



**MWH GROUP**  
CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

Approved by Town Council  
April 18 2022

April 12, 2022

To the Honorable Mayor and  
Members of the Town Council  
Town of Cross Roads, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cross Roads, Texas for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Cross Roads, Texas are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Town of Cross Roads, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the allowance for doubtful accounts is based on historical experience in collections. We evaluated the key factors and assumptions used to develop the accounts receivable and allowance for doubtful accounts balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives and residual value of capital assets is based on historical experience in collections. We evaluated the key factors and assumptions used to develop the depreciable lives and residual value of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of its net pension liability and total OPEB liability are based on reports received from the Texas Municipal Retirement System (TMRS). The net pension liability and total OPEB liability reported by TMRS is based on actuarial valuations that utilize various assumptions including the remaining amortization period, discount rate, expected rates of investment return, salary increases, payroll growth rates and mortality rates. The financial statements of the TMRS plan were audited by CliftonLarsonAllen, LLP. These financial statements received unmodified opinions. We evaluated the audited financial statements, census data submitted by the Town to TMRS and the Town's controls over the census submission process that were used to develop the estimate of its net pension liability and total OPEB liability to determine that the estimate is reasonable in relation to the financial statements taken as a whole.

Honorable Mayor and  
Members of the Town Council  
Town of Cross Roads, Texas  
April 12, 2022

Page 2

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of the defined benefit pension plan and postemployment benefits other than pensions (OPEB) in Notes 8 and 9 to the financial statements are based on various reports provided by TMRS. The reports are based on the audited financial statements of the pension plan and actuarial reports provided by a third party.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 12, 2022.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

Honorable Mayor and  
Members of the Town Council  
Town of Cross Roads, Texas  
April 12, 2022

Page 3

Other Matters

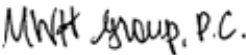
We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report a Comparative Schedule of Revenues and Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Sincerely,



MWH GROUP, P.C.

# **TOWN OF CROSS ROADS, TEXAS**

## **ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**



**TOWN OF CROSS ROADS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Town Officials.....	3	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	A-2
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	14	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Governmental Funds.....	16	A-5
Reconciliation of the Governmental Funds Statement of Revenues,		
Expenditures, and Changes in Fund Balances to the Statement of Activities.	17	A-6
Notes to the Financial Statements.....	18	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – General Fund.....	39	B-1
Notes to Required Supplementary Information.....	42	
Texas Municipal Retirement System Schedule of Changes in Net Pension		
Liability and Related Ratios.....	43	B-2
Texas Municipal Retirement System Schedule of Contributions.....	44	B-3
Texas Municipal Retirement System Schedule of Changes in Total OPEB		
Liability and Related Ratios.....	45	B-4
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Comparative Schedule of Revenues and Expenses – General Fund.....	46	C-1
<b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>		
Independent Auditor's Report on Internal Control Over Financial Reporting and on		
Compliance and Other Matters Based on an Audit of Financial Statements		
Performed in Accordance with Government Auditing Standards.....	47	
Schedule of Findings and Responses.....	49	

## Financial Section



## **Independent Auditor's Report on Financial Statements**

Town Council  
Town of Cross Roads, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cross Roads, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Cross Roads, Texas' 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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 control 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cross Roads, Texas, as of September 30, 2021, and the respective changes in financial position thereof 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, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement

System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4 through 11 and 39 through 45, be presented to supplement the basic financial statements. Such information, although not a 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. We 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cross Roads, Texas' basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, on our consideration of the Town of Cross Roads, Texas' 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 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 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 Town of Cross Roads, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

*MWH Group, P.C.*

MWH GROUP, P.C.

Wichita Falls, Texas  
April 12, 2022



**TOWN OF CROSS ROADS, TEXAS**

**TOWN OFFICIALS**

**SEPTEMBER 30, 2021**

<b>MAYOR</b>	<b>T. Lynn Tompkins Jr.</b>
<b>MAYOR PRO TEM</b>	<b>David Meek</b>
<b>COUNCIL MEMBERS</b>	<b>Greg Gaalema</b>
	<b>Ron King</b>
	<b>Bobby Phillips</b>
	<b>Wendy White-Stevens</b>
<b>ADMINISTRATOR</b>	<b>Kristi Gilbert</b>
<b>SECRETARY</b>	<b>Donna Butler</b>
<b>ATTORNEY</b>	<b>Matthew C. G. Boyle</b>



*Town of Cross Roads*  
*3201 US 380, Suite 105*  
*Cross Roads, Texas 76227*  
*940-365-9693 office | 469-375-5905 fax*  
*[crossroadstx.gov](http://crossroadstx.gov)*

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

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, 2021. 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, 2021, by \$9,689,172, an increase of \$1,567,307 from September 30, 2020.
- The Town’s governmental fund balance increased \$1,681,423 during the 2021 fiscal year to a balance of \$3,638,173.
- The Town’s capital assets, reported at cost less accumulated depreciation, total \$6,165,948 at September 30, 2021, 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 12) 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 13) 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, 2021, and 2020 are as follows:

	2021	2020
Current and other assets	\$ 3,927,343	\$ 2,659,834
Capital assets, net	6,165,948	6,208,854
Total assets	<u>10,093,291</u>	<u>8,868,688</u>
 Total deferred outflows of resources	 <u>45,819</u>	 <u>27,241</u>
 Current liabilities	 340,670	 720,584
Long-term liabilities	54,165	-
Net pension and OPEB liability	36,445	36,754
Total liabilities	<u>431,280</u>	<u>757,338</u>
 Total deferred inflows of resources	 <u>18,658</u>	 <u>16,726</u>
 Net position		
Net investment in capital assets	6,165,948	6,208,854
Restricted	542,906	385,414
Unrestricted	2,980,318	1,527,597
Total net position	<u><u>\$ 9,689,172</u></u>	<u><u>\$ 8,121,865</u></u>

The Town's net position totals \$9,689,172, including liquid assets (cash and receivables less accounts payable) of \$3,620,030. 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 61% of the Town's total assets.

