

CITY OF JACKSBORO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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Prepared By

The Department of Finance

**Erika Hobson
Finance Manager**

CITY OF JACKSBORO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

April 23, 2012

The Honorable Mayor, Aldermen, and the Citizens of the City of Jacksboro,

Chapter 103 of the Texas Municipal Code requires that a municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. This statutory requirement is addressed in the City of Jacksboro (City) financial management plan, which includes the objective that a Comprehensive Annual Financial Report (CAFR) will be prepared by the Finance Department. The Comprehensive Annual Financial Report includes a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report for the City of Jacksboro, Texas for the fiscal year ended September 30, 2011, is hereby issued.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by MWH Group, P.C., Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Profile of the City

The City of Jacksboro, the county seat of Jack County, was incorporated in 1875 and is a General Law "A" municipal corporation under Texas law. The City occupies approximately 5.8 square miles and serves a population of 4,511. As a municipal corporation, the City is empowered by state statutes to levy a tax on real and business personal property located within the corporate boundaries. Among its additional powers is that of annexation to extend the corporate limits when deemed appropriate.

A total of 970 acres has been voluntarily annexed into the City for business, commercial, and residential development. The Jacksboro Economic Development Corporation intends to develop a corporate business park on approximately 270 acres pursuant to Section 4B of the Development Corporation Act of 1979, as amended. The site offers ideal transportation access to the convergence of U.S. Highway 380, U.S. Highway 281, and State Highways 199 and 114.

The City of Jacksboro operates under the Aldermanic form of government where policymaking and legislative authority are vested in a governing council consisting of the Mayor and five Aldermen (the City Council). The City Council is responsible for adopting the annual program of services (budget), appointing committees, employing the City Attorney, City Manager, City Secretary and Municipal Judge, as well as enacting ordinances and establishing the tax rate.

The City Manager is responsible for appointing the various department directors, implementing the policies and ordinances adopted by the City Council, and managing the day-to-day operations of the City. The City Manager also serves as liaison to the Jacksboro Economic Development Corporation as an ex officio member. The Mayor and Council Members are elected at-large to serve two year terms.

The basic financial statements of the City include all governmental activities, functions, and organizations for which it is financially accountable pursuant to and as defined by the Governmental Accounting Standards Board (GASB). Based on those criteria, no other governmental organizations are included in this report.

Services Provided

The City of Jacksboro is a full service city and provides the following: maintenance of streets and infrastructure; parks, recreation and cultural activities; public safety, including emergency management, fire and police; solid waste services through a third party contract, and water and wastewater distribution systems. It is anticipated that the City will be developing plans for a new water plant within the next five years.

Economic Conditions and Outlook

The current economic climate is substantial as plans for business, commercial, and residential development are being prepared. There has been an increase in the oil and gas exploration activities that have been a benefit to the City in the past. Consequently, the sales tax revenues for FY 2011 have increased.

An estimated 10,000 plus vehicles per day (Texas Department of Transportation) pass through the center of downtown. Jacksboro is equidistant to Fort Worth and Wichita Falls and is the transfer point for two U.S. Highways (281, 380) and four State Highways (59, 114, 148, 199). Ease of access is a contributing factor to new business growth.

Local Economy

The City currently enjoys a favorable economic environment as seventeen new businesses have located here since May, 2003. Fort Richardson State Park hosts an estimated 180,000 visitors annually and contributes approximately \$900,000 to the local economy. The City maintains two lakes, Lake Jacksboro and Lost Creek Reservoir, which are primary contributors to an expanding recreation base.

Tourism is the third largest industry in the State of Texas and Jacksboro is a recipient of those dollars based upon hunting, fishing, and enhanced recreation facilities. This includes adult and youth baseball facilities, a state grant funded playground (Texas Parks & Wildlife), and growth in league play due to increased interest countywide.

The City is working closely with the Jacksboro Chamber of Commerce and the Jacksboro Economic Development Corporation to restore historic facilities to attract new business and tourism. This includes the restoration of the former Gulf Texas & Western Railroad Depot which has become a tourism/visitor center. Also, the planned restoration of the former Jacksboro Opera House and associated complexes will provide a new entertainment venue with opportunities for local commercial and retail development.

Funding for this work is the result of the development of the Community Advancement Foundation of the Chamber, a 501(c) 3 tax exempt organization. Restoration efforts have spurred local interest in redevelopment of existing structures to provide additional space for new business and professional office services.

Due to increased maintenance and operations costs the property tax rate was increased from \$0.9837 to \$1.012 per one hundred dollars of assessed valuation. The 2011 certified taxable value of real and personal property is \$122,519,280. This is a 1.78% decrease below the 2010 tax year value of \$124,745,190.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual program of services serves as the foundation of the City's financial planning and control. State law requires the annual program of services to be adopted by the City Council before the start of the fiscal year. The proposed budget must be submitted to the City Secretary no later than thirty days before the date set for a public hearing by the City Council to consider adoption of the annual program of services.

Prior to adoption, the City Manager and city department directors prepare program expenditure estimates for the remainder of the current fiscal year and for the upcoming fiscal year, and these are compared to estimates of revenue for the same periods. Adjustments are made to the program expenditure and expense estimates as necessary to ensure that the proposed program of services is presented within total estimated income and available beginning fund resources.

The City Manager is authorized to transfer budgeted amounts between line items within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the fund level. Financial reports are produced showing budget and actual expenditures by line item and are distributed monthly to the departmental management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at the position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

A budget-to-actual comparison for the General Fund is provided later in this report.

Debt Management. The City funds its capital program from a combination of current revenues and capital debt. Street improvements are funded by a combination of capital debt and capital improvement fees. Annual debt service requirements for general obligation debt are well below the statutory legal limit of \$1.50 per \$100 assessed property value.

Cash Management. The City utilizes its investment policy in the management of all cash. The City's investment policy embraces current state regulations on the investment of public funds and authorizes the City to invest in certificates of deposit from the bank depository, direct obligations of the United States Government, obligations of an agency of the United States Government and local government investment pools. State law requires public funds deposits be collateralized. Collateral is monitored to ensure that the market value of the pledged securities equals or exceeds the related deposit or investment balance. All collateral shall be subject to verification by the Finance Director and the City's independent auditors.

Tax Appraisal/Collection Responsibilities. Under Texas law enacted in 1979, and subsequent revisions of the State Property Tax Code, the appraised value of taxable property in Jacksboro is established by the Jack County Appraisal District. The City of Jacksboro and other taxing jurisdictions in Jack County provide a pro-rata share of the budgeted expenditures incurred by the Appraisal District, based on individual levy. The Jack County Tax Assessor-Collector provides tax collection services for the City and other taxing jurisdictions in Jack County.

Risk Management. A city government is constantly exposed to risk of all kinds, including damage to public property and liability resulting from injury to persons and damage to their property. As a means of providing reasonable protection against these risks, the City participates in the Texas Municipal League Joint Self-Insurance Fund for its property loss and liability coverage. As a member of the program, the City is provided the most extensive protection available to Texas cities in the areas of comprehensive general liability, auto liability, losses to municipal building and contents, and for law enforcement and public officials' liability coverage.

Awards. In accordance with the City's financial management plan, the City of Jacksboro was awarded the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current comprehensive annual financial report was prepared with the objective of meeting the Certificate of Achievement Program's requirements and is being submitted to GFOA to determine its eligibility for the certificate.

Acknowledgements. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the City. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,


Erika L. Hobson
Interim City Manager/Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Jacksboro
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

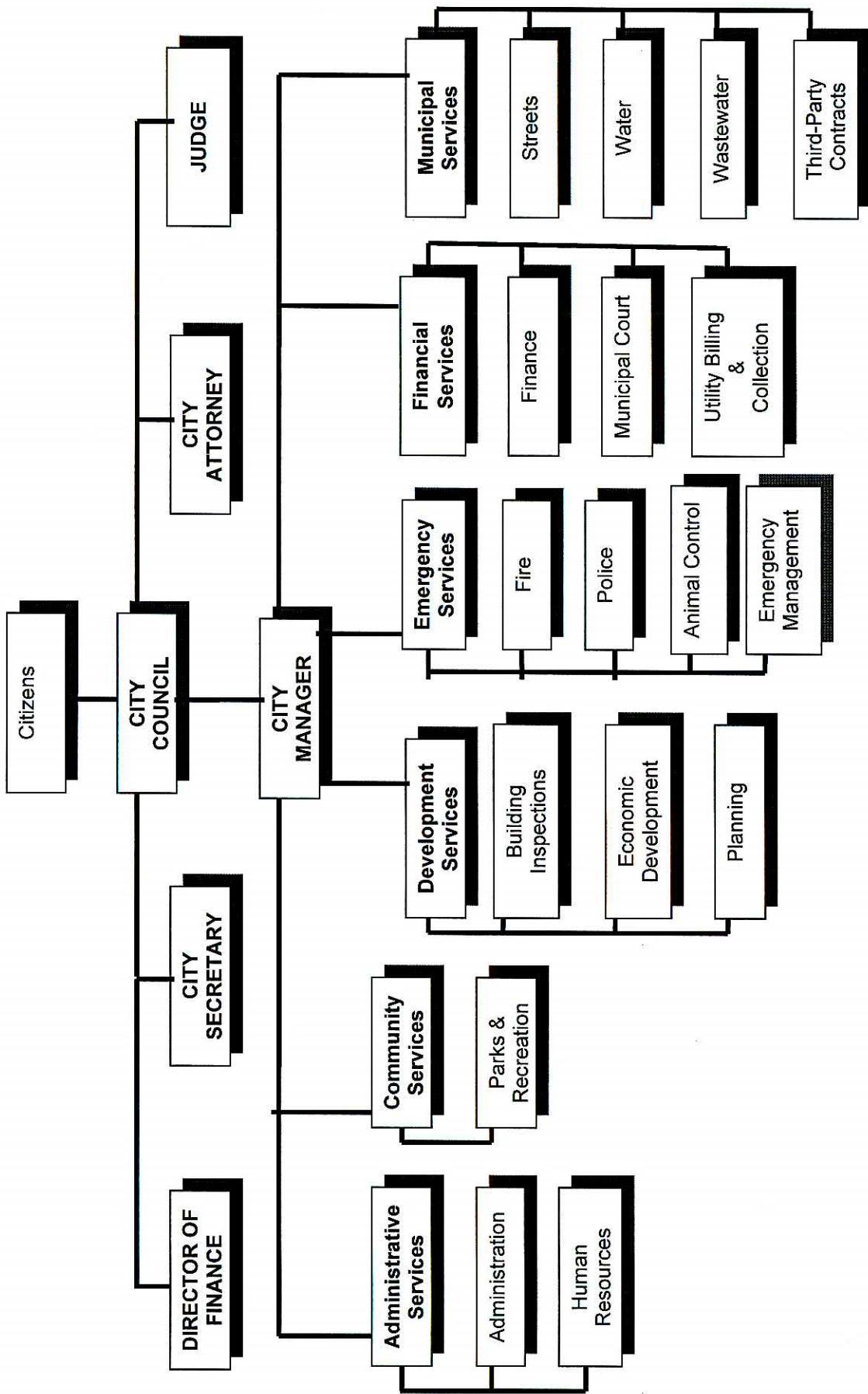


Linda C. Danison

President

Jeffrey R. Ecker

Executive Director



City of Jacksboro
Organizational Chart

City of Jacksboro, Texas
Principal Officials

Elected Officials

Lewis James	Mayor
Keri Lane.....	Mayor Pro-Tem
Ken Joslin.....	Alderman
J.W. Lindsey.....	Alderman
Faye Lewis.....	Alderman
Royce Smith.....	Alderman

Appointed Officials

Erika L. Hobson.....	Interim City Manager
Shirley J. Grantham.....	City Secretary
Terry McDaniel.....	Chief of Police
Erika L. Hobson.....	Director of Finance
Vacant.....	Director of Public Works

FINANCIAL SECTION



Independent Auditor's Report

City Council
City of Jacksboro, Texas
Jacksboro, Texas

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jacksboro, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jacksboro, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jacksboro, Texas, as of September 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2012, on our consideration of the City of Jacksboro, Texas' 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* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksboro, Texas' financial statements as a whole. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
April 23, 2012

Management's Discussion and Analysis

As management of The City of Jacksboro, Texas (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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,634,756 (net assets). Of this amount \$944,275 (unrestricted net assets) may be used to meet the City's obligations.
- Net assets increased \$465,903. This change in net assets is primarily attributed to: 1) increased water and sewer revenues due to the increased usage during the summer's drought and high temperatures, and 2) increased sales tax revenues as the economy improves and oil and gas activities expand in the region.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,395,212, an increase of \$1,708,742 in comparison with the prior year. The increase is primarily due to the bond issuance of \$2,060,000 for a new fire station. As of year end, only \$406,225 of the funds had been expended. Of the combined ending balances, \$312,958 is unassigned, \$168,703 is restricted in the general debt service fund, \$109,515 is restricted in the special revenue funds, \$1,801,233 is restricted in the capital projects fund, and \$2,803 is restricted in the general fund.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$312,958 or 7.9% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City of Jacksboro's basic financial statements are comprised of three components:

- 1) *Government-wide Financial Statements*
- 2) *Fund Financial Statements, and*
- 3) *Notes to the Financial Statements*

This report also contains other supplementary information in addition to 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 finances of the City of Jacksboro, Texas in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 legislative, general government, public safety, streets, and culture and recreation. The business-type activities of the City includes the water, sewer, and solid waste utilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit, Jacksboro Economic Development Corporation (JEDC), for which the City is financially accountable. Financial information for the JEDC is presented as a discrete component and is not included with the primary government. The JEDC is presented in a separate column in the government-wide financial statements. The government-wide financial statements and the JEDC fund financial statements can be found in the pages that follow this discussion.

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 two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 evaluating 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 three major governmental funds and six nonmajor 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 major general, debt service, and capital projects funds. The nonmajor funds are summarized in the other governmental funds column. The nonmajor funds combining schedules are included in the Combining and Individual Statements and Schedules section of this report.

The City adopts an annual appropriated budget for the general, capital projects, debt services, special revenue, and utility funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This comparison can be found in the Fund Statements section of this report. The Notes to the Financial Statements, including Note 3, are an integral part of this statement.

Proprietary funds

The City of Jacksboro, Texas maintains a single enterprise fund, the water, sewer, and solid waste utility fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water, sewer, and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer enterprise fund which is a major fund of the City.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. More detailed information on long-term debt activity and capital asset activity is presented in the relevant disclosures in the notes to the financial statements. The notes to the financial statements can be found on the pages immediately following the financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,634,756 at the close of the most recent fiscal year.

