

**TOWN OF HICKORY CREEK**

FINANCIAL STATEMENTS  
AND  
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2018

**TOWN OF HICKORY CREEK**

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
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DENTON, TX 76202-0977  
TEL. (940) 387-8563  
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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 units and each major fund of the Town of Hickory Creek, Texas ("Town"), as of and for the year ended September 30, 2018, 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 units and each major fund of the Town of Hickory Creek, Texas as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 12 and the Texas Municipal Retirement system schedules on pages 46 and 47 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 January 15, 2019 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

January 15, 2019

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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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, 2018. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Hickory Creek exceeded its liabilities and deferred inflows at September 30, 2018 by \$12,050,758. Of this amount, \$2,564,624 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$265,717 during the fiscal year from the results of current year operations.
- As of September 30, 2018, the Town of Hickory Creek's governmental funds reported combined ending fund balances of \$5,061,681, a decrease of \$467,707 in comparison with the beginning of the period. Approximately 57 percent of this total amount, \$2,884,490, 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 of \$2,884,490 was 75.90 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 are the Hickory Creek Economic Development Corporation, which was formed on July 1, 2003 as the result of a successful 4B sales tax election, the Hickory Creek Public Improvement District No. 1, which was created on March 31, 2012 to finance certain public improvements within the District, and the Hickory Creek Public Improvement District No. 2, which was created on September 18, 2012, to finance certain public improvements within the District.

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

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

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

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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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 are detailed in a reconciliation following the fund financial statements.

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

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

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

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

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018

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**Government-wide Financial Analysis**

The Town's combined net position was \$12,050,758 as of September 30, 2018. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, in fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net position (Table 1) and general revenues (Table 2) and changes in net position (Table 3) of the Town's governmental activities.

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

Table 1  
Net Position

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	Governmental Activities	
	2017	2018
Current and other assets	\$ 6,150,910	\$ 5,789,670
Capital assets	15,562,184	15,612,291
Total assets	21,713,094	21,401,961
Deferred outflows of resources	387,516	341,307
Long-term liabilities outstanding	9,522,885	8,711,746
Other liabilities	610,902	704,737
Total liabilities	10,133,787	9,416,483
Deferred inflows of resources	181,782	276,027
Net Position:		
Net investment in capital assets	6,690,891	7,348,448
Restricted for:		
Debt Service	116,829	103,901
Street improvements/maintenance	2,177,875	1,812,283
Court security and technology	77,940	94,557
Parks	92,820	126,945
Unrestricted	2,628,686	2,564,624
Total net position	<u>\$ 11,785,041</u>	<u>\$ 12,050,758</u>

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018

The following table provides a summary of the Town's operations for the years ended September 30, 2017 and 2018.

Table 2  
Changes in Net Position

	Governmental Activities	
	2017	2018
Revenues:		
Program Revenues:		
Charges for services	\$ 1,761,462	\$ 1,453,784
Operating grants and contributions	47,230	53,540
Capital grants and contributions	-	-
General Revenues:		
Property taxes	1,664,238	1,719,744
Sales taxes	1,155,885	1,098,479
Other taxes	243,832	265,398
Special assessments	117,069	-
Investment earnings	63,789	98,263
Miscellaneous	8,995	6,859
	<u>5,062,500</u>	<u>4,696,067</u>
Expenses:		
Administration	725,454	932,983
Police	969,269	1,047,082
Fire	599,401	613,633
Municipal court	453,844	460,660
Public works	1,189,902	1,164,290
Debt service - interest and fees	259,749	248,310
	<u>4,197,619</u>	<u>4,466,958</u>
Special items	7,926	36,608
Change in net position	872,807	265,717
Net position - October 1 (beginning)	10,912,234	11,785,041
Net position - September 30 (ending)	<u>\$ 11,785,041</u>	<u>\$ 12,050,758</u>

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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

**Governmental 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 \$5,061,681, a decrease of \$467,707 in comparison with the beginning of the period. Approximately 56.99 percent of this total amount (\$2,884,490) constitutes unassigned and assigned 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 (\$1,812,283), 2) to pay for court security and technology costs (\$94,557), 3) to pay for debt retirement (\$103,901), 4) to liquidate prepaid items (\$39,505), 5) to pay for park maintenance (\$126,945).

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 \$2,884,490, while total fund balance was \$4,654,857. 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 75.90 percent of total general fund expenditures, while total fund balance represents 122.48 percent of that same amount.

The fund balance of the Town's general fund increased by \$56,954 during the current year. Key factors in this increase are as follows:

- Revenues decreased \$354,329 or 8.49% from the previous year, primarily due to decreases in court citations, building permits and special assessments.
- Expenditures increased \$372,299 or 10.86% from the previous year, primarily due to increased expenditures in most departments.

The fund balance of the Town's debt service fund decreased \$12,928 compared to a \$426 increase in the prior year. Both revenue and expenditure activity were approximately the same both years.

The fund balance of the capital projects decreased \$511,733 during the current year due to significant street and road expenditures.

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

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

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

The original budget reflected that the activity for the year would cause a \$522,203 decrease in available fund balance. The available fund balance for the general fund actually increased in the amount of \$56,954, due primarily to increases in building permits and court citations, and lower than anticipated public works and capital outlay expenditures.

**TOWN OF HICKORY CREEK**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018

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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, 2018, amount to \$15,612,291 (net of accumulated depreciation). This amount represents a net increase of \$50,107, or 0.32 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>
Work on various street improvements	\$ 541,507
3 vehicles	99,656
Public works building extension	33,750
Video surveillance system	16,128
Total	<u>\$ 691,041</u>

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

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	<u>Governmental Activities</u>
Land	\$ 757,710
Buildings	3,001,961
Equipment and Vehicles	378,591
Street and Road Infrastructure	10,965,913
Construction in Progress	508,116
Totals	<u>\$ 15,612,291</u>

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

**Long-term Debt.** At the end of the current period, the Town had tax notes outstanding of \$115,000, general obligation bonds outstanding of \$4,315,000, certificates of obligation outstanding of \$3,375,000, and accrued compensated absences of \$83,722, for a total of \$7,888,722.

The Town's total debt decreased by \$620,410 during the current year. No new debt was incurred during the year. Information on the Town's long-term debt can be found in Note 7 of this report.

## TOWN OF HICKORY CREEK

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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

The Town council adopted a balanced budget for 2018-2019 and approved a tax rate of 0.347535 per \$100 of assessed value which represents a decrease of 5.296 % of the previous tax rate of 0.366933. Property values were \$468,823,156 in 2017 and \$558,767,508 in 2018. \$47,093,714 of the increase in property values is attributed to the annexation of Steeplechase North Subdivision.