## Analysis of Town's Operations

The results of the Town's operations for the years ended September 30, 2021 and September 30, 2020, were as follows.

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 516,436	\$ 403,101
Grants and donations	165,218	197,497
General revenues:		
Sales and beverage taxes	3,250,114	2,751,019
Franchise fees	134,420	157,314
Interest income	13,614	-
Transfers from dissolution	148,554	-
Reclassification of liability	491,248	10,799
Total revenues	<u>4,719,604</u>	<u>3,519,730</u>
Expenses		
General government	985,593	1,132,153
Culture and recreation	58,168	54,949
Public health and safety	1,579,977	1,410,259
Streets	528,559	739,769
Total expenses	<u>3,152,297</u>	<u>3,337,130</u>
Increase in net position	<u>\$ 1,567,307</u>	<u>\$ 182,600</u>

Charges for services include developer/subdivision fees, building permit, inspection fees, payroll reimbursements and miscellaneous revenues. These fees increased 28% in 2021 due to an increase in commercial building permits issued in the Town during 2021.

Grant and donation revenues in 2021 include \$119,625 covid-19 related grant revenues and pension contributions of \$40,036 from NEPD and NEMC.

The Town's sales and beverage tax revenues increased \$499,095, an 18% increase over 2020 sales and beverage tax revenues. The continued openings of new commercial developments along Highway 380 has significantly added to the sales tax base in the Town.

The interlocal agreement between the Town and the City of Krugerville, which created the Northeast Police Department (NEPD) and the Northeast Municipal Court (NEMC) in 2013, was set to expire on September 30, 2022. On March 26, 2021, the City of Krugerville served the Town of Cross Roads with a Notice of Termination effective on September 30, 2021. The NEPD and NEMC began liquidating and transferring their assets to the two Municipalities during September 2021. Assets, at historic cost, of \$148,554 were transferred to the Town. There will be additional transfers in fiscal year 2022.

In previous fiscal years, the Town has recorded a developer grant liability related to an economic development incentive agreement entered into in 2012 (see note 12). The agreement only requires the Town make payments that are appropriated for in its annual budget. During the fiscal year the Town Council, as allowed for in the economic development incentive agreement, has chosen to not budget appropriations for any economic grant payments related to this agreement. It is also the intention of the current Town Council to not budget appropriations in future years. Based on the absence of such budget allocation it has been determined that the Town's liability for the grant payments as of September 30, 2021, has been reduced from the previously recorded balance. The reduction of the grant liability has been recorded as income in fiscal year 2021. This adjustment of \$491,248 is recorded in these financial statements as a "Reclassification of Developer Payable."

Fiscal year 2021 general government expenses decreased \$146,560 during fiscal year. This decrease is primarily due to 2020 expenses including \$407,031 of developer incentive grants with no developer incentive grant expenses being recorded in 2021.

With the NEPD liquidating as of September 30, 2021, the Town incurred expenses related to the creation of the Cross Roads Police Department during the second half of 2021. The Town expended \$113,567 in operating costs for the police department in 2021.

An analysis of the Town's significant general government and public safety expenses in 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
General government:			
Legal fees	\$ 69,051	\$ 28,262	\$ 40,789
Economic development grants	-	407,031	(407,031)
Engineering fees	59,102	35,379	23,723
Building and equipment maintenance	19,866	19,153	713
Election	8,371	-	8,371
Meetings, travel, and trainings	2,607	4,777	(2,170)
Supplies and minor equipment	49,483	9,955	39,528
Technology	38,386	31,598	6,788
Utilities	15,281	16,797	(1,516)
Staff wages	413,913	392,017	21,896
Payroll taxes	32,603	30,926	1,677
Employee health insurance	37,061	33,840	3,221
Employee retirement	25,115	28,805	(3,690)
Public safety:			
Police services	982,644	982,644	-
Fire and ambulance	452,830	400,300	52,530

## 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 \$3,686,547 in 2021 compared to \$3,139,087 in 2020. This increase is primarily due to an increase in sales tax and permit fee revenues in 2021.

General Fund expenses totaled \$3,041,096 in 2021 compared to \$2,528,717 in 2020 (after removing developer incentive grants). During 2021, the Town created an "in-house" police department and expended \$113,567 in operating costs. The Town also had increases in personnel costs, professional fees and the Town incurred costs related to moving its Town Hall to a new location and revamping the existing Town Hall into a police station.

Total general fund-fund basis revenues exceeded fund basis expenditures in 2021 by \$1,525,253 in 2021 and the Town's general fund balance increased to \$3,096,589.

The Town has the following restricted and committed governmental fund balances at September 30, 2021:

Restricted/Committed to:	
Municipal Utility District	\$ 541,584
Capital improvements	39,000
Legal contingency fund	250,000
Parks	23,025
Public safety	676,000
Roads	<u>368,267</u>
Total restricted/committed	<u>\$ 1,897,876</u>

## General Fund Budgetary Highlights

The Town's 2021 budget anticipated a surplus of \$509,943 and the actual surplus was \$1,525,253.