The largest portion (84.0%) of the City's net assets reflects its investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table is a comparative summary of net assets as of September 30, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets						
Capital assets, net of accumulated depreciation	\$ 2,978,481	\$ 1,208,016	\$ 1,682,155	\$ 1,916,816	\$ 4,660,636	\$ 3,124,832
Total assets	8,670,270	8,666,047	6,689,922	6,844,906	15,360,192	15,510,953
	<u>11,648,751</u>	<u>9,874,063</u>	<u>8,372,077</u>	<u>8,761,722</u>	<u>20,020,828</u>	<u>18,635,785</u>
Current liabilities	291,852	264,647	196,725	533,217	488,577	797,864
Long-term liabilities outstanding	8,800,101	7,460,436	2,097,394	2,208,632	10,897,495	9,669,068
Total liabilities	9,091,953	7,725,083	2,294,119	2,741,849	11,386,072	10,466,932
Net assets						
Invested in capital assets, net of related debt	1,609,827	1,471,609	5,643,311	5,450,477	7,253,138	6,922,086
Restricted net assets						
Capital projects	174,147	2,397	-	-	174,147	2,397
Debt retirement	153,681	186,270	-	-	153,681	186,270
Specific purposes	109,515	100,840	-	-	109,515	100,840
Unrestricted	509,628	387,864	434,647	569,396	944,275	957,260
Total net assets	<u>\$ 2,556,798</u>	<u>\$ 2,148,980</u>	<u>\$ 6,077,958</u>	<u>\$ 6,019,873</u>	<u>\$ 8,634,756</u>	<u>\$ 8,168,853</u>

An additional portion of the City's net assets (5.1%) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities

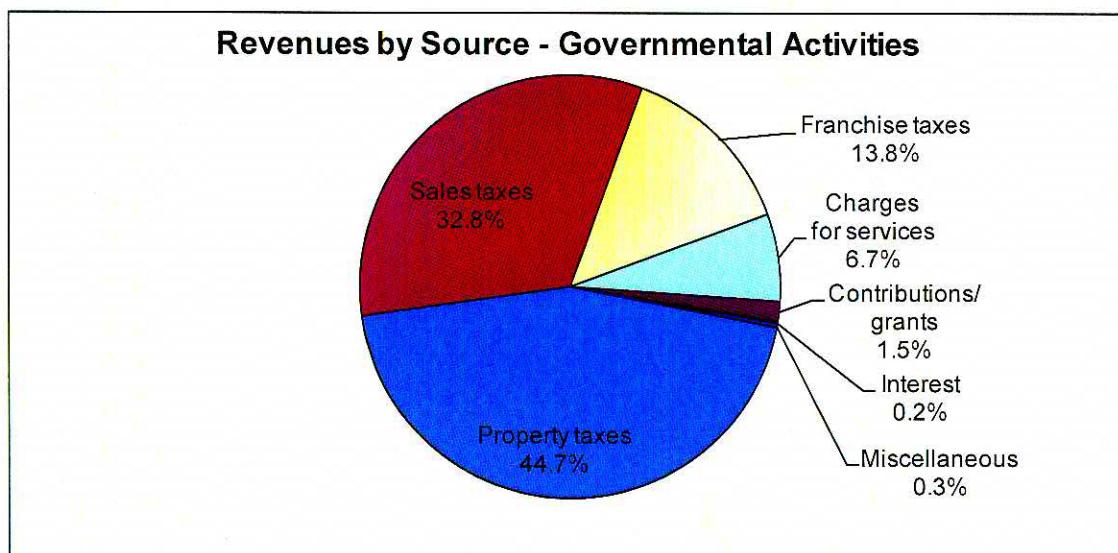
Governmental activities increased net assets by \$407,818, and business-type activities increased net assets by \$58,085, for a total increase in total net assets of \$465,903. The key elements of this City wide increase are shown in the following table:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 186,739	\$ 199,247	\$ 3,154,574	\$ 2,735,540	\$ 3,341,313	\$ 2,934,787
Operating grants and contributions	42,557	27,720	-	-	42,557	27,720
Capital grants and contributions	-	512,687	84,880	162,620	84,880	675,307
General revenues						
Property taxes	1,245,294	1,281,692	-	-	1,245,294	1,281,692
Sales taxes	914,071	717,274	-	-	914,071	717,274
Franchise taxes	384,189	353,473	-	-	384,189	353,473
Interest	4,362	4,679	1,692	2,859	6,054	7,538
Miscellaneous	7,953	51,013	14,394	1,795	22,347	52,808
Total revenues	<u>2,785,165</u>	<u>3,147,785</u>	<u>3,255,540</u>	<u>2,902,814</u>	<u>6,040,705</u>	<u>6,050,599</u>
Expenses:						
Legislative	36,411	31,067	-	-	36,411	31,067
General government	894,444	912,723	-	-	894,444	912,723
Public safety	1,176,656	1,147,095	-	-	1,176,656	1,147,095
Streets	292,679	326,458	-	-	292,679	326,458
Culture and recreation	431,231	446,787	-	-	431,231	446,787
Interest on debt service	412,300	439,792	-	-	412,300	439,792
Water and sewer utilities	-	-	2,331,081	2,180,110	2,331,081	2,180,110
Total expenses	<u>3,243,721</u>	<u>3,303,922</u>	<u>2,331,081</u>	<u>2,180,110</u>	<u>5,574,802</u>	<u>5,484,032</u>
Increase (decrease) in net assets before transfers	(458,556)	(156,137)	924,459	722,704	465,903	566,567
Net transfers	866,374	818,732	(866,374)	(818,732)	-	-
Increase (decrease) in net assets	<u>407,818</u>	<u>662,595</u>	<u>58,085</u>	<u>(96,028)</u>	<u>465,903</u>	<u>566,567</u>
Net assets - beginning	<u>2,148,980</u>	<u>1,486,385</u>	<u>6,019,873</u>	<u>6,115,901</u>	<u>8,168,853</u>	<u>7,602,286</u>
Net assets - ending	<u>\$ 2,556,798</u>	<u>\$ 2,148,980</u>	<u>\$ 6,077,958</u>	<u>\$ 6,019,873</u>	<u>\$ 8,634,756</u>	<u>\$ 8,168,853</u>

The \$465,903 increase in net assets for the City is represented by the degree in which ongoing revenues have exceeded expenses. The key factor in the increase in net assets (before transfers) of the business-type activities was the increase in water and sewer usage throughout the drought and high temperatures experienced in the summer of 2011. The key factor in the decrease in net assets (before transfers) of the governmental activities is the decrease in capital grants and contributions. In 2010, the City received a contribution of the Gulf Texas and Western Railroad Depot, valued at \$507,182, from the JEDC.

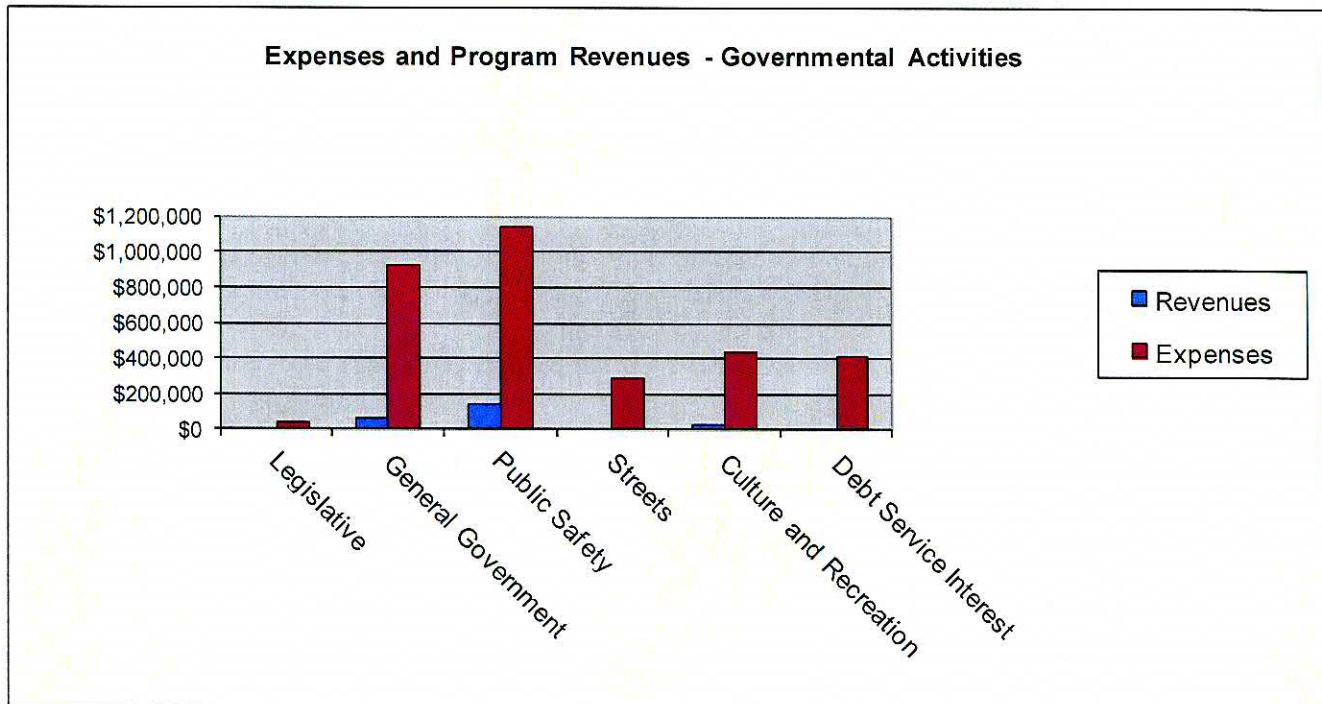
Revenues by source – governmental activities

Property taxes, sales taxes, franchise taxes, and charges for services provide 98% of the revenues for the governmental activities. The chart below provides a graphic representation of the City's revenues by source:



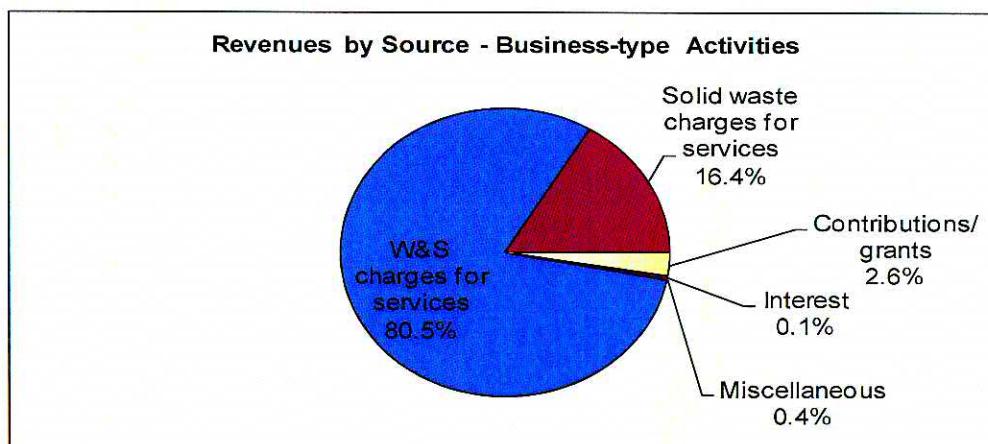
Expenses and program revenues – governmental activities

Public safety, general government, and interest on debt service provide 76.6% of the expenses for the governmental activities. The chart below provides a graphic representation of the City's expenses and any directly related revenues by source.



Revenues by source – business-type activities

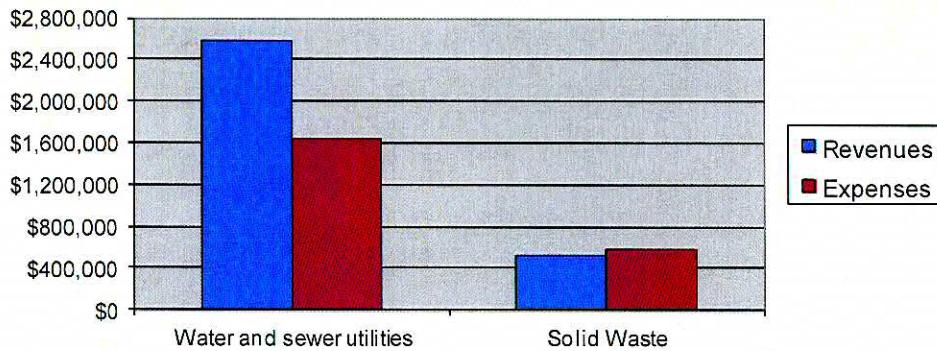
Water, sewer and solid waste charges for services account for 96.9% of the revenue. This is comparable to 2010 income.



Expenses and program revenues – business-type activities

Business-type activities increased the City's net assets by \$58,085. Other major non-operating revenues of the water and sewer fund were capital grants of \$84,880, capital improvement fees of \$55,664, and interest income of \$1,692.

Expenses and Program Revenues Business-type Activities



Financial Analysis of the City's Funds

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,395,212, an increase of \$1,708,742 in comparison with the prior year. Approximately 13.1% of this total amount, \$312,958, constitutes unassigned fund balance in the general fund, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate it is not available for new spending as follows: 1) debt service \$168,703, 2) hotel/motel tax \$77,086, 3) court technology \$24,407, 4) court security \$336, 5) school safety \$1,434, 6) crossing guard fund \$6,252, 7) capital projects fund \$1,801,233, and 8) general fund \$2,803.

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 \$321,196. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unreserved fund balance represents 13.4% of total general fund expenditures.

The fund balance of the general fund increased \$95,377 during the current fiscal year. Key factors and significant items included in this decrease are as follows:

- Sales tax revenue increased significantly. This was due to an increase in energy related activities, including oil and gas, in the area in 2011.
- There was a significant decrease in donations due to the contribution of the Gulf Texas and Western Railroad Depot, valued at \$507,182, from the JEDC in 2010. But, this amount was offset by capital outlay for the general government of the same amount in 2010, so there was no effect on the fund balance.
- The majority of other expenses and revenues were comparable to 2010.

The debt service fund has a total fund balance of \$168,703, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$17,567. Although the percentage of property taxes allocated to debt service was decreased from 2010 to 2011 from 51.7% to 46.4%, the amount transferred from the utility fund increased from \$468,732 to

\$516,374. Debt service expenditures in 2011 were comparable to 2010, with an increase in principle payments and a decrease in interest payments.

