

TOWN OF CROSS ROADS, TX

FINANCIAL STATEMENTS

September 30, 2014

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
TOWN OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3-8
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	12
Notes to Financial Statements	13-24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	25
Pension Funding Progress	26
OTHER SUPPLEMENTARY INFORMATION	
Comparative Schedule of Revenues & Expenditures - General Fund	27

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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, 2014, 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, 2014, 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 schedule and the schedule of pension plan funding progress 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 Road's 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, the 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

December 15, 2014

TOWN OF CROSS ROADS, TX

TOWN OFFICIALS

September 30, 2014

MAYOR

Steve Smith

MAYOR PRO TEM

Tony Russo

COUNCIL MEMBERS

Bruce Birdsong

Larry Fisher

Alan Hauf

Wally Kille

SECRETARY

Shannon De Prater

CITY ATTORNEY

David Berman

TOWN OF CROSS ROADS, TX
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

As management of the Town of Cross Roads, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2014. The information provided here should be used in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities at September 30, 2014 by \$2,571,720, an increase of \$690,948.
- The Town's governmental fund balance decreased \$48,874 during the 2014 fiscal year to a total of \$1,214,145.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of 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.

Reporting the Town as a Whole - Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities

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

The Statement of Net Position (page 9) presents information on all of the Town's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The Statement of Activities (page 10) presents information showing how the Town's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. 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 compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The Town currently only provides Governmental type activities. Governmental activities include basic services such as fire, ambulance, inspection, parks, streets and general administration. Permit revenues, sales taxes, and franchise fees finance most of these activities. The Town does not assess or collect a property tax. The Town does not provide any Business-type activities such as water or sewer systems and related fees.

Reporting the Town's Most Significant Funds

Fund Financial Statements

All of the Town's activities are accounted for in a governmental fund, the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements, the Balance Sheet (page 11) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 12) provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 13.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A portion of the Town's net position is its investment in capital assets, (land, building, equipment and infrastructure.) The Town uses these capital assets to provide services to the Town's citizens, consequently these assets are not available for future spending. It is also significant that the Town does not have any long-term debt and it does not levy property taxes.

The Town's net position as of September 30, 2014 and 2013 are as follows:

	2014	2013
Current and Other Assets	\$ 1,217,988	\$ 1,267,212
Capital Assets	1,361,975	638,603
Total Assets	<u>2,579,963</u>	<u>1,905,815</u>
Liabilities	<u>(8,243)</u>	<u>(24,593)</u>
Net Assets:		
Invested in Capital Assets, net of debt	1,361,975	638,603
Restricted	259,776	190,570
Unrestricted	949,969	1,052,049
Total Net Assets	\$ <u>2,571,720</u>	\$ <u>1,881,222</u>

The Town's net position total \$2,571,720, including liquid assets (cash and receivables less accounts payable) of \$1,209,745. The Town is accumulating funds for future road improvement projects so that it can complete those road projects without borrowing money. The Town also has significant investment in capital assets, (land, building, equipment and infrastructure.) The Town uses these capital assets to provide services to the Town's citizens; consequently these assets are not available for future spending.

Analysis of Town's Operations

The results of the Town's operations for the years ended September 30, 2014 & September 30, 2013 were as follows.

	2014	2013
REVENUES		
Program Revenues:		
Charges for Services	\$ 483,528	\$ 245,848
Grants & Donations	200,000	0
General Revenues:		
Sales & Beverage Taxes	1,327,303	480,378
Franchise Fees	94,929	71,789
Interest Income	6,362	5,698
Total Revenues	<u>2,112,122</u>	<u>803,713</u>
PROGRAM EXPENSES		
General Government	645,621	441,897
Public Health & Safety	625,361	112,620
Streets	150,642	99,673
Total Expenses	<u>1,421,624</u>	<u>654,190</u>
Increase (Decrease) in		
Net Assets	\$ <u>690,498</u>	\$ <u>149,523</u>

Charges for services includes developer/subdivision fees, road improvement fees, building permit, inspection fees and miscellaneous revenues. In 2014 these fees included the collection of a \$150,000 tree mitigation fee related to a settlement with a developer related to trees that were destroyed in violation of the Town's tree ordinances. Residential permit revenues increased \$108,646 during 2014 as the Town continued to experience strong residential growth.

