

TOWN OF CROSS ROADS, TX

FINANCIAL STATEMENTS

September 30, 2010

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TOWN OF CROSS ROADS, TX

TOWN OFFICIALS

September 30, 2010

MAYOR

Ross Schraeder

MAYOR PRO TEM

Tony Russo

COUNCIL MEMBERS

Kim Dickey

Larry Fisher

Virden Seybold

Steve Smith

SECRETARY

Katherine Ritchie

CITY ATTORNEY

David Berman

TOWN OF CROSS ROADS, TX

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

September 30, 2010

GOVERNMENTAL
ACTIVITIES

ASSETS

CURRENT ASSETS

Cash	\$	751,363
Receivables		29,327
Prepaid Expenses		2,640
TOTAL CURRENT ASSETS		<u>783,330</u>

CAPITAL ASSETS

Land		108,090
Buildings		177,783
Equipment		49,064
Infrastructure		871,213
Accumulated Depreciation		(512,289)
TOTAL CAPITAL ASSETS		<u>693,861</u>

TOTAL ASSETS 1,477,191

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		1,270
Unearned Revenues		1,668
Accrued Compensated Absences		5,028
TOTAL CURRENT LIABILITIES		<u>7,966</u>

NET ASSETS

Invested in Capital Asset, Net of Related Debt		693,861
Restricted For:		
Road Improvements		53,486
Unrestricted		721,878
TOTAL NET ASSETS	\$	<u>1,469,225</u>

TOWN OF CROSS ROADS, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ DONATIONS	CAPITAL GRANTS/ DONATIONS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (238,586)	\$ 38,723	\$ 0	\$ 0	(199,863)
Public Health	(44,871)	21,206	0	0	(23,665)
Streets	(428,079)	0	0	0	(428,079)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (711,536)	\$ 59,929	\$ 0	\$ 0	(651,607)
GENERAL REVENUE					
Sales & Beverage Taxes					312,707
Franchise Fees					56,876
Interest Income					19,849
TOTAL GENERAL REVENUE					389,432
CHANGE IN NET ASSETS					(262,175)
NET ASSETS - BEGINNING					1,731,400
NET ASSETS - ENDING					\$ 1,469,225

TOWN OF CROSS ROADS, TX
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2010

ASSETS	
Cash	\$ 273,791
Restricted Cash	477,572
Receivable:	
Sales & Beverage Taxes	23,790
Franchise Fees	5,537
Prepaid Expenses	2,640
TOTAL ASSETS	\$ <u>783,330</u>
LIABILITIES	
Accounts Payable	\$ 1,270
Deferred Revenues	1,668
TOTAL LIABILITIES	<u>2,938</u>
FUND BALANCE	
Fund Balance - Nonspendable	
Prepaid Expenses	2,640
Fund Balance - Restricted For:	
Road Improvements	53,486
Fund Balance - Committed To:	
Emergency Reserve	108,837
Building Fund	157,625
Legal Contingency	157,625
Fund Balance - Unassigned	300,179
TOTAL FUND BALANCE	<u>780,392</u>
TOTAL LIABILITIES & FUND BALANCE	\$ <u>783,330</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS**

September 30, 2010

Fund Balance Above	\$ 780,392
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	693,861
Long term liabilities and not due and payable in the current period and therefore are not reported in the Fund Balance Sheet	<u>(5,028)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,469,225</u>

TOWN OF CROSS ROADS, TX

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

For the Year Ended September 30, 2010

REVENUES	
Sales & Beverage Taxes	\$ 312,707
Franchise Fees	56,876
Permits & Fees	71,684
Court Revenues	750
Miscellaneous Revenues	3,495
Interest Income	19,849
TOTAL REVENUES	<u>465,361</u>
EXPENDITURES	
General Government	230,198
Public Health	44,871
Streets	361,266
Capital Outlay	12,773
TOTAL EXPENDITURES	<u>649,108</u>
EXCESS OF REVENUES OVER EXPENDITURES	(183,747)
FUND BALANCE - BEGINNING	964,139
FUND BALANCE - ENDING	<u>\$ 780,392</u>

**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, 2010

Net Change in Fund Balance - Governmental Funds	\$ (183,747)
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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 is allocated over the estimated useful lives as depreciation expense:

Capital assets recorded in the current period	12,773
Depreciation expense on capital assets	(78,623)

Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the funds:

Developer Contributions Receivable	(16,000)
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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	<u>3,422</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (262,175)</u>
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TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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 (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below:

A. REPORTING ENTITY

These financial statements present the Town (the primary government). The Town has no component units (separately administered organizations that are controlled or dependent on the Town).