The capital projects fund has a total fund balance of \$1,801,233, which is restricted for capital expenditures. The net increase in 2011 was \$1,630,093. This is due to the issuance of combination tax and revenue bonds of \$2,060,000 in 2011 for a new fire station. At September 30, 2011, \$1,669,767 remained in the capital projects fund from the bond issuance for the completion of the fire station in 2012.

Proprietary Funds

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

Unrestricted net assets of the water and sewer fund at the end of the current fiscal year amounted to \$434,647. Net assets increased \$58,085 from the prior year. Factors regarding the finances were addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Revenues were \$266,255 higher than the City's budgeted projections, and expenditures were more than the final budget by \$3,495. The differences were primarily due to the significant increase in sales tax and the slight increase in franchise taxes.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$15,360,192 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, the Lost Creek Dam and Reservoir, streets, machinery and equipment, water and sewer system, and construction in progress.

TABLE III
CITY OF JACKSBORO CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 289,178	\$ 289,178	\$ -	\$ -	\$ 289,178	\$ 289,178
Construction in progress	406,225	-	10,205	294,907	416,430	294,907
Buildings and improvements	1,357,472	1,473,761	-	-	1,357,472	1,473,761
Lost Creek Dam & Reservoir	5,520,994	5,679,956	-	-	5,520,994	5,679,956
Streets	742,741	793,039	-	-	742,741	793,039
Water and sewer system	-	-	6,489,308	6,246,677	6,489,308	6,246,677
Furniture and fixtures	-	-	-	-	-	-
Machinery & equipment	353,660	430,113	190,409	303,322	544,069	733,435
Total	<u>\$ 8,670,270</u>	<u>\$ 8,666,047</u>	<u>\$ 6,689,922</u>	<u>\$ 6,844,906</u>	<u>\$ 15,360,192</u>	<u>\$ 15,510,953</u>

Additional information on the City's capital assets can be found in note 4.A.4 of this report.

Long-term Liabilities

At the end of the 2011 fiscal year, the City had total long-term liabilities of \$10,897,495.

TABLE IV
CITY OF JACKSBORO OUTSTANDING LONG TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds payable	\$ 8,699,968	\$ 7,337,029	\$ 2,030,000	\$ 2,120,000	\$ 10,729,968	\$ 9,457,029
Capital leases payable	40,786	58,964	37,354	62,763	78,140	121,727
Compensated absences	59,347	64,443	30,040	25,869	89,387	90,312
Total	<u>\$ 8,800,101</u>	<u>\$ 7,460,436</u>	<u>\$ 2,097,394</u>	<u>\$ 2,208,632</u>	<u>\$ 10,897,495</u>	<u>\$ 9,669,068</u>

Additional information on the City's long-term debt can be found in note 4.B.1-4. of this report.

Economic Factors and Next Year's Program of Services (Budget) and Rates

- 2011 appraised value used for the FY 12 budget preparation is \$122,519,280, or 1.8% less than the 2010 appraised values.
- The FY 12 adopted general operating fund budget decreased expenditures compared to the final FY 11 actual amount, from \$2,402,713 actual in FY 11 to a budgeted \$2,290,513 in FY 12. This is a decrease of less than 5.0%.
- The \$350,000 budgeted transfer-in to the general fund from the utility fund remains the same for FY 11.
- The maintenance and operation (M&O) property tax levy was decreased by 6.6% to fund the increased debt service on the new bond.

These indicators were taken into account when adopting the FY 12 general fund budget. Beginning estimated fund balance available for appropriation in the FY 12 general fund budget was \$323,999. In total, the City's adopted FY 12 general fund budget is projected to increase the ending fund balance by \$33,287.

Component Unit

The financial statements for the Jacksboro Economic Development Corporation (JEDC) , a component unit of the City of Jacksboro, are included in this report.

Component Unit Financial Highlights

- The assets of the JEDC exceeded its liabilities by \$1,275,790 September 30, 2011.
- Net assets increased by \$121,719 in comparison with the prior year due to the increase in sales tax revenue.

Table V
Jacksboro Economic Development Corporation Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 975,907	\$ 930,748
Capital assets, net of accumulated depreciation	546,556	539,678
Total assets	1,522,463	1,470,426
Long-term liabilities outstanding	225,000	300,000
Other liabilities	21,673	16,355
Total liabilities	246,673	316,355
Net assets		
Invested in capital assets, net of related debt	321,556	239,678
Unrestricted	954,234	914,393
Total net assets	\$ 1,275,790	\$ 1,154,071

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 of Jacksboro's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Secretary, 112 West Belknap, Jacksboro, Texas, 76458.

BASIC FINANCIAL STATEMENTS

City of Jacksboro, Texas
Statement of Net Assets
September 30, 2011

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 377,021	\$ 15,697	\$ 392,718	\$ 798,714
Receivables (net of allowance for uncollectables)	491,314	651,343	1,142,657	53,831
Due from primary government	-	-	-	123,362
Internal balances	63,200	(63,200)	-	-
Deferred charges	50,420	47,743	98,163	-
Restricted assets:				
Cash and cash equivalents	1,996,526	1,030,572	3,027,098	-
Capital assets not being depreciated:				
Land	289,178	-	289,178	539,678
Construction in progress	406,225	10,205	416,430	6,878
Capital assets:				
Buildings and improvements	2,411,315	-	2,411,315	-
Streets	1,005,762	-	1,005,762	-
Lost Creek Dam and Reservoir	8,355,568	-	8,355,568	-
Water and sewer system	-	11,113,054	11,113,054	-
Machinery and equipment	1,181,899	555,076	1,736,975	-
Furniture and fixtures	3,767	45,199	48,966	-
Accumulated depreciation	(4,983,444)	(5,033,612)	(10,017,056)	-
Total assets	<u>11,648,751</u>	<u>8,372,077</u>	<u>20,020,828</u>	<u>1,522,463</u>
LIABILITIES				
Current liabilities:				
Accounts payable	99,191	133,811	233,002	20,735
Wages payable	11,706	5,342	17,048	-
Due to component unit	123,362	-	123,362	-
Accrued interest payable	57,593	12,207	69,800	938
Customer deposits	-	45,365	45,365	-
Non-current liabilities				
Due within one year	750,291	116,571	866,862	75,000
Due in more than one year	<u>8,049,810</u>	<u>1,980,823</u>	<u>10,030,633</u>	<u>150,000</u>
Total liabilities	<u>9,091,953</u>	<u>2,294,119</u>	<u>11,386,072</u>	<u>246,673</u>
NET ASSETS				
Invested in capital assets (net of related debt)	1,609,827	5,643,311	7,253,138	321,556
Restricted for capital projects	174,147	-	174,147	-
Restricted for debt service	153,681	-	153,681	-
Restricted for tourism	77,086	-	77,086	-
Restricted for technology	24,407	-	24,407	-
Restricted for security and safety	8,022	-	8,022	-
Unrestricted	509,628	434,647	944,275	954,234
Total net assets	<u>\$ 2,556,798</u>	<u>\$ 6,077,958</u>	<u>\$ 8,634,756</u>	<u>\$ 1,275,790</u>

**City of Jacksboro, Texas
Statement of Activities
For the Year Ended September 30, 2011**

The accompanying notes are an integral part of this statement.

City of Jacksboro, Texas
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 377,021	\$ -	\$ -	\$ -	\$ 377,021
Receivables (net of allowance for uncollectables)					
Property taxes	43,365	42,575	-	-	85,940
Sales taxes	161,494	-	-	-	161,494
Municipal court	212,652	-	-	-	212,652
Other	21,138	-	-	10,090	31,228
Due from other funds		45,876	61,400	-	107,276
Restricted cash	2,803	122,825	1,779,711	91,187	1,996,526
Total assets	<u>\$ 818,473</u>	<u>\$ 211,276</u>	<u>\$ 1,841,111</u>	<u>\$ 101,277</u>	<u>\$ 2,972,137</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and other current liabilities	\$ 59,313	\$ -	\$ 39,878	\$ -	\$ 99,191
Wages payable	11,706	-	-	-	11,706
Due to other funds	44,076	-	-	-	44,076
Due to component unit	123,362	-	-	-	123,362
Deferred revenue	256,017	42,573	-	-	298,590
Total liabilities	<u>494,474</u>	<u>42,573</u>	<u>39,878</u>	<u>-</u>	<u>576,925</u>
Fund balances:					
Unassigned, reported in					
General fund	321,196	-	-	-	321,196
Special revenue funds	-	-	-	(8,238)	(8,238)
Restricted, reported in					
General fund	2,803	-	-	-	2,803
Debt service fund	-	168,703	-	-	168,703
Special revenue funds	-	-	-	109,515	109,515
Capital projects fund	-	-	1,801,233	-	1,801,233
Total fund balances	<u>323,999</u>	<u>168,703</u>	<u>1,801,233</u>	<u>101,277</u>	<u>2,395,212</u>
Total liabilities and fund balances	<u>\$ 818,473</u>	<u>\$ 211,276</u>	<u>\$ 1,841,111</u>	<u>\$ 101,277</u>	<u>\$ 2,972,137</u>

City of Jacksboro, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2011

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

Fund balances - total governmental funds	\$ 2,395,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,670,270
Long-term liabilities, including bonds payable, leases payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,749,681)
Accrued interest is reported in the statement of net assets but does not require the use of current financial resources, therefore, it is not reported in the governmental funds.	(57,593)
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	298,590
Net assets of governmental activities	<u>\$ 2,556,798</u>

City of Jacksboro, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 663,202	\$ 575,613	\$ -	\$ -	\$ 1,238,815
Sales	914,071	-	-	-	914,071
Franchise	358,908	-	-	25,281	384,189
Charges for services	1,920	-	-	-	1,920
Licenses, permits and fees	29,095	-	-	-	29,095
Recreation fees	26,971	-	-	-	26,971
Court fines	118,256	-	-	4,498	122,754
Rentals	1,200	-	-	-	1,200
Donations	27,985	-	-	-	27,985
Intergovernmental	(428)	-	-	15,000	14,572
Interest income	1,240	2,103	645	374	4,362
Miscellaneous	13,770	(5,817)	-	-	7,953
Total revenues	<u>2,156,190</u>	<u>571,899</u>	<u>645</u>	<u>45,153</u>	<u>2,773,887</u>
EXPENDITURES					
Current:					
Legislative	36,411	-	-	-	36,411
General government	792,853	-	-	19,500	812,353
Public safety	1,031,567	-	-	32,914	1,064,481
Streets	232,862	-	-	-	232,862
Culture and recreation	215,819	-	-	-	215,819
Capital outlay:					
General government	8,900	-	406,225	-	415,125
Public safety	38,690	-	-	-	38,690
Streets	25,000	-	-	-	25,000
Debt service					
Principal retirement	18,178	697,061	-	-	715,239
Interest	2,433	406,600	-	-	409,033
Paying agent fees	-	2,179	-	-	2,179
Total expenditures	<u>2,402,713</u>	<u>1,105,840</u>	<u>406,225</u>	<u>52,414</u>	<u>3,967,192</u>
Deficiency of revenues under expenditures	<u>(246,523)</u>	<u>(533,941)</u>	<u>(405,580)</u>	<u>(7,261)</u>	<u>(1,193,305)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	341,900	516,374	-	8,100	866,374
Bond proceeds	-	-	2,060,000	-	2,060,000
Bond issuance costs	-	-	(24,327)	-	(24,327)
Total other financing sources (uses)	<u>341,900</u>	<u>516,374</u>	<u>2,035,673</u>	<u>8,100</u>	<u>2,902,047</u>
Net change in fund balances	95,377	(17,567)	1,630,093	839	1,708,742
Fund balances - beginning	228,622	186,270	171,140	100,438	686,470
Fund balances - ending	<u>\$ 323,999</u>	<u>\$ 168,703</u>	<u>\$ 1,801,233</u>	<u>\$ 101,277</u>	<u>\$ 2,395,212</u>

City of Jacksboro, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
September 30, 2011

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

Net change in fund balances - total governmental funds	\$ 1,708,742
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,223
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 assets in the statement of activities. Also, governmental funds report the effect of issuance costs, 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.	(1,324,756)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	8,331
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	11,278
Change in net assets of governmental activities	<u>\$ 407,818</u>

City of Jacksboro, Texas
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final			
REVENUES					
Taxes:					
Property	\$ 647,200	\$ 647,200	\$ 663,202	\$ 16,002	
Sales	722,500	722,500	914,071	191,571	
Franchise	235,000	235,000	358,908	123,908	
Charges for services	1,500	1,500	1,920	420	
Licenses, permits and fees	50,000	50,000	29,095	(20,905)	
Recreation fees	16,000	16,000	26,971	10,971	
Court fines	135,000	135,000	118,256	(16,744)	
Rentals	3,600	3,600	1,200	(2,400)	
Donations	300	25,300	27,985	2,685	
Intergovernmental	-	-	(428)	(428)	
Interest income	1,500	1,500	1,240	(260)	
Miscellaneous	47,000	52,335	13,770	(38,565)	
Total revenues	<u>1,859,600</u>	<u>1,889,935</u>	<u>2,156,190</u>	<u>266,255</u>	
EXPENDITURES					
Current:					
Legislative	38,525	38,525	36,411	2,114	
General government	882,171	857,171	801,753	55,418	
Public safety	943,637	969,637	1,070,257	(100,620)	
Streets	253,898	278,898	257,862	21,036	
Culture and recreation	225,674	225,374	215,819	9,555	
Debt service:					
Capital lease principal	24,180	24,180	18,178	6,002	
Capital lease interest	5,433	5,433	2,433	3,000	
Total expenditures	<u>2,373,518</u>	<u>2,399,218</u>	<u>2,402,713</u>	<u>(3,495)</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(513,918)</u>	<u>(509,283)</u>	<u>(246,523)</u>	<u>262,760</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in	350,000	350,000	350,000	-	
Transfers out	(8,100)	(8,100)	(8,100)	-	
Total other financing sources and uses	<u>341,900</u>	<u>341,900</u>	<u>341,900</u>	<u>-</u>	
Net change in fund balances	<u>(172,018)</u>	<u>(167,383)</u>	<u>95,377</u>	<u>262,760</u>	
Fund balances - beginning	<u>228,622</u>	<u>228,622</u>	<u>228,622</u>	<u>-</u>	
Fund balances - ending	<u>\$ 56,604</u>	<u>\$ 61,239</u>	<u>\$ 323,999</u>	<u>\$ 262,760</u>	

