

TOWN OF CROSS ROADS, TX

FINANCIAL STATEMENTS

September 30, 2016

DRAFT

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WILLIAM C SPORE, P.C.
Certified Public Accountants
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Independent Auditor's Report

To the Town Council
Town of Cross Roads, Texas

I have audited the accompanying financial statements of the governmental activities and major funds of the Town of Cross Roads, Texas as of and for the year ended September 30, 2016, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of 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 controls 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Cross Roads, Texas, as of September 30, 2016, 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, the budgetary comparison schedules, the schedule of changes in net pension liability and related ratios and the schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not 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. I 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the Town of Cross Roads' basic financial statements. The comparative schedule of revenues and expenditures – general fund is presented for additional analysis and is not a part of the basic financial statements.

The comparative schedule of revenues and expenditures – general fund 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 my opinion, comparative schedule of revenues and expenditures – general fund is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William C. Spore, P.C.

Keller, Texas

Certified Public Accountants

June 19, 2017

TOWN OF CROSS ROADS, TX

TOWN OFFICIALS

September 30, 2016

MAYOR

Steve Smith

MAYOR PRO TEM

Alan Hauf

COUNCIL MEMBERS

Bruce Birdsong

Larry Fisher

David Meek

Dan Prins

ADMINISTRATOR

Becky Ross

SECRETARY

Teddi Lee

CITY ATTORNEY

David Berman

TOWN OF CROSS ROADS, TX
GOVERNMENT-WIDE
STATEMENT OF NET POSITION

September 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	\$ 866,825
Receivables	1,217,857
CAPITAL ASSETS	
Land	108,090
Buildings	482,607
Equipment	239,354
Infrastructure	3,523,932
Accumulated Depreciation	(1,166,034)
TOTAL CAPITAL ASSETS	<u>3,187,949</u>
TOTAL ASSETS	<u>5,272,631</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date	10,819
Difference in Assumption Changes on Pension Assets	4,300
Difference in Projected & Actual Earnings on Pension Assets	2,916
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>18,035</u>
LIABILITIES	
Accounts Payable	110,045
Accrued Liabilities	1,034
Economic Development Grants Payable	74,955
Accrued Compensated Absences	10,900
Net Pension Liability	31,237
TOTAL LIABILITIES	<u>228,171</u>
DEFERRED INFLOWS OF RESOURCES	
Difference in Expected & Actual Pension Experience	<u>15,968</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	3,187,949
Restricted For:	
Road Improvements	614
Municipal Development	76,290
Unrestricted	1,781,674
TOTAL NET POSITION	<u>\$ 5,046,527</u>

TOWN OF CROSS ROADS, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ DONATIONS	CAPITAL GRANTS/ DONATIONS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (606,545)	\$ 93,670	\$ 0	\$ 0	(512,875)
Public Health	(638,916)	64,240	0	0	(574,676)
Streets	(187,120)	0	0	1,284,808	1,097,688
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,432,581)	\$ 157,910	\$ 0	\$ 1,284,808	10,137
GENERAL REVENUE					
Sales & Beverage Taxes					1,948,923
Franchise Fees					115,744
Interest Income					8,002
TOTAL GENERAL REVENUE					2,072,669
CHANGE IN NET POSITION					2,082,806
NET POSITION - BEGINNING					2,963,721
NET POSITION - ENDING					\$ 5,046,527

TOWN OF CROSS ROADS, TX
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2016

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 257,881	\$ 0	\$ 257,881
Restricted Cash	575,837	33,107	608,944
Receivable:			
Sales & Beverage Taxes	311,342	48,516	359,858
Franchise Fees	9,989	0	9,989
Road Contributions	752,646	0	752,646
Inspections	825	0	825
Development Fees	24,792	0	24,792
Interfund	5,333	(5,333)	0
TOTAL ASSETS	<u>\$ 1,938,645</u>	<u>\$ 76,290</u>	<u>\$ 2,014,935</u>
LIABILITIES			
Accounts Payable	\$ 110,045	\$ 0	\$ 110,045
Accrued Expenses	1,034	0	1,034
Economic Development Grants Payable	74,955	0	74,955
TOTAL LIABILITIES	<u>186,034</u>	<u>0</u>	<u>186,034</u>
FUND BALANCE			
Fund Balance - Restricted For:			
Road Improvements	614	0	614
Municipal Development	0	76,290	76,290
Fund Balance - Committed To:			
Public Safety	250,101	0	250,101
Legal Contingency	250,101	0	250,101
Economic Development Grants	75,021	0	75,021
Fund Balance - Unassigned	1,176,774	0	1,176,774
TOTAL FUND BALANCE	<u>1,752,611</u>	<u>76,290</u>	<u>1,828,901</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 1,938,645</u>	<u>\$ 76,290</u>	<u>\$ 2,014,935</u>