Residential development continues to be strong. Hickory Creek Crossing Subdivision platted 90 homesites and Steeplechase South Subdivision platted an additional 23 homesites with construction anticipated to begin in the second quarter of 2019. Infrastructure will be completed for 37 homesites in Phase 2 of Shadow Creek Estates.

An election held in May 2018 reallocated ¼ % of sales tax collection for general revenues previously allocated for municipal street maintenance and repair. Sales tax revenue remained steady with a slight increase of \$4,836 or 0.32% for the year.

Roads continue to be a top priority. The final phase of Hickory Hills, Royal Oaks, Crest Ct. and Live Oak were completed in September 2018. An expansion of Point Vista Road and Turbeville Road is essential for planned commercial development which is currently under construction.

October 2018 sidewalks were completed along Point Vista Road, Ronald Reagan Avenue and Turbeville Road at Magnolia Lane. Additional sidewalks will be constructed from Magnolia Lane to Parkridge Drive along Turbeville Road. Additional sidewalks will be constructed linking Strait Lane to Turbeville Road.

The Town council allocated funds to create a Master Parks Plan for all parks including the acreage owned by the Town located adjacent to Sycamore Bend Park.

The Town of Hickory Creek continues to maintain a strong financial reserve in part to the employees and Town council. The 2018-2019 budget is consistent with maintaining a strong reserve and disciplined spending.

#### **Requests for Information**

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

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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF HICKORY CREEK**

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Government	Component Units		
	Governmental Activities	Economic Development Corporation	Public Improvement District No. 1	Public Improvement District No. 2
<b>ASSETS</b>				
Cash and Investments	\$ 5,278,332	\$ 984,747	\$ 370,946	\$ 427,494
Receivables (net of allowance for uncollectibles):				
Taxes – Ad Valorem	55,846	-	-	-
Taxes – Sales	222,178	-	-	-
Other	13,641	-	-	-
Due from Denton County	133,962	-	-	-
Due from City of Lake Dallas	21,313	-	-	-
Internal Balances	24,893	94,284	(119,177)	-
Prepaid Costs	39,505	6,250	-	-
Capital Assets:				
Land	757,710	1,745,760	-	-
Buildings, net	3,001,961	-	-	-
Equipment and Vehicles, net	378,591	-	-	-
Street, Road, Park Infrastructure, net	10,965,913	46,932	3,861,074	3,907,449
Construction in Progress	508,116	-	-	-
Total Assets	<u>21,401,961</u>	<u>2,877,973</u>	<u>4,112,843</u>	<u>4,334,943</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to TRMS	201,034	-	-	-
Deferred Charge on Bond Refunding	140,273	-	-	-
Total Deferred Outflows of Resources	<u>341,307</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	557,732	480	-	-
Accrued Wages	46,085	-	-	-
Accrued Interest	32,594	-	12,549	51,846
Developer Escrow	-	-	-	50,000
Due to State Agencies	68,326	-	-	-
Long-term Liabilities:				
Due within one year	629,563	-	85,545	25,000
Due in more than one year	7,858,275	-	3,990,255	4,195,000
Net Pension Liability	223,908	-	-	-
Total Liabilities	<u>9,416,483</u>	<u>480</u>	<u>4,088,349</u>	<u>4,321,846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow Related to TMRS	276,027	-	-	-
Total Deferred Inflows of Resources	<u>276,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,348,448	1,792,692	(214,726)	(312,551)
Restricted for:				
Debt Retirement	103,901	-	246,650	344,582
Economic Development	-	1,084,801	-	-
Street Improvements/Maintenance	1,812,283	-	-	-
Court Security/Technology	94,557	-	-	-
Parks	126,945	-	-	-
Unrestricted Net Position	2,564,624	-	(7,430)	(18,934)
Total Net Position	<u>\$ 12,050,758</u>	<u>\$ 2,877,493</u>	<u>\$ 24,494</u>	<u>\$ 13,097</u>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<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	\$ 932,983	\$ 5,466	\$ 5,000	\$ -
Police	1,047,082	532,099	-	-
Fire	613,633	-	-	-
Municipal Court	460,660	460,660	-	-
Public Works	1,164,290	455,559	2,762	-
Debt Service – Interest and Fees	248,310	-	45,778	-
Total Governmental Activities	<u>4,466,958</u>	<u>1,453,784</u>	<u>53,540</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 4,466,958</u>	<u>\$ 1,453,784</u>	<u>\$ 53,540</u>	<u>\$ -</u>
<b>COMPONENT UNITS:</b>				
Economic Development Corporation	\$ 83,856	\$ -	\$ -	\$ -
Public Improvement District No. 1	337,209	-	-	-
Public Improvement District No. 2	405,668	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 826,733</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

Special Assessments

Investment Earnings

Lease Income

Miscellaneous

Special item-gain on disposition of capital asset

Total General Revenues and Special Items

Change in Net Position

NET POSITION, October 1 (beginning)

NET POSITION, September 30 (ending)

The accompanying Notes are an integral part of this statement.

Governmental Activities	Component Units		
	Economic Development Corp	Public Improvement District No. 1	Public Improvement District No. 2
\$ (922,517)	\$ -	\$ -	\$ -
(514,983)	-	-	-
(613,633)	-	-	-
-	-	-	-
(705,969)	-	-	-
(202,532)	-	-	-
<u>(2,959,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,959,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(83,856)	-	-
-	-	(337,209)	-
-	-	-	(405,668)
<u>-</u>	<u>(83,856)</u>	<u>(337,209)</u>	<u>(405,668)</u>
925,710	-	-	-
794,034	-	-	-
1,098,479	381,775	-	-
265,365	-	-	-
33	-	-	-
-	-	238,633	296,352
98,263	18,036	4,264	3,904
-	1,645	-	-
6,859	93	-	-
36,608	-	-	-
<u>3,225,351</u>	<u>401,549</u>	<u>242,897</u>	<u>300,256</u>
265,717	317,693	(94,312)	(105,412)
<u>11,785,041</u>	<u>2,559,800</u>	<u>118,806</u>	<u>168,509</u>
<u>\$ 12,050,758</u>	<u>\$ 2,877,493</u>	<u>\$ 24,494</u>	<u>\$ 63,097</u>

