
CITY OF JONESTOWN, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Jonestown, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section 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 City's basic financial statements. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplemental schedules are the responsibility of management and were 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 financial statements 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 March 12, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, P.C.
Austin, Texas

March 12, 2014

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Management's Discussion and Analysis

As management of the City of Jonestown, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City of Jonestown, Texas exceeded its liabilities at the close of the most recent fiscal year by \$7,840,943 (*net position*). Of this amount, \$2,919,346 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$657,931 primarily because revenues far exceeded expenditures in the current year in the General Fund and an extraordinary inflow related to a litigation settlement was realized in the current year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,062,057, an increase of \$664,049 in comparison with the prior year. Approximately 57% of this amount, or \$1,746,503 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$1,746,503, or approximately 91.9% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, 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 City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, sanitation, and culture and recreation. The business-type activities of the City include a water/wastewater utility operation.

The government-wide financial statements can be found on pages 11-13 of this report.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten 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 which is considered to be a major fund. Data from the other nine governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary Funds. The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for the Plaza Enterprise fund, Northshore Wastewater Utility System fund and the Capital Improvements Developer Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Plaza Enterprise fund, Northshore Wastewater Utility System fund and the Capital Improvements Developer fund, all of which are reported as major funds of the City.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City does not maintain any fiduciary funds.

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

The notes to the financial statements can be found on pages 22-38 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 39 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 40-43 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,840,943 at the close of the most recent fiscal year.

**City of Jonestown, Texas
Summary of Net Position**

	Governmental Activities 2013	Governmental Activities 2012	Change	Business- Type Activities 2013	Business- Type Activities 2012	Change
Current & other assets	\$ 3,271,356	\$ 2,657,684	\$ 613,672	\$ 3,218,158	\$ 9,135,476	\$ (5,917,318)
Capital assets	3,375,886	3,582,674	(206,788)	2,232,568	2,293,856	(61,288)
Total assets	6,647,242	6,240,358	406,884	5,450,726	11,429,332	(5,978,606)
Current liabilities	100,743	113,050	(12,307)	2,801,950	8,854,129	(6,052,179)
Long-term liabilities	1,354,332	1,485,982	(131,650)	-	-	-
Total liabilities	1,455,075	1,599,032	(143,957)	2,801,950	8,854,129	(6,052,179)
Net Position						
Net investment in capital assets	2,070,886	2,137,674	(66,788)	2,232,568	2,289,380	(56,812)
Restricted	604,339	460,241	144,098	13,804	13,804	-
Unrestricted	2,516,942	2,043,411	473,531	402,404	272,019	130,385
Total net position	\$ 5,192,167	\$ 4,641,326	\$ 550,841	\$ 2,648,776	\$ 2,575,203	\$ 73,573

By far, the largest portion of the City’s net position (54.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (7.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,919,346 is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City’s overall net position increased by \$657,931 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$584,358 from the prior fiscal year for an ending balance of \$5,192,167. While current economic conditions certainly had an impact on the City, management was able to take various actions (e.g., increasing rates for certain revenue sources, reducing expenses related to non-essential ongoing programs) that neutralized its effect on governmental activities. The increase in the overall net position of governmental activities is the result of revenues far exceeded expenditures in the current year in the General Fund and an extraordinary inflow related to a litigation settlement that was realized in the current year.

**City of Jonestown, Texas
Summary of Changes in Net Position**

	Governmental Activities 2013	Governmental Activities 2012	Change	Business- Type Activities 2013	Business- Type Activities 2012	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 8,055	\$ 138,626	\$ (130,571)	\$ 313,770	\$ 122,866	\$ 190,904
Operating grants & contributions	36,074	2,310	33,764	-	-	-
General Revenues:						
Property taxes	2,227,700	2,181,422	46,278	-	-	-
Other taxes	257,977	253,491	4,486	-	-	-
Grants and contributions not restricted to specific programs	2,021	7,745	(5,724)	-	-	-
Other	133,748	18,404	115,344	4,980	61,398	(56,418)
Total revenue	2,665,575	2,601,998	63,577	318,750	184,264	134,486
Expenses:						
General government	850,349	1,180,759	(330,410)	-	-	-
Public safety	794,155	790,865	3,290	-	-	-
Highways and streets		1,299	(1,299)	-	-	-
Public works	274,281	270,192	4,089	-	-	-
Culture and recreation	250,670	301,722	(51,052)	-	-	-
Interest on long-term debt	30,548	71,350	(40,802)	-	-	-
Plaza enterprise fund		-	-	43,344	96,056	(52,712)
Northshore wastewater utility fund	-	-	-	187,962	58,612	129,350
Capital improvements developer fund	-	-	-	321	-	321
Total expenses	2,200,003	2,616,187	(416,184)	231,627	154,668	76,959
Increase (decrease) in net position before transfers & other items	465,572	(14,189)	479,761	87,123	29,596	57,527
Transfers	13,550	(39,368)	52,918	(13,550)	39,368	(52,918)
Extraordinary item-settlement proceeds	105,236	-	105,236	-	-	-
Increase (decrease) in net position	584,358	(53,557)	637,915	73,573	68,964	4,609
Net position - beginning	4,607,809	4,694,883	(87,074)	2,575,203	2,506,239	68,964
Net position - ending	\$ 5,192,167	\$ 4,641,326	\$ 550,841	\$2,648,776	\$2,575,203	\$ 73,573

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$2,648,776. The total increase in net position for business-type activities was \$73,573 or 2.9% from the prior fiscal year. The growth, in large part, is attributable to the realization of prior year deferred revenue in the current year. As a result, charges for services in the Northshore Wastewater Utility System Fund increased \$190,903, over the previous year's amount.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2013, the City's governmental funds reported combined fund balances of \$3,062,057, an increase of \$664,049 in comparison with the prior year. Approximately 69.1% of this amount (\$2,116,503) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$0), 2) legally required to be maintained intact (\$0), 3) restricted for particular purposes (\$594,761), 4) committed for particular purposes (\$350,793), or 5) assigned for particular purposes (\$0).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,116,503, while total fund balance increased to \$2,118,334. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 111.3 percent of total general fund expenditures, while total fund balance represents approximately 111.4 percent of that same amount.