During 2014 the Town entered into an interlocal agreement with Denton County for road improvements. As part of the agreement the Town received \$200,000 of road improvement reimbursements from Denton County.

The Town's sales tax revenues increased to \$1,327,303, a 176% increase over 2013 sales tax revenues. The Walmart store along with the opening of many new commercial developments along Highway 380 have significantly added to the sales tax base in the Town. In May 2013 the Town's citizen's approved the creation of a Municipal Development District and adding 1/2% to the Town's sales tax rate. The increased sales tax rate became effective October 1, 2013 and the Municipal Development District collected \$147,948 of sales tax revenues during 2014.

An analysis of the Town's significant general government expenses in 2014 and 2013 is as follows:

GENERAL GOVERNMENT	2014	2013	INCREASE
Advertising & Promotion	\$ 32,813	\$ 19,367	\$ 13,446
Legal Fees	11,596	22,523	(10,927)
Engineering Fees	55,765	35,112	20,653
Building, Equip. & Park Maint.	39,878	13,245	26,633
Tree Mitigation	138,000	0	138,000
Wages-Town Administrator	18,038	67,670	(49,632)
Wages-Town Secretary	69,708	63,376	6,332
Wages-Planning Director	58,125	0	58,125
Wages-Administrative Ass't	50,750	46,556	4,194
Payroll Taxes	12,913	12,761	152
Employee Health Insurance	41,453	46,216	(4,763)
Employee Retirement	\$ 14,297	\$ 15,496	\$ (1,199)

During 2013 the Town entered into an interlocal agreement with the City of Krugerville to create the Northeast Police Department (NEPD) to be effective October 1, 2013. As part of the agreement the Town agreed to provide the NEPD with start up cost funding of \$150,000 and annual operating support of \$300,000. These expenses are included in the Public Health and Safety expenses above.

With the increase in permit revenues the Town also experienced an increase in inspection service expenditures, which increased from \$80,680 in 2013 to \$113,055 in 2014.

GOVERNMENTAL FUND ANALYSIS

The focus of the Town's governmental fund 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 a measure of a government's net resources available for spending at the end of the fiscal year.

General Fund-fund basis revenues increased 144% in the current fiscal year with permit and fee revenues increasing \$72,340 (30%) and sales tax revenues increasing \$698,977 (146%) over the prior year.

Total administrative expenditures increased 59%, public health expenses increased 436% and street maintenance expenditures increased 280% from 2013 to 2014. During 2014 the Town expended \$828,209 for capital outlay expenditures, including \$249,184 for building improvements, \$451,618 for road improvements, \$97,811 in equipment additions and \$29,596 in park improvements. Capital outlay expenditures in 2013 totaled \$15,112.

Total general fund-fund basis expenditures exceeded fund basis revenues in 2014 and the general fund balance decreased by \$197,139 in 2014 to a total fund balance of \$1,065,880.

The Town has the following restricted and committed fund balances at September 2014:

RESTRICTED/COMMITTED TO:	YEAR END BALANCE
Municipal Utility District	\$ 148,265
Road Improvement	30,995
Forest Hills Developer Funds	68,292
Tree Mitigation	12,224
Legal Contingency Fund	262,957
Public Safety	129,371
	<u>\$ 652,104</u>

These fund are maintained in separate, interest bearing, bank accounts.

General Fund Budgetary Highlights

The Town's original budgeted expenditures for 2014 exceeded the originally budgeted revenues by \$300,000. This deficit was to be funded by funds on hand at the beginning of the fiscal year. The original budget was amended in October 2014 to reflect increased revenues and expenditures during 2014. The amended budget anticipated a deficit of 252,908.

