

CITY OF JONESTOWN, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF JONESTOWN, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S 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 the City of Jonestown, Texas (the "City") as of and for the year ended September 30, 2017, 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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension related schedules following the notes 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

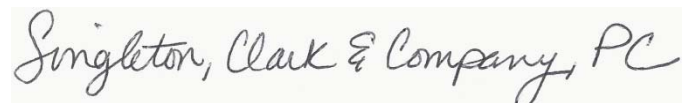
Other Information

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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 schedules 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 16, 2018 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 16, 2018

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CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- At the end of the current fiscal year, the City's governmental activities (full accrual) reported ending net position of \$6,423,619 after the year's change in net position of \$429,630. While the City's business-type activities reported ending net position of \$2,694,879 after the year's change of (\$40,523) and a prior period adjustment of (\$24,532).
- At the end of the current fiscal year, the City's General Fund reported an ending fund balance of \$2,546,205 after net change of \$7,088. The change for the year includes \$521,970 in total transfers out to other funds to provide supplemental resources. The City's other governmental funds ended the year with a total fund balance of \$1,314,596.
- At the end of the current fiscal year, the City's proprietary funds reported total ending net position of \$2,694,879. The majority of ending proprietary net position relates to the City's utility which ended at \$2,209,400 after the year's change of (\$42,946).

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, 2017

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, public works, 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 12-14 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, Streets Fund, Capital Metro Fund, Debt Service Fund and the Capital Expenditures Fund which are considered to be major funds. Data from the other five 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 schedules in the combining and individual fund schedules section of this report.

The City adopts an annual appropriated budget for its General Fund, Capital Expenditures Fund and Northshore Wastewater Utility System Fund. A budgetary comparison statement has been provided for the General Fund on page 21 of this report.

The basic governmental fund financial statements can be found on pages 15-21 of this report.

CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 developer fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City is not currently utilizing an internal service fund.

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 developer fund, 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 22-24 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 currently 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 25-44 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 participation in its employee pension program. Required supplementary information can be found on page 45-47 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 schedules can be found on pages 49-52 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 \$6,423,619 for governmental activities and \$2,694,879 for business-type activities at the close of the most recent fiscal year.

CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

City of Jonestown, Texas - Net Position

	Governmental Activities 2017	Governmental Activities 2016	Change	Business- Type Activities 2017	Business- Type Activities 2016	Change
Current & other assets	\$ 4,115,512	\$ 5,085,737	\$ (970,225)	\$ 623,353	\$ 757,674	\$ (134,321)
Capital assets	4,317,938	4,232,715	85,223	2,175,820	2,102,939	72,881
Deferred outflows	122,467	134,373	(11,906)	-	-	-
Total assets and deferred outflows	8,555,917	9,452,825	(896,908)	2,799,173	2,860,613	(61,440)
Current liabilities	139,131	1,094,469	(955,338)	104,294	97,679	6,615
Long-term liabilities	1,930,539	2,342,986	(412,447)	-	-	-
Deferred inflows	62,628	21,381	41,247	-	-	-
Total liabilities and deferred inflows	2,132,298	3,458,836	(1,326,538)	104,294	97,679	6,615
Net Position						
Net investment in capital assets	2,602,938	2,117,715	485,223	2,102,939	2,102,939	-
Restricted	460,442	813,001	(352,559)	-	-	-
Unrestricted	3,360,239	3,063,273	296,966	591,940	656,995	(65,055)
Total net position	\$ 6,423,619	\$ 5,993,989	\$ 429,630	\$ 2,694,879	\$ 2,759,934	\$ (65,055)

By far, the largest portion of the City's total net position approximately 50% 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 total net position amounting to \$460,442, or approximately 5% of overall net position, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,952,179 (approximately 45%) is unrestricted and may be used to meet the City'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 \$389,107 from the prior fiscal year. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$429,630 from the prior fiscal year for an ending balance of \$6,423,619. The increase in the overall net position of governmental activities is the result primarily of lower than budgeted expenditures in the General Fund.

City of Jonestown, Texas - Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016	Change	Business- Type Activities 2017	Business- Type Activities 2016	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 299,261	\$ 256,916	\$ 42,345	\$ 266,305	\$ 226,869	\$ 39,436
Operating grants & contributions	73,484	1,817	71,667	-	-	-
General Revenues:						
Property taxes	2,369,853	2,245,282	124,571	-	-	-
Other taxes	315,414	312,173	3,241	-	-	-
Grants and contributions not restricted to specific programs	4,132	2,516	1,616	-	-	-
Other	24,903	10,709	14,194	644	160,760	(160,116)
Total revenues	3,087,047	2,829,413	257,634	266,949	387,629	(120,680)
Expenses:						
General government	829,430	798,916	30,514	-	-	-
Public safety	980,789	972,922	7,867	-	-	-
Highways and streets	89,255	401	88,854	-	-	-
Public works	454,225	409,844	44,381	-	-	-
Culture and recreation	292,228	252,534	39,694	-	-	-
Interest on long-term debt	33,423	40,129	(6,706)	-	-	-
Plaza enterprise fund	-	-	-	48,190	31,114	17,076
Northshore wastewater utility fund	-	-	-	243,734	236,920	6,814
Capital improvements developer fund	-	-	-	6,200	-	6,200
Total expenses	2,679,350	2,474,746	204,604	298,124	268,034	30,090
Increase (decrease) in net position before transfers	407,697	354,667	53,030	(31,175)	119,595	(150,770)
Transfers	9,348	19,995	(10,647)	(9,348)	(19,995)	10,647
Gain (loss) on sale of capital assets	12,585	7,683	4,902	-	-	-
Increase (decrease) in net position	429,630	382,345	47,285	(40,523)	99,600	(140,123)
Net position - beginning	5,993,989	5,611,644	382,345	2,759,934	2,673,030	86,904
Prior period adjustment	-	-	-	(24,532)	(12,696)	(11,836)
Net position - ending	\$ 6,423,619	\$ 5,993,989	\$ 429,630	\$ 2,694,879	\$ 2,759,934	\$(65,055)

Business-type Activities. For the City's business-type activities, net position decreased slightly to \$2,694,879. The decrease in net position of \$40,523 for the year relates primarily to expenses for the year exceeding revenues. Additionally, the City recorded a prior period adjustment of (\$24,532) related to a previously written off liability.

CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017, the City's governmental funds reported combined fund balances of \$3,860,801, a decrease of \$13,503 in comparison with the prior year. Approximately 55% of this amount, \$2,163,135, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned*.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,163,135, while total fund balance increased to \$2,546,205. 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 95% of total General Fund expenditures, while total fund balance represents approximately 115% of that same amount. The fund balance of the City's General Fund increased by \$7,088 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was the result of lower than expected expenditures.

The Streets Fund, a major fund, had a \$65,808 decrease in fund balance during the current fiscal year. The decrease is due to capital outlay improvements during the year.

The Capital Metro Fund, a major fund this year, accounts for resources and related expenditures related to Capital Metro funding and did not have a fund balance at year end.

The Debt Service Fund, a major fund, had a \$7,285 decrease in fund balance during the current fiscal year due to scheduled payments of long term debts during the year.

The Capital Expenditures Fund, a major fund this year, accounts for the acquisition and construction of the City's major capital expenditures, other than those financed by proprietary funds. The Capital Expenditures Fund had a \$7,448 increase in fund balance during the current fiscal year.

CITY OF JONESTOWN, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

At year end, the unrestricted net position of the Plaza Enterprise Fund was \$194,608, for the Northshore Wastewater Utility System Fund was \$266,052, and for the Capital Improvements Developer Fund was \$131,280. The total change in net position for the funds were \$8,506, (\$42,946) and (\$6,083) respectively. The decreases net position relate to expenses exceeding revenues in those funds for the year.

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.

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, 2017, amounts to \$6,493,758, net of accumulated depreciation (governmental activities \$4,317,938 and business-type activities \$2,175,820). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 3% overall.

City of Jonestown, Texas - Capital Assets

	Governmental Activities 2017	Governmental Activities 2016	Change
Land	\$ 108,204	\$ 108,204	\$ -
Buildings	1,585,943	1,578,820	7,123
Furniture and Equipment	1,286,687	1,233,509	53,178
Infrastructure	3,640,164	3,421,235	218,929
Construction in Progress	35,100	46,720	(11,620)
Total	<u>6,656,098</u>	<u>6,388,488</u>	<u>267,610</u>
Less Accumulated Depreciation	<u>(2,338,160)</u>	<u>(2,155,773)</u>	<u>(182,387)</u>
Capital assets, net of depreciation	<u>\$ 4,317,938</u>	<u>\$ 4,232,715</u>	<u>\$ 85,223</u>

CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities 2017	Business-type Activities 2016	Change
Land	\$ 407,360	\$ 407,360	\$ -
Buildings	2,604,292	2,462,629	141,663
Furniture and Equipment	7,100.00	7,100.00	-
Total	<u>3,018,752</u>	<u>2,877,089</u>	<u>141,663</u>
Less Accumulated Depreciation	<u>(842,932)</u>	<u>(774,150)</u>	<u>(68,782)</u>
Capital assets, net of depreciation	<u>\$ 2,175,820</u>	<u>\$ 2,102,939</u>	<u>\$ 72,881</u>

Additional information on the City's capital assets can be found in Note IV.D on pages 35-36 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$710,000 and maintenance tax notes of \$1,005,000. Additionally, the City had long-term obligations related to compensated absences and its net pension liability.

City of Jonestown, Texas - Outstanding Debt

	Governmental Activities 2017	Governmental Activities 2016	Change
Maintenance Tax Notes	\$ 1,005,000	\$ 1,250,000	\$ (245,000)
General Obligation Bonds	710,000	865,000	(155,000)
Net Pension Liability	160,822	182,991	(22,169)
Compensated Absences	54,717	44,995	9,722
Total	<u>\$ 925,539</u>	<u>\$ 1,092,986</u>	<u>\$ (167,447)</u>

The City's total debt decreased by \$412,447 during the current fiscal year due primarily to debt service payments.

Additional information on the City's long-term debt can be found in Note IV.H on pages 42-43 of this report.

Economic Factors and Next Year's Budgets and Rates

The adopted budget for the City's General Fund for fiscal year 2017-2018 was approximately \$3 million which reflects an approximate increase of \$550,000 from the fiscal year 2016-2017 General Fund adopted budget. The proposed tax rates to finance General Fund and Debt Service Fund operations were \$0.5261 and \$0.0395, respectively, for a total tax rate of \$0.5656 per \$100 valuation.

CITY OF JONESTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 City'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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF JONESTOWN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,928,763	\$ 615,439	\$ 4,544,202
Taxes receivable - delinquent	75,417	-	75,417
Accounts receivable, net	111,332	7,531	118,863
Other assets	-	383	383
Capital assets, not being depreciated:			
Land	108,204	407,360	515,564
Construction in progress	35,100	-	35,100
Capital assets, being depreciated:			
Buildings and improvements	1,585,943	2,462,629	4,048,572
Machinery, equipment, and vehicles	1,286,687	148,763	1,435,450
Infrastructure	3,640,164	-	3,640,164
Accumulated depreciation	(2,338,160)	(842,932)	(3,181,092)
Total assets	<u>8,433,450</u>	<u>2,799,173</u>	<u>11,232,623</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan items	122,467	-	122,467
Total deferred outflows of resources	<u>122,467</u>	<u>-</u>	<u>122,467</u>
LIABILITIES			
Accounts payable	59,717	11,590	71,307
Accrued salaries and benefits	36,146	1,125	37,271
Accrued liabilities	-	70,802	70,802
Accrued interest payable	2,312	-	2,312
Unearned revenue	17,500	-	17,500
Other current liabilities	23,456	5,753	29,209
Customer deposits	-	15,024	15,024
Noncurrent liabilities:			
Due within one year	405,000	-	405,000
Due in more than one year	1,525,539	-	1,525,539
Total liabilities	<u>2,069,670</u>	<u>104,294</u>	<u>2,173,964</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan items	62,628	-	62,628
Total deferred inflows of resources	<u>62,628</u>	<u>-</u>	<u>62,628</u>
NET POSITION			
Net investment in capital assets	2,602,938	2,102,939	4,705,877
Restricted for court	54,655	-	54,655
Restricted for debt service	136,400	-	136,400
Restricted for parks	33,849	-	33,849
Restricted for other specific purposes	235,538	-	235,538
Unrestricted	3,360,239	591,940	3,952,179
Total net position	<u>\$ 6,423,619</u>	<u>\$ 2,694,879</u>	<u>\$ 9,118,498</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, 2017

