

TOWN OF DOUBLE OAK, TEXAS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2013

TOWN OF DOUBLE OAK

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Double Oak, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Double Oak, Texas ("Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 Standard* 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 Town'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 Double Oak, Texas as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2013 the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Positions*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the budgetary comparison information on page 44, 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 Double Oak, Texas's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are 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 January 7, 2014 on our consideration of the Town of Double Oak, Texas's internal control over financial reporting and on our test 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 the Town of Double Oak, Texas's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 7, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

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TOWN OF DOUBLE OAK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

As management of the Town of Double Oak, we offer readers of the Town of Double Oak's financial statements this narrative overview and analysis of the financial activities of the Town of Double Oak for the year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

Financial Highlights

- The assets of the Town of Double Oak exceeded its liabilities at September 30, 2013 by \$3,987,609. Of this amount, \$1,397,094 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$174,481.
- As of September 30, 2013, the Town of Double Oak's governmental funds reported combined ending fund balances of \$1,441,237, a decrease of \$11,406 in comparison with the beginning of the period. Approximately 97.9% of this total amount, \$1,412,072, is available for spending at the government's discretion (*committed, assigned or unassigned fund balance*).
- At the end of the current period, the general fund fund balance of \$1,394,565 amounted to 109.7%, or approximately 13 months, of total fiscal year 2013 general fund expenditures. The unassigned general fund balance of \$615,966 amounted to 48.4%, or approximately 6 months, of fiscal year 2013 general fund expenditures.

Overview of the Financial Statements

The management discussion and analysis are intended to serve as an introduction to the Town of Double Oak's basic financial statements. The Town of Double Oak's basic financial statements comprise 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 themselves.

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

The statement of net position presents information on all of the Town of Double Oak's assets and liabilities, with the difference between the two reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Double Oak is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. 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 vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

TOWN OF DOUBLE OAK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

In the Statement of Net Position and the Statement of Activities, the Town is divided between two kinds of activities:

- **Governmental activities.** All of the Town's basic services are reported here, including the police, fire, community development, public works, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The Town may charge a fee to customers to help it cover all or most of the cost of certain services it provides. The Town had no business-type activities during the current period.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the Town of Double Oak are considered governmental funds.

Governmental Funds. All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The Town of Double Oak maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Double Oak's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town of Double Oak does not currently have any fiduciary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

TOWN OF DOUBLE OAK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

Government-wide Financial Analysis

The Town's combined net position were \$3,987,609 as of September 30, 2013. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net position (Table 1) and general revenues (Table 2) and changes in net position (Table 3) of the Town's governmental activities.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

Net Position

| | <u>Governmental Activities</u> | |
|----------------------------------|------------------------------------|--------------------|
| | <u>2012</u> | <u>2013</u> |
| Current and other assets | \$1,524,323 | \$1,549,974 |
| Capital assets | <u>2,726,275</u> | <u>2,567,392</u> |
| Total assets | <u>4,250,598</u> | <u>4,117,366</u> |
| Long-term liabilities | 22,699 | 26,135 |
| Other liabilities | <u>65,809</u> | <u>103,622</u> |
| Total liabilities | <u>88,508</u> | <u>129,757</u> |
| Net position: | | |
| Net investment in capital assets | 2,726,275 | 2,567,392 |
| Restricted for: | | |
| Court security and technology | 9,393 | 13,656 |
| Police department | 27,079 | 9,467 |
| Unrestricted | <u>1,399,343</u> | <u>1,397,094</u> |
| Total net position | <u>\$4,162,090</u> | <u>\$3,987,609</u> |

TOWN OF DOUBLE, OAK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

Governmental Activities. The Town's general revenues for governmental activities for the years ended September 30, 2012 and 2013 are detailed below (Table 2).

Table 2
General Revenues

| | <u>2012</u> | <u>2013</u> |
|---------------------|--------------------|--------------------|
| Property taxes | \$ 748,445 | \$ 740,501 |
| Sales taxes | 85,696 | 89,063 |
| Franchise taxes | 209,697 | 197,285 |
| Investment earnings | 11,346 | - |
| Miscellaneous | <u>2,759</u> | <u>-</u> |
| | <u>\$1,057,943</u> | <u>\$1,026,849</u> |

The following table provides a summary of the Town's operations for the years ended September 30, 2012 and 2013.

Table 3
Changes in Net Position

| | | <u>Governmental Activities</u> |
|--------------------------------------|--------------------|------------------------------------|
| | <u>2012</u> | <u>2013</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 212,160 | \$ 285,509 |
| Operating grants and contributions | 10,500 | 970 |
| Capital grants and contributions | 1,763,230 | - |
| General revenues: | | |
| Property taxes | 748,445 | 740,501 |
| Sales taxes | 85,696 | 89,063 |
| Franchise taxes | 209,697 | 197,285 |
| Interest earnings | 11,346 | - |
| Other | <u>2,759</u> | <u>-</u> |
| | <u>3,043,833</u> | <u>1,313,328</u> |
| Expenses: | | |
| Administration | 302,999 | 289,768 |
| Public works | 116,823 | 122,437 |
| Streets and drainage | 218,540 | 276,939 |
| Police services | 555,681 | 626,763 |
| Municipal court | 47,695 | 57,883 |
| Volunteer fire department/ambulance | 126,606 | 117,118 |
| Special events | 7,207 | 3,601 |
| Debt service - interest | <u>44</u> | <u>-</u> |
| | <u>1,375,595</u> | <u>1,494,509</u> |
| Gain on sale of assets | - | 6,700 |
| Change in net position | 1,668,238 | (174,481) |
| Net position – October 1 (beginning) | <u>2,493,852</u> | <u>4,162,090</u> |
| Net position – September 30 (ending) | <u>\$4,162,090</u> | <u>\$3,987,609</u> |

TOWN OF DOUBLE OAK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

Financial Analysis of the Government's Funds

Governments Funds. The focus of the Town's governmental funds 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 as a useful measure of government's net resources available for spending at the end of the period.

As of the end of the current period, the Town's governmental funds reported combined ending fund balances of \$1,441,237, a decrease of \$11,406 in comparison with the beginning of the period. Approximately 98 percent of this total amount (\$1,412,072) constitutes committed, assigned or unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is not available for spending at the Town's discretion because it has already been spent on prepaid costs (\$6,042) or is restricted for spending on court security and technology costs (\$13,656) or the police department (\$9,467).

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48.4 percent of total general fund expenditures, while total fund balance represents 109.7 percent of that same amount.

General Fund Budgetary Highlights

During the current year, the Town Council of the Town of Double Oak did not amend the original budget.

