

**TOWN OF DOUBLE OAK, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2016

# 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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the Texas Municipal Retirement System Schedules on pages 40 and 41 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 December 22, 2016 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

December 22, 2016

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

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# TOWN OF DOUBLE OAK, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

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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, 2016. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

### **Financial Highlights**

- The assets and deferred outflows of the Town of Double Oak exceeded its liabilities at September 30, 2016 by \$2,721,415. Of this amount, \$740,498 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$588,934 during the fiscal year from the results of current year operations.
- As of September 30, 2016, the Town of Double Oak's governmental funds reported combined ending fund balances of \$773,938, a decrease of \$357,844 in comparison with the beginning of the period. Approximately 94% of this total amount, \$727,509, 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 \$743,650 amounted to 40.7%, or approximately 5 months, of total fiscal year 2016 general fund expenditures. The unassigned general fund balance of \$272,859 amounted to 14.9%, or approximately 2 months, of fiscal year 2016 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, deferred outflows and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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, 2016

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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 eleven 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 ten special revenue funds.

**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, 2016

**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 was \$2,721,415 as of September 30, 2016. The Town implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, in a prior fiscal year. 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>2015</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$1,188,598	\$ 831,971	\$(356,627)
Capital assets	<u>2,178,001</u>	<u>1,955,279</u>	<u>(222,722)</u>
Total assets	<u>3,366,599</u>	<u>2,787,250</u>	<u>(579,349)</u>
Deferred outflows of resources	<u>33,450</u>	<u>70,835</u>	<u>37,385</u>
Long-term liabilities	37,798	85,231	47,433
Other liabilities	<u>51,902</u>	<u>51,439</u>	<u>(463)</u>
Total liabilities	<u>89,700</u>	<u>136,670</u>	<u>46,970</u>
Net position:			
Net investment in capital assets	2,178,001	1,955,279	(222,722)
Restricted for:			
Court security and technology	17,982	16,755	(1,227)
Police department	4,905	8,883	3,978
Unrestricted	<u>1,109,461</u>	<u>740,498</u>	<u>(368,963)</u>
Total net position	<u>\$3,310,349</u>	<u>\$2,721,415</u>	<u>\$(588,934)</u>

# TOWN OF DOUBLE, OAK, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

**Governmental Activities.** The Town's general revenues for governmental activities for the years ended September 30, 2015 and 2016 are detailed below (Table 2).

Table 2  
General Revenues

	<u>2015</u>	<u>2016</u>
Property taxes	\$ 832,944	\$ 909,997
Sales taxes	110,382	108,753
Franchise taxes	216,882	213,055
Investment earnings	5,784	5,483
Miscellaneous	1,080	1,710
	<u>\$1,167,072</u>	<u>\$1,238,998</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2015 and 2016.

Table 3  
Changes in Net Position

		<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>	Change
Revenues:			
Program revenues:			
Charges for services	\$ 270,909	\$ 247,324	\$ (23,585)
Operating grants and contributions	1,638	10,710	9,072
General revenues:			
Property taxes	832,944	909,997	77,053
Sales taxes	110,382	108,753	(1,629)
Franchise taxes	216,882	213,055	(3,827)
Interest earnings	5,784	5,483	(301)
Other	1,080	1,710	630
	<u>1,439,619</u>	<u>1,497,032</u>	<u>57,413</u>
Expenses:			
Administration	279,047	315,208	36,161
Public works	132,534	158,586	26,052
Streets and drainage	203,155	581,269	378,114
Police services	812,594	818,814	6,220
Municipal court	86,487	74,587	(11,900)
Volunteer fire department/ambulance	137,638	137,430	(208)
Special events	72	72	-
	<u>1,651,527</u>	<u>2,085,966</u>	<u>434,439</u>
Change in net position	(211,908)	(588,934)	(377,026)
Net position – October 1 (beginning)	3,501,734	3,310,349	(191,385)
Prior period adjustment	20,523	-	(20,523)
Net position – September 30 (ending)	<u>\$3,310,349</u>	<u>\$ 2,721,415</u>	<u>\$(588,934)</u>

# TOWN OF DOUBLE OAK, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

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### **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 \$773,938, a decrease of \$357,844 in comparison with the beginning of the period. Approximately 94 percent of this total amount (\$727,509) 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 (\$20,791) or is restricted for spending on court security and technology costs (\$16,755) or the police department (\$8,883).

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 14.9 percent of total general fund expenditures, while total fund balance represents 40.7 percent of that same amount.

### **General Fund Budgetary Highlights**

During the current year, the Town Council of the Town of Double Oak amended the original budget on several occasions.

The original budget reflected that the activity for the year would result in a decrease in available fund balance of \$339,194. The available fund balance for the general fund actually decreased in the amount of \$351,156. Increases in court revenue combined with expenditure savings in most departments contributed to the favorable outcome.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities as of September 30, 2016, amount to \$1,955,279 (net of accumulated depreciation). This amount represents a net decrease of \$222,722, or 10.2 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 consisted of Motorola radios and a metal detector.

# TOWN OF DOUBLE OAK, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

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

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	Governmental Activities
Land	\$ 20,000
Buildings	369,789
Furniture and Equipment	87,116
Streets and Roads	<u>1,478,374</u>
Totals	<u>\$1,955,279</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 \$23,926. No new debt was incurred during the year.

