

**CITY OF JONESTOWN, TEXAS**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

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**FOR THE YEAR ENDED  
SEPTEMBER 30, 2012**



CITY OF JONESTOWN, TEXAS  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND  
OTHER SUPPLEMENTARY INFORMATION

**Independent Auditors' Report**

Honorable Mayor and City Council  
City of Jonestown, Texas

We have audited the accompanying financial statements of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Jonestown, Texas, (the City) as of and for the year ended September 30, 2012 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the proprietary activities, each major fund, and the aggregate remaining fund information of the City of Jonestown, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. 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.

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The Management's Discussion and Analysis section on pages 3-9 of this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they 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.

*Singleton, Clark & Company, PC*

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Singleton, Clark & Company, PC  
Austin, Texas

February 20, 2013

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**CITY OF JONESTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report of the City of Jonestown presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- For the year ended September 30, 2012, the General Fund of the City of Jonestown experienced a fund balance decrease of \$105,723, to end at \$1,684,767.
- Total governmental-type funds (the General Fund plus all Special Revenue Funds, the Debt Service Fund, and the Capital Projects Funds) of the City of Jonestown reported a combined fund balance increase of \$53,868, to end at \$2,398,008.
- The total cost of the City of Jonestown's governmental activities was \$2,616,187. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

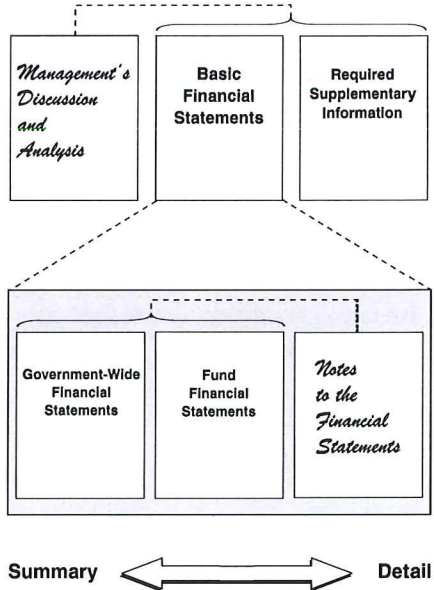
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the City of Jonestown:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1. Required Components of the City's Annual Financial Report**



## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City of Jonestown as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City of Jonestown include *governmental activities* and *proprietary activities*. *Governmental activities* are activities supported primarily by taxes and user charges. Most of the City of Jonestown's basic services are included here, such as general government services, public safety, street maintenance, and culture and recreation activities. *Proprietary activities* are activities undertaken by the City that are operated much like a private business. The City's proprietary activities include wastewater services and the rental of a plaza.

## FINANCIAL ANALYSIS OF THE CITY OF JONESTOWN AS A WHOLE

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

**Table I**  
**City of Jonestown, Texas**  
**Net Assets - Governmental Activities (in thousands)**

	Governmental Activities 2012	Governmental Activities 2011	Change
<b>ASSETS</b>			
Current and other assets	\$ 2,657	\$ 2,616	\$ 41
Capital assets	3,583	3,765	(182)
Total assets	<u>\$ 6,240</u>	<u>\$ 6,381</u>	<u>\$ (141)</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 113	\$ 1,420	\$ (1,307)
Noncurrent liabilities	1,486	266	1,220
Total liabilities	<u>1,599</u>	<u>1,686</u>	<u>(87)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,138	2,240	(102)
Restricted	460	377	83
Unrestricted	2,043	2,078	(35)
Total net assets	<u>\$ 4,641</u>	<u>\$ 4,695</u>	<u>\$ (54)</u>

**Table I (continued)**  
**Net Assets - Business-Type Activities (in thousands)**

	Business-Type Activities 2012	Business-Type Activities 2011	Change
<b>ASSETS</b>			
Current and other assets	\$ 9,135	\$ 9,015	\$ 120
Capital assets	2,294	2,366	(72)
Total assets	\$ 11,429	\$ 11,381	\$ 48
<b>LIABILITIES</b>			
Current liabilities	\$ 8,854	\$ 8,869	\$ (15)
Noncurrent liabilities	-	5	(5)
Total liabilities	8,854	8,874	(20)
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,289	2,307	(18)
Restricted	14	92	(78)
Unrestricted	272	108	164
Total net assets	\$ 2,575	\$ 2,507	\$ 68

**Table II**  
**City of Jonestown, Texas**  
**Statement of Activities (in thousands)**

	Governmental Activities 2012	Governmental Activities 2011	Change
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$ 139	\$ 236	\$ (97)
Operating grants & contributions	2	1,918	(1,916)
General revenues:			
Property taxes	2,181	2,198	(17)
Sales taxes	121	108	13
Franchise taxes	132	123	9
Operating grants & contributions, not restricted	8	19	(11)
Investment earnings	2	3	(1)
Miscellaneous revenue	17	95	(78)
Total revenue	2,602	4,700	(2,098)
<b>EXPENSES:</b>			
General government	536	331	205
Public safety	791	713	78
Public works	270	269	1
Highways and streets	1	7	(6)
City council	1	1	-
City administrator	118	115	3
City secretary	144	118	26
Municipal court	74	75	(1)
Finance	96	94	2
Building inspector and code enforcement	176	184	(8)
Tourism	37	97	(60)
Libraries and Parks	302	276	26
Debt service	71	78	(7)
ARRA wind energy project	-	1,845	(1,845)
Total expenses	2,617	4,203	(1,586)
Change in net assets	(15)	497	(512)
Transfers in/(out)	(39)	(55)	16
Net assets at 10/1/11 and 10/1/10	4,695	4,253	442
Net assets at 9/30/12 and 9/30/11	\$ 4,641	\$ 4,695	\$ (54)

**Table II, (continued)**  
**Statement of Activities - Business-Type Activities (in thousands)**

	Business-Type Activities 2012	Business-Type Activities 2011	Change
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$ 123	\$ 193	\$ (70)
General revenues:			
Miscellaneous revenue	61	2	59
Total revenue	<u>184</u>	<u>195</u>	<u>(11)</u>
<b>EXPENSES:</b>			
Enterprise fund activities	155	193	(38)
Total expenses	<u>155</u>	<u>193</u>	<u>(38)</u>
Change in net assets	29	2	27
Transfer in (out)	39	55	(16)
Net assets at 10/1/11 and 10/1/10	2,506	2,450	56
Net assets at 9/30/12 and 9/30/11	<u>\$ 2,574</u>	<u>\$ 2,507</u>	<u>\$ 67</u>

**THE CITY'S GOVERNMENTAL FUNDS**

As the City completed Fiscal Year 2011-2012, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$2.4 million; which represents an increase of about \$54,000 over the prior year. Included in total governmental funds is the City's General Fund, which is the main operating fund of the City, and represents funds with fewer restrictions on their use. The General Fund reported an ending fund balance of approximately \$1.68 million as of September 30, 2012.

**THE CITY'S PROPRIETARY FUNDS**

The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Northshore Wastewater Utility System Fund at the end of the year amounted to \$183,197. Unrestricted net assets of the Plaza Enterprise Fund at the end of the year were \$88,822.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of Fiscal Year 2011-2012 the City of Jonestown has invested \$3.58 million in a broad range of capital assets for its governmental activities, including land, buildings, and equipment. (See Table III below) This amount is net of accumulated depreciation and represents a decrease of approximately \$182,000 over the prior year. The City's business-type activities had invested \$2.29 million in capital assets, net of accumulated depreciation, including land, buildings and construction in progress.

