

REPORT OF EXAMINATION

**CITY OF
JONESTOWN**

Jonestown, Texas

**For the Year Ended
September 30, 2009**

CITY OF JONESTOWN, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009

CITY OF JONESTOWN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Aldermen
City of Jonestown, Texas
Jonestown, TX 78641

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, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jonestown's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Jonestown, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (pages 2 through 7) and budgetary comparison information (page 33) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2010 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jonestown's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Neffendorf, Knopp, Doss & Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Fredericksburg, Texas

February 11, 2010

CITY OF JONESTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Jonestown, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2009. Please read it in conjunction with the independent auditors' report on page 1, and City's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 3,623,159 (net assets). Of this amount, \$ 1,353,460 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net assets increased by \$ 570,371 as a result of this year's operations.
- At September 30, 2009, the City's governmental funds reported combined ending fund balances of \$ 2,084,026, a decrease of \$ 538,400 in comparison with the prior year.
- At September 30, 2009, the City's Enterprise Funds reported unrestricted net assets of \$ (12,196), a decrease of \$18,544 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 11) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (General Fund) is presented as required supplementary information on page 34.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity - The City's Plaza enterprise fund is reported as a business-type activity since the rent charged to customers cover the cost of services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's Plaza enterprise fund is a business-type activity and provides both long and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

Net assets of the City's governmental activities increased from \$ 2,936,427 to \$ 3,481,026. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$ 1,365,656 at September 30, 2009. This increase in governmental net assets was the result of several factors. First, the City's expenditures exceeded the revenues by \$ 538,400. Second, the City paid other long-term debt in the amount of \$ 217,963 and acquired capital assets in the amount of \$ 1,000,160. Third, the City recorded depreciation in the amounts of \$ 157,277.

Net assets of the City's business-type activities increased from \$ 116,361 to \$ 142,133. Unrestricted net assets were \$ (12,196) at September 30, 2009. This increase in business-type net assets was the result of net income of \$ 25,772.

Table I
City of Jonestown

NET ASSETS
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2009	2008	2009	2008	2009	2008
Current and Restricted Assets	\$ 2,567	\$ 2,897	\$ 85	\$ 53	\$ 2,652	\$ 2,950
Capital Assets	3,034	2,213	239	269	3,273	2,482
Total Assets	\$ 5,601	\$ 5,110	\$ 325	\$ 322	\$ 5,925	\$ 5,432
Long-Term Liabilities	\$ 1,665	\$ 2,008	\$ 105	\$ 200	\$ 1,770	\$ 2,208
Other Liabilities	455	166	77	6	532	172
Total Liabilities	\$ 2,119	\$ 2,174	\$ 182	\$ 206	\$ 2,302	\$ 2,380
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	\$ 1,248	\$ 213	\$ 84	\$ 68	\$ 1,332	\$ 281
Restricted	868	1,640	70	42	938	1,682
Unrestricted	1,366	1,083	(12)	6	1,353	1,089
Total Net Assets	\$ 3,481	\$ 2,936	\$ 142	\$ 116	\$ 3,623	\$ 3,052

Table II
City of Jonestown

CHANGES IN NET ASSETS
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Charges for Services	\$ 201	\$ 430	\$ 66	\$ 57	\$ 267	\$ 487
Property Taxes	2,060	1,661			2,060	1,661
Sales Tax	108	106			108	106
Franchise Tax	116	110			116	110
Operating Grants & Contributions		14			-	14
Capital Grants & Contributions	70	112			70	112
Grants/Contributions Not Restricted	5	77				77
Investment Earnings	16	67			16	67
Other Taxes	45				45	-
Miscellaneous	24	88	7		30	88
Total Revenue	\$ 2,646	\$ 2,665	\$ 72	\$ 57	\$ 2,713	\$ 2,722
Expenses:						
General Government	\$ 270	\$ 260			\$ 270	\$ 260
Public Safety	640	580			640	580
Public Works	262	264			262	264
Highways and Streets	5				5	-
City Council	1	2			1	2
City Administrator	104	94			104	94
City Secretary	113	130			113	130
Municipal Court	71	55			71	55
Finance	89	67			89	67
Building Inspector and Code Enforcement	163	146			163	146
Tourism	65	43			65	43
Recreation	3				3	-
Parks and Recreation	76	87			76	87
Libraries	96	85			96	85
Plaza Rental			81	113	81	113
Northshore WW Utility System			21		21	-
Debt Service	89	73			89	73
Total Expenses	\$ 2,045	\$ 1,886	\$ 102	\$ 113	\$ 2,148	\$ 1,999
Increase in Net Assets Before						
Transfers & Capital Contributions	\$ 600	\$ 779	\$ (30)	\$ (56)	\$ 570	\$ 723
Transfers	(56)	(58)	56	58	-	-
Total	\$ (56)	\$ (58)	\$ 56	\$ 58	\$ -	\$ -
Net Change	\$ 545	\$ 721	\$ 26	\$ 2	\$ 570	\$ 723
Net Assets, Beginning	2,936	2,215	116	114	3,053	2,329
Net Assets, Ending	\$ 3,481	\$ 2,936	\$ 142	\$ 116	\$ 3,623	\$ 3,052

The cost of all governmental activities this year was \$ 2,045,483. However, as shown in the Statement of Activities on page 9, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,030,350 because the other costs were paid by sales tax (\$ 108,125), franchise tax (\$ 116,182), user charges (\$ 201,236), grants and contributions (\$75,598), miscellaneous (\$ 23,547) and investment income (\$ 16,244).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$ 2,084,026 which is less than last year's total of \$ 2,622,426. Included in this year's total change in fund balance is an increase of \$ 981,961 in the City's General Fund.