The Town's total debt increased by \$408 during the current period. 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**

This past year has brought several significant challenges to the Town from a financial perspective. The current fiscal year audit report shows a fund balance decrease of \$357,844. Several factors contributed to that figure with the primary cause being a carry-over of \$231,000 for road work completed but not billed in the prior fiscal year. The original budget had a deficit of \$143,000. The Council approved a budget amendment for the \$231,000 carry-over in November 2015.

Other significant factors:

- Overall revenue was up 3.83% or \$54,502, with property tax collections being up 9.18% or \$76,056.
- From a budget perspective, the Town was positive by \$5,083 on the revenue side.
- General fund expenditures were \$1,826,522, which represented an increase of 28.8% over the prior year. Even when eliminating the \$231,000 for the roads carry-over, the Town still experienced an increase on the expenditure side of 12.5%.
- The Town's total expenditures for wages and salaries was \$667,031, which was an increase of 3.5%. These costs represent 36.5% of total expenditures.
- Health care costs increased by \$13,398 or 9.2%. This increase was reduced somewhat by the factor that one police officer position was vacant for several months.
- The Council adopted late year budget amendments for attorney's fees, tree trimming and engineering work.

The general fund balance decreased from \$1,094,806 to \$743,350 or 32%. This level is of great concern going forward. A recent meeting of the Town's Investment Committee recommended a minimum fund balance of \$1,000,000 and a maximum of \$1,250,000. With some of the road and drainage work that the Town has identified, this will represent a significant challenge to raise the funds to complete these projects.

## TOWN OF DOUBLE OAK, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

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One other area of concern is that the Town now has a Net Pension Liability of \$61,305, which was an increase of \$47,025 from the prior year. Several factors played into this increase, which the Town will need to address in the upcoming year.

For the upcoming fiscal year the Town's tax rate will remain at \$0.2324 per \$100 of valuation.

Passage of House Bill 157, which enabled the Town to increase the local sales tax rate by 1%, was approved by Town residents in May 2016. This increase should generate an additional \$70-75,000 in sales tax revenue in the 2016-2017 fiscal year.

The Council approved a balanced budget for fiscal year 2016-2017 which is the first balanced budget in a number of years.

#### **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**

**TOWN OF DOUBLE OAK, TEXAS**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

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	<u>Primary Government</u>
	<u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$788,924
Receivables (net of allowance for uncollectibles):	
Property taxes	6,594
Sales taxes	8,739
Interest	178
Other	4,745
Deposits	2,000
Prepaid Costs	20,791
Capital Assets:	
Land	20,000
Buildings, net	369,789
Furniture and Equipment, net	87,116
Streets and Roads, net	<u>1,478,374</u>
Total Assets	<u>2,787,250</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to TMRS	<u>70,835</u>
Total Deferred Outflows of Resources	<u>70,835</u>
<b>LIABILITIES</b>	
Accounts Payable	39,045
Accrued Payroll	12,394
Noncurrent Liabilities:	
Compensated Absences	23,926
Net Pension Liability	<u>61,305</u>
Total Liabilities	<u>136,670</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,955,279
Restricted for:	
Court Security and Technology	16,755
Police Department	8,883
Unrestricted Net Position	<u>740,498</u>
Total Net Position	<u>\$2,721,415</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, 2016**

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
Administration	\$ 315,208	\$ 4,641	\$ -
Public Works	158,586	70,099	-
Street and Drainage	581,269	-	-
Police Services	818,814	97,997	10,710
Municipal Court	74,587	74,587	-
Volunteer Fire Department/Ambulance	137,430	-	-
Special Events	<u>72</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>2,085,966</u>	<u>247,324</u>	<u>10,710</u>
TOTAL PRIMARY GOVERNMENT	<u>\$2,085,966</u>	<u>\$247,324</u>	<u>\$ 10,710</u>

**GENERAL REVENUES:**

Taxes:

Property taxes

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

Total General Revenues

Change in Net Position

NET POSITION, October 1 (beginning)

NET POSITION, September 30 (ending)

The accompanying Notes are an integral part of this statement.



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Net (Expense) Revenue and  
Change in Net Position

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Governmental  
Activities

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\$ (310,567)  
(88,487)  
(581,269)  
(710,107)  
-  
(137,430)  
(72)  
(1,827,932)  
(1,827,932)

909,997  
108,753  
213,055  
5,483  
1,710

1,238,998

(588,934)