**TOWN OF HICKORY CREEK**

**BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$ 4,516,025	\$ -
Receivables (net of allowances for uncollectibles):		
Taxes –Ad Valorem	31,066	24,780
Taxes - Sales	222,178	-
Other	13,641	-
Due from City of Lake Dallas	-	-
Due from Denton County	-	-
Due from Other Funds	169,160	103,901
Due from Public Improvement District No. 1	119,177	-
Prepaid Costs	39,505	-
Total Assets	<u>\$ 5,110,752</u>	<u>\$ 128,681</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 117,374	\$ -
Accrued Wages	46,085	-
Due to State Agencies	68,326	-
Due to EDC	94,284	-
Due to Other Funds	98,760	-
Total Liabilities	<u>424,829</u>	<u>-</u>
Deferred Inflows of Resources:		
Unavailable Revenue-Property Taxes	31,066	24,780
Total Deferred Inflows of Resources	<u>31,066</u>	<u>24,780</u>
Fund Equity:		
Nonspendable Fund Balance:		
Prepaid Costs	39,505	-
Restricted Fund Balance:		
Court Security and Technology	94,557	-
Street Improvements/Maintenance	1,509,360	-
Retirement of Long-term Debt	-	103,901
Parks	126,945	-
Unassigned Fund Balance	2,884,490	-
Total Fund Equity	<u>4,654,857</u>	<u>103,901</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 5,110,752</u>	<u>\$ 128,681</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
\$ 762,307	\$ 5,278,332
-	55,846
-	222,178
-	13,641
21,313	21,313
133,962	133,962
-	273,061
-	119,177
-	39,505
<u>\$ 917,582</u>	<u>\$ 6,157,015</u>
\$ 440,358	\$ 557,732
-	46,085
-	68,326
-	94,284
174,301	273,061
<u>614,659</u>	<u>1,039,488</u>
-	55,846
-	55,846
-	39,505
-	94,557
302,923	1,812,283
-	103,901
-	126,945
-	2,884,490
<u>302,923</u>	<u>5,061,681</u>
<u>\$ 917,582</u>	<u>\$ 6,157,015</u>

**TOWN OF HICKORY CREEK**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

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<b>Total Fund Balances – Governmental Funds</b>	\$ 5,061,681
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	20,880,951
Accumulated depreciation is not reported in the fund financial statements.	(5,268,660)
Tax notes, general obligation bonds, certificates of obligation, capital leases and compensated absences are not reported in the fund financial statements.	(7,888,722)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	55,846
Bond premiums are not recognized in the fund financial statements.	(599,116)
Deferred charge on bond refunding is not recognized in the fund financial statements.	140,273
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(32,594)
Included in the items related to debt is the recognition of the Town’s net TMRS pension liability required by GASB 68 in the amount of \$223,908, a Deferred Resource Inflow related to TMRS in the amount of \$276,027 and a Deferred Resource Outflow related to TMRS in the amount of \$201,034. This amounted to an increase in Net Position in the amount of \$298,901.	<u>(298,901)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 12,050,758</u></b>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>				
Taxes - Ad Valorem	\$ 919,822	\$ 788,833	\$ -	\$ 1,708,655
- Franchise	265,365	-	-	265,365
- Sales	1,098,479	-	-	1,098,479
- Mixed Beverage	33	-	-	33
Court Citations	931,385	-	-	931,385
Corp of Engineers	33,897	-	-	33,897
Building Permits	305,975	-	-	305,975
Interest Income	68,649	-	29,614	98,263
Other Permits and Fees	116,498	-	-	116,498
Parks and Recreation	66,029	-	-	66,029
Gas Royalties	242	-	-	242
Donations from EDC	-	45,778	-	45,778
Public Donations	7,762	-	-	7,762
Other	6,617	-	-	6,617
Total Revenues	<u>3,820,753</u>	<u>834,611</u>	<u>29,614</u>	<u>4,684,978</u>
<b>Expenditures:</b>				
Current:				
General Governments	889,615	-	-	889,615
Police	1,024,809	-	-	1,024,809
Fire	613,633	-	-	613,633
Municipal Court	449,380	-	-	449,380
Public Works	654,243	-	-	654,243
Debt Service:				
Principal	9,473	570,000	-	579,473
Interest and Fees	291	277,539	-	277,830
Capital Outlay	158,963	-	541,347	700,310
Total Expenditures	<u>3,800,407</u>	<u>847,539</u>	<u>541,347</u>	<u>5,189,293</u>
Excess (Deficit) of Revenues over Expenditures	<u>20,346</u>	<u>(12,928)</u>	<u>(511,733)</u>	<u>(504,315)</u>
<b>Other Financing Resources (Uses):</b>				
Sale of personal property	36,608	-	-	36,608
Total Other Financing Resources (Uses)	<u>36,608</u>	<u>-</u>	<u>-</u>	<u>36,608</u>
Net Change in Fund Balance	56,954	(12,928)	(511,733)	(467,707)
Fund Balance - October 1 (beginning)	4,597,903	116,829	814,656	5,529,388
Fund Balance - September 30 (ending)	<u>\$4,654,857</u>	<u>\$ 103,901</u>	<u>\$ 302,923</u>	<u>\$ 5,061,681</u>

The accompanying Notes are an integral part of this statement.

**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, 2018

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	<b>\$ (467,707)</b>
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.	711,233
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.	(661,126)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	11,089
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.	1,374
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.	579,473
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.	39,563
Current year amortization of the deferred loss on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of net position in the government-wide financial statements.	(11,586)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	1,543
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/17 caused the change in ending net position to increase in the amount of \$100,302. Contributions made before the measurement date but during the 2018 FY were also de-expended and recorded as a reduction in the net position liability for the Town. This also caused an increase in the change in net position in the amount of \$36,693. These contributions were replaced with the Town's pension expense for the year of \$75,134, which caused a decrease in the change in net position. The impact of all of these is to increase the change in net position by \$61,681.	<u>61,861</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 265,717</u></b>

The accompanying Notes are an integral part of this statement.

