

**TOWN OF HICKORY CREEK**

FINANCIAL STATEMENTS  
AND  
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2013

**TOWN OF HICKORY CREEK**

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Town Council  
Town of Hickory Creek, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas ("Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, in 2013 the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Positions*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the budgetary comparison information on page 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the Town of Hickory Creek, Texas's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hickory Creek, Texas's internal control over financial reporting and compliance.



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

December 19, 2013

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

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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, 2013. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Hickory Creek exceeded its liabilities at September 30, 2013 by \$7,110,087. Of this amount, \$1,986,744 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$537,285.
- As of September 30, 2013, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$3,481,560, a decrease of \$228,845 in comparison with the beginning of the period. Approximately 60 percent of this total amount, \$2,086,353, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current period, unassigned fund balance for the general fund was \$2,086,353 or 66.4 percent of total general fund expenditures.

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

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

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

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

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

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

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

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

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

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

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

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

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

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

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

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013

**Government-wide Financial Analysis**

The Town's combined net position was \$7,110,087 as of September 30, 2013. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, in fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net position (Table 1) and general revenues (Table 2) and changes in net position (Table 3) of the Town's governmental activities.

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

Table 1

Net Position

	Governmental Activities	
	2012	2013
Current and other assets	\$ 4,177,541	\$ 3,699,310
Capital assets	<u>9,051,087</u>	<u>10,320,952</u>
Total assets	<u>13,228,628</u>	<u>14,020,262</u>
Deferred outflows of resources	-	<u>10,125</u>
Long-term liabilities outstanding	6,179,209	6,711,048
Other liabilities	<u>344,689</u>	<u>209,252</u>
Total liabilities	<u>6,523,898</u>	<u>6,920,300</u>
Net position:		
Net investment in capital assets	3,041,087	3,783,454
Restricted for:		
Debt service	71,973	66,226
Street improvements	1,501,386	1,182,342
Court security and technology	74,301	91,321
Unrestricted	<u>2,015,983</u>	<u>1,986,744</u>
Total net position	<u>\$ 6,704,730</u>	<u>\$ 7,110,087</u>

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013

**Governmental Activities.** The Town's general revenues for governmental activities for the years ended September 30, 2012 and 2013 are detailed below (Table 2).

Table 2  
General Revenues

	<u>2012</u>	<u>2013</u>
Property taxes	\$1,315,327	\$1,354,097
Sales taxes	1,144,137	1,133,306
Franchise taxes	235,064	211,767
Mixed beverage taxes	6,387	7,246
Investment earnings	10,090	5,821
Miscellaneous	4,477	4,111
	<u>\$2,715,482</u>	<u>\$2,716,348</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2012 and 2013.

Table 3  
Changes in Net Position

	Governmental Activities	
	<u>2012</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$1,155,053	\$1,120,461
Operating grants and contributions	82,513	50,607
Capital grants and contributions	122,361	448,631
General revenues:		
Property taxes	1,315,327	1,354,097
Sales taxes	1,144,137	1,133,306
Other taxes	241,451	219,013
Investment earnings	10,090	5,821
Miscellaneous	4,477	4,111
	<u>4,075,409</u>	<u>4,336,047</u>
Expenses:		
Administration	575,828	623,996
Police	877,610	885,272
Fire	533,160	528,317
Municipal court	427,185	431,402
Public works	1,006,607	1,000,979
Debt service – interest and issuance costs	278,242	312,446
	<u>3,698,632</u>	<u>3,782,412</u>
Special Items	-	(16,350)
Change in net position	376,777	537,285
Net position – October 1 (beginning, as restated)	<u>6,327,953</u>	<u>6,572,802</u>
Net position – September 30 (ending)	<u>\$6,704,730</u>	<u>\$7,110,087</u>

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

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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 \$3,481,560, a decrease of \$228,845 in comparison with the beginning of the period. Approximately 59.92 percent of this total amount (\$2,086,353) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is not available for new spending because it has already been committed or assigned 1) to pay for capital improvements (\$1,182,342), 2) to pay for court security costs (\$91,321), 3) to pay for debt retirement (\$66,226), 4) to liquidate prepaid items (\$10,383), and 5) to fund the 2013-2014 deficit budget.

The general fund is the chief operating fund of the Town. At the end of the current period, unassigned fund balance of the general fund totaled \$2,086,353, while total fund balance was \$2,851,246. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 66.46 percent of total general fund expenditures, while total fund balance represents 90.82 percent of that same amount.

The fund balance of the Town's general fund increased by \$229,118 during the current year. Key factors in this increase are as follows:

- Property tax revenue and court citations increased from the previous year, but this was offset by a decrease in sales tax and franchise tax revenue, and building permits.
- General fund expenditures were \$40,761 or 1.3% lower than the previous year.

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

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

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

The original budget reflected that the activity for the year would cause a \$123,262 decrease in available fund balance. The available fund balance for the general fund actually increased in the amount of \$229,118, due primarily to expenditure savings in most departments.

