

TOWN OF CROSS ROADS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions and the schedule of changes in total OPEB liability and related ratios 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

March 18, 2019

TOWN OF CROSS ROADS

TOWN OFFICIALS

September 30, 2018

CITY COUNCIL

MAYOR

Bob Gordon

MAYOR PRO-TEM

David Meek

Peter Carrothers

Bobby Phillips

Dan Prins

Wendy White-Stevens

ADMINISTRATOR

Becky Ross

SECRETARY

Donna Butler

CITY ATTORNEY

David Berman

TOWN OF CROSS ROADS, TX
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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, 2018. The information provided here should be used in conjunction with the basic financial statements.

Management's discussion and analysis ("MD&A") has been designed to [1] assist readers and interested parties in focusing on significant financial issues [2] provide an overview of the Town's financial activity, [3] identify changes in the Town's financial position, including its ability to address the next and subsequent years challenges, [4] identify material deviations from the approved budgets adopted by the Town Council (those charged with governance), and [5] identify individual fund issues or concerns.

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- The Town's government-wide assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2018 by \$7,522,950, an increase of \$505,020 from September 30, 2017.
- The Town's governmental fund balance decreased \$359,487 during the 2018 fiscal year to a balance of \$1,062,377.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$6,498,136 at September 30, 2018 and the Town continues to not have any long-term debt.

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 10) 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 11) 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 is 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 12) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 13) 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 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 14.

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, 2018 and 2017 are as follows:

		2018		2017
Current and Other Assets	\$	1,830,250	\$	1,731,762
Capital Assets		<u>6,498,136</u>		<u>5,622,387</u>
Total Assets		<u>8,328,386</u>		<u>7,354,149</u>
Deferred Outflows of Resources		<u>19,167</u>		<u>17,661</u>
Liabilities:				
Current Liabilities		778,473		306,438
Net Pension & OPEB Liability		<u>30,371</u>		<u>34,066</u>
Total Liabilities		<u>808,844</u>		<u>340,504</u>
Deferred Inflows of Resources		<u>15,759</u>		<u>11,186</u>
Net Assets:				
Invested in Capital Assets, net				
of debt		6,498,136		5,622,387
Restricted		185,447		115,461
Unrestricted		<u>839,367</u>		<u>1,282,272</u>
Total Net Assets	\$	<u>7,522,950</u>	\$	<u>7,020,120</u>

The Town's net position totals \$7,522,950, including liquid assets (cash and receivables less accounts payable) of \$1,051,777. 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. During fiscal years 2016, 2017 and 2018 the Town has completed road improvement projects totaling \$5,440,965. Of this total, \$3,564,260 was reimbursed by Denton County through an interlocal agreement between the Town and the County.

Analysis of Town's Operations

The results of the Town's operations for the years ended September 30, 2018 & September 30, 2017 were as follows.

	2018	2017
REVENUES		
Program Revenues:		
Charges for Services	\$ 386,616	\$ 224,184
Grants & Donations	596,985	1,910,090
General Revenues:		
Sales & Beverage Taxes	2,329,052	2,139,564
Franchise Fees	120,182	114,316
Interest Income	<u>6,700</u>	<u>9,411</u>
Total Revenues	<u>3,439,535</u>	<u>4,397,565</u>
 PROGRAM EXPENSES		
General Government	999,124	1,171,473
Culture & Recreation	45,805	32,433
Public Health & Safety	1,318,802	919,103
Streets	<u>570,784</u>	<u>300,963</u>
Total Expenses	<u>2,934,515</u>	<u>2,423,972</u>
 Increase (Decrease) in		
Net Position	\$ <u>505,020</u>	\$ <u>1,973,593</u>

Charges for services include developer/subdivision fees, road improvement fees, building permit, inspection fees and miscellaneous revenues. These fees increased in 2018 due to an increase in residential building permits issued in the Town during 2018.

Grant and donation revenues include Denton County road reimbursement revenues of \$392,977 in 2018 and \$1,956,222 in 2017. During 2018 the Town received a \$175,000 donation from a developer to be used for parks in the Town.

The Town's sales tax revenues increased to \$2,329,052 a 9% increase over 2017 sales tax revenues. The Walmart store along with the opening of many new commercial developments along Highway 380 has 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 (MDD) and added 1/2% to the Town's sales tax rate. The increased sales tax rate became effective October 1, 2013 and the MDD collected \$292,033 of sales tax revenues during 2018 compared to \$266,156 in 2017. MDD transferred \$212,500 and \$221,850 to the Town during 2018 and 2017 respectively. These funds were used primarily for road improvements.