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes - Ad Valorem	\$ 935,583	\$ 919,822	\$ 919,822	\$ -
- Franchise	237,650	263,744	265,365	1,621
- Sales	1,121,250	1,140,212	1,098,479	(41,733)
- Mixed Beverage	-	-	33	33
Court Citations	881,250	931,385	931,385	-
Corp of Engineers	34,000	33,897	33,897	-
Building Permits	250,000	308,975	305,975	(3,000)
Interest Income	15,500	66,542	68,649	2,107
Other Permits and Fees	52,170	103,382	116,498	13,116
Parks and Recreation	52,000	62,539	66,029	3,490
Gas Royalties	300	242	242	-
Public Donations	1,000	7,762	7,762	-
Other	7,100	10,370	6,617	(3,753)
<b>Total Revenues</b>	<u>3,587,803</u>	<u>3,848,872</u>	<u>3,820,753</u>	<u>(28,119)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	775,061	771,176	889,615	(118,439)
Police	1,000,312	995,827	1,024,809	(28,982)
Fire	611,405	613,633	613,633	-
Municipal Court	443,620	443,382	449,380	(5,998)
Public Works	973,390	620,719	654,243	(33,524)
<b>Debt Service:</b>				
Principal	9,473	9,473	9,473	-
Interest	291	291	291	-
Capital Outlay	326,454	158,963	158,963	-
<b>Total Expenditures</b>	<u>4,140,006</u>	<u>3,613,464</u>	<u>3,800,407</u>	<u>(186,943)</u>
Excess of Revenue over Expenditures	<u>(552,203)</u>	<u>235,408</u>	<u>20,346</u>	<u>(215,062)</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Personal Property	-	36,608	36,608	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>36,608</u>	<u>36,608</u>	<u>-</u>
Net Change in Fund Balance	(552,203)	272,016	56,954	(215,062)
Fund Balance – October 1 (beginning)	4,597,903	4,597,903	4,597,903	-
Fund Balance -- September 30 (ending)	<u>\$ 4,045,700</u>	<u>\$ 4,869,919</u>	<u>\$ 4,654,857</u>	<u>\$ (215,062)</u>

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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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
- 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

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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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 three discretely presented component units at September 30, 2018, the Hickory Creek Economic Development Corporation, which was created in fiscal year 2003 as the result of a successful 4B sales tax election, the Hickory Creek Public Improvement District No. 1, which was created on March 31, 2012 to finance certain public improvements benefiting property owners within the public improvement district, and the Hickory Creek Public Improvement District No. 2, which was created on September 18, 2012 to finance certain public improvements benefiting property owners within the public improvement district.

#### **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, 2018

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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.

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**D. Cash and Investments**

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

**E. Receivable and Payables**

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

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

**F. Property Taxes**

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

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

For fiscal year 2018, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2017, upon which the fiscal year 2018 levy was based, was \$464,507,144. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2018, was \$.366933 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, 2018

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

**L. Budgets and Budgetary Accounting**

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

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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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. 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, 2018, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$449,188 and the bank balance was \$456,944. The Town's cash deposits at September 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

### **2. Investments:**

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

TOWN OF HICKORY CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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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, 2018, the Town's cash balances totaled \$456,944. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2018, 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, 2018, 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, 2018 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
LOGIC Investment Pool	\$ 4,829,144	\$ 4,829,144
Total	\$ 4,829,144	\$ 4,829,144

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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#### **Fair Value Measurements**

The Town categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based in the lowest level input that is significantly to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Town's investments in the LOGIC investment pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

#### **3. FUND BALANCE**

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees and park 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.

## TOWN OF HICKORY CREEK

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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- 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, 2018.
- 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 no assigned fund balance as of September 30, 2018.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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 \$2,884,901 at September 30, 2018. Prepaid expenditures (prepaid items) of \$39,505 are considered nonspendable fund balance. Court security and technology fees of \$94,557 and park fees of \$126,945 are shown as restricted for those purposes. Street improvement/maintenance funds of \$1,509,360 are shown as restricted because the source of such funds are sales taxes, special assessments and developer contributions earmarked for street maintenance.

#### **Other Major Funds**

The Debt Service Fund has restricted funds of \$103,901 at September 30, 2018 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$302,923 consisting primarily of unspent bond funds.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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**4. RECEIVABLES**

Government-wide receivables as of September 30, 2018, 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	\$ 31,066	\$ 24,780	\$ -	\$ 55,846
Sales Taxes	222,178	-	-	222,178
Other	<u>13,641</u>	<u>-</u>	<u>-</u>	<u>13,641</u>
Gross Receivables	266,885	24,780	-	291,665
Less: Uncollectible allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$266,885</u>	<u>\$ 24,780</u>	<u>\$ -</u>	<u>\$291,665</u>

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

**5. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2018 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$ 169,160	\$ -
Debt Service Fund	-	98,760
Debt Service Fund:		
General Fund	98,760	-
Capital Projects Fund	5,141	-
Capital Projects Fund:		
General Fund	-	169,160
Debt Service Fund	<u>-</u>	<u>5,141</u>
Total	<u>\$ 273,061</u>	<u>\$ 273,061</u>

Internal balances between the primary government and component units at September 30, 2018 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation	\$ -	\$ 94,284
Public Improvement District No. 1	119,177	-
Economic Development Corporation:		
General Fund	94,284	-
Public Improvement District No. 1:		
General Fund	<u>-</u>	<u>119,117</u>
Total	<u>\$ 213,461</u>	<u>\$ 213,461</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

The following is a summary of transfers:

	Transfer In:	
Transfer Out:	Economic Development Corporation	Total
General Fund	\$ 381,775	\$ 381,775

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

**6. CAPITAL ASSETS**

Capital asset activity of the Town for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 757,710	\$ -	\$ -	\$ 757,710
Construction in Progress	4,282,561	541,507	(4,315,952)	508,116
Total capital assets, not being depreciated	5,040,271	541,507	(4,315,952)	1,265,826
Capital assets, being depreciated:				
Buildings and Improvements	4,101,415	33,750	-	4,135,165
Street, Road, Park Infrastructure	9,733,510	4,315,952	-	14,049,462
Furniture, Equipment and Vehicles	1,410,412	135,976	(115,890)	1,430,498
Total Capital assets, being depreciated	15,245,337	4,485,678	(115,890)	19,615,125
Less accumulated depreciation for:				
Buildings and Improvements	(1,022,692)	(110,512)	-	(1,133,204)
Street, Road, Park Infrastructure	(2,653,405)	(430,144)	-	(3,083,549)
Furniture, Equipment and Vehicles	(1,047,327)	(120,470)	115,890	(1,051,907)
Total accumulated depreciation	(4,723,424)	(661,126)	115,890	(5,268,660)
Total capital assets, being depreciated, net	10,521,913	3,824,552	-	14,346,465
Governmental activities capital assets, net	\$ 15,562,184	\$4,366,059	\$ (4,315,952)	\$15,612,291

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

Governmental Activities:	
General government	\$ 43,368
Police	96,431
Municipal court	11,280
Public works	510,047
Total depreciation expense – Governmental activities	\$ 661,126