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013

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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, 2013, amount to \$10,320,952 (net of accumulated depreciation). This amount represents a net increase of \$1,269,865, or 14.0 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>
Drainage improvements completed during the year	\$ 741,025
Street improvements completed during the year	852,767
Police vehicles	75,923
Animal control vehicle	37,008
Park playground equipment	<u>53,119</u>
Total	<u>\$1,759,842</u>

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

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	<u>Governmental Activities</u>
Land	\$ 456,805
Buildings	3,237,842
Equipment and Vehicles	404,078
Street and Road Infrastructure	<u>6,222,227</u>
Totals	<u>\$10,320,952</u>

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

**Long-term Debt.** At the end of the current period, the Town had tax notes outstanding of \$675,000, general obligation bonds outstanding of \$5,805,000, capital leases outstanding of \$57,498 and accrued compensated absences of \$74,563, for a total of \$6,612,061.

The Town's total debt increased by \$531,839 during the current year. New debt was incurred during the year from the issuance of \$780,000 tax notes, \$1,695,000 of general obligation refunding bonds and a capital lease of \$77,700. Information on the Town's long-term debt can be found in note 8 of this report.

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

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

Due to conservative financial management principles, preparation of the 2013-2014 fiscal year budget did not require an increase in the Town's property tax rate for the upcoming year. For the upcoming fiscal year of 2013-2014, the Town Council elected to adopt the effective rate of 0.416882 per \$100 of assessed value. This is a reduction in the property tax rate from the previous year of 0.424287 per \$100 of assessed value. This was in direct relationship to the Town's administration and the council's very conservative approach to managing the Town's resources and expenditures.

During the 2012-2013 fiscal year, the Town along with the Parks & Recreation Board completed several new projects to upgrade and improve the Town's existing parks. The Town completed road improvements, sidewalk improvements, and made significant progress in addressing and improving storm water drainage issues throughout the Town. Significant progress was made in 2012-2013 attracting new residential development as well as business interests. The Town has several new residential developments (Enclave, Steeplechase I and Steeplechase II, and Water View) underway and an apartment complex (Mansions at Hickory Creek) under construction and scheduled for completion in the spring of 2014.

For the 2013-2014 budget years, the Town will continue to work toward improving streets, sidewalks, and public parks throughout the Town. In addition, the Town will continue working with the residential developers on planned residential development projects which have received prior approval of the Planning & Zoning Board as well as the Town Council.

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

#### **Requests for Information**

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

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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF HICKORY CREEK**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

	<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	\$ 3,448,573	\$1,275,151
Receivables (net of allowance for uncollectibles):		
Taxes – Ad Valorem	40,589	-
Taxes – Sales	235,630	-
Other	6,791	-
Due from Federal Agencies	16,840	-
Internal Balances	(59,496)	59,496
Prepaid Costs	10,383	1,208
Capital Assets:		
Land	456,805	325,942
Buildings, net	3,237,842	-
Equipment and Vehicles, net	404,078	-
Street, Road, Park Infrastructure, net	6,222,227	97,217
Construction in Progress	<u>-</u>	<u>-</u>
Total Assets	<u>14,020,262</u>	<u>1,759,014</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Bond Refunding	<u>10,125</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>10,125</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts Payable	73,357	3,595
Accrued Wages	22,554	-
Accrued Interest	32,091	2,383
Due to State Agencies	81,250	-
Long-term Liabilities:		
Due within one year	388,780	20,339
Due in more than one year	<u>6,322,268</u>	<u>217,480</u>
Total Liabilities	<u>6,920,300</u>	<u>243,797</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	3,783,454	185,340
Restricted for:		
Debt Retirement	66,226	-
Economic Development	-	1,329,877
Street Improvements/Maintenance	1,182,342	-
Court Security/Technology	91,321	-
Unrestricted Net Position	<u>1,986,744</u>	<u>-</u>
Total Net Position	<u>\$ 7,110,087</u>	<u>\$1,515,217</u>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 623,996	\$ 16,638	\$ -	\$ -
Police	885,272	481,766	-	-
Fire	528,317	-	-	-
Municipal Court	431,402	431,402	-	-
Public Works	1,000,979	190,655	13,042	448,631
Debt Service – Interest	237,571	-	37,565	-
Debt Service – Issuance Costs	<u>74,875</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,782,412</u>	<u>1,120,461</u>	<u>50,607</u>	<u>448,631</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$3,782,412</u></b>	<b><u>\$1,120,461</u></b>	<b><u>\$50,607</u></b>	<b><u>\$448,631</u></b>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	<u>\$ 347,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GENERAL REVENUES:**

Taxes:

Property taxes – maintenance and operation

Property taxes – debt service

Sales taxes

Franchise taxes

Mixed beverage taxes

Investment Earnings

Miscellaneous

Special item-loss on disposition of capital asset

Total General Revenues and Special Items

Change in Net Position

NET POSITION, October 1 (beginning, as restated)

NET POSITION, September 30 (ending)

The accompanying Notes are an integral part of this statement.