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. In accordance with the interlocal agreements both Cities contribute to the support of NEPD. For 2018 the Town's support for the NEPD was \$893,822 compared to \$550,801 in 2017. These expenses are included in the Public Health and Safety expenses.

An analysis of the Town's significant general government expenses in 2018 and 2017 is as follows:

GENERAL GOVERNMENT	2018	2017	INCREASE
Advertising & Promotion	\$ 12,435	\$ 12,892	\$ (457)
Legal Fees	16,425	13,468	2,957
Economic Development Grants	313,430	595,713	(282,283)
Engineering Fees	54,647	45,305	9,342
Building & Equipment Maintenance	14,475	10,658	3,817
Supplies & Minor Equipment	18,917	15,360	3,557
Technology	15,207	11,263	3,944
Staff Wages	354,087	286,792	67,295
Payroll Taxes	29,769	22,500	7,269
Employee Health Insurance	31,339	35,417	(4,078)
Employee Retirement	\$ 25,048	\$ 19,751	\$ 5,297

The economic development grant expense related development agreements (380 agreements) the Town has with various developers as incentives for the developers to develop commercial properties in the Town. The agreements call for the Town to pay as incentive grants, certain percentages of the sales tax collected by the Town from the commercial properties included the development areas.

Staff wages increased in 2018 due to the Town adding a position for an inspector on the Town's staff. Previously this position was a sub-contracted position.

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.

Governmental Fund revenues totaled \$3,350,249 in 2018 compared to \$4,398,901 in 2017. Revenues include Denton County Road reimbursements totaling \$392,977 in 2018 compared to \$1,956,222 in 2017. Sales tax, franchise fee, and permit/development fees all increased in 2018 compared to 2017.

Total administrative expenditures decreased 17%, public safety expenses increased 43% and street maintenance expenditures increased 38% from 2017 to 2018. The decrease in administrative expenditures is primarily due to the decrease in economic grants expenditures in 2018 (\$313,430) compared to 2017 (\$595,713). The Town's contribution to the North East Police Department increased from \$550,801 in 2017 to \$893,822 in 2018.

Total general fund-fund basis expenditures exceeded fund basis revenues in 2018 by \$429,473 in 2018 and the Town's general fund balance decreased to \$876,930.

The Town has the following restricted and committed governmental fund balances at September 2018:

RESTRICTED/COMMITTED TO:	YEAR END BALANCE
Municipal Utility District	\$ 185,447
Parks	175,000
Legal Contingency Fund	250,000
Public Safety	<u>250,000</u>
	<u>\$ 860,447</u>

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

General Fund Budgetary Highlights

The Town's budgeted expenditures for 2018 exceeded the budgeted revenues by \$249,400. This deficit was to be funded by funds on hand at the beginning of the fiscal year.

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

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
TOTAL REVENUES	\$ <u>3,869,450</u>	\$ <u>3,350,249</u>	\$ <u>(519,201)</u>
EXPENDITURES:			
General Government	1,000,500	920,424	80,076
Culture & Recreation	44,000	41,470	2,530
Public Health & Safety	1,324,322	1,318,802	5,520
Streets	50,000	133,514	(83,514)
Capital Outlay	<u>1,700,028</u>	<u>1,365,512</u>	<u>334,516</u>
TOTAL EXPENDITURES	<u>4,118,850</u>	<u>3,779,722</u>	<u>339,128</u>
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	\$ <u>(249,400)</u>	\$ <u>(429,473)</u>	\$ <u>(180,073)</u>

Budgeted revenues for 2018 included a developer public safety donation in the amount of \$432,000. These funds were not received in fiscal year 2018 and have been re-budgeted in fiscal year 2019.

Budgeted capital outlay expenditures in 2018 included \$1,250,028 for road improvements. Actual road improvements expenditures totaled \$994,729 as several budgeted road expenditures in 2019 actually were expended in fiscal year 2017 as the road projects were being completed ahead of schedule.