3,310,349  
\$ 2,721,415

**TOWN OF DOUBLE OAK, TEXAS**

BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 788,166	\$ 758	\$ 788,924
Receivables (net of allowances for uncollectibles):			
Property Taxes	6,594	-	6,594
Sales Taxes	8,739	-	8,739
Interest	178	-	178
Other	4,745	-	4,745
Due from Other Funds	-	29,530	29,530
Deposits	2,000	-	2,000
Prepaid Costs	<u>20,791</u>	<u>-</u>	<u>20,791</u>
 Total Assets	 <u>\$ 831,213</u>	 <u>\$30,288</u>	 <u>\$ 861,501</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY</b>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 39,045	\$ -	\$ 39,045
Accrued Payroll	12,394	-	12,394
Due to Other Funds	<u>29,530</u>	<u>-</u>	<u>29,530</u>
Total Current Liabilities	<u>80,969</u>	<u>-</u>	<u>80,969</u>
Deferred Inflows:			
Unavailable Revenue-Property Taxes	<u>6,594</u>	<u>-</u>	<u>6,594</u>
Total Deferred Inflows	<u>6,594</u>	<u>-</u>	<u>6,594</u>
Fund Equity:			
Nonspendable Fund Balance:			
Prepaid Costs	20,791	-	20,791
Restricted Fund Balance:			
Court Security and Technology	-	16,755	16,755
Police Department	-	8,883	8,883
Committed Fund Balance:			
Road Contingencies	150,000	-	150,000
Streets and Drainage	200,000	-	200,000
General Contingencies	100,000	-	100,000
Other Purposes	-	4,650	4,650
Unassigned Fund Balance	<u>272,859</u>	<u>-</u>	<u>272,859</u>
Total Fund Equity	<u>743,650</u>	<u>30,288</u>	<u>773,938</u>
 Total Liabilities, Deferred Inflows and Fund Equity	 <u>\$ 831,213</u>	 <u>\$30,288</u>	 <u>\$ 861,501</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, 2016

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<b>Total Fund Balances – Governmental Funds</b>	\$ 773,938
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	3,532,070
Accumulated depreciation is not reported in the fund financial statements.	(1,576,791)
Compensated absences are not reported in the fund financial statements.	(23,926)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	6,594
Included in the items related to debt is the recognition of the Town's net TMRS pension liability required by GASB 68 in the amount of \$61,305, and a Deferred Resource Outflow related to TMRS in the amount of \$70,835. This amounted to an increase in Net Position in the amount of \$9,530.	<u>9,530</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$2,721,415</u></b>

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, 2016

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	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$1,230,125	\$ -	\$1,230,125
Fines and forfeitures	157,748	14,836	172,584
Licenses and permits	46,584	-	46,584
Donations and grants	5,565	5,145	10,710
Charges for services	23,245	-	23,245
Interest	5,478	5	5,483
Other revenue	6,621	-	6,621
Total Revenues	<u>1,475,366</u>	<u>19,986</u>	<u>1,495,352</u>
Expenditures:			
Administrative	290,843	-	290,843
Public works	142,231	10,572	152,803
Streets and drainage	414,656	-	414,656
Police services	766,491	6,435	772,926
Municipal court	68,403	5,386	73,789
Special events	-	72	72
Volunteer fire department/ambulance	137,430	-	137,430
Capital outlay	6,468	4,209	10,677
Total Expenditures	<u>1,826,522</u>	<u>26,674</u>	<u>1,853,196</u>
Net Change in Fund Balance	(351,156)	(6,688)	(357,844)
Fund Balance – October 1 (beginning)	<u>1,094,806</u>	<u>36,976</u>	<u>1,131,782</u>
Fund Balance – September 30 (ending)	<u>\$ 743,650</u>	<u>\$ 30,288</u>	<u>\$ 773,938</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, 2016

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**Total Net Change in Fund Balances – Governmental Funds** \$ (357,844)

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. 10,677

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. (233,399)

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. 1,680

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. (408)

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/15 caused the change in ending net position to increase in the amount of \$27,503. Contributions made before the measurement date but during the 2016 FY were also de-expended and recorded as a reduction in the net position liability for the Town. This also caused an increase in the change in net position in the amount of \$8,251. These contributions were replaced with the Town's pension expense for the year of \$45,394, which caused a decrease in the change in net position. The impact of all of these is to decrease the change in net position by \$9,640. (9,640)

**Change in Net Position of Governmental Activities** \$ (588,934)

# 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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP BASIS)</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,243,328	\$1,243,328	\$1,230,125	\$ (13,203)
Fines and forfeitures	147,000	147,000	157,748	10,748
Licenses and permits	52,075	50,255	46,584	(3,671)
Charges for services	22,000	22,000	23,245	1,245
Interest	5,100	5,100	5,478	378
Other revenue	<u>2,600</u>	<u>2,600</u>	<u>12,186</u>	<u>9,586</u>
Total Revenues	<u>1,472,103</u>	<u>1,470,283</u>	<u>1,475,366</u>	<u>5,083</u>
Expenditures:				
Administrative	248,703	274,749	290,843	(16,094)
Public works	131,518	143,518	142,231	1,287
Street and drainage	247,000	423,194	414,656	8,538
Police services	771,094	761,046	766,491	(5,445)
Municipal court	79,150	62,702	68,403	(5,701)
Volunteer fire department/ambulance	137,638	137,800	137,430	370
Capital outlay	<u>-</u>	<u>6,468</u>	<u>6,468</u>	<u>-</u>
Total Expenditures	<u>1,615,103</u>	<u>1,809,477</u>	<u>1,826,522</u>	<u>(17,045)</u>
Net Change in Fund Balance	(143,000)	(339,194)	(351,156)	(11,962)
Fund Balance – October 1 (Beginning)	<u>1,094,806</u>	<u>1,094,806</u>	<u>1,094,806</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 951,806</u>	<u>\$ 755,612</u>	<u>\$ 743,650</u>	<u>\$ (11,962)</u>

# TOWN OF DOUBLE OAK, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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### 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, 2016.