The fund balance of the City's General Fund fund balance increased by \$433,567 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to revenues far exceeding expenditures in the current year and an extraordinary inflow related to a litigation settlement was realized in the current year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

Unrestricted net position of the Northshore WW Utility System Fund at the end of the year was \$280,148 and for the Plaza Enterprise Fund was \$118,601. The total growth in net position for both funds was \$47,613 and \$22,305, respectively. As noted earlier in the discussion of business-type activities, the increase for the Northshore WW Utility System Fund resulted from an increase in operations and a realization of prior year deferred revenue in the current year. The increase in the Plaza Enterprise Fund resulted from less than anticipated expenses in this fund.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$5,608,454 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total decrease in capital assets for the current fiscal year was approximately 4.6%.

City of Jonestown, Texas' Capital Assets

	Governmental Activities 2013	Governmental Activities 2012	Change
Land	\$ 108,204	\$ 108,204	\$ -
Buildings and Improvements	1,578,820	1,578,820	-
Furniture and Equipment	1,088,922	1,088,922	-
Construction in Progress	202,954	202,954	-
Infrastructure	2,053,916	2,085,054	(31,138)
Total	5,032,816	5,063,954	(31,138)
Less Accumulated Depreciation	(1,656,930)	(1,481,280)	(175,650)
Capital assets, net of depreciation	\$ 3,375,886	\$ 3,582,674	\$ (206,788)

	Business-Type Activities 2013	Business-Type Activities 2012	Change
Land	\$ 407,360	\$ 407,360	\$ -
Buildings and Improvements	2,420,993	2,420,993	-
Construction in Progress	-	4,476	(4,476)
Total	2,828,353	2,832,829	(4,476)
Less Accumulated Depreciation	(595,785)	(538,973)	(56,812)
Capital assets, net of depreciation	\$ 2,232,568	\$ 2,293,856	\$ (61,288)

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Additional information on the City’s capital assets can be found in Note IV.D on pages 32-33 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,305,000. The remainder of the City’s long-term obligations comprises compensated absences due to employees.

City of Jonestown, Texas’ Outstanding Debt

	Governmental Activities 2013	Governmental Activities 2012	Change
General Obligation Bonds	\$ 1,305,000	\$ 1,445,000	\$ (140,000)
Compensated Absences	49,332	40,982	8,350
Total	<u>\$ 1,354,332</u>	<u>\$ 1,485,982</u>	<u>\$ (131,650)</u>

The City’s total debt decreased by \$131,650, (8.9 percent) during the current fiscal year. The reason for the decrease was regularly scheduled principal reductions on the existing outstanding debt were paid as scheduled.

Additional information on the City’s long-term debt can be found in Note IV.H on page 36-37 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following economic factors currently affect the City of Jonestown, Texas and were considered in developing the 2013-2014 fiscal year budget.

- Declines in the taxable assessed value as a percentage of estimated actual value and resulting decreases in property assessments will continue to affect the City of Jonestown, Texas real property tax base.
- Drought conditions are anticipated to continue which will continue to cause an economic strain on the area.
- Interest rates are expected to remain at record low levels throughout fiscal year 2013-2014.
- Departmental budget reductions were implemented in recognition of the decline in revenues as a result of the current recession.