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Net (Expense) Revenue and  
Change in Net Position

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<u>Governmental Activities</u>	<u>Component Units</u>
\$ (607,358)	\$ -
(403,506)	-
(528,317)	-
-	-
(348,651)	-
(200,006)	-
<u>(74,875)</u>	<u>-</u>
<u>(2,162,713)</u>	<u>-</u>
 <u>(2,162,713)</u>	 <u>-</u>
 <u>-</u>	 <u>(347,891)</u>
 781,775	 -
572,322	-
1,133,306	377,769
211,767	-
7,246	-
5,821	1,844
4,111	173
<u>(16,350)</u>	<u>-</u>
<u>2,699,998</u>	<u>379,786</u>
 537,285	 31,895
 <u>6,572,802</u>	 <u>1,483,322</u>
 <u>\$7,110,087</u>	 <u>\$1,515,217</u>

**TOWN OF HICKORY CREEK**

BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$2,586,064	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes –Ad Valorem	24,283	16,306
Taxes - Sales	235,630	-
Other	3,791	-
Due from Federal Agencies	16,840	-
Due from Other Funds	301,421	66,226
Prepaid Costs	10,383	-
Total Assets	<u>\$3,178,412</u>	<u>\$ 82,532</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 73,357	\$ -
Accrued Wages	22,554	-
Due to State Agencies	81,250	-
Due to EDC	59,496	-
Due to Other Funds	66,226	-
Total Liabilities	<u>302,883</u>	<u>-</u>
Deferred Inflows of Resources:		
Unavailable Revenue-Property Taxes	24,283	16,306
Total Deferred Inflows of Resources	<u>24,283</u>	<u>16,306</u>
Fund Equity:		
Nonspendable Fund Balance:		
Prepaid Costs	10,383	-
Restricted Fund Balance:		
Court Security and Technology Fees	91,321	-
Street Improvements	618,254	-
Storm Drainage	-	-
Retirement of Long-term Debt	-	66,226
Assigned Fund Balance:		
2013-2014 Deficit Budget	44,935	-
Unassigned Fund Balance	2,086,353	-
Total Fund Equity	<u>2,851,246</u>	<u>66,226</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$3,178,412</u>	<u>\$ 82,532</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>
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\$ 862,509	\$3,448,573
-	40,589
-	235,630
3,000	6,791
-	16,840
-	367,647
-	10,383
<u>\$ 865,509</u>	<u>\$4,126,453</u>

\$ -	\$ 73,357
-	22,554
-	81,250
-	59,496
<u>301,421</u>	<u>367,647</u>
<u>301,421</u>	<u>604,304</u>

<u>-</u>	<u>40,589</u>
<u>-</u>	<u>40,589</u>

-	10,383
-	91,321
387,217	1,005,471
176,871	176,871
-	66,226
-	44,935
<u>-</u>	<u>2,086,353</u>
<u>564,088</u>	<u>3,481,560</u>
<u>\$ 865,509</u>	<u>\$4,126,453</u>

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**TOWN OF HICKORY CREEK**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

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<b>Total Fund Balances – Governmental Funds</b>	\$ 3,481,560
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	13,195,448
Accumulated depreciation is not reported in the fund financial statements.	(2,874,496)
Tax notes, general obligation bonds, capital leases and compensated absences are not reported in the fund financial statements.	(6,612,061)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	40,589
Bond premiums are not recognized in the fund financial statements.	(98,987)
Deferred charge on bond refunding is not recognized in the fund financial statements.	10,125
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	<u>(32,091)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 7,110,087</u></b>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>Revenues:</b>		
Taxes - Ad Valorem	\$ 771,868	\$ 564,906
- Franchise	211,767	-
- Sales	1,133,306	-
- Mixed Beverage	7,246	-
Court Citations	848,227	-
Corp of Engineers	34,732	-
Building Permits	48,275	-
Interest Income	3,822	-
Other Permits and Fees	99,577	-
Parks and Recreation	56,335	-
Gas Royalties	546	-
Donations from EDC	-	37,565
Developer Contributions	-	-
Insurance Proceeds	31,131	-
Public Donations	38,042	-
Other	5,749	-
Total Revenues	<u>3,290,623</u>	<u>602,471</u>
<b>Expenditures:</b>		
Current:		
General Government	580,432	-
Police	805,448	-
Fire	528,317	-
Municipal Court	417,175	-
Public Works	626,404	-
Debt Service:		
Principal	20,202	365,000
Interest and Fees	242	288,093
Capital Outlay	160,985	-
Total Expenditures	<u>3,139,205</u>	<u>653,093</u>
Excess (Deficit) of Revenues over Expenditures	<u>151,418</u>	<u>(50,622)</u>
<b>Other Financing Sources (Uses):</b>		
Capital lease proceeds	77,700	-
Refunding bond proceeds	-	1,695,000
Tax Note proceeds	-	-
Payment to bond refunding escrow agent	-	(1,650,125)
Total Other Financing Sources (Uses)	<u>77,700</u>	<u>44,875</u>
Net Change in Fund Balance	229,118	(5,747)
Fund Balance – October 1, (beginning)	<u>2,622,128</u>	<u>71,973</u>
Fund Balance – September 30 (ending)	<u>\$2,851,246</u>	<u>\$ 66,226</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>
\$ -	\$ 1,336,774
-	211,767
-	1,133,306
-	7,246
-	848,227
-	34,732
-	48,275
1,999	5,821
-	99,577
-	56,335
-	546
-	37,565
246,512	246,512
-	31,131
-	38,042
-	5,749
<u>248,511</u>	<u>4,141,605</u>
-	580,432
-	805,448
-	528,317
-	417,175
-	626,404
-	385,202
30,000	318,335
<u>1,450,727</u>	<u>1,611,712</u>
<u>1,480,727</u>	<u>5,273,025</u>
<u>(1,232,216)</u>	<u>(1,131,420)</u>
-	77,700
-	1,695,000
780,000	780,000
-	<u>(1,650,125)</u>
<u>780,000</u>	<u>902,575</u>
(452,216)	(228,845)
<u>1,016,304</u>	<u>3,710,405</u>
<u>\$ 564,088</u>	<u>\$ 3,481,560</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, 2013