## **TOWN OF DOUBLE OAK, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016**

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#### **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.



## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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

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. 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.

# **TOWN OF DOUBLE OAK, TEXAS**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016**

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### **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.

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 2016, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2015, upon which the fiscal year 2016 levy was based, was \$390,643,718. The tax rate to finance general governmental services and road maintenance for the year ended September 30, 2016, was \$0.2324 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.

# TOWN OF DOUBLE OAK, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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### H. Capital Assets Continued

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

### 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, deferred outflows, deferred inflows 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.

# TOWN OF DOUBLE OAK, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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### **L. Budgets and Budgetary Accounting Continued**

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 several budget amendments during the year ended September 30, 2016.

### **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, 2016 for road contingencies, streets and drainage, and general contingencies.

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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#### **2. FUND BALANCE CONTINUED**

- 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 not assigned fund balance as of September 30, 2016.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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 \$272,859 at September 30, 2016. Prepaid expenditures of \$20,791 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.

#### **Special Revenue Funds**

The fund balances of the Court Technology Fund and Court Security Fund (totaling \$16,755) 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 \$8,883) are shown as restricted for those purposes also. The fund balances of the DOVFD Golf Tournament, Park Fund, and Sewer System Maintenance Fund (totaling \$4,650) are shown as committed due to Town policy committing those funds to those activities.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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**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, 2016, the carrying amount of the Town's deposits checking accounts and interest-bearing savings accounts was \$412,241 and the bank balance was \$356,196. The Town's cash deposits at September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

**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, 2016, the Town's cash balances totaled \$356,196. 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.

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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#### **2. Investments Continued:**

- 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, 2016, 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.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2016, 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, 2016, the Town held 47.06% of its total investments in certificates of deposit at DATCU and 52.94% in certificates of deposit at Northstar Bank, Denton, Texas.

The Town's investments at September 30, 2016 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of Deposit – Northstar Bank	\$ 228,805	\$ 228,805
Certificates of Deposit – DATCU	<u>203,425</u>	<u>203,425</u>
Total	<u>\$ 432,230</u>	<u>\$ 432,230</u>

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

#### 4. RECEIVABLES

Government-wide receivables as of September 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Total</u>
Receivables:		
Property taxes	\$ 6,594	\$ 6,594
Sales taxes	9,735	9,735
Sewage service	3,144	3,144
Employees	605	605
Interest	<u>178</u>	<u>178</u>
Gross Receivables	20,256	20,256
Less: Uncollectible allowance	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 20,256</u>	<u>\$ 20,256</u>

Governmental funds report unearned 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.

#### 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 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>381,161</u>	<u>10,677</u>	<u>-</u>	<u>391,838</u>
Total capital assets, being depreciated	<u>3,501,393</u>	<u>10,677</u>	<u>-</u>	<u>3,512,070</u>
Less accumulated depreciation for:				
Buildings and Improvements	(183,934)	(15,711)	-	(199,645)
Street and Road Infrastructure	(905,811)	(166,613)	-	(1,072,424)
Furniture, Equipment and Vehicles	<u>(253,647)</u>	<u>(51,075)</u>	<u>-</u>	<u>(304,722)</u>
Total accumulated depreciation	<u>(1,343,392)</u>	<u>(233,399)</u>	<u>-</u>	<u>(1,576,791)</u>
Total capital assets, being depreciated, net	<u>2,158,001</u>	<u>(222,722)</u>	<u>-</u>	<u>1,935,279</u>
Governmental activities capital assets, net	<u>\$2,178,001</u>	<u>\$ (222,722)</u>	<u>\$ -</u>	<u>\$1,955,279</u>



## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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#### 5. CAPITAL ASSETS CONTINUED

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

Governmental Activities:	
Administration	\$ 24,365
Public Works	5,783
Streets and Drainage	166,613
Police Services	35,840
Municipal Court	<u>798</u>
Total depreciation expense – Governmental activities	<u>\$233,399</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.

The following is a summary of the changes in the Town's Long-term Debt for the year ended September 30, 2016:

<u>Description</u>	<u>Amounts Outstanding 10/01/15</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 09/30/16</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 23,518	\$ 23,600	\$23,192	\$ 23,926	\$ -
Total Long-Term Debt	<u>\$ 23,518</u>	<u>\$ 23,600</u>	<u>\$23,192</u>	<u>\$ 23,926</u>	<u>\$ -</u>

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

#### 7. DEFINED BENEFIT PENSION PLANS

##### Plan Description

The Town of Double Oak participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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All eligible employees of the Town are required to participate in TMRS.

#### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The 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 2015	Plan Year 2016
Employee deposit rate	5.0%	5.0%
Employer deposit rate	5.30%	5.34%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	0%,	0%,
Annuity Increase (to retirees)	0% of CPI	0% of CPI

#### ***Employees covered by benefit terms.***

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to buy not yet receiving benefits	5
Active employees	<u>12</u>
	20

#### **Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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#### **Contributions continued**

Employees for the Town of Double Oak were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Double Oak were 5.30% and 5.34% in calendar years 2015 and 2016, respectively. The town's contributions to TMRS for the year ended September 30, 2016 were \$37,427, and were equal to the required contributions.