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, streets, and general administrative services are classified as governmental activities. The Town does not provide any business-type activities.

In the government-wide Statement of Net Assets 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 assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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 assets 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.

D: BASIS OF ACCOUNTING:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related primarily to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expensed are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on 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 knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or 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 when due.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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. No new statements required adoption for the year ended September 30, 2010. 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 City of Justin and its components units.

- Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles State and Local Governments*
- Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*
- Statement No. 57, *Other Post Employment Benefit Measurements by Agent Employers and Agent Multiple-Employer Plans*
- Statement No. 58, *Accounting and Reporting for Chapter 9 Bankruptcies*

New pronouncements not yet in effect as of September 30, 2010, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2011, 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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$500 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

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the fiscal year beginning October 1, 2003 and the Town has elected to implement the retroactive infrastructure provisions at the same time. Infrastructure includes roads, bridges and drainage systems. These infrastructure assets are likely to be the largest asset class of the Town.

3. Revenues:

Substantially all governmental fund revenues are accrued.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

5. 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.

6. Restricted Resources:

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

7. Equity Classifications:

Government-wide Statements

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

- 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 assets - Consists of net assets 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 assets - All other net assets 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.

8. Impairment of Capital Assets

Impairment losses are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments; or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no write-downs due to impairment charges during 2010.

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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

- 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.

NOTE 2: DEPOSITS:

At September 30, 2010 the carrying amount of the Town's cash accounts were \$751,363, made up of checking and money market accounts at a local financial institution. The Town did not own any investments at September 30, 2010.

Deposit and Investment risk Disclosures:

(1) Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The Town does not currently own any investments and, therefor, is not exposed to credit risk.

(2) 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, 2010 the Town's bank balances (per bank) totaled \$791,386. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$541,386 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, 2010.

Securities pledged by the Town's depository institution at September 30, 2010 are as follows:

SECURITY	PAR	FMV
Haltom City TX Bond	425,000	452,315
Palo Pinto TX ISD Bond	90,000	90,296
Denton County TX Bond	<u>235,000</u>	<u>245,244</u>
	\$750,000	\$787,855

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk:

This is the risk that changes in interest rates will adversely effect the fair value of an investment. The Town does not currently own any investments and, therefore, is not exposed to interest rate 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 \$44,996 of road improvement sales taxes during the fiscal year. Unspent road improvement funds at September 30, 2010 were \$26,171. These funds are maintained in a separate bank account and can only be used for street and road repairs or improvements.

NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2010 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	RETIREMENTS	ENDING
Land	\$ 108,090	\$ 0	\$ 0	\$ 108,090
Building	176,518	1,265	0	177,783
Furniture & Equipment	43,634	11,508	6,078	49,064
Infrastructure	871,213	0	0	871,213
TOTAL AT HISTORICAL COST	<u>1,199,455</u>	<u>12,773</u>	<u>6,078</u>	<u>1,206,150</u>
 LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building	45,205	7,899	0	53,104
Furniture & Equipment	26,382	3,911	6,078	24,215
Infrastructure	368,157	66,813	0	434,970
TOTAL ACCUMULATED DEPRECIATION	<u>439,744</u>	<u>78,623</u>	<u>6,078</u>	<u>512,289</u>
 TOTAL CAPITAL ASSETS, NET	 <u>\$ 759,711</u>	 <u>\$ (65,850)</u>	 <u>\$ 0</u>	 <u>\$ 693,861</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 11,810
Public Works	<u>66,813</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 78,623</u>

TOWN OF CROSS ROADS, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

NOTE 7: COMPENSATED ABSENCES

At September 30, 2009, the Town had a liability for unpaid vacation in the amount of \$8,450. During fiscal 2010, \$4,464 (200 hours) of vacation time was earned while \$7,886 (340 hours) was taken, leaving an accrued liability of \$5,028 (214 hours) at September 30, 2010.

NOTE 8: RETIREMENT PLAN:

In November 2006 the Town established a SEP-IRA plan for its employees. The Town contributed 15% of the employees wages, a total of \$13,549, to the plan. Future contributions to the plan are at the Town's discretion.