City of Jacksboro, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2011

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 15,697
Receivables (net of allowance for uncollectables)	651,343
Restricted assets:	
Cash and cash equivalents	1,030,572
Total current assets	<u>1,697,612</u>
Noncurrent assets:	
Deferred charges	47,743
Capital assets:	
Water and sewer system	11,113,054
Machinery and equipment	555,076
Furniture and fixtures	45,199
Construction in progress	10,205
Less: accumulated depreciation	(5,033,612)
Total capital assets (net of accumulated depreciation)	<u>6,689,922</u>
Total noncurrent assets	<u>6,737,665</u>
Total assets	<u>8,435,277</u>
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	133,811
Wages payable	5,342
Due to other funds	63,200
Utility customer deposits	45,365
Leases payable current	21,571
Bonds payable current	95,000
Accrued interest payable	12,207
Total current liabilities	<u>376,496</u>
Noncurrent liabilities:	
Bonds payable	1,935,000
Leases payable	15,783
Compensated absences	30,040
Total noncurrent liabilities	<u>1,980,823</u>
Total liabilities	<u>2,357,319</u>
NET ASSETS	
Invested in capital assets (net of related debt)	5,643,311
Unrestricted	434,647
Total net assets	<u>\$ 6,077,958</u>

City of Jacksboro, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2011

	Water and Sewer Fund
OPERATING REVENUES:	
Charges for sales and services:	
Water sales	\$ 1,549,633
Sewer charges	953,638
Solid waste	532,586
Penalties	52,203
Tap fees	10,850
Miscellaneous	14,394
Total operating revenues	<u>3,113,304</u>
OPERATING EXPENSES:	
Costs of sales and services:	
Salaries and benefits	616,566
Supplies and maintenance	534,326
Contractual services	99,692
Sanitation contractual services	589,500
Depreciation	345,260
Bad debt expense	39,106
Total operating expenses	<u>2,224,450</u>
Operating income	<u>888,854</u>
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	1,692
Interest expense	(106,631)
Capital improvement fees	55,664
Total nonoperating revenue (expenses)	<u>(49,275)</u>
Income before contributions and transfers	<u>839,579</u>
Transfers	(866,374)
Capital contribution	84,880
Net change in net assets	<u>58,085</u>
Net assets - beginning	6,019,873
Net assets - ending	<u>\$ 6,077,958</u>

City of Jacksboro, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2011

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,117,780
Cash payments to suppliers for goods and services	(852,006)
Cash payments to employees and professional contractors for services	(1,316,556)
Net cash provided (used) by operating activities	<u>949,218</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(866,374)
Advances from other funds	63,000
Net cash provided (used) by noncapital financing activities	<u>(803,374)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(190,276)
Amortization and debt issue costs	3,781
Principal and interest paid on capital debt	(225,843)
Capital contribution	84,880
Capital improvement fees	55,664
Net cash provided (used) by capital and related financing activities	<u>(271,794)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,692
Net cash provided (used) by investing activities	<u>1,692</u>
Net increase (decrease) in cash and cash equivalents	(124,258)
Cash and cash equivalents - beginning	1,170,527
Cash and cash equivalents - ending	<u>\$ 1,046,269</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 888,854
Adjustments to reconcile operating income to net cash provided by operating	
Depreciation and amortization	345,260
(Increase) decrease in bad debt	43,836
(Increase) decrease in accounts receivable	(214)
Increase (decrease) in accounts payable and other liabilities	(317,680)
Increase (decrease) in wages payable	(14,969)
Increase (decrease) in customer deposits	(40)
Increase (decrease) in compensated absences	4,171
Net cash provided by operating activities	<u>\$ 949,218</u>
Reconciliation of cash and cash equivalents to the statement of net assets:	
Unrestricted cash and cash equivalents	\$ 15,697
Restricted cash and cash equivalents	1,030,572
Total cash and cash equivalents	<u>\$ 1,046,269</u>

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. Summary of Significant Accounting Policies

The financial statements of the City of Jacksboro, Texas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City is incorporated as a general law municipal corporation under the laws of the State of Texas. The City operates under a Mayor / Aldermanic form of government and provides the following services: legislative, general administrative services, public safety (police and fire), streets, and culture and recreation. Other services include water, sewer, and solid waste operations. The City, for financial purposes, includes all of the funds relevant to the operations of the City of Jacksboro, Texas.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit of the City includes the separately administered organization that is controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The 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 City.

Discretely Presented Component Unit - The Jacksboro Economic Development Corporation (JEDC) serves all the citizens of the City and is governed by a board of directors that are appointed by and serve at the discretion of the City Council. The JEDC is reported as a governmental entity and its accounts are maintained on the modified accrual basis of accounting. Separate financial statements are not issued for the JEDC.

B. Government-wide financial statements and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on activities of the primary government and its component unit in a discrete presentation. The effect of interfund activity between governmental activities and business-type activities has not been eliminated in the process of consolidation.

Governmental activities are supported in part by property taxes, sales taxes, franchise taxes, and grant revenues from the federal government and the State of Texas. Governmental activities are reported separately from business-type activities, which rely to a large extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services and sanitation fees.

The statement of activities reports the change in the City's net assets from October 1, 2010 to September 30, 2011. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

government: legislative, general government, public safety, streets, culture and recreation, and water, sewer, and solid waste services. Direct expenses are those that are clearly identifiable with a specific function of city government. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for major governmental funds and the proprietary fund; these funds are classified as fund financial statements. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that compromise its assets, liabilities, fund balances, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are organized into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The calculation of major funds is conducted by the City each year according to governmental accounting standards. Major individual governmental funds and the major individual proprietary fund are reported as separate columns in the fund financial statements.

The major funds at September 30, 2011, are general fund, debt service fund, capital projects fund, and the water, sewer, and solid waste fund. The non-major governmental funds are as follows:

- Hotel/motel fund which is supported by a portion of franchise taxes and used to promote tourism
- Grant fund which is supported by intergovernmental grants and used for the purpose specified in the grant contract
- Court technology fund which is supported by court fines and used for technology purchases
- Court security, school safety and crossing guard funds which are supported by court fines and used for security and safety purposes

Major governmental funds include the following:

General Fund: The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except for those required to be accounted for in another fund.

Debt Service Fund: This governmental debt service fund is used to account for the annual debt service requirements of the City.

Capital Projects Fund: This governmental capital projects fund is used to account for the use of debt proceeds to acquire or construct capital assets.

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The major enterprise fund is the water, sewer, and solid waste fund and includes the following:

Water and Wastewater Utility Services: This is used to account for the water and wastewater services provided by the City.

Solid Waste Services: This is used to account for the sanitation services provided by the City.

C. Measurement Focus and Basis of Accounting

1) Governmental Funds

The City uses the modified accrual basis of accounting and the flow of current financial resources measurement focus for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when both "measurable and available." Measurable means knowing, or being capable of calculating or estimating the amount to be received. Available means collectable within the current period or soon enough thereafter to pay current liabilities (generally 60 days). Also, under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded in the period when the related fund liability is incurred.

Major revenue sources susceptible to accrual in the governmental funds include:

Sales taxes are collected by the State and remitted to the City in 60 days arrears. The City allocates its sales tax revenues to the General Fund and JEDC pursuant to City ordinances.

Franchise fees are remitted regularly by franchise owners for utilities operating in the City.

Property taxes are billed and collected by the Jack County Tax Assessor based on assessed taxable values each January 1 as determined by the Central Appraisal District using exemptions approved by the City. Taxes are levied the next October and are past due after February 1 of the following year. Property taxes at the fund level are recorded on October 1 as receivables, including a reserve estimate for uncollectable accounts, and deferred revenue when taxes are assessed. Property tax revenues are recorded as taxes are collected. Delinquent tax payments are recognized as revenue when both measurable and available. Amounts estimated to be collectable in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

Assigned fund balance indicates the intent of the City to use resources for a specific purpose. The City Council is authorized to assign or rescind amounts for specific purposes through city ordinances. When the City incurs an expenditure or expense for which both assigned and unassigned resources may be used, it is the City's policy to use assigned resources first, then unassigned resources.

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

2) Government-Wide Financial Statements and Proprietary Funds

The accrual basis of accounting and flow of economic resources measurement focus are used in the government-wide financial statements and the proprietary fund. All assets and liabilities (whether current or noncurrent) are included in the statement of net assets, and the statement of activities presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred. For the proprietary fund and government-wide financial statements, and in accordance with GASB Accounting Standards Codification Section P80, the City applies all FASB guidance issued on or before November 30, 1989, unless it conflicts with or contradicts GASB guidance, and has chosen not to follow FASB guidance issued subsequent to that date.

The accounting objectives for the proprietary fund are the determination of net income, financial position and cash flows. Proprietary fund equity is segregated into invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets.

Proprietary funds distinguish operating revenues and expense from non-operating 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 proprietary funds are charges to customers for water sales, wastewater utilities, and sanitation services. Operating expenses for enterprise 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 non-operating revenues and expenses.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income (loss) is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The water, sewer, and solid waste enterprise fund of the City is classified as a business-type activity in the government-wide statements of net assets and activities.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

D. Assets, Liabilities, Fund Balance/Net Assets and Other

1) Pooled Cash, Investments and Temporary Deposits

The City's cash, investments and temporary deposits are pooled for investment. For purposes of the statement of cash flows, the City considers cash on hand, demand deposits, and investments with original maturities of three months or less to be cash equivalents.

2) Capital Assets and Depreciation

Capital assets (i.e. land, building, equipment, improvements, infrastructure, and construction in progress) of all the funds are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair value on the date donated. An item is classified as an asset if the initial, individual cost is \$5,000 or greater. Capital assets of the City are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Assets subject to depreciation are depreciated using the straight-line method. The useful lives of all depreciable assets are as follows:

Building	20-50 years
Machinery, equipment, furniture, and fixtures	5-15 years
Infrastructure	20-50 years

3) Compensated Absences

Employees are granted vacation benefits in varying amounts depending on tenure with the City. These benefits accumulate pro rata by pay period. The valuation of accrued compensated absences includes salary related payments such as the City's share of Social Security, Medicare taxes and contributions to the retirement plan in accordance with GASB Accounting Standards Codification Section C60.

4) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance with Texas Municipal League (TML) to reduce exposure to these risks. TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

The City accounts for risk management issues in accordance with GASB Accounting Standards Codification Sections C50 and Po20. There were no significant reductions in insurance coverage and the City had not been declined coverage for any exposures or limits of liability and/or

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

scheduled covered amounts from the previous year. Settled claims for risks have not exceeded coverage for the past three fiscal years.

5) **Interfund Transfers**

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

6) **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

2. Reconciliation of government-wide financial and fund financial statements

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, leases payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$8,749,681 difference are as follows:

Bonds Payable	\$ 8,699,968
Less: deferred charge for issuance costs (to be amortized over life of debt)	(50,420)
Capital leases payable	40,786
Compensated absences	<u>59,347</u>
<i>Net adjustment to reconcile fund balance - total governmental funds to net assets- governmental activities</i>	<u>\$ 8,749,681</u>

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$4,223 difference are as follows:

Capital outlay	\$ 478,815
Depreciation expense	<u>(474,592)</u>
<i>Net adjustment to reconcile net changes in fund balance - total governmental funds to changes in net assets of governmental activities.</i>	
	<u>\$ 4,223</u>

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,324,756 difference are as follows:

Debt principal repayments:	
General obligation debt	\$ 697,061
Capital leases	18,178
Bond proceeds	(2,060,000)
Issuance costs	24,327
Amortization of issuance costs	<u>(4,322)</u>
<i>Net adjustment to reconcile net changes in fund balance - total governmental funds to change in net assets of governmental activities</i>	
	<u>\$ (1,324,756)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds”. The details of this \$8,331 difference are as follows:

Accrued interest	\$ 3,235
Compensated absences	<u>5,096</u>
<i>Net adjustment to reconcile net changes in fund balance - total governmental funds to changes in net assets of governmental activities.</i>	
	<u>\$ 8,331</u>

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Another element of that reconciliation states that "some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds". The details of this \$11,278 difference are as follows:

Ad valorem taxes	\$ 6,479
Municipal court fines	<u>4,799</u>
Net adjustment to reconcile <i>net changes in fund balance - total governmental funds to changes in net assets of governmental activities.</i>	<u>\$ 11,278</u>

3. Stewardship, Compliance and Accountability

A. Budget and Budgetary Accounting

The City Council adopts an annual budget for the general, capital projects, special revenue, debt service, and water, sewer, and solid waste funds. The general fund budget is legally adopted. The annual budgets for the general, capital projects, debt service, and special revenue funds are adopted on a modified accrual basis. The budget for the water, sewer, & solid waste fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

B. Budget Amendments

For the year ended September 30, 2011, the general fund budget was amended to reflect additional expenditures of \$25,700 and additional revenues of \$30,335. A significant portion of the amendments was to reflect a donation of \$25,000 to the street department to purchase equipment to maintain unpaved roads and the related expenses. The net effect of the budget amendments to the general fund balance is an increase in the final fund balance of \$4,635.

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

4. Detailed Notes on All Funds

A. Assets

1) Deposits

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$572,790, and the combined bank account balances amounted to \$837,013. The difference of \$264,223 is due to a combination of deposits in transit and outstanding checks. The City's cash deposits at September 30, 2011 and during the fiscal year ended September 30, 2011, were entirely covered by FDIC insurance or by collateral pledged by the City's bank and held by the City's agent bank in the City's name.

2) Investments

State statutes authorize the City's investments. These investments include obligations of the United States Government agencies and instrumentalities and obligations of the State of Texas and other political subdivisions rated "A" or above by Standard and Poor's Corporation or Moody's. The City did not engage in repurchase or reverse repurchase agreement transactions during the year.

The Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investments pools (including TexSTAR) and authorize eligible governmental entities to invest their public funds through the investment pools. TexSTAR is administered by JP Morgan Chase and First Southwest Asset Management, Inc. and is rated AAA by Standard and Poor's.

At September 30, 2011, the book value and the combined account balances of the City's deposits in the TexSTAR local government investment pool was \$2,845,516. The average monthly rate of the pool was 0.0906%, the weighted average maturity of the pool was 30 days and the net asset value of the pool was 1.000099. These investments are considered cash equivalents in the financial statements. The fair value of these investments is the same as the value of the pooled shares.