The City adopted the General Fund Budget. Actual revenues exceeded the budgeted amounts and actual expenditures were less than the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2009, the City had the following amounts invested in capital assets:

	Governmental		Business-Type		TOTALS	
	Activities		Activities		Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 83	\$ 79	\$ 120	\$ 120	\$ 203	\$ 199
Equipment and Furniture	598	547			598	547
Transportation Equipment	239	202			239	202
Buildings and Improvements	524	472	422	422	947	894
Streets and Improvements	1,612	1,485			1,612	1,485
Construction in Progress	854	136			854	136
Total Capital Assets	\$ 3,911	\$ 2,920	\$ 542	\$ 542	\$ 4,453	\$ 3,463
Less: Accumulated Depreciation	(877)	(724)	(303)	(274)	(1,180)	(998)
Capital Assets, Net	\$ 3,034	\$ 2,196	\$ 239	\$ 268	\$ 3,273	\$ 2,465

This year's major additions included:

	Governmental	Business Type
	Activities	Activities
	\$	\$
Police Building Construction	717,187	-
Park Land	4,573	-
Park Land Improvements	25,158	-
Park Equipment	9,679	-
Police Vehicle	23,982	-
Police Equipment	3,956	-
Tractors	20,330	-
2008 Ford F150 Pickup	13,585	-
Street Improvements	127,010	-
Computers & Software	26,545	-
Other Equipment & Improvements	980	-
Building Improvements	27,175	-
TOTALS	1,000,160	\$ -

More detailed information about the City's capital assets is presented in Note E and F to the financial statements.

Debt

At September 30, 2009, the City had the following outstanding debt:

OUTSTANDING DEBT in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2009	2008	2009	2008	2009	2008
Bonds Payable	\$ 1,734	\$ 1,825	\$ 155	\$ 200	\$ 1,889	\$ 2,025
Notes Payable	56	105	-	-	56	105
Capital Leases Payable	-	78	-	-	-	78
Total Outstanding Debt	\$ <u>1,790</u>	\$ <u>2,008</u>	\$ <u>155</u>	\$ <u>200</u>	\$ <u>1,945</u>	\$ <u>2,208</u>

For governmental activities, the City paid \$217,963 on outstanding long-term debt.

For business-type activities, the City paid \$45,000 on outstanding long-term debt.

More detailed information about the City's long-term liabilities is presented in Notes G, H, I and J to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget and tax rates. The major factors are the economy and population growth. These indicators were taken into account when adopting the General Fund budget for 2010. Amounts available for appropriation in the General Fund budget are \$2,609,461 and expenditures are estimated to be \$2,548,282.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by \$61,179 for 2010 (use of prior year reserves).

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Jonestown, Jonestown, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF JONESTOWN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,016,193	\$ (7,248)	\$ 2,008,945
Investments - Current	273,659	-	273,659
Receivables (net of allowance for uncollectibles)	260,346	13,193	273,539
Inventories	161	-	161
Capitalized Debt Issuance Costs	16,249	8,855	25,104
Restricted Assets:			
Temporarily Restricted:			
Restricted Asset - Debt Service	-	69,918	69,918
Capital Assets:			
Land	83,272	120,000	203,272
Infrastructure, net	89,360	-	89,360
Buildings, net	397,778	119,411	517,189
Improvements other than Buildings, net	1,228,950	-	1,228,950
Machinery and Equipment, net	380,982	-	380,982
Construction in Progress	853,574	-	853,574
Other Assets	-	383	383
Total Assets	<u>5,600,524</u>	<u>324,512</u>	<u>5,925,036</u>
LIABILITIES			
Accounts Payable	309,537	25,871	335,408
Intergovernmental Payable	1,874	-	1,874
Accrued Interest Payable	11,494	1,508	13,002
Deferred Revenues	6,620	-	6,620
Noncurrent Liabilities			
Due Within One Year	125,277	50,000	175,277
Due in More Than One Year	1,664,696	105,000	1,769,696
Total Liabilities	<u>2,119,498</u>	<u>182,379</u>	<u>2,301,877</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,247,740	84,411	1,332,151
Restricted for:			
Restricted for Special Revenue	516,539	-	516,539
Restricted for Debt Service	152,175	69,918	222,093
Restricted for Capital Projects	198,916	-	198,916
Unrestricted Net Assets	1,365,656	(12,196)	1,353,460
Total Net Assets	<u>\$ 3,481,026</u>	<u>\$ 142,133</u>	<u>\$ 3,623,159</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF JONESTOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 269,628	\$ 8,868	\$ -
Public Safety	639,738	-	-
Public Works	261,569	-	70,363
Highways and Streets	4,968	-	-
City Council	1,059	-	-
City Administrator	103,762	-	-
City Secretary	112,588	-	-
Municipal Court	71,292	66,924	-
Finance	88,585	-	-
Building Inspector and Code Enforcement	162,567	78,929	-
Tourism	64,624	-	-
Recreation	3,161	32,079	-
Parks and Recreation	76,399	14,436	-
Libraries	96,343	-	-
Bond Interest	88,326	-	-
Issuance Costs	874	-	-
Total Governmental Activities:	2,045,483	201,236	70,363
BUSINESS-TYPE ACTIVITIES:			
Plaza Enterprise Fund	80,890	65,643	-
Northshore WW Utility System	21,262	-	-
Total Business-Type Activities:	102,152	65,643	-
TOTAL PRIMARY GOVERNMENT:	\$ 2,147,635	\$ 266,879	\$ 70,363

