

CITY OF JONESTOWN, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF JONESTOWN, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report ·····	1
Management's Discussion and Analysis ·····	3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position ·····	11
Statement of Activities ·····	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds ·····	14
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position ·····	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ·····	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities ·····	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund ·····	18
Statement of Net Position – Proprietary Funds ·····	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds ·····	20
Statement of Cash Flows – Proprietary Funds ·····	21
Notes to the Financial Statements ·····	22
<b>Required Supplementary Information:</b>	
Schedule of Funding Progress – Texas Municipal Retirement System Plan ·····	39
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds ·····	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds ·····	42
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ·····	44
Schedule of Findings and Questioned Costs ·····	46

# **FINANCIAL SECTION**



**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor, Members of the City Council, and Citizens of  
the City of Jonestown, Texas:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

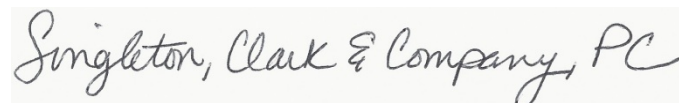
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC  
Cedar Park, Texas

February 25, 2015

CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

As management of the City of Jonestown, Texas ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,176,816 (*net position*). Of this amount, \$3,162,999 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$335,873 primarily because of conservative spending across all departments coupled with slightly higher than anticipated revenues.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,291,068, an increase of \$229,011 in comparison with the prior year. Approximately 57% of this amount, or \$1,879,748 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$2,249,748, or approximately 108% of total general fund expenditures.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Both of the government-wide financial statements distinguish departments of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other departments that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City include a water/wastewater utility operation, a plaza enterprise operation, and a capital improvements obligation operation.

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

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital expenditures fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

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

CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Proprietary Funds.** The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water waste/water utility operation, plaza enterprise operation, and capital improvements obligation operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City is not currently utilizing an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/wastewater utility operation, plaza enterprise operation and capital improvements obligation operation, all of which are considered to be major funds of the City. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements.

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

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

The City does not maintain any fiduciary funds.

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

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

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

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

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,176,816 at the close of the most recent fiscal year.



CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**City of Jonestown, Texas's Net Position**

	Governmental Activities 2014	Governmental Activities 2013	Change	Business- Type Activities 2014	Business- Type Activities 2013	Change
Current & other assets	\$ 3,546,810	\$ 3,271,356	\$ 275,454	\$ 1,804,915	\$ 3,218,158	\$ (1,413,243)
Capital assets	3,276,775	3,375,886	(99,111)	2,175,862	2,232,568	(56,706)
Total assets	6,823,585	6,647,242	176,343	3,980,777	5,450,726	(1,469,949)
Current liabilities	139,290	100,743	38,547	1,290,178	2,801,950	(1,511,772)
Long-term liabilities	1,198,078	1,354,332	(156,254)	-	-	-
Total liabilities	1,337,368	1,455,075	(117,707)	1,290,178	2,801,950	(1,511,772)
Net Position						
Net investment in capital assets	2,116,775	2,070,886	45,889	2,175,862	2,232,568	(56,706)
Restricted	707,376	604,339	103,037	13,804	13,804	-
Unrestricted	2,662,066	2,516,942	145,124	500,933	402,404	98,529
Total net position	\$ 5,486,217	\$ 5,192,167	\$ 294,050	\$ 2,690,599	\$ 2,648,776	\$ 41,823

By far, the largest portion of the City's net position (52%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,162,999 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased by \$335,873 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$294,050 from the prior fiscal year for an ending balance of \$5,486,217. The increase in the overall net position of governmental activities is the result of conservative spending across all functions coupled with slightly higher than anticipated revenues.

CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**City of Jonestown, Texas's Changes in Net Position**

	Governmental Activities 2014	Governmental Activities 2013	Change	Business- Type Activities 2014	Business- Type Activities 2013	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 9,714	\$ 8,055	\$ 1,659	\$ 228,548	\$ 313,770	\$ (85,222)
Operating grants & contributions	51,754	36,074	15,680	-	-	-
General Revenues:						
Property taxes	2,167,267	2,227,700	(60,433)	-	-	-
Other taxes	301,639	257,977	43,662	-	-	-
Grants and contributions not restricted to specific programs	6,390	2,021	4,369	-	-	-
Other	147,325	133,748	13,577	4,779	4,980	(201)
<b>Total revenues</b>	<b>2,684,089</b>	<b>2,665,575</b>	<b>18,514</b>	<b>233,327</b>	<b>318,750</b>	<b>(85,423)</b>
Expenses:						
General government	898,676	850,349	48,327	-	-	-
Public safety	820,360	794,155	26,205	-	-	-
Highways and streets	85,031	-	85,031	-	-	-
Public works	315,062	274,281	40,781	-	-	-
Culture and recreation	257,245	250,670	6,575	-	-	-
Interest on long-term debt	27,215	30,548	(3,333)	-	-	-
Plaza enterprise fund	-	-	-	47,054	43,344	3,710
Northshore wastewater utility fund	-	-	-	130,800	187,962	(57,162)
Capital improvements developer fund	-	-	-	100	321	(221)
<b>Total expenses</b>	<b>2,403,589</b>	<b>2,200,003</b>	<b>203,586</b>	<b>177,954</b>	<b>231,627</b>	<b>(53,673)</b>
Increase (decrease) in net position before transfers	280,500	465,572	(185,072)	55,373	87,123	(31,750)
Transfers	13,550	13,550	-	(13,550)	(13,550)	-
Extraordinary item-settlement proceeds	-	105,236	(105,236)	-	-	-
Increase (decrease) in net position	294,050	584,358	(290,308)	41,823	73,573	(31,750)
Net position - beginning	5,192,167	4,607,809	584,358	2,648,776	2,575,203	73,573
Net position - ending	<b>\$ 5,486,217</b>	<b>\$ 5,192,167</b>	<b>\$ 294,050</b>	<b>\$ 2,690,599</b>	<b>\$ 2,648,776</b>	<b>\$ 41,823</b>