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>\$ 3,285,437</u>	<u>\$ 3,686,547</u>	<u>\$ 401,110</u>
Expenditures:			
General government	944,325	887,451	56,874
Culture and recreation	43,000	40,162	2,838
Public health and safety	1,468,474	1,465,990	2,484
Police	127,195	113,567	13,628
Streets	38,000	25,622	12,378
Capital outlay	<u>394,500</u>	<u>508,304</u>	<u>(113,804)</u>
Total expenditures	<u>3,015,494</u>	<u>3,041,096</u>	<u>(25,602)</u>
Transfers and other sources:			
Transfer from Municipal Utility District	240,000	240,000	-
Transfer on dissolution of NEPD and NE	-	148,554	148,554
Reclassification of liability	<u>-</u>	<u>491,248</u>	<u>491,248</u>
Total transfers and other sources	<u>240,000</u>	<u>879,802</u>	<u>639,802</u>
Excess of revenues over expenditures	<u>\$ 509,943</u>	<u>\$ 1,525,253</u>	<u>\$ 1,015,310</u>



## CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2021, amounts to \$6,165,948 (net of depreciation). The investment in capital assets includes land, buildings, parks, equipment, and infrastructure. Capital additions for 2021 included road improvements of \$291,113, office equipment and building improvements of \$42,760, police equipment and building improvements of \$25,887. In addition to these capital additions, assets (at historic cost less accumulated depreciation) totaling \$148,544 were transferred to the Town from NEPD and NEMC as those entities wound down their operations.

A schedule of capital assets is as follows:

	Capital Assets at Year End Net of Accumulated Depreciation	
	2021	2020
Land	\$ 108,090	\$ 108,090
Construction in progress	-	-
Buildings	357,176	375,265
Parks - buildings and equipment	546,161	564,167
Furniture and equipment	223,357	18,345
Infrastructure	4,931,164	5,142,988
Totals	<u>\$ 6,165,948</u>	<u>\$ 6,208,855</u>

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

## DEBT ADMINISTRATION

In August 2021, the Town was notified by the State of Texas that it had been overpaid \$71,085 in local sales taxes due to a taxpayer reporting all local sales taxes to the Town in error. The State refunded the sales tax to the taxpayer and now the Town must repay the State. The Town entered into a 42-month payback agreement with the State where a monthly deduction of \$1,642 will be deducted for 41 months and a final deduction of \$1,713. The deductions will start in December 2021. No interest is being assessed by the State.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2022 total \$3,609,315, including \$2,753,132 of sales tax revenues, \$463,750 of permit and fee revenues, \$190,000 of municipal court fines and a \$24,363 transfer from the Municipal Development District. Budgeted general fund expenditures for 2022 total \$3,316,831, including \$1,702,203 for personnel costs, \$452,830 for fire protection, and \$393,423 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 3201 US Hwy 380, Suite 105, Cross Roads, TX 76227 or at (940) 365-9693.

**TOWN OF CROSS ROADS, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

**EXHIBIT A-1**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,821,447
Receivables	619,577
Prepaid expenses	18,143
Restricted cash & cash equivalents	468,176
Capital assets:	
Land	108,090
Buildings	548,033
Parks building and equipment	624,027
Equipment	668,410
Infrastructure	8,022,593
Less: accumulated depreciation	(3,805,205)
Capital assets, net	<u>6,165,948</u>
Total assets	<u>10,093,291</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pension	43,837
Deferred outflows of resources related to OPEB	1,982
Total deferred outflows of resources	<u>45,819</u>
<b>Liabilities</b>	
Accounts payable	44,826
Accrued liabilities	244,344
Compensated absences	34,580
Tax refund payable - due within one year	16,920
Tax refund payable - due in more than one year	54,165
Net pension liability	9,526
Total OPEB liability	26,919
Total liabilities	<u>431,280</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pension	16,534
Deferred inflows of resources related to OPEB	2,124
Total deferred inflows of resources	<u>18,658</u>
<b>Net Position</b>	
Net investment in capital assets	6,165,948
Restricted for:	
Municipal development	541,584
Public safety - Covid-19 relief funds	1,322
Unrestricted	2,980,318
Total net position	<u>\$ 9,689,172</u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF CROSS ROADS, TEXAS**

*STATEMENT OF ACTIVITIES*

*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

**EXHIBIT A-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ (985,593)	\$ 556,472	\$ 125,182	\$ -	\$ (303,939)
Culture & recreation	(58,168)	-	-	-	(58,168)
Public safety	(1,579,977)	-	-	-	(1,579,977)
Public works - streets	(528,559)	-	-	-	(528,559)
Total governmental activities	<u>(3,152,297)</u>	<u>556,472</u>	<u>125,182</u>	<u>-</u>	<u>(2,470,643)</u>

General revenues and transfers:

Sales tax	3,250,114
Franchise fees	134,420
Interest income	13,614
Transfers from dissolution of NEPD and NEMC	148,554
Reclassification of Developer Payable Liability	491,248
Total general revenues and transfers	<u>4,037,950</u>
Change in net position	1,567,307
Net position, beginning	8,121,865
Net position, ending	<u>\$ 9,689,172</u>

**TOWN OF CROSS ROADS, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

**EXHIBIT A-3**

	General Fund	Municipal Development District	Total
Assets:			
Cash	\$ 2,822,769	\$ 466,854	\$ 3,289,623
Receivables:			
Sales and beverage taxes	525,439	77,874	603,313
Franchise fees	8,834	-	8,834
Due from related entities	7,430	-	7,430
Due from other funds	3,144	(3,144)	-
Prepaid expenses	18,143	-	18,143
Total assets	<u>\$ 3,385,759</u>	<u>\$ 541,584</u>	<u>\$ 3,927,343</u>
Liabilities:			
Accounts Payable	\$ 35,701	\$ -	\$ 35,701
Accrued Liabilities	214,383	-	214,383
Due to related entities	9,125	-	9,125
Developer escrow deposits	29,961	-	29,961
Total liabilities	<u>289,170</u>	<u>-</u>	<u>289,170</u>
Fund balances:			
Non-Spendable:			
Prepaid expenses	18,143	-	18,143
Restricted to:			
Municipal development	-	541,584	541,584
Public safety - Covid-19 relief funds	1,322	-	1,322
Committed to:			
Public safety	674,678	-	674,678
Legal contingency	250,000	-	250,000
Roads	368,267	-	368,267
Parks	23,025	-	23,025
Capital improvements	39,000	-	39,000
Unassigned	1,722,154	-	1,722,154
Total fund balances	<u>3,096,589</u>	<u>541,584</u>	<u>3,638,173</u>
Total liabilities and fund balances	<u>\$ 3,385,759</u>	<u>\$ 541,584</u>	<u>\$ 3,927,343</u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT A-4****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET****TO THE STATEMENT OF NET POSITION****SEPTEMBER 30, 2021**

