

TOWN OF CROSS ROADS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the City'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, 2020, 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, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 16, 2021, on my consideration of the Town of Cross Roads, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Cross Roads, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cross Roads, Texas's internal control over financial reporting and compliance.

William C. Spore, P.C.

Keller, Texas

Certified Public Accountants

February 16, 2021

TOWN OF CROSS ROADS

TOWN OFFICIALS

September 30, 2020

CITY COUNCIL

MAYOR

Bob Gorton

MAYOR PRO-TEM

David Meek

Bobby Phillips

Dan Prins

Duke Roberson

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, 2020

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, 2020. 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, 2020 by \$8,121,865, an increase of \$182,600 from September 30, 2019.
- The Town's governmental fund balance increased \$540,657 during the 2020 fiscal year to a balance of \$1,956,750.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$6,208,854 at September 30, 2020 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, 2020, and 2019 are as follows:

	2020	2019
Current and Other Assets	\$ 2,659,834	\$ 2,182,591
Capital Assets	<u>6,208,854</u>	<u>6,562,944</u>
Total Assets	<u>8,868,688</u>	<u>8,745,535</u>
 Deferred Outflows of Resources	 <u>27,241</u>	 <u>21,115</u>
 Liabilities:		
Current Liabilities	720,584	779,998
Net Pension & OPEB Liability	<u>36,754</u>	<u>39,310</u>
Total Liabilities	<u>757,338</u>	<u>819,308</u>
 Deferred Inflows of Resources	 <u>16,726</u>	 <u>8,077</u>
 Net Position:		
Invested in Capital Assets, net		
of debt	6,208,854	6,562,944
Restricted	385,414	298,096
Unrestricted	<u>1,527,597</u>	<u>1,078,225</u>
Total Net Position	\$ <u>8,121,865</u>	\$ <u>7,939,265</u>

The Town's net position totals \$8,121,865, including liquid assets (cash and receivables less accounts payable) of \$1,939,250. 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. These capital assets represent 69% of the Town's total assets.

Analysis of Town's Operations

The results of the Town's operations for the years ended September 30, 2020 & September 30, 2019, were as follows.

	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	\$ 403,101	\$ 378,544
Grants & Donations	197,497	452,788
General Revenues:		
Sales & Beverage Taxes	2,751,019	2,490,647
Franchise Fees	157,314	134,101
Interest Income	10,799	7,491
Total Revenues	<u>3,519,730</u>	<u>3,463,571</u>
PROGRAM EXPENSES		
General Government	1,132,153	1,052,832
Culture & Recreation	54,949	49,734
Public Health & Safety	1,410,259	1,341,201
Streets	<u>739,769</u>	<u>603,489</u>
Total Expenses	<u>3,337,130</u>	<u>3,047,256</u>
Increase (Decrease) in		
Net Position	\$ <u>182,600</u>	\$ <u>416,315</u>

Charges for services include developer/subdivision fees, building permit, inspection fees, payroll reimbursements and miscellaneous revenues. These fees increased 6% in 2020 due to an increase in commercial building permits issued in the Town during 2020.

Grant and donation revenues in 2020 include Denton County road improvement reimbursement revenues of \$158,507 and pension contributions of \$38,198 from NEPD and NEMC.

The Town's sales tax revenues increased \$260,372, a 11% increase over 2019 sales tax revenues. The opening of new commercial developments along Highway 380 has significantly added to the sales tax base in the Town.

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. The Town's support for the NEPD was \$982,644 in 2020 and \$893,822 in 2019. These expenses are included in the Public Health and Safety expenses.

An analysis of the Town's significant general government expenses in 2020 and 2019 is as follows:

GENERAL GOVERNMENT	2020	2019	INCREASE (DECREASE)
Advertising & Promotion	\$ 680	\$ 7,462	\$ (6,782)
Legal Fees	28,262	9,460	18,802
Economic Development Grants	407,031	362,186	44,845
Engineering Fees	35,379	52,075	(16,696)
Building & Equipment Maintenance	19,153	10,890	8,263
Election	0	6,517	(6,517)
Meetings, Travel & Training	4,777	3,097	1,680
Supplies & Minor Equipment	9,955	14,404	(4,449)
Technology	31,598	19,753	11,845
Utilities	16,797	17,399	(602)
Staff Wages	392,017	373,556	18,461
Payroll Taxes	30,926	28,781	2,145
Employee Health Insurance	33,840	31,644	2,196
Employee Retirement	28,805	27,271	1,534
Police Services	982,644	893,822	88,822
Fire & Ambulance	\$ 400,300	\$ 397,000	\$ 3,300

The economic development grant expense relates to 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 2020 4.95% compared to 2019.