**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$2,690,599. The total increase in net position for business-type activities was \$41,823 or 1.6% from the prior fiscal year. The growth is attributable to revenues that exceeded required expenditures in the plaza enterprise fund and the northshore wastewater developer fund.

CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Financial Analysis of Governmental Funds**

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

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

At September 30, 2014, the City's governmental funds reported combined fund balances of \$3,291,068, an increase of \$229,011 in comparison with the prior year. Approximately 57% of this amount, \$1,879,748, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$-0-), 2) legally required to be maintained intact (\$-0-), 3) restricted for particular purposes (\$696,144), 4) committed for particular purposes (\$715,176), or 5) assigned for particular purposes (\$-0-).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,879,748, while total fund balance increased to \$2,251,579. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 90% of total general fund expenditures, while total fund balance represents approximately 108% of that same amount.

The fund balance of the City's general fund increased by \$133,245 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was the result of conservative spending across all functions coupled with slightly higher than anticipated revenues.

The capital expenditures fund, a major fund, had a \$33,172 increase in fund balance during the current fiscal year. The increase is the result of budgeted transfers in that exceeded capital outlay expenditures during the current year.

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

Unrestricted net position of the Northshore Wastewater Utility System Fund at the end of the year was \$351,133, for the Plaza Enterprise Fund was \$145,592, and for the Capital Improvements Developer Fund was \$4,208. The total growth in net position for the funds was 21,647, \$19,623, and \$553, respectively. As noted earlier in the discussion of business-type activities, the growth is attributable to revenues that exceeded required expenditures in these funds.

CITY OF JONESTOWN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**General Fund Budgetary Highlights**

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

**Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$5,452,637 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total decrease in capital assets for the current fiscal year was approximately 3.7% overall.

**City of Jonestown, Texas's Capital Assets**

	Governmental Activities 2014	Governmental Activities 2013	Change
Land	\$ 108,204	\$ 108,204	\$ -
Buildings	1,578,820	1,578,820	-
Furniture and Equipment	1,106,735	1,088,922	17,813
Infrastructure	2,085,054	2,053,916	31,138
Construction in Progress	202,954	202,954	-
Total	<u>5,081,767</u>	<u>5,032,816</u>	<u>48,951</u>
Less Accumulated Depreciation	<u>(1,804,992)</u>	<u>(1,656,930)</u>	<u>(148,062)</u>
Capital assets, net of depreciation	<u>\$ 3,276,775</u>	<u>\$ 3,375,886</u>	<u>\$ (99,111)</u>
	Business-type Activities 2014	Business-type Activities 2013	Change
Land	\$ 407,360	\$ 407,360	\$ -
Buildings	2,420,993	2,420,993	-
Total	<u>2,828,353</u>	<u>2,828,353</u>	<u>-</u>
Less Accumulated Depreciation	<u>(652,491)</u>	<u>(595,785)</u>	<u>(56,706)</u>
Capital assets, net of depreciation	<u>\$ 2,175,862</u>	<u>\$ 2,232,568</u>	<u>\$ (56,706)</u>

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

CITY OF JONESTOWN, TEXAS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,160,000. The remainder of the City long-term obligations comprises compensated absences due to employees.

**City of Jonestown, Texas Outstanding Debt**

	Governmental Activities 2014	Governmental Activities 2013	Change
General Obligation Bonds	\$ 1,160,000	\$ 1,305,000	\$ (145,000)
Compensated Absences	38,078	49,332	(11,254)
Total	<u>\$ 1,198,078</u>	<u>\$ 1,354,332</u>	<u>\$ (156,254)</u>

The City’s total debt decreased by \$156,254, or (11.5%), during the current fiscal year. The reason for the decrease was regularly scheduled principal reductions on the existing outstanding bonded debt were paid as scheduled as well as several employees retiring which led to a reduction in compensated absences payable.

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

**Economic Factors and Next Year’s Budgets and Rates**

The following economic factors currently affect the City and were considered in developing the 2014-2015 fiscal year budget.

- The property tax rate was held constant as it was deemed adequate to fund anticipated expenditure obligations.
- Drought conditions are anticipated to continue which will continue to cause an economic strain on the area.
- Interest rates are expected to remain at record low levels throughout fiscal year 2014-2015.
- On the expenditure side, increases are expected in health insurance premiums.