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

Capital asset activity of the Hickory Creek Economic Development Corporation for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 881,382	\$ 864,378	\$ -	\$ 1,745,760
Street and Road Infrastructure	<u>150,854</u>	<u>-</u>	<u>-</u>	<u>150,854</u>
Totals at historic cost	<u>1,032,236</u>	<u>864,378</u>	<u>-</u>	<u>1,896,614</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	<u>(93,865)</u>	<u>(10,057)</u>	<u>-</u>	<u>(103,922)</u>
Total accumulated depreciation	<u>(93,865)</u>	<u>(10,057)</u>	<u>-</u>	<u>(103,922)</u>
Capital Assets, net	<u>\$ 938,371</u>	<u>\$ 854,321</u>	<u>\$ -</u>	<u>\$ 1,792,692</u>

Capital asset activity of the Hickory Creek Public Improvement District No. 1 for the year ended September 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Street and Road Infrastructure	\$ 3,680,025	\$ 314,190	\$ -	\$ 3,994,215
Totals at historic cost	<u>3,680,025</u>	<u>314,190</u>	<u>-</u>	<u>3,994,215</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	<u>-</u>	<u>(133,141)</u>	<u>-</u>	<u>(133,141)</u>
Total accumulated depreciation	<u>-</u>	<u>(133,141)</u>	<u>-</u>	<u>(133,141)</u>
Capital Assets, net	<u>\$ 3,680,025</u>	<u>\$ 181,049</u>	<u>\$ -</u>	<u>\$ 3,861,074</u>

Capital asset activity of the Hickory Creek Public Improvement District No. 2 for the year ended September 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Street and Road Infrastructure	\$ -	\$ 3,907,449	\$ -	\$ 3,907,449
Totals at historic cost	<u>-</u>	<u>3,907,449</u>	<u>-</u>	<u>3,907,449</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, net	<u>\$ -</u>	<u>\$ 3,907,449</u>	<u>\$ -</u>	<u>\$ 3,907,449</u>

**7. LONG TERM DEBT**

Long term debt of the Town at September 30, 2018 consists of two general obligation bond series, one certificates of obligation series, one tax note series and accrued compensated absences. All long-term debt represents transactions in the Town's governmental activities.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The following is a summary of the changes in the Town's Long-term Debt for the year ended September 30, 2018:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/1/2017</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 09/30/18</u>	<u>Due Within One Year</u>
Tax Notes:						
Series 2012	1.66%	\$ 230,000	\$ -	\$ 115,000	\$ 115,000	\$ 115,000
General Obligation Bonds:						
Series 2012 Refunding	2.06%	1,100,000	-	125,000	975,000	130,000
Series 2015 Refunding	2.0 - 4.0%	3,525,000	-	185,000	3,340,000	195,000
		<u>4,625,000</u>	<u>-</u>	<u>310,000</u>	<u>4,315,000</u>	<u>325,000</u>
Certificates of Obligation:						
Series 2015	2.0 - 4.0%	3,520,000	-	145,000	3,375,000	150,000
Capital Lease:						
Police vehicles	4.14%	9,473	-	9,473	-	-
		<u>9,473</u>	<u>-</u>	<u>9,473</u>	<u>-</u>	<u>-</u>
Premiums on Bond Issuance		638,679	-	39,563	599,116	39,563
Compensated Absences		85,096	-	1,374	83,722	-
Total Long-Term Debt		<u>\$ 9,108,248</u>	<u>\$ -</u>	<u>\$ 620,410</u>	<u>\$ 8,487,838</u>	<u>\$ 629,563</u>

Long-term debt of the Hickory Creek Public Improvement District No. 1 consists of \$4,140,000 special assessment revenue bonds that were issued in September, 2017 to finance public improvements benefiting property owners within the public improvement district. The Town is not obligated in any manner for the debt service payments on the special assessment debt. A summary of the change in the long-term debt for the year ended September 30, 2018 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/1/2017</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 09/30/18</u>	<u>Due Within One Year</u>
Special Assessment						
Revenue Bonds:						
Series 2017	3.0 - 4.0%	\$ 4,140,000	\$ -	\$ 80,000	\$ 4,606,000	\$ 85,000
Premiums on Bond Issuance		16,345	-	545	15,800	545
Total Long-Term Debt		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term debt of the Hickory Creek Public Improvement District No. 2 consists of \$4,220,000 special assessment revenue bonds that were issued in July, 2018 to finance public improvements benefiting property owners within the public improvement district. The Town is not obligated in any manner for the debt service payments on the special assessment debt. A summary of the change in the long-term debt for the year ended September 30, 2018 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/1/2017</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 09/30/18</u>	<u>Due Within One Year</u>
Special Assessment						
Revenue Bonds:						
Series 2018	5.125 - 5.65%	\$ -	\$ 4,220,000	\$ -	\$ 4,220,000	\$ 25,000
Total Long-Term Debt		<u>\$ -</u>	<u>\$ 4,220,000</u>	<u>\$ -</u>	<u>\$ 4,220,000</u>	<u>\$ 25,000</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 115,000	\$ 1,909	\$ 116,909
	<u>\$ 115,000</u>	<u>\$ 1,909</u>	<u>\$ 116,909</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 325,000	\$ 139,385	\$ 464,385
2020	445,000	132,808	577,808
2021	460,000	121,808	581,808
2022	465,000	110,404	575,404
2023	290,000	98,898	388,898
2024-2028	1,195,000	371,350	1,566,350
2029-2032	1,135,000	115,800	1,250,800
	<u>\$ 4,315,000</u>	<u>\$ 1,090,453</u>	<u>\$ 5,405,453</u>

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 150,000	\$ 123,800	\$ 273,800
2020	155,000	120,800	275,800
2021	160,000	116,150	276,150
2022	165,000	111,350	276,350
2023	170,000	106,400	276,400
2024-2028	925,000	442,100	1,367,100
2029-2033	1,130,000	243,200	1,373,200
2034-2035	520,000	31,400	551,400
	<u>\$ 3,375,000</u>	<u>\$ 1,295,200</u>	<u>\$ 4,670,200</u>

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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Presented below is a summary of the Hickory Creek Public Improvement District No. 1 special assessment revenue bonds to maturity:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 85,000	\$ 153,100	\$ 238,100
2020	85,000	150,550	235,550
2021	90,000	148,000	238,000
2022	90,000	145,300	235,300
2023	95,000	142,600	237,600
2024-2028	510,000	666,175	1,176,175
2029-2033	615,000	565,688	1,180,688
2034-2038	740,000	439,543	1,179,543
2039-2043	895,000	281,400	1,176,400
2044-2047	<u>855,000</u>	<u>87,200</u>	<u>942,200</u>
	<u>\$ 4,060,000</u>	<u>\$ 2,779,556</u>	<u>\$ 6,839,556</u>