GASB Accounting Standards Codification Sections C20 and I50 require a determination as to whether the City was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

designed to give an indication of credit risk. The City's Investment Policy is to minimize credit risk by:

1. Limiting investments to suitable and authorized investments including obligations of the United States, bank certificates of deposits, fully collateralized direct repurchase agreements, money market mutual funds, and local government investment pools meeting requirements under the Public Funds Investment Act, rated no lower than AAA that are authorized by City Council action.
2. Pre-qualifying the financial institutions and broker/dealers with which the City will do business.
3. Investment portfolio diversification so that losses on individual securities are minimized.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. This is controlled through the City's investment policies on diversification as follows:

1. Investments are limited to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. treasury securities).
2. Limiting investments in securities that have higher credit risks.
3. Investing in securities with varying maturities.
4. Continuously investing in a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policies regarding interest rate risk are:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in shorter-term securities, money market funds, or similar investment pools.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

3) Receivables

Receivables as of the year ended September 30, 2011 for the City's individual major funds, including the allowances for uncollectable accounts, are as follows:

	General Fund	Other Governmental Funds	Debt Service Fund	Utility Fund	Total
Receivables:					
Property tax	\$ 49,017	\$ -	\$ 48,633	\$ -	\$ 97,650
Sales tax	161,494	-	-	-	161,494
Hotel/Motel Tax	-	6,340	-	-	6,340
Franchise fees	20,362	-	-	-	20,362
Municipal Court fines	425,305	-	-	-	425,305
Customer accounts	-	-	-	709,670	709,670
Miscellaneous	776	3,750	-	-	4,526
Gross Receivables	656,954	10,090	48,633	709,670	1,425,347
Less: Allowance for uncollectibles					
Property tax	(5,652)	-	(6,058)	-	(11,710)
Municipal Court fines	(212,653)	-	-	-	(212,653)
Customer accounts	-	-	-	(58,327)	(58,327)
	(218,305)	-	(6,058)	(58,327)	(282,690)
Net total receivables	\$ 438,649	\$ 10,090	\$ 42,575	\$ 651,343	\$ 1,142,657

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

4) Capital Assets

Capital assets, additions, disposals, and depreciation for governmental activities and business-type activities for the year ended September 30, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 289,178	\$ -	\$ -	\$ 289,178
Construction in progress	-	406,225	-	406,225
Totals, capital assets not being depreciated	<u>289,178</u>	<u>406,225</u>	-	<u>695,403</u>
Capital assets, being depreciated:				
Furniture and fixtures	3,767	-	-	3,767
Machinery & equipment	1,109,309	72,590	-	1,181,899
Streets	1,005,762	-	-	1,005,762
Lost Creek Dam & Reservoir	8,355,568	-	-	8,355,568
Buildings and improvements	2,411,315	-	-	2,411,315
Totals, capital assets being depreciated	<u>12,885,721</u>	<u>72,590</u>	-	<u>12,958,311</u>
Less: accumulated depreciation for:				
Furniture and fixtures	(3,767)	-	-	(3,767)
Machinery & equipment	(679,196)	(149,043)	-	(828,239)
Streets	(212,723)	(50,298)	-	(263,021)
Lost Creek Dam & Reservoir	(2,675,612)	(158,962)	-	(2,834,574)
Buildings and improvements	(937,554)	(116,289)	-	(1,053,843)
Total accumulated depreciation	<u>(4,508,852)</u>	<u>(474,592)</u>	-	<u>(4,983,444)</u>
Total capital assets being depreciated, net	<u>8,376,869</u>	<u>(402,002)</u>	-	<u>7,974,868</u>
City capital assets, net	\$ 8,666,047	\$ 4,223	\$ -	\$ 8,670,270

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	294,907	-	(284,702)	10,205
Totals, capital assets not being depreciated	<u>294,907</u>	-	<u>(284,702)</u>	<u>10,205</u>
Capital assets, being depreciated:				
Furniture & fixtures	45,199	-	-	45,199
Machinery & equipment	555,076	-	-	555,076
Water and sewer system	10,647,781	474,977	(9,704)	11,113,054
Totals, capital assets being depreciated	<u>11,248,056</u>	<u>474,977</u>	<u>(9,704)</u>	<u>11,713,329</u>
Less: accumulated depreciation for:				
Furniture & fixtures	(45,199)	-	-	(45,199)
Machinery & equipment	(251,754)	(112,913)	-	(364,667)
Water and sewer system	(4,401,104)	(222,642)	-	(4,623,746)
Total accumulated depreciation	<u>(4,698,057)</u>	<u>(335,555)</u>	-	<u>(5,033,612)</u>
Total capital assets being depreciated, net	<u>6,549,999</u>	<u>139,422</u>	<u>(9,704)</u>	<u>6,679,717</u>
City capital assets, net	\$ 6,844,906	\$ 139,422	\$ (294,406)	\$ 6,689,922

Depreciation expense was charged to governmental functions as follows:

	Amount
General Government	\$ 87,188
Public Safety	112,175
Streets	59,817
Culture and Recreation	215,412
Total Depreciation	\$ 474,592

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

B. Liabilities

1) Changes in general long term liabilities:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable	\$ 7,337,029	\$ 2,060,000	\$ (697,061)	\$ 8,699,968	\$ 731,226
Capital leases payable	58,964	-	(18,178)	40,786	19,065
Compensated absences	64,443	-	(5,096)	59,347	-
Governmental activity long-term liabilities	\$ 7,460,436	\$ 2,060,000	\$ (720,335)	\$ 8,800,101	\$ 750,291
Business-type activities:					
Bonds Payable	\$ 2,120,000	\$ -	\$ (90,000)	\$ 2,030,000	\$ 95,000
Capital leases payable	62,763	-	(25,409)	37,354	21,571
Compensated absences	25,869	4,171	-	30,040	-
Business-type activity long-term liabilities	\$ 2,208,632	\$ 4,171	\$ (115,409)	\$ 2,097,394	\$ 116,571

For governmental activities, compensated absences are generally liquidated by the general fund.

2) Bonds payable

Bonded indebtedness of the City is reflected in the statement of net assets, and current requirements for principal and interest expenditures are accounted for in the general debt service fund and proprietary funds. A summary of the changes in governmental activities and business-type activities long-term debt for the fiscal year ended September 30, 2011, is as follows:

Description	Series	Interest Rate	Amounts Original Issue	Amounts			
				Beginning Balance	Issued	Retired	Ending Balance
Governmental Activities:							
Comb Tax & Rev - Cert of Obligation **	1988	4.7 - 7.45% [2]	\$ 5,799,013	\$ 1,882,029	\$ -	\$ (582,061)	\$ 1,299,968
General Obligation Refunding Bonds **	1999	3.9 - 5.2% [3]	\$ 5,760,000	790,000	-	-	790,000
Comb Tax & Rev - Cert of Obligation	2004	4.65% [3]	273,000	225,000	-	(10,000)	215,000
Comb Tax & Rev - Cert of Obligation	2006	4.73% [3]	455,000	365,000	-	(15,000)	350,000
Comb Tax & Rev - Cert of Obligation	2008	4.00% [3]	1,600,000	1,440,000	-	(80,000)	1,350,000
General Obligation Refunding Bonds	2008	4.98% [1]	2,635,000	2,635,000	-	-	2,635,000
Comb Tax & Rev - Cert of Obligation	2011	3.0 - 4.0% [3]	2,060,000	-	2,060,000	-	2,060,000
Total Governmental Activities			\$ 18,582,013	\$ 7,337,029	\$ 2,060,000	\$ (697,061)	\$ 8,699,968
Business-type activities:							
Water and wastewater fund							
Comb Tax & Rev - Cert of Obligation	2004	4.65% [3]	\$ 262,000	\$ 210,000	\$ -	\$ (10,000)	\$ 200,000
Comb Tax & Rev - Cert of Obligation	2006	4.71% [3]	545,000	480,000	-	(20,000)	460,000
Comb Tax & Rev - Cert of Obligation	2008	4.00% [3]	200,000	180,000	-	(10,000)	170,000
Comb Tax & Rev - Cert of Obligation **	2008A	4.96% - 6.85% [3]	350,000	350,000	-	(15,000)	335,000
Comb Tax & Rev - Cert of Obligation **	2009	5.35% - 6.75% [3]	920,000	900,000	-	(35,000)	865,000
Total Business-type Activities			\$ 2,277,000	\$ 2,120,000	\$ -	\$ (90,000)	\$ 2,030,000

** The interest rates increase over the term of the debt.

[1] Issued for current refunding of \$830,000 of the City's outstanding General Obligation Refunding Bonds, Series 1999, \$125,000 of the Series 1994A Combination Tax & Revenue Certificates of Obligation Bonds, and \$1,610,000 of the Series 1997 Combination Tax & Revenue Certificates of Obligation Bonds.

[2] Issued to purchase the Lost Creek Reservoir

[3] Issued for capital purchases and improvements, including streets and drainage, water and sewer system, public safety, and city parks

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Annual debt service requirements are as follows:

<u>Years ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Governmental activities:			
2012	\$ 731,226	\$ 415,950	\$ 1,147,176
2013	789,300	364,106	1,153,406
2014	762,690	317,857	1,080,547
2015	797,690	281,322	1,079,012
2016	823,242	242,994	1,066,236
2017-2021	2,617,952	729,708	3,347,660
2022-2026	1,233,911	326,674	1,560,585
2027-2031	943,957	100,495	1,044,452
	<u>\$ 8,699,968</u>	<u>\$ 2,779,106</u>	<u>\$ 11,479,074</u>
Business-type activities:			
2012	\$ 95,000	\$ 99,012	\$ 194,012
2013	94,443	94,370	188,813
2014	107,310	89,440	196,750
2015	97,310	94,778	192,088
2016	106,758	89,615	196,373
2017-2021	602,050	366,410	968,460
2022-2026	691,086	181,111	872,197
2027-2031	236,043	30,031	266,074
	<u>\$ 2,030,000</u>	<u>\$ 1,044,767</u>	<u>\$ 3,074,767</u>

3) Defeasance of Prior Debt

In 2009, the City defeased certain outstanding bonds by placing the proceeds from the issuance of new refunding bonds in irrevocable trusts which will provide amounts sufficient for future redemption or payments of principal and interest of the issues refunded. Accordingly, the trust accounts and the liability for the refunded (defeased) bonds are not reflected in the financial statements of the City.

At September 30, 2011, the following refunded debt outstanding is as follows:

Series 1999 General Obligation Refunding Bonds	\$ 790,000
Series 1997 Combination Tax & Revenue Certificates of Obligation	<u>1,235,000</u>
	<u>\$2,025,000</u>

4) Capital leases

The Public Property Finance Act gives the City authority to enter into capital leases for the acquisition of personal property. Principal repayments due after September 30, 2011 are accounted for in the Statement of Net Assets. The assets acquired through capital leases are as follows:

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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	Net Asset Book Value	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:						
Fire truck	\$ 115,767	\$ 58,964	\$ -	\$ (18,178)	\$ 40,786	\$ 19,065
2004 one ton truck	13,115	-	-	-	-	-
2004 kubota	17,871	-	-	-	-	-
2005 Crown Victoria	14,270	-	-	-	-	-
Total Governmental Activities:	\$ 160,823	\$ 58,964	\$ -	\$ (18,178)	\$ 40,786	\$ 19,065

	Net Asset Book Value	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:						
Water and wastewater fund						
Backhoe	\$ 21,227	\$ -	\$ -	\$ -	\$ -	\$ -
2004 one ton truck	10,259	-	-	-	-	-
2007 pickup	17,233	-	-	-	-	-
Sewer jetting machine	24,294	11,551	-	8,115	19,666	3,436
Backhoe	53,994	51,212	-	17,294	68,506	18,135
Total Business-type Activities:	\$ 127,007	\$ 62,763	\$ -	\$ 25,409	\$ 88,172	\$ 21,571

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2011 as follows:

Years ending September 30:	Principal	Interest	Total Requirements
Governmental activities:			
2012	\$ 19,065	\$ 1,545	\$ 20,610
2013	20,007	605	20,612
2014	1,714	7	1,721
Total governmental activities	\$ 40,786	\$ 2,157	\$ 42,943
Business-type activities:			
2012	\$ 21,571	\$ 1,323	\$ 22,894
2013	15,783	387	16,170
Total business-type activities	\$ 37,354	\$ 1,710	\$ 39,064

5) Retirement Plan

Pension Plan

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained from the TMRS website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7%	7%
Mathing ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase to retirees	70% of CPI Reporting	70% of CPI Reporting
Supplemental death benefit for active employees	Y	Y
for active retirees	Y	Y

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

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

The annual pension cost (APC) and net pension obligation (NPO) are as follows:

Fiscal Year Ending September 30	APC	Actual Contribution		Percentage of APC Contributed	NPO
		Made	Contributed		
2009	\$ 183,084	\$ 183,084		100%	\$ -
2010	\$ 174,386	\$ 174,386		100%	\$ -
2011	\$ 189,186	\$ 189,186		100%	\$ -

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/10 -Prior to Restructuring</u>	<u>12/31/10 - Restructured</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization period	29 years - closed period	28 years - closed period	27.1 years - closed period	27.1 years - closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Assumptions:				
Investment return *	7.5%	7.5%	7.5%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%	3.0%
Cost of living	2.1%	2.1%	2.1%	2.1%

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new structure based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, see the December 31, 2010, TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the separate actuarial valuations, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2010 prior to restructuring	\$2,094,285	\$3,583,459	58.4%	\$1,489,174	\$1,389,381	107.2%
12/31/2010 restructured	\$3,712,678	\$5,115,988	72.6%	\$1,403,310	\$1,389,381	101.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

5) Other Post-Employment Benefits

OPEB – Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). Retired employees are insured for \$7,500. This coverage is considered an "other postemployment benefit" (OPEB).

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The

funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to prefund retiree term life insurance during employees' entire careers.

The City's contributions for the years ended September 30, 2011, 2010, and 2009 were \$4,150, \$4,792, and \$5,193, respectively, which equaled the required contributions each year.

C. Restricted Assets

Restricted assets consist of cash held for specific purposes in accordance with bond covenants or other legal restrictions. At September 30, 2011, restricted assets are comprised of the following:

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Governmental funds restricted cash:

Special revenue funds:	
Hotel/motel fund	\$ 70,746
Court technology fund	24,407
Court security fund	336
School safety fund	1,434
Crossing guard fund	6,252
Grant fund	(11,988)
Debt service fund	122,825
Capital projects fund	1,779,711
Landfill capital projects	2,400
Other specific activities	403
Total governmental funds restricted cash:	<u>\$ 1,996,526</u>

Utility fund restricted cash:

Utility capital projects fund	\$ 985,207
Utility customer deposits	45,365
Total utility fund restricted cash:	<u>\$ 1,030,572</u>

Restrictions on general and special revenue funds are restricted to the respective reserve fund balances within those funds, pending expenditure for the purpose for which those accounts were intended. These restrictions generally do not extend to the segregation of cash; however, interest-bearing accounts and/or interest income allocation are required under certain programs.