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (260,760)	\$ -	\$ (260,760)
(639,738)	-	(639,738)
(191,206)	-	(191,206)
(4,968)	-	(4,968)
(1,059)	-	(1,059)
(103,762)	-	(103,762)
(112,588)	-	(112,588)
(4,368)	-	(4,368)
(88,585)	-	(88,585)
(83,638)	-	(83,638)
(64,624)	-	(64,624)
28,918	-	28,918
(61,963)	-	(61,963)
(96,343)	-	(96,343)
(88,326)	-	(88,326)
(874)	-	(874)
<u>(1,773,884)</u>	<u>-</u>	<u>(1,773,884)</u>
-	(15,247)	(15,247)
-	(21,262)	(21,262)
-	(36,509)	(36,509)
<u>(1,773,884)</u>	<u>(36,509)</u>	<u>(1,810,393)</u>
1,767,466	-	1,767,466
262,884	-	262,884
108,125	-	108,125
116,182	-	116,182
44,912	-	44,912
29,443	-	29,443
5,235	-	5,235
23,547	6,704	30,251
16,244	22	16,266
(55,555)	55,555	-
<u>2,318,483</u>	<u>62,281</u>	<u>2,380,764</u>
544,599	25,772	570,371
<u>2,936,427</u>	<u>116,361</u>	<u>3,052,788</u>
<u>\$ 3,481,026</u>	<u>\$ 142,133</u>	<u>\$ 3,623,159</u>

CITY OF JONESTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	Street Fund	PD Bond Construction Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,076,098	\$ 304,420	\$ 339,703
Investments - Current	273,659	-	-
Taxes Receivable	113,038	-	-
Receivables (Net)	12,515	-	11,347
Inventories	-	-	-
Total Assets	<u>\$ 1,475,310</u>	<u>\$ 304,420</u>	<u>\$ 351,050</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 53,235	\$ -	\$ 152,134
Wages and Salaries Payable	42,572	-	-
Compensated Absences Payable	48,195	-	-
Intergovernmental Payable	1,874	-	-
Due to Others	-	-	-
Deferred Revenues	113,038	-	-
Total Liabilities	<u>258,914</u>	<u>-</u>	<u>152,134</u>
Fund Balances:			
Unreserved and Undesignated:			
Reported in the General Fund	1,216,396	-	-
Reported in the Special Revenue Fund	-	304,420	-
Reported in the Debt Service Fund	-	-	-
Reported in the Capital Projects Fund	-	-	198,916
Total Fund Balances	<u>1,216,396</u>	<u>304,420</u>	<u>198,916</u>
Total Liabilities and Fund Balances	<u>\$ 1,475,310</u>	<u>\$ 304,420</u>	<u>\$ 351,050</u>

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 295,972	\$ 2,016,193
-	273,659
19,373	132,411
81,562	105,424
161	161
<u>\$ 397,068</u>	<u>\$ 2,527,848</u>

\$ 13,116	\$ 218,485
-	42,572
-	48,195
-	1,874
285	285
19,373	132,411
<u>32,774</u>	<u>443,822</u>

-	1,216,396
212,119	516,539
152,175	152,175
-	198,916
<u>364,294</u>	<u>2,084,026</u>

<u>\$ 397,068</u>	<u>\$ 2,527,848</u>
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CITY OF JONESTOWN
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

Total Fund Balances - Governmental Funds	\$	2,084,026
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,920,460 and the accumulated depreciation was \$724,266. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		192,055
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays and debt principal payments is to increase net assets.		1,213,920
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(157,277)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		148,302
Net Assets of Governmental Activities	\$	3,481,026

The notes to the Financial Statements are an integral part of this statement.

CITY OF JONESTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Street Fund	PD Bond Construction Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,734,293	\$ -	\$ -
General Sales and Use Taxes	108,125	-	-
Franchise Tax	116,182	-	-
Other Taxes	1,032	-	-
Penalty and Interest on Taxes	29,443	-	-
Licenses and Permits	79,414	-	-
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	52,931	-	-
Fines	63,215	-	-
Investment Earnings	12,685	102	3,411
Rents and Royalties	7,320	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	18,090	-	-
Total Revenues	2,222,730	102	3,411
EXPENDITURES:			
Current:			
General Government	262,862	-	-
Public Safety	644,860	-	709,445
Public Works	346,286	-	-
Highways and Streets	-	-	-
City Council	1,004	-	-
City Administrator	98,334	-	-
City Secretary	106,698	-	-
Municipal Court	64,048	-	-
Finance	83,951	-	-
Building Inspector and Code Enforcement	166,772	-	-
Health and Welfare:			
Tourism	-	-	-
Culture and Recreation:			
Recreation	-	-	-
Parks and Recreation	78,832	-	-
Libraries	83,748	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Capital Outlay:			
Capital Outlay	50,900	-	-
Total Expenditures	1,988,295	-	709,445
Excess (Deficiency) of Revenues Over (Under) Expenditures	234,435	102	(706,034)
OTHER FINANCING SOURCES (USES):			
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	-	-	-