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ (228,845)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	1,788,831
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(502,616)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	17,323
Current year compensated absences earned but not used is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(9,574)
Current year principal payments on tax notes, capital leases and general obligation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	385,202
Current year amortization of the premium on bond issuance is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements	5,233
Current year issuances of refunding bonds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(1,695,000)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	1,650,125
Current year issuances of tax notes are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(780,000)
Capital lease proceeds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(77,700)
Proceeds from the sale of capital assets are revenue in the fund financial statements but the loss on sale of the capital asset is shown as a special item in the government-wide financial statements.	(16,350)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	<u>656</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 537,285</u></b>

The accompanying Notes are an integral part of this statement.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

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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, 2013

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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, 2013, the Hickory Creek Economic Development Corporation, which was created in fiscal year 2003 as the result of a successful 4B sales tax election.

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

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

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

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

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

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

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**E. Receivable and Payables**

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

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

**F. Property Taxes**

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the Town has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The Town's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the Town Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

For fiscal year 2013, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2012, upon which the fiscal year 2013 levy was based, was \$309,243,743. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2013, was \$.424287 per \$100.

**G. Prepaid Items**

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

**H. Capital Assets**

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

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

**I. Compensated Absences**

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

**J. Estimates**

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

**K. Net Position**

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

**L. Budgets and Budgetary Accounting**

Prior to September 1, the Town administration submits to the Town Council a proposed budget for the ensuing fiscal year. At the meeting of the Town Council at which the budget is submitted, the Town Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. Upon adoption the budget is filed with the Town Secretary and the County Clerk of Denton County.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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

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

**2. ADOPTION OF NEW ACCOUNTING STANDARDS**

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

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

The effects of these two changes in accounting principle on the Town's 2013 financial statements were

- Governmental fund financial statements
  - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
  - Reclassify bond issuance costs previously reported as assets to expenses of the period in which they were incurred, resulting in an adjustment to beginning net position.
  - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, all unamortized deferred losses on refunding transactions as of September 30, 2013 were reclassified as deferred outflows of resources.

Beginning Net Position (previously reported as Net Assets)	\$ 6,704,730
Reclassification of bond issuance costs	<u>(131,928)</u>
Beginning Net Position As Restated	<u>\$ 6,572,802</u>

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

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#### **3. DEPOSITS AND INVESTMENTS**

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

##### **1. Cash Deposits:**

At September 30, 2013, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$194,535 and the bank balance was \$227,044. The Town's cash deposits at September 30, 2013 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, 2013, the Town's cash balances totaled \$227,044. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2013, the Town held all of its investments in the LOGIC public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for LOGIC at year-end was AAA (Standard & Poor’s).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the LOGIC investment pool is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2013, 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, 2013 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	<u>\$3,253,578</u>	<u>\$3,253,578</u>
Total	<u>\$3,253,578</u>	<u>\$3,253,578</u>

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

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#### 4. FUND BALANCE

The Town has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees. Debt service resources are to be used for future servicing of the Town's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town has no committed fund balance as of September 30, 2013.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the Town's policy, only the Council may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has assigned fund balance as of September 30, 2013 to fund the 2013-2014 deficit budget.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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

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

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

**General Fund**

The General Fund has unassigned fund balance of \$2,086,353 at September 30, 2013. Prepaid expenditures (prepaid items) of \$10,383 are considered nonspendable fund balance. Court security and technology fees of \$91,321 are shown as restricted for those purposes. Street improvement funds of \$618,254 are shown as restricted because the source of such funds are sales taxes and developer contributions earmarked for street maintenance. \$44,935 of reserves have been assigned to fund the 2013-2014 deficit budget.

**Other Major Funds**

The Debt Service Fund has restricted funds of \$66,226 at September 30, 2013 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$564,088 consisting primarily of unspent bond funds.

**5. RECEIVABLES**

Government-wide receivables as of September 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 24,283	\$ 16,306	\$ -	\$ 40,589
Sales Taxes	235,630	-	-	235,630
Mixed beverage tax	2,016	-	-	2,016
Corp of Engineer revenue	16,840	-	-	16,840
Other	<u>1,775</u>	<u>-</u>	<u>3,000</u>	<u>4,775</u>
Gross Receivables	280,544	16,306	3,000	299,850
Less: Uncollectible allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$280,544</u>	<u>\$ 16,306</u>	<u>\$ 3,000</u>	<u>\$299,850</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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

**6. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2013 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$301,421	\$ -
Debt Service Fund	-	66,226
Debt Service Fund:		
General Fund	66,226	-
Capital Projects Fund:		
General Fund	-	<u>301,421</u>
Total	<u>\$367,647</u>	<u>\$367,647</u>

Internal balances between the primary government and component unit at September 30, 2013 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation		\$59,496
Economic Development Corporation:		
General Fund	<u>\$59,496</u>	
Total	<u>\$59,496</u>	<u>\$59,496</u>