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 829,430	\$ -	\$ -
Public safety	980,789	204,676	3,308
Highways and streets	89,255	-	70,176
Public works	454,225	-	-
Culture and recreation	292,228	94,585	-
Interest	33,423	-	-
Total governmental activities:	<u>2,679,350</u>	<u>299,261</u>	<u>73,484</u>
Business-type activities:			
Plaza enterprise fund	48,190	66,042	-
Northshore wastewater utility fund	243,734	200,263	-
Capital improvements developer fund	6,200	-	-
Total business-type activities:	<u>298,124</u>	<u>266,305</u>	<u>-</u>
Total primary government	<u>\$ 2,977,474</u>	<u>\$ 565,566</u>	<u>\$ 73,484</u>

General revenues:

- Property taxes
- Sales taxes
- Hotel/motel taxes
- Franchise taxes
- Contributions and donations
- Investment earnings
- Miscellaneous

Total general revenues

- Gain (loss) on sale of capital assets
- Transfers

Change in net position

- Net position -- beginning
- Prior Period Adjustment
- Net position -- ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activites	Total
\$ (829,430)	\$ -	\$ (829,430)
(772,805)	-	(772,805)
(19,079)	-	(19,079)
(454,225)	-	(454,225)
(197,643)	-	(197,643)
(33,423)	-	(33,423)
<u>(2,306,605)</u>	<u>-</u>	<u>(2,306,605)</u>
-	17,852	17,852
-	(43,471)	(43,471)
-	(6,200)	(6,200)
-	(31,819)	(31,819)
<u>(2,306,605)</u>	<u>(31,819)</u>	<u>(2,338,424)</u>
2,369,853	-	2,369,853
131,116	-	131,116
63,950	-	63,950
120,348	-	120,348
4,132	-	4,132
5,306	291	5,597
19,597	353	19,950
<u>2,714,302</u>	<u>644</u>	<u>2,714,946</u>
12,585	-	12,585
9,348	(9,348)	-
429,630	(40,523)	389,107
5,993,989	2,759,934	8,753,923
-	(24,532)	(24,532)
<u>\$ 6,423,619</u>	<u>\$ 2,694,879</u>	<u>\$ 9,118,498</u>

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FUND FINANCIAL STATEMENTS

CITY OF JONESTOWN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Streets Fund	Capital Metro Fund	Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 2,606,007	\$ 468,373	\$ 22,655	\$ 128,443
Taxes receivable - delinquent	67,460	-	-	7,957
Accounts receivable	42,235	-	-	-
Total assets	<u>\$ 2,715,702</u>	<u>\$ 468,373</u>	<u>\$ 22,655</u>	<u>\$ 136,400</u>
LIABILITIES				
Accounts payable	\$ 47,211	\$ -	\$ 5,155	\$ -
Salaries and benefits payable	36,146	-	-	-
Unearned revenue	-	-	17,500	-
Other current liabilities	18,680	-	-	-
Total liabilities	<u>102,037</u>	<u>-</u>	<u>22,655</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	67,460	-	-	7,957
Total deferred inflows of resources	<u>67,460</u>	<u>-</u>	<u>-</u>	<u>7,957</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Court	-	-	-	-
Debt service	-	-	-	128,443
Parks	-	-	-	-
Other specific purposes	13,070	-	-	-
Committed for:				
Capital projects	370,000	468,373	-	-
Assigned:				
Capital expenditures	-	-	-	-
Unassigned	2,163,135	-	-	-
Total fund balances	<u>2,546,205</u>	<u>468,373</u>	<u>-</u>	<u>128,443</u>
Total liabilities, deferred inflows & fund balances	<u>\$ 2,715,702</u>	<u>\$ 468,373</u>	<u>\$ 22,655</u>	<u>\$ 136,400</u>

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

Capital Expenditures Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 407,516	\$ 295,769	\$ 3,928,763
-	-	75,417
-	26,622	68,857
<u>\$ 407,516</u>	<u>\$ 322,391</u>	<u>\$ 4,073,037</u>
\$ 708	\$ 6,643	\$ 59,717
-	-	36,146
-	-	17,500
-	4,776	23,456
<u>708</u>	<u>11,419</u>	<u>136,819</u>
-	-	75,417
<u>-</u>	<u>-</u>	<u>75,417</u>
-	54,655	54,655
-	-	128,443
-	33,849	33,849
-	222,468	235,538
-	-	838,373
-	-	-
406,808	-	406,808
-	-	2,163,135
<u>406,808</u>	<u>310,972</u>	<u>3,860,801</u>
<u>\$ 407,516</u>	<u>\$ 322,391</u>	<u>\$ 4,073,037</u>