A comparison of actual revenues and expenditures to budgeted revenues and expenditures is as follows:

	AMENDED BUDGET	ACTUAL	VARIANCE
TOTAL REVENUES	\$ 1,901,931	\$ 1,963,857	\$ 61,926
EXPENDITURES:			
General Government	640,885	639,655	1,230
Public Health & Safety	625,113	625,361	(248)
Streets	82,969	67,771	15,198
Capital Outlay	<u>805,872</u>	<u>828,209</u>	<u>(22,337)</u>
TOTAL EXPENDITURES	<u>2,154,839</u>	<u>2,160,996</u>	<u>(6,157)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>(252,908)</u>	\$ <u>(197,139)</u>	\$ <u>55,769</u>

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2014 amounts to \$1,361,975 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. Capital additions for 2014 included building improvements of \$249,184, street improvements of \$451,618, equipment additions of \$97,811 and park improvements of \$29,596. A schedule of capital assets is as follows:

	CAPITAL ASSETS AT YEAR END NET OF ACCUMULATED DEPRECIATION	
	2014	2013
Land	\$ 108,090	\$ 108,090
Buildings	374,221	132,215
Equipment	145,177	32,558
Infrastructure	734,487	365,740
TOTAL	\$ <u>1,361,975</u>	\$ <u>638,603</u>

Additional information on the Town's capital assets can be found in Note 4 to the Financial Statements.

DEBT ADMINISTRATION

The Town has no long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2015 total \$1,553,000, including \$1,190,000 of sales tax revenues and \$256,500 of permit and fee revenues. Budgeted general fund expenditures for 2015 total \$1,553,000, including \$416,667 for NEPD operating support, \$40,000 for town improvements and capital outlay, \$250,000 for street improvements and \$250,000 for personnel costs.

The Municipal Development District has budgeted 2015 revenues of \$175,000 from sales tax collections and budgeted expenditures of \$167,100 including \$150,000 for road improvement projects.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town of Cross Roads. If you have questions about this report or need any additional information, contact the Town Secretary at 1401 F.M. 424, Cross Roads, TX 76227 or at (940) 365-9693.

TOWN OF CROSS ROADS, TX

GOVERNMENT-WIDE
STATEMENT OF NET POSITION

September 30, 2014

GOVERNMENTAL
ACTIVITIES

ASSETS

CURRENT ASSETS

Cash	\$	1,080,674
Receivables		134,616
Prepaid Expenses		2,698
TOTAL CURRENT ASSETS		<u>1,217,988</u>

CAPITAL ASSETS

Land		108,090
Buildings		443,083
Equipment		195,004
Infrastructure		1,484,018
Accumulated Depreciation		(868,220)
TOTAL CAPITAL ASSETS		<u>1,361,975</u>

TOTAL ASSETS

2,579,963

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		1,214
Accrued Liabilities		2,629
Accrued Compensated Absences		4,400
TOTAL CURRENT LIABILITIES		<u>8,243</u>

NET POSITION

Invested in Capital Asset, Net of Related Debt		1,361,975
Restricted For:		
Road Improvements		99,287
Tree Mitigation		12,224
Municipal Development		148,265
Unrestricted		949,969
TOTAL NET POSITION	\$	<u><u>2,571,720</u></u>

TOWN OF CROSS ROADS, TX

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS/ DONATIONS</u>	<u>CAPITAL GRANTS/ DONATIONS</u>	<u>NET (EXPENSE) REVENUE</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (645,621)	\$ 401,033	\$ 0	\$ 0	\$ (244,588)
Public Health	(625,361)	72,447	0	0	(552,914)
Streets	(150,642)	10,048	0	200,000	59,406
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,421,624)	\$ 483,528	\$ 0	\$ 200,000	(738,096)
GENERAL REVENUE					
Sales & Beverage Taxes					1,327,303
Franchise Fees					94,929
Interest Income					6,362
TOTAL GENERAL REVENUE					1,428,594
CHANGE IN NET POSITION					690,498
NET POSITION - BEGINNING					<u>1,881,222</u>
NET POSITION - ENDING					<u><u>\$ 2,571,720</u></u>