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

The following is a summary of transfers:

	<u>Transfer In:</u>	
Transfer Out:	Economic Development Corporation	<u>Total</u>
General Fund	<u>\$378,534</u>	<u>\$378,534</u>

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**7. CAPITAL ASSETS**

Capital asset activity of the Town for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 456,805	\$ -	\$ -	\$ 456,805
Construction in Progress	<u>1,103,247</u>	<u>1,211,013</u>	<u>(2,314,260)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,560,052</u>	<u>1,211,013</u>	<u>(2,314,260)</u>	<u>456,805</u>
Capital assets, being depreciated:				
Buildings and Improvements	3,845,720	-	-	3,845,720
Street, Road, Park Infrastructure	4,800,116	2,697,039	-	7,497,155
Furniture, Equipment and Vehicles	<u>1,222,529</u>	<u>195,039</u>	<u>(21,800)</u>	<u>1,395,768</u>
Total Capital assets, being depreciated	<u>9,868,365</u>	<u>2,892,078</u>	<u>(21,800)</u>	<u>12,738,643</u>
Less accumulated depreciation for:				
Buildings and Improvements	(508,862)	(99,016)	-	(607,878)
Street, Road, Park Infrastructure	(982,075)	(292,853)	-	(1,274,928)
Furniture, Equipment and Vehicles	<u>(886,393)</u>	<u>(110,747)</u>	<u>5,450</u>	<u>(991,690)</u>
Total accumulated depreciation	<u>(2,377,330)</u>	<u>(502,616)</u>	<u>5,450</u>	<u>(2,874,496)</u>
Total capital assets, being depreciated, net	<u>7,491,035</u>	<u>2,389,462</u>	<u>(16,350)</u>	<u>9,864,147</u>
Governmental activities capital assets, net	<u>\$9,051,087</u>	<u>\$3,600,475</u>	<u>\$(2,330,610)</u>	<u>\$10,320,952</u>

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

Governmental Activities:	
General government	\$ 44,479
Police	71,535
Municipal court	14,036
Public works	<u>372,566</u>
Total depreciation expense – Governmental activities	<u>\$502,616</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2013 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>(43,580)</u>	<u>(10,057)</u>	<u>-</u>	<u>(53,637)</u>
Total accumulated depreciation	<u>(43,580)</u>	<u>(10,057)</u>	<u>-</u>	<u>(53,637)</u>
Capital Assets, net	<u>\$ 433,216</u>	<u>\$ (10,057)</u>	<u>\$ -</u>	<u>\$ 423,159</u>

**8. LONG TERM DEBT**

Long term debt of the Town at September 30, 2013 consists of two general obligation bond series, one tax note series, one capital lease and accrued compensated absences. All long-term debt represents transactions in the Town's governmental activities.

The following is a summary of the changes in the Town's Long-term Debt for the year ended September 30, 2013:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/12</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 9/30/13</u>	<u>Due Within One Year</u>
Certificates of Obligation Series 2004	3.91%	<u>\$1,640,000</u>	<u>\$ -</u>	<u>\$1,640,000</u>	<u>\$ -</u>	<u>\$ -</u>
Tax Notes: Series 2012	1.66%	<u>-</u>	<u>780,000</u>	<u>105,000</u>	<u>675,000</u>	<u>110,000</u>
General Obligation Bonds: Series 2007	4.25-5.0%	4,370,000	-	140,000	4,230,000	145,000
Series 2012 Refunding	2.06%	<u>-</u>	<u>1,695,000</u>	<u>120,000</u>	<u>1,575,000</u>	<u>110,000</u>
Capital Lease: Police vehicles	3.3%	<u>-</u>	<u>77,700</u>	<u>20,202</u>	<u>57,498</u>	<u>18,547</u>
Premiums on Bond Issuance		104,220	-	5,233	98,987	5,233
Compensated Absences	-	<u>64,989</u>	<u>9,574</u>	<u>-</u>	<u>74,563</u>	<u>-</u>
Total Long-Term Debt		<u>\$6,179,209</u>	<u>\$2,562,274</u>	<u>\$2,030,435</u>	<u>\$6,711,048</u>	<u>\$ 388,780</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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, 2013 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/12</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/13</u>	<u>Due Within One Year</u>
Bank Loan - Southside Bank	4.75%	<u>\$257,225</u>	<u>\$ _____</u> -	<u>\$19,406</u>	<u>\$237,819</u>	<u>\$20,339</u>

**9. DEBT SERVICE REQUIREMENTS TO MATURITY**

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 110,000	\$ 11,205	\$ 121,205
2015	110,000	9,379	119,379
2016	110,000	7,553	117,553
2017	115,000	5,727	120,727
2018	115,000	3,818	118,818
2019	<u>115,000</u>	<u>1,909</u>	<u>116,909</u>
	<u>\$ 675,000</u>	<u>\$ 39,591</u>	<u>\$ 714,591</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>
2014	\$ 255,000	\$ 230,965	\$ 485,965
2015	270,000	222,899	492,899
2016	285,000	214,330	499,330
2017	290,000	205,355	495,355
2018	295,000	196,180	491,180
2019-2023	1,945,000	813,983	2,758,983
2024-2028	1,235,000	498,500	1,733,500
2029-2032	<u>1,230,000</u>	<u>157,500</u>	<u>1,387,500</u>
	<u>\$5,805,000</u>	<u>\$2,539,712</u>	<u>\$8,344,712</u>