D. Transfers

Transfers are indicative of funding for capital projects, lease payments, debt service, and subsidies of various City operations. The following schedule briefly summarizes the City's transfer activity:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Proprietary funds	General fund	\$350,000	Provide subsidy to cover City operations
Proprietary funds	Debt Service fund	\$516,374	Transfer to pay for general long-term debt
General fund	Grant fund	\$ 8,100	Matching portion of an intergovernmental grant

The following schedule presents significant transactions between the primary government and its component unit during the year ended September 30, 2011:

<u>Component Unit</u>	<u>Significant Transactions</u>
Jacksboro Economic Development Corporation	Transfer of sales tax revenues from the general fund to the JEDC in the amount of \$304,244, of which \$123,362 is due from the primary government at September 30, 2011.

E. Jacksboro Economic Development Corporation

Jacksboro Economic Development Corporation (JEDC) was established under the provisions of Section 4B of the Development Corporation Act of 1979 as a Texas Municipal Corporation. JEDC was organized

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

specifically for public purposes to study and fund permissible projects prescribed in the Development Corporation Act.

Discrete methodology is used to present the JEDC in the financial statements of the City of Jacksboro. This methodology was selected after evaluation of all the circumstances and available standards.

JEDC is supported principally through the collection of a one-half percent sales tax on goods and services sold within the City of Jacksboro, Texas. These taxes are collected by the State of Texas, remitted to the City of Jacksboro, and then distributed to the Corporation by the City offices. The JEDC records all sales taxes earned during the fiscal year as revenue when earned and available.

At September 30, 2011, the carrying amount of JEDC's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$798,714, and the combined bank account balances amounted to \$813,046. The difference of \$14,332 is due to a combination of deposits in transit and outstanding checks. JEDC's cash deposits exceeded the FDIC insurance limit by \$313,046 at September 30, 2011.

Capital Asset Activity:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 539,678	\$ -	\$ -	\$ 539,678
Construction in progress		6,878		6,878
JEDC capital assets, net	<u>\$ 539,678</u>	<u>\$ 6,878</u>	<u>\$ -</u>	<u>\$ 546,556</u>

Long Term Debt Activity:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note Payable - TIB	\$ 300,000	\$ -	\$ (75,000)	\$ 225,000	\$ 75,000
Total Governmental Activities:	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 225,000</u>	<u>\$ 75,000</u>

Annual debt service requirements are as follows:

<u>Years ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	75,000	11,250	86,250
2013	75,000	7,500	82,500
2014	75,000	3,750	78,750
	<u>\$ 225,000</u>	<u>\$ 22,500</u>	<u>\$ 247,500</u>

F. Commitments and Contingencies

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management and the Council that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City.

CITY OF JACKSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The City participates in certain federal and state assisted grant programs. Those programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Employee Retirement Plan
Schedule of Funding Progress for TMRS

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$ 2,553,400	\$ 3,961,857	\$ 1,408,457	64.4%	\$ 1,233,716	114.2%
12/31/2009	2,762,364	4,178,878	1,416,514	66.1%	1,268,442	111.7%
12/31/10 - prior to restructuring	2,094,285	3,583,459	1,489,174	58.4%	1,389,381	107.2%
12/31/10 - after restructuring	3,712,678	5,115,988	1,403,310	72.6%	1,389,381	101.0%

*COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES*

City of Jacksboro, Texas
Combining Schedule of Assets, Liabilities, and Fund Balances
Nonmajor Governmental Funds
September 30, 2011

Special Revenue Funds							Total Nonmajor Governmental Funds
	Hotel Motel Tax Fund	Court Technology Fund	Court Security Fund	School Safety Fund	Crossing Guard Fund	Grant Fund	
ASSETS							
Restricted cash and cash equivalents	\$ 70,746	\$ 24,407	\$ 336	\$ 1,434	\$ 6,252	\$ (11,988)	\$ 91,187
Receivables (net of allowance for uncollectables)	6,340	-	-	-	-	3,750	10,090
Total assets	77,086	24,407	336	1,434	6,252	(8,238)	101,277
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund balances:							
Unassigned	-	24,407	-	-	-	(8,238)	(8,238)
Restricted	77,086	24,407	336	1,434	6,252	-	109,515
Total fund balances	77,086	24,407	336	1,434	6,252	(8,238)	101,277
Total liabilities and fund balances	\$ 77,086	\$ 24,407	\$ 336	\$ 1,434	\$ 6,252	\$ (8,238)	\$ 101,277

City of Jacksboro, Texas
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

Special Revenue						
	Hotel/Motel Tax Fund	Court Technology Fund	Court Security Fund	School Safety Fund	Crossing Guard Fund	Grant Fund
REVENUES						
Taxes:						
Franchise	\$ 25,281	\$ 2,435	\$ 75	\$ 988	\$ 1,000	\$ 25,281
Court fines	-	92	1	4	20	4,498
Interest income						374
Intergovernmental						15,000
Total revenues	<u>25,538</u>	<u>2,327</u>	<u>76</u>	<u>992</u>	<u>1,020</u>	<u>45,153</u>
EXPENDITURES						
Current:						
General government	19,500	2,406	-	-	-	19,500
Public safety	-	2,406	-	-	-	32,914
Total expenditures	<u>19,500</u>	<u>2,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,038</u>	<u>121</u>	<u>76</u>	<u>992</u>	<u>1,020</u>	<u>(15,508)</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	8,100
Total other financing sources	<u>6,038</u>	<u>121</u>	<u>76</u>	<u>992</u>	<u>1,020</u>	<u>8,100</u>
Net change in fund balances	<u>71,048</u>	<u>24,286</u>	<u>260</u>	<u>442</u>	<u>5,232</u>	<u>(7,408)</u>
Fund balances - beginning	<u>\$ 77,086</u>	<u>\$ 24,407</u>	<u>\$ 336</u>	<u>\$ 1,434</u>	<u>\$ 6,252</u>	<u>\$ (8,238)</u>
Fund balances - ending						<u>\$ 101,277</u>

City of Jacksboro, Texas
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Original	Final	
REVENUES					
Taxes:					
Property taxes	\$ 568,713	\$ 568,713	\$ 551,845	\$ (16,868)	
Delinquent taxes	-	-	14,178	14,178	
Penalty and interest	-	-	9,590	9,590	
Interest income	8,000	8,000	2,103	(5,897)	
Miscellaneous	-	-	(5,817)	(5,817)	
Total revenues	<u>568,713</u>	<u>568,713</u>	<u>571,899</u>	<u>(4,814)</u>	
EXPENDITURES					
Debt service					
Principal retirement	940,815	940,815	697,061	243,754	
Interest	338,212	338,212	406,600	(68,388)	
Paying agent fees	4,500	4,500	2,179	2,321	
Total expenditures	<u>1,283,527</u>	<u>1,283,527</u>	<u>1,105,840</u>	<u>177,687</u>	
Deficiency of revenues under expenditures	<u>(706,814)</u>	<u>(706,814)</u>	<u>(533,941)</u>	<u>172,873</u>	
OTHER FINANCING SOURCES					
Transfers in					
Total other financing sources	710,718	710,718	516,374	(194,344)	
Net change in fund balance	<u>710,718</u>	<u>710,718</u>	<u>516,374</u>	<u>(194,344)</u>	
Fund balance - beginning	3,904	3,904	(17,567)	(21,471)	
Fund balance - ending	<u>186,270</u>	<u>186,270</u>	<u>186,270</u>	<u>-</u>	
	<u>\$ 190,174</u>	<u>\$ 190,174</u>	<u>\$ 168,703</u>	<u>\$ (21,471)</u>	

City of Jacksboro, Texas
Hotel/Motel Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Original	Final	
REVENUES					
Taxes:					
Franchise	\$ 25,000	\$ 25,000	25,281	\$ 281	
Interest income	500	500	257		(243)
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>25,538</u>		<u>38</u>
EXPENDITURES					
Current:					
General government	24,500	24,500	19,500	5,000	
Total expenditures	<u>24,500</u>	<u>24,500</u>	<u>19,500</u>		<u>5,000</u>
Excess of revenues over expenditures	<u>1,000</u>	<u>1,000</u>	<u>6,038</u>		<u>5,038</u>
Net change in fund balance	1,000	1,000	6,038	5,038	
Fund balance - beginning	71,048	71,048	71,048		-
Fund balance - ending	<u>\$ 72,048</u>	<u>\$ 72,048</u>	<u>\$ 77,086</u>		<u>\$ 5,038</u>

City of Jacksboro, Texas
Court Technology Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
			Original	Final	
	Original	Final	Original	Final	
REVENUES					
Court fines	\$ 3,000	\$ 3,000	\$ 2,435	\$ (565)	
Interest income	300	300	92	(208)	
Total revenues	<u>3,300</u>	<u>3,300</u>	<u>2,527</u>	<u>(773)</u>	
EXPENDITURES					
Current:					
Public safety	3,200	3,200	2,406	794	
Total expenditures	<u>3,200</u>	<u>3,200</u>	<u>2,406</u>	<u>794</u>	
Excess of revenues over expenditures	<u>100</u>	<u>100</u>	<u>121</u>	<u>21</u>	
Net change in fund balance	100	100	121	21	
Fund balance - beginning	24,286	24,286	24,286	-	
Fund balance - ending	<u>\$ 24,386</u>	<u>\$ 24,386</u>	<u>\$ 24,407</u>	<u>\$ 21</u>	

City of Jacksboro, Texas
Court Security Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final			
REVENUES					
Court fines	\$ 100	\$ 100	\$ 75	\$ (25)	
Interest income	10	10	1	(9)	
Total revenues	<u>110</u>	<u>110</u>	<u>76</u>	<u>(34)</u>	
EXPENDITURES					
Current:					
General government	-	-	-	-	
Total expenditures	-	-	-	-	
Excess of revenues over expenditures	<u>110</u>	<u>110</u>	<u>76</u>	<u>(34)</u>	
Net change in fund balance	110	110	76	(34)	
Fund balance - beginning	260	260	260	-	
Fund balance - ending	<u>\$ 370</u>	<u>\$ 370</u>	<u>\$ 336</u>	<u>\$ (34)</u>	

City of Jacksboro, Texas
School Safety Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
			Original	Final	
	Original	Final	Original	Final	
REVENUES					
Court fines	\$ 500	\$ 500	\$ 988	\$ 488	
Interest income	30	30	4	(26)	
Total revenues	<u>530</u>	<u>530</u>	<u>992</u>	<u>462</u>	
EXPENDITURES					
Current:					
General government	-	-	-	-	
Total expenditures	-	-	-	-	
Excess of revenues over expenditures	<u>530</u>	<u>530</u>	<u>992</u>	<u>462</u>	
Net change in fund balance	530	530	992	462	
Fund balance - beginning	442	442	442	-	
Fund balance - ending	<u>\$ 972</u>	<u>\$ 972</u>	<u>\$ 1,434</u>	<u>\$ 462</u>	

City of Jacksboro, Texas
Crossing Guard Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
Court fines	\$ 500	\$ 500	\$ 1,000	\$ 500	
Interest income	100	100	20	(80)	
Total revenues	<u>600</u>	<u>600</u>	<u>1,020</u>	<u>420</u>	
EXPENDITURES					
Current:					
General government	-	-	-	-	
Total expenditures	-	-	-	-	
Excess of revenues over expenditures	<u>600</u>	<u>600</u>	<u>1,020</u>	<u>420</u>	
Net change in fund balance	600	600	1,020	420	
Fund balance - beginning	5,232	5,232	5,232	-	
Fund balance - ending	<u>\$ 5,832</u>	<u>\$ 5,832</u>	<u>\$ 6,252</u>	<u>\$ 420</u>	

City of Jacksboro, Texas
Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
			Original	Final	
	\$	22,408	\$	22,408	\$
REVENUES					
Intergovernmental					
Total revenues		22,408		22,408	
EXPENDITURES					
Current:					
Public safety		29,817		29,817	
Total expenditures		29,817		29,817	
Deficiency of revenues under expenditures		(7,409)		(7,409)	
OTHER FINANCING SOURCES					
Transfers in		7,409		7,409	
Total other financing sources		7,409		7,409	
Net change in fund balance		-		-	
Fund balance - beginning		(830)		(830)	
Fund balance - ending		\$ (830)		\$ (830)	

City of Jacksboro, Texas
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
			Original	Final	
	Original	Final	Original	Final	
REVENUES					
Interest income	\$ -	\$ -	\$ 645	\$ 645	\$ 645
Total revenues	\$ -	\$ -	\$ 645	\$ 645	\$ 645
EXPENDITURES					
Capital outlay	2,000,000	2,000,000	406,225	406,225	1,593,775
Total expenditures	2,000,000	2,000,000	406,225	406,225	1,593,775
Deficiency of revenues over under expenditures	(2,000,000)	(2,000,000)	(405,580)	(405,580)	(405,580)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	2,060,000	2,060,000	2,060,000
Bond issuance costs	-	-	(24,327)	(24,327)	24,327
Total other financing sources and uses	-	-	2,035,673	2,035,673	2,084,327
Net change in fund balance	(2,000,000)	(2,000,000)	1,630,093	1,630,093	1,678,747
Fund balance - beginning	171,140	171,140	171,140	171,140	-
Fund balance - ending	\$ (1,828,860)	\$ (1,828,860)	\$ 1,801,233	\$ 1,801,233	\$ 1,678,747

Jacksboro Economic Development Corporation
Balance Sheet
Governmental Fund
September 30, 2011

ASSETS

Cash and cash equivalents	\$ 798,714
Receivables (net of allowance for uncollectables)	53,831
Due from primary government	123,362
Total assets	<u>975,907</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	20,735
Total liabilities	<u>20,735</u>

Fund balance:

Unassigned	955,172
Total fund balance	<u>955,172</u>
Total liabilities and fund balance	<u>\$ 975,907</u>

Jacksboro Economic Development Corporation
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
Governmental Fund
September 30, 2011

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

Fund balance - governmental fund	\$ 955,172
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	546,556
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(225,000)
Accrued interest payable is reported in the statement of net assets but does not require the use of current financial resources and, therefore, is not reported in the governmental fund.	(938)
Net assets of governmental activities	<u>\$ 1,275,790</u>