Requests for Information

This financial report is designed to provide a general overview of the City’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 the Office of the Finance Director, 18649 FM 1431, City of Jonestown, Texas, 78645.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF JONESTOWN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,096,586	\$ 1,694,912	\$ 4,791,498
Taxes receivable - delinquent	80,546	-	80,546
Accounts receivable, net	94,063	12,863	106,926
Inventories	161	-	161
Prepaid items	-	1,510,000	1,510,000
Other assets	-	383	383
Capital assets, not being depreciated:			
Land	108,204	407,360	515,564
Construction in progress	202,954	-	202,954
Capital assets, being depreciated:			
Buildings and improvements	1,578,820	2,420,993	3,999,813
Machinery, equipment, and vehicles	1,088,922	-	1,088,922
Infrastructure	2,053,916	-	2,053,916
Accumulated depreciation	(1,656,930)	(595,785)	(2,252,715)
Total Assets	<u>6,647,242</u>	<u>5,450,726</u>	<u>12,097,968</u>
LIABILITIES			
Accounts payable	52,354	9,968	62,322
Accrued salaries and benefits	21,100	-	21,100
Accrued liabilities	-	2,776,457	2,776,457
Accrued interest payable	2,355	1,027	3,382
Other current liabilities	24,934	1,748	26,682
Customer deposits	-	12,750	12,750
Noncurrent liabilities:			
Due within one year	145,000	-	145,000
Due in more than one year	1,209,332	-	1,209,332
Total Liabilities	<u>1,455,075</u>	<u>2,801,950</u>	<u>4,257,025</u>
NET POSITION			
Net investment in capital assets	2,070,886	2,232,568	4,303,454
Restricted for courts	52,183	-	52,183
Restricted for debt service	164,488	13,804	178,292
Restricted for parks	3,620	-	3,620
Restricted for capital projects	308,205	-	308,205
Restricted for other specific purposes	75,843	-	75,843
Unrestricted	2,516,942	402,404	2,919,346
Total Net Position	<u>\$ 5,192,167</u>	<u>\$ 2,648,776</u>	<u>\$ 7,840,943</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JONESTOWN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 850,349	\$ -	\$ -
Public safety	794,155	-	990
Highways and streets	-	-	35,084
Public works	274,281	-	-
Culture and recreation	250,670	8,055	-
Interest	30,548	-	-
Total Governmental Activities	<u>2,200,003</u>	<u>8,055</u>	<u>36,074</u>
Business-type activities:			
Plaza enterprise fund	43,344	65,643	-
Northshore wastewater utility fund	187,962	248,127	-
Capital improvements developer fund	321	-	-
Total Business-Type Activities	<u>231,627</u>	<u>313,770</u>	<u>-</u>
Total primary government	<u>\$ 2,431,630</u>	<u>\$ 321,825</u>	<u>\$ 36,074</u>
General Revenues:			
Property taxes			
Sales taxes			
Hotel/motel taxes			
Franchise taxes			
Contributions and donations from private sources			
Investment earnings			
Gain on sale of capital assets			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Extraordinary item - settlement proceeds			
Change in Net Position			
Net Position -- Beginning (Restated)			
Net Position -- Ending			

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activites	Total
\$ (850,349)	\$ -	\$ (850,349)
(793,165)	-	(793,165)
35,084	-	35,084
(274,281)	-	(274,281)
(242,615)	-	(242,615)
(30,548)	-	(30,548)
<u>(2,155,874)</u>	<u>-</u>	<u>(2,155,874)</u>
-	22,299	22,299
-	60,165	60,165
-	(321)	(321)
-	82,143	82,143
<u>(2,155,874)</u>	<u>82,143</u>	<u>(2,073,731)</u>
2,227,700	-	2,227,700
94,046	-	94,046
32,715	-	32,715
131,216	-	131,216
2,021	-	2,021
1,450	719	2,169
4,500	-	4,500
127,798	4,261	132,059
13,550	(13,550)	-
<u>2,634,996</u>	<u>(8,570)</u>	<u>2,626,426</u>
105,236	-	105,236
584,358	73,573	657,931
4,607,809	2,575,203	7,183,012
<u>\$ 5,192,167</u>	<u>\$ 2,648,776</u>	<u>\$ 7,840,943</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF JONESTOWN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,158,535	\$ 938,051	\$ 3,096,586
Taxes receivable - delinquent	70,968	9,578	80,546
Accounts receivable	51,593	12,105	63,698
Inventories	-	161	161
Total Assets	\$ 2,281,096	\$ 959,895	\$ 3,240,991
LIABILITIES			
Accounts payable	\$ 50,535	\$ 1,819	\$ 52,354
Salaries and benefits payable	21,100	-	21,100
Other current liabilities	20,159	4,775	24,934
Total Liabilities	91,794	6,594	98,388
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - property taxes	70,968	9,578	80,546
Total deferred inflows of resources	70,968	9,578	80,546
FUND BALANCES (DEFICITS)			
Restricted for:			
Courts	-	52,183	52,183
Debt service	-	154,910	154,910
Parks	-	3,620	3,620
Capital projects	-	308,205	308,205
Other specific purposes	1,831	74,012	75,843
Committed for:			
Streets	-	310,771	310,771
Parks	-	40,022	40,022
Capital projects	370,000	-	370,000
Unassigned	1,746,503	-	1,746,503
Total Fund Balances	2,118,334	943,723	3,062,057
Total liabilities, deferred inflows, and fund balances	\$ 2,281,096	\$ 959,895	\$ 3,240,991

The notes to the financial statements are an integral part of this statement.

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

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 3,062,057
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,375,886
Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	80,546
Uncollected municipal court fines for the period of 9/1/2005 - 9/30/2013 of \$60,730 net of allowance of \$30,365 are not an available resource and, therefore, are not reported in the funds.	30,365
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,356,687)
Net position of governmental activities	<u>\$ 5,192,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JONESTOWN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 2,061,019	\$ 170,800	\$ 2,231,819
Sales taxes	94,046	-	94,046
Hotel/motel taxes	-	32,715	32,715
Franchise taxes	131,216	-	131,216
Licenses and permits	73,810	-	73,810
Intergovernmental revenues	990	35,084	36,074
Charges for services	3,098	4,957	8,055
Fines	45,219	2,406	47,625
Investment earnings	1,445	5	1,450
Contributions and donations, private sources	400	1,621	2,021
Miscellaneous revenue	3,548	3,501	7,049
Total revenues	<u>2,414,791</u>	<u>251,089</u>	<u>2,665,880</u>
EXPENDITURES			
Current:			
General government	753,574	9,745	763,319
Public safety:			
Police	587,067	-	587,067
Inspection	117,696	11,515	129,211
Public works	229,941	18,095	248,036
Culture and recreation:			
Golf courses	-	8,161	8,161
Parks	135,735	5,433	141,168
Libraries	77,355	-	77,355
Debt service:			
Bond principal	-	140,000	140,000
Interest - bonds	-	30,800	30,800
Total expenditures	<u>1,901,368</u>	<u>223,749</u>	<u>2,125,117</u>
Excess (deficiency) of revenue over expenditures	<u>513,423</u>	<u>27,340</u>	<u>540,763</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	13,550	198,642	212,192
Transfers out	(198,642)	-	(198,642)
Sale of general capital assets	-	4,500	4,500
Extraordinary item - settlement proceeds	105,236	-	105,236
Total Other Financing Sources (Uses)	<u>(79,856)</u>	<u>203,142</u>	<u>123,286</u>
Net Change in Fund Balance	433,567	230,482	664,049
Fund Balance - Beginning	1,684,767	713,241	2,398,008
Fund Balance - Ending	<u>\$ 2,118,334</u>	<u>\$ 943,723</u>	<u>\$ 3,062,057</u>