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 18,547	\$ 1,897	\$ 20,444
2015	19,159	1,285	20,444
2016	<u>19,792</u>	<u>652</u>	<u>20,444</u>
	<u>\$ 57,498</u>	<u>\$ 3,834</u>	<u>\$ 61,332</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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

Year Ended			Total
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2014	\$ 20,339	\$ 11,058	\$ 31,397
2015	21,316	10,081	31,397
2016	22,341	9,056	31,397
2017	23,415	7,982	31,397
2018	24,540	6,857	31,397
2019-2023	<u>125,868</u>	<u>15,141</u>	<u>141,009</u>
	<u>\$ 237,819</u>	<u>\$ 60,175</u>	<u>\$ 297,994</u>

**10. DEFEASED BONDS OUTSTANDING**

On October 3, 2012, the Town issued \$1,695,000 (par value) in unlimited tax refunding bonds (current interest bonds) with an interest rate of 2.06% to advance refund \$1,640,000 of certificates of obligation. The unlimited tax refunding bonds were issued at par and after paying issuance costs of \$44,875, the net proceeds were \$1,650,125. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the certificates of obligation were removed from the Town's long-term liabilities.

As a result of the advance refunding, the Town increased its total debt service requirements by \$47,896, but it resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$35,368.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Town's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2013, \$1,430,000 of bonds outstanding are considered defeased.

**11. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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

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

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.0%	7.0%
Matching ratio (Town to employee)	1.5 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contributions**

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

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

1. Annual Required Contribution (ARC)	<u>\$ 90,716</u>
2. Annual Pension Cost (APC)	90,716
3. Contributions Made	<u>(90,716)</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>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</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	28.3 years - closed period	29.9 years - closed period	29.0 years - closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, 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
12/31/2012	\$1,484,313	\$1,793,585	82.8%	\$309,272	\$1,051,970	29.4%

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

## 12. LITIGATION AND CONTINGENCIES

The Town participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2013 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**13. RISK MANAGEMENT**

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

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

**14. COMMITMENT**

The donation from the Hickory Creek Economic Development Corporation to the Debt Service Fund of \$37,565 represents a commitment by the EDC toward the debt service payments on the Series 2004 Certificates of Obligation, based on the use of a portion of the proceeds for the construction of Ronald Reagan Avenue.

**15. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to September 30, 2013 through December 19, 2013, which is the date the financial statements were available to be issued. The following subsequent events were identified that were required to be disclosed in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes - Ad Valorem	\$ 748,371	\$ 771,868	\$ 771,868	\$ -
- Franchise	214,600	213,693	211,767	(1,926)
- Sales	1,143,750	1,135,002	1,133,306	(1,696)
- Mixed Beverage	6,200	6,837	7,246	409
Court Citations	832,900	848,227	848,227	-
Corp of Engineers	35,500	34,732	34,732	-
Building Permits	105,645	48,275	48,275	-
Interest Income	4,500	3,822	3,822	-
Other Permits and Fees	55,920	88,986	99,577	10,591
Parks and Recreation	50,000	53,485	56,335	2,850
Gas Lease/Royalties	1,050	546	546	-
Public Donations	-	13,042	38,042	25,000
Insurance Proceeds	-	-	31,131	31,131
Other	7,100	24,009	5,749	(18,260)
<b>Total Revenues</b>	<u>3,205,536</u>	<u>3,242,524</u>	<u>3,290,623</u>	<u>48,099</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	689,590	579,051	580,432	(1,381)
Police	871,190	799,821	805,448	(5,627)
Fire	614,825	528,317	528,317	-
Municipal Court	445,177	401,971	417,175	(15,204)
Public Works	687,532	625,476	626,404	(928)
<b>Debt Service:</b>				
Principal	20,202	20,202	20,202	-
Interest	282	242	242	-
Capital Outlay	-	-	160,985	(160,985)
<b>Total Expenditures</b>	<u>3,328,798</u>	<u>2,955,080</u>	<u>3,139,205</u>	<u>(184,125)</u>
Excess of Revenues Over Expenditures	<u>(123,262)</u>	<u>287,444</u>	<u>151,418</u>	<u>(136,026)</u>
<b>Other Financing Courses (Uses)</b>				
Capital Lease Proceeds	-	-	77,700	77,700
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>77,700</u>	<u>77,700</u>
Net Change in Fund Balance	(123,262)	287,444	229,118	(58,326)
Fund Balance – October 1 (Beginning)	<u>2,622,128</u>	<u>2,622,128</u>	<u>2,622,128</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$2,498,866</u>	<u>\$2,909,572</u>	<u>\$2,851,246</u>	<u>\$ (58,326)</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, 2013  
 PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>2013</u>		Variance Favorable (Unfavorable)	2012 Actual
	<u>Budget</u>	<u>Actual</u>		
<b>Expenditures:</b>				
<b>General Government:</b>				
Salaries and Wages	\$ 199,185	\$ 199,977	\$ (792)	\$ 192,836
Insurance, Taxes and Retirement	42,536	43,518	(982)	36,002
Dues and Memberships	1,840	1,632	208	1,359
Training and Education	475	475	-	500
Office Supplies and Postage	8,844	8,787	57	9,635
Printing	2,242	2,242	-	1,771
Copier Rental	6,539	6,539	-	4,846
Computer Support and Maintenance	35,692	33,347	2,345	26,780
Advertising/Legal Notices	4,795	3,016	1,779	3,841
Public Relations	7,527	7,622	(95)	10,876
Telephone	15,861	15,861	-	15,684
Utilities	49,226	49,536	(310)	55,752
Legal Fees	75,653	79,764	(4,111)	48,906
Audit Fees	9,500	9,500	-	9,000
General Insurance	22,812	23,161	(349)	18,205
Building Maintenance and Supplies	35,960	35,097	863	28,976
Lake Cities Library	28,080	28,080	-	26,000
Election Costs	-	-	-	-
Travel	708	708	-	730
Tax Collection/Appraisal Costs	11,791	11,791	-	12,300
Ordinance Codification	4,275	4,269	6	3,430
Town Council Costs	1,599	1,599	-	2,189
Volunteer/Staff Events	2,229	2,229	-	3,075
Special Events	6,582	6,582	-	5,860
Other Expenditures	5,100	5,100	-	3,351
Total General Government Expenditures	<u>579,051</u>	<u>580,432</u>	<u>(1,381)</u>	<u>521,904</u>
<b>Police Department:</b>				
Salaries and Wages	548,153	551,544	(3,391)	560,249
Insurance, Taxes and Retirement	117,056	120,024	(2,968)	104,596
Office Supplies and Postage	1,733	1,733	-	1,968
Dues and Memberships	312	208	104	426
Personnel Equipment	821	821	-	4,187
Crime Lab Analysis	819	819	-	1,808
Auto Expense – Gas	42,984	42,646	338	43,105
Auto Expense – Repairs	28,839	29,142	(303)	27,082
Uniforms	5,074	5,074	-	9,270
Books and Subscriptions	484	484	-	482
Computer Support and Maintenance	8,297	7,404	893	9,534
Denton County Dispatch	42,173	42,173	-	44,880
Training	1,620	1,920	(300)	2,032
Other Expenditures	1,456	1,456	-	2,188
Total Police Department Expenditures	<u>799,821</u>	<u>805,448</u>	<u>(5,627)</u>	<u>811,807</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