The original budget reflected that the activity for the year would result in a decrease in available fund balance of \$95,523. The available fund balance for the general fund actually decreased in the amount of \$10,010. Significant increases in licenses and permits plus moderate increases in court revenue were accompanied by savings in expenditures in several departmental areas to achieve results that were close to breakeven for the year.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of September 30, 2013, amount to \$2,567,392 (net of accumulated depreciation). This amount represents a net decrease of \$158,883, or 5.8 percent, below the beginning of the period. The investment in capital assets includes land, buildings, equipment, vehicles and roads.

Major capital asset additions during the current year consist of the following:

| | |
|------------------------------------------|------------------|
| 2013 Dodge Charger – police | \$ 31,590 |
| Laptops for police vehicles | 17,620 |
| In-car video systems for police vehicles | <u>16,135</u> |
| Total | <u>\$ 65,345</u> |

TOWN OF DOUBLE OAK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

Table 4
Capital Assets at Year-end
(Net of Depreciation)

| | Governmental Activities |
|-------------------------|----------------------------|
| Land | \$ 20,000 |
| Buildings | 416,922 |
| Furniture and Equipment | 144,853 |
| Streets and Roads | <u>1,985,617</u> |
| Totals | <u>\$2,567,392</u> |

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term Debt. At the end of the current period, the Town's only long-term debt was accrued compensated absences of \$26,135. No new debt was incurred during the year.

The Town's total debt increased by \$3,436 during the current period, or 15.1%. Additional information on the Town's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

Property tax revenue for fiscal year 2013-2014 is forecast to be slightly higher than the previous fiscal year. The Town is anticipating steady year over year increase in property values.

After much discussion, the Town council's consensus was to maintain the current tax rate at \$0.22481 per \$100 valuation for the 2013-2014 fiscal year.

In general, the council and staff operate and spend conservatively. The current fiscal year will follow the same trend with attention to road paving and preventative asphalt crack scaling.

The Town remains in a strong financial position with no debt and a healthy reserve fund.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Double Oak, 320 Waketon Road, Double Oak, Texas, 75077.

BASIC FINANCIAL STATEMENTS

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TOWN OF DOUBLE OAK, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

| | <u>Primary Government</u> |
|----------------------------------------------------|------------------------------------------|
| | <u>Governmental</u> <u>Activities</u> |
| ASSETS | |
| Cash and Investments | \$1,527,160 |
| Receivables (net of allowance for uncollectibles): | |
| Property taxes | 5,115 |
| Sales taxes | 6,510 |
| Interest | 441 |
| Other | 2,706 |
| Deposits | 2,000 |
| Prepaid Costs | 6,042 |
| Capital Assets: | |
| Land | 20,000 |
| Buildings, net | 416,922 |
| Furniture and Equipment, net | 144,853 |
| Streets and Roads, net | <u>1,985,617</u> |
| Total Assets | <u>4,117,366</u> |
| LIABILITIES | |
| Accounts Payable | \$ 64,695 |
| Accrued Payroll | 24,233 |
| State Court Costs Payable | 14,694 |
| Noncurrent Liabilities: | |
| Due in more than one year | <u>26,135</u> |
| Total Liabilities | <u>129,757</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 2,567,392 |
| Restricted for: | |
| Court Security and Technology | 13,656 |
| Police Department | 9,467 |
| Unrestricted Net Position | <u>1,397,094</u> |
| Total Net Position | <u>\$3,987,609</u> |

The accompanying Notes are an integral part of this statement.

TOWN OF DOUBLE OAK, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|-------------------------------------|--------------------|-----------------------------|-------------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> |
| GOVERNMENTAL ACTIVITIES: | | | |
| Administration | \$ 289,768 | \$ - | \$ - |
| Public Works | 122,437 | 109,936 | - |
| Street and Drainage | 276,939 | - | - |
| Police Services | 626,763 | 102,940 | - |
| Municipal Court | 57,883 | 57,883 | - |
| Parks | - | - | 970 |
| Volunteer Fire Department/Ambulance | 117,118 | - | - |
| Special Events | <u>3,601</u> | <u>14,750</u> | <u>-</u> |
| Total Governmental Activities | <u>1,494,509</u> | <u>285,509</u> | <u>970</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$1,494,509</u> | <u>\$285,509</u> | <u>\$ 970</u> |

GENERAL REVENUES:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Special Item - Gain on sale of equipment

Total General Revenues and Special Items

Change in Net Position

NET POSITION, October 1 (beginning)

NET POSITION, September 30 (ending)

The accompanying Notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Position

Governmental
Activities

\$ (289,768)
 (12,501)
 (276,939)
 (523,823)
 -
 970
 (117,118)
 11,149
 (1,208,030)

 1,208,030)

740,501
89,063
197,285
 6,700
 1,033,549

 (174,481)

 4,162,090

 \$3,987,609

TOWN OF DOUBLE OAK, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|
| ASSETS | | | |
| Cash and Investments | \$1,526,401 | \$ 759 | \$1,527,160 |
| Receivables (net of allowances for uncollectibles): | | | |
| Property Taxes | 5,115 | - | 5,115 |
| Sales Taxes | 6,510 | - | 6,510 |
| Interest | 441 | - | 441 |
| Other | 2,706 | - | 2,706 |
| Due from Other Funds | - | 45,913 | 45,913 |
| Deposits | 2,000 | - | 2,000 |
| Prepaid Costs | <u>6,042</u> | <u>-</u> | <u>6,042</u> |
| Total Assets | <u>\$1,549,215</u> | <u>\$46,672</u> | <u>\$1,595,887</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 64,695 | \$ - | \$ 64,695 |
| Accrued Payroll | 24,233 | - | 24,233 |
| State Court Costs Payable | 14,694 | - | 14,694 |
| Due to Other Funds | <u>45,913</u> | <u>-</u> | <u>45,913</u> |
| Total Current Liabilities | <u>149,535</u> | <u>-</u> | <u>149,535</u> |
| Deferred Inflows: | | | |
| Unavailable Revenue-Property Taxes | <u>5,115</u> | <u>-</u> | <u>5,115</u> |
| Total Deferred Inflows | <u>5,115</u> | <u>-</u> | <u>5,115</u> |
| Fund Equity: | | | |
| Nonspendable Fund Balance: | | | |
| Prepaid Costs | 6,042 | - | 6,042 |
| Restricted Fund Balance: | | | |
| Court Security and Technology | - | 13,656 | 13,656 |
| Police Department | - | 9,467 | 9,467 |
| Committed Fund Balance: | | | |
| Road Contingencies | 150,000 | - | 150,000 |
| Streets and Drainage | 200,000 | - | 200,000 |
| General Contingencies | 100,000 | - | 100,000 |
| Other Purposes | - | 23,549 | 23,549 |
| Assigned Fund Balance: | | | |
| 2013-2014 Deficit Budget | 322,557 | - | 322,557 |
| Unassigned Fund Balance | <u>615,966</u> | <u>-</u> | <u>615,966</u> |
| Total Fund Equity | <u>1,394,565</u> | <u>46,672</u> | <u>1,441,237</u> |
| Total Liabilities, Deferred Inflows and Fund Equity | <u>\$1,549,215</u> | <u>\$46,672</u> | <u>\$1,595,887</u> |

The accompanying notes are an integral part of this statement.