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CITY OF JONESTOWN, TEXAS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Total fund balances - governmental funds	\$ 3,860,801
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,317,938
Uncollected municipal court fines are not an available resource and, therefore, are not reported in the funds.	42,475
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.	75,417
Long-term liabilities, including bonds payable and pension related items are not due and period and, therefore, are not reported in the funds.	(1,873,012)
Net position of governmental activities	<u>\$ 6,423,619</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Streets Fund	Capital Metro Fund	Debt Service Fund
REVENUES				
Property taxes	\$ 2,200,032	\$ -	\$ -	\$ 172,641
Sales taxes	131,116	-	-	-
Hotel/motel taxes	-	-	-	-
Franchise taxes	120,348	-	-	-
Licenses and permits	136,782	-	-	-
Intergovernmental revenues	3,308	-	70,176	-
Charges for services	94,347	-	-	-
Fines	64,553	-	-	-
Investment earnings	4,932	374	-	-
Contributions and donations	1,450	-	-	-
Miscellaneous revenue	5,069	-	-	-
Total revenues	2,761,937	374	70,176	172,641
EXPENDITURES				
Current:				
General government	731,368	-	-	-
Public safety:				
Police	706,409	-	-	-
Inspection	162,071	-	-	-
Highways and streets	-	10,873	70,176	-
Public works	384,104	-	-	-
Culture and recreation:				
Parks	156,030	-	-	-
Libraries	102,245	-	-	-
Debt service:				
Bond principal	-	-	-	400,000
Interest	-	-	-	33,989
Capital outlay	-	207,309	-	-
Total expenditures	2,242,227	218,182	70,176	433,989
Excess (deficiency) of revenue over expenditures	519,710	(217,808)	-	(261,348)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,348	152,000	-	254,063
Transfers out	(521,970)	-	-	-
Sale of general capital assets	-	-	-	-
Total other financing sources (uses)	(512,622)	152,000	-	254,063
Net change in fund balance	7,088	(65,808)	-	(7,285)
Fund balance - beginning	2,539,117	534,181	-	135,728
Fund balance - ending	\$ 2,546,205	\$ 468,373	\$ -	\$ 128,443

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

Capital Expenditures Fund	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,372,673
-	-	131,116
-	63,950	63,950
-	-	120,348
-	-	136,782
-	-	73,484
-	238	94,585
-	2,471	67,024
-	-	5,306
-	2,682	4,132
-	14,528	19,597
-	83,869	3,088,997
-	9,947	741,315
-	-	706,409
-	-	162,071
-	-	81,049
-	26,021	410,125
-	-	156,030
-	6,447	108,692
-	-	400,000
-	-	33,989
117,444	-	324,753
117,444	42,415	3,124,433
(117,444)	41,454	(35,436)
112,307	3,600	531,318
-	-	(521,970)
12,585	-	12,585
124,892	3,600	21,933
7,448	45,054	(13,503)
399,360	265,918	3,874,304
\$ 406,808	\$ 310,972	\$ 3,860,801

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CITY OF JONESTOWN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Net change in fund balances - total governmental funds	\$	(13,503)
<p>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.</p>		
		85,223
<p>The net effect of various miscellaneous transactions involving property taxes and long-term receivables is to decrease net position.</p>		
		(1,950)
<p>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.</p>		
		390,844
<p>The net effect of various transactions involving the City's net pension liability is to decrease net position.</p>		
		(30,984)
Change in net position of governmental activities	\$	<u>429,630</u>

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

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CITY OF JONESTOWN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,302,926	\$ 2,302,926	\$ 2,200,032	\$ (102,894)
Sales taxes	120,000	120,000	131,116	11,116
Franchise taxes	116,000	116,000	120,348	4,348
Licenses and permits	108,288	108,288	136,782	28,494
Intergovernmental revenues	-	-	3,308	3,308
Charges for services	42,175	42,175	94,347	52,172
Fines	41,600	41,600	64,553	22,953
Investment earnings	900	900	4,932	4,032
Contributions and donations, private sources	-	-	1,450	1,450
Miscellaneous revenue	560	560	5,069	4,509
Total revenues	<u>2,732,449</u>	<u>2,732,449</u>	<u>2,761,937</u>	<u>29,488</u>
EXPENDITURES				
Current:				
General government	879,898	883,398	731,368	152,030
Public safety:				
Police	734,887	734,887	706,409	28,478
Inspection	177,962	186,462	162,071	24,391
Public works	401,795	401,795	384,104	17,691
Culture and recreation:				
Parks	160,756	160,756	156,030	4,726
Libraries	105,791	105,791	102,245	3,546
Total Expenditures	<u>2,461,089</u>	<u>2,473,089</u>	<u>2,242,227</u>	<u>230,862</u>
Excess (deficiency) of revenues over expenditures	<u>271,360</u>	<u>259,360</u>	<u>519,710</u>	<u>260,350</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	48,170	48,170	9,348	(38,822)
Transfers out	(521,407)	(782,756)	(521,970)	260,786
Total other financing sources (uses)	<u>(473,237)</u>	<u>(734,586)</u>	<u>(512,622)</u>	<u>221,964</u>
Net change in fund balances	(201,877)	(475,226)	7,088	482,314
Fund balance - beginning	2,539,117	2,539,117	2,539,117	-
Fund balance - ending	<u>\$ 2,337,240</u>	<u>\$ 2,063,891</u>	<u>\$ 2,546,205</u>	<u>\$ 482,314</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, 2017