TOWN OF CROSS ROADS, TX

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

September 30, 2016

Fund Balance Above	\$	1,828,901
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Fund Balance Sheet		3,187,949
Receivables not collected within 60 days of the end of the fiscal year are not considered available and are not reported in the Fund Balance Sheet		69,747
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet:		
Accrued compensated absences		(10,900)
Net pension liability and related deferred inflows and deferred outflows		(29,170)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>5,046,527</u>

TOWN OF CROSS ROADS, TX

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Sales & Beverage Taxes	\$ 1,696,046	\$ 252,877	\$ 1,948,923
Franchise Fees	115,744	0	115,744
Permits & Fees	150,433	0	150,433
Miscellaneous Revenues	7,477	0	7,477
County Road Contributions	1,215,061	0	1,215,061
Interest Income	6,558	1,444	8,002
TOTAL REVENUES	<u>3,191,319</u>	<u>254,321</u>	<u>3,445,640</u>
EXPENDITURES			
General Government	545,107	11,488	556,595
Public Health	638,916	0	638,916
Streets	75,644	0	75,644
Capital Outlay	1,849,419	0	1,849,419
TOTAL EXPENDITURES	<u>3,109,086</u>	<u>11,488</u>	<u>3,120,574</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	<u>82,233</u>	<u>242,833</u>	<u>325,066</u>
TRANSFERS	400,000	(400,000)	0
EXCESS OF REVENUES OVER EXPENDITUR	482,233	(157,167)	325,066
FUND BALANCE - BEGINNING	<u>1,270,378</u>	<u>233,457</u>	<u>1,503,835</u>
FUND BALANCE - ENDING	<u>\$ 1,752,611</u>	<u>\$ 76,290</u>	<u>\$ 1,828,901</u>

TOWN OF CROSS ROADS, TX

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Net Change in Fund Balance - Governmental Funds	\$	325,066
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets are allocated over the estimated useful lives as depreciation expense:		
Capital assets recorded in the current period		1,849,419
Depreciation expense on capital assets		(160,189)
Some revenues in the statement of activities are not current financial resources and therefore are not reported as revenues in the governmental funds		
County Road Contributions		69,747
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences		(800)
Pension expense		(437)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>2,082,806</u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The Town of Cross Roads operates under a Council-Mayor form of government, following the laws of a General Law Town as defined by the State of Texas. The Town provides the following services: fire, ambulance, inspection, parks, streets, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected to not apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are discussed below:

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Cross Roads (the primary government) and its component units. The following component units are included in the Town's reporting entity because of their operational and financial relationship with the Town.

Blended component units:

The Cross Roads Municipal Development District (the MDD) is governed by a board of seven directors, all of whom are appointed by the Town Council of the Town of Cross Roads and any of whom can be removed from office by the Town's Council at its' will. The MDD was formed in the state of Texas as a non-profit municipal development district under the laws passed by the Texas Legislature in 2005 which authorized the establishment of municipal development districts... The purpose of the MDD is to promote development within the Town of Cross Roads. Separate financial statements of the MDD can be obtained from the Town's administrative offices. The MDD began collecting sales tax in October 2014.

B: BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS:

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's fire, ambulance, inspection, parks, streets, and general administrative services are

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

classified as governmental activities. The Town does not provide any business-type activities.

In the government-wide Statement of Net Position governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts- invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's Functions (general government, public health, and streets). The functions are also supported by general government revenues (sales, beverage and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public health, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

The net costs (by function) are normally covered by general revenue (sales and franchise taxes).

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town only provides Governmental Fund type activities and these activities are accounted for the General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the Town.

The Town does not provide any Business-type activities.

The Town does not have any fiduciary Funds.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in Net Position. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.

2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized only when payment is due.

3. Revenue Recognition:

The Town considers sales taxes and franchise fees as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

4. Use of Estimates:

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

5: New Accounting Principles:

The Town has adopted all current GASB pronouncements that are applicable to its operations and activities. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the Town of Copper Canyon.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

- Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will not affect the Town.
- Statement No. 77, *Tax Abatement Disclosures*. This statement will not affect the Town.
- Statement No. 78, *Pension Provided Through Certain Multi-Employer Defined Benefit Pension Plan*. This statement will not affect the Town.
- Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement will not affect the Town.
- Statement No. 80, *Blending Requirements for Certain Component Units*. This statement will not affect the Town.