#### **Net Pension Liability**

The town's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### ***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For towns such as the Town of Double Oak with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members. There is also a load on the life expectancy for employers with less than 15 active members, such as the Town of Double Oak. The life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. Once the plan is overfunded, the amortization period reverts back to the standard amortization period. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2014 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

#### Net Pension Liability continued

After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

#### ***Discount Rate***

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

# TOWN OF DOUBLE OAK, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2014	\$442,919	\$428,639	\$ 14,280
Changes for the year:			
Service Cost	65,063	-	65,063
Interest	33,075	-	33,075
Change in benefit terms	-	-	-
Difference between expected and actual experience	3,416	-	3,416
Changes of assumptions	12,901	-	12,901
Contributions – employer	-	33,768	(33,768)
Contributions – employee	-	33,434	(33,434)
Net investment income	-	632	(632)
Benefit payments, including refunds of employee contributions	(5,906)	(5,906)	-
Administrative expense	-	(385)	385
Other changes	-	(19)	19
Net changes	\$108,549	\$61,524	\$47,025
<b>Balance at 12/31/2015</b>	<b>\$551,468</b>	<b>\$490,163</b>	<b>\$61,305</b>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability (asset)	\$144,475	\$61,305	\$(7,986)

### ***Pension Plan Fiduciary Net Position***

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

### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

For the year ended September 30, 2016, the Town recognized pension expense of \$45,394.

At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,166	\$ -
Changes in actuarial assumptions	10,754	-
Difference between projected and actual investment earnings	26,412	-
Contributions subsequent to the measurement date	27,503	-
Total	\$ 70,835	\$ -

\$27,503 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$10,291
2018	\$10,291
2019	\$10,289
2020	\$ 9,317
2021	3,117
Thereafter	27

## 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, 2016 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.

# TOWN OF DOUBLE OAK, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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### 9. RISK MANAGEMENT CONTINUED

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, 2016 through December 22, 2016, 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.

### 11. INTERFUND BALANCES

Interfund balances at September 30, 2016 consisted of the following receivables and payable:

<u>General Fund</u>	<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>
Special Revenue Funds:		
Court Technology Fund	\$ 2,790	\$ -
Court Security Fund	13,965	-
Child Safety Fund	3,051	-
DOVFD Golf Tournament	69	-
Police Grants Fund	5,569	-
Sewer System Maintenance	4,086	-
<u>Special Revenue Fund</u>		
General Fund	-	<u>29,530</u>
Total	<u>\$29,530</u>	<u>\$29,530</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. FAIR VALUE MEASUREMENTS

The Town categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based in the lowest level input that is significantly to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Based on the above hierarchy, the fair value of the Town's investments in certificates of deposit was determined based on Level 2 inputs.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF DOUBLE OAK, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Service Cost	\$ 57,538	\$ 65,063
Interest (on the Total Pension Liability)	27,462	33,075
Changes of benefit terms	0	0
Difference between expected and actual experience	4,776	3,416
Change of assumptions	0	12,901
Benefit payments, including refunds of employee contributions	<u>(20,814)</u>	<u>(5,906)</u>
<b>Net Change in Total Pension Liability</b>	68,962	108,549
<b>Total Pension Liability – Beginning</b>	<u>373,957</u>	<u>442,919</u>
Total Pension Liability – Ending (a)	<u>\$ 442,919</u>	<u>\$ 551,468</u>
<b>Plan Fiduciary Net Position</b>		
Contributions – Employer	\$ 18,397	\$ 33,768
Contributions – Employee	29,018	33,434
Net Investment Income	21,777	632
Benefit payments, including refunds of employee contributions	(20,814)	(5,906)
Administrative Expense	(227)	(385)
Other	<u>(19)</u>	<u>(19)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	48,132	61,524
<b>Plan Fiduciary Net Position – Beginning</b>	<u>380,507</u>	<u>428,639</u>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<u>\$ 428,639</u>	<u>\$ 490,163</u>
<b>Net Pension Liability – Ending (a) – (b)</b>	<u>\$ 14,280</u>	<u>\$ 61,305</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	96.78%	88.88%
<b>Covered Employee Payroll</b>	\$ 580,356	\$ 668,681
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	2.46%	9.17%

Note: GASB 68, Paragraph 81, 2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2014 – the period from January 1, 2014 – December 31, 2014, and December 31, 2015 – the period from January 1, 2015 – December 31, 2015.

Note: Only two years of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**TOWN OF DOUBLE OAK, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2016

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 31,218	\$ 37,427
Contribution in Relation to the Contractually Required Contribution	<u>(31,218)</u>	<u>(37,427)</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Town's Covered-Employee Payroll	\$649,627	\$702,274
Contributions as a Percentage of Covered-Employee Payroll	4.81%	5.33%

Note: GASB 68, Paragraph 81, 2,b requires that the data in this schedule be presented as of the Town's current fiscal year as opposed to the time period covered by the measurement dates of January 1, 2014 - December 31, 2014 and January 1, 2015 – December 31, 2015.

Note: Only two years of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

## TOWN OF DOUBLE OAK, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2016

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**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no changes of benefit terms during the measurement period. The following significant changes in assumptions occurred that affected measurement of the total pension liability during the measurement period:

- General inflation is now assumed to be 2.50% per year, a change from 3.0%.
- The system-wide investment return is now assumed to be 6.75% per year, a change from 7.00%.