	Business-type Activities			
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 199,369	\$ 213,988	\$ 202,082	\$ 615,439
Accounts receivable, net	-	7,531	-	7,531
Other assets	383	-	-	383
Total current assets	<u>199,752</u>	<u>221,519</u>	<u>202,082</u>	<u>623,353</u>
Noncurrent Assets:				
Land	120,000	287,360	-	407,360
Buildings	244,144	2,001,196	-	2,245,340
Improvements other than buildings	217,289	-	-	217,289
Furnishings and equipment	5,698	143,065	-	148,763
Accumulated depreciation	(430,405)	(412,527)	-	(842,932)
Total noncurrent assets	<u>156,726</u>	<u>2,019,094</u>	<u>-</u>	<u>2,175,820</u>
Total assets	<u>\$ 356,478</u>	<u>\$ 2,240,613</u>	<u>\$ 202,082</u>	<u>\$ 2,799,173</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,279	\$ 9,311	\$ -	\$ 11,590
Accrued salaries and benefits	-	1,125	-	1,125
Accrued liabilities	-	-	70,802	70,802
Other current liabilities	-	5,753	-	5,753
Customer deposits	-	15,024	-	15,024
Total current liabilities	<u>2,279</u>	<u>31,213</u>	<u>70,802</u>	<u>104,294</u>
Total liabilities	<u>2,279</u>	<u>31,213</u>	<u>70,802</u>	<u>104,294</u>
NET POSITION				
Net investment in capital assets	159,591	1,943,348	-	2,102,939
Unrestricted	194,608	266,052	131,280	591,940
Total net position	<u>\$ 354,199</u>	<u>\$ 2,209,400</u>	<u>\$ 131,280</u>	<u>\$ 2,694,879</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, 2017

	Business-type Activities			
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
Operating revenues:				
Charges for services:				
Sewerage service	\$ -	\$ 200,263	\$ -	\$ 200,263
Other charges for services	66,042	-	-	66,042
Miscellaneous revenue	-	353	-	353
Total operating revenues	<u>66,042</u>	<u>200,616</u>	<u>-</u>	<u>266,658</u>
Operating expenses:				
Personnel services	-	9,448	-	9,448
Purchased prof. and technical services	7,000	65,183	-	72,183
Purchased property services	32,627	52,311	-	84,938
Other purchased services	-	-	6,200	6,200
Materials and supplies	-	3,321	-	3,321
Other operating expenses	-	53,252	-	53,252
Depreciation	8,563	60,219	-	68,782
Total operating expenses	<u>48,190</u>	<u>243,734</u>	<u>6,200</u>	<u>298,124</u>
Operating income (loss)	<u>17,852</u>	<u>(43,118)</u>	<u>(6,200)</u>	<u>(31,466)</u>
Nonoperating revenues (expenses)				
Investment earnings	2	172	117	291
Total nonoperating revenues (expenses)	<u>2</u>	<u>172</u>	<u>117</u>	<u>291</u>
Income before transfers in (out)	<u>17,854</u>	<u>(42,946)</u>	<u>(6,083)</u>	<u>(31,175)</u>
Transfers out	<u>(9,348)</u>	<u>-</u>	<u>-</u>	<u>(9,348)</u>
Change in net position	8,506	(42,946)	(6,083)	(40,523)
Net position-beginning	<u>345,693</u>	<u>2,252,346</u>	<u>161,895</u>	<u>2,759,934</u>
Prior period adjustment	-	-	(24,532)	(24,532)
Net position-ending	<u>\$ 354,199</u>	<u>\$ 2,209,400</u>	<u>\$ 131,280</u>	<u>\$ 2,694,879</u>

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

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CITY OF JONESTOWN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities			
	Plaza Enterprise Fund	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 207,181	\$ -	\$ 207,181
Receipts from interfund charges for services	66,042	-	-	66,042
Other receipts	-	353	-	353
Payments to suppliers and service providers	-	(176,775)	(20,064)	(196,839)
Payments to employees for salaries and benefits	-	(9,448)	-	(9,448)
Payments to other funds for services provided	(40,972)	-	-	(40,972)
Net cash provided by (used for) operating activities	<u>25,070</u>	<u>21,311</u>	<u>(20,064)</u>	<u>26,317</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Operating transfers out	(9,348)	-	-	(9,348)
Acquisition and construction of capital assets	(5,698)	(135,965)	-	(141,663)
Net cash provided by (used for) capital and related financing activities	<u>(15,046)</u>	<u>(135,965)</u>	<u>-</u>	<u>(151,011)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	2	172	117	291
Net cash provided by investing activities	<u>2</u>	<u>172</u>	<u>117</u>	<u>291</u>
Net increase (decrease) in cash and cash equivalents	10,026	(114,482)	(19,947)	(124,403)
Cash and cash equivalents-beginning	189,343	328,470	222,029	739,842
Cash and cash equivalents-ending	<u>\$ 199,369</u>	<u>\$ 213,988</u>	<u>\$ 202,082</u>	<u>\$ 615,439</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:				
Operating income (loss)	\$ 17,852	\$ (43,118)	\$ (6,200)	\$ (31,466)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	8,563	60,219	-	68,782
(Increase) decrease in accounts receivable	-	6,918	-	6,918
(Decrease) increase in deposits payable	-	1,624	-	1,624
(Decrease) increase in accounts payable	(1,345)	(7,948)	-	(9,293)
(Decrease) increase in accrued liabilities	-	3,616	(13,864)	(10,248)
Total adjustments	<u>7,218</u>	<u>64,429</u>	<u>(13,864)</u>	<u>57,783</u>
Net cash provided by (used for) operating activities	<u>\$ 25,070</u>	<u>\$ 21,311</u>	<u>\$ (20,064)</u>	<u>\$ 26,317</u>

Schedule of non-cash capital and related financing activities:

Contributions of capital assets

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Summary of significant accounting policies

A. Reporting entity

The City of Jonestown, Texas (the “City”) is a municipal corporation governed by an elected mayor and five aldermen which make up the City Council (the “Council”). The accompanying financial statements present the government and its component units, entities for which the City 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 currently report any component units.

B. 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.

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 City’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 City’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 City reports the following major governmental funds:

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

The *Streets Fund* accounts for the resources set aside by the City and the related expenditures for the maintenance of the City’s streets.

The *Capital Metro Fund*, a major fund this year, accounts for resources and related expenditures related to Capital Metro funding.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The *Debt Service Fund* is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

The *Capital Expenditures Fund* accounts for the acquisition and construction of the City's major capital expenditures, other than those financed by proprietary funds

The City 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 in relation to the operation of the plaza building commercial rental real estate owned by the City.