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 3,638,173

Amounts reported for governmental activities in the statement of net position  
(Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the Fund Balance Sheet. 6,165,948

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 (34,580)

Sales tax refund payable (71,085)

Net Pension Asset, Net OPEB Liability and related Deferred Inflows/Outflows  
of Resources are not financial resources and, therefore, are not reported in the  
Fund Balance Sheet (9,284)

Net position of governmental activities - statement of net position \$ 9,689,172

*The accompanying notes are an integral part of this statement.*

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT A-5**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

	General Fund	Municipal Development District	Total
Revenues:			
Sales and beverage taxes	\$ 2,898,779	\$ 422,420	\$ 3,321,199
Franchise fees	134,420	-	134,420
Permits and development fees	378,970	-	378,970
Other revenues	30,023	-	30,023
Intergovernmental revenues	125,182	-	125,182
Personnel reimbursements	107,443	-	107,443
Interest income	11,730	1,884	13,614
Total revenues	<u>3,686,547</u>	<u>424,304</u>	<u>4,110,851</u>
Expenditures:			
General government	887,451	28,134	915,585
Culture and recreation	40,162	-	40,162
Public safety	1,579,557	-	1,579,557
Public works	25,622	-	25,622
Capital outlay	508,304	-	508,304
Total expenditures	<u>3,041,096</u>	<u>28,134</u>	<u>3,069,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>645,451</u>	<u>396,170</u>	<u>1,041,621</u>
Other financing sources (uses):			
Transfers from dissolution of NEPD and NEMC	148,554	-	148,554
Transfers to/from Municipal Development District	240,000	(240,000)	-
Reclassification of Developer Payable Liability	491,248	-	491,248
Total other financing sources	<u>879,802</u>	<u>(240,000)</u>	<u>639,802</u>
Excess of revenues and other financing sources over expenditures	1,525,253	156,170	1,681,423
Fund balance, beginning	<u>1,571,336</u>	<u>385,414</u>	<u>1,956,750</u>
Fund balance, ending	<u>\$ 3,096,589</u>	<u>\$ 541,584</u>	<u>\$ 3,638,173</u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT A-6**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 1,681,423

Amounts reported for governmental activities in the statement of activities (Exhibit A-2)  
are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	508,304
Depreciation expense during the year	(551,210)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:

Sales tax refund payable financed by the State of Texas	(71,085)
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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	(17,080)
----------------------	----------

Changes in the proportionate share of net pension asset and total OPEB liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions are as follows:

16,955

Change in net position of governmental activities - statement of activities	<u><u>\$ 1,567,307</u></u>
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*The accompanying notes are an integral part of this statement.*

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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 unit:

The Cross Roads Municipal Development District (the MDD) is governed by a board of five 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,



**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's Functions (general government, culture and recreation, 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, 2021**

**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 and proprietary fund financial statements: These financial statements 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: These 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 principal 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

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

to the Town of Cross Roads.

- *Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* This statement is effective for fiscal years beginning after June 15, 2021. This statement will not affect the Town.
- *Statement No. 98, The Annual Comprehensive Financial Report.* This statement is effective for fiscal years beginning after December 15, 2021, this statement will not affect the Town.

New pronouncements not yet in effect as of September 30, 2021, 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 2022, 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

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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 and (2) 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) the difference between expected and actual pension experience, (3) the 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 for the differences between expected and actual earnings on pension assets 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, 2021**

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.

**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."

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

*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 Administrator 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 public 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, 2021, there were no departments that had expenditures that exceeded appropriations.

**NOTE 2: DEPOSITS**

At September 30, 2021, the carrying amount of the Town's cash accounts was \$3,289,623, made up of checking and money market accounts at a local financial institution. The Town did not own any investments at September 30, 2021.

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, 2021**

(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, 2021, the Town's bank balances (per bank) totaled \$3,412,101. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$3,162,101 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, 2021.

Securities pledged by the Town's depository institution at September 30, 2021, are as follows:

<u>SECURITY</u>	<u>PAR</u>	<u>MARKET VALUE</u>
Balch Springs, TX Bond	\$ 300,000	\$ 308,514
Lindale, TX Bond	605,000	622,999
Paris, TX Bond	355,000	367,563
Converse, TX Bonds	375,000	394,234
Marple Falls, TX Bond	385,000	399,368
Bailey County, TX Bond	300,000	300,654
Roanoke, TX Bonds	500,000	553,375
Royse, TX Bonds	195,000	221,766
Mercedes, TX ISD Bond	420,000	485,604
Celina, TX Bond	999,409	1,012,432
	<u>\$4,434,409</u>	<u>\$4,666,509</u>

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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 District	\$ 466,854
Covid-19 Relief Funds	<u>1,322</u>
	<u>\$ 468,176</u>

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the fiscal year ended September 30, 2021, is as follows:

<u>Governmental activities:</u>	<u>Beginning</u>	<u>Increases</u>	<u>Transfers</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 108,090	\$ -	\$ -	\$ 108,090
Assets being depreciated				
Building	548,033	-	-	548,033
Park Building & Equipment	624,027	-		624,027
Furniture & Equipment	173,509	68,637	426,264	668,410
Infrastructure	7,731,480	291,113	-	8,022,593
Total assets being depreciated	<u>9,077,049</u>	<u>359,750</u>	<u>426,264</u>	<u>9,863,063</u>
Total assets at historic cost	<u>9,185,139</u>	<u>359,750</u>	<u>426,264</u>	<u>9,971,153</u>
Less: accumulated depreciation				
Building	172,769	18,088	-	190,857
Furniture & Equipment	155,164	12,179	277,710	445,053
Park Building & Equipment	59,860	18,006	-	77,866
Infrastructure	2,588,492	502,937	-	3,091,429
Total accumulated depreciation	<u>2,976,285</u>	<u>551,210</u>	<u>277,710</u>	<u>3,805,205</u>
Total capital assets, net	<u>\$ 6,208,854</u>	<u>\$ (191,460)</u>	<u>\$ 148,554</u>	<u>\$ 6,165,948</u>