Jacksboro Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Governmental Fund
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Sales tax	\$ 238,000	\$ 238,000	\$ 304,244	\$ 66,244
Interest income	1,200	1,200	3,142	1,942
Miscellaneous	4,200	4,200	250	(3,950)
Total revenues	243,400	243,400	307,636	64,236
EXPENDITURES				
Current:				
General government	706,630	706,630	171,072	535,558
Debt service:				
Note principal	75,000	75,000	75,000	-
Note interest	19,000	19,000	15,157	3,843
Capital outlay:				
Swimming Pool	100,000	100,000	6,878	93,122
Total expenditures	900,630	900,630	268,107	632,523
Excess (deficiency) of revenues over (under) expenditures	(657,230)	(657,230)	39,529	696,759
Net change in fund balance	(657,230)	(657,230)	39,529	696,759
Fund balance - beginning	915,643	915,643	915,643	-
Fund balance - ending	\$ 258,413	\$ 258,413	\$ 955,172	\$ 696,759

Jacksboro Economic Development Corporation
Reconciliation of the Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2011

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

Net change in fund balance - governmental fund	\$ 39,529
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays in the current period.	6,878
The repayment of the principal of long-term debt (e.g. notes payable) consumes the current financial resources of governmental funds. This transaction, however, does not have any effect on net assets in the statement of activities. This amount is principal payments of long-term notes payable in current period.	75,000
Accrued interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	312
Change in net assets of governmental activities	<u><u>\$ 121,719</u></u>

***STATISTICAL SECTION
(UNAUDITED)***

Statistical Section

This part of the City of Jacksboro's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table</u>
Financial Trends	1 - 4
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	5 - 9
<i>These schedules contain information to help the reader assess the significant local revenue sources.</i>	
Debt Capacity	10 - 12
<i>These schedules offer demographic and economic indicators to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	13 - 14
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	15 - 16
<i>These schedules contain information about the City's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF JACKSBORO, TEXAS
NET ASSETS BY COMPONENT LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

Table 1

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 435,485	\$ 1,355,078	\$ 2,352,077	\$ 2,757,824	\$ 634,836	\$ 769,804	\$ 1,471,609	\$ 1,609,827
Restricted	71,057	47,045	199,701	289,988	432,792	288,133	289,507	437,343
Unrestricted		517,951	325,374		467,208	428,448	387,864	509,628
Total governmental activities net assets	<u>\$ 724,441</u>	<u>\$ 1,920,074</u>	<u>\$ 2,877,152</u>	<u>\$ 3,323,667</u>	<u>\$ 1,594,836</u>	<u>\$ 1,486,385</u>	<u>\$ 2,148,980</u>	<u>\$ 2,556,798</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 5,873,910	\$ 5,927,370	\$ 5,849,096	\$ 5,633,731	\$ 5,284,376	\$ 5,598,629	\$ 5,450,477	\$ 5,643,311
Restricted	610,299	507,673	423,798	220,212	599,622	517,272	569,396	434,647
Total business-type activities net assets	<u>\$ 6,484,209</u>	<u>\$ 6,435,043</u>	<u>\$ 6,272,894</u>	<u>\$ 5,853,943</u>	<u>\$ 5,893,998</u>	<u>\$ 6,115,901</u>	<u>\$ 6,019,873</u>	<u>\$ 6,077,958</u>
Primary government								
Invested in capital assets, net of related debt	\$ 6,309,395	\$ 7,282,448	\$ 8,201,173	\$ 8,391,555	\$ 5,929,212	\$ 6,368,433	\$ 6,922,086	\$ 7,253,138
Restricted	71,057	47,045	199,701	289,988	432,792	288,133	289,507	437,343
Unrestricted		1,026,524	749,172	496,067	1,066,830	945,720	957,260	944,275
Total primary government net assets	<u>\$ 828,198</u>	<u>\$ 8,355,117</u>	<u>\$ 9,150,046</u>	<u>\$ 9,177,610</u>	<u>\$ 7,428,834</u>	<u>\$ 7,602,286</u>	<u>\$ 8,168,853</u>	<u>\$ 8,634,756</u>

Source: Comprehensive Annual Financial Reports

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF JACKSBORO, TEXAS
CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

Table 2

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
Legislative	\$ 27,709	\$ 37,779	\$ 48,025	\$ 42,935	\$ 31,869	\$ 32,305	\$ 31,067	\$ 36,411
General government	451,636	641,265	900,649	696,107	787,637	901,048	912,723	894,444
Public safety	852,676	907,425	1,046,882	1,107,883	1,249,841	1,249,648	1,147,095	1,176,656
Streets	205,111	288,887	260,105	251,085	307,501	537,893	326,458	292,679
Culture and recreation	396,440	403,672	469,345	463,105	510,059	452,755	446,787	431,231
Interest on long term debt	324,441	332,645	329,195	1,013,505	468,532	469,985	439,792	412,300
Total governmental activities expenses	2,258,013	2,611,473	3,054,201	3,574,620	3,390,439	3,643,644	3,303,922	3,243,721
Business-type activities:								
Water and sewer	1,033,292	1,000,011	1,098,356	1,271,521	1,368,723	1,390,890	1,617,321	1,741,581
Sanitation	494,562	394,975	406,103	415,594	456,241	514,195	562,789	589,500
Total business-type activities expenses	1,527,854	1,394,986	1,504,459	1,687,115	1,824,964	1,905,085	2,180,110	2,331,081
Total primary government expenses	3,785,867	4,006,459	4,558,660	5,261,735	5,215,403	5,548,729	5,484,032	5,574,802
Program Revenues								
Governmental activities:								
Fees, Fines, and Charges for Services:								
General government and administration	(326)	-	15,501	84,812	53,996	63,463	67,329	32,215
Public safety	225,279	221,221	196,127	178,062	227,849	152,703	111,657	127,553
Streets	-	-	15	-	-	-	-	-
Cultural and recreational	39,986	56,681	65,581	42,658	35,016	20,753	20,261	26,971
Operating grants and contributions	115,023	142,826	80,967	52,302	124,871	59,549	27,720	42,557
Capital grants and contributions	10,400	41,815	72,351	8,707	94,292	199,827	512,687	-
Total governmental activities program revenues	390,362	462,543	430,532	366,541	536,024	496,295	739,654	229,296
Business-type activities:								
Charges for services:								
Water and sewer	1,802,395	1,916,667	1,979,112	1,860,458	1,858,572	2,050,612	2,221,888	2,621,988
Sanitation	392,744	381,984	403,158	422,358	492,157	571,945	513,702	532,586
Operating grants and contributions	-	17,800	-	-	-	-	-	-
Capital grants and contributions	91,472	173,881	57,876	57,022	318,766	76,899	162,620	84,880
Total business-type activities program revenues	2,286,611	2,490,332	2,440,146	2,339,838	2,669,495	2,699,456	2,898,160	3,239,454
Total primary government program revenues	2,676,973	2,952,875	2,870,678	2,706,379	3,205,519	3,195,751	3,637,814	3,468,750

CITY OF JACKSBORO, TEXAS
CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense) Revenue								
Governmental Activities	(1,867,651)	(2,148,930)	(2,623,669)	(3,208,079)	(2,854,415)	(3,147,349)	(2,564,268)	(3,014,425)
Business-type Activities	758,757	1,095,346	935,687	652,723	844,531	794,371	718,050	908,373
Total Primary government net expense	<u>(1,108,894)</u>	<u>(1,053,584)</u>	<u>(1,687,982)</u>	<u>(2,555,356)</u>	<u>(2,009,884)</u>	<u>(2,352,978)</u>	<u>(1,846,218)</u>	<u>(2,106,052)</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Ad valorem	855,478	851,822	878,931	848,580	1,079,688	1,072,011	1,281,692	1,245,294
Sales	699,218	950,437	1,137,586	1,123,789	1,140,405	948,050	717,274	914,071
Franchise Fees	376,037	339,539	384,311	376,255	360,996	383,047	353,473	384,189
Investment earnings	15,189	50,547	47,558	80,179	43,073	11,054	4,679	4,362
Loss on sale/retirement of capital asset	-	-	-	-	(6,116)	-	-	-
Miscellaneous	5,666	36,833	10,564	76,929	40,226	108,142	51,013	7,953
Transfers	799,533	1,156,626	1,121,797	1,148,863	824,247	576,594	818,732	866,374
Total Governmental Activities	<u>2,751,121</u>	<u>3,385,804</u>	<u>3,580,747</u>	<u>3,654,595</u>	<u>3,482,519</u>	<u>3,098,898</u>	<u>3,226,863</u>	<u>3,422,243</u>
Business-type Activities:								
Investment earnings	767	2,433	17,119	80,915	15,120	6,300	2,859	1,692
Gain (loss) on sale/retirement of capital assets	72,830	-	-	-	(2,174)	-	-	-
Miscellaneous	17,968	9,680	6,843	4,650	-	1,795	14,394	
Transfers	(799,533)	(1,156,626)	(1,121,797)	(1,148,863)	(824,247)	(576,594)	(818,732)	(866,374)
Total Business-type Activities	<u>(707,968)</u>	<u>(1,144,513)</u>	<u>(1,097,835)</u>	<u>(1,071,675)</u>	<u>(804,477)</u>	<u>(572,468)</u>	<u>(814,078)</u>	<u>(850,288)</u>
Total Primary Government	<u>2,043,153</u>	<u>2,241,291</u>	<u>2,482,912</u>	<u>2,582,920</u>	<u>2,678,042</u>	<u>2,526,430</u>	<u>2,412,785</u>	<u>2,571,955</u>
Change in Net Assets								
Governmental Activities	883,470	1,236,872	957,078	446,516	628,104	(48,451)	662,595	407,818
Business-type Activities	50,790	(49,166)	(162,148)	(418,952)	40,054	221,903	(96,028)	58,085
Total Primary Government	<u>\$ 934,260</u>	<u>\$ 1,187,706</u>	<u>\$ 794,930</u>	<u>\$ 27,564</u>	<u>\$ 68,158</u>	<u>\$ 173,452</u>	<u>\$ 566,567</u>	<u>\$ 465,903</u>

Source: Comprehensive Annual Financial Reports

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Table 3

CITY OF JACKSBORO, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund	\$ 94,172	\$ (153,624)	\$ 105,352	\$ 260,503	\$ 22,721	\$ 402	\$ 402	\$ 309,978	\$ 402	\$ 2,803
Restricted										
Unassigned				\$ 9,284	\$ 192,242	\$ 290,249	\$ 304,539	\$ 309,978	\$ 225,823	\$ 321,196
Total general fund	<u>\$ 94,172</u>	<u>\$ (153,624)</u>	<u>\$ 105,352</u>	<u>\$ 269,787</u>	<u>\$ 214,963</u>	<u>\$ 290,651</u>	<u>\$ 304,941</u>	<u>\$ 310,380</u>	<u>\$ 226,225</u>	<u>\$ 323,999</u>
All Other Governmental Funds										
Restricted, reported in										
Debt Service Fund	\$ 51,951	\$ 22,582	\$ 68,674	\$ 117,508	\$ 176,980	\$ 216,539	\$ 275,466	\$ 147,402	\$ 186,270	\$ 168,703
Special revenue funds	56,411	65,570	79,132	72,251	78,355	117,926	157,326	138,338	100,438	109,515
Capital funds	-	-	753,979	13,483	463,456	12,484	739,651	253,562	173,537	1,801,233
Unassigned, reported in special revenue funds										
Total all other governmental funds	<u>\$ 108,362</u>	<u>\$ 88,152</u>	<u>\$ 901,785</u>	<u>\$ 203,242</u>	<u>\$ 718,791</u>	<u>\$ 346,949</u>	<u>\$ 1,172,443</u>	<u>\$ 539,302</u>	<u>\$ 460,245</u>	<u>\$ 2,071,213</u>

Source: 2002 - General Purpose Financial Statements, 2003-2010 - Basic Financial Statements.

CITY OF JACKSBORO, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

Table 4

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
REVENUES:							
Taxes:							
Ad valorem	\$ 432,427	\$ -	\$ 862,352	\$ 852,544	\$ 840,345	\$ 1,091,782	\$ 1,268,649
Sales	1,030,715	1,495,460	700,697	950,437	1,137,586	1,140,405	948,050
Taxes, licenses, permits and fees							
Franchise fees	31,685	53,654	376,036	339,539	364,311	376,255	360,996
Charges for services	-	-	1,716	3,450	1,840	2,845	2,460
Licenses and permits	-	-	17,125	11,853	15,501	84,812	53,996
Recreation fees	-	-	39,986	56,406	65,581	42,658	35,016
Court fines	118,968	149,554	206,112	142,845	174,893	182,389	138,306
Rentals	4,100	4,431	7,900	4,800	4,100	3,706	3,690
Donations	-	-	50,196	67,473	62,638	27,583	40,475
Intergovernmental	29,767	28,724	35,887	112,368	69,851	30,479	174,788
Investment earnings	11,565	7,986	15,188	50,547	47,558	80,179	43,073
Miscellaneous	25,570	35,017	5,667	36,833	10,564	525,259	40,226
Total Revenues	<u>1,684,797</u>	<u>1,774,866</u>	<u>2,318,862</u>	<u>2,629,095</u>	<u>2,888,065</u>	<u>3,320,304</u>	<u>3,125,422</u>
EXPENDITURES:							
Legislative	45,981	34,246	27,709	37,779	48,025	42,935	31,869
General government and administration	323,706	401,179	442,625	631,404	875,616	696,440	780,146
Public safety	452,882	636,828	824,162	920,458	1,036,994	1,114,989	1,221,957
Streets	173,165	155,673	226,850	291,706	481,199	272,071	228,829
Cultural and recreational	136,474	165,756	221,200	448,135	269,079	260,047	301,706
Sanitation	-	-	-	-	-	-	-
Capital outlay	67,864	89,213	19,951	723,453	13,575	490,570	863,939
Debt Service:							
Principal retirement	853,288	850,811	855,000	895,000	990,918	1,056,375	1,039,442
Interest and fiscal charges	398,667	370,467	321,321	337,471	286,587	831,986	241,997
Total expenditures	<u>2,452,027</u>	<u>2,704,173</u>	<u>2,938,818</u>	<u>4,285,406</u>	<u>4,000,993</u>	<u>4,765,322</u>	<u>4,709,885</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(767,230)</u>	<u>(928,307)</u>	<u>(619,956)</u>	<u>(1,656,311)</u>	<u>(1,132,928)</u>	<u>(1,445,017)</u>	<u>(1,584,461)</u>
OTHER FINANCING SOURCES (USES):							
Bonds issued	-	-	773,000	-	455,000	-	1,600,000
Bond issue costs	-	-	(21,450)	-	(8,645)	-	(2,594,346)
Refunded bonds redeemed	-	-	-	-	-	-	-
Lease purchase proceeds	22,072	60,101	42,262	31,817	1,121,797	1,148,893	576,594
Transfers in	780,000	601,200	799,533	1,156,626	-	832,965	818,732
Transfers out	-	-	-	-	-	(8,718)	-
Total Other Financing Sources (Uses)	<u>802,072</u>	<u>661,301</u>	<u>1,593,345</u>	<u>1,188,443</u>	<u>1,568,152</u>	<u>1,148,893</u>	<u>617,247</u>
NET CHANGE IN FUND BALANCES	<u>\$ 34,842</u>	<u>\$ (268,006)</u>	<u>\$ 973,391</u>	<u>\$ (467,868)</u>	<u>\$ 435,227</u>	<u>\$ (296,154)</u>	<u>\$ 839,785</u>
Debt service as a percentage of noncapital expenditures	52.5%	46.7%	40.3%	34.6%	32.0%	44.2%	33.3%
							29.6%
							31.1%
							32.3%

Note: Prior to 2004, Taxes, licenses, permits and fees were grouped.
Source: 2002 - General Purpose Financial Statements, 2003-2010 - Basic Financial Statements.