New pronouncements not yet in effect as of September 30, 2016, are not expected to have any significant impact on the Town's financial position, results of operations, or cash flows. The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2017, as required.

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and Cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	7 - 50 years
Office Equipment	3 - 10 years
Infrastructure	10 years

3. Prepaid Expenses:

Prepaid expenses represent payments made by the Town in the current year to provide services occurring in the subsequent year.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

4. Compensated Absences:

The Town accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations.

5. Deferred Outflows of resources:

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) for contributions made to the Town's retirement plan between the measurement date of the net pension liabilities from the plan and the end of the Town's fiscal year end (2) differences between the plans' projected and actual earnings on pension assets and (3) differences between actuarial assumptions for demographic factors.

The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences between projected and actual plan earnings will be amortized to pension expense over a total of five years, including the current fiscal year. The deferred outflows related to differences between actuarial assumptions for demographic factors will be amortized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

No deferred outflows of resources affect the governmental funds financial statements in the current year.

6. Deferred Inflows of resources:

The Town reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements include (1) a deferred inflow of resources for revenues that are not considered available and (2) the difference between expected and actual pension experience.

For revenues that are not considered available the Town will not recognize the related revenues until they are available (collected no later than 60 days after the end of the Town's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources. Deferred inflows related differences between expected and actual pension experience will be amortized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

7. Pensions:

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 the 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.

8. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the Town first applies restricted resources.

9. Equity Classifications:

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net position - Consists of net position with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by Town Council ordinance or resolution) and unassigned.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

F: BUDGETS AND BUDGETARY ACCOUNTING:

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1: Prior to September 1, the Town Secretary submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2016 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Public Health & Safety	\$ 2,931

NOTE 2: DEPOSITS:

At September 30, 2016, the carrying amount of the Town's cash accounts were \$866,825, made up of checking and money market accounts at a local financial institution. The Town did not own any investments at September 30, 2016.

Deposit and Investment risk Disclosures:

(1) Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2016, the Town's bank balances (per bank) totaled \$1,808,233. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$1,558,233 was secured by collateral held by the pledging Bank's agent in the name of the Town. The Town was not exposed to custodial credit risk at September 30, 2016.

TOWN OF CROSS ROADS, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Securities pledged by the Town's depository institution at September 30, 2016 are as follows:

SECURITY	PAR	FMV
Balch Springs Bond	300,000	335,487
Lindale Bond	605,000	678,707
Bailey County Bond	655,000	691,215
Melissa TX Bond	220,000	240,271
Celina TX Bond	285,000	311,921
Grand Prairie TX Bond	200,000	211,946
Uvalde TX, Bond	<u>500,000</u>	<u>535,605</u>
	<u>\$2,765,000</u>	<u>\$3,005,152</u>

(2) Interest rate risk, credit risk, and concentration of credit risk:

The Town does not have any investments and therefor is not subject to interest rate risk, credit risk or concentration of credit risk.

NOTE 3: RESTRICTED CASH:

The Town collects a one-quarter percent sales tax for maintenance and repair of the Towns streets and roads. The Town collected \$240,526 of road improvement sales taxes during the fiscal year. Unspent road improvement funds at September 30, 2016 were \$614. These funds are maintained in a separate bank account and can only be used for street and road repairs or improvements.

The Town's restricted cash as presented in the governmental fund balance sheet consists of the following cash accounts:

Municipal Development Dist	\$ 33,107
Legal Contingency	250,101
Public Safety	250,101
Road Improvement	614
Forest Hills Developer Funds	<u>75,021</u>
	<u>\$ 608,944</u>

TOWN OF CROSS ROADS, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2016 is as follows:

CAPITAL ASSETS				
GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	RETIREMENTS	ENDING
Land	\$ 108,090	\$ 0	\$ 0	\$ 108,090
Building	468,407	14,200	0	482,607
Furniture & Equipment	220,399	18,955	0	239,354
Infrastructure	<u>1,707,668</u>	<u>1,816,264</u>	<u>0</u>	<u>3,523,932</u>
TOTAL AT HISTORICAL COST	<u>2,504,564</u>	<u>1,849,419</u>	<u>0</u>	<u>4,353,983</u>
		0		
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building	90,142	14,720	0	104,862
Furniture & Equipment	58,075	33,993	0	92,068
Infrastructure	<u>857,628</u>	<u>111,476</u>	<u>0</u>	<u>969,104</u>
TOTAL ACCUMULATED DEPRECIATION	<u>1,005,845</u>	<u>160,189</u>	<u>0</u>	<u>1,166,034</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 1,498,719</u>	<u>\$ 1,689,230</u>	<u>\$ 0</u>	<u>\$ 3,187,949</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 48,713
Public Works	<u>111,476</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 160,189</u>