**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 29,847
Parks	18,006
Police	420
Public Works	502,937
Total depreciation expense	<u>\$ 551,210</u>

**NOTE 5: PROPERTY TAXES**

The Town does not levy or collect property taxes

**NOTE 6: LONG-TERM DEBT**

In August 2021 the Town was notified by the State of Texas that it had been overpaid \$71,085 in local sales taxes due to a taxpayer reporting all local sales taxes to the Town in error. The State refunded the sales tax to the taxpayer and now the Town must repay the State. The Town entered into a 42-month payback agreement with the State where a monthly deduction of \$1,692 will be deducted for 41 months and a final deduction of \$1,713. The deductions will start in December 2021. No interest is being assessed by the State.

Future debt payments are as follows:

2022	\$ 16,920
2023	20,304
2024	20,304
2025	<u>13,557</u>
	<u>\$ 71,085</u>

**NOTE 7: COMPENSATED ABSENCES**

At September 30, 2021, the Town had a liability for unpaid compensated absence in the amount of \$34,580.

**NOTE 8: RETIREMENT PLAN**

**A. Plan Description**

The Town participates as one of 895 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

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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](http://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 2020	Plan Year 2021
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, 2020, 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>12</u>
	<u>16</u>

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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 7.63% and 7.53% for the calendar years 2021 and 2020 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2021, were \$21,332 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, 2020, 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, 2020, 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.

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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).

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.

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

***Proportionate Share Percentages:***

Until their dissolution on September 30, 2021, the Northeast Police Department and the Northeast Municipal Court participate as nonemployer contributing entities in the Town of Cross Roads' 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 \$39,992 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, 2019	\$ 448,517	\$ 406,875	\$ 41,642
Service Cost	119,196	-	119,196
Interest	34,201	-	34,201
Change in benefit terms	-	-	-
Differences between expected and actual results	(12,240)	-	(12,240)
Change in assumptions	-	-	-
Contributions - employer	-	64,836	(64,836)
Contributions - employee	-	60,113	(60,113)
Net investment income	-	31,140	(31,140)
Benefit Payments, including refunds of employee contributions	(2,858)	(2,858)	-
Administrative expense	-	(200)	200
Other	-	(9)	9
Net Changes	138,299	153,022	(14,723)
Balance at December 31, 2020	\$ 586,816	\$ 559,897	\$ 26,919

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

***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)	\$ 134,716	\$ 26,919	\$ (59,892)

***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](http://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, 2021, the Town recognized pension expense of \$21,587.

At September 30, 2021, 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	\$ -	\$ 5,334	\$ (5,334)
Differences in assumption changes	542	-	542
Differences between projected and actual investment earnings	-	11,200	(11,200)
To be recognized in the future	542	16,534	<u>\$ (15,992)</u>
Contributions subsequent to the measurement date	43,295	-	
Total	<u>\$ 43,837</u>	<u>\$ 16,534</u>	

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

\$43,295 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, 2021. 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,	
2021	\$ (4,082)
2022	(3,060)
2023	(6,698)
2024	(791)
2025	692
Thereafter	(2,053)
	<u>\$ (15,992)</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 (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.

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

At the December 31, 2020, 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>12</u>
	<u>13</u>

**B. Total OPEB Liability**

The Town's Total OPEB Liability was measured as of December 31, 2020, and the Total OPEB Liability was determined by actuarial valuation as of that date.

***Actuarial Assumptions:***

The Total OPEB Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.00%
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, 2020.



**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

***Changes in Total OPEB Liability:***

Balance at December 31, 2019	\$	7,378
Changes for the year		
Service Cost		2,061
Interest ON Total OPEB Liability		230
Changes in benefit terms		-
Differences between expected and actual results		(1,300)
Changes in assumptions or other inputs		1,243
Benefit Payments *		(86)
Net Changes		2,148
Balance at December 31, 2020	\$	9,526

***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 3.0%, 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 (1.0%) or 1-percentage-point higher (3.0%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 11,475	\$ 9,526	\$ 7,942

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2021, the Town recognized OPEB expense of \$964.

At September 30, 2021, 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	\$ -	\$ 2,124	\$ (2,124)
Differences in assumptions	1,958	-	1,958
To be recognized in the future	1,958	2,124	<u><u>\$ (166)</u></u>
Contributions subsequent to the measurement date	24	-	
Total	<u><u>\$ 1,982</u></u>	<u><u>\$ 2,124</u></u>	

The \$24 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, 2021. 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,	
2021	\$ (24)
2022	(24)
2023	(24)
2024	(24)
2025	(24)
Thereafter	<u>(46)</u>
	<u><u>\$ (166)</u></u>

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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: CONTINGENT LIABILITIES**

In April 2012 the Town entered into an economic development incentive agreement with a local developer. The agreement called for the Town to make annual economic development grants to the developer representing 60% of the local sales tax generated by the development. Since the inception of the agreement, the Town has paid the annual grant payments for calendar years 2015 through 2018 and has accrued a liability for the grant payments thru September 30, 2020. In the current fiscal year, the Town Council chose to not budget appropriations for any economic grant payments related to this agreement, as allowed for in the economic development incentive agreement. It is also the intention of the current Town Council to not budget appropriations in future years. The previously recorded grant liability totaled \$653,381 but was reduced to \$162,133 as of September 30, 2021. The reduction of the development incentive liability has been recorded as income in fiscal year 2021. This adjustment of \$491,248 is recorded in these financial statements as a “Reclassification of Developer Payable.”