The notes to the financial statements are an integral part of this statement.

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

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 664,049
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(206,788)
--	-----------

Other changes in long-term assets, such as property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	(4,119)
---	---------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	131,902
--	---------

Uncollected municipal court fines are not an available resource and, therefore, are not reported in the funds. This is the amount by which municipal court fines receivable decreased during the year.	(686)
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	\$ 584,358
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The notes to the financial statements are an integral part of this statement.

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

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,001,304	\$ 2,001,304	\$ 2,061,019	\$ 59,715
Sales taxes	95,000	95,000	94,046	(954)
Franchise taxes	128,000	128,000	131,216	3,216
Licenses and permits	60,900	60,900	73,810	12,910
Intergovernmental revenues	-	-	990	990
Charges for services	6,500	6,500	3,098	(3,402)
Fines	51,720	51,720	45,219	(6,501)
Investment earnings	1,200	1,200	1,445	245
Contributions and donations, private sources	-	-	400	400
Miscellaneous revenue	1,800	1,800	3,548	1,748
Total revenues	<u>2,346,424</u>	<u>2,346,424</u>	<u>2,414,791</u>	<u>68,367</u>
EXPENDITURES				
Current:				
General government	764,835	895,953	753,574	142,379
Public safety:				
Police	771,631	684,797	587,067	97,730
Inspection	165,172	165,172	117,696	47,476
Public works	229,451	249,451	229,941	19,510
Culture and recreation:				
Parks	149,888	149,888	135,735	14,153
Libraries	128,912	78,402	77,355	1,047
Total Expenditures	<u>2,209,889</u>	<u>2,223,663</u>	<u>1,901,368</u>	<u>322,295</u>
Excess (deficiency) of revenues over expenditures	<u>136,535</u>	<u>122,761</u>	<u>513,423</u>	<u>390,662</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,550	13,550	13,550	-
Transfers out	(203,840)	(203,840)	(198,642)	5,198
Extraordinary items - settlement proceeds	-	-	105,236	105,236
Total Other Financing Sources (Uses)	<u>(190,290)</u>	<u>(190,290)</u>	<u>(79,856)</u>	<u>110,434</u>
Net Change in Fund Balances	(53,755)	(67,529)	433,567	501,096
Fund balance - beginning	1,684,767	1,684,767	1,684,767	-
Fund balance - ending	<u>\$ 1,631,012</u>	<u>\$ 1,617,238</u>	<u>\$ 2,118,334</u>	<u>\$ 501,096</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JONESTOWN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-Type Activities			Total Proprietary Funds
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 138,005	\$ 286,591	\$ 1,270,316	\$ 1,694,912
Accounts receivable, net	-	12,863	-	12,863
Prepaid items	-	-	1,510,000	1,510,000
Other assets	383	-	-	383
Total current assets	<u>138,388</u>	<u>299,454</u>	<u>2,780,316</u>	<u>3,218,158</u>
Noncurrent Assets:				
Land purchase and improvements	120,000	287,360	-	407,360
Buildings	244,144	-	-	244,144
Improvements other than buildings	202,279	1,974,570	-	2,176,849
Accumulated depreciation	(398,237)	(197,548)	-	(595,785)
Total noncurrent assets	<u>168,186</u>	<u>2,064,382</u>	<u>-</u>	<u>2,232,568</u>
Total assets	<u>306,574</u>	<u>2,363,836</u>	<u>2,780,316</u>	<u>5,450,726</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,956	3,803	1,209	9,968
Accrued liabilities	-	1,005	2,775,452	2,776,457
Accrued interest payable	1,027	-	-	1,027
Other current liabilities	-	1,748	-	1,748
Customer deposits	-	12,750	-	12,750
Total liabilities	<u>5,983</u>	<u>19,306</u>	<u>2,776,661</u>	<u>2,801,950</u>
NET POSITION				
Net investment in capital assets	168,186	2,064,382	-	2,232,568
Restricted for debt service	13,804	-	-	13,804
Unrestricted	118,601	280,148	3,655	402,404
Total net position	<u>\$ 300,591</u>	<u>\$ 2,344,530</u>	<u>\$ 3,655</u>	<u>\$ 2,648,776</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JONESTOWN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities			Total Proprietary Funds
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	
Operating revenues:				
Charges for services:				
Sewerage service	\$ -	\$ 244,377	\$ -	\$ 244,377
Other charges for services	65,643	3,750	-	69,393
Miscellaneous revenue	-	725	3,536	4,261
Total operating revenues	<u>65,643</u>	<u>248,852</u>	<u>3,536</u>	<u>318,031</u>
Operating expenses:				
Purchased prof. and technical services	7,000	109,193	270	116,463
Purchased property services	28,870	25,780	-	54,650
Materials and supplies	-	2,463	-	2,463
Other operating expenses	-	1,188	51	1,239
Depreciation	7,474	49,338	-	56,812
Total operating expenses	<u>43,344</u>	<u>187,962</u>	<u>321</u>	<u>231,627</u>
Operating income (loss)	22,299	60,890	3,215	86,404
Nonoperating revenues (expenses):				
Investment earnings	6	273	440	719
Total nonoper. revenues (expenses)	<u>6</u>	<u>273</u>	<u>440</u>	<u>719</u>
Income before transfers in (out)	22,305	61,163	3,655	87,123
Transfers out	-	(13,550)	-	(13,550)
Change in net position	22,305	47,613	3,655	73,573
Net position-beginning	278,286	2,296,917	-	2,575,203
Net position-ending	<u>\$ 300,591</u>	<u>\$ 2,344,530</u>	<u>\$ 3,655</u>	<u>\$ 2,648,776</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF JONESTOWN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities			Total Proprietary Funds
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 65,643	\$ 248,851	\$ -	\$ 314,494
Payments to suppliers and service providers	(33,647)	(227,433)	(1,513,231)	(1,774,311)
Payments of funds held in escrow	-	-	(5,954,668)	(5,954,668)
Net cash provided by (used for) operating activities	<u>31,996</u>	<u>21,418</u>	<u>(7,467,899)</u>	<u>(7,414,485)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	(13,550)	-	(13,550)
Net cash provided by (used for) capital and financing activities	<u>-</u>	<u>(13,550)</u>	<u>-</u>	<u>(13,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	6	271	440	717
Net cash provided by investing activities	<u>6</u>	<u>271</u>	<u>440</u>	<u>717</u>
Net increase (decrease) in cash and cash equivalents	32,002	8,139	(7,467,459)	(7,427,318)
Cash and cash equivalents-beginning	<u>106,003</u>	<u>278,452</u>	<u>8,737,775</u>	<u>9,122,230</u>
Cash and cash equivalents-ending	<u>\$ 138,005</u>	<u>\$ 286,591</u>	<u>\$ 1,270,316</u>	<u>1,694,912</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:				
Operating income (loss)	<u>\$ 22,299</u>	<u>\$ 60,890</u>	<u>\$ 3,215</u>	<u>\$ 86,404</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	7,474	49,338	-	56,812
(Increase) decrease in prepaid items	-	-	(1,510,000)	(1,510,000)
(Decrease) increase in accounts payable	2,223	832	(3,231)	(176)
(Decrease) increase in accrued liabilities	-	(89,642)	(5,954,347)	(6,043,989)
Total adjustments	<u>9,697</u>	<u>(39,472)</u>	<u>(7,467,578)</u>	<u>(7,497,353)</u>
Net cash provided by (used for) operating activities	<u>\$ 31,996</u>	<u>\$ 21,418</u>	<u>\$ (7,464,363)</u>	<u>\$ (7,410,949)</u>