**Requests for Information**

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 18649 FM 1431, Jonestown, Texas, 78645, or by calling (512) 267-3243.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JONESTOWN, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,352,294	\$ 1,791,569	\$ 5,143,863
Taxes receivable - delinquent	84,588	-	84,588
Accounts receivable, net	109,767	12,963	122,730
Inventories	161	-	161
Other assets	-	383	383
Capital assets, not being depreciated:			
Land	108,204	407,360	515,564
Construction in progress	202,954	-	202,954
Capital assets, being depreciated:			
Buildings and improvements	1,578,820	2,420,993	3,999,813
Machinery, equipment, and vehicles	1,106,735	-	1,106,735
Infrastructure	2,085,054	-	2,085,054
Accumulated depreciation	(1,804,992)	(652,491)	(2,457,483)
Total assets	<u>6,823,585</u>	<u>3,980,777</u>	<u>10,804,362</u>
<b>LIABILITIES</b>			
Accounts payable	104,432	7,687	112,119
Accrued salaries and benefits	19,805	-	19,805
Accrued liabilities	-	1,265,697	1,265,697
Accrued interest payable	1,962	-	1,962
Other current liabilities	13,091	2,394	15,485
Customer deposits	-	14,400	14,400
Noncurrent liabilities:			
Due within one year	145,000	-	145,000
Due in more than one year	1,053,078	-	1,053,078
Total liabilities	<u>1,337,368</u>	<u>1,290,178</u>	<u>2,627,546</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,116,775	2,175,862	4,292,637
Restricted for courts	54,067	-	54,067
Restricted for debt service	166,147	13,804	179,951
Restricted for parks	41,041	-	41,041
Restricted for capital projects	341,377	-	341,377
Restricted for other specific purposes	104,744	-	104,744
Unrestricted	2,662,066	500,933	3,162,999
Total net position	<u>\$ 5,486,217</u>	<u>\$ 2,690,599</u>	<u>\$ 8,176,816</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, 2014

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental activities:			
General government	\$ 898,676	\$ -	\$ -
Public safety	820,360	-	7,530
Highways and streets	85,031	-	43,814
Public works	315,062	-	-
Culture and recreation	257,245	9,714	410
Interest	27,215	-	-
Total governmental activities:	<u>2,403,589</u>	<u>9,714</u>	<u>51,754</u>
Business-type activities:			
Plaza enterprise fund	47,054	65,643	-
Northshore wastewater utility fund	130,800	162,905	-
Capital improvements developer fund	100	-	-
Total business-type activities:	<u>177,954</u>	<u>228,548</u>	<u>-</u>
Total primary government	<u>\$ 2,581,543</u>	<u>\$ 238,262</u>	<u>\$ 51,754</u>

General revenues:

- Property taxes
- Sales taxes
- Hotel/motel taxes
- Franchise taxes
- Contributions and donations from private sources
- Investment earnings
- Gain (loss) on sale of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position -- beginning

Net position -- ending

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



Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (898,676)	\$ -	\$ (898,676)
(812,830)	-	(812,830)
(41,217)	-	(41,217)
(315,062)	-	(315,062)
(247,121)	-	(247,121)
(27,215)	-	(27,215)
<u>(2,342,121)</u>	<u>-</u>	<u>(2,342,121)</u>
-	18,589	18,589
-	32,105	32,105
-	(100)	(100)
<u>-</u>	<u>50,594</u>	<u>50,594</u>
<u>(2,342,121)</u>	<u>50,594</u>	<u>(2,291,527)</u>
2,167,267	-	2,167,267
107,779	-	107,779
70,157	-	70,157
123,703	-	123,703
6,390	-	6,390
714	1,933	2,647
13,824	-	13,824
132,787	2,846	135,633
13,550	(13,550)	-
<u>2,636,171</u>	<u>(8,771)</u>	<u>2,627,400</u>
294,050	41,823	335,873
5,192,167	2,648,776	7,840,943
<u>\$ 5,486,217</u>	<u>\$ 2,690,599</u>	<u>\$ 8,176,816</u>

FUND BASIS FINANCIAL STATEMENTS

CITY OF JONESTOWN, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Capital Expenditures Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,284,443	\$ 386,755	\$ 681,096	\$ 3,352,294
Taxes receivable - delinquent	73,356	-	11,232	84,588
Accounts receivable	43,427	-	32,513	75,940
Inventories	-	-	161	161
Total assets	<u>\$ 2,401,226</u>	<u>\$ 386,755</u>	<u>\$ 725,002</u>	<u>\$ 3,512,983</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 48,169	\$ 45,378	\$ 10,884	\$ 104,431
Salaries and benefits payable	19,805	-	-	19,805
Other current liabilities	8,317	-	4,774	13,091
Total liabilities	<u>76,291</u>	<u>45,378</u>	<u>15,658</u>	<u>137,327</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - property taxes	73,356	-	11,232	84,588
Total deferred inflows of resources	<u>73,356</u>	<u>-</u>	<u>11,232</u>	<u>84,588</u>
<b>FUND BALANCES (DEFICITS)</b>				
<b>Restricted for:</b>				
Courts	1,831	-	52,236	54,067
Debt service	-	-	154,915	154,915
Parks	-	-	41,041	41,041
Capital projects	-	341,377	-	341,377
Other specific purposes	-	-	104,744	104,744
<b>Committed for:</b>				
Streets	-	-	345,176	345,176
Capital projects	370,000	-	-	370,000
<b>Unassigned</b>	1,879,748	-	-	1,879,748
Total fund balances	<u>2,251,579</u>	<u>341,377</u>	<u>698,112</u>	<u>3,291,068</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,401,226</u>	<u>\$ 386,755</u>	<u>\$ 725,002</u>	<u>\$ 3,512,983</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 POSITION  
 SEPTEMBER 30, 2014