Future Town Councils could elect to start budgeting an annual appropriation for a payment of the economic development grant.

**NOTE 13: 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 was set to run through September 30, 2022. On March 26, 2021, the City of Krugerville served the Town of Cross Roads with a Notice of Termination effective on September 30, 2021. NEPD is in the process of liquidating its assets between the two entities.

Cross Roads provided \$982,644 of support to NEPD during the 2021 fiscal year

**TOWN OF CROSS ROADS, TX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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 was set to run through September 30, 2022. On March 26, 2021, the City of Krugerville served the Town of Cross Roads with a Notice of Termination effective on September 30, 2021. NEMC is in the process of liquidating its assets between the two entities.

**NOTE 14: SUBSEQUENT EVENTS**

The Town has evaluated all events and transactions that occurred after September 30, 2021, through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT B-1****GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales and beverage tax	\$ 2,116,000	\$ 2,646,830	\$ 2,898,779	\$ 251,949
Franchise fees	153,000	140,050	134,420	(5,630)
Permits and development fees	195,000	364,625	378,970	14,345
Other revenues	3,500	4,932	30,023	25,091
Grants	-	-	5,557	5,557
Interest income	7,000	10,500	11,730	1,230
CARES Act Grant	-	-	119,625	119,625
Personnel reimbursement - NEMC	105,000	105,000	93,943	(11,057)
Personnel reimbursement - NEPD	13,500	13,500	13,500	-
Total revenues	2,593,000	3,285,437	3,686,547	401,110
Expenditures				
Administration				
Advertising & Promotion	1,000	2,500	4,051	(1,551)
Public Notices	1,000	1,500	1,279	221
Insurance	7,500	7,500	6,851	649
Meetings, Travel & Training	5,000	5,000	2,607	2,393
Accounting & Auditing	4,500	4,500	4,500	-
Legal Services	12,000	68,000	69,051	(1,051)
Other Professional Services	3,500	84,000	76,806	7,194
Engineering Services	75,000	75,000	59,102	15,898
Codification Services	1,000	2,225	2,219	6
Lovett 380 Agreement	85,451	-	-	-
Election Costs	14,000	8,400	8,371	29
Building & Equipment Maintenance	20,000	18,000	19,866	(1,866)
Supplies & Minor Equipment	11,000	48,700	49,483	(783)
Cares Act Expenses	-	-	2,675	(2,675)
Technology	25,000	53,000	38,386	14,614
Office Rent & CAM Charges	-	19,000	15,043	3,957
Utilities	19,000	18,000	15,281	2,719
Vehicle Expenses	2,000	3,000	3,218	(218)
Staff Wages	415,000	422,000	413,913	8,087
Payroll Taxes	35,000	34,000	32,603	1,397
Employee Health Insurance	36,500	38,000	37,031	969
Employee Retirement	31,275	32,000	25,115	6,885
Total administration	804,726	944,325	887,451	56,874

**TOWN OF CROSS ROADS, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation				
Library Inter-Local	21,500	21,500	20,286	1,214
Park Events	5,000	5,000	9,557	(4,557)
Park Maintenance & Planning	15,000	16,500	10,319	6,181
Total culture and recreation	41,500	43,000	40,162	2,838
Public safety				
Animal Control	13,800	13,800	11,500	2,300
Inspection Svcs./Code Enforcement	14,000	17,200	17,072	128
Careflight Services	2,500	2,000	1,944	56
Inter-Local Police Svcs	982,644	982,644	982,644	-
Inter-Local Fire & Ambulance	452,830	452,830	452,830	-
Total public safety	1,465,774	1,468,474	1,465,990	2,484
Police				
Ammunition	-	1,000	1,004	(4)
Building Maintenance	-	1,800	5,345	(3,545)
Contract Services	-	10,000	11,678	(1,678)
Drug Testing	-	-	2,074	(2,074)
Dues & Subscriptions	-	1,500	1,168	332
Equipment Rental	-	600	454	146
Evidence Supplies	-	4,500	2,235	2,265
Insurance-Liability	-	3,000	-	3,000
Legal Fees	-	5,000	275	4,725
National Night Out	-	3,500	3,148	352
Postage	-	200	145	55
Supplies	-	9,200	10,447	(1,247)
Technology	-	12,000	4,448	7,552
Telephone	-	1,875	1,921	(46)
Travel & Training	-	2,000	1,632	368
Uniforms	-	13,500	12,838	662
Utilities	-	470	924	(454)
Vehicle Expenses	-	16,000	3,614	12,386
Wages	-	32,150	48,122	(15,972)
Payroll Taxes	-	2,500	1,096	1,404
Employee-Health Insurance	-	2,500	-	2,500
Retirement	-	2,500	999	1,501
Worker's Comp Insurance	-	1,400	-	1,400
Total police	-	127,195	113,567	13,628

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT B-1***GENERAL FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Streets				
Streets/drainage/repairs and signs	48,000	38,000	25,622	12,378
Total streets	48,000	38,000	25,622	12,378
Capital outlay				
Operations	15,000	61,500	42,750	18,750
Police	-	25,000	25,887	(887)
Streets & Roads	458,000	308,000	291,113	16,887
Transfer from NEPD & NEMC	-	-	148,554	(148,554)
Total capital outlay	473,000	394,500	508,304	(113,804)
Total expenditures	2,833,000	3,015,494	3,041,096	(25,602)
Transfers and other sources				
Transfer on dissolution of NEPD and NEMC	-	-	148,554	148,554
Transfer from Municipal Development District	240,000	240,000	240,000	-
Reclassification of Developer Payable Liability	-	-	491,248	491,248
Total transfers and other sources	240,000	240,000	879,802	639,802
Excess of expenditures over revenues	\$ -	\$ 509,943	1,525,253	\$ 1,015,310
Fund balance, beginning			1,571,336	
Fund balance, ending			\$ 3,096,589	

## Required Supplementary Information

*Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.*



## **TOWN OF CROSS ROADS, TEXAS**

### ***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED SEPTEMBER 30, 2021***

#### **Budget and Budgetary Accounting**

The Town Council adopts an annual budget for the general fund. The general fund budget is legally adopted on a modified accrual basis.