NOTE 5: PROPERTY TAXES:

The Town does not levy or collect property taxes

NOTE 6: LONG-TERM DEBT:

The Town does not have any long-term debts.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7: COMPENSATED ABSENCES

At September 30, 2016, the Town had a liability for unpaid compensated absence in the amount of \$10,900.

NOTE 8: RETIREMENT PLAN:

A. Plan Description

The Town participates as one of 866 plans in the non-traditional, joint contributory, hybrid defined benefit 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) can be obtained at www.TMRS.com.

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

B. Benefits provided

TMRS provides retirement, disability and death benefits. Benefits 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 choose to receive their retirement benefit in one of seven payment 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 Town has adopted the following plan provisions:

	Plan Year 2015	Plan Year 2016
Employee deposit rate	7.00%	7.00%
Matching ratio (City 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 or 0/20	60/5 or 0/20

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

At the December 31, 2015 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>3</u>
	6

C. 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 of the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 7.24% and 8.15% for the calendar years 2016 and 2015 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2016 were \$15,284 and were equal to the required contributions.

D. Net Pension Liability or Assets

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% 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 a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism, lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
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 CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Changes in Net pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 76,297	\$ 49,778	\$ 26,519
Service Cost	26,750		26,750
Interest	6,177		6,177
Differences between expected and actual results	(3,548)		(3,548)
Change in assumptions	4,813		4,813
Contributions - employer		15,669	(15,669)
Contributions - employee		13,779	(13,779)
Net investment income		74	(74)
Benefit Payments, including refunds of employee contributions	(2,858)	(2,858)	0
Administrative expense		(45)	45
Other		(3)	3
Net Changes	<u>31,334</u>	<u>26,616</u>	<u>4,718</u>
Balance at December 31, 2015	\$ <u>107,631</u>	\$ <u>76,394</u>	\$ <u>31,237</u>

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	\$ <u>52,525</u>	\$ <u>31,237</u>	\$ <u>14,604</u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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.tmr.com.

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

For the year ended September 30, 2016 the Town recognized pension expense of \$15,042.

At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources		Net
Differences between expected and actual economic experience	\$ 2,916	\$ 0	\$	2,916
Differences in assumption changes	4,300			4,300
Differences between projected and actual investment earnings	0	15,968		(15,968)
To be recognized in the future	7,216	15,968	\$	(8,752)
 Contributions subsequent to the measurement date	 10,819	 0		
 Total	\$ 18,035	\$ 15,968		

\$10,819 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2016	\$	(669)
2017		(669)
2018		(668)
2019		(730)
2020		(1,413)
Thereafter		(4,603)

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

\$ (8,752)

NOTE 9: RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the Town.

NOTE 10: RELATED ORGANIZATIONS AND JOINT VENTURES:

In 2013 the Town entered into an interlocal agreement with the City of Krugerville to create the Northeast Police Department (NEPD) which became effective October 1, 2013. The term of this agreement runs through September 30, 2016 and the agreement automatically renews for additional periods of two years each unless terminated by one of the parties six months prior to the next expiration date. The affairs of the NEPD are administered by a six member commission of which three of the commissioners are from Cross Roads and three commissioners are from Krugerville.

Cross Roads provided \$416,485 of support to NEPD during fiscal year 2016 and has agreed to provide \$550,801 in support for fiscal year 2017. Future years support will be determined based on the use of the police services by each municipality.

In 2013 the Town entered into an interlocal agreement with the City of Krugerville to create the Northeast Municipal Court (NEMC) which became effective October 1, 2013. The term of this agreement runs concurrently with the terms of the NEPD agreement discussed above. The affairs of the NEMC for fiscal year 2016 were administered by the City Council of the City of Krugerville.