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. Summary of significant accounting policies

A. Description of government-wide 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Jonestown, Texas (government) is a municipal corporation governed by an elected mayor and six-member governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. 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 government. The City does not report any component units.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The government reports the following major enterprise funds:

The *northshore wastewater utility system fund* accounts for sewerage services provided to customers and related costs of operations.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

The *plaza enterprise fund* accounts for revenues earned and expenses incurred required to provide the rental of the plaza building.

The *capital improvements-developer fund* accounts for the expenditures and restricted assets related to pending subdivision improvements.

Additionally, the government reports the following fund types:

Special revenue funds account for resources restricted, committed, or assigned for specific purposes by the City or outside grantors in order to have more transparent accountability.

The *capital projects fund* accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

The 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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2. Excess of expenditures over appropriations

For the year ended September 30, 2013, expenditures did not exceed appropriations in any department (the legal level of budgetary control).

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools, when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	5-40
Machinery and equipment	5-10
Vehicles	5-7
Improvements	5-40
Infrastructure	10-40

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. *Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2012, upon which the levy for the 2012-2013 fiscal year was based, was \$386,132,383. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2013, to finance General Fund and Debt Service Fund operations were \$.5311 and \$.0439, respectively, for a total tax rate of \$.575 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2012-2013 fiscal year was \$2,206,755. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2013, were 100.4% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. No allowances for uncollectible taxes are made in the General and Debt Service Funds.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. *Compensated absences*

Vacation

The City has recorded the value of earned but unused compensated absences from its governmental fund activities by employees as an accrued liability in the Statement of Net Position. The annual budgets of the operating funds provide funding for these benefits as they become payable and costs are expensed as the liability is liquidated. There was a balance of \$49,332 in accrued compensated absences at September 30, 2013 related to the City's governmental fund activities.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the government and, upon separation from service, no monetary obligation exists.

4. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and electric fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this amount are shown as follows on the following page:

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Capital assets not being depreciated:	
Land	\$ 108,204
Construction in progress	202,954
Capital assets, being depreciated:	
Buildings and improvements	1,578,820
Machinery, equipment, and vehicles	1,088,922
Infrastructure	2,053,916
Accumulated depreciation	<u>(1,656,930)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 3,375,886</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this amount are as follows:

Bonds payable	\$ 1,305,000
Compensated absences	49,332
Accrued interest payable	<u>2,355</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 1,356,687</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this amount are as follows:

Depreciation expense	<u>\$ (206,788)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (206,788)</u>

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this amount are as follows:

Debt issued or incurred:	
Increase in compensated absences	\$ (8,350)
Principal repayments:	
General obligation debt	140,000
Other debt related items:	
Increase in accrued interest payable	252
Net adjustment to decrease <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 131,902

III. Stewardship, compliance and accountability

A. Violations of legal or contractual provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit fund equity

For the year ended September 30, 2013 there were no funds reported with deficit fund equity.

IV. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2013, the government’s bank balance was \$4,796,583 all of which was insured because it was collateralized with securities held by the pledging or financial institution’s trust department or agent, but not in the government’s name.

B. Investments

The State Treasurer’s Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

As of September 30, 2013, the government had no investments.

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs.

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 70,968	\$ 9,578	\$ 80,546
Accounts receivable	51,593	12,105	63,698
Total receivables	\$ 122,561	\$ 21,683	\$ 144,244

Proprietary Funds:

Receivables	Northshore WW Utility System Fund	Total Proprietary Funds
Accounts receivable	12,863	12,863
Total receivables	\$ 12,863	\$ 12,863

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

D. Capital Assets

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

Governmental Activities:

	Balance 10/1/12	Increases	Decreases	Balance 9/30/13
Capital assets, not being depreciated:				
Land	\$ 108,204	\$ -	\$ -	\$ 108,204
Construction-in-progress	202,954	-	-	202,954
Total capital assets, not being depreciated	<u>311,158</u>	<u>-</u>	<u>-</u>	<u>311,158</u>
Capital assets, being depreciated:				
Buildings and improvements	1,578,820	-	-	1,578,820
Machinery, equipment, and vehicles	1,088,922	-	-	1,088,922
Infrastructure	2,085,054	-	(31,138)	2,053,916
Total capital assets, being depreciated	<u>4,752,796</u>	<u>-</u>	<u>(31,138)</u>	<u>4,721,658</u>
Less accumulated depreciation for:				
Buildings and improvements	(255,296)	(47,693)	-	(302,989)
Machinery, equipment, and vehicles	(788,244)	(104,573)	-	(892,817)
Infrastructure	(437,740)	(54,522)	31,138	(461,124)
Total accumulated depreciation	<u>(1,481,280)</u>	<u>(206,788)</u>	<u>31,138</u>	<u>(1,656,930)</u>
Total capital assets being depreciated, net	<u>3,271,516</u>	<u>(206,788)</u>	<u>-</u>	<u>3,064,728</u>
Governmental activities capital assets, net	<u>\$ 3,582,674</u>	<u>\$ (206,788)</u>	<u>\$ -</u>	<u>\$ 3,375,886</u>

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

Governmental activities:

General government	\$ 80,767
Public safety	75,790
Public works	26,245
Culture and recreation	23,986
Total depreciation expense - governmental activities	<u>\$ 206,788</u>

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Business-Type Activities:

	Balance 10/1/12	Increases	Decreases	Balance 9/30/13
Capital assets, not being depreciated:				
Land	\$ 407,360	\$ -	\$ -	\$ 407,360
Construction-in-progress	4,476	-	-	-
Total capital assets, not being depreciated	411,836	-	-	407,360
Capital assets, being depreciated:				
Buildings and improvements	2,420,993	-	-	2,420,993
Total capital assets, being depreciated	2,420,993	-	-	2,420,993
Less accumulated depreciation for:				
Buildings and improvements	(538,973)	(56,812)	-	(595,785)
Total accumulated depreciation	(538,973)	(56,812)	-	(595,785)
Total capital assets being depreciated, net	1,882,020	(56,812)	-	1,825,208
Business-type activities capital assets, net	\$ 2,293,856	\$ (56,812)	\$ -	\$ 2,232,568

E. Accrued liabilities

Accrued liabilities reported by governmental and proprietary funds at September 30, 2013, were as follows:

Governmental Funds:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salaries and benefits	\$ 21,100	\$ -	\$ 21,100
Other	20,159	4,775	24,934
Total accrued liabilities	\$ 41,259	\$ 4,775	\$ 46,034

Proprietary Funds:

	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
Interest payable	\$ 1,027	\$ -	\$ -	\$ 1,027
Other current liabilities	-	2,753	2,775,452	2,778,205
Total accrued liabilities	\$ 1,027	\$ 2,753	\$ 2,775,452	\$ 2,779,232

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

F. Pension obligations

Texas Municipal Retirement System (TMRS)

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2012	Plan Year 2013
Employee Deposit Rate	5%	5%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	22.3 years; closed period	21.5 years; closed period	20.6 years; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.00%	7.00%	7.00%
Projected Salary Increases*	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of Living Adjustments	3.0%	3.0%	3.0%
	0.0%	0.0%	0.0%

The funded status as of September 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(c)	(d)	(e)	(f)
			(a) / (b)	(b) - (a)		(d) / (e)
12/31/2012	\$ 724,288	\$ 875,497	82.7%	\$ 151,209	\$1,224,287	12.4%

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

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

G. Risk management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which it carries commercial insurance. The City uses various commercial carriers to insure against these risks. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