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the Town prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the Town Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Town Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of Town Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of Town Council and are not made after fiscal year end. All budget appropriations lapse at year end.

#### **Budget Amendments**

The budget was amended twice during the year ended September 30, 2021.

**TOWN OF CROSS ROADS, TEXAS**
**EXHIBIT B-2**
**TEXAS MUNICIPAL RETIREMENT SYSTEM**
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**
**DECEMBER 31, 2020**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Total Pension Liability</b>					
Service cost	\$ 31,030	\$ 54,801	\$ 91,923	\$ 107,631	\$ 119,196
Interest (on the Total Pension Liability)	8,216	11,748	16,514	24,516	34,201
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	4,059	(6,382)	10,378	9,938	(12,240)
Change of assumptions	-	-	-	(1,521)	-
Benefit payments, including refunds of employee contributions	(2,858)	(2,858)	(13,391)	(2,858)	(2,858)
<b>Net Change in Total Pension Liability</b>	<b>40,447</b>	<b>57,309</b>	<b>105,424</b>	<b>137,706</b>	<b>138,299</b>
<b>Total Pension Liability - Beginning</b>	<b>107,631</b>	<b>148,078</b>	<b>205,387</b>	<b>310,811</b>	<b>448,517</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 148,078</b>	<b>\$ 205,387</b>	<b>\$ 310,811</b>	<b>\$ 448,517</b>	<b>\$ 586,816</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 17,315	\$ 28,631	\$ 49,420	\$ 56,258	\$ 64,836
Contributions - Employee	16,825	28,606	46,560	53,434	60,113
Net investment income	5,191	15,710	(5,513)	40,500	31,140
Benefit payments, including refunds of employee contributions	(2,858)	(2,858)	(13,391)	(2,858)	(2,858)
Administrative expenses	(58)	(81)	(106)	(227)	(200)
Other	(3)	(4)	(5)	(7)	(8)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>36,412</b>	<b>70,004</b>	<b>76,965</b>	<b>147,100</b>	<b>153,023</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>76,394</b>	<b>112,806</b>	<b>182,810</b>	<b>259,775</b>	<b>406,875</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 112,806</b>	<b>\$ 182,810</b>	<b>\$ 259,775</b>	<b>\$ 406,875</b>	<b>\$ 559,898</b>
<b>Net Pension (Asset) Liability - Ending (a) - (b)</b>	<b>\$ 35,272</b>	<b>\$ 22,577</b>	<b>\$ 51,036</b>	<b>\$ 41,642</b>	<b>\$ 26,918</b>
<b>Town of Cross Roads proportionate share of net pension liability</b>					
Proportionate Percentage *	96.58%	120.78%	53.43%	77.54%	100.00%
Proportionate Share **	<u>\$ 34,066</u>	<u>\$ 27,269</u>	<u>\$ 27,269</u>	<u>\$ 32,289</u>	<u>\$ 26,918</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>76.18%</b>	<b>89.01%</b>	<b>83.58%</b>	<b>90.72%</b>	<b>95.41%</b>
<b>Covered Employee Payroll</b>	<b>\$ 236,692</b>	<b>\$ 408,655</b>	<b>\$ 655,146</b>	<b>\$ 763,340</b>	<b>\$ 858,759</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>14.90%</b>	<b>5.52%</b>	<b>7.79%</b>	<b>5.46%</b>	<b>3.13%</b>

\* Based upon actual contributions made by each contributing entity

\*\* Other contributing entities dissolved September 30, 2021 and their share of the net pension liability was transferred to the Town of Cross Roads

**TOWN OF CROSS ROADS, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**  
**SEPTEMBER 30, 2021**

**EXHIBIT B-3**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 15,996	\$ 20,798	\$ 22,748	\$ 23,672	\$ 21,332
Contribution in relation to the actuarially determined contribution	<u>15,996</u>	<u>20,798</u>	<u>22,748</u>	<u>23,672</u>	<u>21,332</u>
Contribution excess (deficiency)	-	-	-	-	-
Covered employee payroll	\$225,535	\$282,190	\$305,404	\$316,243	\$348,242
Contributions as a percentage of covered employee payroll	7.09%	7.37%	7.45%	7.49%	6.13%

**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	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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
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 General Employee table used for

**Other Information:**

Notes Adopted restricted prior service credit

**TOWN OF CROSS ROADS, TEXAS**

EXHIBIT B-4

*TEXAS MUNICIPAL RETIREMENT SYSTEM**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**DECEMBER 31, 2020*

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 899	\$ 1,729	\$ 1,450	\$ 2,061
Interest	134	174	225	230
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(542)	(692)	(1,300)
Changes of assumptions	317	(362)	1,101	1,243
Benefit payments	<u>(41)</u>	<u>(67)</u>	<u>(76)</u>	<u>(86)</u>
<b>Net Change in Total OPEB Liability</b>	1,309	932	2,008	2,148
<b>Total OPEB Liability - Beginning</b>	<u>3,129</u>	<u>4,438</u>	<u>5,370</u>	<u>7,378</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 4,438</u></u>	<u><u>\$ 5,370</u></u>	<u><u>\$ 7,378</u></u>	<u><u>\$ 9,526</u></u>
<b>Town of Cross Roads proportionate share of net pension liability</b>				
Proportionate Percentage *	69.90%	66.13%	60.53%	100.00%
Proportionate Share **	<u><u>\$ 3,102</u></u>	<u><u>\$ 3,551</u></u>	<u><u>\$ 4,466</u></u>	<u><u>\$ 9,526</u></u>
<b>Covered Employee Payroll</b>	408,655	655,145	763,340	858,759
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	1.09%	0.82%	0.97%	1.11%