**Table III**  
**City of Jonestown, Texas**  
**Summary of Capital Assets (in thousands)**

	Governmental	Governmental	Change
	Activities	Activities	
	2012	2011	
Land	\$ 108	\$ 108	\$ -
Buildings and improvements	1,579	1,568	11
Machinery and equipment	1,089	1,058	31
Infrastructure	2,085	2,085	-
Construction in progress	203	203	-
Totals at historical cost	5,064	5,022	42
Less accumulated depreciation	(1,481)	(1,257)	(224)
Capital assets, net of depreciation	\$ 3,583	\$ 3,765	\$ (182)
	Business-Type	Business-Type	Change
	Activities	Activities	
	2012	2011	
Land	\$ 407	\$ 407	\$ -
Buildings and improvements	2,421	2,415	6
Construction in progress	4	4	-
Totals at historical cost	2,832	2,826	6
Less accumulated depreciation	(539)	(460)	(79)
Capital assets, net of depreciation	\$ 2,293	\$ 2,366	\$ (73)

## Long-Term Debt

At year end, the City's governmental activities reported total outstanding long-term debt of \$1.49 million. A summary of long-term debt activity and ending balances is presented below.

**Table IV**  
**City of Jonestown, Texas**  
**Summary of Long-Term Debt (in thousands)**

	Governmental Activities 2012	Governmental Activities 2011	Change
Bonds Payable	\$ 1,445	\$ 1,532	\$ (87)
Compensated absences	41	-	41
Totals	<u>\$ 1,486</u>	<u>\$ 1,532</u>	<u>\$ (46)</u>

	Business-Type Activities 2012	Business-Type Activities 2011	Change
Bonds Payable	\$ -	\$ 55,000	\$ (55,000)
Totals	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ (55,000)</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgeted expenditures for the 2012-2013 fiscal year total \$2,584,529 and the City's Council adopted an M & O tax rate of \$.5106 and an I & S tax rate of \$.0644 for a total tax rate of \$.5750 per \$100 valuation.

## CONTACTING FINANCIAL MANAGEMENT PERSONNEL OF THE CITY OF JONESTOWN

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Jonestown's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Jonestown's Finance Director, Karin Parish, at 512-267-3243. You may also visit the City's website at [www.jonestown.org](http://www.jonestown.org).

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GOVERNMENT-WIDE STATEMENTS

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CITY OF JONESTOWN, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,203,473	\$ 370,616	\$ 2,574,089
Investments - Current	250,094	-	250,094
Receivables - Net of Allowance	170,122	12,863	182,985
Inventories	161	-	161
Prepaid Expenditures	317	-	317
Capitalized Debt Issuance Costs	33,517	-	33,517
Other Assets	-	383	383
Restricted Assets - Current:			
Restricted Asset - Debt Service	-	13,804	13,804
Restricted Asset - Capital Improvements	-	8,737,810	8,737,810
Capital Assets:			
Land	108,204	407,360	515,564
Buildings, net	1,323,524	1,882,020	3,205,544
Infrastructure, net	1,647,314	-	1,647,314
Machinery and Equipment, net	300,678	-	300,678
Construction in Progress	202,954	4,476	207,430
Total Assets	<u>\$ 6,240,358</u>	<u>\$ 11,429,332</u>	<u>\$ 17,669,690</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 49,749	\$ 10,147	\$ 59,896
Accrued Wages Payable	16,975	-	16,975
Accrued Interest Payable	2,607	1,027	3,634
Deferred Revenues	17,542	8,737,810	8,755,352
Other Current Liabilities	26,177	105,145	131,322
Noncurrent Liabilities			
Due Within One Year	140,000	-	140,000
Due in More Than One Year	1,345,982	-	1,345,982
Total Liabilities	<u>1,599,032</u>	<u>8,854,129</u>	<u>10,453,161</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,137,674	2,289,380	4,427,054
Restricted for:			
Debt Service	165,179	13,804	178,983
Capital Projects	203,865	-	203,865
Other Purposes	91,197	-	91,197
Unrestricted Net Assets	2,043,411	272,019	2,315,430
Total Net Assets	<u>\$ 4,641,326</u>	<u>\$ 2,575,203</u>	<u>\$ 7,216,529</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, 2012

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 535,527	\$ 27,345	\$ -
Public Safety	790,865	1,755	-
Public Works	270,192	65,687	2,310
Highways and Streets	1,299	-	-
City Council	1,040	-	-
City Administrator	117,673	-	-
City Secretary	143,799	-	-
Municipal Court	74,406	43,839	-
Finance	95,716	-	-
Building Inspector and Code Enforcement	175,732	-	-
Tourism	36,866	-	-
Culture and Recreation:			
Libraries	154,624	-	-
Parks and Recreation	147,098	-	-
Debt Service:			
Interest	54,615	-	-
Other Bond Costs	16,735	-	-
<b>Total Governmental Activities:</b>	<u>2,616,187</u>	<u>138,626</u>	<u>2,310</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Northshore WW Utility System	96,056	122,866	-
Plaza Enterprise Fund	58,612	-	-
<b>Total Business-Type Activities:</b>	<u>154,668</u>	<u>122,866</u>	<u>-</u>
<b>Total Primary Government:</b>	<u>\$ 2,770,855</u>	<u>\$ 261,492</u>	<u>\$ 2,310</u>

General Revenues:  
Taxes:  
    Property Taxes:  
        Levied for General Purposes  
        Levied for Debt Service  
    Sales Taxes  
    Franchise Taxes  
Grants and Contributions Not Restricted  
Fines  
Investment Earnings  
Miscellaneous Revenue  
Transfers In (Out)  
    **Total General Revenues & 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
\$ (508,182)	\$ -	\$ (508,182)
(789,110)	-	(789,110)
(202,195)	-	(202,195)
(1,299)	-	(1,299)
(1,040)	-	(1,040)
(117,673)	-	(117,673)
(143,799)	-	(143,799)
(30,567)	-	(30,567)
(95,716)	-	(95,716)
(175,732)	-	(175,732)
(36,866)	-	(36,866)
(154,624)	-	(154,624)
(147,098)	-	(147,098)
(54,615)	-	(54,615)
(16,735)	-	(16,735)
<u>(2,475,251)</u>	<u>-</u>	<u>(2,475,251)</u>
-	26,810	26,810
-	(58,612)	(58,612)
-	(31,802)	(31,802)
<u>(2,475,251)</u>	<u>(31,802)</u>	<u>(2,507,053)</u>
1,937,671	-	1,937,671
243,751	-	243,751
121,145	-	121,145
132,346	-	132,346
7,745	-	7,745
2,394	-	2,394
1,587	210	1,797
14,423	61,188	75,611
(39,368)	39,368	-
<u>2,421,694</u>	<u>100,766</u>	<u>2,522,460</u>
(53,557)	68,964	15,407
4,694,883	2,506,239	7,201,122
<u>\$ 4,641,326</u>	<u>\$ 2,575,203</u>	<u>\$ 7,216,529</u>