The *Capital Improvements Developer Fund* accounts for the expenditures and restricted assets related to pending subdivision improvements.

Additionally, the City 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.

During the course of operations, the City 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.

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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.

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 City 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 City.

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, Capital Expenditures Fund, and Northshore Wastewater Utility System Fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The City'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.

CITY OF JONESTOWN, TEXAS
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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.

2. Excess of expenditures over appropriations

For the year ended September 30, 2017, 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 City'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 City 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 City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

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As the City 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.

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. 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. 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 City 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 City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the City 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 City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

CITY OF JONESTOWN, TEXAS
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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.

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 City 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 City's highest level of decision-making authority. The Council is the highest level of decision-making authority for the City 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 City 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, 2016, upon which the levy for the 2016-2017 fiscal year was based, was \$415,927,244. 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, 2017, to finance General Fund and Debt Service Fund operations were \$0.5239 and \$0.0417, respectively, for a total tax rate of \$0.5656 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2016-2017 fiscal year was \$2,352,484. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2017, were 99% of the year end adjusted tax levy.

CITY OF JONESTOWN, TEXAS
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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.

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 \$54,717 in accrued compensated absences as of September 30, 2017 related to the City's governmental fund activities.

Sick Leave

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

4. Pensions

For purposes of measuring the net pension liability, the economic resources measurement focus and full accrual basis of accounting have been used. This includes deferred inflows and outflows of resources related to pensions, pension expense and information about assets, liabilities, additions to/deductions from the net position of the pension plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. 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 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. The revenue for the plaza fund comprises of rental income for leasing space in the plaza building. 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 in the following page:

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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:

Land	\$ 108,204
Buildings and improvements	1,585,943
Machinery, equipment, and vehicles	1,286,687
Infrastructure	3,640,164
Accumulated depreciation	<u>(2,338,160)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 4,317,938</u></u>

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

Bonds payable	\$ (1,715,000)
Net pension liability, including pension deferred inflows & outflows	(100,983)
Compensated absences	(54,717)
Accrued interest payable	<u>(2,312)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (1,873,012)</u></u>

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

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

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

Capital outlay	\$ 324,753
Depreciation expense	<u>(239,530)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 85,223</u></u>

CITY OF JONESTOWN, TEXAS
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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	\$ 400,000
Change in compensated absences payable	(9,722)
Change in accrued interest payable	566
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>	\$ 390,844

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, 2017 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 City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2017, the City’s bank balance was \$4,678,791, 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 City’s name.

B. Investments

The City does not have any amounts classified as investments as of September 30, 2017.

Interest rate risk. In accordance with its investment policy, the City 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 City’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2017, the City was not exposed to credit risk since the City had not investment balances at year end.

CITY OF JONESTOWN, TEXAS
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Concentration of credit risk. The City’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 City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Receivables

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

Governmental Funds:

Receivables	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 67,460	\$ 7,957	\$ -	\$ 75,417
Other receivables	42,235	-	26,622	68,857
Total receivables	\$ 109,695	\$ 7,957	\$ 26,622	\$ 144,274

Proprietary Funds:

Receivables	Northshore WW Utility System Fund
Accounts receivable	\$ 14,200
Less: Allowance for uncollectibles	(6,669)
Total receivables, net	\$ 7,531

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

D. Capital assets

Capital assets activity for the year ended September 30, 2017, was as follows:

Governmental Activities:

	Balance 10/1/16	Increases	Decreases	Adjustments	Balance 9/30/17
Capital assets, not being depreciated:					
Land	\$ 108,204	\$ -	\$ -	\$ -	\$ 108,204
Construction-in-progress	46,720	-	-	(11,620)	35,100
Total capital assets, not being depreciated	<u>154,924</u>	<u>-</u>	<u>-</u>	<u>(11,620)</u>	<u>143,304</u>
Capital assets, being depreciated:					
Buildings and improvements	1,578,820	7,123	-	-	1,585,943
Machinery, equipment, and vehicles	1,233,509	110,321	(57,143)	-	1,286,687
Infrastructure	3,421,235	207,309	-	11,620	3,640,164
Total capital assets, being depreciated	<u>6,233,564</u>	<u>324,753</u>	<u>(57,143)</u>	<u>11,620</u>	<u>6,512,794</u>
Less accumulated depreciation for:					
Buildings and improvements	(444,146)	(47,163)	-	-	(491,309)
Machinery, equipment, and vehicles	(984,962)	(98,967)	57,143	-	(1,026,786)
Infrastructure	(726,665)	(93,400)	-	-	(820,065)
Total accumulated depreciation	<u>(2,155,773)</u>	<u>(239,530)</u>	<u>57,143</u>	<u>-</u>	<u>(2,338,160)</u>
Total capital assets being depreciated, net	<u>4,077,791</u>	<u>85,223</u>	<u>-</u>	<u>11,620</u>	<u>4,174,634</u>
Governmental activities capital assets, net	<u>\$ 4,232,715</u>	<u>\$ 85,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,317,938</u>

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

Governmental Activities:

General government	\$ 75,060
Public safety	87,935
Highway and streets	8,206
Public works	41,526
Culture and recreation	26,803
Total depreciation expense - governmental activities	<u>\$ 239,530</u>

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Business-type Activities:

	Balance 10/1/16	Increases	Decreases	Adjustments	Balance 9/30/17
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	2,462,629	141,663	-	-	2,604,292
Machinery, equipment, and vehicles	7,100	-	-	-	7,100
Total capital assets, being depreciated	2,469,729	141,663	-	-	2,611,392
Less accumulated depreciation for:					
Buildings and improvements	(772,730)	(67,362)	-	-	(840,092)
Machinery, equipment, and vehicles	(1,420)	(1,420)	-	-	(2,840)
Total accumulated depreciation	(774,150)	(68,782)	-	-	(842,932)
Total capital assets being depreciated, net	1,695,579	72,881	-	-	1,768,460
Business-type activities capital assets, net	\$ 2,102,939	\$ 72,881	\$ -	\$ -	\$ 2,175,820