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

Total fund balances - governmental funds	\$ 3,291,068
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,276,775
Uncollected municipal court fines are not an available resource and, therefore, are not reported in the funds.	33,827
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	84,587
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,200,040)
Net position of governmental activities	<u>\$ 5,486,217</u>

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

CITY OF JONESTOWN, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Capital Expenditures Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,990,617	\$ -	\$ 172,608	\$ 2,163,225
Sales taxes	107,779	-	-	107,779
Hotel/motel taxes	-	-	70,157	70,157
Franchise taxes	123,703	-	-	123,703
Licenses and permits	87,113	-	-	87,113
Intergovernmental revenues	7,530	-	44,224	51,754
Charges for services	3,858	-	5,856	9,714
Fines	28,453	-	2,416	30,869
Investment earnings	709	-	5	714
Contributions and donations, private sources	-	-	6,390	6,390
Miscellaneous revenue	9,401	-	1,942	11,343
Total revenues	<u>2,359,163</u>	<u>-</u>	<u>303,598</u>	<u>2,662,761</u>
<b>EXPENDITURES</b>				
Current:				
General government	826,895	-	7,555	834,450
Public safety:				
Police	643,552	-	-	643,552
Inspection	108,758	-	-	108,758
Highways and streets	-	-	77,978	77,978
Public works	282,306	-	6,621	288,927
Culture and recreation:				
Parks	142,995	-	8,945	151,940
Libraries	82,403	-	1,563	83,966
Debt service:				
Bond principal	-	-	145,000	145,000
Interest - bonds	-	-	27,608	27,608
Capital outlay	-	87,112	14,459	101,571
Total expenditures	<u>2,086,909</u>	<u>87,112</u>	<u>289,729</u>	<u>2,463,750</u>
Excess (deficiency) of revenue over expenditures	<u>272,254</u>	<u>(87,112)</u>	<u>13,869</u>	<u>199,011</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	13,550	103,834	48,725	166,109
Transfers out	(152,559)	-	-	(152,559)
Sale of general capital assets	-	16,450	-	16,450
Total other financing sources (uses)	<u>(139,009)</u>	<u>120,284</u>	<u>48,725</u>	<u>30,000</u>
Net change in fund balance	133,245	33,172	62,594	229,011
Fund balance - beginning	2,118,334	308,205	635,518	3,062,057
Fund balance - ending	<u>\$ 2,251,579</u>	<u>\$ 341,377</u>	<u>\$ 698,112</u>	<u>\$ 3,291,068</u>

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

CITY OF JONESTOWN, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Net change in fund balances - total governmental funds	\$ 229,011
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(96,486)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,504
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(2,626)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	156,647
Change in net position of governmental activities	<u>\$ 294,050</u>

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

CITY OF JONESTOWN, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,926,517	\$ 1,982,800	\$ 1,990,617	\$ 7,817
Sales taxes	97,000	99,500	107,779	8,279
Franchise taxes	128,000	112,339	123,703	11,364
Licenses and permits	67,800	75,673	87,113	11,440
Intergovernmental revenues	-	-	7,530	7,530
Charges for services	7,700	6,000	3,858	(2,142)
Fines	51,720	27,755	28,453	698
Investment earnings	1,200	524	709	185
Miscellaneous revenue	500	1,635	9,401	7,766
Total revenues	<u>2,280,437</u>	<u>2,306,226</u>	<u>2,359,163</u>	<u>52,937</u>
<b>EXPENDITURES</b>				
Current:				
General government	934,012	949,409	826,895	122,514
Public safety:				
Police	710,835	674,848	643,552	31,296
Inspection	185,431	136,126	108,758	27,368
Public works	302,315	307,319	282,306	25,013
Culture and recreation:				
Parks	148,568	150,460	142,995	7,465
Libraries	80,237	83,531	82,403	1,128
Total Expenditures	<u>2,361,398</u>	<u>2,301,693</u>	<u>2,086,909</u>	<u>214,784</u>
Excess (deficiency) of revenues over expenditures	<u>(80,961)</u>	<u>4,533</u>	<u>272,254</u>	<u>267,721</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	13,550	13,550	13,550	-
Transfers out	(132,834)	(152,834)	(152,559)	275
Total other financing sources (uses)	<u>(119,284)</u>	<u>(139,284)</u>	<u>(139,009)</u>	<u>275</u>
Net change in fund balances	(200,245)	(134,751)	133,245	267,996
Fund balance - beginning	2,118,334	2,118,334	2,118,334	-
Fund balance - ending	<u>\$ 1,918,089</u>	<u>\$ 1,983,583</u>	<u>\$ 2,251,579</u>	<u>\$ 267,996</u>