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**FUND BASIS STATEMENTS**

CITY OF JONESTOWN, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

	General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,471,337	\$ 732,136	\$ 2,203,473
Investments - Current	250,094	-	250,094
Taxes Receivable	74,393	10,274	84,667
Receivables (Net)	46,290	8,113	54,403
Inventories	-	161	161
Prepaid Expenditures	317	-	317
Total Assets	<u>\$ 1,842,431</u>	<u>\$ 750,684</u>	<u>\$ 2,593,115</u>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 40,404	\$ 9,342	\$ 49,746
Wages and Salaries Payable	8,576	-	8,576
Deferred Revenues	74,393	27,816	102,209
Other Current Liabilities	34,291	285	34,576
Total Liabilities	<u>157,664</u>	<u>37,443</u>	<u>195,107</u>
<b>Fund Balances:</b>			
<b>Restricted For:</b>			
Retirement of Long-Term Debt	-	154,905	154,905
Other Specific Purposes	2,548	88,649	91,197
Capital Projects	-	203,865	203,865
<b>Committed For:</b>			
Parks	-	47,593	47,593
Streets	-	218,229	218,229
Unassigned Fund Balance	1,682,219	-	1,682,219
Total Fund Balances	<u>1,684,767</u>	<u>713,241</u>	<u>2,398,008</u>
<b>Total Liabilities &amp; Fund Balances</b>	<u><u>\$ 1,842,431</u></u>	<u><u>\$ 750,684</u></u>	<u><u>\$ 2,593,115</u></u>

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 ASSETS  
 SEPTEMBER 30, 2012

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,398,008</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$5,022,430 for capital assets and \$1,256,958 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.	3,765,472
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays during the year was an	41,525
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in net assets.	(224,322)
Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The net effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net assets.	(1,579,669)
Long-term debt issued by governmental activities is treated as an inflow of financial resources and not reported as a liability. The net effect of recording the long-term debt issued during the year as a liability on the Statement of Net Assets is an increase in net assets.	11,751
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in net assets.	111,000
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in	84,667
Other miscellaneous differences in accounting treatments between the governmental funds and the Statement of Net Assets or Statement of Activities resulted in an increase (decrease) in net assets.	32,894
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 4,641,326</u></b>

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, 2012

	General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,987,358	\$ 239,633	\$ 2,226,991
General Sales and Use Taxes	103,302	18,048	121,350
Franchise Taxes	155,704	-	155,704
Licenses and Permits	69,071	-	69,071
Intergovernmental Revenue & Grants	2,310	-	2,310
Fines	43,709	2,054	45,763
Investment Earnings	1,578	9	1,587
Contributions & Donations Private Sources	-	7,538	7,538
Other Revenue	8,298	6,564	14,862
Total Revenues	<u>2,371,330</u>	<u>273,846</u>	<u>2,645,176</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	455,973	27,741	483,714
Public Safety	732,027	-	732,027
Public Works	247,650	-	247,650
Highways and Streets	-	1,191	1,191
City Council	953	-	953
City Administrator	107,856	-	107,856
City Secretary	131,802	-	131,802
Municipal Court	65,718	2,480	68,198
Finance	87,731	-	87,731
Building Inspector and Code Enforcement	161,071	-	161,071
Health and Welfare:			
Tourism	-	33,791	33,791
Culture and Recreation:			
Libraries	141,293	431	141,724
Parks and Recreation	132,911	11,602	144,513
Debt Service:			
Principal	-	111,000	111,000
Interest	-	54,375	54,375
Other Bond Costs	-	35,751	35,751
Capital Outlay:			
Capital Outlay	-	26,506	26,506
Total Expenditures	<u>2,264,985</u>	<u>304,868</u>	<u>2,569,853</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>106,345</u>	<u>(31,022)</u>	<u>75,323</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of Refunding Bonds	-	1,445,000	1,445,000
Refunding of Bonds (Use)	-	(1,427,087)	(1,427,087)
Transfers In	15,632	227,700	243,332
Transfers Out (Use)	(227,700)	(55,000)	(282,700)
Total Other Financing Sources (Uses)	<u>(212,068)</u>	<u>190,613</u>	<u>(21,455)</u>
Net Change in Fund Balances	(105,723)	159,591	53,868
Fund Balance - Oct 1 (Beginning)	1,742,821	553,650	2,296,471
Prior Period Adjustment	47,669	-	47,669
Fund Balance - Sept 30 (Ending)	<u>\$ 1,684,767</u>	<u>\$ 713,241</u>	<u>\$ 2,398,008</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 BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 53,868
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in the change in net assets.	41,525
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in the change in net assets.	(224,322)
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in the change in net assets.	111,000
Long-term debt issued by governmental activities is treated as an inflow of financial resources but an increase in liabilities on the Statement of Net Assets. The net effect of this difference is an increase in the change in net assets.	11,751
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase (decrease) in the change in net assets.	(45,569)
Other miscellaneous differences in accounting treatments between the governmental funds and the Statement of Net Assets or Statement of Activities resulted in an increase (decrease) in the change in net assets.	(1,810)
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (53,557)</u></u>

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

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CITY OF JONESTOWN, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amount (GAAP BASIS)	Final Budget
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 2,022,965	\$ 2,022,965	\$ 1,987,358	\$ (35,607)
General Sales and Use Taxes	95,500	95,500	103,302	7,802
Franchise Tax	130,000	130,000	155,704	25,704
Licenses and Permits	90,350	90,350	69,071	(21,279)
Intergovernmental Revenue	-	-	2,310	2,310
Fines	61,870	61,870	43,709	(18,161)
Investment Earnings	2,000	2,000	1,578	(422)
Other Revenue	25,600	25,600	8,298	(17,302)
<b>Total Revenues</b>	<b>2,428,285</b>	<b>2,428,285</b>	<b>2,371,330</b>	<b>(56,955)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	544,342	530,890	455,973	74,917
Public Safety	745,303	753,393	732,027	21,366
Public Works	320,691	250,384	247,650	2,734
City Council	2,800	2,800	953	1,847
City Administrator	106,815	106,815	107,856	(1,041)
City Secretary	129,741	132,433	131,802	631
Municipal Court	67,494	69,279	65,718	3,561
Finance	98,887	101,279	87,731	13,548
Building Inspector and Code Enforcement	190,302	194,838	161,071	33,767
Culture and Recreation:				
Libraries	125,898	127,806	141,293	(13,487)
Parks and Recreation	141,771	145,053	132,911	12,142
<b>Total Expenditures</b>	<b>2,474,044</b>	<b>2,414,970</b>	<b>2,264,985</b>	<b>149,985</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,759)	13,315	106,345	93,030
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer In	-	-	15,632	15,632
Transfers Out (Use)	(124,840)	(212,867)	(227,700)	(14,833)
<b>Total Other Financing Sources (Uses)</b>	<b>(124,840)</b>	<b>(212,867)</b>	<b>(212,068)</b>	<b>799</b>
Net Change in Fund Balances	(170,599)	(199,552)	(105,723)	93,829
Fund Balance-Oct 1 (Beginning)	1,742,821	1,742,821	1,742,821	-
Prior Period Adjustment	-	-	47,669	47,669
<b>Fund Balance-Sept 30 (Ending)</b>	<b>\$ 1,572,222</b>	<b>\$ 1,543,269</b>	<b>\$ 1,684,767</b>	<b>\$ 141,498</b>