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 262,723	\$ 1,997,016
-	108,125
-	116,182
43,880	44,912
-	29,443
-	79,414
70,363	70,363
10,239	63,170
3,709	66,924
46	16,244
-	7,320
5,235	5,235
2,004	20,094
<u>398,199</u>	<u>2,624,442</u>
-	262,862
-	1,354,305
-	346,286
90,010	90,010
-	1,004
-	98,334
-	106,698
3,515	67,563
-	83,951
-	166,772
61,243	61,243
40,138	40,138
-	78,832
7,555	91,303
116,928	116,928
90,158	90,158
-	50,900
<u>409,547</u>	<u>3,107,287</u>
<u>(11,348)</u>	<u>(482,845)</u>
<u>(55,555)</u>	<u>(55,555)</u>
<u>(55,555)</u>	<u>(55,555)</u>

CITY OF JONESTOWN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Street Fund	PD Bond Construction Fund
Net Change in Fund Balances	234,435	102	(706,034)
Fund Balance - October 1 (Beginning)	981,961	304,318	904,950
Fund Balance - September 30 (Ending)	<u>\$ 1,216,396</u>	<u>\$ 304,420</u>	<u>\$ 198,916</u>

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
(66,903)	(538,400)
431,197	2,622,426
<u>\$ 364,294</u>	<u>\$ 2,084,026</u>

CITY OF JONESTOWN
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(538,400)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays and debt principal payments is to increase net assets.		1,213,920
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(157,277)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		26,356
Change in Net Assets of Governmental Activities	\$	544,599

The notes to the Financial Statements are an integral part of this statement.

CITY OF JONESTOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-Type Activities - Enterprise Funds		
	Plaza Enterprise Fund	Northshore WW Utility System	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ (7,248)	\$ (7,248)
Restricted Assets - Current:			
Restricted Asset Debt Service	69,918	-	69,918
Accounts Receivable-Net of Uncollectible Allowance	-	13,193	13,193
Total Current Assets	<u>69,918</u>	<u>5,945</u>	<u>75,863</u>
Noncurrent Assets:			
Capitalized Debt Issuance Costs	8,855	-	8,855
Capital Assets:			
Land Purchase and Improvements	120,000	-	120,000
Buildings	422,229	-	422,229
Accumulated Depreciation - Buildings	(302,818)	-	(302,818)
Other Asset	383	-	383
Total Noncurrent Assets	<u>248,649</u>	<u>-</u>	<u>248,649</u>
Total Assets	<u>318,567</u>	<u>5,945</u>	<u>324,512</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,368	9,863	15,231
Wages and Salaries Payable	-	10,640	10,640
Accrued Interest Payable	1,508	-	1,508
Bonds Payable - Current:			
General Obligation Bonds Payable	50,000	-	50,000
Total Current Liabilities	<u>56,876</u>	<u>20,503</u>	<u>77,379</u>
NonCurrent Liabilities:			
Bonds Payable - Non-Current:			
General Obligation Bonds Payable	105,000	-	105,000
Total Noncurrent Liabilities	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total Liabilities	<u>161,876</u>	<u>20,503</u>	<u>182,379</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	84,411	-	84,411
Restricted for	69,918	-	69,918
Unrestricted Net Assets	2,362	(14,558)	(12,196)
Total Net Assets	<u>\$ 156,691</u>	<u>\$ (14,558)</u>	<u>\$ 142,133</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF JONESTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-Type Activities - Enterprise Funds		
	Plaza Enterprise Fund	Northshore WW Utility System	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services - Rents and Royalties	\$ 65,643	\$ -	\$ 65,643
Other Revenue	-	6,704	6,704
Total Operating Revenues	<u>65,643</u>	<u>6,704</u>	<u>72,347</u>
OPERATING EXPENSES:			
Water and Sewer			
Other Operating Expenses	-	21,262	21,262
Plaza Rental			
Purchased Property Services	32,199	-	32,199
Other Operating Expenses	6,000	-	6,000
Total Plaza Rental	<u>38,199</u>	<u>-</u>	<u>38,199</u>
Depreciation	<u>29,020</u>	<u>-</u>	<u>29,020</u>
Total Operating Expenses	<u>67,219</u>	<u>21,262</u>	<u>88,481</u>
Operating Income (Loss)	<u>(1,576)</u>	<u>(14,558)</u>	<u>(16,134)</u>
NON-OPERATING REVENUES (EXPENSES):			
Bond Issuance Cost	(3,542)	-	(3,542)
Investment Earnings	22	-	22
Interest Expense - Non-Operating	(10,129)	-	(10,129)
Total Non-operating Revenue (Expenses)	<u>(13,649)</u>	<u>-</u>	<u>(13,649)</u>
Income (Loss) Before Transfers	<u>(15,225)</u>	<u>(14,558)</u>	<u>(29,783)</u>
Non-Operating Transfer In	<u>55,555</u>	<u>-</u>	<u>55,555</u>
Change in Net Assets	<u>40,330</u>	<u>(14,558)</u>	<u>25,772</u>
Total Net Assets - October 1 (Beginning)	<u>116,361</u>	<u>-</u>	<u>116,361</u>
Total Net Assets - September 30 (Ending)	<u>\$ 156,691</u>	<u>\$ (14,558)</u>	<u>\$ 142,133</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF JONESTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT D-3