Presented below is a summary of the Hickory Creek Public Improvement District No. 2 special assessment revenue bonds to maturity:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 25,000	\$ 266,073	\$ 291,073
2020	65,000	232,344	297,344
2021	65,000	229,013	294,013
2022	70,000	225,681	295,681
2023	75,000	222,094	297,094
2024-2028	450,000	1,047,687	1,497,687
2029-2033	600,000	912,375	1,512,375
2034-2038	785,000	723,656	1,508,656
2039-2043	1,030,000	476,719	1,506,719
2044-2047	<u>1,055,000</u>	<u>152,156</u>	<u>1,207,156</u>
	<u>\$ 4,220,000</u>	<u>\$ 4,487,798</u>	<u>\$ 8,707,798</u>

**9. DEFEASED BONDS OUTSTANDING**

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Town's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. At September 30, 2018, \$390,000 of bonds outstanding are considered defeased.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**10. DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The Town of Hickory Creek participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

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

	Plan Year 2017	Plan Year 2018
Employee deposit rate	7.0%	7.0%
Employer deposit rate	11.61%	12.01%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

***Employees covered by benefit terms.***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to buy not yet receiving benefits	16
Active employees	<u>21</u>
	46

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Contributions**

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

Employees for the Town of Hickory Creek were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Hickory Creek were 11.61% and 12.01% in calendar years 2017 and 2018, respectively. The Town's contributions to TMRS for the year ended September 30, 2018 were \$136,996, and were equal to the required contributions.

**Net Pension Liability**

The Town's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2014 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$2,809,345	\$2,394,708	\$ 414,637
Changes for the year:			
Service Cost	182,790	-	182,790
Interest	193,825	-	193,825
Change in benefit terms	-	-	-
Difference between expected and actual experience	(36,475)	-	(36,475)
Changes of assumptions	-	-	-
Contributions – employer	-	124,509	(124,509)
Contributions – employee	-	75,891	(75,891)
Net investment income	-	332,276	(332,276)
Benefit payments, including refunds of employee contributions	(58,520)	(58,520)	-
Administrative expense	-	(1,720)	1,720
Other changes	-	(87)	87
Net changes	\$281,620	\$472,349	\$(190,729)
<b>Balance at 12/31/2017</b>	<b>\$3,090,965</b>	<b>\$2,867,057</b>	<b>\$223,908</b>

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability (asset)	\$836,989	\$223,908	\$(259,907)

***Pension Plan Fiduciary Net Position***

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

For the year ended September 30, 2018, the Town recognized pension expense of \$73,771.

At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 41,021	\$ 139,335
Changes in actuarial assumptions	408	-
Difference between projected and actual investment earnings	59,303	136,692
Contributions subsequent to the measurement date	100,302	-
Total	\$ 201,034	\$ 276,027

\$100,302 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$(67,118)
2020	\$(39,348)
2021	\$(27,991)
2022	\$(40,838)
2023	\$ -
Thereafter	\$ -

**11. LITIGATION AND CONTINGENCIES**

The Town participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2018 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**12. RISK MANAGEMENT**

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

**TOWN OF HICKORY CREEK**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**13. COMMITMENT**

The donation from the Hickory Creek Economic Development Corporation to the Debt Service Fund of \$45,778 represents a commitment by the EDC toward the debt service payments on the Series 2004 Certificates of Obligation, based on the use of a portion of the proceeds for the construction of Ronald Reagan Avenue.

**14. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to September 30, 2018 through January 15, 2019, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be disclosed in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HICKORY CREEK**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 182,790	\$ 177,160	\$ 165,653	\$ 174,809
Interest (on the Total Pension Liability)	193,825	168,939	160,830	165,468
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(36,475)	68,097	(69,632)	(311,100)
Change of assumptions	-	-	1,125	-
Benefit payments, including refunds of employee contributions	<u>(58,520)</u>	<u>(38,143)</u>	<u>(78,847)</u>	<u>(102,884)</u>
<b>Net Change in Total Pension Liability</b>	281,620	376,053	179,129	(73,707)
<b>Total Pension Liability – Beginning</b>	<u>2,809,345</u>	<u>2,433,292</u>	<u>2,254,163</u>	<u>2,327,870</u>
Total Pension Liability – Ending (a)	<u><u>\$3,090,965</u></u>	<u><u>\$2,809,345</u></u>	<u><u>\$2,433,292</u></u>	<u><u>\$2,254,163</u></u>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$ 124,509	\$ 112,899	\$ 116,879	\$ 107,208
Contributions – Employee	75,891	73,250	72,248	73,630
Net Investment Income	332,276	142,458	2,945	103,811
Benefit payments, including refunds of employee contributions	(58,520)	(38,143)	(78,847)	(102,884)
Administrative Expense	(1,720)	(1,607)	(1,793)	(1,083)
Other	<u>(87)</u>	<u>(87)</u>	<u>(89)</u>	<u>(89)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	472,349	288,770	111,343	180,593
<b>Plan Fiduciary Net Position – Beginning</b>	<u>2,394,708</u>	<u>2,105,938</u>	<u>1,994,595</u>	<u>1,814,002</u>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<u><u>\$2,867,057</u></u>	<u><u>\$2,394,708</u></u>	<u><u>\$2,105,938</u></u>	<u><u>\$1,994,595</u></u>
<b>Net Pension Liability – Ending (a) – (b)</b>	<u><u>\$ 223,908</u></u>	<u><u>\$ 414,637</u></u>	<u><u>\$ 327,354</u></u>	<u><u>\$ 259,568</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	92.76%	85.24%	86.55%	88.48%
<b>Covered Employee Payroll</b>	1,084,165	1,046,424	1,032,109	1,055,218
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	20.65%	39.62%	31.75%	24.60%

Note: GASB 68, Paragraph 81, 2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2014 – the period from January 1, 2014 – December 31, 2014, December 31, 2015 – the period from January 1, 2015 – December 31, 2015, December 31, 2016 – the period from January 1, 2016 – December 31, 2016 and December 31, 2017 - the period from January 1, 2017 - December 31, 2017.