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

CITY OF JONESTOWN, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2012

	Business-Type Activities - Enterprise Funds			
	Northshore WW Utility System	Capital Improvements - Developer	Plaza Enterprise Fund	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 278,452	\$ (35)	\$ 92,199	\$ 370,616
Restricted Assets - Current:				
Restricted Asset - Debt Service	-	-	13,804	13,804
Restricted Asset - Capital Improvements	-	8,737,810	-	8,737,810
Accounts Receivable-Net of Allowance	12,863	-	-	12,863
Other Assets	-	-	383	383
Total Current Assets	<u>291,315</u>	<u>8,737,775</u>	<u>106,386</u>	<u>9,135,476</u>
Noncurrent Assets:				
Capital Assets:				
Land Purchase & Improvements	287,360	-	120,000	407,360
Buildings	-	-	446,423	446,423
Improvements Other Than Buildings	1,974,570	-	-	1,974,570
Construction in Progress	-	4,476	-	4,476
Less Accumulated Depreciation	(148,210)	-	(390,763)	(538,973)
Total Noncurrent Assets	<u>2,113,720</u>	<u>4,476</u>	<u>175,660</u>	<u>2,293,856</u>
Total Assets	<u>\$ 2,405,035</u>	<u>\$ 8,742,251</u>	<u>\$ 282,046</u>	<u>\$ 11,429,332</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 2,973	\$ 4,441	\$ 2,733	\$ 10,147
Accrued Interest Payable	-	-	1,027	1,027
Deferred Revenue	-	8,737,810	-	8,737,810
Customer Deposits Payable	15,225	-	-	15,225
Other Current Liabilities	89,920	-	-	89,920
Total Current Liabilities	<u>108,118</u>	<u>8,742,251</u>	<u>3,760</u>	<u>8,854,129</u>
Total Liabilities	<u>108,118</u>	<u>8,742,251</u>	<u>3,760</u>	<u>8,854,129</u>
<b>NET ASSETS</b>				
Investments in Capital Assets, Net of Related Debt	2,113,720	-	175,660	2,289,380
Restricted for:				
Debt Service	-	-	13,804	13,804
Unrestricted Net Assets	183,197	-	88,822	272,019
Total Net Assets	<u>\$ 2,296,917</u>	<u>\$ -</u>	<u>\$ 278,286</u>	<u>\$ 2,575,203</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 FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities - Enterprise Funds			
	Northshore	Capital	Plaza	Total
	WW Utility System	Improvements - Developer	Enterprise Fund	Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for Sewerage Service	\$ 122,866	\$ -	\$ -	\$ 122,866
Other Revenue	881	-	60,307	61,188
Total Operating Revenues	<u>123,747</u>	<u>-</u>	<u>60,307</u>	<u>184,054</u>
<b>OPERATING EXPENSES</b>				
Purchased Professional & Tech Services	20,290	-	-	20,290
Other Operating Expenses	17,196	-	28,852	46,048
Supplies	9,232	-	-	9,232
Depreciation	49,338	-	29,760	79,098
Total Operating Expenses	<u>96,056</u>	<u>-</u>	<u>58,612</u>	<u>154,668</u>
Operating Income (Loss)	<u>27,691</u>	<u>-</u>	<u>1,695</u>	<u>29,386</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Earnings	203	-	7	210
Total Non-Operating Rev (Exp)	<u>203</u>	<u>-</u>	<u>7</u>	<u>210</u>
Income Before Transfers	<u>27,894</u>	<u>-</u>	<u>1,702</u>	<u>29,596</u>
Non-Operating Transfer In	-	-	55,000	55,000
Transfers Out	-	-	(15,632)	(15,632)
Change in Net Assets	27,894	-	41,070	68,964
Total Net Assets - Oct 1 (Beginning)	<u>2,269,023</u>	<u>-</u>	<u>237,216</u>	<u>2,506,239</u>
Total Net Assets - Sept 30 (Ending)	<u>\$ 2,296,917</u>	<u>\$ -</u>	<u>\$ 278,286</u>	<u>\$ 2,575,203</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, 2012

	Business-Type Activities - Enterprise Funds			
	Northshore	Capital	Plaza	Total
	WW Utility System	Improvements - Developer	Enterprise Fund	Enterprise Funds
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from User Charges	\$ 123,750	\$ 605	\$ 60,307	\$ 184,662
Cash Payments for Suppliers	(68,320)	3,207	(49)	(65,162)
Cash Payments for Other Op. Expenses	53,167	-	(28,852)	24,315
Net Cash Provided by Operating Activities	<u>108,597</u>	<u>3,812</u>	<u>31,406</u>	<u>143,815</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>				
Operating Transfer In (Out)	-	-	39,368	39,368
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>				
Acquisition of Capital Assets	-	-	(6,971)	(6,971)
Payments on Long-Term Debt	-	-	(49,687)	(49,687)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>-</u>	<u>(56,658)</u>	<u>(56,658)</u>
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest and Dividends on Investments	203	-	7	210
Net Increase/Decrease in Cash/Cash Equiv.	108,800	3,812	14,123	126,735
Cash/Cash Equivalents at Beginning of Year	169,652	8,733,963	91,880	8,995,495
Cash/Cash Equivalents at End of the Year	<u>\$ 278,452</u>	<u>\$ 8,737,775</u>	<u>\$ 106,003</u>	<u>\$ 9,122,230</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>				
Operating Income (Loss)	\$ 27,691	\$ -	\$ 1,695	\$ 29,386
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	49,338	-	29,760	79,098
Effect of Increases/Decrease in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	6	605	-	611
Increase (Decrease) in Accounts Payable	(59,088)	3,207	(49)	(55,930)
Increase (Decrease) in Other Liabilities	90,650	-	-	90,650
Net Cash Provided by Operating Activities	<u>\$ 108,597</u>	<u>\$ 3,812</u>	<u>\$ 31,406</u>	<u>\$ 143,815</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  
SEPTEMBER 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Jonestown, Texas (the City) is a general law City in Travis County, Texas which operates under a Council form of government and provides services such as public safety, health, highways, street maintenance, recreational 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 Alderman 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.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City's financial statements include all funds, agencies, boards, commissions and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. No organizations (component units) have been included in or excluded from the City's financial statements.

**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's activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes and user charges, licenses, and grants. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

The fund statements provide reports on the financial condition and results of operations for three fund categories; governmental funds, proprietary funds, and fiduciary funds, although the City currently has no fiduciary funds. The City considers some governmental funds and proprietary funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's ongoing operations. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

**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, as do the proprietary fund financial statements. 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 the 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.

Property and sales tax revenues are recognized when both measurable and available. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings and investments) are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are 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 sometimes require the City to refund all or part of the unused amount.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**D. FUND ACCOUNTING**

Basis of Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts recording cash and other financial resources together with all related liabilities and residual equities or balances and changes therein. They are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The City reports the following major governmental funds:

- General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

The City has no other governmental funds that were required to be reported as a major fund.