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

CITY OF JONESTOWN, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business-type Activities			Total Proprietary Funds
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 162,277	\$ 359,633	\$ 1,269,659	\$ 1,791,569
Accounts receivable, net	-	12,963	-	12,963
Other assets	383	-	-	383
Total current assets	<u>162,660</u>	<u>372,596</u>	<u>1,269,659</u>	<u>1,804,915</u>
Noncurrent Assets:				
Land	120,000	287,360	-	407,360
Buildings	244,144	1,974,570	-	2,218,714
Improvements other than buildings	202,279	-	-	202,279
Accumulated depreciation	(405,605)	(246,886)	-	(652,491)
Total noncurrent assets	<u>160,818</u>	<u>2,015,044</u>	<u>-</u>	<u>2,175,862</u>
Total assets	<u>323,478</u>	<u>2,387,640</u>	<u>1,269,659</u>	<u>3,980,777</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	3,264	4,423	-	7,687
Accrued liabilities	-	246	1,265,451	1,265,697
Other current liabilities	-	2,394	-	2,394
Customer deposits	-	14,400	-	14,400
Total liabilities	<u>3,264</u>	<u>21,463</u>	<u>1,265,451</u>	<u>1,290,178</u>
<b>NET POSITION</b>				
Net investment in capital assets	160,818	2,015,044	-	2,175,862
Restricted for debt service	13,804	-	-	13,804
Unrestricted	145,592	351,133	4,208	500,933
Total net position	<u>\$ 320,214</u>	<u>\$ 2,366,177</u>	<u>\$ 4,208</u>	<u>\$ 2,690,599</u>

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



CITY OF JONESTOWN, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities			
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
Charges for services:				
Sewerage service	\$ -	\$ 162,405	\$ -	\$ 162,405
Other charges for services	65,643	500	-	66,143
Miscellaneous revenue	-	2,846	-	2,846
Total operating revenues	<u>65,643</u>	<u>165,751</u>	<u>-</u>	<u>231,394</u>
Operating expenses:				
Purchased prof. and technical services	7,000	51,402	-	58,402
Purchased property services	32,686	26,926	-	59,612
Materials and supplies	-	2,049	-	2,049
Other operating expenses	-	1,085	100	1,185
Depreciation	7,368	49,338	-	56,706
Total operating expenses	<u>47,054</u>	<u>130,800</u>	<u>100</u>	<u>177,954</u>
Operating income (loss)	18,589	34,951	(100)	53,440
Nonoperating revenues (expenses)				
Investment earnings	1,034	246	653	1,933
Total nonoperating revenues (expenses)	<u>1,034</u>	<u>246</u>	<u>653</u>	<u>1,933</u>
Income before transfers in (out)	19,623	35,197	553	55,373
Transfers out	-	(13,550)	-	(13,550)
Change in net position	<u>19,623</u>	<u>21,647</u>	<u>553</u>	<u>41,823</u>
Net position-beginning	300,591	2,344,530	3,655	2,648,776
Net position-ending	<u>\$ 320,214</u>	<u>\$ 2,366,177</u>	<u>\$ 4,208</u>	<u>\$ 2,690,599</u>

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

CITY OF JONESTOWN, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities			
	Plaza	Northshore	Capital	Total
	Enterprise Fund	WW Utility System Fund	Improvements Developer Fund	Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ -	\$ 165,651	\$ -	165,651
Receipts from interfund charges for services	65,643	-	-	65,643
Payments to suppliers and service providers	(1,692)	(1,429)	(1,310)	(4,431)
Payments to other funds for services provided	(40,713)	(77,876)	-	(118,589)
Net cash provided by (used for) operating activities	<u>23,238</u>	<u>86,346</u>	<u>(1,310)</u>	<u>108,274</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Operating transfers out	-	(13,550)	-	(13,550)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(13,550)</u>	<u>-</u>	<u>(13,550)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	1,034	246	653	1,933
Net cash provided by investing activities	<u>1,034</u>	<u>246</u>	<u>653</u>	<u>1,933</u>
Net increase (decrease) in cash and cash equivalents	24,272	73,042	(657)	96,657
Cash and cash equivalents-beginning	138,005	286,591	1,270,316	1,694,912
Cash and cash equivalents-ending	<u>\$ 162,277</u>	<u>\$ 359,633</u>	<u>\$ 1,269,659</u>	<u>\$ 1,791,569</u>
<b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>				
Operating income (loss)	\$ 18,589	\$ 34,951	\$ (100)	\$ 53,440
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	7,368	49,338	-	56,706
(Increase) decrease in accounts receivable	-	(100)	-	(100)
(Decrease) increase in accounts payable	(1,692)	620	(1,210)	(2,282)
(Decrease) increase in accrued liabilities	-	1,537	-	1,537
(Decrease) increase in accrued interest	(1,027)	-	-	(1,027)
Total adjustments	<u>4,649</u>	<u>51,395</u>	<u>(1,210)</u>	<u>54,834</u>
Net cash provided by (used for) operating activities	<u>\$ 23,238</u>	<u>\$ 86,346</u>	<u>\$ (1,310)</u>	<u>\$ 108,274</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**I. Summary of significant accounting policies**

**A. Description of government-wide financial statements**

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

**B. Reporting entity**

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

**C. Basis of presentation – government-wide financial statements**

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

**D. Basis of presentation – fund financial statements**

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

The government reports the following major governmental funds:

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

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

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The government reports the following major enterprise funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

#### **E. Measurement focus and basis of accounting**

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

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

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**F. Budgetary information**

***1. Budgetary basis of accounting***

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

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

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

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

***2. Excess of expenditures over appropriations***

For the year ended September 30, 2014, expenditures did not exceed appropriations in any departmental line items of the budget.