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

**TOWN OF HICKORY CREEK**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR FISCAL YEAR 2018

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 136,996	\$ 121,089	\$ 114,731	\$ 114,451
Contribution in Relation to the Contractually Required Contribution	<u>(136,996)</u>	<u>(121,089)</u>	<u>(114,731)</u>	<u>(114,451)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,151,205	\$ 1,060,603	\$ 1,036,338	\$ 1,023,296
Contributions as a Percentage of Covered-Employee Payroll	11.90%	11.42%	11.07%	11.18%

Note: GASB 68, Paragraph 81, 2,b requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2014 - December 31, 2014, January 1, 2015 - December 31, 2015, January 1, 2016 - December 31, 2016 and January 1, 2017 - December 31, 2017.

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

**TOWN OF HICKORY CREEK**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULE**

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018		Variance Favorable (Unfavorable)	2017 Actual
	Budget	Actual		
<b>Expenditures:</b>				
<b>General Government:</b>				
Salaries and Wages	\$262,152	\$ 263,006	\$ (854)	\$244,278
Insurance, Taxes and Retirement	78,089	89,797	(11,708)	77,874
Dues and Memberships	2,002	1,991	11	1,775
Training and Education	2,084	2,084	-	1,355
Office Supplies and Postage	5,786	5,786	-	8,528
Printing	1,040	962	78	1,164
Copier Rental	4,964	4,964	-	4,322
Computer Support and Maintenance	43,897	46,371	(2,474)	45,100
Advertising/Legal Notices	2,118	2,118	-	2,254
Public Relations	22,953	20,096	2,857	15,213
Election Costs	7,757	7,757	-	-
Telephone	23,141	23,033	108	24,794
Utilities	41,332	42,196	(864)	40,303
Legal Fees	65,488	64,046	1,442	60,054
Audit Fees	13,500	13,500	-	12,000
General Insurance	28,974	28,974	-	35,129
Building Maintenance and Supplies	123,831	232,550	(108,719)	63,107
Library Services	700	700	-	465
Travel	1,122	1,122	-	1,864
Tax Collection/Appraisal Costs	12,918	12,968	(50)	11,824
Ordinance Codification	2,915	2,915	-	2,655
Town Council Costs	4,134	3,024	1,110	3,487
Volunteer/Staff Events	8,054	7,274	780	7,491
Special Events	9,001	9,001	-	7,728
Other Expenditures	3,224	3,380	(156)	2,839
Total General Government Expenditures	<u>771,176</u>	<u>889,615</u>	<u>(118,439)</u>	<u>675,603</u>
<b>Police Department:</b>				
Salaries and Wages	618,440	620,453	(2,013)	573,519
Insurance, Taxes and Retirement	188,001	211,839	(23,838)	183,822
Office Supplies and Postage	2,317	1,997	320	3,238
Dues and Memberships	295	295	-	445
Personnel Equipment	10,256	10,256	-	3,429
Crime Lab Analysis	1,653	1,653	-	1,856
Auto Expense - Gas	31,104	28,740	2,364	27,335
Auto Expense - Repairs	46,443	51,247	(4,804)	33,004
Uniforms	9,812	9,812	-	3,188
Books and Subscriptions	674	661	13	317
Computer Support and Maintenance	31,964	33,471	(1,507)	26,767
Citizens on Patrol	-	-	-	389
Community Outreach	97	97	-	1,287
Denton County Dispatch	27,950	27,950	-	28,427
Drug Forfeiture/Seizure	1,817	1,817	-	7,799
K-9 Unit	15,687	15,687	-	-
Training and Travel	9,317	8,834	483	6,543
Total Police Department Expenditures	<u>995,827</u>	<u>1,024,809</u>	<u>(28,982)</u>	<u>901,365</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
 BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018  
 PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018		Variance Favorable (Unfavorable)	2017 Actual
	Budget	Actual		
<b>Expenditures:</b>				
<b>Fire Department:</b>				
Contract Services	\$613,633	\$613,633	\$ -	\$599,401
Total Fire Department Expenditures	<u>613,633</u>	<u>613,633</u>	<u>-</u>	<u>599,401</u>
<b>Municipal Court:</b>				
Salaries and Wages	102,954	103,289	(335)	92,452
Insurance, Taxes and Retirement	30,668	35,266	(4,598)	29,473
Office Supplies and Postage	2,170	2,086	84	1,827
Dues and Memberships	190	300	(110)	531
Travel	197	197	-	315
Training and Education	400	400	-	600
Municipal Judge	10,760	10,760	-	10,860
State Court Costs	286,468	286,123	345	285,861
Warrant Service Fees	-	-	-	4,645
Building Security/Court Technology Costs	9,476	10,860	(1,384)	13,163
Books and Subscriptions	99	99	-	36
Total Municipal Court	<u>443,382</u>	<u>449,380</u>	<u>(5,998)</u>	<u>439,763</u>
<b>Public Works:</b>				
Salaries and Wages	178,060	178,640	(580)	156,330
Insurance, Taxes and Retirement	53,040	60,992	(7,952)	49,837
Dues and Memberships	276	271	5	321
Office Supplies and Postage	495	495	-	1,119
Animal Control	11,052	11,640	(588)	7,719
Auto Expense - Gas	13,785	12,849	936	10,782
Auto Expense - Repairs	25,092	25,060	32	26,704
Supplies	10,705	10,396	309	6,984
Equipment Repairs and Maintenance	15,075	15,075	-	9,243
Uniforms	3,852	4,050	(198)	2,751
Training	250	250	-	1,389
Travel	664	664	-	1,110
Street Lighting	30,755	33,316	(2,561)	28,070
Street Repairs and Maintenance	21,734	22,557	(823)	44,243
Engineering	34,765	53,753	(18,988)	60,740
Inspection Fees	43,292	47,448	(4,156)	68,383
Landscaping Services	88,378	88,378	-	26,552
Parks and Recreation	47,992	47,209	783	50,267
Beautification	37,760	37,736	24	133,453
Radios	3,697	3,464	233	3,933
Total Public Works	<u>620,719</u>	<u>654,243</u>	<u>(33,524)</u>	<u>689,930</u>