The NEMC will be funded through court revenues generated by citations issued by the NEPD and any excess funds at year end will first be placed in a reserve for three months projected operating costs and any excess funds above this reserve requirement will be distributed to each municipality based on each municipality's respective contributions to the combined courts and police operation each year.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CROSS ROADS, TX

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2016

	BUDGETED AMOUNTS		VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	ACTUAL AMOUNTS	
RESOURCES (INFLOWS)			
Sales & Beverage Taxes	\$ 1,455,000	\$ 1,696,046	\$ 241,046
Franchise Fees	119,165	115,744	(3,421)
Permits & Fees	195,250	150,433	(44,817)
Misc. Revenues	6,750	7,477	727
County Road Contributions	2,925,000	1,215,061	(1,709,939)
Transfer from Municipal Devel. Dist.	400,000	400,000	0
Interest Income	3,850	6,558	2,708
TOTAL REVENUES	5,105,015	3,591,319	(1,513,696)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General Government:			
Advertising & Promotion	30,000	19,407	10,593
Public Notices	2,500	1,934	566
Election Costs	3,000	1,355	1,645
Insurance	6,000	5,129	871
Meetings, Travel & Training	14,500	8,335	6,165
Accounting & Auditing	3,300	3,500	(200)
Legal	10,000	20,322	(10,322)
Economic Development Grants	112,500	89,605	22,895
Other Professional Services	7,000	6,615	385
Engineering Fees	50,000	54,506	(4,506)
Codification Services	3,500	375	3,125
Library Inter-Local	17,500	16,953	547
Park Events	2,500	3,363	(863)
Park Maintenance & Planning	14,900	11,292	3,608
Building, Parks & Equipment Maint.	35,000	17,812	17,188
Supplies & Minor Equip.	12,500	10,124	2,376
Technology	11,100	8,455	2,645
Utilities	11,500	9,186	2,314
Vehicle Expenses	3,000	1,366	1,634
Wages - Town Administrator	81,480	81,974	(494)
Wages - Town Secretary	58,800	58,017	783
Wages - Exec. Administrative Ass't	64,200	64,223	(23)
Wages - Administrative Ass't	20,520	0	20,520
Payroll Taxes	15,000	16,546	(1,546)
Employee Health Insurance	25,000	19,163	5,837
Employee Retirement	17,500	15,550	1,950
Total General Government	632,800	545,107	87,693
Public Health & Safety:			
Animal Control	10,000	10,765	(765)
Inspection Svcs/Code Enforcement	63,500	66,519	(3,019)
Careflight Services	3,000	2,147	853
Inter-Local Police Svcs	444,485	444,485	0
Inter-Local Ambulance & Fire	115,000	115,000	0
Total Public Health	635,985	638,916	(2,931)

TOWN OF CROSS ROADS, TX

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2016

	BUDGETED AMOUNTS		VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	ACTUAL AMOUNTS	
Streets:			
Street/Drainage Repairs & Signs	85,000	75,644	9,356
Total Streets	85,000	75,644	9,356
Capital Additions:			
Operations	41,100	33,155	7,945
Streets	3,910,000	1,816,264	2,093,736
Total Capital Outlay	3,951,100	1,849,419	2,101,681
TOTAL APPROPRIATIONS	5,304,885	3,109,086	2,195,799
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	(199,870)	482,233	\$ 682,103
BEGINNING BUDGETARY FUND BAL	1,270,378	1,270,378	
ENDING BUDGETARY FUND BAL	\$ 1,070,508	\$ 1,752,611	

TOWN OF CROSS ROADS, TX

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended September 30, 2016 and 2015

Plan Year	2015	2014
TOTAL PENSION LIABILITY		
Service Cost	\$ 26,750	\$ 32,429
Interest (on the Total Pension Liability)	6,177	5,048
Changes in benefit terms	0	0
Difference between expected and actual experience	(3,548)	(15,894)
Change of assumptions	4,813	0
Benefit payments, including refunds of employee contributions	(2,858)	(2,382)
NET CHANGE IN TOTAL PENSION LIABILITY	\$ 31,334	\$ 19,201
TOTAL PENSION LIABILITY - BEGINNING	\$ 76,297	\$ 57,096
TOTAL PENSION LIABILITY - ENDING (a)	\$ 107,631	\$ 76,297
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 15,669	\$ 12,846
Contributions - Employee	13,779	12,923
Net investment income	74	1,437
Benefit payments, including refunds of employee contributions	(2,858)	(2,382)
Administrative expense	(45)	(15)
Other	(3)	(1)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	\$ 26,616	\$ 24,808
PLAN NET FIDUCIARY POSITION - BEGINNING	\$ 49,778	\$ 24,970
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 76,394	\$ 49,778
NET PENSION LIABILITY (a) - (b)	\$ 31,237	\$ 26,519
Plan Fiduciary Net Position as a percentage of Total Pension Liability	70.98%	65.24%
Covered employee payroll	196,839	184,612
Net Pension Liability as a percentage of covered payroll	15.87%	14.36%