TOWN OF DOUBLE OAK, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Total Fund Balances – Governmental Funds | \$1,441,237 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. | 3,463,853 |
| Accumulated depreciation is not reported in the fund financial statements. | (896,461) |
| Compensated absences are not reported in the fund financial statements. | (26,135) |
| Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements. | <u>5,115</u> |
| Net Position of Governmental Activities | <u>\$3,987,609</u> |

The accompanying Notes are an integral part of this statement.

TOWN OF DOUBLE OAK, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|
| Revenues: | | | |
| Taxes | \$1,027,605 | \$ - | \$1,027,605 |
| Fines and forfeitures | 116,672 | 44,162 | 160,834 |
| Licenses and permits | 88,858 | - | 88,858 |
| Donations and grants | - | 970 | 970 |
| Charges for services | 21,078 | - | 21,078 |
| Special events | - | 14,750 | 14,750 |
| Other revenue | (15) | 4 | (11) |
| Total Revenues | <u>1,254,198</u> | <u>59,886</u> | <u>1,314,084</u> |
| Expenditures: | | | |
| Administrative | 256,119 | - | 256,119 |
| Public works | 113,713 | 863 | 114,576 |
| Streets and drainage | 106,624 | - | 106,624 |
| Police services | 586,850 | 15,446 | 602,296 |
| Municipal court | 54,627 | 2,278 | 56,905 |
| Special events | - | 3,601 | 3,601 |
| Volunteer fire department/ambulance | 117,118 | - | 117,118 |
| Capital outlay | 35,857 | 39,094 | 74,951 |
| Total Expenditures | <u>1,270,908</u> | <u>61,282</u> | <u>1,332,190</u> |
| Excess of Revenue over (under) Expenditures | <u>(16,710)</u> | <u>(1,396)</u> | <u>(18,106)</u> |
| Other Financing Sources: | | | |
| Sale of Equipment | 6,700 | - | 6,700 |
| Total Other Financing Sources | <u>6,700</u> | <u>-</u> | <u>6,700</u> |
| Net Change in Fund Balance | (10,010) | (1,396) | (11,406) |
| Fund Balance – October 1 (beginning) | <u>1,404,575</u> | <u>48,068</u> | <u>1,452,643</u> |
| Fund Balance – September 30 (ending) | <u>\$1,394,565</u> | <u>\$ 46,672</u> | <u>\$1,441,237</u> |

The accompanying notes are an integral part of this statement.

TOWN OF DOUBLE OAK, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Total Net Change in Fund Balances – Governmental Funds | \$ (11,406) |
| Current year capital outlay is shown as an expenditure in the fund financial statements but are shown as capital assets in the government-wide financial statements. | 74,951 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements. | (233,834) |
| Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements. | (756) |
| Current year compensated absences earned but not used is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements. | <u>(3,436)</u> |
| Change in Net Position of Governmental Activities | <u>\$(174,481)</u> |

The accompanying Notes are an integral part of this statement.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Double Oak (the "Town") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

The Town implemented GASB 34 in a prior year. GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Double Oak (Town) is a municipal corporation operated as a general-law town governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

The Town had no component units at September 30, 2013.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town had no business-type activities during the period.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governments funds, proprietary funds, and fiduciary funds, even though the latter are excluded for the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town had no proprietary funds or fiduciary funds during the period.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

General Fund – The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – These funds are established to account for funds legally restricted for specified purposes. For funds in this type, project accounting is employed to maintain integrity for the various sources of funds.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Cash and Investments

The Town's cash consists of cash on hand and demand deposits. The Town's investments consists entirely of bank certificates of deposit.

E. Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the period are referred to as "due to/from other funds" or "advances to/from other funds." The Town's only interfund activity consists of short-terms loans due to the fact that checking account balances for many governmental funds are pooled into one demand account.

Property tax receivables are shown net of an appropriate allowance for uncollectibles.

F. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the Town has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The Town's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the Town Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

For fiscal year 2013, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2012, upon which the fiscal year 2013 levy was based, was \$327,206,085. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2013, was \$.22481 per \$100.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the government-wide and fund financial statements. These items consist primarily of prepaid insurance and maintenance contracts.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, roads, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

| <u>Estimated Category</u> | <u>Life</u> |
|-------------------------------|-------------|
| Buildings | 40 years |
| Street infrastructure | 15 years |
| Machinery and equipment | 7-10 years |
| Vehicles | 7 years |

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

I. Compensated Absences

It is the Town's policy to permit employees to accumulate certain earned but unused vacation and sick pay benefits. When an employee separates from service with the City, the employee is entitled to receive pay for up to 160 hours of earned but unused vacation pay but no unused sick pay. Earned but unused vacation pay is accrued when incurred in the government-wide financial statements.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Budgets and Budgetary Accounting

Prior to September 1, the Town administration submits to the Town Council a proposed budget for the ensuing fiscal year. At the meeting of the Town Council at which the budget is submitted, the Town Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. Upon adoption the budget is filed with the Town Secretary and the County Clerk of Denton County.

The Town administration is authorized to transfer budgeted amounts between departments with any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Expenditures should not exceed appropriations at the department level, the classification level as reported in the combined financial statements. Unused appropriations lapse at the end of each fiscal year.

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget is amended at times during the year by the Town Council. Such amendments are reflected in the official minutes of the Council. There were no budget amendments during the year ended September 30, 2013.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

2. FUND BALANCE

The Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in a prior year. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees. Child safety fees and state LEOSE training fees are being restricted because their use is restricted by law in a similar manner to these specific purposes.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council has committed resources as of September 30, 2013 for road contingencies, streets and drainage, and general contingencies.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the Town's adopted policy, only the Council may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has assigned fund balance as of September 30, 2013 to fund a projected budget deficit for 2013-2014.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

During the current fiscal period, the Council adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18) and are described below:

General Fund

The General Fund has unassigned fund balance of \$615,966 at September 30, 2013. Prepaid expenditures of \$6,042 are considered nonspendable fund balance. The Council has committed \$450,000 of fund balance resources toward future road contingencies, streets and drainage and other contingencies, and assigned \$322,557 of fund balance for the 2013-2014 budget.