	2013		Variance Favorable (Unfavorable)	2012 Actual
	<u>Budget</u>	<u>Actual</u>		
<b>Expenditures:</b>				
<b>Fire Department:</b>				
Contract Services	\$ 528,317	\$ 528,317	\$ -	\$ 533,160
Total Fire Department Expenditures	<u>528,317</u>	<u>528,317</u>	<u>-</u>	<u>533,160</u>
<b>Municipal Court:</b>				
Salaries and Wages	90,101	90,506	(405)	87,005
Insurance, Taxes and Retirement	19,241	19,696	(455)	16,243
Office Supplies and Postage	1,431	1,289	142	2,880
Travel	870	870	-	348
Training and Education	250	250	-	229
Municipal Judge	10,920	10,920	-	10,500
State Court Costs	262,990	276,411	(13,421)	269,776
Warrant Service Fees	4,735	5,283	(548)	15,040
Building Security/Court Technology Costs	10,533	11,004	(471)	10,958
Jury Costs	540	540	-	570
Citations	-	-	-	1,194
Other Expenditures	<u>360</u>	<u>406</u>	<u>(46)</u>	<u>135</u>
Total Municipal Court	<u>401,971</u>	<u>417,175</u>	<u>(15,204)</u>	<u>414,878</u>
<b>Public Works:</b>				
Salaries and Wages	203,681	204,397	(716)	241,546
Insurance, Taxes and Retirement	43,496	44,480	(984)	44,765
Dues and Memberships	310	306	4	287
Office Supplies and Postage	1,244	1,244	-	2,222
Animal Control	25,617	13,086	12,531	16,791
Auto Expense – Gas	19,469	19,469	-	19,178
Auto Expense – Repairs	23,174	23,174	-	24,496
Supplies	10,638	8,179	2,459	7,499
Equipment Repairs and Maintenance	5,782	5,707	75	6,981
Equipment Rent	610	677	(67)	855
Uniforms	5,217	5,217	-	5,448
Training	260	260	-	1,250
Travel	87	87	-	666
Street Lighting	31,414	31,544	(130)	32,171
Computer Hardware/Software	113	113	-	146
Street Repairs and Maintenance	48,803	56,003	(7,200)	145,689
Engineering	60,220	65,057	(4,837)	29,757
Inspection Fees	62,609	62,609	-	44,115
Landscaping Services	28,029	28,029	-	27,605
Parks and Recreation	35,882	37,945	(2,063)	34,801
Beautification	12,818	12,818	-	10,278