TOWN OF CROSS ROADS
SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2016

	2016	2015
Actuarially Determined Contribution	\$ 15,550	\$ 15,083
Contributions in relation to the actuarially determined contribution	15,550	15,083
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	204,214	184,612
Contributions as a percentage of covered employee payroll	7.61%	8.17%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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	2.500%
Salary Increases	3.5% to 12%, including inflation
Investment Rate of Return	6.750%
Retirement Age	Experience-based table of rates that are specific to the City'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 multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CROSS ROADS, TX

COMPARATIVE SCHEDULE OF REVENUES & EXPENDITURES - GENERAL FUND
For the Years Ended September 30, 2016 & 2015

	2016	2015
REVENUES		
Sales & Beverage Taxes	\$ 1,696,046	\$ 1,507,111
Franchise Fees	115,744	109,592
Permits & Fees	150,433	179,490
County Road Contributions	1,215,061	0
Misc. Revenues	7,477	7,707
Transfer from Municipal Development District	400,000	150,000
Interest Income	6,558	5,789
TOTAL REVENUES	<u>3,591,319</u>	<u>1,959,689</u>
EXPENDITURES		
General Government:		
Advertising & Promotion	19,407	16,173
Dues, Subscriptions & Public Notices	1,934	3,127
Election Costs	1,355	8,880
Insurance	5,129	4,088
Meeting, Travel & Training	8,335	8,610
Accounting & Auditing	3,500	3,300
Legal	20,322	228,827
Economic Development	89,605	15,170
Other Professional Services	6,615	7,059
Engineering Fees	54,506	53,790
Codification Services	375	3,312
Planning Services	0	50,000
Library Inter-Local	16,953	14,977
Park Events	3,363	0
Park Maintenance & Planning	11,292	0
Tree Mitigation	0	12,105
Building, Parks & Equipment Maint.	17,812	28,902
Supplies & Minor Equip.	10,124	17,719
Technology	8,455	26,094
Utilities	9,186	10,424
Vehicle Expenses	1,366	0
Wages	204,214	190,623
Payroll Taxes	16,546	15,276
Employee Health Insurance	19,163	22,490
Employee Retirement	15,550	15,083
Total General Government	<u>545,107</u>	<u>756,029</u>
Public Health & Safety:		
Animal Control	10,765	9,475
Inspection Services/Code Enforcement	66,519	75,634
Careflight Services	2,147	0
Inter-Local Police Services	444,485	426,282
Inter-Local Ambulance & Fire	115,000	51,510
Total Public Health	<u>638,916</u>	<u>562,901</u>
Streets:		
Street/Drainage Repairs & Signs	75,644	148,141
Total Streets	<u>75,644</u>	<u>148,141</u>
Capital Additions:		
Operations	33,155	64,470
Streets	1,816,264	223,650
Total Capital Outlay	<u>1,849,419</u>	<u>288,120</u>
TOTAL EXPENDITURES	<u>3,109,086</u>	<u>1,755,191</u>
EXCESS OF REVENUES OVER EXPENDITURE:	<u>\$ 482,233</u>	<u>\$ 204,498</u>

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 116
Keller, TX 76248
817-421-6619

June 19, 2017

To the Mayor & Town Council
Town of Cross Roads

I have audited the financial statements of the governmental activities and the major funds of the Town of Cross Roads for the year ended September 30, 2016, and have issued my report thereon dated June 19, 2017. Professional standards require that I provide you with the following information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my engagement letter to you dated January 13, 2016. Professional standards also require that I communicate with you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Cross Roads are described in Note 1 to the financial statements. The application of existing policies was not changed during 2016. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

Management's estimate of depreciation expense is based on the estimated useful lives of the related assets. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 19, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Town Council and management of Town of Cross Roads and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

William C. Spore

Certified Public Accountant

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 116
Keller, TX 76248
817-421-6619

To the Town Council
Town of Cross Roads

In planning and performing my audit of the financial statements of the governmental activities and major fund of the Town of Cross Roads as of and for the year ending September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, I considered the Town of Cross Roads' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit'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 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 entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

This communication is intended solely for the information and use of management and Town Council and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, PC
Certified Public Accountants
June 19, 2017