	Business-Type Activities		
	Plaza Enterprise Fund	Northshore WW Utility System	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 65,643	\$ (6,489)	\$ 59,154
Cash Payments for Suppliers	(37,328)	-	(37,328)
Cash Payments for Other Operating Expenses	-	(759)	(759)
Net Cash Provided by (Used for) Operating Activities	<u>28,315</u>	<u>(7,248)</u>	<u>21,067</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfers In	<u>55,555</u>	-	<u>55,555</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Interest Paid	(10,556)	-	(10,556)
Principal Payments - Certificates of Obligation	(45,000)	-	(45,000)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(55,556)</u>	-	<u>(55,556)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>22</u>	-	<u>22</u>
Net Increase(Decrease) in Cash and Cash Equivalents	28,336	(7,248)	21,088
Cash and Cash Equivalents at Beginning of the Year:	41,582	-	41,582
Cash and Cash Equivalents at the End of the Year:	<u>\$ 69,918</u>	<u>\$ (7,248)</u>	<u>\$ 62,670</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss):	\$ (1,576)	\$ (14,558)	\$ (16,134)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	29,020	-	29,020
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	-	(13,193)	(13,193)
Increase (decrease) in Accounts Payable	871	9,863	10,734
Increase (decrease) in Wages and Salaries Payable	-	10,640	10,640
Net Cash Provided by (Used for) Operating Activities	<u>\$ 28,315</u>	<u>\$ (7,248)</u>	<u>\$ 21,067</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jonestown, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The City is a general law City in Travis County, Texas which operates under a Council form of government and provides such services as public safety, health, highways, street maintenance, recreation programs, judicial, community improvements, planning and zoning, general administrative, and other services as are authorized by its code of ordinances and its citizens.

The City Council, which is elected at large, consists of a mayor and five Aldermen constituting an ongoing entity and is the level of government which has governing responsibilities over all activities related to the City. The City is not included in any other governmental reporting entity. Aldermen are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Jonestown nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and other tax revenues are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Fund** - This Fund is used to report assets that have been set aside for specific purposes and functions or activities of the City. This Fund accounts for funds set aside for the boat ramp fund, court restricted fund, capital metro fund, parks fund and library fund.
2. **Debt Service Fund** - This Fund is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal and interest.
3. **Capital Projects Fund** - The Capital Projects Fund is used to account for the financial resources used for acquisition of major capital improvements.

Proprietary Fund:

1. **Enterprise Fund** - This Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City's Enterprise Funds are used to account for the operations that provide for the rental of the Plaza building and the operations of the Wastewater Treatment Plant.

E. Other Accounting Policies

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Buildings	40
Improvements	15-20
Equipment	5-10
Vehicles	5

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 1997 have not yet been capitalized.

3. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
4. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
5. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

6. The Proprietary Fund provides the annual debt service requirements on the Series 1997 general obligation proprietary bonds issued to finance the Plaza building purchase. Since the Proprietary Fund provides the annual debt service on these general obligation proprietary bonds, the bonds are considered to be obligations of the Proprietary Fund and have been reported on the balance sheet of the Proprietary Fund.

7. The City's policy is to account for the cost of employees' vacation time benefits as they are earned. As of the balance sheet date, the City expected that all of the liability for accrued vacation would be liquidated with expendable resources. Therefore, the liability for accrued vacation is reflected as a current liability in the financial statements for the year ended September 30, 2009.
8. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2009, the carrying amount of the City's deposits was \$2,078,497 and the bank balance was \$2,076,988. The City's cash deposits at September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

The carrying value of investments at September 30, 2009 was \$273,659 (Certificates of Deposit at Capital One Bank and Regions Bank). The securities were covered by FDIC coverage and pledged securities.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2009, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City fiscal year.

The Travis County Appraisal District appraises and collects taxes for the City. For 2008, the City of Jonestown had property with an assessed valuation of \$375,004,845. The tax rate was \$.5425 (designated for General Fund -.4723; Debt Service Fund -.0702) per \$100 valuation.

C. Court Fines and Fees Receivable

With the implementation of GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$45,022. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$22,511, resulting in a net receivable of \$22,511.