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

***1. Cash and cash equivalents***

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

***2. Investments***

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

***3. Inventories and prepaid items***

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

***4. Capital assets***

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

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

CITY OF JONESTOWN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

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

**5. *Deferred outflows/inflows of resources***

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

**6. *Net position flow assumption***

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

**7. *Fund balance flow assumptions***

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



CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**8. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and expenditures/expenses**

**1. Program revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property taxes**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2013, upon which the levy for the 2013-2014 fiscal year was based, was \$373,138,346. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2014, to finance General Fund and Debt Service Fund operations were \$0.5291 and \$0.0459, respectively, for a total tax rate of \$.5750 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2013-2014 fiscal year was \$2,145,545. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2014, were 100.1% 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. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**3. *Compensated absences***

Vacation

The City has recorded the value of earned but unused compensated absences from its governmental fund activities by employees as an accrued liability in the Statement of Net Position. The annual budgets of the operating funds provide funding for these benefits as they become payable and costs are expensed as the liability is liquidated. There was a balance of \$38,078 in accrued compensated absences as of September 30, 2014 related to the City's governmental fund activities.

Sick Leave

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

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

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

**II. Reconciliation of government-wide and fund financial statements**

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

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

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

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Land	\$	108,204
Construction in progress		202,954
Buildings and improvements		1,578,820
Machinery, equipment, and vehicles		1,106,735
Infrastructure		2,085,054
Accumulated depreciation		(1,804,992)
		(1,804,992)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>		
	\$	3,276,775

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

Bonds payable	\$	(1,160,000)
Compensated absences		(38,078)
Accrued interest payable		(1,962)
		(1,200,040)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>		
	\$	(1,200,040)

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

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

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

Capital outlay	\$	101,571
Depreciation expense		(198,057)
		(96,486)
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>		
	\$	(96,486)

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.” The details of this amount are as shown on the following page:

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (2,626)
Net adjustment to increase <i>net changes in governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (2,626)

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

Principal repayments:	
General obligation debt	\$ 145,000
Change in compensated absences payable	11,254
Change in accrued interest payable	393
Net adjustment to decrease <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 156,647

**III. Stewardship, compliance and accountability**

**A. Violations of legal or contractual provisions**

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

**B. Deficit fund equity**

For the year ended September 30, 2014 there were no funds reported with deficit fund equity.

**IV. Detailed notes on all activities and funds**

**A. Cash deposits with financial institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2014, the government’s bank balance was \$5,159,738 and all of which was insured or collateralized with securities held by the pledging or financial institution’s trust department or agent, but not in the government’s name.

**B. Investments**

The City does not have any amounts classified as investments as of September 30, 2014.

CITY OF JONESTOWN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

*Credit risk.* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2014, the City was not exposed to credit risk since the City had not investment balances at year end. .

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

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

**C. Receivables**

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

Governmental Funds:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receivables			
Property taxes	\$ 73,356	\$ 11,232	\$ 84,588
Accounts receivable	43,427	32,513	75,940
Total receivables	\$ 116,783	\$ 43,745	\$ 160,528

Proprietary Funds:

	Northshore WW Utility System Fund
Receivables	
Accounts receivable	\$ 12,963
Total receivables	\$ 12,963

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**D. Capital Assets**

Capital assets activity for the year ended September 30, 2014, was as follows:

**Governmental Activities:**

	Balance 10/1/13	Increases	Decreases	Adjustments	Balance 9/30/14
Capital assets, not being depreciated:					
Land	\$ 108,204	\$ -	\$ -	\$ -	\$ 108,204
Construction-in-progress	202,954	-	-	-	202,954
Total capital assets, not being depreciated	<u>311,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,158</u>
Capital assets, being depreciated:					
Buildings and improvements	1,578,820	-	-	-	1,578,820
Machinery, equipment, and vehicles	1,088,922	101,571	(52,620)	(31,138)	1,106,735
Infrastructure	2,053,916	-	-	31,138	2,085,054
Total capital assets, being depreciated	<u>4,721,658</u>	<u>101,571</u>	<u>(52,620)</u>	<u>-</u>	<u>4,770,609</u>
Less accumulated depreciation for:					
Buildings and improvements	(302,989)	(47,272)	-	-	(350,261)
Machinery, equipment, and vehicles	(892,817)	(96,262)	49,994	31,138	(907,947)
Infrastructure	(461,124)	(54,522)	-	(31,138)	(546,784)
Total accumulated depreciation	<u>(1,656,930)</u>	<u>(198,056)</u>	<u>49,994</u>	<u>-</u>	<u>(1,804,992)</u>
Total capital assets being depreciated, net	<u>3,064,728</u>	<u>(96,485)</u>	<u>(2,626)</u>	<u>-</u>	<u>2,965,617</u>
Governmental activities capital assets, net	<u>\$ 3,375,886</u>	<u>\$ (96,485)</u>	<u>\$ (2,626)</u>	<u>\$ -</u>	<u>\$ 3,276,775</u>

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

General government	\$ 75,480
Public safety	68,050
Highway and streets	7,053
Public works	26,135
Culture and recreation	21,338
Total depreciation expense - governmental activities	<u>\$ 198,056</u>

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Business-type Activities:**

	Balance 10/1/13	Increases	Decreases	Balance 9/30/14
Capital assets, not being depreciated:				
Land	\$ 407,360	\$ -	\$ -	\$ 407,360
Total capital assets, not being depreciated	407,360	-	-	407,360
Capital assets, being depreciated:				
Buildings and improvements	2,420,993	-	-	2,420,993
Total capital assets, being depreciated	2,420,993	-	-	2,420,993
Less accumulated depreciation for:				
Buildings and improvements	(595,785)	(56,706)	-	(652,491)
Total accumulated depreciation	(595,785)	(56,706)	-	(652,491)
Total capital assets being depreciated, net	1,825,208	(56,706)	-	1,768,502
Business-type activities capital assets, net	\$ 2,232,568	\$ (56,706)	\$ -	\$ 2,175,862