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

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	<u>2013</u>		Variance Favorable (Unfavorable)	2012 <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
Public Works:				
Radios	\$ 5,081	\$ 5,081	\$ -	\$ 5,317
Other Expenditures	<u>922</u>	<u>922</u>	<u>-</u>	<u>666</u>
Total Public Works	<u>625,476</u>	<u>626,404</u>	<u>(928)</u>	<u>702,529</u>
Capital Outlay:				
Equipment and Vehicles	-	160,985	(160,985)	97,127
Parks	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,561</u>
Total Capital Outlay	<u>-</u>	<u>160,985</u>	<u>(160,985)</u>	<u>195,688</u>
Debt Service:				
Principal Retirement	20,202	20,202	-	-
Interest	<u>242</u>	<u>242</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>20,444</u>	<u>20,444</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$2,955,080</u>	<u>\$3,139,205</u>	<u>\$(184,125)</u>	<u>\$3,179,966</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, 2013

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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	\$548,147	\$564,906	\$ 564,906	\$ -
Donations from EDC	<u>71,243</u>	<u>37,565</u>	<u>37,565</u>	<u>-</u>
Total Revenues	<u>619,390</u>	<u>602,471</u>	<u>602,471</u>	<u>-</u>
Expenditures:				
Principal	365,000	365,000	365,000	-
Interest and Fees	<u>247,753</u>	<u>246,003</u>	<u>288,093</u>	<u>(42,090)</u>
Total Expenditures	<u>612,753</u>	<u>611,003</u>	<u>653,093</u>	<u>(42,090)</u>
Excess (Deficit) of Revenues over Expenditures	<u>6,637</u>	<u>(8,532)</u>	<u>(50,622)</u>	<u>(42,090)</u>
Other Financing Sources (Uses)				
Refunding bond proceeds	-	-	1,695,000	1,695,000
Payments to bond refunding escrow agent	<u>-</u>	<u>-</u>	<u>(1,650,125)</u>	<u>(1,650,125)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>44,875</u>	<u>44,875</u>
Net Change in Fund Balance	6,637	(8,532)	(5,747)	2,785
Fund Balance – October 1 (Beginning)	<u>71,973</u>	<u>71,973</u>	<u>71,973</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 78,610</u>	<u>\$ 63,441</u>	<u>\$ 66,226</u>	<u>\$ 2,785</u>

**TOWN OF HICKORY CREEK**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2013

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<u>Tax Year</u>	<u>Tax Rates</u>		<u>Assessed Valuation</u>	<u>Balance</u>
	<u>Maintenance</u>	<u>Debt Service</u>		<u>September 30, 2012</u>
1990	\$ .2382	\$ .1164	\$71,178,509	\$ 2
1991	.2642	.1176	69,990,074	2
1992	.2664	.1154	68,448,423	2
1993	.2725	.1093	67,145,626	2
1994	.29057	.09976	69,006,584	2
1995	.30355	.08783	72,727,541	3
1996	.30963	.09867	78,985,838	2
1997	.32363	.09001	82,797,602	2
1998	.33374	.08303	90,399,261	3
1999	.34055	.07316	98,120,181	3
2000	.30236	.06763	122,433,850	2
2001	.29716	.05261	156,884,810	3
2002	.29934	.00	197,999,265	2
2003	.31939	.00	218,034,378	5
2004	.34020	.00	241,570,253	361
2005	.34020	.00	259,282,187	809
2006	.34020	.00	287,603,175	696
2007	.27824	.16738	318,990,395	1,828
2008	.27442	.17120	319,262,600	2,156
2009	.249409	.174878	317,875,400	2,337
2010	.245426	.178861	308,348,595	4,557
2011	.242609	.181678	307,337,200	10,487
2012	.244716	.179571	309,243,743	-
Total				<u>\$ 23,266</u>

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<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2013</u>
	\$ -	\$ -	\$ 2
	-	-	2
	-	-	2
	-	-	2
	-	-	2
	-	-	3
	-	-	2
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	-	5
	-	-	361
	-	-	809
	191	-	505
	5,802	4,664	690
	5,784	6,598	2,970
	5,585	6,281	3,033
	5,583	6,283	5,257
-	8,197	6,200	8,490
<u>\$1,253,797</u>	<u>1,293,642</u>	<u>58,284</u>	<u>18,439</u>
<u>\$1,253,797</u>	<u>\$1,324,784</u>	<u>\$ 88,310</u>	40,589
Less allowance for uncollectible accounts			-
			<u>\$ 40,589</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Revenues:	
Taxes – Sales	\$ 377,769
Interest Income	1,844
Gas Royalties	<u>173</u>
Total Revenues	<u>379,786</u>
Expenditures:	
Administration:	
Legal and Professional	1,527
Marketing	8,565
Staff Consultant	56,300
Administrative Fees	6,300
Engineering	10,272
Park Improvements	58,613
Street Infrastructure	143,065
Contribution to Town for Debt Service	37,565
Office Supplies and Postage	804
Travel and Training	2,047
Dues and Subscriptions	125
Mowing	743
Bank Charges	90
Debt Service:	
Note Principal	19,406
Note Interest	<u>12,013</u>
Total Expenditures	<u>357,435</u>
Excess of Revenues over Expenditures	<u>22,351</u>
Change in Fund Balance	22,351
Fund Balance – October 1 (beginning)	<u>1,309,909</u>
Fund Balance – September 30 (ending)	<u>\$1,332,260</u>

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

Honorable Mayor and Town Council  
Town of Hickory Creek, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Hickory Creek, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise The Town of Hickory Creek, Texas's basic financial statements, and have issued our report dated December 19, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



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

December 19, 2013