\* Based upon actual contributions made by each contributing entity

\*\* Other contributing entities dissolved September 30, 2021 and their share of the OPEB liability was

**NOTES TO SCHEDULE:***Changes of assumptions:*

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT C-1****COMPARATIVE SCHEDULE OF REVENUES AND  
EXPENSES - GENERAL FUND****FOR THE YEARS ENDED SEPTEMBER 30, 2021, 2020, AND 2019**

	2021	2020	2019
Revenues:			
Sales and beverage tax	\$ 2,898,779	\$ 2,409,992	\$ 2,178,204
Franchise fees	134,420	157,314	134,101
Permits and development fees	378,970	252,075	260,908
Other revenues	30,023	43,708	30,635
Road contributions	-	158,507	-
Developer public safety donation	-	-	426,000
Grants	5,557	-	-
Interest income	11,730	9,381	6,560
CARES Act Grant	119,625	792	-
Personnel reimbursement - NEMC	93,943	94,318	87,001
Personnel reimbursement - NEPD	13,500	13,000	-
Transfer on dissolution of NEPD and NEM	148,554	-	-
Transfer from Municipal Development Dis	240,000	250,000	200,000
Reclassification of Developer Payable Lial	491,248	-	-
Total revenues	4,566,349	3,389,087	3,323,409
Expenditures			
Administration			
Advertising & Promotion	4,051	680	7,462
Public Notices	1,279	1,470	1,117
Insurance	6,851	7,194	6,700
Meetings, Travel & Training	2,607	4,777	3,097
Accounting & Auditing	4,500	4,250	4,000
Legal Services	69,051	28,262	9,460
Economic development grants	-	407,031	362,186
Other Professional Services	76,806	-	600
Engineering Services	59,102	35,379	52,075
Codification Services	2,219	395	879
Election Costs	8,371	-	6,517
Building & Equipment Maintenance	19,866	19,153	10,890
Supplies & Minor Equipment	49,483	9,955	14,404
Cares Act Expenses	2,675	792	-
Technology	38,386	31,598	19,753
Office Rent & CAM Charges	15,043	-	-
Utilities	15,281	16,797	17,399
Vehicle Expenses	3,218	1,749	2,784
Staff Wages	413,913	392,017	373,556
Payroll Taxes	32,603	30,926	28,781
Employee Health Insurance	37,031	33,840	31,644
Employee Retirement	25,115	28,805	27,271
Total administration	887,451	1,055,070	980,575
Culture and recreation			
Library Inter-Local	20,286	20,664	21,500
Park Events	9,557	4,176	10,818
Park Maintenance & Planning	10,319	12,001	6,823
Total culture and recreation	40,162	36,841	39,141

**TOWN OF CROSS ROADS, TEXAS****EXHIBIT C-1****COMPARATIVE SCHEDULE OF REVENUES AND  
EXPENSES - GENERAL FUND****FOR THE YEARS ENDED SEPTEMBER 30, 2021, 2020, AND 2019**

	2021	2020	2019
Public safety			
Animal Control	11,500	13,800	12,000
Inspection Svcs./Code Enforcement	17,072	11,595	36,315
Careflight Services	1,944	1,920	2,064
Inter-Local Police Svcs	982,644	982,644	893,822
Inter-Local Fire & Ambulance	452,830	400,300	397,000
Total public safety	1,465,990	1,410,259	1,341,201
Police			
Ammunition	1,004	-	-
Building Maintenance	5,345	-	-
Contract Services	11,678	-	-
Drug Testing	2,074	-	-
Dues & Subscriptions	1,168	-	-
Equipment Rental	454	-	-
Evidence Supplies	2,235	-	-
Legal Fees	275	-	-
National Night Out	3,148	-	-
Postage	145	-	-
Supplies	10,447	-	-
Technology	4,448	-	-
Telephone	1,921	-	-
Travel & Training	1,632	-	-
Uniforms	12,838	-	-
Utilities	924	-	-
Vehicle Expenses	3,614	-	-
Wages	48,122	-	-
Payroll Taxes	1,096	-	-
Retirement	999	-	-
Total police	113,567	-	-
Streets			
Streets/drainage/repairs and signs	25,622	249,277	130,711
Total streets	25,622	249,277	130,711
Capital outlay			
Operations	42,750	1,300	-
Parks	-	-	322,940
Police	25,887	-	-
Streets & Roads	291,113	183,001	267,774
Transfer from NEPD & NEMC	148,554	-	-
Total capital outlay	508,304	184,301	590,714
Total expenditures	3,041,096	2,935,748	3,082,342
Excess of revenues over expenditures	\$ 1,525,253	\$ 453,339	\$ 241,067

### Other Supplementary Information

*This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.*



## **Independent Auditors' Report**

### **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Town Council  
Town of Cross Roads, Texas

We 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, each major fund, and the aggregate remaining fund information of the Town of Cross Roads, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Cross Roads, Texas' basic financial statements and have issued our report thereon dated April 12, 2022.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Cross Roads, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cross Roads, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cross Roads, Texas' internal control.

In planning and performing our audit of the financial statements, we considered the Town of Cross Roads, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cross Roads, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cross Roads, Texas' 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 and correct, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material



weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Cross Roads, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Cross Roads, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cross Roads, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*MWH Group, P.C.*

MWH GROUP, P.C.

April 12, 2022

## Internal Control and Compliance

**TOWN OF CROSS ROADS, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**A. Summary of Auditor's Results - Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	_____ Yes <u>  X  </u> No
Significant deficiency identified that is not considered to be material weaknesses?	_____ Yes <u>  X  </u> No
Noncompliance material to financial statements noted?	_____ Yes <u>  X  </u> No

**B. Financial Statement Findings**

None reported.