## COMBINING STATEMENTS

TOWN OF DOUBLE OAK, TEXAS

COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016

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	<u>Court Technology Fund</u>	<u>Court Security Fund</u>	<u>LEOSE Training Fund</u>	<u>DOVFD Golf Tournament</u>
ASSETS				
Cash and Investments	\$ -	\$ -	\$ 255	\$ -
Due from Other Funds	<u>2,790</u>	<u>13,965</u>	<u>-</u>	<u>69</u>
Total Assets	<u>\$ 2,790</u>	<u>\$ 13,965</u>	<u>\$ 255</u>	<u>\$ 69</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>2,790</u>	<u>13,965</u>	<u>255</u>	<u>69</u>
Total Fund Equity	<u>2,790</u>	<u>13,965</u>	<u>255</u>	<u>69</u>
Total Liabilities and Fund Equity	<u>\$ 2,790</u>	<u>\$ 13,965</u>	<u>\$ 255</u>	<u>\$ 69</u>

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<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>
\$ - <u>3,051</u>	\$ - <u>-</u>	\$ 8 <u>-</u>	\$ 495 <u>-</u>	\$ - <u>5,569</u>	\$ - <u>4,086</u>	\$ 758 <u>29,530</u>
<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 495</u>	<u>\$ 5,569</u>	<u>\$ 4,086</u>	<u>\$ 30,288</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>3,051</u> <u>3,051</u>	<u>-</u> <u>-</u>	<u>8</u> <u>8</u>	<u>495</u> <u>495</u>	<u>5,569</u> <u>5,569</u>	<u>4,086</u> <u>4,086</u>	<u>30,288</u> <u>30,288</u>
<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 495</u>	<u>\$ 5,569</u>	<u>\$ 4,086</u>	<u>\$ 30,288</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, 2016

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	<u>Court Technology Fund</u>	<u>Court Security Fund</u>	<u>LEOSE Training Fund</u>	<u>DOVFD Golf Tournament</u>
Revenues:				
Fines, fees, and forfeitures	\$ 4,782	\$ 3,586	\$ -	\$ -
Public donations/grants	-	-	1,094	-
Interest income	-	-	2	-
Total Revenues	<u>4,782</u>	<u>3,586</u>	<u>1,096</u>	<u>-</u>
Expenditures:				
Police	-	-	875	-
Municipal court	4,186	1,200	-	-
Public works	-	-	-	-
Special events	-	-	-	72
Capital outlay	-	4,209	-	-
Total Expenditures	<u>4,186</u>	<u>5,409</u>	<u>875</u>	<u>72</u>
Excess of Revenues over (under) Expenditures	596	(1,823)	221	(72)
Fund Balance – October 1 (beginning)	<u>2,194</u>	<u>15,788</u>	<u>34</u>	<u>141</u>
Fund Balance – September 30 (ending)	<u>\$ 2,790</u>	<u>\$13,965</u>	<u>\$ 255</u>	<u>\$ 69</u>



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<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>
\$ 5,266	\$ -	\$ -	\$ -	\$ -	\$ 1,202	\$14,836
-	-	-	-	4,051	-	5,145
-	-	-	3	-	-	5
<u>5,266</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>4,051</u>	<u>1,202</u>	<u>19,986</u>
5,560	-	-	-	-	-	6,435
-	-	-	-	-	-	5,386
-	10,430	-	142	-	-	10,572
-	-	-	-	-	-	72
-	-	-	-	-	-	4,209
<u>5,560</u>	<u>10,430</u>	<u>-</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>26,674</u>
(294)	(10,430)	-	(139)	4,051	1,202	(6,688)
<u>3,345</u>	<u>10,430</u>	<u>8</u>	<u>634</u>	<u>1,518</u>	<u>2,884</u>	<u>36,976</u>
<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 495</u>	<u>\$ 5,569</u>	<u>\$ 4,086</u>	<u>\$30,288</u>