**E. Accrued liabilities**

Accrued liabilities reported by governmental and proprietary funds at September 30, 2014, were as follows:

Governmental Funds:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salaries and benefits	\$ 19,805	\$ -	\$ 19,805
Other	8,317	4,774	13,091
Total accrued liabilities	\$ 28,122	\$ 4,774	\$ 32,896

Proprietary Funds:

	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
Accrued liabilities	\$ 246	\$ 1,265,451	\$ 1,265,697
Other liabilities	2,394	-	2,394
Total accrued liabilities	\$ 2,640	\$ 1,265,451	\$ 1,268,091

CITY OF JONESTOWN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

**F. Pension obligations**

Texas Municipal Retirement System (TMRS)

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](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 2013	Plan Year 2014
Employee Deposit Rate	5%	5%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior services contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credit and Annuity Increases.

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



CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	21.5 years; closed period	20.6 years; closed period	30.0 years; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.00%	7.00%	7.00%
Projected Salary Increases*	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of Living Adjustments	3.0%	3.0%	3.0%
	0.0%	0.0%	0.0%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(c)	(d)	(e)	(f)
			(a) / (b)	(b) - (a)		(d) / (e)
12/31/2013	\$ 793,073	\$ 927,902	85.5%	\$ 134,829	\$1,027,641	13.1%

Actuarial valuations involve estimates of the value of 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.

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**G. Risk management**

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which it carries commercial insurance. The City uses various commercial carriers to insure against these risks. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

**H. Long-Term Liabilities**

General Obligation Bonds

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

Details of long-term debt obligations outstanding at September 30, 2014 are as follows:

**Governmental Activities:**

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/14
<b>Bonds Payable</b>					
General Obligation Refunding Bonds, Series 2012	2012	\$ 1,445,000	2.24%	2028	\$ 1,160,000
Total Bonds Payable					\$ 1,160,000

Changes in long-term liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2014 are as follows:

**Governmental Activities:**

Description	Balance 10/1/13	Additions	Deletions	Balance 9/30/14	Due in One Year
General obligation bonds	\$ 1,305,000	\$ -	\$ (145,000)	\$ 1,160,000	\$ 145,000
Compensated absences	49,332	-	(11,254)	38,078	-
Governmental activities long-term liabilities	\$ 1,354,332	\$ -	\$ (156,254)	\$ 1,198,078	\$ 145,000

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The debt service requirements for the government's bonds are as follows:

Governmental Activities:

Year Ended September 30,	<u>Governmental Activities</u>	
	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 145,000	\$ 24,360
2016	150,000	21,056
2017	155,000	17,640
2018	160,000	14,112
2019	50,000	11,760
2020-2024	265,000	41,496
2025-2029	235,000	10,696
Totals	<u>\$ 1,160,000</u>	<u>\$ 141,120</u>

**I. Interfund receivables and payables**

The City had no interfund receivables or payables as of September 30, 2014.

**J. Interfund transfers**

The composition of interfund transfers for the year ended September 30, 2014 is as follows:

	<u>Transfer in to:</u>			
	<u>Governmental Funds</u>			<u>Total</u>
	<u>General fund</u>	<u>Capital expenditures fund</u>	<u>Nonmajor governmental funds</u>	
<b>Transfer out from:</b>				
General fund	\$ -	\$ 103,834	\$ 48,725	\$ 152,559
Plaza enterprise fund	13,550	-	-	13,550
Total	<u>\$ 13,550</u>	<u>\$ 103,834</u>	<u>\$ 48,725</u>	<u>\$ 166,109</u>

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

CITY OF JONESTOWN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**K. Contingencies**

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**L. Subsequent events**

As of the issuance date of this report, there were no subsequent events that met the requirements for disclosure.

**M. Litigation**

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JONESTOWN, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Texas Municipal Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(c)	(d)	(e)	(f)
			(a) / (b)	(b) - (a)		(d) / (e)
12/31/2011	\$ 605,184	\$ 809,685	74.7%	\$ 204,501	\$ 1,141,705	17.9%
12/31/2012	724,288	875,497	82.7%	151,209	1,224,287	12.4%
12/31/2013	793,073	927,902	85.5%	134,829	1,027,641	13.1%

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes. The City reported the following special revenue funds:

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

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

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

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

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

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

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

### **Debt Service Fund**

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

CITY OF JONESTOWN, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<b>Special Revenue Funds</b>				
	Court Restricted Fund	Streets Fund	Capital Metro Fund	Parks Fund	Wind Energy Project Fund
	<b>ASSETS</b>				
Cash and cash equivalents	\$ 52,236	\$ 345,176	\$ -	\$ 45,840	\$ -
Taxes receivable - delinquent	-	-	-	-	-
Accounts receivable	-	-	8,730	-	-
Inventories	-	-	-	161	-
Total Assets	<u>\$ 52,236</u>	<u>\$ 345,176</u>	<u>\$ 8,730</u>	<u>\$ 46,001</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 8,730	\$ 470	\$ -
Other current liabilities	-	-	-	4,490	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>8,730</u>	<u>4,960</u>	<u>-</u>
<b>DEF. INFLOWS OF RESOURCES</b>					
Deferred inflows of resources - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>					
<b>Restricted for:</b>					
Restricted for courts	52,236	-	-	-	-
Restricted for debt service	-	-	-	-	-
Restricted for parks	-	-	-	41,041	-
Restricted for other specific projects	-	-	-	-	-
<b>Committed for:</b>					
Committed for streets	-	345,176	-	-	-
Total Fund Balances	<u>52,236</u>	<u>345,176</u>	<u>-</u>	<u>41,041</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 52,236</u>	<u>\$ 345,176</u>	<u>\$ 8,730</u>	<u>\$ 46,001</u>	<u>\$ -</u>