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 revenues totaled \$3,389,087 in 2020 compared to \$3,323,409 in 2019. Fiscal year 2020 revenues include Denton County Road reimbursements of \$158,507 while fiscal year 2019 revenues included a \$426,000 developer donation for public safety. Sales tax and franchise fee revenues increased in 2020 while permit/development fees decreased in 2020 compared to 2019.

Total administrative expenditures increased 7.6%, public safety expenses increased 5.2% and street maintenance expenditures increased 90.7% from 2019 to 2020.

Total general fund-fund basis revenues exceeded fund basis expenditures in 2020 by \$453,339 in 2020 and the Town's general fund balance increased to \$1,571,336.

The Town has the following restricted and committed governmental fund balances at September 2020:

RESTRICTED/COMMITTED TO:	YEAR END BALANCE
Municipal Utility District	\$ 385,414
Legal Contingency Fund	250,000
Public Safety	676,000
Roads	<u>217,201</u>
	\$ <u>1,528,615</u>

General Fund Budgetary Highlights

The Town's 2020 budget was balanced, budgeted revenues equaled budgeted expenditures.

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>2,876,000</u>	\$ <u>3,389,087</u>	\$ <u>513,087</u>
EXPENDITURES:			
General Government	789,856	1,055,070	(265,214)
Culture & Recreation	49,000	36,841	12,159
Public Health & Safety	1,411,144	1,410,259	885
Streets	501,000	249,277	251,723
Capital Outlay	<u>125,000</u>	<u>184,301</u>	<u>(59,301)</u>
TOTAL EXPENDITURES	<u>2,876,000</u>	<u>2,935,748</u>	<u>(59,748)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>0</u>	\$ <u>453,339</u>	\$ <u>453,339</u>

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2020, amounts to \$6,208,854 (net of depreciation). The investment in capital assets includes land, buildings, parks, equipment and infrastructure. Capital additions for 2020 included road improvements of \$183,002 and Town Hall building improvements of \$1,300.

A schedule of capital assets is as follows:

CAPITAL ASSETS AT YEAR END NET OF ACCUMULATED DEPRECIATION

	2020	2019
Land	\$ 108,090	\$ 108,090
Construction in Progress	0	0
Buildings	375,265	392,595
Parks-Building & Equipment	460,306	582,275
Furniture & Equipment	122,205	29,505
Infrastructure	<u>5,142,988</u>	<u>5,450,479</u>
TOTAL	\$ <u>6,208,854</u>	\$ <u>6,562,944</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 2021 total \$2,833,000, including \$2,100,000 of sales tax revenues, \$195,000 of permit and fee revenues and a \$240,000 transfer from the Municipal Development District. Budgeted general fund expenditures for 2020 total \$2,833,000, including \$517,775 for personnel costs, \$982,644 for NEPD operating support, \$85,451 for economic development grants 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, 2020

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 661,987
Receivables	510,141
Prepaid Expenses	3,633
TOTAL CURRENT ASSETS	<u>1,175,761</u>
RESTRICTED CASH	<u>1,484,073</u>
CAPITAL ASSETS	
Land	108,090
Buildings	548,033
Parks Building & Equipment	624,027
Equipment	182,065
Infrastructure	7,731,480
Accumulated Depreciation	(2,984,841)
NET CAPITAL ASSETS	<u>6,208,854</u>
TOTAL ASSETS	<u>8,868,688</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date	17,297
OPEB Contributions After Measurement Date	28
Difference in Expected and Actual Pension Experience	7,700
Difference in Changes in Assumptions-Pension	1,733
Difference in Changes in Assumptions-OPEB	483
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>27,241</u>
LIABILITIES	
Accounts Payable	8,990
Accrued Liabilities	694,094
Accrued Compensated Absences	17,500
NONCURRENT LIABILITIES	
Net OPEB Liability	4,466
Net Pension Liability	32,288
TOTAL LIABILITIES	<u>757,338</u>
DEFERRED INFLOWS OF RESOURCES	
Difference in Expected and Actual OPEB Experience	499
Difference in Projected and Actual Earnings-Pension	16,227
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,726</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	6,208,854
Restricted for:	
Municipal Development	385,414
Unrestricted	1,527,597
TOTAL NET POSITION	<u>\$ 8,121,865</u>