**TOWN OF HICKORY CREEK**

STATEMENT OF GENERAL FUND EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018		Variance Favorable (Unfavorable)	2017 Actual
	Budget	Actual		
Expenditures:				
Capital Outlay:				
Buildings	\$ 33,750	\$ 33,750	\$ -	\$ 17,100
Equipment and Vehicles	125,213	125,213	-	95,182
Parks	-	-	-	-
Total Capital Outlay	<u>158,963</u>	<u>158,963</u>	<u>-</u>	<u>112,282</u>
Debt Service:				
Principal Retirement	9,473	9,473	-	8,936
Interest	291	291	-	828
Total Debt Service	<u>9,764</u>	<u>9,764</u>	<u>-</u>	<u>9,764</u>
Total Expenditures	<u>\$3,613,464</u>	<u>\$3,800,407</u>	<u>\$ (186,943)</u>	<u>\$3,428,108</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP BASIS)</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - Ad Valorem	\$ 807,411	\$ 788,833	\$ 788,833	\$ -
Donations from EDC	45,778	45,778	45,778	-
Total Revenues	<u>853,189</u>	<u>834,611</u>	<u>834,611</u>	<u>-</u>
Expenditures:				
Principal	570,000	570,000	570,000	-
Interest	<u>276,178</u>	<u>277,539</u>	<u>277,539</u>	<u>-</u>
Total Expenditures	<u>846,178</u>	<u>847,539</u>	<u>847,539</u>	<u>-</u>
Excess of Revenue over Expenditures	<u>7,011</u>	<u>(12,928)</u>	<u>(12,928)</u>	<u>-</u>
Net Change in Fund Balance	7,011	(12,928)	(12,928)	-
Fund Balance -- October 1 (beginning)	<u>116,829</u>	<u>116,829</u>	<u>116,829</u>	<u>-</u>
Fund Balance -- September 30 (ending)	<u>\$ 123,840</u>	<u>\$ 103,901</u>	<u>\$ 103,901</u>	<u>\$ -</u>

TOWN OF HICKORY CREEK

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2018

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Tax Year	Tax Rates		Assessed Valuation	Balance September 30, 2017
	Maintenance	Debt Service		
1990	\$ .2382	\$ .1164	\$ 71,178,509	\$ 2
1991	.2642	.1176	69,990,074	2
1992	.2664	.1154	68,448,423	2
1993	.2725	.1093	67,145,626	2
1994	.29057	.09976	69,006,584	2
1995	.30355	.08783	72,727,541	3
1996	.30963	.09867	78,985,838	2
1997	.32363	.09001	82,797,602	2
1998	.33374	.08303	90,399,261	3
1999	.34055	.07316	98,120,181	3
2000	.30236	.06763	122,433,850	2
2001	.29716	.05261	156,884,810	3
2002	.29934	.00	197,999,265	2
2003	.31939	.00	218,034,378	5
2004	.34020	.00	241,570,253	361
2005	.34020	.00	259,282,187	432
2006	.34020	.00	287,603,175	505
2007	.27824	.16738	318,990,395	627
2008	.27442	.17120	319,262,600	683
2009	.249409	.174878	317,875,400	1,120
2010	.245426	.178861	308,348,595	3,364
2011	.242609	.181678	307,337,200	4,714
2012	.244716	.179571	309,243,743	4,356
2013	.235848	.181034	317,095,245	5,272
2014	.238121	.163246	352,265,383	6,596
2015	.194116	.207251	385,206,806	7,148
2016	.197559	.189760	426,423,955	9,544
2017	.197067	.169866	464,507,144	-
Total				<u>\$ 44,757</u>

<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2018</u>
	\$ -	\$ (2)	\$ -
	-	(2)	-
	-	(2)	-
	-	(2)	-
	-	(2)	-
	-	(3)	-
	-	(2)	-
	-	-	2
	-	-	3
	-	-	3
	-	-	2
	-	-	3
	-	-	2
	-	(3)	2
	-	-	361
	-	-	432
	-	(82)	423
	56	-	571
	56	-	627
	-	-	1,120
	3	-	3,361
	1,368	-	3,346
	49	1,376	5,683
	48	1,280	6,504
	1,475	1,302	6,423
	754	1,755	8,149
	3,089	2,715	9,170
<u>\$ 1,704,430</u>	<u>1,694,771</u>	<u>-</u>	<u>9,659</u>
<u>\$ 1,704,430</u>	<u>\$1,701,669</u>	<u>\$ 8,328</u>	<u>55,846</u>
			<u>-</u>
			<u>\$ 55,846</u>

Less allowance for uncollectible accounts

TOWN OF HICKORY CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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Revenues:

Taxes – Sales	\$ 381,775
Interest Income	18,036
Lease Income	1,645
Gas Royalties	93
Total Revenues	<u>401,549</u>

Expenditures:

Administration:

Legal and Professional	10,160
Marketing	10,000
Administrative Fees	3,150
Contribution to Town for Debt Service	45,778
Office Supplies and Postage	400
Mowing	2,425
Training	875
Dues and Subscriptions	135
Property Taxes	876
Capital Outlay - Land	<u>864,378</u>

Total Expenditures 938,177

Excess of Revenues over Expenditures (536,628)

Change in Fund Balance (536,628)

Fund Balance – October 1 (beginning) 1,621,429

Fund Balance – September 30 (ending) \$ 1,084,801

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
PUBLIC IMPROVEMENT DISTRICT NO. 1  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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Revenues:	
Special Assessment Fees	\$ 238,633
Interest Income	4,264
Total Revenues	<u>242,897</u>
Expenditures:	
Current:	
Administrator Costs	3,010
Tax Collection Costs	131
Debt Service:	
Principal	80,000
Interest and Fees	161,352
Capital Outlay	314,190
Total Expenditures	<u>558,683</u>
Change in Fund Balance	(315,786)
Fund Balance – October 1 (beginning)	<u>605,323</u>
Fund Balance – September 30 (ending)	<u><u>\$ 289,537</u></u>

**TOWN OF HICKORY CREEK**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
PUBLIC IMPROVEMENT DISTRICT NO. 2  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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Revenues:	
Special Assessment Fees	\$ 296,352
Interest Income	3,904
Total Revenues	<u>300,256</u>
Expenditures:	
Current:	
Administrator Costs	29,850
Tax Collection Costs	96
Debt Service:	
Bond Issuance Costs	323,876
Capital Outlay	3,907,449
Total Expenditures	<u>4,261,271</u>
Excess (Deficit) of Revenues over Expenditures	<u>(3,961,015)</u>
Other Financing Sources (Uses):	
Capital-related Debt Issued	4,220,000
Total Other Financing Sources (Uses)	<u>4,220,000</u>
Change in Fund Balance	258,985
Fund Balance – October 1 (beginning)	<u>168,509</u>
Fund Balance – September 30 (ending)	<u><u>\$ 427,494</u></u>

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

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
TEL. (940) 387-8563  
FAX (940) 383-4746

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, 2018, 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 January 15, 2019.

**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

January 15, 2019