The City reports the following major proprietary funds:

- Northshore WW Utility System Fund – The City accounts for sewerage services provided to customers and related costs of operations in the Northshore WW Utility System Fund.
- Plaza Enterprise Fund – The City accounts for revenues earned and expenses incurred required to provide the rental of the plaza building in the Plaza Enterprise Fund.
- Capital Improvements-Developer Fund – The City accounts for the expenditures and restricted assets related to pending subdivision improvements in the Capital Improvements Developer Fund.

Additionally, the City reports the following non-major fund types:

Governmental Funds:

- Special Revenue Funds – The City accounts for resources restricted, committed, or assigned for specific purposes by the City or outside grantors in a special revenue fund in order to have more transparent accountability.
- Debt Service Fund - The City accounts for resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds in a debt service fund.
- Capital Projects Fund – The City accounts for the financial resources used for the acquisition of major capital projects in a capital projects fund.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**E. ACCRUED ABSENCES**

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 Assets. 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 \$40,982 in accrued compensated absences at September 30, 2012 related to the City's governmental fund activities.

**F. PROPERTY TAX**

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<sup>st</sup> 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<sup>st</sup> of the year following the October 1<sup>st</sup> levy date. The assessed value of the property tax roll of January 1, 2011, upon which the levy for the 2011-2012 fiscal year was based, was \$379,438,779. Taxes are delinquent if not paid by February 1<sup>st</sup> 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, 2012, to finance General Fund and Debt Service Fund operations were \$0.4956 and \$.0644, respectively, for a total tax rate of \$.5600 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2011-2012 fiscal year was \$2,144,596. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2012, were 101.7% 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. The City does not record an allowance for uncollectible taxes.

**G. FIXED ASSETS**

Fixed assets, which include land, buildings and improvements, furniture and equipment, and infrastructure, are reported in the government-wide financial statements. Fixed assets are recorded at cost where historical records are available and at estimated original cost where no historical records exist. Buildings and improvements, infrastructure, and furniture and equipment are capitalized if the individual cost for the item is in excess of \$2,500. The cost of normal maintenance and repairs that do not add to the value of the assets lives are not capitalized.

Major capital outlay for fixed assets and improvements are capitalized as projects are constructed. For debt-financed fixed assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Fixed assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.



CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

Fixed assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each fixed assets class is as follows:

Building and improvements	5-40 years
Furniture and fixtures	5-10 years
Computers and equipment	5 years
Vehicles	5-7 years
Infrastructure (street, sidewalks, etc.)	10-40 years

**H. ESTIMATES**

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGET**

On or before the first day of June of each year, department and division leaders of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The budget is prepared by fund, department, and activity, and includes information on the past year, current year budget and requested appropriations for the next fiscal year.

Before August 31<sup>st</sup>, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Management may not amend the budget without Council approval. Expenditures may not legally exceed budget appropriations at the department level. Budgets are adopted for the General Fund, Debt Service Fund, and the proprietary funds.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City reported expenditures in excess of appropriations in the City Administrator, Libraries and Transfers Out line items of the General Fund in the amount of \$1,041, \$13,487, and \$14,833, respectively.

**C. DEFICIT FUND EQUITY**

The City had no funds with deficit fund equity at year end.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing 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, 2012, the carrying amount of the City's deposits (cash, money market, and interest-bearing savings accounts included in temporary investments) was \$11,325,704 and the bank balance was \$11,379,790.

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 City's investments were in a temporary investment pool and certificates of deposit at September 30, 2012. A summary of the investment balances is as follows:

<u>Investments</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Capital One Bank - CD's	\$ 250,094	\$ 250,119
	\$ 250,094	\$ 250,119

The City's investments in pools are reported at an amount determined by their fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses 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 and during the year ended September 30, 2012 were fully covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City’s investment pools allow the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC.

**B. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2012 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 74,393	\$ -	\$ 46,290	\$ 120,683
Non-major Governmental Funds	10,274	-	8,113	18,387
Total	<u>\$ 84,667</u>	<u>\$ -</u>	<u>\$ 54,403</u>	<u>\$ 139,070</u>
Proprietary Activities:				
Northshore WW Utility System	\$ -	\$ 12,863	\$ -	\$ 12,863
Total	<u>\$ -</u>	<u>\$ 12,863</u>	<u>\$ -</u>	<u>\$ 12,863</u>

Payables at September 30, 2012 consist of the following:

	Accounts Payable	Salaries & Benefits	Deferred Revenue	Customer Deposits Payable	Other Current Liabilities	Total
Governmental Activities:						
General Fund	\$ 40,404	\$ 8,576	\$ 74,393	\$ -	\$34,291	\$ 157,664
Non-Major Governmental Funds	9,342	-	27,816	-	285	37,443
Total	<u>\$ 49,746</u>	<u>\$ 8,576</u>	<u>\$ 102,209</u>	<u>\$ -</u>	<u>\$34,576</u>	<u>\$ 195,107</u>
Proprietary Activities:						
Northshore WW Utility System	\$ 2,973	\$ -	\$ -	\$15,225	\$89,920	\$ 108,118
Capital Improvements-Developer	4,441	-	8,737,810	-	-	8,742,251
Plaza Enterprise Fund	2,733	-	-	-	1,027	3,760
Total	<u>\$ 10,147</u>	<u>\$ -</u>	<u>\$ 8,737,810</u>	<u>\$15,225</u>	<u>\$90,947</u>	<u>\$8,854,129</u>

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**C. INVENTORIES AND PREPAID ITEMS**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures 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 government-wide and fund financial statements.

**D. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The City does not record an allowance for uncollectible tax receivables based on historical experience in collecting property taxes.

**E. COURT FINES AND FEES RECEIVABLE**

The City has determined the amount of court fines and fees receivable to be \$62,101. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$31,050, resulting in a net receivable of \$31,051.

**F. RESTRICTED ASSETS**

Restricted assets in the Plaza Enterprise Fund represent cash that has been set aside for future payment of certificates of obligation. Restricted assets in the Capital Improvements – Developer Fund represent irrevocable letters of credit called by the City to ensure the completion of various improvements by a developer. A summary of restricted assets at September 30, 2012 appears below:

Certificate of Obligation Debt Service - (Series 1997)	\$ 13,804
Capital Improvements - Developer	<u>8,737,810</u>
Total Restricted Assets	<u><u>\$ 8,751,614</u></u>

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**G. INTERFUND TRANSFERS**

Operating transfers are transactions of cash or other assets between funds that are intended to be permanent, or not repaid, and serve the financing needs of the receiving fund. During the year, several interfund transfers were made as detailed below.