D. Restricted Assets

Restricted assets in the Plaza Enterprise Fund represent cash that has been set aside for future payment of certificates of obligation. A summary of restricted assets at September 30, 2009 appears below:

Certificate of Obligation Debt Service - (Series 1997)	
Cash in Bank	\$ 69,918
Total Restricted Assets	<u>\$ 69,918</u>

E. Changes in Governmental Capital Assets

Changes in governmental capital assets during the year ended September 30, 2009 were as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 78,699	\$ 4,573	\$ -	\$ 83,272
Equipment and Furniture	546,777	61,489	9,990	598,276
Transportation Equipment	201,763	37,567	-	239,330
Buildings and Improvements	472,002	52,333	-	524,335
Streets and Improvements	1,484,833	127,010	-	1,611,843
Construction in Progress	136,386	717,188	-	853,574
Totals at Historic Cost	\$ 2,920,460	\$ 1,000,160	\$ 9,990	\$ 3,910,630
Less Accumulated				
Depreciation for:				
Equipment and Furniture	(303,313)	(59,336)	4,829	(357,820)
Transportation Equipment	(55,040)	(43,764)	-	(98,804)
Buildings and Improvements	(102,946)	(16,527)	-	(119,473)
Streets and Improvements	(262,967)	(37,650)	-	(300,617)
Total Accumulated Depreciation	\$ (724,266)	\$ (157,277)	\$ 4,829	\$ (876,714)
Governmental Activities				
Capital Assets, Net	\$ 2,196,194	\$ 842,883	\$ 5,161	\$ 3,033,916

F. Changes in Business-Type Capital Assets

Changes in business-type capital assets during the year ended September 30, 2009, were as follows:

	Balance	Additions	Deletions	Balance
	10/01/08			09/30/09
Land and Land Rights	\$ 120,000	\$ -	\$ -	\$ 120,000
Buildings and Improvements	422,229	-	-	422,229
Totals	\$ 542,229	\$ -	\$ -	\$ 542,229
Accumulated Depreciation	(273,799)	(29,019)	-	(302,818)
Fixed Assets, Net	\$ 268,430	\$ (29,019)	\$ -	\$ 239,411

G. Changes in Governmental Activities Non-Current Liabilities

The following is a summary of long-term debt transactions in the governmental activities for the year ended September 30, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable -					
Combination Tax and Revenue					
Certificates of Obligation -					
Series 1998	\$ 825,000		\$ 60,000	\$ 765,000	\$ 65,000
General Obligation Bonds -					
Series 2008	1,000,000		31,000	969,000	33,000
Notes Payable -					
Regions Bank	22,694		22,694	-	
Schertz Bank	81,901		25,928	55,973	27,277
Capital Leases					
Ford Motor Credit	<u>78,341</u>		<u>78,341</u>	<u>-</u>	<u>-</u>
Governmental Activity					
Long-Term Debt	<u>\$ 2,007,936</u>	<u>\$ -</u>	<u>\$ 217,963</u>	<u>\$ 1,789,973</u>	<u>\$ 125,277</u>

H. Certificates of Obligation

Series 1998

During 1998, the City issued Combination Tax and Revenue Certificates of Obligation – Series 1998 (\$1,200,000) for street improvements. The Certificates mature on August 1, in each of years 2000 through 2018, bearing interest at rates from 4.8% to 6.4%. The Certificates are payable from a combination of the levy and collection of a direct and continuing ad valorem tax on all taxable property and a limited pledge of surplus revenues of the City park facilities (not to exceed \$1,000).

Series 2008

On March 27, 2008, the City issued General Obligation Bonds – Series 2008 (\$1,000,000) for the construction of a new Police Department Building. The bonds mature on March 1, 2028, bearing an interest rate of 4.53%. The bonds are payable from the levy and collection of a direct and continuing ad valorem tax on all taxable property within the city.

The annual requirements to amortize the certificates outstanding in the governmental activities as of September 30, 2009 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2010	98,000	81,651	179,651
2011	104,000	76,949	180,949
2012	111,000	71,933	182,933
2013	118,000	66,507	184,507
2014	124,000	60,763	184,763
2015 - 2019	616,000	205,066	821,066
2020 - 2024	285,000	96,421	381,421
2025 - 2029	278,000	25,957	303,957
TOTAL	\$ 1,734,000	\$ 685,247	\$ 2,419,247

I. Notes Payable

During 2002, the City borrowed \$234,232 from Schertz Bank for the purchase of the EMS Building. The note is due in annual installments of \$30,187 (including interest at 5.2%) through March, 2011.

During 2008, the City borrowed \$23,900 from Regions Bank for the purchase of a 1999 F550 Boom truck for the Public Works Department. The note is due in 36 monthly installments of \$737.52 (including interest at 6.85%) through August 1, 2011. During 2009 the note was paid in full.

The annual requirements to amortize the notes outstanding in the governmental activities as of September 30, 2009 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2010	27,278	2,909	30,187
2011	28,695	1,492	30,187
TOTAL	\$ 55,973	\$ 4,401	\$ 60,374

J. Changes in Business-Type Non-Current Liabilities

The following is a summary of long-term debt transactions in the business-type activities for the year ended September 30, 2009:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities					
Bonds Payable					
Tax Certificate of Obligation					
Series 1997	\$ 200,000	\$ -	\$ 45,000	\$ 155,000	\$ 50,000
Business Type Activity					
Long-Term Debt	\$ 200,000	\$ -	\$ 45,000	\$ 155,000	\$ 50,000

During 1997, the City issued tax certificate of obligation – Series 1997 (\$550,000) for the purchase of a building. The Certificates mature on August 1 in each of years 1998 through 2012, bearing interest at rates from 4.45% to 6.0%. The Certificates are payable from the levy and collection of a direct and continuing ad valorem tax on all taxable property.

The annual requirements to amortize debt outstanding in the business-type activities as of September 30, 2009 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2010	\$ 50,000	\$ 7,775	\$ 57,775
2011	50,000	4,800	54,800
2012	55,000	1,650	56,650
TOTAL	<u>\$ 155,000</u>	<u>\$ 14,225</u>	<u>\$ 169,225</u>

K. Risk Management

The City of Jonestown is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2009 were \$41,341.