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**COMBINING & INDIVIDUAL FUND  
STATEMENT & SCHEDULES**

**TOWN OF DOUBLE OAK, TEXAS**

GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2016  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Tax Revenue:</b>				
Current Property Taxes – M & O	\$ 903,528	\$ 904,383	\$ 855	\$ 828,327
Penalty & Interest	2,800	2,271	(529)	2,786
Prior Year Property Taxes – M & O	2,000	1,663	(337)	1,210
Sales Taxes	115,000	108,753	(6,247)	110,382
Franchise – Water	20,000	20,815	815	20,005
Franchise – Cable TV	53,000	56,006	3,006	56,992
Franchise – Electric	104,000	100,561	(3,439)	103,999
Franchise – Garbage	12,500	11,823	(677)	12,616
Franchise – Gas	12,500	10,157	(2,343)	12,493
Franchise – Telephone	18,000	13,693	(4,307)	10,777
Total Tax Revenue	<u>1,243,328</u>	<u>1,230,125</u>	<u>(13,203)</u>	<u>1,159,587</u>
<b>Fines and Forfeitures:</b>				
Court Fines & Fees	147,000	157,748	10,748	166,363
Total Fines and Forfeitures	<u>147,000</u>	<u>157,748</u>	<u>10,748</u>	<u>166,363</u>
<b>Licenses and Permits:</b>				
Fence Permits	1,500	1,275	(225)	1,870
Commercial Buildings	-	2,808	2,808	1,800
New Residents	15,000	15,041	41	17,067
Other Building Permits	20,000	10,285	(9,715)	23,169
Roof Permits	255	255	-	425
Septic Permits	5,100	8,050	2,950	6,215
Sprinkler Permits	600	795	195	850
Swimming Pools	3,250	1,950	(1,300)	3,000
Water Well Permits	425	-	(425)	415
Erosion Plan Review Fees	4,125	3,300	(825)	4,125
Plat & Subdivision Fees	-	2,825	2,825	1,550
Total Licenses and Permits	<u>50,255</u>	<u>46,584</u>	<u>(3,671)</u>	<u>60,486</u>
<b>Other Revenue:</b>				
Administration Fees	1,500	4,641	3,141	5,062
Donations - PD	-	5,565	5,565	-
Lien Release	-	195	195	-
Interest Income	5,100	5,478	378	5,776
Animal Control	100	75	(25)	100
Miscellaneous	1,000	1,710	710	1,080
Total Other Revenue	<u>7,700</u>	<u>17,664</u>	<u>9,964</u>	<u>12,018</u>
<b>Charges For Services:</b>				
Sewage Service	22,000	23,245	1,245	22,410
Total Charges for Services	<u>22,000</u>	<u>23,245</u>	<u>1,245</u>	<u>22,410</u>
<b>TOTAL REVENUE</b>	<u>\$ 1,470,283</u>	<u>\$ 1,475,366</u>	<u>\$ 5,083</u>	<u>\$ 1,420,864</u>

**TOWN OF DOUBLE OAK, TEXAS**

**GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2016  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Administrative:</b>				
Advertising	\$ 500	\$ 2,899	\$ (2,399)	\$ 1,022
Archive System	7,500	4,375	3,125	7,483
Attorney Fees	23,000	27,005	(4,005)	9,909
Bank Charges	100	42	58	67
Building Repair/Maintenance	3,500	3,812	(312)	3,806
Computer Supplies/Software	8,000	10,894	(2,894)	12,816
Technology Fund	500	-	500	63
Contingency	1,135	3,468	(2,333)	4,029
Custodial Services	4,560	4,560	-	4,560
Denton Central Appraisal Dist.	5,700	5,818	(118)	5,626
Election Costs	3,000	3,139	(139)	-
Electricity	6,000	5,003	997	6,049
Financial Auditors	8,300	9,000	(700)	8,800
Gas - LP	1,100	798	302	987
Copier Lease	6,800	6,486	314	7,492
Meetings	200	-	200	186
Public Relations	300	514	(214)	1,045
Grounds Maintenance	4,500	5,095	(595)	4,936
Insurance - General/Public	4,000	5,162	(1,162)	5,365
Insurance - Health	17,900	17,312	588	14,562
Lien Filing Expense	100	240	(140)	-
Membership & Dues	1,300	1,861	(561)	1,295
Ordinance Codification	600	1,225	(625)	375
Office Supplies	3,000	3,550	(550)	3,763
Other Professional Services	2,000	3,623	(1,623)	5,485
Other Supplies	200	1,138	(938)	215
Postage	2,200	2,556	(356)	2,294
Publications & Subscriptions	100	180	(80)	146
Printing and Copying	500	612	(112)	1,132
Town Secretary	65,000	65,538	(538)	62,918
FICA Tax	9,500	10,630	(1,130)	8,545
TMRs Retirement	6,500	6,920	(420)	5,757
Asst Town Secretary	58,949	59,269	(320)	56,858
TWC Tax	830	2,244	(1,414)	569
Longevity Pay	1,405	1,405	-	1,285
Insurance - Workers Comp	520	520	-	538
Tax Billing Costs	850	818	32	866
Telephone	9,500	10,629	(1,129)	9,450
Training Seminars	2,500	915	1,585	3,544
Water	2,600	1,588	1,012	2,058
Total Administrative	<u>274,749</u>	<u>290,843</u>	<u>(16,094)</u>	<u>265,896</u>