TOWN OF CROSS ROADS, TX

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2014

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 428,570	\$ 0	\$ 428,570
Restricted Cash	503,839	148,265	652,104
Receivable:			0
Sales & Beverage Taxes	114,265	0	114,265
Franchise Fees	9,070	0	9,070
Health Permits	1,100	0	1,100
Developers	10,181	0	10,181
Prepaid Expenses	2,698	0	2,698
TOTAL ASSETS	<u>\$ 1,069,723</u>	<u>\$ 148,265</u>	<u>\$ 1,217,988</u>
LIABILITIES			
Accounts Payable	\$ 1,214	\$ 0	\$ 1,214
Accrued Liabilities	2,629	0	2,629
TOTAL LIABILITIES	<u>3,843</u>	<u>0</u>	<u>3,843</u>
FUND BALANCE			
Fund Balance - Nonspendable			
Prepaid Expenses	2,698	0	2,698
Fund Balance - Restricted For:			
Road Improvements	99,287	0	99,287
Tree Mitigation	12,224	0	12,224
Municipal Development	0	148,265	148,265
Fund Balance - Committed To:			
Public Safety	129,371	0	129,371
Legal Contingency	262,957	0	262,957
Fund Balance - Unassigned	559,343	0	559,343
TOTAL FUND BALANCE	<u>1,065,880</u>	<u>148,265</u>	<u>1,214,145</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 1,069,723</u>	<u>\$ 148,265</u>	<u>\$ 1,217,988</u>

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

September 30, 2014

Fund Balance Above	\$ 1,214,145
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	1,361,975
Long term liabilities and not due and payable in the current period and therefore are not reported in the Fund Balance Sheet	<u>(4,400)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,571,720</u>

TOWN OF CROSS ROADS, TX

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

For the Year Ended September 30, 2014

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Sales & Beverage Taxes	\$ 1,179,355	\$ 147,948	\$ 1,327,303
Franchise Fees	94,929	0	94,929
Permits & Fees	311,564	0	311,564
Intergovernmental Revenues-Roads	200,000	0	200,000
Miscellaneous Revenues	171,964	0	171,964
Interest Income	6,045	317	6,362
TOTAL REVENUES	<u>1,963,857</u>	<u>148,265</u>	<u>2,112,122</u>
EXPENDITURES			
General Government	639,655	0	639,655
Public Health	625,361	0	625,361
Streets	67,771	0	67,771
Capital Outlay	828,209	0	828,209
TOTAL EXPENDITURES	<u>2,160,996</u>	<u>0</u>	<u>2,160,996</u>
EXCESS OF REVENUES OVER EXPENDITURES	(197,139)	148,265	(48,874)
FUND BALANCE - BEGINNING	<u>1,263,019</u>	<u>0</u>	<u>1,263,019</u>
FUND BALANCE - ENDING	<u>\$ 1,065,880</u>	<u>\$ 148,265</u>	<u>\$ 1,214,145</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, 2014

Net Change in Fund Balance - Governmental Funds \$ (48,874)

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	828,209
Depreciation expense on capital assets	(104,837)

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	16,000
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 690,498

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

The Town's fire, ambulance, inspection, parks, 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 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, 2014

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. Effective October 1, 2013 the Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously recorded as assets and liabilities, as deferred outflows or inflows of resources, and

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

recognizes these items as outflows or inflows of resources. 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 Cross Roads.

- Statement No. 68, *Accounting & Financial Reporting for Pensions*;
- Statement No. 70, *Combinations & Disposals of Government Operations*;
- Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68.

The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2015, 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

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. Prepaid Expenses:

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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. Restricted Resources:

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

6. 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, 2014

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.