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: SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through February 21, 2011 (the date that the Town Council approved the financial statements). The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized subsequent events that require additional disclosure.

TOWN OF CROSS ROADS, TX

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2010

RESOURCES (INFLOWS)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	AMENDED BUDGET		
Beginning Budgetary Fund Balance	\$ 0	\$ 250,000	---	\$ (250,000)
Sales & Beverage Taxes	335,820	335,820	312,707	(23,113)
Franchise Fees	59,940	59,940	56,876	(3,064)
Permits & Fees	43,852	43,852	71,684	27,832
Court Revenues	1,200	1,200	750	(450)
Misc. Revenues	1,800	1,800	3,495	1,695
Interest Income	36,600	36,600	19,849	(16,751)
TOTAL REVENUES	479,212	729,212	465,361	(263,851)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Advertising & Promotion	12,600	12,600	10,464	2,136
Dues, Subscriptions & Public Notices	1,500	1,500	682	818
Election Costs	3,500	3,500	1,833	1,667
Meeting Expenses	1,200	1,200	1,073	127
Insurance	3,000	3,000	3,160	(160)
Travel & Training	4,800	4,800	1,069	3,731
Accounting & Auditing	3,000	3,000	2,100	900
Legal	12,000	12,000	9,034	2,966
Prof. Svcs.-Planning & Development	8,600	8,600	4,559	4,041
Other Professional Services	5,200	5,200	4,117	1,083
Engineering Fees	12,000	12,000	13,946	(1,946)
Codification Services	950	950	350	600
Library Inter-Local	6,000	6,000	6,000	0
Municipal Court/Code Enforcement	14,000	14,000	5,212	8,788
Building, Parks & Equipment Maint.	14,500	14,500	12,804	1,696
Office Supplies & Minor Equip.	6,600	6,600	4,801	1,799
Utilities	6,000	6,000	7,441	(1,441)
Wages - Town Secretary	55,320	55,320	58,240	(2,920)
Wages - Office/Building Clerk	33,048	33,048	32,159	889
Wages - Court Clerk	26,280	26,280	0	26,280
Payroll Taxes	10,323	10,323	7,293	3,030
Employee Health Insurance	33,072	33,072	25,978	7,094
Employee Retirement	13,255	13,255	13,549	(294)
Employee Vehicle Expenses	1,800	1,800	1,800	0
Other Expenses	2,400	2,400	2,534	(134)
Total General Government	290,948	290,948	230,198	60,750
Public Health & Safety:				
Inspection Services	8,192	8,192	19,437	(11,245)
Inter-Local Ambulance & Fire	27,600	27,600	25,434	2,166
Total Public Health	35,792	35,792	44,871	(9,079)
Streets:				
Street/Drainage Repairs & Signs	141,472	391,472	361,266	30,206
Total Streets	141,472	391,472	361,266	30,206
Capital Additions:				
Operations & Parks	11,000	11,000	12,773	(1,773)
TOTAL APPROPRIATIONS	479,212	729,212	649,108	80,104
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 0	\$ 0	(183,747)	\$ (183,747)

TOWN OF CROSS ROADS, TX

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

For the Years Ended September 30, 2010 & 2009

	2010	2009
REVENUES		
Sales & Beverage Taxes	\$ 312,707	\$ 332,028
Franchise Fees	56,876	66,295
Permits & Fees	71,684	56,652
Court Revenues	750	0
Misc. Revenues	3,495	1,878
Interest Income	19,849	39,237
TOTAL REVENUES	<u>465,361</u>	<u>496,090</u>
EXPENDITURES		
General Government	230,198	228,717
Public Health	44,871	42,823
Streets	361,266	158,888
Capital Outlay	12,773	10,248
TOTAL EXPENDITURES	<u>649,108</u>	<u>440,676</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(183,747)	55,414
FUND BALANCE - BEGINNING	<u>964,139</u>	<u>908,725</u>
FUND BALANCE - ENDING	<u>\$ 780,392</u>	<u>\$ 964,139</u>

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 204
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, 2010, 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
February 21, 2011

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 204
Keller, TX 76248
817-421-6619

February 21, 2011

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, 2010, and have issued my report thereon dated February 21, 2011. 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 February 9, 2010. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2010. 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 January 25, 2011.

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