E. Accrued liabilities

Accrued liabilities reported by governmental and proprietary funds at September 30, 2017, were as follows:

Governmental Funds:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salaries and benefits	\$ 36,146	\$ -	\$ 36,146
Other liabilities	18,680	4,776	23,456
Total accrued liabilities	\$ 54,826	\$ 4,776	\$ 59,602

Proprietary Funds:

	Northshore WW Utility System Fund	Capital Improvements Developer Fund	Total Proprietary Funds
Accrued liabilities	\$ -	\$ 70,802	\$ 70,802
Accrued salaries and benefits	1,125	-	1,125
Other liabilities	5,753	-	5,753
Total accrued liabilities	\$ 6,878	\$ 70,802	\$ 77,680

CITY OF JONESTOWN, TEXAS
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F. Defined benefit pension plan

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan Provisions

Employee Deposit Rate	5%
Municipal Current Matching Ratio	2-1

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	10
Active employees	26
	45
	45

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

F. Defined benefit pension plan (continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings from September 2016 till March 2017 and 6% of their annual gross earnings from April 2017 till September 2017. The contribution rates for the City were 5.38% in calendar year 2016, 5.74% from January 2017 to March 2017, and thereafter 6.81% for the calendar year 2017. The City's contributions to TMRS for the year ended September 30, 2017, were \$71,998, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 95%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF JONESTOWN, TEXAS
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F. Defined benefit pension plan (continued)

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

F. Defined benefit pension plan (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance as of December 31, 2015	\$ 1,209,607	\$ 1,026,616	\$ 182,991
Changes for the year:			
Service cost	111,815	-	111,815
Interest	84,429	-	84,429
Change of benefit terms	23,163	-	23,163
Difference between expected and actual experience	(56,428)	-	(56,428)
Changes of assumptions	-	-	-
Contributions - employer	-	59,068	(59,068)
Contributions - employee	-	57,459	(57,459)
Net investment income	-	69,447	(69,447)
Benefit payments, including refunds of employee contr.	(75,768)	(75,768)	-
Administrative expense	-	(784)	784
Other changes	-	(42)	42
Balance as of December 31, 2016	<u>\$ 1,296,818</u>	<u>\$ 1,135,996</u>	<u>\$ 160,822</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's net pension (liability)/asset	\$ 333,011	\$ 160,822	\$ 16,733

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF JONESTOWN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

F. Defined benefit pension plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the city recognized pension expense of \$30,984.

At September 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 62,508
Changes of assumptions	24,606	-
Net difference between projected and actual investment earnings	43,261	120
Contributions subsequent to the measurement date	54,600	-
Total	\$ 122,467	\$ 62,628

Deferred outflows of resources related to pensions in the amount of \$54,600 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended Dec 31,	Net deferred outflows (inflows) of resources
2017	\$ 6,793
2018	6,792
2019	4,903
2020	(7,476)
2021	(5,773)
Total	\$ 5,239

G. Risk management

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

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

H. Long-term liabilities

General obligation bonds

The City issues general obligation bonds and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and tax notes have been issued for governmental activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the City. General obligation bonds and tax notes 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, 2017 are as follows:

Governmental Activities:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/17
Bonds Payable					
General Obligation Refunding Bonds, Series 2012	2012	\$1,445,000	2.24%	2028	\$ 710,000
Maintenance Tax Notes, Series 2015	2015	1,500,000	1.45%	2021	1,005,000
Total Bonds Payable					<u>\$ 1,715,000</u>

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2017 are as follows:

Governmental Activities:

Description	Balance 10/1/16	Additions	Deletions	Balance 9/30/17	Due in One Year
General Obligation Bonds, Series 2012	\$ 865,000	\$ -	\$ (155,000)	\$ 710,000	\$ 160,000
Maintenance Tax Notes, Series 2015	1,250,000	-	(245,000)	1,005,000	245,000
Compensated absences	44,995	9,722	-	54,717	-
Net pension liability	182,991	-	(22,169)	160,822	-
Governmental activities long-term liabilities	<u>\$ 2,342,986</u>	<u>\$ 9,722</u>	<u>\$ (422,169)</u>	<u>\$ 1,930,539</u>	<u>\$ 405,000</u>

CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The debt service requirements for the City’s bonds and notes payable are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	160,000	14,112	245,000	12,796	405,000	26,908
2019	50,000	11,760	250,000	9,208	300,000	20,968
2020	50,000	10,640	255,000	5,546	305,000	16,186
2021	50,000	9,520	255,000	1,849	305,000	11,369
2022	55,000	8,344	-	-	55,000	8,344
2023-2027	285,000	23,016	-	-	285,000	23,016
2028	60,000	672	-	-	60,000	672
Totals	\$ 710,000	\$ 78,064	\$ 1,005,000	\$ 29,399	\$ 1,715,000	\$ 107,463

I. Interfund receivables and payables

The City had no interfund receivables or payables as of September 30, 2017.

J. Interfund transfers

The composition of interfund transfers for the year ended September 30, 2017 is as follows:

Transfer out from:	Transfer in to:					
	Governmental Funds					Total
	General Fund	Street Fund	Debt Service Fund	Capital Expenditures Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 152,000	\$ 254,063	\$ 112,307	\$ 3,600	\$ 521,970
Plaza Enterprise Fund	9,348	-	-	-	-	9,348
Total	\$ 9,348	\$ 152,000	\$ 254,063	\$ 112,307	\$ 3,600	\$ 531,318

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.

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CITY OF JONESTOWN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

K. Contingencies

The City 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 City'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 City 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.