H. Long-Term Liabilities

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

Details of long-term debt obligations outstanding at September 30, 2013 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/13
Bonds Payable					
General Obligation Refunding Bonds, Series 2012	2012	\$ 1,445,000	2.24%	2028	\$ 1,305,000
Total Bonds Payable					<u>\$ 1,305,000</u>

Changes in long-term liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2013 are as follows:

Governmental Activities:

Governmental Activities

Description	Balance 10/1/12	Additions	Deletions	Balance 9/30/13	Due in One Year
Bonds Payable					
General obligation bonds	\$ 1,445,000	\$ -	\$ (140,000)	\$ 1,305,000	\$ 145,000
Total bonds payable	1,445,000	-	(140,000)	1,305,000	145,000
Compensated absences	40,982	8,350	-	49,332	-
Governmental activities long-term liabilities	<u>\$ 1,485,982</u>	<u>\$ 8,350</u>	<u>\$ (140,000)</u>	<u>\$ 1,354,332</u>	<u>\$ 145,000</u>

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

The debt service requirements for the government’s bonds, loans, and notes are as follows:

Year Ended September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2014	\$ 145,000	\$ 172,608
2015	145,000	169,360
2016	150,000	171,056
2017	155,000	172,640
2018	160,000	174,112
2019-2023	260,000	307,376
2024-2028	290,000	306,576
Totals	\$ 1,305,000	\$ 1,473,728

I. Interfund receivables and payables

The City had no interfund receivables or payables as of September 30, 2013.

J. Interfund transfers

The composition of interfund transfers for the year ended September 30, 2013 is as follows:

	Governmental Funds		
	General Fund	Nonmajor gov. funds	Total
	Transfer out from:		
General fund	\$ -	\$ 198,642	\$ 198,642
Plaza Enterprise Fund	13,550	-	13,550
Total	\$ 13,550	\$ 198,642	\$ 212,192

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements and 2) move general fund resources to provide subsidies to other funds as needs arise.

K. Litigation

As of year end, there was no litigation against the City that met the requirements for disclosure.

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

L. Restatement of Net Position

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65) which is effective for periods beginning after December 15, 2012, with early application encouraged. This statement specifies that costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt. These costs should instead be recognized as an expense in the period incurred. Accounting changes to comply with this statement should be applied retroactively by restating financial statements for all periods presented. If restatement is impractical, the cumulative effect of applying this statement should be reported as a restatement of beginning net position for the earliest period presented.

The impact of these restatements is shown below:

	<u>Statement of Activities</u>
	<u>Governmental</u>
	<u>Activities</u>
Net Position as Previously Stated at September 30, 2012	\$ 4,641,326
Cumulative Effect of Change in Accounting Principle Related to Removal of Deferred Bond Issuance Costs from the Statement of Net Position	(33,517)
Net Position as Restated at September 30, 2012	\$ 4,607,809

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF JONESTOWN, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Texas Municipal Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(c)	(d)	(e)	(f)
			(a) / (b)	(a) - (b)		(d) / (e)
12/31/2010	\$ 470,173	\$ 670,755	70.1%	\$ 200,582	\$ 1,044,850	19.2%
12/31/2011	605,184	809,685	74.7%	204,501	1,141,705	17.9%
12/31/2012	724,288	875,497	82.7%	151,209	1,224,287	12.4%

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Court Restricted Fund- to account for the resources collected and related expenditures that are legally restricted for court security purposes.

Streets Fund – to account for the resources set aside by the City and related expenditures for the maintenance of the City’s streets.

Capital Metro Fund – to account for the resources and related expenditures related to Capital Metro funding.

Parks Fund – to account for the operating revenues and the costs of operations related to the City’s parks.

Wind Energy Project Fund – to account for the resources and costs of maintaining the resources related to the Wind Energy grant project.

Ione Jones Library Fund – to account for the donations and the use of donated funds restricted for the use of maintaining the City’s library.

Hotel Occupancy Tax Fund – to account for the hotel occupancy tax revenue and related tourism expenditures.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of government funds.

Capital Expenditures Fund

The capital expenditures fund is used to account for the acquisition and construction of the government’s major capital facilities, other than those financed by proprietary funds.

CITY OF JONESTOWN, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds				
	Court Restricted Fund	Streets Fund	Capital Metro Fund	Parks Fund	Wind Energy Project Fund
ASSETS					
Cash and cash equivalents	\$ 52,440	\$ 310,771	\$ 23,879	\$ 49,026	\$ -
Taxes receivable - delinquent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Inventories	-	-	-	161	-
Total Assets	<u>\$ 52,440</u>	<u>\$ 310,771</u>	<u>\$ 23,879</u>	<u>\$ 49,187</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 257	\$ -	\$ 310	\$ 1,055	\$ -
Other current liabilities	-	-	-	4,490	-
Total Liabilities	<u>257</u>	<u>-</u>	<u>310</u>	<u>5,545</u>	<u>-</u>
DEF. INFLOWS OF RESOURCES					
Deferred inflows of resources - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Courts	52,183	-	-	-	-
Debt service	-	-	-	-	-
Parks	-	-	-	3,620	-
Capital projects	-	-	-	-	-
Other specific purposes	-	-	23,569	-	-
Committed for:					
Streets	-	310,771	-	-	-
Parks	-	-	-	40,022	-
Total Fund Balances	<u>52,183</u>	<u>310,771</u>	<u>23,569</u>	<u>43,642</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 52,440</u>	<u>\$ 310,771</u>	<u>\$ 23,879</u>	<u>\$ 49,187</u>	<u>\$ -</u>