L. Defined Benefit Pension Plan

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on 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 (as of 12/31/08*):

Deposit Rate:	5%
Matching Ratio (City to Employee):	1-1
A member is vested after	5 yrs
Service retirement eligibility (expressed as age/years of serve)	60/5, 0/20
Updated Service Credit	0% Repeating, Transfers
Annuity Increase (to retirees)	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 service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits 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. The annual pension cost and net pension obligation/(asset) are as follows:

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/08	12/31/07	12/31/06	12/31/05
Actuarial Value of Assets	\$ 236,304	\$ 160,413	\$ 118,491	\$ 62,179
Actuarial Accrued Liability	\$ 348,649	\$ 276,090	\$ 221,642	\$ 165,333
Percentage Funded	67.8%	58.1%	53.5%	37.6%
Unfunded (Over-funded) Actuarial				
Accrued Liability (UAAL)	\$ 112,345	\$ 115,677	\$ 103,151	\$ 103,154
Annual Covered Payroll	\$ 920,644	\$ 782,748	\$ 624,715	\$ 596,536
UAAL as a Percentage of Covered Payroll	12.2%	14.8%	16.5%	17.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$	\$	\$	\$
		-0-	-0-	-0-
Annual Pension Cost:				
Annual required contribution (ARC)	\$ 48,900	\$ 35,244	\$ 27,417	\$ 25,749
Interest on NPO			-0-	-0-
Adjustment to the ARC			-0-	-0-
Total Annual Pension Cost	\$ 48,900	\$ 35,244	\$ 27,417	\$ 25,749
Contributions Made	\$ 48,900	\$ 35,244	\$ 27,417	\$ 25,749
Net Pension Obligation at the End of Period	\$	\$	\$	\$
	-0-	-0-	-0-	-0-

Actuarial Assumptions

Actuarial Cost Method -	Project Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	24 Years - Closed Period
Asset Valuation Method -	Amortized Cost
Investment Rate of Return -	7.5%
Projected Salary Increases -	Varies by age and service
Includes Inflation At -	3.0%
Cost-of-Living Adjustments	0.0%

M. Employee Insurance Benefits

All regular full time employees of the City are eligible for coverage under the group hospitalization, medical and life insurance program provided by the City through Scott and White Health Plan. The City pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

N. Cash Flows Statement - Supplemental Disclosure

Since the City is tax exempt, no income tax was paid in 2009 and 2008. The City paid interest in the amount of \$10,556 in 2009 and \$13,143 in 2008 on their outstanding debt.

O. Claims and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

P. Interfund Receivable and Payables

During the year ended September 30, 2009, the City's transfers between funds consisted of:

	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund - Plaza Enterprise Fund		55,555
Plaza Enterprise Fund - Debt Service Fund	55,555	
TOTALS	\$ 55,555	\$ 55,555

Q. Northshore Wastewater Utility System

In August 2009 the City assumed operations of a wastewater utility system from Centex Homes. Capital assets of the treatment system were not conveyed until after year end.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JONESTOWN
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,678,865	\$ 1,678,865	\$ 1,734,293	\$ 55,428
General Sales and Use Taxes	110,000	110,000	108,125	(1,875)
Franchise Tax	106,200	106,200	116,182	9,982
Other Taxes	500	500	1,032	532
Penalty and Interest on Taxes	10,000	10,000	29,443	19,443
Licenses and Permits	106,100	106,600	79,414	(27,186)
Charges for Services	50,070	50,070	52,931	2,861
Fines	79,000	79,000	63,215	(15,785)
Investment Earnings	20,000	20,000	12,685	(7,315)
Rents and Royalties	-	-	7,320	7,320
Other Revenue	900	400	18,090	17,690
Total Revenues	2,161,635	2,161,635	2,222,730	61,095
EXPENDITURES:				
Current:				
General Government	477,094	367,013	262,862	104,151
Public Safety	660,411	676,834	644,860	31,974
Public Works	342,110	402,526	346,286	56,240
City Council	3,850	3,850	1,004	2,846
City Administrator	90,383	98,188	98,334	(146)
City Secretary	115,827	123,745	106,698	17,047
Municipal Court	61,729	68,173	64,048	4,125
Finance	77,609	92,541	83,951	8,590
Building Inspector and Code Enforcement	175,259	186,343	166,772	19,571
Culture and Recreation:				
Parks and Recreation	102,314	103,317	78,832	24,485
Libraries	98,735	99,173	83,748	15,425
Capital Outlay:				
Capital Outlay	-	-	50,900	(50,900)
Total Expenditures	2,205,321	2,221,703	1,988,295	233,408
Net Change	(43,686)	(60,068)	234,435	294,503
Fund Balance - October 1 (Beginning)	981,961	981,961	981,961	-
Fund Balance - September 30 (Ending)	\$ 938,275	\$ 921,893	\$ 1,216,396	\$ 294,503