Special Revenue Funds

The fund balances of the Court Technology Fund and Court Security Fund (totaling \$13,656) are shown as restricted for those purposes. The fund balances of the LEOSE Training Fund, Drug Seizure Fund, Police Grant Fund and the Child Safety Fund (totaling \$9,467) are shown as restricted for those purposes also. The fund balances of the DOVFD Golf Tournament, Road Remediation Fund, Park Fund, and Sewer System Maintenance Fund (totaling \$23,549) are shown as committed due to Town policy committing those funds to those activities.

3. DEPOSITS AND INVESTMENTS

The Town's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the Town's agent bank approved pledged securities in an amount sufficient to protect Town funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At September 30, 2013, the carrying amount of the Town's deposits checking accounts and interest-bearing savings accounts was \$870,500 and the bank balance was \$913,186. The Town's cash deposits at September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2013, the Town's cash balances totaled \$913,186. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.
- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2013, the Town's only investment were bank certificates of deposit. The Town is not exposed to custodial credit risk for its certificates of deposit as they are collateralized with securities held by the financial institution's agent.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The Town's investments are unrated.
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair values by limiting the term of its certificate of deposit purchase and renewals to six months.

TOWN OF DOUBLE OAK, TEXAS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2013, the Town was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At September 30, 2013, the Town held 34.8% of its total investments in certificates of deposit under the Town's depository pledge at Independent Bank, Highland Village, Texas, 30.6% in certificates of deposit at DATCU and 34.6% in certificates of deposit at Northstar Bank, Denton, Texas.

The Town's investments at September 30, 2013 are shown below:

| <u>Name</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|-----------------------------------------------|----------------------------|-------------------------|
| Certificates of Deposit – Independent Bank | \$ 228,617 | \$ 228,617 |
| Certificates of Deposit – Northstar Bank | 227,133 | 227,133 |
| Certificates of Deposit – DATCU | <u>200,410</u> | <u>200,410</u> |
| Total | <u>\$ 656,160</u> | <u>\$ 656,160</u> |

4. RECEIVABLES

Government-wide receivables as of September 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General Fund</u> | <u>Total</u> |
|-------------------------------|-------------------------|------------------|
| Receivables: | | |
| Property taxes | \$ 5,115 | \$ 5,115 |
| Sales taxes | 6,510 | 6,510 |
| Sewage service | 2,706 | 2,706 |
| Interest | <u>441</u> | <u>441</u> |
| Gross Receivables | 14,772 | 14,772 |
| Less: Uncollectible allowance | <u>-</u> | <u>-</u> |
| Net Total Receivables | <u>\$ 14,772</u> | <u>\$ 14,772</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal period, the unavailable revenue reported in the governmental funds relates to delinquent property taxes.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|----------------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ 20,000 |
| Total capital assets, not being depreciated | <u>20,000</u> | <u>-</u> | <u>-</u> | <u>20,000</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 569,434 | - | - | 569,434 |
| Street and Road Infrastructure | 2,550,798 | - | - | 2,550,798 |
| Furniture, Equipment and Vehicles | <u>298,882</u> | <u>74,951</u> | <u>(50,212)</u> | <u>323,621</u> |
| Total capital assets, being depreciated | <u>3,419,114</u> | <u>74,951</u> | <u>(50,212)</u> | <u>3,443,853</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (136,801) | (15,711) | - | (152,512) |
| Street and Road Infrastructure | (394,866) | (170,315) | - | (565,181) |
| Furniture, Equipment and Vehicles | <u>(181,172)</u> | <u>(47,808)</u> | <u>50,212</u> | <u>(178,768)</u> |
| Total accumulated depreciation | <u>(712,839)</u> | <u>(233,834)</u> | <u>50,212</u> | <u>(896,461)</u> |
| Total capital assets, being depreciated, net | <u>2,706,275</u> | <u>(158,883)</u> | <u>-</u> | <u>2,547,392</u> |
| Governmental activities capital assets, net | <u>\$2,726,275</u> | <u>\$(158,883)</u> | <u>\$ -</u> | <u>\$2,567,392</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|------------------------------------------------------|------------------|
| Governmental Activities: | |
| Administration | \$ 32,888 |
| Public Works | 7,372 |
| Streets and Drainage | 170,315 |
| Police Services | 23,136 |
| Municipal Court | <u>123</u> |
| Total depreciation expense – Governmental activities | <u>\$233,834</u> |

6. LONG TERM DEBT

Long term debt of the Town at the end of the year consists of compensated absences. All long-term debt represents transactions in the Town's governmental activities.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

The following is a summary of the changes in the Town's Long-term Debt for the year ended September 30, 2013:

| <u>Description</u> | <u>Amounts Outstanding 10/01/12</u> | <u>Additions</u> | <u>Retired</u> | <u>Amounts Outstanding 09/30/13</u> | <u>Due Within One Year</u> |
|----------------------|---------------------------------------------|------------------|----------------|---------------------------------------------|------------------------------------|
| Compensated Absences | \$ 22,699 | \$ 3,436 | \$ - | \$ 26,135 | \$ - |
| Total Long-Term Debt | \$ 22,699 | \$ 3,436 | \$ - | \$ 26,135 | \$ - |

The retirement of all of the Town's long-term debt is provided by financial resources of the General Fund.

7. EMPLOYEE RETIREMENT PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8667; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

| | Plan Year 2012 | Plan Year 2013 |
|-----------------------------------------------------------------------|----------------|----------------|
| Employee deposit rate | 5.0% | 5.0% |
| Matching ratio (Town to employee) | 1 to 1 | 1 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5,0/20 | 60/5,0/20 |
| Updated Service Credit | 0%, | 0%, |
| Annuity Increase (to retirees) | 0% of CPI | 0% of CPI |

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

Contributions

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

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

| | |
|------------------------------------------------------|---------------|
| 1. Annual Required Contribution (ARC) | \$ 5,289 |
| 2. Annual Pension Cost (APC) | 5,289 |
| 3. Contributions Made | <u>5,289</u> |
| 4. Increase (decrease) in net pension obligation | -0- |
| 5. Net Pension Obligation/(Asset), beginning of year | <u>-0-</u> |
| 6. Net Pension Obligation/(Asset), end of year | <u>\$ -0-</u> |