	Transfers In	Transfers Out
<b>Governmental Funds</b>		
General Fund:		
Capital Outlay Fund	\$ -	\$ 99,840
Plaza Enterprise	15,632	-
Street Fund	-	99,027
Wind Energy Project Fund	-	28,833
Total General Fund	15,632	227,700
Debt Service Fund		
Plaza Enterprise	-	55,000
Total Debt Service Fund	-	55,000
Capital Projects Fund:		
General Fund	99,840	-
Total Capital Projects Fund	99,840	-
Wind Energy Project Fund		
General Fund	28,833	-
Total Wind Energy Project Fund	28,833	-
Street Fund		
General Fund	99,027	-
Total Street Fund	99,027	-
<b>Total Governmental Funds Transfers In/Out</b>	<b>\$ 243,332</b>	<b>\$ 282,700</b>
	Transfers In	Transfers Out
<b>Proprietary Funds</b>		
Plaza Enterprise Fund		
General Fund	\$ -	\$ 15,632
Debt Service Fund	55,000	-
Total Plaza Enterprise Fund	55,000	15,632
<b>Total Proprietary Funds Transfers In/Out</b>	<b>\$ 55,000</b>	<b>\$ 15,632</b>
<b>Total Funds Transfers In/Out</b>	<b>\$ 298,332</b>	<b>\$ 298,332</b>

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**H. FIXED ASSETS**

Capital asset activity for the City of Jonestown for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not depreciated:				
Land	\$ 108,204	\$ -	\$ -	\$ 108,204
Construction in Progress	202,954	-	-	202,954
Total Capital Assets, not depreciated	<u>311,158</u>	<u>-</u>	<u>-</u>	<u>311,158</u>
Capital Assets, depreciated:				
Buildings and Improvements	1,568,252	10,568	-	1,578,820
Infrastructure	2,085,054	-	-	2,085,054
Machinery and Equipment	1,057,966	30,956	-	1,088,922
Total Capital Assets, depreciated	<u>4,711,272</u>	<u>41,524</u>	<u>-</u>	<u>4,752,796</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(207,603)	(47,693)	-	(255,296)
Infrastructure	(383,218)	(54,522)	-	(437,740)
Machinery and Equipment	(666,137)	(122,107)	-	(788,244)
Total Accumulated Depreciation	<u>(1,256,958)</u>	<u>(224,322)</u>	<u>-</u>	<u>(1,481,280)</u>
Total Capital Assets, depreciated, net	<u>3,454,314</u>	<u>(182,798)</u>	<u>-</u>	<u>3,271,516</u>
Total Capital Assets, net	<u>\$ 3,765,472</u>	<u>\$ (182,798)</u>	<u>\$ -</u>	<u>\$ 3,582,674</u>
<b>Proprietary Activities:</b>				
Capital Assets, not depreciated:				
Land	\$ 407,360	\$ -	\$ -	\$ 407,360
Construction in Progress	4,476	-	-	4,476
Total Capital Assets, not depreciated	<u>411,836</u>	<u>-</u>	<u>-</u>	<u>411,836</u>
Capital Assets, depreciated:				
Buildings and Improvements	2,414,022	6,971	-	2,420,993
Total Capital Assets, depreciated	<u>2,414,022</u>	<u>6,971</u>	<u>-</u>	<u>2,420,993</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(459,876)	(79,097)	-	(538,973)
Total Accumulated Depreciation	<u>(459,876)</u>	<u>(79,097)</u>	<u>-</u>	<u>(538,973)</u>
Total Capital Assets, depreciated, net	<u>1,954,146</u>	<u>(72,126)</u>	<u>-</u>	<u>1,882,020</u>
Total Capital Assets, net	<u>\$ 2,365,982</u>	<u>\$ (72,126)</u>	<u>\$ -</u>	<u>\$ 2,293,856</u>

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

Depreciation expense was charged to the governmental activities as follows:

Department	Allocated Depreciation
General Government	\$ 55,157
Public Safety	66,631
Public Works	22,542
Highways and Streets	108
City Council	87
City Administrator	9,817
City Secretary	11,997
Municipal Court	6,208
Finance	7,985
Building Inspector and Code Enforcement	14,661
Tourism	3,076
Libraries	12,900
Parks and Recreation	13,153
Total	\$ 224,322

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**I. LONG-TERM DEBT**

Description	Interest	Amounts	Amounts	Additions	Deletions	Amounts	Due
	Rate	Original	Outstanding			Outstanding	
Payable	Payable	Issue	10/01/11			09/30/12	Year
<b>GOVERNMENTAL ACTIVITIES</b>							
Bonds Payable:							
Comb. Tax & Revenue Cert. of Obligation, Series 1998	4.8-6.4%	\$ 1,200,000	\$ 630,000	\$ -	\$ 630,000	\$ -	\$ -
General Obligation Bonds, Series 2008	4.53%	1,000,000	902,000	-	902,000	-	-
General Obligation Refunding Bonds, Series 2012	2.24%	1,445,000	-	1,445,000	-	1,445,000	140,000
Total Bonds Payable		<u>3,645,000</u>	<u>1,532,000</u>	<u>1,445,000</u>	<u>1,532,000</u>	<u>1,445,000</u>	<u>140,000</u>
Other:							
Compensated Absences	n/a	n/a	47,669	-	6,687	40,982	-
Total Other Payable			<u>47,669</u>	<u>-</u>	<u>6,687</u>	<u>40,982</u>	<u>-</u>
Total Debt - Governmental Activities			<u>\$ 1,579,669</u>	<u>\$ 1,445,000</u>	<u>\$ 1,538,687</u>	<u>\$ 1,485,982</u>	<u>\$ 140,000</u>
<b>PROPRIETARY ACTIVITIES</b>							
Notes Payable-Plaza Enterprise Fund:							
Tax Certificate of Obligation, Series 1997	4.45-6.0%	\$ 550,000	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ -
Total Bonds Payable			<u>55,000</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>
Grand Total - Proprietary Funds			<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ -</u>

During the year, the City issued \$1,445,000 of General Obligation Refunding Bonds, Series 2012, to currently refund the remaining principal due of \$555,000 on the previously issued Series 1998 Combination Tax & Revenue Certificates of Obligation, and the remaining principal due of \$866,000 on the previously issued Series 2008 General Obligation Bonds. As a result, both the Series 1998 and Series 2008 issues were fully redeemed and paid on March 21, 2012 and are no longer obligations of the City. The refunding was undertaken to obtain a more favorable average interest rate on City debt and as a result reduce total future debt service payments. The transaction resulted in a decrease in total future debt service payments of \$250,392 and a net present value savings of \$186,511.



CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

Future debt service requirements for governmental activities are as follows:

Year Ended September 30,	Bonds Payable		
	Principal	Interest	Total
2013	\$ 140,000	\$ 30,800	\$ 170,800
2014	145,000	27,608	172,608
2015	145,000	24,360	169,360
2016	150,000	21,056	171,056
2017	155,000	17,640	172,640
2018-2022	365,000	54,376	419,376
2023-2027	285,000	23,016	308,016
2028-2032	60,000	672	60,672
	<u>\$1,445,000</u>	<u>\$ 199,528</u>	<u>\$ 1,644,528</u>

**J. TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN DESCRIPTION**

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 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 from TMRS' website at [www.TMRS.com](http://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	Plan Year 2011	Plan Year 2012
Employee deposit rate	5.0%	5.0%
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 Repeating	0% of CPI Repeating

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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 required contribution rates for fiscal year 2012 were determined as a part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	12/31/2009	12/31/2010	12/31/2011
1 Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
2 Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
3 Amortization period	23.0 years - closed period	22.3 years - closed period	21.5 years - closed period
4 Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
5 Assumptions			
Investment return	7.5%	7.0%	7.0%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	0%	0%	0%

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
(1)	(2)	(3)	(1) / (2)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ 605,184	\$ 809,685	74.7%	\$ 204,501	\$ 1,141,705	17.9%

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

Actuarial valuations involved estimates of the value of the reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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.