NOTE 2: DEPOSITS:

At September 30, 2014 the carrying amount of the Town's cash accounts were \$1,080,674, made up of checking and money market accounts at a local financial institution. The Town did not own any investments at September 30, 2014.

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, 2014 the Town's bank balances (per bank) totaled \$1,260,405. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$1,010,405 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, 2014.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Securities pledged by the Town's depository institution at September 30, 2014 are as follows:

SECURITY	PAR	FMV
Alvarado TX ISD Bond	205,000	207,802
Avery Ranch Rd Bond	200,000	209,372
Celina TX Bond	285,000	305,483
Grand Prairie TX Bond	200,000	212,830
Teague Tex, Bond	140,000	140,973
Seguin, TX, Bond	<u>375,000</u>	<u>390,578</u>
	<u>\$1,405,000</u>	<u>\$1,467,038</u>

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

The City 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 \$168,479 of road improvement sales taxes during the fiscal year. Unspent road improvement funds at September 30, 2014 were \$30,995. These funds are maintained in a separate bank account and can only be used for street and road repairs or improvements.

During 2014 the Town mitigated a dispute related to the removal of trees in violation of the Town's ordinances. The Town received \$150,000 to be used to replace the removed trees. Unspent tree mitigation funds at September 30, 2014 were \$12,224. These funds are maintained in a separate bank account and the Town anticipates expending the remaining funds during 2015.

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

Municipal Development Dist	\$	148,265
Tree Mitigation		12,224
Legal Contingency		262,957
Public Safety		129,371
Road Improvement		30,995
Forest Hills Developer Funds		<u>68,292</u>
	\$	<u>652,104</u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2014 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	RETIREMENTS	ENDING
Land	\$ 108,090	\$ 0	\$ 0	\$ 108,090
Building	201,425	249,184	0	450,609
Furniture & Equipment	60,071	127,407	13,751	173,727
Infrastructure	<u>1,032,400</u>	<u>451,618</u>	<u>0</u>	<u>1,484,018</u>
TOTAL AT HISTORICAL COST	<u>1,401,986</u>	<u>828,209</u>	<u>13,751</u>	<u>2,216,444</u>
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building	69,210	7,178	0	76,388
Furniture & Equipment	27,513	14,788	13,751	28,550
Infrastructure	<u>666,660</u>	<u>82,871</u>	<u>0</u>	<u>749,531</u>
TOTAL ACCUMULATED DEPRECIATION	<u>763,383</u>	<u>104,837</u>	<u>13,751</u>	<u>854,469</u>
TOTAL CAPITAL ASSETS, NET	\$ <u>638,603</u>	\$ <u>723,372</u>	\$ <u>0</u>	\$ <u>1,361,975</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 21,966
Public Works	<u>82,871</u>
TOTAL DEPRECIATION EXPENSE	\$ <u>104,837</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.

NOTE 7: COMPENSATED ABSENCES

At September 30, 2014, the Town had a liability for unpaid compensated absence in the amount of \$4,400.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 8: RETIREMENT PLAN:

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, PO Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions were 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 2013	Plan Year 2014
Employee deposit rate	7.00%	7.00%
Matching ratio (Town to employee)	7.14 to 7	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% transfers	0% transfers
Annuity increase (to retirees)	70% of CPI	0% of CPI

Contributions:

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

The annual pension cost and the net pension obligation/(asset) are as follows:

	2013	2014
Annual required contribution rate	7.14%	7.00%
Annual required contribution (ARC)	\$ 8,311	\$ 14,297
Interest on net pension obligation	\$ 0	\$ 0
Adjustment to the ARC	\$ 0	\$ 0
Annual pension cost	\$ 8,311	\$ 14,297
Contributions funded	\$ 8,311	\$ 14,297
Increase (decrease) in net pension obligation	\$ 0	\$ 0
Net pension obligation (asset) at beginning of year	\$ 0	\$ 0
Net pension obligation (asset) at end of year	\$ 0	\$ 0