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

| Valuation Date | <u>12/31/2010</u> | <u>12/31/2011</u> | <u>12/31/2012</u> |
|-----------------------------------------------|----------------------------|----------------------------|----------------------------|
| Actuarial Cost Method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll |
| GASB 25 Equivalent Single Amortization Period | 27.2 years - closed period | 24.6 years - closed period | 25.0 years - closed period |
| Amortization Period for new Gains/Losses | 25 years | 25 years | 25 years |
| Asset Valuation Method | 10-year smoothed market | 10-year smoothed market | 10-year smoothed market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return* | 7.0% | 7.0% | 7.0% |
| Projected Salary Increases* | Varies by age and service | Varies by age and service | Varies by age and service |
| * Includes Inflation at | 3.00% | 3.00% | 3.00% |
| Cost-of-Living Adjustments | 0.0% | 0.0% | 0.0% |

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|---------------------------------|-----------------------------------------|-----------------|------------------------|--------------------|-----------------------------------------------|
| 12/31/2012 | \$307,699 | \$296,824 | 103.7% | \$(10,875) | \$524,442 | (2.1)% |

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

8. LITIGATION AND CONTINGENCIES

The Town participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2013 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9. RISK MANAGEMENT

Liability and property insurance coverage is provided by TML Intergovernmental Risk Pool. The Town retains, as a risk only, the deductible amounts for each declaration of coverage. There were no reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

The Town is a member of the Texas Municipal League Intergovernmental Risk Pool. Insurance coverage of the Town is divided into the following types: property, crime, general liability, public official's liability, auto liability, auto physical damage, auto catastrophic, inland marine (mobile equipment), law enforcement liability, and boiler and machinery.

10. SUBSEQUENT EVENTS

Management has reviewed events subsequent to September 30, 2013 through January 7, 2014, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

TOWN OF DOUBLE OAK, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2013

11. INTERFUND BALANCES

Interfund balances at September 30, 2013 consisted of the following receivables and payable:

| <u>General Fund</u> | Advances from <u>Other Funds</u> | Advances to <u>Other Funds</u> |
|-----------------------------|-------------------------------------|-----------------------------------|
| Special Revenue Funds: | | |
| Court Technology Fund | \$ 2,199 | \$ - |
| Court Security Fund | 11,457 | - |
| Child Safety Fund | 8,984 | - |
| Road Remediation Fund | 10,430 | - |
| DOVFD Golf Tournament | 11,746 | - |
| Police Grants Fund | 400 | - |
| Sewer System Maintenance | 697 | - |
| <u>Special Revenue Fund</u> | | |
| General Fund | - | 45,913 |
| Total | <u>\$45,913</u> | <u>\$45,913</u> |

All of the above interfund balances are short-term loans due to the fact that checking account balances for many governmental funds are pooled into one demand account. There were no interfund transfers during the year.

12. ADOPTION OF NEW ACCOUNTING STANDARDS

Beginning in fiscal year 2013, the Town implemented GASB Statement Numbers 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as "deferred outflows of resources."
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as "deferred inflows of resources."
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as "net position."
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of this change in accounting principle on the Town's 2013 financial statements was:

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.

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COMBINING STATEMENTS

TOWN OF DOUBLE OAK, TEXAS

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

| | <u>Court Technology Fund</u> | <u>Court Security Fund</u> | <u>LEOSE Training Fund</u> | <u>DOVFD Golf Tournament</u> |
|-----------------------------------|--------------------------------------|------------------------------------|------------------------------------|--------------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ - | \$ - | \$ 82 | \$ - |
| Due from Other Funds | <u>2,199</u> | <u>11,457</u> | <u>-</u> | <u>11,746</u> |
| Total Assets | <u>\$ 2,199</u> | <u>\$ 11,457</u> | <u>\$ 82</u> | <u>\$ 11,746</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Liabilities | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| Fund Equity: | | | | |
| Fund Balances: | | | | |
| Restricted/Committed | <u>2,199</u> | <u>11,457</u> | <u>82</u> | <u>11,746</u> |
| Total Fund Equity | <u>2,199</u> | <u>11,457</u> | <u>82</u> | <u>11,746</u> |
| Total Liabilities and Fund Equity | <u>\$ 2,199</u> | <u>\$ 11,457</u> | <u>\$ 82</u> | <u>\$ 11,746</u> |

| <u>Child Safety Fund</u> | <u>Road Remediation Fund</u> | <u>Drug Seizure Fund</u> | <u>Park Fund</u> | <u>Police Grants</u> | <u>Sewer System Maintenance</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|----------------------------------|----------------------|--------------------------|-----------------------------------------|-----------------|
| \$ - | \$ - | \$ 1 | \$ 676 | \$ - | \$ - | \$ 759 |
| <u>8,984</u> | <u>10,430</u> | <u>-</u> | <u>-</u> | <u>400</u> | <u>697</u> | <u>45,913</u> |
| <u>\$ 8,984</u> | <u>\$10,430</u> | <u>\$ 1</u> | <u>\$ 676</u> | <u>\$ 400</u> | <u>\$ 697</u> | <u>\$46,672</u> |
| | | | | | | |
| \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| | | | | | | |
| <u>8,984</u> | <u>10,430</u> | <u>1</u> | <u>676</u> | <u>400</u> | <u>697</u> | <u>46,672</u> |
| <u>8,984</u> | <u>10,430</u> | <u>1</u> | <u>676</u> | <u>400</u> | <u>697</u> | <u>46,672</u> |
| <u>\$ 8,984</u> | <u>\$10,430</u> | <u>\$ 1</u> | <u>\$ 676</u> | <u>\$ 400</u> | <u>\$ 697</u> | <u>\$46,672</u> |

TOWN OF DOUBLE OAK, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | Court Technology <u>Fund</u> | Court Security <u>Fund</u> | LEOSE Training <u>Fund</u> | DOVFD Golf <u>Tournament</u> |
|----------------------------------------------|------------------------------------|----------------------------------|----------------------------------|------------------------------------|
| Revenues: | | | | |
| Fines, fees, and forfeitures | \$ 3,738 | \$ 2,803 | \$ - | \$ - |
| Public donations/grants | - | - | - | - |
| Golf tournament fees/donations | - | - | - | 14,750 |
| Interest income | - | - | - | - |
| Total Revenues | <u>3,738</u> | <u>2,803</u> | <u>-</u> | <u>14,750</u> |
| Expenditures: | | | | |
| Police | - | - | - | - |
| Municipal court | 2,278 | - | - | - |
| Special events | - | - | - | 3,601 |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | <u>2,278</u> | <u>-</u> | <u>-</u> | <u>3,601</u> |
| Excess of Revenues over (under) Expenditures | 1,460 | 2,803 | - | 11,149 |
| Fund Balance – October 1 (beginning) | <u>739</u> | <u>8,654</u> | <u>82</u> | <u>597</u> |
| Fund Balance – September 30 (ending) | <u>\$ 2,199</u> | <u>\$11,457</u> | <u>\$ 82</u> | <u>\$11,746</u> |