		<b>Debt Service Fund</b>		Total Non-Major Governmental Funds
Ione Jones Library Fund	Hotel Occupancy Tax Fund	Debt Service Fund		
\$ 12,778	\$ 70,151	\$ 154,915	\$ 681,096	
-	-	11,232	11,232	
-	23,783	-	32,513	
-	-	-	161	
<u>\$ 12,778</u>	<u>\$ 93,934</u>	<u>\$ 166,147</u>	<u>\$ 725,002</u>	
\$ -	\$ 1,684	\$ -	\$ 10,884	
284	-	-	4,774	
<u>284</u>	<u>1,684</u>	<u>-</u>	<u>15,658</u>	
-	-	11,232	11,232	
-	-	11,232	11,232	
-	-	-	52,236	
-	-	154,915	154,915	
-	-	-	41,041	
12,494	92,250	-	104,744	
-	-	-	345,176	
<u>12,494</u>	<u>92,250</u>	<u>154,915</u>	<u>698,112</u>	
<u>\$ 12,778</u>	<u>\$ 93,934</u>	<u>\$ 166,147</u>	<u>\$ 725,002</u>	

CITY OF JONESTOWN, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<b>Special Revenue Funds</b>				
	Court Restricted Fund	Streets Fund	Capital Metro Fund	Parks Fund	Wind Energy Project Fund
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel taxes	-	-	-	-	-
Intergovernmental revenues	-	-	43,814	-	-
Charges for services	-	-	-	4,844	-
Fines	2,416	-	-	-	-
Investment earnings	-	-	-	-	-
Contributions from private sources	-	-	-	1,500	-
Miscellaneous revenue	1,467	-	-	-	-
Total revenues	<u>3,883</u>	<u>-</u>	<u>43,814</u>	<u>6,344</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,830	-	-	-	3,725
Highways and streets	-	10,595	67,383	-	-
Health and welfare	-	-	-	-	-
Culture and recreation:					
Parks	-	-	-	8,945	-
Libraries	-	-	-	-	-
Debt service:					
Bond principal	-	-	-	-	-
Interest - bonds	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>3,830</u>	<u>10,595</u>	<u>67,383</u>	<u>8,945</u>	<u>3,725</u>
Excess (deficiency) of revenues over expenditures	<u>53</u>	<u>(10,595)</u>	<u>(23,569)</u>	<u>(2,601)</u>	<u>(3,725)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	45,000	-	-	3,725
Total Other Financing Sources (Uses)	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>3,725</u>
Net Change in Fund Balance	53	34,405	(23,569)	(2,601)	-
Fund Balance - Beginning	52,183	310,771	23,569	43,642	-
Fund Balance - Ending	<u>\$ 52,236</u>	<u>\$ 345,176</u>	<u>\$ -</u>	<u>\$ 41,041</u>	<u>\$ -</u>

		<b>Debt Service Fund</b>	Total Non-Major Governmental Funds	
Ione Jones Library Fund	Hotel Occupancy Tax Fund	Debt Service Fund		
\$ -	\$ -	\$ 172,608	\$ 172,608	
-	70,157	-	70,157	
410	-	-	44,224	
1,012	-	-	5,856	
-	-	-	2,416	
-	-	5	5	
4,270	620	-	6,390	
-	475	-	1,942	
<u>5,692</u>	<u>71,252</u>	<u>172,613</u>	<u>303,598</u>	
-	-	-	7,555	
-	-	-	77,978	
-	6,621	-	6,621	
-	-	-	8,945	
1,563	-	-	1,563	
-	-	145,000	145,000	
-	-	27,608	27,608	
-	14,459	-	14,459	
<u>1,563</u>	<u>21,080</u>	<u>172,608</u>	<u>289,729</u>	
<u>4,129</u>	<u>50,172</u>	<u>5</u>	<u>13,869</u>	
-	-	-	48,725	
-	-	-	48,725	
4,129	50,172	5	62,594	
8,365	42,078	154,910	635,518	
<u>\$ 12,494</u>	<u>\$ 92,250</u>	<u>\$ 154,915</u>	<u>\$ 698,112</u>	

OTHER SUPPLEMENTARY INFORMATION SECTION



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

To the Honorable Mayor, Members of the City Council, and Citizens of  
the City of Jonestown, Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown, Texas (“the City”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 25, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

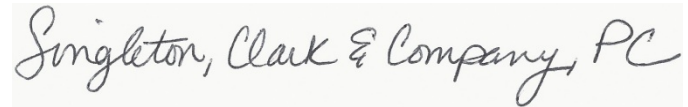
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters 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 2014-001.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style.

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 25, 2015

CITY OF JONESTOWN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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

No findings or questioned costs were required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2014 and 2013.

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

A federal Single Audit was not required for the years ended September 30, 2014 and 2013.