**K. HEALTH INSURANCE COVERAGE**

During the year ended September 30, 2012, all regular full-time employees of the City of Jonestown, were eligible for coverage under the group hospitalization, medical and life insurance program provided by the City through Humana (the Plan). The City pays 100% of the employee's monthly premium and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

**L. LITIGATION**

In prior years, the developer (Centex Homes) of the Hollows subdivision had established irrevocable standby letters of credit with Bank of America guaranteeing completion of infrastructure improvements. Because the improvements were not made, the City has since drawn the total amount of the letters of credit in the amount of \$8,737,810. The City is currently involved in litigation with Centex Homes regarding the letters of credit. At the time of this report, it is estimated that the City may have to return as much as \$4.9 million of these funds to the developer. The entire amount of the letters of credit is reflected as an asset and a liability in the financial statements.

In prior years, the City received federal funds for an ARRA SEP Wind Energy Project grant in the amount of \$1,836,400. The City expended grant funds in a manner that may have violated certain restrictive provisions of the grant. There is an ongoing investigation by the District Attorney regarding the subcontractor's CEO (CM Energies) and the grant coordinator (Texas State Comptroller employee). The possible outcome of this matter is uncertain at this time. Accordingly, no provision for any liability has been made in the financial statements for possible federal claims for refunds of those grant funds.

**M. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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.

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CITY OF JONESTOWN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2012

**N. PRIOR PERIOD ADJUSTMENT**

During the year, analysis of the City’s General Fund liabilities indicated that in previous years accrued compensated absences were recorded as a liability in the General Fund. As a result, the City’s General Fund fund balance was under-stated since compensated absences are considered a long-term liability and should only be recognized on the government-wide statement of net assets. To correct the beginning of the year effect of this condition, a prior period adjustment increasing the General Fund fund balance and decreasing this liability in the General Fund was recorded.

The adjustment to the General Fund fund balance reports as of September 30, 2011 is summarized as follows:

	General Fund
Amount as previously reported at September 30, 2011	\$ 1,742,821
Increase in General Fund fund balance to remove liability for accrued compensated absences since this is a long-term liability and should only be shown at the government-wide level.	47,669
Amount as restated at September 30, 2011	\$ 1,790,490

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF JONESTOWN, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2012

Required Supplementary Information

Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3) (1) / (2)	(4) (2) - (1)	(5)	(6) (4) / (5)
12/31/2009	\$ 331,085	\$ 512,629	64.6%	\$ 181,544	\$ 1,001,250	18.1%
12/31/2010	470,173	670,775	70.1	200,602	1,044,850	19.2%
12/31/2011	605,184	809,685	74.7	204,501	1,141,705	17.9%

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## COMBINING SCHEDULES

CITY OF JONESTOWN, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012

	Court Restricted Fund	Streets Fund	Capital Metro Fund	Parks Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 50,511	\$ 218,229	\$ 17,542	\$ 51,019
Taxes Receivable	-	-	-	-
Receivables (Net)	-	-	-	-
Inventory	-	-	-	161
Total Assets	<u>\$ 50,511</u>	<u>\$ 218,229</u>	<u>\$ 17,542</u>	<u>\$ 51,180</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 3,587
Deferred Revenue	-	-	17,542	-
Other Current Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>17,542</u>	<u>3,587</u>
<b>Fund Balances:</b>				
<b>Restricted For:</b>				
Debt Service	-	-	-	-
Other Specific Purposes	50,511	-	-	-
Capital Projects	-	-	-	-
<b>Committed For:</b>				
Parks	-	-	-	47,593
Streets	-	218,229	-	-
Total Fund Balances	<u>50,511</u>	<u>218,229</u>	<u>-</u>	<u>47,593</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 50,511</u></u>	<u><u>\$ 218,229</u></u>	<u><u>\$ 17,542</u></u>	<u><u>\$ 51,180</u></u>

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

EXHIBIT H-1

Wind Energy Project	Ione Jones Library Fund	Hotel Occupancy Tax Fund	Total Nonmajor Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 5,451	\$ 12,254	\$ 18,360	\$ 373,366	\$ 154,905	\$ 203,865	\$ 732,136
-	-	-	-	10,274	-	10,274
-	-	8,113	8,113	-	-	8,113
-	-	-	161	-	-	161
<u>\$ 5,451</u>	<u>\$ 12,254</u>	<u>\$ 26,473</u>	<u>\$ 381,640</u>	<u>\$ 165,179</u>	<u>\$ 203,865</u>	<u>\$ 750,684</u>
\$ 5,451	\$ -	\$ 304	\$ 9,342	\$ -	\$ -	\$ 9,342
-	-	-	17,542	10,274	-	27,816
-	285	-	285	-	-	285
<u>5,451</u>	<u>285</u>	<u>304</u>	<u>27,169</u>	<u>10,274</u>	<u>-</u>	<u>37,443</u>
-	-	-	-	154,905	-	154,905
-	11,969	26,169	88,649	-	-	88,649
-	-	-	-	-	203,865	203,865
-	-	-	47,593	-	-	47,593
-	-	-	218,229	-	-	218,229
<u>-</u>	<u>11,969</u>	<u>26,169</u>	<u>354,471</u>	<u>154,905</u>	<u>203,865</u>	<u>713,241</u>
<u>\$ 5,451</u>	<u>\$ 12,254</u>	<u>\$ 26,473</u>	<u>\$ 381,640</u>	<u>\$ 165,179</u>	<u>\$ 203,865</u>	<u>\$ 750,684</u>

CITY OF JONESTOWN, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Court Restricted Fund	Streets Fund	Capital Metro Fund	Parks Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-	-
Fines	2,054	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	3,336
Other Revenue	2,621	-	-	-
Total Revenues	<u>4,675</u>	<u>-</u>	<u>-</u>	<u>3,336</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Highways and Streets	-	1,191	-	-
Municipal Court	2,480	-	-	-
Health and Welfare:				
Tourism	-	-	-	-
Culture and Recreation:				
Libraries	-	-	-	-
Parks and Recreation	-	-	-	11,602
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Other Bond Costs	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>2,480</u>	<u>1,191</u>	<u>-</u>	<u>11,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,195</u>	<u>(1,191)</u>	<u>-</u>	<u>(8,266)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Refunding Bonds	-	-	-	-
Refunding of Bonds (Use)	-	-	-	-
Transfer In	-	99,027	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>99,027</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,195	97,836	-	(8,266)
Fund Balance - Oct 1 (Beginning)	48,316	120,393	-	55,859
Fund Balance - Sept 30 (Ending)	<u>\$ 50,511</u>	<u>\$ 218,229</u>	<u>\$ -</u>	<u>\$ 47,593</u>