| <u>Child Safety Fund</u> | <u>Road Remediation Fund</u> | <u>Drug Seizure Fund</u> | <u>Park Fund</u> | <u>Police Grants</u> | <u>Sewer System Maintenance</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|----------------------------------|----------------------|--------------------------|-----------------------------------------|-----------------|
| \$ 6,124 | \$ - | \$ 30,800 | \$ - | \$ - | \$ 697 | \$44,162 |
| - | - | - | 970 | - | - | 970 |
| - | - | - | - | - | - | 14,750 |
| - | - | 4 | - | - | - | 4 |
| <u>6,124</u> | <u>-</u> | <u>30,804</u> | <u>970</u> | <u>-</u> | <u>697</u> | <u>59,886</u> |
| 4,916 | - | 9,330 | - | 1,200 | - | 15,446 |
| - | - | - | - | - | - | 2,278 |
| - | - | - | - | - | - | 3,601 |
| - | - | - | 863 | - | - | 863 |
| - | - | <u>21,474</u> | <u>-</u> | <u>17,620</u> | <u>-</u> | <u>39,094</u> |
| <u>4,916</u> | <u>-</u> | <u>30,804</u> | <u>863</u> | <u>18,820</u> | <u>-</u> | <u>61,282</u> |
| 1,208 | - | - | 107 | (18,820) | 697 | (1,396) |
| <u>7,776</u> | <u>10,430</u> | <u>1</u> | <u>569</u> | <u>19,220</u> | <u>-</u> | <u>48,068</u> |
| <u>\$ 8,984</u> | <u>\$10,430</u> | <u>\$ 1</u> | <u>\$ 676</u> | <u>\$ 400</u> | <u>\$ 697</u> | <u>\$46,672</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DOUBLE OAK, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (GAAP BASIS)</u> | <u>Variance With Final Budget</u> |
|-------------------------------------------------|-------------------------|--------------------|--------------------------------------------|-------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$1,017,140 | \$1,017,140 | \$1,027,605 | \$ 10,465 |
| Fines and forfeitures | 95,000 | 95,000 | 116,672 | 21,672 |
| Licenses and permits | 35,940 | 35,940 | 88,858 | 52,918 |
| Charges for services | 23,000 | 23,000 | 21,078 | (1,922) |
| Other revenue | <u>24,380</u> | <u>24,380</u> | <u>(15)</u> | <u>(24,395)</u> |
| Total Revenues | <u>1,195,460</u> | <u>1,195,460</u> | <u>1,254,198</u> | <u>58,738</u> |
| Expenditures: | | | | |
| Administrative | 257,677 | 257,677 | 256,119 | 1,558 |
| Public works | 116,338 | 116,338 | 113,713 | 2,625 |
| Street and drainage | 118,500 | 118,500 | 106,624 | 11,876 |
| Police services | 597,886 | 597,886 | 586,850 | 11,036 |
| Municipal court | 57,593 | 57,593 | 54,627 | 2,966 |
| Volunteer fire department/ambulance | 117,989 | 117,989 | 117,118 | 871 |
| Capital outlay | <u>25,000</u> | <u>25,000</u> | <u>35,857</u> | <u>(10,857)</u> |
| Total Expenditures | <u>1,290,983</u> | <u>1,290,983</u> | <u>1,270,908</u> | <u>20,075</u> |
| Excess of Revenues over (under) Expenditures | <u>(95,523)</u> | <u>(95,523)</u> | <u>(16,710)</u> | <u>78,813</u> |
| Other Financing Sources: | | | | |
| Sale of equipment | <u>-</u> | <u>-</u> | <u>6,700</u> | <u>6,700</u> |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>6,700</u> | <u>6,700</u> |
| Net Change in Fund Balance | (95,523) | (95,523) | (10,010) | 85,513 |
| Fund Balance – October 1 (Beginning) | <u>1,404,575</u> | <u>1,404,575</u> | <u>1,404,575</u> | <u>-</u> |
| Fund Balance – September 30 (Ending) | <u>\$1,309,052</u> | <u>\$1,309,052</u> | <u>\$1,394,565</u> | <u>\$ 85,513</u> |

**COMBINING & INDIVIDUAL FUND
STATEMENT & SCHEDULES**

TOWN OF DOUBLE OAK, TEXAS

GENERAL FUND
STATEMENT OF REVENUES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | 2013 | | | |
|-----------------------------------|---------------------|---------------------|----------------------------------------|---------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | 2012 Actual |
| Tax Revenue: | | | | |
| Current Property Taxes – M & O | \$ 727,000 | \$ 733,450 | \$ 6,450 | \$ 742,375 |
| Penalty & Interest | 3,700 | 3,436 | (264) | 3,538 |
| Prior Year Property Taxes – M & O | 400 | 4,371 | 3,971 | 359 |
| Sales Taxes | 81,500 | 89,063 | 7,563 | 85,696 |
| Franchise – Water | 18,000 | 22,359 | 4,359 | 23,907 |
| Franchise – Cable TV | 48,000 | 51,290 | 3,290 | 47,539 |
| Franchise – Electric | 103,000 | 89,198 | (13,802) | 102,861 |
| Franchise – Garbage | 9,440 | 9,507 | 67 | 9,309 |
| Franchise – Gas | 10,200 | 8,617 | (1,583) | 10,168 |
| Franchise – Telephone | 15,900 | 16,314 | 414 | 15,913 |
| Total Tax Revenue | <u>1,017,140</u> | <u>1,027,605</u> | <u>10,465</u> | <u>1,041,665</u> |
| Fines and Forfeitures: | | | | |
| Court Fines & Fees | 95,000 | 116,672 | 21,672 | 106,346 |
| Total Fines and Forfeitures | <u>95,000</u> | <u>116,672</u> | <u>21,672</u> | <u>106,346</u> |
| Licenses and Permits: | | | | |
| Fence Permits | 510 | 1,530 | 1,020 | 765 |
| New Residents | 8,000 | 39,334 | 31,334 | 16,090 |
| Other Building Permits | 15,000 | 20,259 | 5,259 | 16,205 |
| Roof Permits | 2,125 | 935 | (1,190) | 6,035 |
| Septic Permits | 4,500 | 6,510 | 2,010 | 5,615 |
| Sprinkler Permits | 600 | 850 | 250 | 680 |
| Swimming Pools | 1,950 | 4,245 | 2,295 | 2,275 |
| Water Well Permits | 255 | 1,020 | 765 | 255 |
| Erosion Plan Review Fees | 3,000 | 11,550 | 8,550 | 3,870 |
| Plat & Subdivision Fees | - | 2,625 | 2,625 | 10 |
| Total Licenses and Permits | <u>35,940</u> | <u>88,858</u> | <u>52,918</u> | <u>51,800</u> |
| Other Revenue: | | | | |
| Administration Fees | 2,300 | 1,917 | (383) | 2,812 |
| Lien Release | 250 | 453 | 203 | - |
| Insurance Proceeds | - | - | - | 7,281 |
| Interest Income | 21,000 | (3,420) | (24,420) | 11,346 |
| Animal Control | 30 | 85 | 55 | 60 |
| Miscellaneous | 800 | 950 | 150 | 2,759 |
| Total Other Revenue | <u>24,380</u> | <u>(15)</u> | <u>(24,395)</u> | <u>24,258</u> |
| Charges For Services: | | | | |
| Sewage Service | 23,000 | 21,078 | (1,922) | 21,798 |
| Total Charges for Services | <u>23,000</u> | <u>21,078</u> | <u>(1,922)</u> | <u>21,798</u> |
| TOTAL REVENUE | <u>\$ 1,195,460</u> | <u>\$ 1,254,198</u> | <u>\$ 58,738</u> | <u>\$ 1,245,867</u> |

TOWN OF DOUBLE OAK, TEXAS

**GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | 2013 | | Variance Favorable (Unfavorable) | 2012 Actual |
|--------------------------------|----------------|----------------|----------------------------------------|----------------|
| | Budget | Actual | | |
| Administrative: | | | | |
| Advertising | \$ 1,000 | \$ 1,423 | \$ (423) | \$ 622 |
| Archive System | 12,572 | 3,737 | 8,835 | - |
| Attorney Fees | 25,000 | 30,483 | (5,483) | 18,713 |
| Auto Expense | 75 | 33 | 42 | 48 |
| Building Repair/Maintenance | 3,500 | 4,424 | (924) | 51,527 |
| Computer Supplies/Software | 1,750 | 4,077 | (2,327) | 7,455 |
| Technology Fund | 500 | - | 500 | - |
| Contingency | - | 1,355 | (1,355) | - |
| Custodial Services | 4,200 | 4,200 | - | 8,600 |
| Denton Central Appraisal Dist. | 6,200 | 5,904 | 296 | 6,222 |
| Election Costs | 3,000 | - | 3,000 | 75 |
| Electricity | 6,000 | 5,518 | 482 | 5,432 |
| Financial Auditors | 8,000 | 8,000 | - | 8,200 |
| Gas - LP | 775 | 786 | (11) | 656 |
| Copier Lease | 7,000 | 6,704 | 296 | 6,426 |
| Meetings | 300 | 494 | (194) | 1,472 |
| Public Relations | 400 | 337 | 63 | 1,644 |
| Grounds Maintenance | 5,500 | 4,920 | 580 | 4,920 |
| Insurance - General/Public | 5,236 | 4,907 | 329 | 4,526 |
| Insurance - Health | 14,500 | 14,025 | 475 | 11,040 |
| Lien Filing Expense | 150 | 24 | 126 | 456 |
| Membership & Dues | 1,250 | 1,281 | (31) | 1,044 |
| Ordinance Codification | 2,200 | 625 | 1,575 | 2,325 |
| Office Supplies | 3,250 | 2,634 | 616 | 3,300 |
| Other Professional Services | 2,200 | 5,078 | (2,878) | 2,699 |
| Other Supplies | 700 | 358 | 342 | 124 |
| Postage | 1,800 | 2,011 | (211) | 1,586 |
| Publications & Subscriptions | 200 | 327 | (127) | 181 |
| Printing and Copying | 500 | 249 | 251 | 1,469 |
| Town Secretary | 58,541 | 61,104 | (2,563) | 59,600 |
| FICA Tax | 10,000 | 8,614 | 1,386 | 8,431 |
| TMRS Retirement | 1,200 | 1,086 | 114 | 1,493 |
| Asst Town Secretary | 53,274 | 54,170 | (896) | 51,241 |
| TWC Tax | 830 | 192 | 638 | 3,117 |
| Longevity Pay | 1,070 | 1,045 | 25 | 925 |
| Insurance - Workers Comp | 400 | 431 | (31) | 363 |
| Tax Billing Costs | 804 | 806 | (2) | 946 |
| Telephone | 9,200 | 11,846 | (2,646) | 9,039 |
| Training Seminars | 2,000 | 1,083 | 917 | 1,836 |
| Water | 2,600 | 1,828 | 772 | 2,562 |
| Total Administrative | <u>257,677</u> | <u>256,119</u> | <u>1,558</u> | <u>290,315</u> |

TOWN OF DOUBLE OAK, TEXAS

**GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | 2013 | | | |
|--------------------------------|-----------|-----------|----------------------------------------|----------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | 2012 Actual |
| Public Works: | | | | |
| Animal Control | \$ 11,000 | \$ 10,566 | \$ 434 | \$ 10,396 |
| Building Inspectors | 200 | - | 200 | 55 |
| Public Works Director | 52,449 | 52,736 | (287) | 50,921 |
| FICA Tax | 3,880 | 4,052 | (172) | 3,923 |
| TMRs Retirement | 1,000 | 493 | 507 | 679 |
| Longevity Pay | 585 | 545 | 40 | 485 |
| TWC Tax | 45 | - | 45 | - |
| Insurance - Workers Comp | 509 | 431 | 78 | 363 |
| Insurance - Health | 5,750 | 6,054 | (304) | 5,455 |
| Insurance - General/Public | 485 | 526 | (41) | 485 |
| Computer Support | 250 | 65 | 185 | 166 |
| Printing | 100 | 827 | (727) | 244 |
| Postage | - | 208 | (208) | - |
| Vehicle Fuel | 400 | 1,085 | (685) | 459 |
| Vehicle Maintenance | 100 | 64 | 36 | 331 |
| Membership Dues | - | 140 | (140) | - |
| Lot Mowing Service | 4,000 | 4,000 | - | 4,585 |
| Other Professional Services | 1,000 | 1,025 | (25) | 880 |
| Other Supplies | 300 | 131 | 169 | 469 |
| Mosquito Control Program | 3,000 | 160 | 2,840 | - |
| Uniforms | 300 | - | 300 | - |
| Septic Inspections | 5,000 | 7,555 | (2,555) | 6,215 |
| Sewage Services | 24,000 | 22,272 | 1,728 | 22,921 |
| Minor Equipment | 1,000 | 49 | 951 | 950 |
| Telephone | 600 | 493 | 107 | - |
| Training Seminars | 385 | 236 | 149 | 385 |
| Total Public Works | 116,338 | 113,713 | 2,625 | 110,367 |
| Streets and Drainage: | | | | |
| Engineering | 31,000 | 14,068 | 16,932 | 22,288 |
| Road Repair and Drainage | 85,000 | 91,243 | (6,243) | 58,344 |
| Sign Repair and Replacement | 2,500 | 1,313 | 1,187 | 5,913 |
| Total Streets and Drainage | 118,500 | 106,624 | 11,876 | 86,545 |
| Police Department: | | | | |
| Computer Supplies | 6,000 | 7,339 | (1,339) | 3,720 |
| Equipment Repair & Maintenance | 1,600 | 1,383 | 217 | 803 |
| Minor Equipment | 1,000 | 943 | 57 | 778 |
| Office Supplies | 400 | 770 | (370) | 1,480 |
| Traffic Management Equipment | 300 | - | 300 | - |
| Publications | 450 | 598 | (148) | 200 |
| Printing | 250 | 474 | (224) | 460 |
| Salaries and Wages | 378,228 | 375,201 | 3,027 | 325,439 |
| Insurance - Health | 77,896 | 81,766 | (3,870) | 66,367 |
| FICA Tax | 25,418 | 27,413 | (1,995) | 24,005 |
| TWC Tax | 2,658 | - | 2,658 | - |
| TMRs Retirement | 7,643 | 3,457 | 4,186 | 4,184 |
| Human Resources | 1,000 | 751 | 249 | 1,128 |
| Insurance - General/Public | 9,000 | 8,412 | 588 | 7,759 |
| Insurance - Workers Comp | 10,893 | 12,078 | (1,185) | 10,170 |
| Telephone/Dispatch | 22,000 | 17,023 | 4,977 | 6,509 |
| Training Seminars | 5,500 | 3,306 | 2,194 | 2,872 |
| Police Department Contracts | 3,000 | 4,540 | (1,540) | 2,962 |
| Dispatch Communications | - | - | - | 14,474 |

TOWN OF DOUBLE OAK, TEXAS

**GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

| | 2013 | | | |
|---------------------------------------|---------------------|---------------------|----------------------------------------|---------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | 2012 Actual |
| Police Department (cont'd): | | | | |
| Criminal Investigations | \$ 1,500 | \$ 38 | \$ 1,462 | \$ 140 |
| Ammunition | 3,500 | 2,336 | 1,164 | 2,954 |
| Membership & Dues | 600 | 621 | (21) | 405 |
| Evidence Room Supplies | 250 | 60 | 190 | - |
| Public Relations | 200 | 359 | (159) | 400 |
| Community Programs | 600 | 960 | (360) | 1,211 |
| Patrol Equipment | 3,000 | 2,040 | 960 | 1,641 |
| Uniforms | 4,000 | 6,406 | (2,406) | 6,229 |
| Vehicle Fuel | 19,000 | 19,805 | (805) | 19,896 |
| Vehicle Maintenance | 12,000 | 8,771 | 3,229 | 10,755 |
| Total Police Department | <u>597,886</u> | <u>586,850</u> | <u>11,036</u> | <u>516,941</u> |
| Municipal Court: | | | | |
| Judges Services | 2,275 | 2,800 | (525) | 2,275 |
| Jury Services | 72 | 204 | (132) | 6 |
| Prosecuting Attorney | 6,500 | 9,128 | (2,628) | 7,550 |
| Other Professional Services | 115 | 406 | (291) | 481 |
| Administrative Clerk | 37,492 | 27,168 | 10,324 | 28,068 |
| FICA Tax | 2,784 | 1,860 | 924 | 1,678 |
| TMRS Retirement | 310 | 266 | 44 | 381 |
| Insurance - Health | 5,045 | 9,451 | (4,406) | 968 |
| Computer Software, Supplies | 3,000 | 3,344 | (344) | 3,952 |
| Total Municipal Court | <u>57,593</u> | <u>54,627</u> | <u>2,966</u> | <u>45,359</u> |
| Fire and Ambulance Department: | | | | |
| DOVFD Operations Contribution | 87,000 | 87,000 | - | 87,000 |
| Ambulance Service | 25,000 | 25,000 | - | 25,000 |
| Insurance - General/Public | 4,200 | 3,680 | 520 | 3,395 |
| Insurance - Workers Comp | 1,789 | 1,438 | 351 | 1,211 |
| Total Fire Department | <u>117,989</u> | <u>117,118</u> | <u>871</u> | <u>116,606</u> |
| Debt Service: | | | | |
| Principal | - | - | - | 3,425 |
| Interest | - | - | - | 44 |
| Total Debt Service | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,469</u> |
| Capital Outlay: | | | | |
| Equipment | - | 4,267 | (4,267) | 16,928 |
| Vehicles | 25,000 | 31,590 | (6,590) | 56,750 |
| Total Capital Outlay | <u>25,000</u> | <u>35,857</u> | <u>(10,857)</u> | <u>73,678</u> |
| TOTAL EXPENDITURES | <u>\$ 1,290,983</u> | <u>\$ 1,270,908</u> | <u>\$ 20,075</u> | <u>\$ 1,243,280</u> |

TOWN OF DOUBLE OAK, TEXAS

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2013

| <u>Tax Year</u> | <u>Balance September 30, 2012</u> | <u>Current Year Levy</u> | <u>Collections</u> | <u>Supplements/ Adjustments</u> | <u>Balance September 30, 2013</u> |
|-------------------------------------------|-------------------------------------------|------------------------------|--------------------|-------------------------------------|-------------------------------------------|
| 2008 | \$ 3 | | \$ - | \$ - | \$ 3 |
| 2009 | 476 | | (393) | (393) | 476 |
| 2010 | 481 | | 905 | 899 | 475 |
| 2011 | 4,911 | | 4,366 | 899 | 1,444 |
| 2012 | <u>-</u> | <u>\$735,592</u> | <u>732,875</u> | <u>-</u> | <u>2,717</u> |
| Total | <u>\$ 5,871</u> | <u>\$735,592</u> | <u>\$737,753</u> | <u>\$ 1,405</u> | 5,115 |
| Less allowance for uncollectible accounts | | | | | <u>-0-</u> |
| | | | | | <u>\$ 5,115</u> |

INDEPENDENT AUDITORS' 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

Honorable Mayor and Town Council
Town of Double Oak, 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 Double Oak, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise The Town of Double Oak, Texas's basic financial statements, and have issued our report dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 Town'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's 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's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 7, 2014