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2018 amounts to \$6,498,136 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. Capital additions for 2018 included building improvements of \$40,695, road improvements of \$994,729 park improvements of \$325,186 and equipment additions of \$4,902. A schedule of capital assets is as follows:

CAPITAL ASSETS AT YEAR END NET OF ACCUMULATED DEPRECIATION

	2018	2017
Land	\$ 108,090	\$ 108,090
Construction in Progress	159,495	40,380
Buildings	571,333	351,789
Equipment	122,853	156,178
Infrastructure	<u>5,536,365</u>	<u>4,965,950</u>
TOTAL	<u>\$ 6,498,136</u>	<u>\$ 5,622,387</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 2019 total \$3,143,000, including \$2,000,000 of sales tax revenues, \$255,000 of permit and fee revenues, \$432,000 for a developer public safety donation and a \$200,000 transfer from the Municipal Development District. Budgeted general fund expenditures for 2018 total \$3,130,819, including \$465,758 for personnel costs, \$893,822 for NEPD operating support, \$330,000 for economic development grants, \$250,000 for park improvements and \$458,000 for road repairs and improvements,

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
GOVERNMENT-WIDE
STATEMENT OF NET POSITION

September 30, 2018

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 1,347,067
Receivables	480,801
Prepaid Expenses	<u>2,382</u>
TOTAL CURRENT ASSETS	<u>1,830,250</u>
CAPITAL ASSETS	
Land	108,090
Buildings	710,033
Equipment	279,473
Infrastructure	7,161,589
Construction in Progress	159,495
Accumulated Depreciation	<u>(1,920,544)</u>
NET CAPITAL ASSETS	<u>6,498,136</u>
TOTAL ASSETS	<u>8,328,386</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date	15,669
OPEB Contributions After Measurement Date	25
Difference in Changes in Assumptions-Pension	3,274
Difference in Changes in Assumptions-OPEB	<u>199</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,167</u>
LIABILITIES	
Accounts Payable	13,008
Accrued Liabilities	754,865
Accrued Compensated Absences	10,600
NONCURRENT LIABILITIES	
Net OPEB Liability	3,102
Net Pension Liability	<u>27,269</u>
TOTAL LIABILITIES	<u>808,844</u>
DEFERRED INFLOWS OF RESOURCES	
Difference in Projected and Actual Earnings-Pension	2,547
Difference in Expected and Actual Pension Experience	<u>13,212</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>15,759</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	6,498,136
Restricted for:	
Municipal Development	185,447
Unrestricted	<u>839,367</u>
TOTAL NET POSITION	<u>\$ 7,522,950</u>

TOWN OF CROSS ROADS

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & DONATIONS</u>	<u>CAPITAL GRANTS & REIMBURSE- MENTS</u>	<u>NET (EXPENSE) REVENUE</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (999,124)	\$ 386,616	\$ 22,510	\$ 0	\$ (589,998)
Culture & Recreation	(45,805)	0	0	175,000	129,195
Public Safety	(1,318,802)	0	0	0	(1,318,802)
Public Works-Streets	(570,784)	0	0	399,475	(171,309)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (2,934,515)	\$ 386,616	\$ 22,510	\$ 574,475	\$ (1,950,914)
 GENERAL REVENUE					
Sales Taxes					2,329,052
Franchise Fees					120,182
Interest Income					6,700
TOTAL GENERAL REVENUE					2,455,934
CHANGE IN NET POSITION					505,020
NET POSITION - BEGINNING					7,020,120
PRIOR PERIOD ADJUSTMENT (See Note 10)					<u>(2,190)</u>
NET POSITION - ENDING					<u><u>\$ 7,522,950</u></u>

TOWN OF CROSS ROADS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2018

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 1,211,610	\$ 135,457	\$ 1,347,067
Receivables:			
Sales & Beverage Taxes	357,666	51,172	408,838
Franchise Fees	12,467	0	12,467
Development Fees	26,302	0	26,302
Other	33,194	0	33,194
Interfund	1,182	(1,182)	0
Prepaid Expenses	2,382	0	2,382
TOTAL ASSETS	1,644,803	185,447	1,830,250
LIABILITIES			
Accounts Payable	13,008	0	13,008
Accrued Liabilities	571,265	0	571,265
Developer Escrow Road Improve. Deposits	183,600	0	183,600
TOTAL LIABILITIES	767,873	0	767,873
FUND BALANCE			
Non-Spendable - Prepaid Expenses	2,382	0	2,382
Restricted For:			
Restricted to Municipal Development	0	185,447	185,447
Parks	175,000	0	175,000
Committed To:			
Public Safety	250,000	0	250,000
Legal Contingency	250,000	0	250,000
Unassigned	199,548	0	199,548
TOTAL FUND BALANCE	876,930	185,447	1,062,377
TOTAL LIABILITIES & FUND BALANCE	\$ 1,644,803	\$ 185,447	\$ 1,830,250

TOWN OF CROSS ROADS

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

September 30, 2018

Fund Balance Above \$ 1,062,377

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. 6,498,136

Receivables not collected within 60 days of the end of the year are not considered available and are not reported in the Fund Balance Sheet 0

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 (10,600)

Net pension liability and related deferred inflows and deferred outflows of resources (26,963)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 7,522,950

TOWN OF CROSS ROADS

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

For the Year Ended September 30, 2018

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Sales & Beverage Taxes	\$ 2,037,019	\$ 292,033	\$ 2,329,052
Franchise Fees	120,182	0	120,182
Permits & Development Fees	269,932	0	269,932
Other Revenues	33,119	0	33,119
County & Prov. Village Road Contributions	412,835	0	412,835
Developer Park Donation	175,000	0	175,000
Personnel Reimbursements	83,565	0	83,565
Interest Income	6,097	603	6,700
TOTAL REVENUES	3,137,749	292,636	3,430,385
EXPENDITURES			
General Government	920,424	10,150	930,574
Culture & Recreation	41,470	0	41,470
Public Safety	1,318,802	0	1,318,802
Public Works	133,514	0	133,514
Capital Outlay	1,365,512	0	1,365,512
TOTAL EXPENDITURES	3,779,722	10,150	3,789,872
EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	(641,973)	282,486	(359,487)
TRANSFERS			
Transfer from Municipal Development Dist.	212,500	(212,500)	0
NET CHANGE IN FUND BALANCES	(429,473)	69,986	(359,487)
FUND BALANCE - BEGINNING	1,306,403	115,461	1,421,864
FUND BALANCE - ENDING	\$ 876,930	\$ 185,447	\$ 1,062,377

TOWN OF CROSS ROADS

**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, 2018

Net Change in Fund Balance - Governmental Funds \$ (359,487)

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 their estimated useful lives as depreciation expense:

Capital assets recorded in the current period 1,365,512

Depreciation expense on capital assets (489,763)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds: (13,360)

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 (700)

Governmental funds report OPEB and pension expense as it paid into the respective
plans during the fiscal year. However, in the statement of activities, pension and
OPEB expense reflect the change in net OPEB and Net Pension Liabilities during
the plan fiscal year (calendar year 2017): 2,818

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 505,020

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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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.

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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 Cross Roads.

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- Statement no, 88, *Certain Disclosures Related to Debt*. This statement is effective for fiscal years beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2019.
- Statement No. 90, *Majority Equity Interests*. This statement will not affect the Town.

New pronouncements not yet in effect as of September 30, 2018, 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 2019, 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.

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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

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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.

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

TOWN OF CROSS ROADS, TX

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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.

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.

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- 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, 2018 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Public Works	\$ 83,514

NOTE 2: DEPOSITS:

At September 30, 2018, the carrying amount of the Town's cash accounts were \$1,166,500, made up of checking and money market accounts at a local financial institution. The Town did not own any investments at September 30, 2018.

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, therefore, is not exposed to credit risk

(3) Concentration of credit risk:2

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.

(3) Interest rate risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not currently own any investments and, therefore, is not exposed to interest rate risk.

TOWN OF CROSS ROADS, TX

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(4) 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, 2018, the Town's bank balances (per bank) totaled \$1,390,338. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$1,140,338 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, 2018.

Securities pledged by the Town's depository institution at September 30, 2018 are as follows:

<u>SECURITY</u>	<u>PAR</u>	<u>MARKET VALUE</u>
UVALDE, TX BOND	500,000	505,025
GRAND PRAIRIE, TX BOND	200,000	201,922
BALCH SPRINGS, TX BOND	300,000	312,564
LINDALE, TX BOND	605,000	633,798
HARRIS CNTY MUD BOND	195,000	202,420
PARIS, TX BOND	355,000	365,157
COVERSE, TX BOND	375,000	400,500
MARBLE FALLS, TX BOND	385,000	396,581
BAILEY, TX BOND	655,000	664,399
MELISSA, TX BOND	220,000	230,868
DELINA, TX BOND	285,000	293,068
	<u>4,075,000</u>	<u>4,206,302</u>

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 \$289,001 of road improvement sales taxes during the fiscal year. All of the road improvement sales tax funds collected during the fiscal year were also expended during the fiscal year for road improvements. There were no unspent restricted road funds at September 30, 2018. Effective October 1, 2018 the Town no longer collects the one-quarter percent road sales tax.

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

Municipal Development Dist	\$ 135,457
Legal Contingency	250,000
Public Safety	250,000
Developer Escrow-Road Improve.	184,407
	<u>\$ 819,864</u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2018 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	RETIREMENTS	ENDING
Capital Assets Not Being Depreciated				
Land	\$ 108,090	\$ 0	\$ 0	\$ 108,090
Construction in Progress	40,380	119,115	0	159,495
Total Assets Not Being Depreciated	<u>148,470</u>	<u>119,115</u>	<u>0</u>	<u>267,585</u>
Assets Being Depreciated				
Building	472,552	237,481	0	710,033
Furniture & Equipment	283,718	1,231	5,476	279,473
Infrastructure	6,153,904	1,007,685	0	7,161,589
Total Assets Being Depreciated	<u>6,910,174</u>	<u>1,246,397</u>	<u>5,476</u>	<u>8,151,095</u>
 TOTAL ASSETS AT HISTORIC COST	 <u>7,058,644</u>	 <u>1,365,512</u>	 <u>5,476</u>	 <u>8,418,680</u>
 LESS ACCUMULATED DEPRECIATION				
Building	120,763	17,937	0	138,700
Furniture & Equipment	127,540	34,556	5,476	156,620
Infrastructure	1,187,954	437,270	0	1,625,224
TOTAL ACCUMULATED DEPRECIATION	<u>1,436,257</u>	<u>489,763</u>	<u>5,476</u>	<u>1,920,544</u>
 TOTAL CAPITAL ASSETS, NET	 <u>\$ 5,622,387</u>	 <u>\$ 875,749</u>	 <u>\$ 0</u>	 <u>\$ 6,498,136</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 48,158
Parks	4,335
Public Works	<u>437,270</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 489,763</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

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NOTE 7: COMPENSATED ABSENCES

At September 30, 2018, the Town had a liability for unpaid compensated absence in the amount of \$10,700.

NOTE 8: RETIREMENT PLAN:

A. Plan Description

The Town participates as one of 883 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 2017	Plan Year 2018
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

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At the December 31, 2017 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	3
Active employees	<u>9</u>
	13

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 7.04% and 7.47% for the calendar years 2018 and 2017 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2018 were \$20,798 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, 2017 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. These rates are projected on a fully generational basis by scale BB to account for future mortality

TOWN OF CROSS ROADS, TX

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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.

The actuarial assumptions used in the December 31, 2017 valuation were developed primarily from the actuarial investigation of experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post retirement mortality assumption for healthy annuitants and annuity purchase rates (APRs) were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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). 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%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

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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.

Proportionate Share Percentages:

The Northeast Police Department and the Northeast Municipal Court participate as nonemployer contributing entities in the City of Krugerville's pension plan. Proportionate share percentages are based on each entity's actual contributions during the plan year compared to total contributions by all three entities during the plan year. Actual contributions to the retirement plan by these two entities totaled \$22,510 during the fiscal year. This amount is reported as operating grant revenues in the government-wide statement of activities.

Changes in Net pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 148,078	\$ 112,806	\$ 35,272
Service Cost	54,801		54,801
Interest	11,748		11,748
Change in benefit terms	0		0
Differences between expected and actual results	(6,382)		(6,382)
Change in assumptions	0		0
Contributions - employer		28,631	(28,631)
Contributions - employee		28,606	(28,606)
Net investment income		15,710	(15,710)
Benefit Payments, including refunds of employee contributions	(2,858)	(2,858)	0
Administrative expense		(81)	81
Other		(4)	4
Net Changes	<u>57,309</u>	<u>70,004</u>	<u>(12,695)</u>
Balance at December 31, 2017	\$ <u>205,387</u>	\$ <u>182,810</u>	\$ <u>22,577</u>

TOWN OF CROSS ROADS, TX

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Proportionate Share's				
Town of Cross Roads	\$	248,071	\$	220,802
Northeast Police Department		(27,564)		(24,534)
Northeast Municipal Court	\$	(15,120)	\$	(13,458)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's Net Pension Liability (Asset)	\$ <u>61,195</u>	\$ <u>22,577</u>	\$ <u>(8,245)</u>
Town of Cross Roads Proportionate Share	\$ <u>73,913</u>	\$ <u>27,269</u>	\$ <u>(9,958)</u>

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2018 the Town recognized pension expense of \$17,292.

At September 30, 2018, 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	\$	\$ 2,547	\$ (2,547)
Differences in assumption changes	3,274		3,274
Differences between projected and actual investment earnings	<u>0</u>	<u>13,212</u>	<u>(13,212)</u>
To be recognized in the future	3,274	15,759	\$ <u>(12,485)</u>

TOWN OF CROSS ROADS, TX

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Contributions subsequent to the measurement date	15,669	0	
Total	\$ <u>18,943</u>	\$ <u>15,759</u>	

\$15,669 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,			
2018	\$	(1,835)	
2019		(1,882)	
2020		(2,391)	
2021		(2,387)	
2022		(1,623)	
Thereafter		<u>(2,367)</u>	
	\$	<u>(12,485)</u>	

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A: Benefit Plan Description

The Town participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employer’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee’s entire careers.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

At the December 31, 2017 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>9</u>
	10

B: Total OPEB Liability

The Town’s Total OPEB Liability was measured as of December 31, 2017, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.31%
Retiree's share of benefit costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 10#% with a e year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor

The discount rate was based on the Fidelity Index’s “20-year Municipal GO AA index” rate as of December 31, 2017.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in Total OPEB Liability:

Balance at December 31, 2016	\$	3,129
Changes for the year		
Service Cost		899
Interest ON Total OPEB Liability		134
Changes in benefit terms		0
Differences between expected and actual results		0
Changes in assumptions or other inputs		317
Benefit Payments *		(41)
Net Changes		1,309
Balance at December 31, 2017	\$	4,438
Proportionate Share's		
Town of Cross Roads		3,102
Northeast Police Department		1,336

* Due to SDBF being considered an unfunded OPEB plan under GASB No. 75, benefit payments are treated as being equal to employer's yearly contribution for retirees

Sensitivity of the OPEB liability to changes in the discount rate:

The following presents the Total OPEB liability of the Town, calculated using the discount rate of 3.31%, as well as what the Town's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.31%)	Current (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ <u>5,289</u>	\$ <u>4,438</u>	\$ <u>3,766</u>

C: OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2018 the Town recognized OPEB expense of \$721.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences in assumptions	\$ 199	\$ 0	\$ 199
To be recognized in the future	199	0	<u>199</u>
 Contributions subsequent to the measurement date	 25	 0	
 Total	 <u>\$ 224</u>	 <u>\$ 0</u>	

The \$25 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,			
2018		\$	22
2019			22
2020			22
2021			22
2022			22
Thereafter			91
		\$	<u>199</u>

NOTE 10: ADOPTION OF GASB 75:

The Town has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* affective with these financial statements. In accordance with this statement, the Town has restated its September 30, 2017 government-wide unrestricted net positions to reflect the amount of net OPEB liability as of September 30, 2017. The amount of the required restatements is as follows:

	Increase in Total OPEB <u>Liability</u>	Decrease in Unrestricted <u>Net Position</u>
Governmental Activities	\$2,190	\$2,190

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 11: 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 12: 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, 2018 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 \$893,822 of support to NEPD during fiscal year 2018 and has agreed to provide \$893,822 in support for fiscal year 2019. 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 2018 were administered by the City Council of the Town of Cross Roads.

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.

NOTE 13: SUBSEQUENT EVENTS:

The Town has evaluated all events and transactions that occurred after September 30, 2018 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF CROSS ROADS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2018

RESOURCES (INFLOWS):	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:			
Sales & Beverage Taxes	\$ 2,015,000	\$ 2,037,019	\$ 22,019
Franchise Fees	117,000	120,182	3,182
Permits & Development Fees	250,600	269,932	19,332
Other Revenues	5,000	33,119	28,119
County Road Contributions	580,000	392,977	(187,023)
Town of Providence Village Road Contributions	0	19,858	19,858
Developer Park Donation	175,000	175,000	0
Developer Public Safety Donation	432,000	0	(432,000)
Interest Income	5,850	6,097	247
Personnel Reimbursements-NEMC	70,000	83,565	13,565
Personnel Reimbursements-NEPD	6,500	0	(6,500)
Transfer From Municipal Devel. Dist.	212,500	212,500	0
TOTAL RESOURCES	\$ 3,869,450	\$ 3,350,249	\$ (519,201)
 CHARGES TO APPROPRIATIONS:			
ADMINISTRATION			
Advertising & Promotion	\$ 20,000	\$ 12,435	\$ 7,565
Public Notices	1,500	707	793
Insurance	7,500	5,130	2,370
Meetings, Travel & Training	15,000	7,513	7,487
Accounting & Auditing	4,000	4,000	0
Legal Services	20,000	16,425	3,575
Economic Development Grants	335,000	313,430	21,570
Other Professional Services	1,500	330	1,170
Engineering Services	65,000	54,647	10,353
Codification Services	1,500	1,623	(123)
Election Costs	3,500	3,334	166
Building & Equipment Maintenance	15,000	14,475	525
Supplies & Minor Equipment	13,500	18,917	(5,417)
Technology	10,000	15,207	(5,207)
Utilities	11,500	10,260	1,240
Vehicle Expenses	2,500	1,748	752
Staff Wages	375,000	354,087	20,913
Payroll Taxes	30,000	29,769	231
Employee Health Insurance	43,500	31,339	12,161
Employee Retirement	25,000	25,048	(48)
TOTAL ADMINISTRATION	1,000,500	920,424	80,076

**TOWN OF CROSS ROADS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
CULTURE & RECREATION			
Library Inter-Local	21,500	21,555	(55)
Park Events	15,000	13,883	1,117
Park Maintenance & Planning	7,500	6,032	1,468
TOTAL CULTURE & RECREATION	44,000	41,470	2,530
PUBLIC SAFETY			
Animal Control	12,000	12,000	0
Inspection Svcs./Code Enforcement	20,000	15,892	4,108
Careflight Services	3,500	2,088	1,412
Inter-Local Police Svcs	893,822	893,822	0
Inter-Local Fire & Ambulance	395,000	395,000	0
TOTAL PUBLIC SAFETY	1,324,322	1,318,802	5,520
STREETS:			
Street/Drainage/Repairs & Signs	50,000	133,514	(83,514)
TOTAL STREETS	50,000	133,514	(83,514)
CAPITAL OUTLAY			
Operations	50,000	45,597	4,403
Parks	400,000	325,186	74,814
Streets & Roads	1,250,028	994,729	255,299
TOTAL CAPITAL OUTLAY	1,700,028	1,365,512	334,516
TOTAL APPROPRIATIONS	4,118,850	3,779,722	339,128
EXCESS OF CURRENT RESOURCES OVER (UNDER) APPROPRIATIONS	\$ (249,400)	\$ (429,473)	\$ (180,073)
BUDGETARY FUND BALANCE:			
BEGINNING OF YEAR	\$ 1,306,403	\$ 1,306,403	
END OF YEAR	\$ 1,057,003	\$ 876,930	

TOWN OF CROSS ROADS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2018

Plan Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 54,801	\$ 31,030	\$ 26,750	\$ 32,429
Interest (on the Total Pension Liability)	11,748	8,216	6,177	5,048
Changes in benefit terms	0	0	0	0
Difference between expected and actual experience	(6,382)	4,059	(3,548)	(15,894)
Change of assumptions	0	0	4,813	0
Benefit payments, including refunds of employee contributions	(2,858)	(2,858)	(2,858)	(2,382)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>57,309</u>	<u>40,447</u>	<u>31,334</u>	<u>19,201</u>
TOTAL PENSION LIABILITY - BEGINNING	<u>148,078</u>	<u>107,631</u>	<u>76,297</u>	<u>57,096</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 205,387</u>	<u>\$ 148,078</u>	<u>\$ 107,631</u>	<u>\$ 76,297</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 28,631	\$ 17,315	\$ 15,669	\$ 12,846
Contributions - Employee	28,606	16,825	13,779	12,923
Net investment income	15,710	5,191	74	1,437
Benefit payments, including refunds of employee contributions	(2,858)	(2,858)	(2,858)	(2,382)
Administrative expense	(81)	(58)	(45)	(15)
Other	(4)	(3)	(3)	(1)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>70,004</u>	<u>36,412</u>	<u>26,616</u>	<u>24,808</u>
PLAN NET FIDUCIARY POSITION - BEGINNING	<u>112,806</u>	<u>76,394</u>	<u>49,778</u>	<u>24,970</u>
PLAN NET FIDUCIARY POSITION - ENDING (b)	<u>\$ 182,810</u>	<u>\$ 112,806</u>	<u>\$ 76,394</u>	<u>\$ 49,778</u>
NET PENSION LIABILITY (a) - (b)	<u>\$ 22,577</u>	<u>\$ 35,272</u>	<u>\$ 31,237</u>	<u>\$ 26,519</u>
Town of Cross Roads Proportionate Share of Net Pension Liability				
Proportionate Percentage *	<u>120.78%</u>	<u>96.58%</u>	<u>100.00%</u>	<u>100.00%</u>
Proportionate Share	<u>\$ 27,269</u>	<u>\$ 34,066</u>	<u>\$ 31,237</u>	<u>\$ 26,519</u>
* Based on actual contributions made by each contributing entity				
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.01%	76.18%	70.98%	65.24%
Covered employee payroll	\$ 408,655	\$ 236,692	\$ 196,839	\$ 184,612
Net Pension Liability as a percentage of covered payroll	5.52%	14.90%	15.87%	14.36%

TOWN OF CROSS ROADS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 20,798	\$ 15,996	\$ 15,550	\$ 15,083
Contributions in relation to the actuarially determined contribution	20,798	15,996	15,550	15,083
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered employee payroll	\$ 282,190	\$ 225,535	\$ 204,214	\$ 184,612
Contributions as a percentage of covered employee payroll	7.37%	7.09%	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	27 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5%, including inflation
Investment Rate of Return	6.75%
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

TOWN OF CROSS ROADS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2018

Plan Year	<u>2017</u>
TOTAL OPEB LIABILITY	
Total OPEB Liability Beginning of Year	\$ 3,129
Changes for the year	
Service Cost	899
Interest on Total OPEB Liability	134
Changes in benefit terms	0
Difference between expected and actual experience	0
Change of assumptions or other inputs	317
Benefit payments	<u>(41)</u>
NET CHANGE IN OPEB LIABILITY	<u>1,309</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u><u>\$ 4,438</u></u>

Town of Cross Roads Proportionate Share of Net Pension Liability

Proportionate Percentage *	<u>69.90%</u>
Proportionate Share	<u>\$ 3,102</u>

* Based on actual contributions made by each contributing entity

Covered employee payroll	\$ 408,655
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OPEB Liability as a percentage of covered payroll	1.09%
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There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF CROSS ROADS
COMPARATIVE SCHEDULE OF REVENUES & EXPENSES-GENERAL FUND**

For the Year Ended September 30, 2018

REVENUES	2018	2017	2016
RESOURCES:			
Sales & Beverage Taxes	\$ 2,037,019	\$ 1,873,408	\$ 1,696,046
Franchise Fees	120,182	114,316	115,744
Permits & Development Fees	269,932	90,844	150,433
Other Revenues	33,119	9,042	7,477
Road Contributions	412,835	1,956,222	1,215,061
Developer Park Donation	175,000	0	0
Interest Income	6,097	8,921	6,558
Personnel Reimbursements-NEMC	83,565	76,308	0
Personnel Reimbursements-NEPD	0	47,990	0
Transfer From Municipal Devel. Dist.	212,500	221,850	400,000
TOTAL RESOURCES	\$ 3,350,249	\$ 4,398,901	\$ 3,591,319
EXPENDITURES			
ADMINISTRATION			
Advertising & Promotion	\$ 12,435	\$ 12,892	\$ 19,407
Public Notices	707	1,732	1,934
Insurance	5,130	5,595	5,129
Meetings, Travel & Training	7,513	5,962	8,335
Accounting & Auditing	4,000	4,000	3,500
Legal Services	16,425	13,468	20,322
Economic Development Grants	313,430	595,713	89,605
Other Professional Services	330	5,600	6,615
Engineering Services	54,647	45,305	54,506
Codification Services	1,623	2,031	375
Planning Services	0	0	0
Election Costs	3,334	0	1,355
Building & Equipment Maintenance	14,475	10,658	17,812
Supplies & Minor Equipment	18,917	15,360	10,124
Technology	15,207	11,263	8,455
Utilities	10,260	11,366	9,186
Vehicle Expenses	1,748	1,394	1,366
Staff Wages	354,087	286,792	204,214
Payroll Taxes	29,769	22,500	16,546
Employee Health Insurance	31,339	35,417	19,163
Employee Retirement	25,048	19,751	15,550
TOTAL ADMINISTRATION	920,424	1,106,799	513,499
CULTURE & RECREATION			
Library Inter-Local	21,555	18,649	16,953
Park Events	13,883	6,012	3,363
Park Maintenance & Planning	6,032	7,772	11,292
TOTAL CULTURE & RECREATION	41,470	32,433	31,608

**TOWN OF CROSS ROADS
COMPARATIVE SCHEDULE OF REVENUES & EXPENSES-GENERAL FUND**

For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
PUBLIC SAFETY			
Animal Control	12,000	13,000	10,765
Inspection Svcs./Code Enforcement	15,892	63,202	66,519
Careflight Services	2,088	2,100	2,147
Inter-Local Police Svcs	893,822	550,801	444,485
Inter-Local Fire & Ambulance	395,000	290,000	115,000
TOTAL PUBLIC SAFETY	1,318,802	919,103	638,916
STREETS:			
Street/Drainage/Repairs & Signs	133,514	82,113	75,644
TOTAL STREETS	133,514	82,113	75,644
CAPITAL OUTLAY			
Operations	45,597	34,309	33,155
Parks	325,186	40,380	0
Streets & Roads	994,729	2,629,972	1,816,264
TOTAL CAPITAL OUTLAY	1,365,512	2,704,661	1,849,419
TOTAL EXPENDITURES	3,779,722	4,845,109	3,109,086
EXCESS OF CURRENT RESOURCES OVER (UNDER) EXPENDITURES	\$ (429,473)	\$ (446,208)	\$ 482,233

WILLIAM C. SPORE, P.C.
Certified Public Accountants
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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, 2018, 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
March 18, 2019