Special Revenue Funds				Total
Ione Jones Library Fund	Hotel Occupancy Tax Fund	Debt Service Fund	Capital Expenditures Fund	Non-Major Governmental Funds
\$ 8,847	\$ 29,973	\$ 154,910	\$ 308,205	\$ 938,051
-	-	9,578	-	9,578
-	12,105	-	-	12,105
-	-	-	-	161
<u>\$ 8,847</u>	<u>\$ 42,078</u>	<u>\$ 164,488</u>	<u>\$ 308,205</u>	<u>\$ 959,895</u>
\$ 197	\$ -	\$ -	\$ -	\$ 1,819
285	-	-	-	4,775
<u>482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,594</u>
-	-	9,578	-	9,578
-	-	9,578	-	9,578
-	-	-	-	52,183
-	-	154,910	-	154,910
-	-	-	-	3,620
-	-	-	308,205	308,205
8,365	42,078	-	-	74,012
-	-	-	-	310,771
-	-	-	-	40,022
<u>8,365</u>	<u>42,078</u>	<u>154,910</u>	<u>308,205</u>	<u>943,723</u>
<u>\$ 8,847</u>	<u>\$ 42,078</u>	<u>\$ 164,488</u>	<u>\$ 308,205</u>	<u>\$ 959,895</u>

CITY OF JONESTOWN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds				
	Court Restricted Fund	Streets Fund	Capital Metro Fund	Parks Fund	Wind Energy Project Fund
	REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel taxes	-	-	-	-	-
Intergovernmental revenues	-	-	35,084	-	-
Charges for services	-	-	-	4,210	-
Fines	2,406	-	-	-	-
Investment earnings	-	-	-	-	-
Contributions from private sources	-	-	-	-	-
Miscellaneous revenue	2,751	-	-	-	-
Total revenues	5,157	-	35,084	4,210	-
EXPENDITURES					
Current:					
General government	3,485	-	-	-	6,260
Highways and streets	-	-	11,515	-	-
Health and welfare	-	-	-	-	-
Culture and recreation:					
Parks	-	-	-	8,161	-
Libraries	-	-	-	-	-
Debt service:					
Bond principal	-	-	-	-	-
Interest - bonds	-	-	-	-	-
Total expenditures	3,485	-	11,515	8,161	6,260
Excess (deficiency) of revenues over expenditures	1,672	-	23,569	(3,951)	(6,260)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	92,542	-	-	6,260
Sale of general capital assets	-	-	-	-	-
Total Other Financing Sources (Uses)	-	92,542	-	-	6,260
Net Change in Fund Balance	1,672	92,542	23,569	(3,951)	-
Fund Balance - Beginning	50,511	218,229	-	47,593	-
Fund Balance - Ending	\$ 52,183	\$ 310,771	\$ 23,569	\$ 43,642	\$ -

Special Revenue Funds				Total
Ione Jones Library Fund	Hotel Occupancy Tax Fund	Debt Service Fund	Capital Expenditures Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ 170,800	\$ -	\$ 170,800
-	32,715	-	-	32,715
-	-	-	-	35,084
747	-	-	-	4,957
-	-	-	-	2,406
-	-	5	-	5
1,082	539	-	-	1,621
-	750	-	-	3,501
<u>1,829</u>	<u>34,004</u>	<u>170,805</u>	<u>-</u>	<u>251,089</u>
-	-	-	-	9,745
-	-	-	-	11,515
-	18,095	-	-	18,095
-	-	-	-	8,161
5,433	-	-	-	5,433
-	-	140,000	-	140,000
-	-	30,800	-	30,800
<u>5,433</u>	<u>18,095</u>	<u>170,800</u>	<u>-</u>	<u>223,749</u>
<u>(3,604)</u>	<u>15,909</u>	<u>5</u>	<u>-</u>	<u>27,340</u>
-	-	-	99,840	198,642
-	-	-	4,500	4,500
-	-	-	104,340	203,142
<u>(3,604)</u>	<u>15,909</u>	<u>5</u>	<u>104,340</u>	<u>230,482</u>
<u>11,969</u>	<u>26,169</u>	<u>154,905</u>	<u>203,865</u>	<u>713,241</u>
<u>\$ 8,365</u>	<u>\$ 42,078</u>	<u>\$ 154,910</u>	<u>\$ 308,205</u>	<u>\$ 943,723</u>

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OTHER SUPPLEMENTARY INFORMATION SECTION

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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

To the Honorable Mayor, Members of the City Council and Citizens of
the City of Jonestown, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 City'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*.

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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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Singleton, Clark & Company, PC

Singleton, Clark & Company, P.C.
Austin, Texas

March 12, 2014

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CITY OF JONESTOWN, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2013.

Prior year financial statement findings as required to be restated with current status:

2012-1 Budgetary Overages

Criteria: Each year the City Council adopts an appropriations budget which limits expenditure amounts within specific line items that can be made by management.

Condition Found: As of year-end, actual expenditure amounts in the City Administrator, Libraries and Transfers Out line items of the General Fund exceeded final amended budget amounts by \$1,041, \$13,487, and \$14,833, respectively.

Cause: The City did not make adequate budget amendments at year-end to allow for the excess expenditures in each of these line items.

Effect: The effect of this condition is a technical noncompliance with the legally adopted appropriations budget.

Recommendation: We recommend the City closely monitor expenditure line items and amend the budget as required.

Current Status: This condition was not found as of September 30, 2013.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