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

EXHIBIT H-2

Wind Energy Project	Ione Jones Library Fund	Hotel Occupancy Tax Fund	Total Nonmajor Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 239,633	\$ -	\$ 239,633
-	-	18,048	18,048	-	-	18,048
-	-	-	2,054	-	-	2,054
-	-	-	-	9	-	9
-	3,916	286	7,538	-	-	7,538
-	-	3,943	6,564	-	-	6,564
-	3,916	22,277	34,204	239,642	-	273,846
27,741	-	-	27,741	-	-	27,741
-	-	-	1,191	-	-	1,191
-	-	-	2,480	-	-	2,480
-	-	33,791	33,791	-	-	33,791
-	431	-	431	-	-	431
-	-	-	11,602	-	-	11,602
-	-	-	-	111,000	-	111,000
-	-	-	-	54,375	-	54,375
-	-	-	-	35,751	-	35,751
-	-	-	-	-	26,506	26,506
27,741	431	33,791	77,236	201,126	26,506	304,868
(27,741)	3,485	(11,514)	(43,032)	38,516	(26,506)	(31,022)
-	-	-	-	1,445,000	-	1,445,000
-	-	-	-	(1,427,087)	-	(1,427,087)
28,833	-	-	127,860	-	99,840	227,700
-	-	-	-	(55,000)	-	(55,000)
28,833	-	-	127,860	(37,087)	99,840	190,613
1,092	3,485	(11,514)	84,828	1,429	73,334	159,591
(1,092)	8,484	37,683	269,643	153,476	130,531	553,650
\$ -	\$ 11,969	\$ 26,169	\$ 354,471	\$ 154,905	\$ 203,865	\$ 713,241

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OTHER INFORMATION REQUIRED BY GAO

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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*

Honorable Mayor and City Council  
City of Jonestown, Texas

We have audited the financial statements of the governmental activities, the proprietary 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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.

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The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

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

*Singleton, Clark & Company, PC*

Singleton, Clark & Company, PC  
Austin, Texas

February 20, 2013

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CITY OF JONESTOWN, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unqualified

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

**FEDERAL AWARDS**

Under the guidelines of OMB Circular A-133, a single audit was not required this year.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

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.

Questioned Costs:              N/A.

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

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

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

Corrective Action Plan:        The City will closely monitor expenditures and amend the appropriations budget during the year.

CITY OF JONESTOWN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

No findings or questioned costs required to be reported in accordance with *Generally Accepted Government Auditing Standards* for the year ended September 30, 2011.

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Prior year findings as required to be restated:

2011-1

Criteria: A-133 Compliance Supplement – Section M-Monitoring

Condition Found: The City did not have a monitoring plan in place. The City did not monitor the sub-contractor for progress reports on completing the projects. Payments were made to the sub-contractor without review or inspection to determine whether the project was completed.

Questioned Costs: \$1,836,400

Effect: The lack of monitoring caused the City to pay the sub-contractor all of the grant funds with only 2 of the 18 wind projects completed.

Cause: There was a lack of communication between the City and the sub-contractor.

Recommendations: The City should have a monitoring plan which would include reporting, site visits, communication and review. The City should monitor the sub-contractors for progress on projects and compliance with grant agreements.

Current Status: The City has adopted new project management procedures that require the city to adequately monitor ongoing projects.

2011-2

Criteria: A-133 Compliance Supplement – Section B-Allowable Costs/Cost Principles

Condition Found: The City did not review direct charges to the wind energy project for compliance with the cost principles of OMB circulars. Payments were made to the sub-contractor without determination of the percentage of completion. An employee of the sub-contractor (CM Alternative Energies, Inc.) signed the "Buy America" certification of the major vendor, Central Texas Plastics, LLC. Payments made to Central Texas Plastics, LLC, amounted to \$994,009. Also, the sub-contractor had mark-ups (totaling \$94,339) on invoices received from vendors.

Questioned Costs: See above.

Effect: The lack of review for compliance with OMB Circulars caused the City to overpay invoices (mark-up amount) and pay all of the grant funds with only 2 of the 18 wind projects completed.

Cause: The City failed to review direct charges for compliance with the OMB Circulars.



CITY OF JONESTOWN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Recommendation: The City should review the charges for compliance with the federal regulations (OMB Circulars).

Current Status: The City has adopted a project management ordinance that requires the review of expenditures and proper oversight prior to the approval of payment for federal expenditures.

2011-3

Criteria: A-133 Compliance Supplement – Part 6 – Internal Control

Condition Found: The City signed claims for reimbursement without reviewing the invoices to determine if the materials had been received and if the project was being completed (progress billings). The City also did not have a monitoring plan to monitor the sub-contractor for reporting, site visits, and compliance with the regulations.

Questioned Costs: None.

Effect: Since internal controls over monitoring were not properly designed, the City has no assurance that costs charged to the federal grant were properly documented in accordance with federal regulations.

Cause: The City had not implemented internal controls for monitoring sub-contractor payments to comply with federal regulations.

Recommendation: The City should implement internal controls for monitoring sub-contractor payments to comply with the federal regulations.

Current Status: The City has adopted new project management procedures that require proper internal controls over federal awards. The new procedures require sub-contractor monitoring, site visits and review of expenditures.

2011-4

Criteria: A-133 Compliance Supplement – Section F-Equipment and Real Property Management

Non-federal entities (the City) are required to maintain equipment records, take a physical inventory of equipment, implement internal controls to safeguard equipment and adequately maintain the equipment.

Condition Found: The City did not properly safeguard the equipment which was being constructed by the sub-contractor. Subsequent to the audit period, the City had to obtain a temporary restraining order to obtain the materials from the sub-contractor which were not complete.

Questioned Costs: None.

CITY OF JONESTOWN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Effect: The City did not implement internal controls to safeguard the equipment. The City paid all of the grant funds without most of the wind projects being completed and had to get a temporary restraining order to obtain the unfinished materials from the sub-contractor.

Cause: The City did not implement internal controls to safeguard the equipment and monitor the progress of the construction of the wind projects.

Recommendation: The City should implement internal controls to safeguard the equipment and monitor the progress of sub-contractors for completion of projects.

Current Status: The City currently has custody of all of the assets purchased with grant funds. The City has adopted new project management procedures that require proper internal controls over equipment and real property acquired with federal funding.

2011-5

Criteria: A-133 Compliance Supplement – Section D – Davis-Bacon Act

Non-federal entities (the City) shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the sub-contractor comply with the requirements of the Davis-Bacon Act and the DOL regulations.

Condition Found: The City's sub-contractor agreement with CM Alternative Energies, Inc. did not include a requirement that the sub-contractor comply with the requirements of the Davis-Bacon Act and the DOL regulations.

Questioned Costs: None.

Effect: The City's agreement with the sub-contractor (CM Alternative Energies, Inc.) was not in compliance with A-133 Compliance Supplement.

Cause: The City failed to review the federal regulations for sub-contractor agreements.

Recommendation: The City should review the sub-contractor agreement for compliance with the federal regulations (Davis-Bacon Act and DOL).

Current Status: The City has adopted new project management procedures that require proper oversight by management to ensure that sub-contractor agreements comply with federal regulations including the Davis-Bacon Act and DOL regulations.

CITY OF JONESTOWN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

2011-6

Criteria: A-133 Compliance Supplement – Section L - Reporting

Non-federal entities (the City) are required to file accurate and timely reports in accordance with ARRA Section 1512.

Condition Found: As disclosed in the State Comptroller’s final determination letter, the sub-recipient (City) did not report the total hours worked from jobs created or retained by the project and payments to vendors.

Questioned Costs: None.

Effect: The City did not comply with the ARRA Section 1512 reporting requirements.

Cause: The City was not aware of the items to be reported under ARRA Section 1512.

Recommendation: The City should report all hours worked on the project and all payments to vendors in accordance with ARRA Section 1512. Subsequent reports filed by the City included this information.

Current Status: No such condition was found in the current year since the City did not have any ongoing ARRA grants during the fiscal year.