TOWN OF CROSS ROADS

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2020

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	\$ (1,132,153)	\$ 403,101	\$ 38,990	\$ 0	\$ (690,062)
Culture & Recreation	(54,949)	0	0	0	(54,949)
Public Safety	(1,410,259)	0	0	158,507	(1,251,752)
Public Works-Streets	(739,769)	0	0	0	(739,769)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (3,337,130)	\$ 403,101	\$ 38,990	\$ 158,507	(2,736,532)
GENERAL REVENUE					
Sales Taxes					2,751,019
Franchise Fees					157,314
Interest Income					10,799
TOTAL GENERAL REVENUE					2,919,132
CHANGE IN NET POSITION					182,600
NET POSITION - BEGINNING					7,939,265
NET POSITION - ENDING					\$ 8,121,865

TOWN OF CROSS ROADS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2020

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 1,824,135	\$ 321,925	\$ 2,146,060
Receivables:			
Sales & Beverage Taxes	430,709	63,489	494,198
Franchise Fees	12,758	0	12,758
Other	3,185	0	3,185
Prepaid Expenses	3,633	0	3,633
TOTAL ASSETS	<u>2,274,420</u>	<u>385,414</u>	<u>2,659,834</u>
LIABILITIES			
Accounts Payable	8,990	0	8,990
Accrued Liabilities	662,880	0	662,880
Developer Escrow Deposits	31,214	0	31,214
TOTAL LIABILITIES	<u>703,084</u>	<u>0</u>	<u>703,084</u>
FUND BALANCE			
Non-Spendable - Prepaid Expenses	<u>3,633</u>	<u>0</u>	<u>3,633</u>
Restricted For:			
Restricted to Municipal Development	0	385,414	385,414
Public Safety	426,000	0	426,000
Committed To:			
Public Safety	250,000	0	250,000
Legal Contingency	250,000	0	250,000
Roads	217,201	0	217,201
Unassigned	424,502	0	424,502
TOTAL FUND BALANCE	<u>1,571,336</u>	<u>385,414</u>	<u>1,956,750</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 2,274,420</u>	<u>\$ 385,414</u>	<u>\$ 2,659,834</u>

TOWN OF CROSS ROADS

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

September 30, 2020

Fund Balance Above	\$	1,956,750
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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.	6,208,854
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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
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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	(17,500)
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Net pension liability, net OPEB liability and related deferred inflows and deferred outflows of resources	(26,239)
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>8,121,865</u>
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TOWN OF CROSS ROADS

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

For the Year Ended September 30, 2020

	GENERAL FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Sales & Beverage Taxes	\$ 2,409,992	\$ 341,027	\$ 2,751,019
Franchise Fees	157,314	0	157,314
Permits & Development Fees	252,075	0	252,075
Other Revenues	43,708	0	43,708
Developer Road Funds Donation	158,507	0	158,507
Intergovernmental Revenues	792	0	792
Personnel Reimbursements	107,318	0	107,318
Interest Income	9,381	1,418	10,799
TOTAL REVENUES	<u>3,139,087</u>	<u>342,445</u>	<u>3,481,532</u>
EXPENDITURES			
General Government	1,055,070	5,127	1,060,197
Culture & Recreation	36,841	0	36,841
Public Safety	1,410,259	0	1,410,259
Public Works	249,277	0	249,277
Capital Outlay	184,301	0	184,301
TOTAL EXPENDITURES	<u>2,935,748</u>	<u>5,127</u>	<u>2,940,875</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	<u>203,339</u>	<u>337,318</u>	<u>540,657</u>
TRANSFERS			
Transfer from Municipal Development Dist.	<u>250,000</u>	<u>(250,000)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	453,339	87,318	540,657
FUND BALANCE - BEGINNING	1,117,997	298,096	1,416,093
FUND BALANCE - ENDING	<u><u>\$ 1,571,336</u></u>	<u><u>\$ 385,414</u></u>	<u><u>\$ 1,956,750</u></u>

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, 2020

Net Change in Fund Balance - Governmental Funds	\$	540,657
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives as depreciation expense:

Capital assets recorded in the current period		184,301
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Depreciation expense on capital assets		(538,391)
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Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences		(4,000)
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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 2019):

33

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>182,600</u></u>
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TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

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

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

A. REPORTING ENTITY

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

Blended component units:

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

B: BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS:

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

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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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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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SEPTEMBER 30, 2020

- *Statement no. 92, Omnibus 2020.* This statement is effective for fiscal years beginning after June 15, 2020. This statement will not affect the Town.
- *Statement no. 93, Replacement of Interbank Offered Rates.* This statement is effective for fiscal years beginning after December 31, 2021. This statement will not affect the Town.
- *Statement no. 94, Public Private and Public Public Private Partnerships and Available Payment Arrangements.* This statement is effective for fiscal years beginning after June 15, 2022. This statement will not affect the Town.
- *Statement no. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement is effective immediately. This statement will not affect the Town
- *Statement no. 96, Subscription-based Information Technology Arrangements.* This statement is effective June 15, 2022. This statement will not affect the Town.

New pronouncements not yet in effect as of September 30, 2020, 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 2021, as required.

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and Cash Equivalents:

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

2. Capital Assets:

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

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

3. Prepaid Expenses:

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

4. Compensated Absences:

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

5. Deferred Outflows of resources:

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) for contributions made to the Town's retirement plan between the measurement date of the net pension liabilities from the plan and the end of the Town's fiscal year end (2) the difference between expected and actual pension experience 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 the difference between expected and actual pension experience will be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. 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 (2) differences between the plans' projected and actual earnings on pension assets and (3) the difference between expected and actual OPEB 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 the plans' projected and actual earnings on pension assets will be amortized over a total of five years, including the current fiscal year. The deferred inflows related to differences between expected and actual OPEB experience will be amortized over the expected remaining service lives of all employees participating in the plan.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

7. Pensions:

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

8. Restricted Resources:

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

9. Equity Classifications:

Government-wide Statements

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

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

Fund Statements

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

F: BUDGETS AND BUDGETARY ACCOUNTING:

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

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

For the fiscal year ending September 30, 2020, the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Administration	\$265,214
Capital Outlay	\$ 59,301

NOTE 2: DEPOSITS:

At September 30, 2020, the carrying amount of the Town's cash accounts were \$2,146,060, made up of checking and money market accounts at a local financial institution. The Town did not own any investments at September 30, 2020.

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(2) Concentration of credit risk:

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

(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.

(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, 2020, the Town's bank balances (per bank) totaled \$2,498,829. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$2,248,829 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, 2020.

Securities pledged by the Town's depository institution at September 30, 2020, are as follows:

<u>SECURITY</u>	<u>PAR</u>	<u>MARKET VALUE</u>
BALCH SPRINGS, TX BOND	300,000	316,887
LINDALE, TX BOND	605,000	642,613
HARRIS CNTY MUD BOND	195,000	202,151
PARIS, TX BOND	355,000	376,346
COVERSE, TX BOND	375,000	407,734
MARBLE FALLS, TX BOND	385,000	407,611
BAILEY CO, TX BOND	355,000	362,274
BAILEY CO, TX BOND	300,000	305,796
ROANOKE, TX BOND	500,000	566,995
ROYSE CITY, TX BOND	195,000	227,290
MELISSA, TX BOND	220,000	223,179
CELINA, TX BOND	285,000	293,028
	<u>\$4,070,000</u>	<u>\$4,331,904</u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 3: RESTRICTED CASH:

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

Municipal Development Dist	\$ 321,925
Covid-19 Relief Funds	9,827
Legal Contingency	253,703
Public Safety	681,417
Road Improvements	<u>217,201</u>
	<u>\$ 1,484,073</u>

NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2020, is as follows:

CAPITAL ASSETS

GOVERNMENTAL ACTIVITIES

Capital Assets Not Being Depreciated

	BEGINNING	ADDITIONS	RETIREMENTS	ENDING
Land	\$ 108,090	\$ 0	\$ 0	\$ 108,090
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets Not Being Depreciated	<u>108,090</u>	<u>0</u>	<u>0</u>	<u>108,090</u>

Assets Being Depreciated

Building	546,733	1,300	0	548,033
Park Building & Equipment	624,027	0	0	624,027
Furniture & Equipment	182,065	0	0	182,065
Infrastructure	<u>7,548,479</u>	<u>183,001</u>	<u>0</u>	<u>7,731,480</u>
Total Assets Being Depreciated	<u>8,901,304</u>	<u>184,301</u>	<u>0</u>	<u>9,085,605</u>

TOTAL ASSETS AT HISTORIC COST

<u>9,009,394</u>	<u>184,301</u>	<u>0</u>	<u>9,193,695</u>
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LESS ACCUMULATED DEPRECIATION

Building	154,138	18,630	0	172,768
Furniture & Equipment	152,560	11,161	0	163,721
Park Building & Equipment	41,752	18,108	0	59,860
Infrastructure	<u>2,098,000</u>	<u>490,492</u>	<u>0</u>	<u>2,588,492</u>
TOTAL ACCUMULATED DEPRECIATION	<u>2,446,450</u>	<u>538,391</u>	<u>0</u>	<u>2,984,841</u>

TOTAL CAPITAL ASSETS, NET

\$ <u>6,562,944</u>	\$ <u>(354,090)</u>	\$ <u>0</u>	\$ <u>6,208,854</u>
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TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$	29,791
Parks		18,108
Public Works		490,492
TOTAL DEPRECIATION EXPENSE	\$	<u>538,391</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, 2020, the Town had a liability for unpaid compensated absence in the amount of \$17,500.

NOTE 8: RETIREMENT PLAN:

A. Plan Description

The Town participates as one of 888 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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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 2019	Plan Year 2020
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

At the December 31, 2019, valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>11</u>
	14

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 7.44% and 7.63% for the calendar years 2019 and 2020 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2020, were \$23,672 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, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB (10) mortality tables with the Public Safety table used for males and the general Employee table used for females. Mortality tables for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014, through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate:

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

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 \$38,198 during the fiscal year. This amount is reported as operating grant revenues in the government-wide statement of activities.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Changes in Net pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2018	\$ 310,811	\$ 259,775	\$ 51,036
Service Cost	107,631		107,631
Interest	24,516		24,516
Change in benefit terms	0		0
Differences between expected and actual results	9,938		9,938
Change in assumptions	(1,521)		(1,521)
Contributions - employer		56,258	(56,258)
Contributions - employee		53,434	(53,434)
Net investment income		40,500	(40,500)
Benefit Payments, including refunds of employee contributions	(2,858)	(2,858)	0
Administrative expense		(227)	227
Other		(7)	7
Net Changes	<u>137,706</u>	<u>147,100</u>	<u>(9,394)</u>
Balance at December 31, 2019	\$ <u>448,517</u>	\$ <u>406,875</u>	\$ <u>41,642</u>
Proportionate Share's			
Town of Cross Roads	\$ 347,767	\$ 315,479	\$ 32,288
Northeast Police Department	110,422	100,170	10,252
Northeast Municipal Court	\$ (9,672)	\$ (8,774)	\$ (898)

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>129,229</u>	\$ <u>41,642</u>	\$ <u>(28,642)</u>
Town of Cross Roads			
Proportionate Share	\$ <u>100,200</u>	\$ <u>32,288</u>	\$ <u>(22,208)</u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2020, the Town recognized pension expense of \$22,922.

At September 30, 2020, 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	\$	\$ 16,227	\$ (16,227)
Differences in assumption changes	1,733		1,733
Differences between projected and actual investment earnings	<u>7,700</u>	<u> </u>	<u>7,700</u>
To be recognized in the future	9,433	16,227	<u><u>\$ (6,794)</u></u>
Contributions subsequent to the measurement date	17,297	0	
Total	<u><u>\$ 26,730</u></u>	<u><u>\$ 16,227</u></u>	

\$17,297 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, 2020. 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,	
2020	\$ (3,263)
2021	(3,257)
2022	(1,588)
2023	(7,523)
2024	2,116
Thereafter	<u>6,721</u>
	<u><u>\$ (6,794)</u></u>

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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 (SBDF). 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 SBDF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SBDF 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 SBDF 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.

At the December 31, 2019, 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>11</u>
	12

B: Total OPEB Liability

The Town's Total OPEB Liability was measured as of December 31, 2019, and the Total OPEB Liability was determined by actuarial valuation as of that date.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
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	2019 Municipal Retirees of Texas Morality Tables, the rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period December 31, 2010, to December 31, 2014.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Changes in Total OPEB Liability:

Balance at December 31, 2017	\$	4,438
Changes for the year		
Service Cost		1,729
Interest ON Total OPEB Liability		174
Changes in benefit terms		0
Differences between expected and actual results		(542)
Changes in assumptions or other inputs		(362)
Benefit Payments *		(67)
Net Changes		<u>932</u>
Balance at December 31, 2018	\$	<u>5,370</u>
Proportionate Share's		
Town of Cross Roads		3,551
Northeast Police Department		1,819

* 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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Current (3.71%)	1% Increase (4.71%)
Total OPEB Liability	\$ <u>6,492</u>	\$ <u>5,370</u>	\$ <u>4,428</u>
Proportionate Share's			
Town of Cross Roads	4,293	3,551	2,928
Northeast Police Department	2,199	1,819	1,500

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

For the year ended September 30, 2020, the Town recognized OPEB expense of \$896.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

At September 30, 2020, 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 between expected and actual economic experience	\$ 0	\$ (499)	\$ (499)
Differences in assumptions	483	0	483
To be recognized in the future	483	(499)	(16)
Contributions subsequent to the measurement date	28	0	
Total	\$ 511	\$ (499)	

The \$28 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, 2020. 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,	
2020	\$ (2)
2021	(2)
2022	(2)
2023	(2)
2024	(2)
Thereafter	(5)
	\$ (16)

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.

TOWN OF CROSS ROADS, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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, 2021 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 \$982,644 of support to NEPD during fiscal year 2020 and has agreed to provide \$982,644 in support for fiscal year 2021. 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 2020 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, 2020, 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, 2020

	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES (INFLOWS):			
RESOURCES:			
Sales & Beverage Taxes	\$ 2,160,000	\$ 2,409,992	\$ 249,992
Franchise Fees	139,000	157,314	18,314
Permits & Development Fees	202,000	252,075	50,075
Other Revenues	6,000	43,708	37,708
Developer Contribution-Roads	0	158,507	158,507
Interest Income	6,000	9,381	3,381
Cares Act Grant	0	792	792
Personnel Reimbursements-NEMC	100,000	94,318	(5,682)
Personnel Reimbursements-NEPD	13,000	13,000	0
Transfer From Municipal Devel. Dist.	250,000	250,000	0
TOTAL RESOURCES	\$ 2,876,000	\$ 3,389,087	\$ 513,087

CHARGES TO APPROPRIATIONS:

ADMINISTRATION			
Advertising & Promotion	\$ 12,500	\$ 680	\$ 11,820
Public Notices	1,000	1,470	(470)
Insurance	6,850	7,194	(344)
Meetings, Travel & Training	8,000	4,777	3,223
Accounting & Auditing	4,000	4,250	(250)
Legal Services	12,000	28,262	(16,262)
Economic Development Grants	84,938	407,031	(322,093)
Other Professional Services	3,000	0	3,000
Engineering Services	75,000	35,379	39,621
Codification Services	1,500	395	1,105
Election Costs	6,518	0	6,518
Building & Equipment Maintenance	15,000	19,153	(4,153)
Supplies & Minor Equipment	14,750	9,955	4,795
Cares Act Expenses	0	792	(792)
Technology	20,000	31,598	(11,598)
Utilities	19,000	16,797	2,203
Vehicle Expenses	2,800	1,749	1,051
Staff Wages	404,500	392,017	12,483
Payroll Taxes	33,500	30,926	2,574
Employee Health Insurance	34,500	33,840	660
Employee Retirement	30,500	28,805	1,695
TOTAL ADMINISTRATION	789,856	1,055,070	(265,214)

TOWN OF CROSS ROADS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
CULTURE & RECREATION			
Library Inter-Local	21,500	20,664	836
Park Events	10,000	4,176	5,824
Park Maintenance & Planning	17,500	12,001	5,499
TOTAL CULTURE & RECREATION	49,000	36,841	12,159
PUBLIC SAFETY			
Animal Control	13,200	13,800	(600)
Inspection Svcs./Code Enforcement	12,500	11,595	905
Careflight Services	2,800	1,920	880
Inter-Local Police Svcs	982,644	982,644	0
Inter-Local Fire & Ambulance	400,000	400,300	(300)
TOTAL PUBLIC SAFETY	1,411,144	1,410,259	885
STREETS:			
Street/Drainage/Repairs & Signs	501,000	249,277	251,723
TOTAL STREETS	501,000	249,277	251,723
CAPITAL OUTLAY			
Operations	25,000	1,300	23,700
Public Safety Building	100,000	0	100,000
Streets & Roads	0	183,001	(183,001)
TOTAL CAPITAL OUTLAY	125,000	184,301	(59,301)
TOTAL APPROPRIATIONS	2,876,000	2,935,748	(59,748)
EXCESS OF CURRENT RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 0	\$ 453,339	\$ 453,339
BUDGETARY FUND BALANCE:			
BEGINNING OF YEAR	\$ 1,117,997	\$ 1,117,997	
END OF YEAR	\$ 1,117,997	\$ 1,571,336	

TOWN OF CROSS ROADS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year		2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service Cost	\$	107,631	91,923	54,801	31,030	26,750	32,429
Interest (on the Total Pension Liability)		24,516	16,514	11,748	8,216	6,177	5,048
Changes in benefit terms		0	0	0	0	0	0
Difference between expected and actual experience		9,938	10,378	(6,382)	4,059	(3,548)	(15,894)
Change of assumptions		(1,521)	0	0	0	4,813	0
Benefit payments, including refunds of employee contributions		(2,858)	(13,391)	(2,858)	(2,858)	(2,858)	(2,382)
NET CHANGE IN TOTAL PENSION LIABILITY		137,706	105,424	57,309	40,447	31,334	19,201
TOTAL PENSION LIABILITY - BEGINNING		310,811	205,387	148,078	107,631	76,297	57,096
TOTAL PENSION LIABILITY - ENDING (a)	\$	448,517	310,811	205,387	148,078	107,631	76,297
PLAN FIDUCIARY NET POSITION							
Contributions - Employer	\$	56,258	49,420	28,631	17,315	15,669	12,846
Contributions - Employee		53,434	46,560	28,606	16,825	13,779	12,923
Net investment income		40,500	(5,513)	15,710	5,191	74	1,437
Benefit payments, including refunds of employee contributions		(2,858)	(13,391)	(2,858)	(2,858)	(2,858)	(2,382)
Administrative expense		(227)	(106)	(81)	(58)	(45)	(15)
Other		(7)	(5)	(4)	(3)	(3)	(1)
NET CHANGE IN PLAN FIDUCIARY NET POSITION		147,100	76,965	70,004	36,412	26,616	24,808
PLAN NET FIDUCIARY POSITION - BEGINNING		259,775	182,810	112,806	76,394	49,778	24,970
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$	406,875	259,775	182,810	112,806	76,394	49,778
NET PENSION LIABILITY (a) - (b)	\$	41,642	51,036	22,577	35,272	31,237	26,519

TOWN OF CROSS ROADS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Cross Roads Proportionate Share of Net Pension Liability						
Proportionate Percentage *	77.54%	53.43%	120.78%	96.58%	100.00%	100.00%
Proportionate Share	\$ 32,288	27,269	27,269	34,066	31,237	26,519
* Based on actual contributions made by each contributing entity						
Plan Fiduciary Net Position as a percentage of Total Pension Liability	90.72%	83.58%	89.01%	76.18%	70.98%	65.24%
Covered employee payroll	\$ 763,340	665,146	408,655	236,692	196,839	184,612
Net Pension Liability as a percentage of covered payroll	5.46%	7.67%	5.52%	14.90%	15.87%	14.36%

TOWN OF CROSS ROADS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 23,672	22,748	20,798	15,996	15,550	15,083
Contributions in relation to the actuarially determined contribution	23,672	22,748	20,798	15,996	15,550	15,083
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 316,243	305,404	282,190	225,535	204,214	184,612
Contributions as a percentage of covered employee payroll	7.49%	7.45%	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	24 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5%, 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the Generational Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	
Notes	Adopted restricted prior service credit

TOWN OF CROSS ROADS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Total OPEB Liability Beginning of Year	\$ 5,370	4,438	\$ 3,129
Changes for the year			
Service Cost	1,450	1,729	899
Interest on Total OPEB Liability	225	174	134
Changes in benefit terms	0	0	0
Difference between expected and actual experience	(692)	(542)	0
Change of assumptions or other inputs	1,101	(362)	317
Benefit payments	(76)	(67)	(41)
NET CHANGE IN OPEB LIABILITY	<u>2,008</u>	<u>932</u>	<u>1,309</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 7,378</u>	<u>5,370</u>	<u>\$ 4,438</u>
Town of Cross Roads Proportionate Share of Net Pension Liability			
Proportionate Percentage *	<u>60.53%</u>	<u>66.13%</u>	<u>69.90%</u>
Proportionate Share	<u>\$ 4,466</u>	<u>3,551</u>	<u>\$ 3,102</u>
* Based on actual contributions made by each contributing entity			
 Covered employee payroll	 \$ 763,340	 665,146	 \$ 408,655
 OPEB Liability as a percentage of covered payroll	 0.97%	 0.81%	 1.09%

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, 2020

REVENUES	2020	2019	2018
RESOURCES:			
Sales & Beverage Taxes	\$ 2,409,992	\$ 2,178,204	\$ 2,037,019
Franchise Fees	157,314	134,101	120,182
Permits & Development Fees	252,075	260,908	269,932
Other Revenues	43,708	30,635	33,119
Road Contributions	158,507	0	412,835
Developer Park Donation	0	0	175,000
Developer Public Safety Donation	0	426,000	0
Cares Act Grant	792	0	0
Interest Income	9,381	6,560	6,097
Personnel Reimbursements-NEMC	94,318	87,001	83,565
Personnel Reimbursements-NEPD	13,000	0	0
Transfer From Municipal Devel. Dist.	250,000	200,000	212,500
TOTAL RESOURCES	\$ 3,389,087	\$ 3,323,409	\$ 3,350,249

EXPENDITURES

ADMINISTRATION			
Advertising & Promotion	\$ 680	\$ 7,462	\$ 12,435
Public Notices	1,470	1,117	707
Insurance	7,194	6,700	5,130
Meetings, Travel & Training	4,777	3,097	7,513
Accounting & Auditing	4,250	4,000	4,000
Legal Services	28,262	9,460	16,425
Economic Development Grants	407,031	362,186	313,430
Other Professional Services	0	600	330
Engineering Services	35,379	52,075	54,647
Codification Services	395	879	1,623
Election Costs	0	6,517	3,334
Building & Equipment Maintenance	19,153	10,890	14,475
Supplies & Minor Equipment	9,955	14,404	18,917
Cares Act Expenses	792	0	0
Technology	31,598	19,753	15,207
Utilities	16,797	17,399	10,260
Vehicle Expenses	1,749	2,784	1,748
Staff Wages	392,017	373,556	354,087
Payroll Taxes	30,926	28,781	29,769
Employee Health Insurance	33,840	31,644	31,339
Employee Retirement	28,805	27,271	25,048
TOTAL ADMINISTRATION	1,055,070	980,575	920,424

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

For the Year Ended September 30, 2020

	2020	2019	2018
CULTURE & RECREATION			
Library Inter-Local	20,664	21,500	21,555
Park Events	4,176	10,818	13,883
Park Maintenance & Planning	12,001	6,823	6,032
TOTAL CULTURE & RECREATION	36,841	39,141	41,470
PUBLIC SAFETY			
Animal Control	13,800	12,000	12,000
Inspection Svcs./Code Enforcement	11,595	36,315	15,892
Careflight Services	1,920	2,064	2,088
Inter-Local Police Svcs	982,644	893,822	893,822
Inter-Local Fire & Ambulance	400,300	397,000	395,000
TOTAL PUBLIC SAFETY	1,410,259	1,341,201	1,318,802
STREETS:			
Street/Drainage/Repairs & Signs	249,277	130,711	133,514
TOTAL STREETS	249,277	130,711	133,514
CAPITAL OUTLAY			
Operations	1,300	0	45,597
Parks	0	322,940	325,186
Streets & Roads	183,001	267,774	994,729
TOTAL CAPITAL OUTLAY	184,301	590,714	1,365,512
TOTAL EXPENDITURES	2,935,748	3,082,342	3,779,722
EXCESS OF CURRENT RESOURCES OVER (UNDER) EXPENDITURES	\$ 453,339	\$ 241,067	\$ (429,473)

WILLIAM C. SPORE, P.C.
Certified Public Accountants
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Keller, TX 76248
817-421-6619

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS

To the Town Council
Town of Cross Roads, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Cross Roads as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the Town of Cross Roads' s basic financial statements, and have issued my report thereon dated February 16, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Cross Roads' s internal control over financial reporting 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 Town of Cross Roads' s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Cross Roads' s internal control over financial reporting.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Town of Cross Roads,' financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William C. Spore, P.C.

Keller, Texas

February 16, 2021