SUPPLEMENTARY INFORMATION

CITY OF JONESTOWN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	Court Restricted	Parks Fund	Ione Jones Library Fund	Hotel/Motel Fund
ASSETS				
Cash and Cash Equivalents	\$ 47,956	\$ 111,592	\$ 10,533	\$ 40,164
Taxes Receivable	-	-	-	-
Receivables (Net)	-	-	-	15,114
Inventories	-	161	-	-
Total Assets	<u>\$ 47,956</u>	<u>\$ 111,753</u>	<u>\$ 10,533</u>	<u>\$ 55,278</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,542	\$ -	\$ 305	\$ 11,269
Due to Others	-	-	285	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>1,542</u>	<u>-</u>	<u>590</u>	<u>11,269</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	46,414	111,753	9,943	44,009
Reported in the Debt Service Fund	-	-	-	-
Total Fund Balances	<u>46,414</u>	<u>111,753</u>	<u>9,943</u>	<u>44,009</u>
Total Liabilities and Fund Balances	<u>\$ 47,956</u>	<u>\$ 111,753</u>	<u>\$ 10,533</u>	<u>\$ 55,278</u>

The notes to the Financial Statements are an integral part of this statement.

Total Nonmajor Special Revenue Funds	Debt Service Fund	Capital Metro Projects Fund	Total Nonmajor Governmental Funds
\$ 210,245	\$ 152,175	\$ (66,448)	\$ 295,972
-	19,373	-	19,373
15,114	-	66,448	81,562
161	-	-	161
<u>\$ 225,520</u>	<u>\$ 171,548</u>	<u>\$ -</u>	<u>\$ 397,068</u>
\$ 13,116	\$ -	\$ -	\$ 13,116
285	-	-	285
-	19,373	-	19,373
<u>13,401</u>	<u>19,373</u>	<u>-</u>	<u>32,774</u>
212,119	-	-	212,119
-	152,175	-	152,175
<u>212,119</u>	<u>152,175</u>	<u>-</u>	<u>364,294</u>
<u>\$ 225,520</u>	<u>\$ 171,548</u>	<u>\$ -</u>	<u>\$ 397,068</u>

CITY OF JONESTOWN
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Court Restricted	Parks Fund	Ione Jones Library Fund	Hotel/Motel Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	43,880
Intergovernmental Revenue and Grants	-	-	3,915	-
Charges for Services	2,452	-	-	7,787
Fines	3,709	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	2,261	2,974	-
Other Revenue	-	-	2,004	-
Total Revenues	<u>6,161</u>	<u>2,261</u>	<u>8,893</u>	<u>51,667</u>
EXPENDITURES:				
Current:				
Public Works:				
Highways and Streets	-	-	-	-
Municipal Court	3,515	-	-	-
Health and Welfare:				
Tourism	-	-	-	61,243
Culture and Recreation:				
Recreation	-	40,138	-	-
Libraries	-	-	7,555	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>3,515</u>	<u>40,138</u>	<u>7,555</u>	<u>61,243</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,646</u>	<u>(37,877)</u>	<u>1,338</u>	<u>(9,576)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,646	(37,877)	1,338	(9,576)
Fund Balance - October 1 (Beginning)	<u>43,768</u>	<u>149,630</u>	<u>8,605</u>	<u>53,585</u>
Fund Balance - September 30 (Ending)	<u>\$ 46,414</u>	<u>\$ 111,753</u>	<u>\$ 9,943</u>	<u>\$ 44,009</u>

The notes to the Financial Statements are an integral part of this statement.

Nonmajor Special Revenue Funds	Debt Service Fund	Capital Metro Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 262,723	\$ -	\$ 262,723
43,880	-	-	43,880
3,915	-	66,448	70,363
10,239	-	-	10,239
3,709	-	-	3,709
-	46	-	46
5,235	-	-	5,235
2,004	-	-	2,004
<u>68,982</u>	<u>262,769</u>	<u>66,448</u>	<u>398,199</u>
-	-	90,010	90,010
3,515	-	-	3,515
61,243	-	-	61,243
40,138	-	-	40,138
7,555	-	-	7,555
-	116,928	-	116,928
-	90,158	-	90,158
<u>112,451</u>	<u>207,086</u>	<u>90,010</u>	<u>409,547</u>
<u>(43,469)</u>	<u>55,683</u>	<u>(23,562)</u>	<u>(11,348)</u>
-	(55,555)	-	(55,555)
-	(55,555)	-	(55,555)
(43,469)	128	(23,562)	(66,903)
<u>255,588</u>	<u>152,047</u>	<u>23,562</u>	<u>431,197</u>
<u>\$ 212,119</u>	<u>\$ 152,175</u>	<u>\$ -</u>	<u>\$ 364,294</u>

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Honorable Mayor and Aldermen
City of Jonestown, Texas
Jonestown, TX 78641

We have audited the financial statements of City of Jonestown as of and for the year ended September 30, 2009, and have issued our report thereon dated February 11, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Jonestown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that we are required to report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Jonestown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the City Council and management of the City of Jonestown and is not intended to be used and should not be used by anyone other than these specified parties.

Neffendorf, Knopp, Doos & Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

February 11, 2010

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Certified Public Accountants

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February 11, 2010

Honorable Mayor and Aldermen
City of Jonestown, Texas
Jonestown, TX 78641

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown for the year ended September 30, 2009, and have issued our report thereon dated February 11, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Jonestown are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2010.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the City Council and management of City of Jonestown and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Neffendorf, Knopp, Dooss & Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas