

REPORT OF EXAMINATION

**CITY OF
JONESTOWN**

Jonestown, Texas

**For the Year Ended
September 30, 2010**

CITY OF JONESTOWN, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

CITY OF JONESTOWN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jonestown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jonestown, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (pages 2 through 7) and budgetary comparison information (page 30) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Neffendorf, Knopp, Doss & Company, P.C.
NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

December 3, 2010

CITY OF JONESTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Jonestown, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2010. Please read it in conjunction with the independent auditors' report on page 1, and City's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 6,702,385 (net assets). Of this amount, \$ 1,701,634 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net assets increased by \$ 3,079,226 as a result of this year's operations.
- At September 30, 2010, the City's governmental funds reported combined ending fund balances of \$ 2,389,035 , an increase of \$ 305,009 in comparison with the prior year.
- At September 30, 2010, the City's Enterprise Funds reported unrestricted net assets of \$ 47,379 , an increase of \$59,575 in comparison with the prior year.

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (General Fund) is presented as required supplementary information on page 30.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

The City has two kinds of funds:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the City's governmental activities increased from \$ 3,481,026 to \$ 4,252,693. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$ 1,654,255 at September 30, 2010. This increase in governmental net assets was the result of several factors. First, the City's expenditures exceeded the revenues by \$ 305,009 . Second, the City paid other long-term debt in the amount of \$ 124,715 and acquired capital assets in the amount of \$ 1,366,882 . Third, the City recorded depreciation in the amounts of \$ 195,595.

Net assets of the City's business-type activities increased from \$ 142,133 to \$ 2,449,692. Unrestricted net assets were \$ 47,379 at September 30, 2010. This increase in business-type net assets was the result of net income of \$ 2,307,559.

Table I
City of Jonestown

NET ASSETS in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Restricted Assets	\$ 2,701	\$ 2,567	\$ 186	\$ 85	\$ 2,887	\$ 2,652
Capital Assets	3,334	3,034	2,422	239	5,756	3,273
Total Assets	\$ 6,035	\$ 5,601	\$ 2,608	\$ 324	\$ 8,643	\$ 5,925
Long-Term Liabilities	\$ 1,532	\$ 1,665	\$ 55	\$ 105	\$ 1,587	\$ 1,770
Other Liabilities	250	455	103	77	354	532
Total Liabilities	\$ 1,782	\$ 2,120	\$ 158	\$ 182	\$ 1,941	\$ 2,302
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	\$ 1,673	\$ 1,248	\$ 2,317	\$ 84	\$ 3,990	\$ 1,332
Restricted	925	868	85	70	1,010	938
Unrestricted	1,654	1,365	47	(12)	1,702	1,353
Total Net Assets	\$ 4,253	\$ 3,481	\$ 2,450	\$ 142	\$ 6,702	\$ 3,623

Table II
City of Jonestown

CHANGES IN NET ASSETS
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Charges for Services	\$ 227	\$ 201	\$ 203	\$ 66	\$ 430	\$ 267
Property Taxes	2,289	2,060			2,289	2,060
Sales Tax	108	108			108	108
Franchise Tax	117	116			117	116
Operating Grants & Contributions		-			-	-
Capital Grants & Contributions	205	70			205	70
Grants/Contributions Not Restricted	2	5				5
Investment Earnings	4	16			4	16
Other Taxes	55	45			55	45
Miscellaneous	23	24	-	6	23	30
Total Revenue	\$ 3,031	\$ 2,645	\$ 203	\$ 72	\$ 3,232	\$ 2,717
Expenses:						
General Government	\$ 313	\$ 270			\$ 313	\$ 270
Public Safety	683	640			683	640
Public Works	277	262			277	262
Highways and Streets	-	5			-	5
City Council	1	1			1	1
City Administrator	111	104			111	104
City Secretary	126	113			126	113
Municipal Court	68	71			68	71
Finance	101	89			101	89
Building Inspector and Code Enforcement	177	163			177	163
Tourism	35	65			35	65
Recreation	3	3			3	3
Parks and Recreation	106	76			106	76
Libraries	116	93			116	93
Plaza Rental			83	81	83	81
Northshore WW Utility System			122	21	122	21
Debt Service	84	89			84	89
Total Expenses	\$ 2,202	\$ 2,044	\$ 205	\$ 102	\$ 2,407	\$ 2,146
Increase in Net Assets Before						
Transfers & Capital Contributions	\$ 829	\$ 601	\$ (2)	\$ (30)	\$ 828	\$ 571
Capital Contributions						
Transfers	(58)	(56)	58	56	-	-
Total	\$ (58)	\$ (56)	\$ 2,309	\$ 56	\$ 2,251	\$ -
Net Change	\$ 772	\$ 545	\$ 2,308	\$ 26	\$ 3,079	\$ 571
Net Assets, Beginning	3,481	2,936	142	116	3,623	3,052
Net Assets, Ending	\$ 4,253	\$ 3,481	\$ 2,450	\$ 142	\$ 6,702	\$ 3,623

The cost of all governmental activities this year was \$ 2,201,560. However, as shown in the Statement of Activities on page 9, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,261,599 because the other costs were paid by sales tax (\$270,396), franchise tax (\$117,164), user charges (\$226,980), grants and contributions (\$205,221), miscellaneous (\$22,939) and investment income (\$4,208).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$ 2,389,035 which is more than last year's total of \$ 2,084,026. Included in this year's total change in fund balance is an increase of \$ 247,571 in the City's General Fund.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2010, the City had the following amounts invested in capital assets:

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 95	\$ 83	\$ 407	\$ 120	\$ 502	\$ 203
Equipment and Furniture	668	598			668	598
Transportation Equipment	265	239			265	239
Buildings and Improvements	1,538	524	2,396	422	3,933	947
Streets and Improvements	1,612	1,612			1,612	1,612
Construction in Progress	203	854			203	854
Total Capital Assets	\$ 4,380	\$ 3,911	\$ 2,803	\$ 542	\$ 7,183	\$ 4,453
Less: Accumulated Depreciation	(1,046)	(877)	(381)	(303)	(1,427)	(1,180)
Capital Assets, Net	\$ 3,334	\$ 3,034	\$ 2,422	\$ 239	\$ 5,756	\$ 3,273

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

Debt

At September 30, 2010, the City had the following outstanding debt:

OUTSTANDING DEBT

in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2010	2009	2010	2009	2010	2009
Bonds Payable	\$ 1,636	\$ 1,734	\$ 105	\$ 155	\$ 1,741	\$ 1,889
Notes Payable	29	56	-	-	29	56
Total Outstanding Debt	\$ 1,665	\$ 1,790	\$ 105	\$ 155	\$ 1,770	\$ 1,945

For governmental activities, the City paid \$124,715 on outstanding long-term debt.

For business-type activities, the City paid \$50,000 on outstanding long-term debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget and tax rates. The major factors are the economy and population growth. These indicators were taken into account when adopting the General Fund budget for 2011. Amounts available for appropriation in the General Fund budget are \$2,490,001 and expenditures are estimated to be \$2,578,921.

If these estimates are realized, the City's budgetary General fund balance is expected to decrease by \$88,920 for 2011 (use of prior year reserves).

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF JONESTOWN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,158,631	\$ 78,643	\$ 2,237,274
Investments - Current	267,150	-	267,150
Receivables (net of allowance for uncollectibles)	259,838	16,210	276,048
Inventories	161	-	161
Capitalized Debt Issuance Costs	15,375	5,313	20,688
Restricted Assets:			
Restricted Asset - Debt Service	-	85,365	85,365
Capital Assets:			
Land	94,534	407,360	501,894
Infrastructure, net	49,064	-	49,064
Buildings, net	1,368,758	94,821	1,463,579
Improvements other than Buildings, net	1,228,950	1,969,106	3,198,056
Machinery and Equipment, net	389,613	-	389,613
Accumulated Depreciation	-	(49,338)	(49,338)
Construction in Progress	202,954	-	202,954
Other Assets	-	383	383
Total Assets	<u>6,035,028</u>	<u>2,607,863</u>	<u>8,642,891</u>
LIABILITIES			
Accounts Payable	94,699	52,144	146,843
Intergovernmental Payable	4,554	-	4,554
Accrued Interest Payable	9,155	1,027	10,182
Deferred Revenues	8,668	-	8,668
Noncurrent Liabilities			
Due Within One Year	133,258	50,000	183,258
Due in More Than One Year	1,532,001	55,000	1,587,001
Total Liabilities	<u>1,782,335</u>	<u>158,171</u>	<u>1,940,506</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,673,370	2,316,948	3,990,318
Restricted for:			
Restricted for Special Revenue	612,503	-	612,503
Restricted for Debt Service	152,222	85,365	237,587
Restricted for Capital Projects	160,343	-	160,343
Unrestricted Net Assets	1,654,255	47,379	1,701,634
Total Net Assets	<u>\$ 4,252,693</u>	<u>\$ 2,449,692</u>	<u>\$ 6,702,385</u>

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

CITY OF JONESTOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 312,751	\$ 8,927	\$ -	\$ -
Public Safety	682,711	-	-	-
Public Works	277,209	-	-	-
City Council	1,222	-	-	-
City Administrator	111,129	-	-	-
City Secretary	126,428	-	-	-
Municipal Court	67,567	59,047	-	-
Finance	101,360	-	-	-
Building Inspector and Code Enforcement	176,750	85,946	-	-
Tourism	35,318	-	-	-
Recreation	3,278	61,128	-	-
Parks and Recreation	106,361	11,932	-	-
Libraries	115,850	-	5,197	-
Bond Interest	82,751	-	-	-
Issuance Costs	874	-	-	-
Capital Outlay	1	-	-	200,000
Total Governmental Activities:	2,201,560	226,980	5,197	200,000
BUSINESS-TYPE ACTIVITIES:				
Northshore WW Utility System	121,503	137,118	-	2,251,488
Plaza Enterprise Fund	83,467	65,646	-	-
Total Business-Type Activities:	204,970	202,764	-	2,251,488
TOTAL PRIMARY GOVERNMENT:	\$ 2,406,530	\$ 429,744	\$ 5,197	\$ 2,451,488

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (303,824)	\$ -	\$ (303,824)
(682,711)	-	(682,711)
(277,209)	-	(277,209)
(1,222)	-	(1,222)
(111,129)	-	(111,129)
(126,428)	-	(126,428)
(8,520)	-	(8,520)
(101,360)	-	(101,360)
(90,804)	-	(90,804)
(35,318)	-	(35,318)
57,850	-	57,850
(94,429)	-	(94,429)
(110,653)	-	(110,653)
(82,751)	-	(82,751)
(874)	-	(874)
199,999	-	199,999
(1,769,383)	-	(1,769,383)
-	2,267,103	2,267,103
-	(17,821)	(17,821)
-	2,249,282	2,249,282
(1,769,383)	2,249,282	479,899
1,991,203	-	1,991,203
270,396	-	270,396
108,180	-	108,180
117,164	-	117,164
55,235	-	55,235
27,079	-	27,079
2,421	-	2,421
22,939	452	23,391
4,208	49	4,257
(57,775)	57,775	-
2,541,050	58,276	2,599,326
771,667	2,307,558	3,079,225
3,481,026	142,134	3,623,160
\$ 4,252,693	\$ 2,449,692	\$ 6,702,385

CITY OF JONESTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,265,306	\$ 893,325	\$ 2,158,631
Investments - Current	267,150	-	267,150
Taxes Receivable	149,693	23,660	173,353
Receivables (Net)	24,990	37,357	62,347
Inventories	-	161	161
Total Assets	\$ 1,707,139	\$ 954,503	\$ 2,661,642
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 30,147	\$ 5,490	\$ 35,637
Wages and Salaries Payable	17,067	-	17,067
Compensated Absences Payable	41,711	-	41,711
Intergovernmental Payable	4,554	-	4,554
Due to Others	-	285	285
Deferred Revenues	149,693	23,660	173,353
Total Liabilities	243,172	29,435	272,607
Fund Balances:			
Unreserved and Undesignated:			
Reported in the General Fund	1,463,967	-	1,463,967
Reported in the Special Revenue Fund	-	612,503	612,503
Reported in the Debt Service Fund	-	152,222	152,222
Reported in the Capital Projects Fund	-	160,343	160,343
Total Fund Balances	1,463,967	925,068	2,389,035
Total Liabilities and Fund Balances	\$ 1,707,139	\$ 954,503	\$ 2,661,642

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

CITY OF JONESTOWN
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

Total Fund Balances - Governmental Funds	\$	2,389,035
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$3,910,630 and the accumulated depreciation was \$876,714. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		1,248,698
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase net assets.		621,732
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(195,595)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		188,823
Net Assets of Governmental Activities	\$	4,252,693

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

CITY OF JONESTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-3

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 1,955,092	\$ 267,613	\$ 2,222,705
General Sales and Use Taxes	108,180	-	108,180
Franchise Tax	117,164	-	117,164
Other Taxes	1,136	54,099	55,235
Penalty and Interest on Taxes	27,079	-	27,079
Licenses and Permits	86,596	-	86,596
Intergovernmental Revenue and Grants	-	205,197	205,197
Charges for Services	79,554	3,812	83,366
Fines	55,477	3,570	59,047
Investment Earnings	4,057	151	4,208
Rents and Royalties	4,388	-	4,388
Contributions & Donations from Private Sources	-	2,421	2,421
Other Revenue	30,502	-	30,502
Total Revenues	<u>2,469,225</u>	<u>536,863</u>	<u>3,006,088</u>
EXPENDITURES:			
Current:			
General Government	289,099	-	289,099
Public Safety	613,661	195,293	808,954
Public Works	254,104	-	254,104
City Council	1,120	-	1,120
City Administrator	101,866	-	101,866
City Secretary	115,890	-	115,890
Municipal Court	58,220	3,715	61,935
Finance	92,912	-	92,912
Building Inspector and Code Enforcement	162,018	-	162,018
Health and Welfare:			
Tourism	-	32,374	32,374
Culture and Recreation:			
Recreation	-	23,737	23,737
Parks and Recreation	100,884	-	100,884
Libraries	96,151	10,043	106,194
Debt Service:			
Bond Principal	-	124,715	124,715
Bond Interest	-	85,090	85,090
Capital Outlay:			
Capital Outlay	81,608	202,954	284,562
Total Expenditures	<u>1,967,533</u>	<u>677,921</u>	<u>2,645,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>501,692</u>	<u>(141,058)</u>	<u>360,634</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	2,150	-	2,150
Transfers In	-	256,271	256,271
Transfers Out (Use)	(256,271)	(57,775)	(314,046)
Total Other Financing Sources (Uses)	<u>(254,121)</u>	<u>198,496</u>	<u>(55,625)</u>
Net Change in Fund Balances	247,571	57,438	305,009
Fund Balance - October 1 (Beginning)	1,216,396	867,630	2,084,026
Fund Balance - September 30 (Ending)	<u>\$ 1,463,967</u>	<u>\$ 925,068</u>	<u>\$ 2,389,035</u>

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

CITY OF JONESTOWN
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	305,009
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase net assets.		621,732
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(195,595)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		40,521
Change in Net Assets of Governmental Activities	\$	771,667

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

CITY OF JONESTOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities - Enterprise Funds		
	Northshore WW Utility System	Plaza Enterprise Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 78,643	\$ -	\$ 78,643
Restricted Assets - Current:			
Restricted Asset Debt Service	-	85,365	85,365
Accounts Receivable-Net of Uncollectible Allowance	16,210	-	16,210
Total Current Assets	<u>94,853</u>	<u>85,365</u>	<u>180,218</u>
Noncurrent Assets:			
Capitalized Debt Issuance Costs	-	5,313	5,313
Capital Assets:			
Land Purchase and Improvements	287,360	120,000	407,360
Buildings	-	426,658	426,658
Accumulated Depreciation - Buildings	-	(331,837)	(331,837)
Improvements other than Buildings	1,969,106	-	1,969,106
Accumulated Depreciation - Capital Assets	(49,338)	-	(49,338)
Other Asset	-	383	383
Total Noncurrent Assets	<u>2,207,128</u>	<u>220,517</u>	<u>2,427,645</u>
Total Assets	<u>2,301,981</u>	<u>305,882</u>	<u>2,607,863</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	37,450	3,202	40,652
Wages and Salaries Payable	11,492	-	11,492
Accrued Interest Payable	-	1,027	1,027
Bonds Payable - Current:			
General Obligation Bonds Payable	-	50,000	50,000
Total Current Liabilities	<u>48,942</u>	<u>54,229</u>	<u>103,171</u>
NonCurrent Liabilities:			
Bonds Payable - Non-Current:			
General Obligation Bonds Payable	-	55,000	55,000
Total Noncurrent Liabilities	<u>-</u>	<u>55,000</u>	<u>55,000</u>
Total Liabilities	<u>48,942</u>	<u>109,229</u>	<u>158,171</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	2,207,127	109,821	2,316,948
Restricted for Debt Service	-	85,365	85,365
Unrestricted Net Assets	45,912	1,467	47,379
Total Net Assets	<u>\$ 2,253,039</u>	<u>\$ 196,653</u>	<u>\$ 2,449,692</u>

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

CITY OF JONESTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT D-2

	Business-Type Activities - Enterprise Funds		
	Northshore WW Utility System	Plaza Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Sewerage Service	\$ 137,118	\$ -	\$ 137,118
Charges for Services - Rents and Royalties	-	65,646	65,646
Other Revenue	452	-	452
Total Operating Revenues	<u>137,570</u>	<u>65,646</u>	<u>203,216</u>
OPERATING EXPENSES:			
Water and Sewer			
Personnel Services - Employee Benefits	1,241	-	1,241
Purchased Property Services	21,496	-	21,496
Other Operating Expenses	49,428	-	49,428
Total Water and Sewer	<u>72,165</u>	<u>-</u>	<u>72,165</u>
Plaza Rental			
Purchased Property Services	-	37,611	37,611
Other Operating Expenses	-	6,000	6,000
Total Plaza Rental	<u>-</u>	<u>43,611</u>	<u>43,611</u>
Depreciation	49,338	29,020	78,358
Total Operating Expenses	<u>121,503</u>	<u>72,631</u>	<u>194,134</u>
Operating Income (Loss)	<u>16,067</u>	<u>(6,985)</u>	<u>9,082</u>
NON-OPERATING REVENUES (EXPENSES):			
Bond Issuance Cost	-	(3,542)	(3,542)
Investment Earnings	42	7	49
Interest Expense - Non-Operating	-	(7,294)	(7,294)
Total Non-operating Revenue (Expenses)	<u>42</u>	<u>(10,829)</u>	<u>(10,787)</u>
Income (Loss) Before Contributions & Transfers	16,109	(17,814)	(1,705)
Capital Contributions	2,251,488	-	2,251,488
Non-Operating Transfer In	-	57,775	57,775
Change in Net Assets	2,267,597	39,961	2,307,558
Total Net Assets - October 1 (Beginning)	<u>(14,558)</u>	<u>156,692</u>	<u>142,134</u>
Total Net Assets - September 30 (Ending)	<u>\$ 2,253,039</u>	<u>\$ 196,653</u>	<u>\$ 2,449,692</u>

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

CITY OF JONESTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT D-3

	Business-Type Activities		
	Northshore WW Utility System	Plaza Enterprise Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 134,101	\$ 65,646	\$ 199,747
Cash Received from - Other	452	-	452
Cash Payments to Employees for Services	(21,885)	-	(21,885)
Cash Payments for Suppliers	(21,841)	(45,776)	(67,617)
Net Cash Provided by Operating Activities	<u>90,827</u>	<u>19,870</u>	<u>110,697</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer In	-	57,775	57,775
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(2,256,466)	(4,429)	(2,260,895)
Capital Contributed	2,251,488	-	2,251,488
Interest Paid	-	(7,775)	(7,775)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(4,978)</u>	<u>(12,204)</u>	<u>(17,182)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	42	6	48
Net Increase in Cash and Cash Equivalents	85,891	15,447	101,338
Cash and Cash Equivalents at Beginning of the Year:	(7,248)	69,918	62,670
Cash and Cash Equivalents at the End of the Year:	<u>\$ 78,643</u>	<u>\$ 85,365</u>	<u>\$ 164,008</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>			
Operating Income (Loss):	\$ 16,067	\$ (6,985)	\$ 9,082
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	49,338	29,020	78,358
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(3,017)	-	(3,017)
Increase (decrease) in Accounts Payable	27,587	(2,165)	25,422
Increase (decrease) in Wages Accrued	852	-	852
Net Cash Provided by Operating Activities	<u>\$ 90,827</u>	<u>\$ 19,870</u>	<u>\$ 110,697</u>

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

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

D. Fund Accounting

The City reports the following major governmental funds:

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

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

Governmental Funds:

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

Proprietary Fund:

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

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

E. Other Accounting Policies

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

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

Assets	Years
Infrastructure	40
Buildings	40
Improvements	15-20
Equipment	5-10
Vehicles	5

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

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

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

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

7. The City's policy is to account for the cost of employees' vacation time benefits as they are earned. As of the balance sheet date, the City expected that all of the liability for accrued vacation would be liquidated with expendable resources. Therefore, the liability for accrued vacation is reflected as a current liability in the financial statements for the year ended September 30, 2010.
8. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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

At September 30, 2010, the carrying amount of the City's deposits was \$2,322,472 and the bank balance was \$2,174,799. The City's cash deposits at September 30, 2010 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

The carrying value of investments at September 30, 2010 was \$267,150 (Certificates of Deposit at Capital One Bank and Regions Bank). The securities were covered by FDIC coverage and pledged securities.

Policies Governing Deposits and Investments

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

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

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

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2010, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

B. Property Taxes

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

The Travis County Appraisal District appraises and collects taxes for the City. For 2009, the City of Jonestown had property with an assessed valuation of \$425,595,341. The tax rate was \$.5350(designated for General Fund -.4714; Debt Service Fund -.0636) per \$100 valuation.

C. Court Fines and Fees Receivable

With the implementation of GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$48,276. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$24,138, resulting in a net receivable of \$24,138.

D. Restricted Assets

Restricted assets in the Plaza Enterprise Fund represent cash that has been set aside for future payment of certificates of obligation. A summary of restricted assets at September 30, 2010 appears below:

Certificate of Obligation Debt Service - (Series 1997)

Cash in Bank	\$ 85,365
Total Restricted Assets	<u>\$ 85,365</u>

E. Changes in Governmental Capital Assets

Changes in governmental capital assets during the year ended September 30, 2010 were as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 83,272	\$ 11,262	\$ -	\$ 94,534
Equipment and Furniture	598,276	69,744	-	668,020
Transportation Equipment	239,330	69,680	43,932	265,078
Buildings and Improvements	524,335	1,013,242	-	1,537,577
Streets and Improvements	1,611,843	-	-	1,611,843
Construction in Progress	853,574	202,954	853,574	202,954
Totals at Historic Cost	\$ 3,910,630	\$ 1,366,882	\$ 897,506	\$ 4,380,006
Less Accumulated				
Depreciation for:				
Equipment and Furniture	(357,820)	(66,986)	-	(424,806)
Transportation Equipment	(98,804)	(46,051)	26,175	(118,680)
Buildings and Improvements	(119,473)	(42,262)	-	(161,735)
Streets and Improvements	(300,617)	(40,296)	-	(340,913)
Total Accumulated Depreciation	\$ (876,714)	\$ (195,595)	\$ 26,175	\$ (1,046,134)
Governmental Activities				
Capital Assets, Net	\$ 3,033,916	\$ 1,171,287	\$ 871,331	\$ 3,333,872

F. Changes in Business-Type Capital Assets

Changes in business-type capital assets during the year ended September 30, 2010, were as follows:

	Balance	Additions	Deletions	Balance
	10/01/09			09/30/10
Land and Land Rights	\$ 120,000	\$ 287,360	\$ -	\$ 407,360
Buildings and Improvements	422,229	1,973,535	-	2,395,764
Totals	\$ 542,229	\$ 2,260,895	\$ -	\$ 2,803,124
Accumulated Depreciation	(302,818)	(78,358)	-	(381,176)
Fixed Assets, Net	\$ 239,411	\$ 2,182,537	\$ -	\$ 2,421,948

G. Changes in Governmental Activities Non-Current Liabilities

The following is a summary of long-term debt transactions in the governmental activities for the year ended September 30, 2010.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable -					
Combination Tax and Revenue					
Certificates of Obligation -					
Series 1998	\$ 765,000	\$	\$ 65,000	\$ 700,000	\$ 70,000
General Obligation Bonds -					
Series 2008	969,000		33,000	936,000	34,000
Notes Payable -					
Schertz Bank	55,973		26,715	29,258	29,258
Governmental Activity					
Long-Term Debt	\$ 1,789,973	\$ -	\$ 124,715	\$ 1,665,258	\$ 133,258

H. Certificates of Obligation

Series 1998

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

Series 2008

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

The annual requirements to amortize the certificates outstanding in the governmental activities as of September 30, 2010 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2011	104,000	76,948	180,948
2012	111,000	71,933	182,933
2013	118,000	66,507	184,507
2014	124,000	60,763	184,763
2015	131,000	54,659	185,659
2016 - 2020	537,000	174,734	711,734
2021 - 2025	298,000	83,216	381,216
2026 - 2030	213,000	14,836	227,836
TOTAL	\$ 1,636,000	\$ 603,596	\$ 2,239,596

I. Notes Payable

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

The annual requirements to amortize the notes outstanding in the governmental activities as of September 30, 2010 are as follows:

For the Year Ending September 30, 2011	Principal	Interest	Total
	29,258	929	30,187

J. Changes in Business-Type Non-Current Liabilities

The following is a summary of long-term debt transactions in the business-type activities for the year ended September 30, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities					
Bonds Payable					
Tax Certificate of Obligation					
Series 1997	\$ 155,000	\$ -	\$ 50,000	\$ 105,000	\$ 50,000
Business Type Activity					
Long-Term Debt	\$ 155,000	\$ -	\$ 50,000	\$ 105,000	\$ 50,000

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

The annual requirements to amortize debt outstanding in the business-type activities as of September 30, 2010 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2011	\$ 50,000	\$ 4,800	\$ 54,800
2012	55,000	1,650	56,650
TOTAL	\$ 105,000	\$ 6,450	\$ 111,450

K. Risk Management

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

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2010 were \$53,993.

L. Defined Benefit Pension Plan

Plan Description

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of 12/31/08*):

Deposit Rate:	5%
Matching Ratio (City to Employee):	2-1
A member is vested after	5 yrs
Service retirement eligibility (expressed as 60/5, 0/20 age/years of serve)	
Updated Service Credit	0% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI

Contributions

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

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

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/09	12/31/08	12/31/07	12/31/06
Actuarial Value of Assets	\$ 331,085	\$ 236,304	\$ 160,413	\$ 118,491
Actuarial Accrued Liability	\$ 512,629	\$ 348,649	\$ 276,090	\$ 221,642
Percentage Funded	64.6%	67.8%	58.1%	53.5%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 181,544	\$ 112,345	\$ 115,677	\$ 103,151
Annual Covered Payroll	\$ 1,001,250	\$ 920,644	\$ 782,748	\$ 624,715
UAAL as a Percentage of Covered Payroll	18.1%	12.2%	14.8%	16.5%
Net Pension Obligation (NPO) at the Beginning of Period	\$	\$	\$	\$
			-0-	-0-
Annual Pension Cost:				
Annual required contribution (ARC)	\$ 53,254	\$ 48,900	\$ 35,244	\$ 27,417
Interest on NPO				-0-
Adjustment to the ARC				-0-
Total Annual Pension Cost	\$ 53,254	\$ 48,900	\$ 35,244	\$ 27,417
Contributions Made	\$ 53,254	\$ 48,900	\$ 35,244	\$ 27,417
Net Pension Obligation at the End of Period	\$	\$	\$	\$
	-0-	-0-	-0-	-0-