The required contributions rates for 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013 are as follows:

Actuarial valuation date	12/31/13
Actuarial cost method	Entry Age Normal
Amortization method	Level % of payroll
Remaining amortization period	30 years; closed period
Amortization period for new gains/losses	9 years
Asset valuation method	10-year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	Varies by age & years of service
Inflation factor	3.00%
Cost-of-living adjustments	0.00%

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Funding Status and Funding Progress - The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial valuation date		12/31/13
Actuarial valuation of assets	\$	24,970
Actuarial accrued liability	\$	57,096
Funded ratio		43.73%
Unfunded (overfunded) actuarial accrued liability	\$	32,126
Annual covered payroll	\$	178,567
UAAL as percentage of covered payroll		17.99%

NOTE 9: 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 is 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 \$450,000 of support to NEPD during fiscal year 2014 and has agreed to provide \$416,667 in support for fiscal year 2015. 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 NEPD is administered by a six member commission of which three of the commissioners are from Cross Roads and three commissioners are from Krugerville.

The NEMC will be funded through court revenues 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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 10: 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 11: SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through December 15, 2014 (the date that the Town Council approved the financial statements). The financial statements include all Type I 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 Type II subsequent events which would require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CROSS ROADS, TX

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	AMENDED BUDGET		
RESOURCES (INFLOWS)				
Sales & Beverage Taxes	1,117,000	1,131,329	1,179,355	48,026
Franchise Fees	91,290	85,847	94,929	9,082
Permits & Fees	126,900	298,637	311,564	12,927
Intergovernmental-Road Funds	0	200,000	200,000	0
Tree Mitigation Revenues	0	150,000	150,000	0
Misc. Revenues	4,200	29,757	21,964	(7,793)
Interest Income	3,870	6,361	6,045	(316)
TOTAL REVENUES	1,343,260	1,901,931	1,963,857	61,926
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Advertising & Promotion	30,000	32,813	32,813	0
Public Notices	5,100	2,218	2,218	0
Election Costs	3,000	476	476	0
Insurance	5,000	3,696	3,696	0
Meetings, Travel & Training	14,500	7,612	7,612	0
Accounting & Auditing	2,300	2,300	2,300	0
Legal	30,000	11,596	11,596	0
Economic Development	12,000	9,873	9,873	0
Other Professional Services	18,200	11,179	11,179	0
Engineering Fees	40,000	55,765	56,026	(261)
Codification Services	2,000	375	375	0
Planning Services	9,000	8,000	8,000	0
Library Inter-Local	15,000	14,831	14,831	0
Tree Mitigation	0	138,000	138,000	0
Building, Parks & Equipment Maint.	18,700	45,600	39,878	5,722
Supplies & Minor Equip.	11,500	9,278	9,282	(4)
Technology	10,000	10,000	8,197	1,803
Utilities	10,000	9,278	9,278	0
Wages - Town Administrator	17,500	18,038	18,038	0
Wages - Town Secretary	72,100	69,708	69,708	0
Wages - Planning Director	58,125	60,836	60,836	0
Wages - Administrative Ass't	45,000	50,750	50,750	0
Payroll Taxes	33,360	12,913	16,982	(4,069)
Employee Health Insurance	75,000	41,453	43,414	(1,961)
Employee Retirement	14,000	14,297	14,297	0
Total General Government	551,385	640,885	639,655	1,230
Public Health & Safety:				
Animal Control	8,100	9,630	9,630	0
Inspection Svcs/Code Enforcement	85,600	112,807	113,055	(248)
Inter-Local Police Svcs	450,000	450,000	450,000	0
Inter-Local Ambulance & Fire	53,100	52,676	52,676	0
Total Public Health	596,800	625,113	625,361	(248)
Streets:				
Street/Drainage Repairs & Signs	68,075	82,969	67,771	15,198
Total Streets	68,075	82,969	67,771	15,198