N. Prior period adjustment

During the year ended September 30, 2017, the City made a prior period adjustment to restore a \$24,532 liability previously written off to miscellaneous revenue in the proprietary fund, Capital Improvements Developer Fund. The effect of the prior period adjustment is to decrease the fund's beginning net position to \$137,363.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JONESTOWN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
A. Total pension liability			
1. Service cost	\$ 101,842	\$ 107,321	\$ 111,815
2. Interest (on the Total Pension Liability)	67,086	74,981	84,429
3. Changes of benefit terms	-	-	23,163
4. Difference between expected and actual experience	(19,766)	(10,121)	(56,428)
5. Changes of assumptions	-	38,586	-
6. Benefit payments, including refunds of employee contributions	(40,904)	(37,320)	(75,768)
7. Net change in total pension liability	108,258	173,447	87,211
8. Total pension liability - beginning	927,902	1,036,160	1,209,607
9. Total pension liability - ending	<u>\$ 1,036,160</u>	<u>\$ 1,209,607</u>	<u>\$ 1,296,818</u>
 B. Plan fiduciary net position			
1. Contributions - employer	\$ 48,964	\$ 59,172	\$ 59,068
2. Contributions - employee	55,264	56,248	57,459
3. Net investment income	47,904	1,399	69,447
4. Benefit payments, including refunds of employee contributions	(40,904)	(37,320)	(75,768)
5. Administrative expense	(500)	(852)	(784)
6. Other	(41)	(42)	(42)
7. Net change in plan fiduciary net position	110,687	78,605	109,380
8. Plan fiduciary net position - beginning	837,324	948,011	1,026,616
9. Plan fiduciary net position - ending	<u>\$ 948,011</u>	<u>\$ 1,026,616</u>	<u>\$ 1,135,996</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 88,149</u>	<u>\$ 182,991</u>	<u>\$ 160,822</u>
 D. Plan fiduciary net position as a % of the total pension liability [B.9 / A.9]	91.49%	84.87%	87.60%
 E. Covered-employee payroll	\$ 1,105,286	\$ 1,124,954	\$ 1,149,181
 F. Net pension liability as a percentage of covered employee payroll [C / E]	7.98%	16.27%	13.99%

CITY OF JONESTOWN, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 48,964	\$ 58,048	\$ 59,068
Contributions in relation to the actuarially determined cont.	<u>(48,964)</u>	<u>(58,048)</u>	<u>(59,068)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,105,286	\$ 1,124,954	\$ 1,149,181
Contributions as a percentage of covered employee payroll	4.4%	5.2%	5.1%

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CITY OF JONESTOWN, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5%; including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes Increased employee contribution rate from 5% to 6%.

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Nonmajor Governmental Funds

Special Revenue Funds

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

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.

CITY OF JONESTOWN, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Special Revenue Funds				
	Court Restricted Fund	Parks Fund	Wind Energy Project Fund	Ione Jones Library Fund
ASSETS				
Cash and cash equivalents	\$ 54,655	\$ 38,339	\$ 600	\$ 14,221
Accounts receivable	-	-	-	-
Total assets	\$ 54,655	\$ 38,339	\$ 600	\$ 14,221
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Other current liabilities	-	4,490	-	286
Total Liabilities	-	4,490	-	286
FUND BALANCES (DEFICITS)				
Restricted for:				
Municipal court	54,655	-	-	-
Parks	-	33,849	-	-
Specific purposes	-	-	600	13,935
Total fund balances	54,655	33,849	600	13,935
Total liabilities, deferred inflows, and fund balances	\$ 54,655	\$ 38,339	\$ 600	\$ 14,221

Special Revenue Fund		Total	
Hot Occupancy Fund		Non-Major Governmental Funds	
\$ 187,954		\$ 295,769	
26,622		26,622	
<u>\$ 214,576</u>		<u>\$ 322,391</u>	
\$ 6,643		\$ 6,643	
-		4,776	
<u>6,643</u>		<u>11,419</u>	
-		54,655	
-		33,849	
207,933		222,468	
<u>207,933</u>		<u>310,972</u>	
<u>\$ 214,576</u>		<u>\$ 322,391</u>	

CITY OF JONESTOWN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds			
	Court Restricted Fund	Parks Fund	Wind Energy Project Fund	Ione Jones Library Fund
REVENUES				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	238
Fines	2,471	-	-	-
Contributions from private sources	-	-	-	-
Miscellaneous revenue	3,946	-	-	10,057
Total revenues	6,417	-	-	10,295
EXPENDITURES				
Current:				
General government	4,789	-	3,000	-
Health and welfare	-	-	-	-
Culture and recreation:				
Libraries	-	-	-	6,447
Total expenditures	4,789	-	3,000	6,447
Excess (deficiency) of revenues over expenditures	1,628	-	(3,000)	3,848
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,600	-
Total Other Financing Sources (Uses)	-	-	3,600	-
Net Change in Fund Balance	1,628	-	600	3,848
Fund Balance - Beginning	53,027	33,849	-	10,087
Fund Balance - Ending	\$ 54,655	\$ 33,849	\$ 600	\$ 13,935

Special Revenue Fund		Total Non-Major Governmental Funds	
Hot Occupancy Fund			
\$ 63,950		\$ 63,950	
-		238	
-		2,471	
2,682		2,682	
525		14,528	
<u>67,157</u>		<u>83,869</u>	
2,158		9,947	
26,021		26,021	
-		6,447	
<u>28,179</u>		<u>42,415</u>	
<u>38,978</u>		<u>41,454</u>	
-		3,600	
-		3,600	
<u>38,978</u>		<u>45,054</u>	
<u>168,955</u>		<u>265,918</u>	
<u>\$ 207,933</u>		<u>\$ 310,972</u>	

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**OTHER SUPPLEMENTARY INFORMATION
SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jonestown, Texas (“the City”), as of and for the year ended September 30, 2017, 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 16, 2018.

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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light yellow rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

February 16, 2018

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CITY OF JONESTOWN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of federal Uniform Guidance, a Single Audit was not required due to expenditures of federal awards being less than \$750,000.

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, 2017 and 2016.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

Not applicable.