Actuarial Assumptions

Actuarial Cost Method -	Project Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	23 Years - Closed Period
Amortization Period for new Gains/Losses	25 Years
Asset Valuation Method -	10-year Smoothed Market
Investment Rate of Return -	7.5%
Projected Salary Increases -	Varies by age and service
Includes Inflation At -	3.0%
Cost-of-Living Adjustments	0.0%

M. Employee Insurance Benefits

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

N. Cash Flows Statement - Supplemental Disclosure

Since the City is tax exempt, no income tax was paid in 2010 and 2009. The City paid interest in the amount of \$7,775 in 2010 and \$10,556 in 2009 on their outstanding debt.

O. Claims and Contingent Liabilities

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

P. Interfund Receivable and Payables

During the year ended September 30, 2010, the City's transfers between funds consisted of:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Special Revenue Funds		99,688
Capital Projects Funds		156,583
Special Revenue Funds		
General Fund	99,688	
Capital Projects Fund		
General Fund	156,583	
Debt Service Fund -		
Plaza Enterprise Fund		57,775
Plaza Enterprise Fund -		
Debt Service Fund	<u>57,775</u>	
TOTALS	<u>\$ 314,046</u>	<u>\$ 314,046</u>

Q. Subsequent Events

The City has evaluated subsequent events through December 3, 2010, the date which the financial statements were available to be issued.

On November 30, 2010 the City was awarded a State Energy Program ARRA cost reimbursement grant in the amount of \$1,836,400 for the construction of a wind technology infrastructure. The project is to be completed by December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JONESTOWN
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,883,886	\$ 1,883,886	\$ 1,955,092	\$ 71,206
General Sales and Use Taxes	90,000	90,000	108,180	18,180
Franchise Tax	120,200	106,200	117,164	10,964
Other Taxes	500	500	1,136	636
Penalty and Interest on Taxes	10,000	10,000	27,079	17,079
Licenses and Permits	64,600	64,600	86,596	21,996
Charges for Services	33,520	43,658	79,554	35,896
Fines	60,000	64,000	55,477	(8,523)
Investment Earnings	11,000	11,000	4,057	(6,943)
Rents and Royalties	-	-	4,388	4,388
Other Revenue	2,500	2,400	30,502	28,102
Total Revenues	2,276,206	2,276,244	2,469,225	192,981
EXPENDITURES:				
Current:				
General Government	472,321	336,950	289,099	47,851
Public Safety	628,250	633,132	613,661	19,471
Public Works	321,116	417,165	254,104	163,061
City Council	3,800	3,800	1,120	2,680
City Administrator	99,397	102,783	101,866	917
City Secretary	116,570	119,929	115,890	4,039
Municipal Court	71,816	73,105	58,220	14,885
Finance	90,081	91,763	92,912	(1,149)
Building Inspector and Code Enforcement	188,600	193,080	162,018	31,062
Culture and Recreation:				
Parks and Recreation	89,693	98,476	100,884	(2,408)
Libraries	100,145	102,424	96,151	6,273
Capital Outlay:				
Capital Outlay	58,880	264,963	81,608	183,355
Total Expenditures	2,240,669	2,437,570	1,967,533	470,037
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,537	(161,326)	501,692	663,018
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	2,150	2,150
Transfers Out (Use)	-	-	(256,271)	(256,271)
Total Other Financing Sources (Uses)	-	-	(254,121)	(254,121)
Net Change	35,537	(161,326)	247,571	408,897
Fund Balance - October 1 (Beginning)	1,214,377	1,214,377	1,216,396	2,019
Fund Balance - September 30 (Ending)	\$ 1,249,914	\$ 1,053,051	\$ 1,463,967	\$ 410,916

SUPPLEMENTARY INFORMATION

CITY OF JONESTOWN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Court Restricted Fund	Street Fund	Parks Fund	Wind Energy Project
ASSETS				
Cash and Cash Equivalents	\$ 50,023	\$ 392,108	\$ 87,855	\$ 9,046
Taxes Receivable	-	-	-	-
Receivables (Net)	-	-	-	-
Inventories	-	-	161	-
Total Assets	<u>\$ 50,023</u>	<u>\$ 392,108</u>	<u>\$ 88,016</u>	<u>\$ 9,046</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,320	\$ -	\$ -	\$ -
Due to Others	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>1,320</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	48,703	392,108	88,016	9,046
Reported in the Debt Service Fund	-	-	-	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>48,703</u>	<u>392,108</u>	<u>88,016</u>	<u>9,046</u>
Total Liabilities and Fund Balances	<u>\$ 50,023</u>	<u>\$ 392,108</u>	<u>\$ 88,016</u>	<u>\$ 9,046</u>

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

Ione Jones Library Fund	Hotel/Motel Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 10,490	\$ 42,417	\$ 591,939	\$ 152,222	\$ 149,164	\$ 893,325
-	-	-	23,660	-	23,660
-	26,028	26,028	-	11,329	37,357
-	-	161	-	-	161
<u>\$ 10,490</u>	<u>\$ 68,445</u>	<u>\$ 618,128</u>	<u>\$ 175,882</u>	<u>\$ 160,493</u>	<u>\$ 954,503</u>
\$ 2,687	\$ 1,333	\$ 5,340	\$ -	\$ 150	\$ 5,490
285	-	285	-	-	285
-	-	-	23,660	-	23,660
<u>2,972</u>	<u>1,333</u>	<u>5,625</u>	<u>23,660</u>	<u>150</u>	<u>29,435</u>
7,518	67,112	612,503	-	-	612,503
-	-	-	152,222	-	152,222
-	-	-	-	160,343	160,343
<u>7,518</u>	<u>67,112</u>	<u>612,503</u>	<u>152,222</u>	<u>160,343</u>	<u>925,068</u>
<u>\$ 10,490</u>	<u>\$ 68,445</u>	<u>\$ 618,128</u>	<u>\$ 175,882</u>	<u>\$ 160,493</u>	<u>\$ 954,503</u>

CITY OF JONESTOWN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Court Restricted Fund	Street Fund	Parks Fund	Wind Energy Project
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	200,000
Charges for Services	2,434	-	-	-
Fines	3,570	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Total Revenues	<u>6,004</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	-	-
Public Works:				
Municipal Court	3,715	-	-	-
Health and Welfare:				
Tourism	-	-	-	-
Culture and Recreation:				
Recreation	-	-	23,737	-
Libraries	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	202,954
Total Expenditures	<u>3,715</u>	<u>-</u>	<u>23,737</u>	<u>202,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,289</u>	<u>-</u>	<u>(23,737)</u>	<u>(2,954)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	87,688	-	12,000
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>87,688</u>	<u>-</u>	<u>12,000</u>
Net Change in Fund Balance	2,289	87,688	(23,737)	9,046
Fund Balance - October 1 (Beginning)	46,414	304,420	111,753	-
Fund Balance - September 30 (Ending)	<u>\$ 48,703</u>	<u>\$ 392,108</u>	<u>\$ 88,016</u>	<u>\$ 9,046</u>

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

Ione Jones Library Fund	Hotel/Motel Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 267,613	\$ -	\$ 267,613
-	54,099	54,099	-	-	54,099
5,197	-	205,197	-	-	205,197
-	1,378	3,812	-	-	3,812
-	-	3,570	-	-	3,570
-	-	-	14	137	151
2,421	-	2,421	-	-	2,421
<u>7,618</u>	<u>55,477</u>	<u>269,099</u>	<u>267,627</u>	<u>137</u>	<u>536,863</u>
-	-	-	-	195,293	195,293
-	-	3,715	-	-	3,715
-	32,374	32,374	-	-	32,374
-	-	23,737	-	-	23,737
10,043	-	10,043	-	-	10,043
-	-	-	124,715	-	124,715
-	-	-	85,090	-	85,090
-	-	202,954	-	-	202,954
<u>10,043</u>	<u>32,374</u>	<u>272,823</u>	<u>209,805</u>	<u>195,293</u>	<u>677,921</u>
<u>(2,425)</u>	<u>23,103</u>	<u>(3,724)</u>	<u>57,822</u>	<u>(195,156)</u>	<u>(141,058)</u>
-	-	99,688	-	156,583	256,271
-	-	-	(57,775)	-	(57,775)
-	-	99,688	(57,775)	156,583	198,496
<u>(2,425)</u>	<u>23,103</u>	<u>95,964</u>	<u>47</u>	<u>(38,573)</u>	<u>57,438</u>
<u>9,943</u>	<u>44,009</u>	<u>516,539</u>	<u>152,175</u>	<u>198,916</u>	<u>867,630</u>
<u>\$ 7,518</u>	<u>\$ 67,112</u>	<u>\$ 612,503</u>	<u>\$ 152,222</u>	<u>\$ 160,343</u>	<u>\$ 925,068</u>

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

Certified Public Accountants

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

Independent Auditor's Report

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

We have audited the financial statements of City of Jonestown as of and for the year ended September 30, 2010, and have issued our report thereon dated December 3, 2010.

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

Compliance

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Neffendorf, Knopp, Dooss + Company, P.C.
NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

December 3, 2010

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

Certified Public Accountants

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MEMBER
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CERTIFIED PUBLIC ACCOUNTANTS

December 3, 2010

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown for the year ended September 30, 2010, and have issued our report thereon dated December 3, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Jonestown are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2010.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Sincerely,

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

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