**TOWN OF DOUBLE OAK, TEXAS**

**GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2016  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2016			2015
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Public Works:</b>				
Animal Control	\$ 11,600	\$ 9,816	\$ 1,784	\$ 9,976
Public Works Director	57,861	58,279	(418)	56,416
FICA Tax	3,163	4,717	(1,554)	4,430
TMRS Retirement	4,566	3,286	1,280	2,617
Longevity Pay	725	725	-	665
Incentive Pay	1,100	1,246	(146)	1,200
Insurance - Workers Comp	403	390	13	404
Insurance - Health	8,000	7,159	841	6,643
Insurance - General/Public	600	553	47	575
Computer Support	4,500	3,071	1,429	6,107
Printing	100	49	51	-
Vehicle Fuel	800	591	209	839
Vehicle Maintenance	1,500	593	907	115
Membership Dues	300	305	(5)	285
Lot Mowing/Tree Trimming	16,500	18,050	(1,550)	4,400
Other Professional Services	750	1,869	(1,119)	1,090
Other Supplies	2,150	112	2,038	61
Mosquito Control Program	250	-	250	-
Uniforms	300	416	(116)	-
Septic Inspections	3,750	4,235	(485)	5,675
Sewage Services	22,000	25,279	(3,279)	23,642
Minor Equipment	500	585	(85)	502
Telephone	600	535	65	667
Training Seminars	1,500	370	1,130	-
Total Public Works	143,518	142,231	1,287	126,309
<b>Streets and Drainage:</b>				
Engineering	55,000	56,151	(1,151)	24,705
Road Repair and Drainage	306,444	301,163	5,281	6,125
Crack Seal and Potholes	59,750	55,245	4,505	156
Sign Repair and Replacement	2,000	2,097	(97)	1,854
Total Streets and Drainage	423,194	414,656	8,538	32,840
<b>Police Department:</b>				
Computer Equipment/Supplies	25,000	34,525	(9,525)	59,555
Equipment Repair & Maintenance	1,500	344	1,156	1,064
Minor Equipment	1,000	1,247	(247)	1,639
Office Supplies	450	603	(153)	714
Postage	-	-	-	12
Traffic Management Equipment	300	45	255	180
Publications	450	144	306	281
Printing	500	69	431	1,494
Salaries and Wages	451,088	450,859	229	438,126
Incentive Pay	8,700	6,831	1,869	6,335
Longevity Pay	2,660	2,595	65	2,110
Insurance - Health	125,001	122,159	2,842	121,049
FICA Tax	33,558	34,286	(728)	33,940
TMRS Retirement	24,458	25,290	(832)	21,268
Human Resources	1,000	602	398	958
Insurance - General/Public	5,500	8,849	(3,349)	9,197
Insurance - Workers Comp	10,004	10,524	(520)	10,894
Telephone/Dispatch	12,340	13,679	(1,339)	21,017
Training Seminars	2,500	2,541	(41)	1,615
Police Department Contracts	3,500	3,475	25	2,332

**TOWN OF DOUBLE OAK, TEXAS**

GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2016  
PLUS COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Police Department (cont'd):</b>				
Criminal Investigations	\$ 1,500	\$ 60	\$ 1,440	\$ 307
Ammunition	2,500	1,899	601	3,060
Membership & Dues	800	1,308	(508)	776
Evidence Room Supplies	500	73	427	306
Public Relations	800	569	231	643
Community Programs	800	852	(52)	1,010
Patrol Equipment	3,500	3,712	(212)	3,376
Uniforms	6,000	7,307	(1,307)	5,474
Vehicle Fuel	18,917	14,993	3,924	18,297
Vehicle Maintenance	16,220	17,051	(831)	8,750
Total Police Department	<u>761,046</u>	<u>766,491</u>	<u>(5,445)</u>	<u>775,779</u>
<b>Municipal Court:</b>				
Judges Services	3,200	4,400	(1,200)	2,100
Jury Services	240	-	240	-
Jail Services	3,600	600	3,000	1,800
Prosecuting Attorney	6,500	10,052	(3,552)	8,120
Other Professional Services	115	174	(59)	400
Membership Dues	-	100	(100)	-
Administrative Clerk	31,122	33,086	(1,964)	30,218
Incentive Pay	900	1,235	(335)	727
FICA Tax	2,450	2,622	(172)	2,684
TMRS Retirement	1,543	1,931	(388)	1,433
Insurance - Health	8,532	12,549	(4,017)	10,170
Computer Software, Supplies	4,500	1,654	2,846	21,320
Total Municipal Court	<u>62,702</u>	<u>68,403</u>	<u>(5,701)</u>	<u>78,972</u>
<b>Fire and Ambulance Department:</b>				
DOVFD Operations Contribution	97,000	97,000	-	97,000
DOVFD Capital Contribution	-	-	-	-
Ambulance Service	35,000	35,000	-	35,000
Insurance - General/Public	4,100	3,871	229	4,024
Insurance - Workers Comp	1,700	1,559	141	1,614
Total Fire Department	<u>137,800</u>	<u>137,430</u>	<u>370</u>	<u>137,638</u>
<b>Capital Outlay:</b>				
Equipment	6,468	6,468	-	-
Total Capital Outlay	<u>6,468</u>	<u>6,468</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,809,477</u>	<u>\$ 1,826,522</u>	<u>\$ (17,045)</u>	<u>\$ 1,417,434</u>

TOWN OF DOUBLE OAK, TEXAS

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2016

<u>Tax Year</u>	<u>Balance September 30, 2015</u>	<u>Current Year Levy</u>	<u>Collections</u>	<u>Supplements/ Adjustments</u>	<u>Balance September 30, 2016</u>
2008	\$ 3	\$	\$ -	\$ -	\$ 3
2009	796		320	-	476
2010	795		320	-	475
2011	864		320	-	544
2012	859	-	320	-	539
2013	902	-	320	-	582
2014	695		(299)	(369)	625
2015	<u>-</u>	<u>\$ 907,856</u>	<u>904,506</u>	<u>-</u>	<u>3,350</u>
Total	<u>\$ 4,914</u>	<u>\$ 907,856</u>	<u>\$905,807</u>	<u>\$ (369)</u>	6,594
Less allowance for uncollectible accounts					<u>-0-</u>
					<u>\$ 6,594</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, 2016, 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 December 22, 2016.

**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

December 22, 2016