652</u>

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Revenues:

Taxes – Sales	\$ 385,613
Interest Income	2,441
Gas Royalties	<u>646</u>
Total Revenues	<u>388,700</u>

Expenditures:

Administration:

Legal and Professional	4,225
Marketing	24,991
Staff Consultant	51,500
Administrative Fees	6,300
Engineering	27,010
Park Improvements	21,175
Contribution to Town for Debt Service	71,243
Office Supplies and Postage	1,294
Travel and Training	4,297
Dues and Subscriptions	288
Mowing	1,048

Debt Service:

Note Principal	16,857
Note Interest	<u>14,536</u>

Total Expenditures 244,764

Excess of Revenues over Expenditures 143,936

Change in Fund Balance 143,936

Fund Balance – October 1 (beginning) 1,039,627

Fund Balance – September 30 (ending) \$1,183,563

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, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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



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

December 22, 2010