TOWN OF CROSS ROADS, TX

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	AMENDED BUDGET		
Capital Additions:				
Operations	227,000	353,991	376,591	(22,600)
Streets	200,000	451,881	451,618	263
Total Capital Outlay	<u>427,000</u>	<u>805,872</u>	<u>828,209</u>	<u>(22,337)</u>
TOTAL APPROPRIATIONS	<u>1,643,260</u>	<u>2,154,839</u>	<u>2,160,996</u>	<u>(6,157)</u>
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	<u>(300,000)</u>	<u>(252,908)</u>	<u>(197,139)</u>	\$ <u>55,769</u>
BEGINNING BUDGETARY FUND BAL	1,263,019	1,263,019	1,263,019	
ENDING BUDGETARY FUND BAL	\$ <u>963,019</u>	\$ <u>1,010,111</u>	\$ <u>1,065,880</u>	

TOWN OF CROSS ROADS, TX
SCHEDULE OF PENSION PLAN FUNDING PROGRESS
For the Year Ended September 30, 2014

DEFINED BENEFIT RETIREMENT PLAN

Actuarial Valuation Date	12-31-13
Actuarial Value of Assets	\$ 24,970
Actuarial Accrued Liabilities (AAL)	57,096
Unfunded (Overfunded) AAL (UAAL)	32,126
Funded Ratio	43.73%
Covered Payroll	178,567
UAAL as a Percentage of Covered Payroll	17.99%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CROSS ROADS, TX

COMPARATIVE SCHEDULE OF REVENUES & EXPENDITURES - GENERAL FUND
For the Years Ended September 30, 2014 & 2013

	2014	2013
REVENUES		
Sales & Beverage Taxes	\$ 1,179,355	\$ 480,378
Franchise Fees	94,929	71,789
Permits & Fees	311,564	239,224
Intergovernmental-Road Funds	200,000	0
Misc. Revenues	171,964	6,624
Interest Income	6,045	5,698
TOTAL REVENUES	<u>1,963,857</u>	<u>803,713</u>
EXPENDITURES		
General Government:		
Advertising & Promotion	32,813	19,367
Dues, Subscriptions & Public Notices	2,218	3,705
Election Costs	476	2,870
Insurance	3,696	2,951
Meeting, Travel & Training	7,612	4,181
Accounting & Auditing	2,300	2,300
Legal	11,596	22,523
Economic Development	9,873	4,273
Other Professional Services	11,179	12,618
Engineering Fees	56,026	35,112
Codification Services	375	1,224
Planning Services	8,000	10,515
Library Inter-Local	14,831	12,000
Tree Mitigation	138,000	0
Municipal Court	0	717
Building, Parks & Equipment Maint.	39,878	13,245
Office Supplies & Minor Equip.	9,282	16,608
Technology	8,197	0
Utilities	9,278	8,490
Wages	199,332	155,601
Payroll Taxes	16,982	12,761
Employee Health Insurance	43,414	46,216
Employee Retirement	14,297	15,496
Total General Government	<u>639,655</u>	<u>402,773</u>
Public Health & Safety:		
Animal Control	9,630	0
Inspection Services/Code Enforcement	113,055	80,680
Inter-Local Police Services	450,000	0
Inter-Local Ambulance & Fire	52,676	35,955
Total Public Health	<u>625,361</u>	<u>116,635</u>
Streets:		
Street/Drainage Repairs & Signs	67,771	17,838
Total Streets	<u>67,771</u>	<u>17,838</u>
Capital Additions:		
Operations	376,591	15,112
Streets	451,618	0
Total Capital Outlay	<u>828,209</u>	<u>15,112</u>
TOTAL EXPENDITURES	<u>2,160,996</u>	<u>552,358</u>
EXCESS OF REVENUES OVER EXPENDITURE:	<u>\$ (197,139)</u>	<u>\$ 251,355</u>

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, 2014, 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

December 15, 2014