CITY OF JACKSBORO, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Table 5

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Mineral/ Utility Property			
2002	\$ 108,200,750	\$ 10,415,440	\$ 37,271,450	\$ 81,344,740	0.990000
2003	108,573,630	13,534,410	36,324,920	85,783,120	0.990000
2004	108,988,280	15,414,640	36,532,280	87,870,640	0.966100
2005	118,213,760	19,085,660	43,856,890	93,442,530	0.911200
2006	124,216,670	24,727,880	44,230,660	104,713,890	0.813870
2007	128,748,710	31,973,450	45,074,900	115,647,260	0.913100
2008	135,570,890	19,396,040	46,153,630	108,813,300	0.948397
2009	147,253,560	37,344,180	48,531,780	136,065,960	0.927330
2010	159,653,280	24,408,510	59,316,600	124,745,190	0.983700
2011	158,903,760	22,960,520	59,345,000	122,519,280	1.012000

Source: Jack County Appraisal District

CITY OF JACKSBORO, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)
LAST TEN FISCAL YEARS
(Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates					
	General			Jack County Special			Faith Community Hospital		
	Operating/ General Rate	Obligation Debt Service	Total Direct	Jack County	Jack County Special	ISD	Jacksboro	Community Hospital	Jack WCID #1
2002	0.300000	0.690000	0.990000	0.384140	0.089910	1.500000	0.197500	0.034000	
2003	0.300000	0.690000	0.990000	0.515450	0.091280	1.500000	0.195800	0.032600	
2004	0.271200	0.694900	0.966100	0.489310	0.082220	1.500000	0.184600	0.029800	
2005	0.249800	0.661400	0.911200	0.413720	0.067700	1.500000	0.136100	0.021700	
2006	0.2222780	0.591090	0.813870	0.398080	0.064399	1.657000	0.130700	0.020099	
2007	0.245000	0.668100	0.913100	0.376191	0.063283	1.368000	0.116000	0.017870	
2008	0.280297	0.668100	0.948397	0.301741	0.062646	1.339040	0.116000	0.013094	
2009	0.447530	0.479800	0.927330	0.299419	0.062460	1.500000	0.106110	0.013094	
2010	0.527800	0.455900	0.983700	0.300813	0.067964	1.500000	0.129860	0.011829	
2011	0.493300	0.518700	1.012000	0.357788	0.092112	1.500000	0.125468	0.011829	

Source: Jack County Appraisal District

CITY OF JACKSBORO, TEXAS
PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Table 7

Taxpayer	2011		2002	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^a	Taxpayer	Taxable Assessed Value
Texas Department of Criminal Justice	\$ 16,478,660	15.14 %	Greystone Park LP	\$ 1,292,740
Hurd Oil Field Service	5,549,590	5.10	Jackboro National Bank	958,100
Key Energy Services LLC	4,630,000	4.25	First National Bank - Jacksboro	919,370
Bell Tubulars	4,495,060	4.13	Diamond Food Markets, Inc.	808,180
Jackboro National Bank	2,580,180	2.37	Geer Tank Trucks Inc.	720,450
Key Energy Services	2,464,570	2.26	Senior Living Properties LLC	574,720
EOG Resources, Inc.	2,448,250	2.25	Mesquite Trails LP	518,820
Halliburton Energy Services	2,321,430	2.13	Halliburton Energy Services	422,840
Bank of America Lease & Cap	2,175,610	2.00	Jerry Craft	377,860
Oncor Electric Delivery Co.	1,823,760	1.68	Jacksboro Apartments LTD	344,640
Total	\$ 44,967,110	41.31 %	Total	\$ 6,937,720
				6.38 %

Source: Jack County Appraisal District

CITY OF JACKSBORO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS
(Unaudited)

Table 8

Fiscal Year	Taxes Leved Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2003/04	\$ 843,035	\$ (2,828)	\$ 840,208	\$ 816,212	97.14 %	\$ 22,199	\$ 838,411	99.79 %
2004/05	849,100	(2,586)	846,514	810,919	95.80	32,929	843,848	99.69
2005/06	851,421	(4,861)	846,560	821,713	97.06	22,058	843,771	99.67
2006/07	836,630	(677)	835,965	799,886	95.68	31,850	831,736	99.49
2007/08	1,055,975	(453)	1,055,522	1,032,756	97.84	16,389	1,049,145	99.40
2008/09	1,031,982	(7,401)	1,030,195	949,033	92.12	69,708	1,018,741	98.89
2009/10	1,263,697	(886)	1,264,583	1,227,986	97.11	17,343	1,245,329	98.48
2010/11	1,226,926	(1,030)	1,227,956	1,190,721	96.97	27,402	1,218,123	99.20

Source: Jack County Appraisal District

Note: Fiscal years 2001/02 through 2002/03 data not available at time of this publication.

CITY OF JACKSBORO, TEXAS
WATER AND SEWER SALES REVENUE LAST EIGHT FISCAL YEARS
Last Eight Fiscal Years
(Unaudited)

Table 9

Fiscal Year	Water Revenues	Sewer Revenues	Solid Waste Revenues
2003/04	\$ 1,014,765	\$ 736,851	\$ 359,020
2004/05	1,097,052	763,238	381,936
2005/06	1,156,313	775,322	403,158
2006/07	1,066,509	745,781	422,358
2007/08	1,094,041	716,448	492,157
2008/09	1,219,622	807,067	538,312
2009/10	1,269,904	840,704	513,702
2010/11	1,549,633	953,638	532,586

Source: City records

Note: Fiscal years 2001/02 through 2002/03 data not available at time of this publication.

CITY OF JACKSBORO, TEXAS
 RATIO OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS
 Last Ten Fiscal Years
 (Unaudited)

Table 10

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Certificates of Obligation	Capital Leases						
2002	\$ 4,285,000	\$ 4,129,013	\$ -	\$ -	\$ -				\$ 8,414,013	0.01	1,852
2003	3,700,000	3,894,013	-	-	-				7,594,013	0.01	1,684
2004	3,085,000	4,427,013	232,357	262,000	38,989				8,045,359	0.01	1,783
2005	2,450,000	4,172,013	198,168	257,000	24,337				7,101,518	NA	1,574
2006	1,780,000	4,354,013	150,197	795,000	26,149				7,105,359	NA	1,573
2007	1,730,000	6,210,895	112,251	775,000	11,786				8,839,932	NA	1,990
2008	1,620,000	6,900,895	92,813	950,000	6,048				9,569,756	NA	2,183
2009	3,425,000	4,568,039	76,293	2,180,000	19,651				10,268,983	NA	2,365
2010	3,425,000	3,912,029	58,964	2,120,000	62,763				9,578,756	NA	2,206
2011	3,425,000	5,274,968	40,786	2,030,000	37,354				10,808,108	NA	2,143

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table 13 for personal income and population data.

CITY OF JACKSBORO, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS
(Unaudited)

Table 11

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligations	Total		
2002	\$ 4,285,000	\$ 4,129,013	\$ 8,414,013	10.34	1,852
2003	3,700,000	3,894,013	7,594,013	8.85	1,684
2004	3,085,000	4,427,013	7,512,013	8.55	1,665
2005	2,450,000	4,172,013	6,622,013	7.09	1,468
2006	1,780,000	4,354,013	6,134,013	5.86	1,358
2007	1,730,000	6,210,895	7,940,895	6.87	1,787
2008	1,620,000	6,900,895	8,520,895	7.83	1,944
2009	3,425,000	4,568,039	7,993,039	5.87	1,841
2010	3,425,000	3,912,029	7,337,029	5.88	1,690
2011	3,425,000	5,274,968	8,699,968	7.10	1,929

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table 5 for property value data.

^bSee Table 12 for population data.

CITY OF JACKSBORO, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of September 30, 2011
 (Unaudited)

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Jack County	\$ 5,860,000	15.78%	\$ 924,708
Jacksboro Independent School District	45,352,333	23.33%	10,580,699
Subtotal, overlapping debt			
City of Jacksboro (direct debt)	8,699,968	100.00%	8,699,968
Total direct and overlapping debt			
			\$ 19,281,636

Source: Debt outstanding data provided by each governmental unit.

^a The estimated percentage is based on a formula using assessed values of property.

CITY OF JACKSBORO, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS
(Unaudited)

Year	Estimated Population	Personal Income	Jack County Per Capita Personal Income	Median Age	School Enrollment	Jack County Unemployment Rate
2002	4,542	\$ 87,711,904	\$ 19,311	*	1,006	4.6%
2003	4,509	87,714,912	19,453	*	1,040	5.0%
2004	4,512	91,547,318	20,290	*	1,001	4.9%
2005	4,511	NA	NA	*	1,011	4.4%
2006	4,516	NA	NA	*	970	4.5%
2007	4,443	NA	NA	*	925	3.6%
2008	4,383	NA	NA	*	915	3.8%
2009	4,342	NA	NA	*	960	6.5%
2010	4,342	NA	NA	*	945	5.3%
2011	4,511	NA	NA	*	962	4.9%

Source: Texas Workforce Commission, Jacksboro Independent School District, Oncor Economic Development Department.

CITY OF JACKSBORO, TEXAS
PRINCIPAL EMPLOYERS CURRENT YEAR AND SIX YEARS AGO
(Unaudited)

Table 14

<u>Employer</u>	<u>Employees</u>	2011		2005	
		<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Corrections Corp. of America	250	6.49%	Corrections Corp. of America	250	6.49%
Jacksboro Independent School District	175	4.54%	Jacksboro Independent School District	170	4.41%
County of Jack	80	2.08%	Faith Community Hospital	70	1.82%
Faith Community Hospital	70	1.82%	Halliburton Resources	57	1.48%
Jacksboro Health Care Center	41	1.06%	Mercer Well Service	50	1.30%
City of Jacksboro	35	0.91%	Jacksboro Health Care Center	41	1.06%
Geer Tank Trucks	33	0.86%	City of Jacksboro	35	0.91%
Renewable Energy Services Americas, Inc	30	0.78%	Geer Tank Trucks	33	0.86%
Jacksboro National Bank	25	0.65%	First National Bank	25	0.65%
First National Bank	25	0.65%	Jacksboro National Bank	25	0.65%
Hurd Oil Field Services	21	0.54%	Devon Gas Services	21	0.54%
 Total	 785	 20.38%			
				777	20.17%

Source: Oncor Economic Development Department

Note: 2002-2004 data not available at time of this publication.

CITY OF JACKSBORO, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST NINE FISCAL YEARS
(Unaudited)

Table 15

Function/Program	FISCAL YEAR					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government and Administration	10.00	10.00	10.00	12.00	12.00	10.25
Public Safety	14.00	15.00	17.00	18.00	18.50	14.00
Culture and Recreational	2.25	5.25	5.50	5.50	4.50	3.00
Street Maintenance	4.00	4.00	5.00	5.00	3.00	3.00
Water and Sewer	<u>12.50</u>	<u>13.00</u>	<u>12.50</u>	<u>12.50</u>	<u>15.00</u>	<u>15.00</u>
Total	<u><u>42.75</u></u>	<u><u>47.25</u></u>	<u><u>50.00</u></u>	<u><u>51.00</u></u>	<u><u>53.00</u></u>	<u><u>45.25</u></u>
						<u><u>45.75</u></u>
						<u><u>46.75</u></u>

Source: City Budget Office

Note: 2002 data not available at time of this publication.

CITY OF JACKSBORO, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM LAST NINE FISCAL YEARS
(Unaudited)

Table 16

Function/Program	FISCAL YEAR					
	2003	2004	2005	2006	2007	2008
Administration						
Council directed programs	6	5	5	5	5	6
Council meetings	24	26	20	35	33	36
Proclamations, ordinances, resolutions	60	50	32	47	52	48
Positions filled	5	5	5	8	14	8
GFOA CAFR Award	-	-	1	1	1	1
GFOA Distinguished Budget Award	-	-	-	1	1	Pending
Public Safety						
Municipal court	1,227	2,000	1,679	1,763	1,818	1,148
New cases filed	295	400	374	349	245	943
Warrants cleared					350	387
Police						128
Number of employees	9	9	10	10	10	10
Calls for service	5,000	4,900	3,501	6,200	3,941	4,300
Fire						3,954
Number of employees	0	0	1	2	2	2
Number of fire runs	200	125	200	250	286	350
Animal Control						365
Calls for service	2,000	2,000	607	1,200	990	1,300
Animals impounded	450	600	232	1,560	875	292
Citations issued	150	100	137	312	205	60
Development Services						
Building Permits	100	150	110	172	122	150
Cultural and Recreational						
Parks and Recreation						
Aquatics daily admissions	2,500	2,500	2,200	2,200	0	0
Athletics/ recreation participants	800	750	800	925	700	200
Activity center memberships	300	300	225	250	300	250
Park acreage maintained	49	88	88	88	89	93
Water and Sewer						
Number of water consumers	1,633	1,600	1,600	1,650	1,700	1,625
Treated water (million gallons per year)	219	250	207	225	255	255
Treated effluent water (million gallons per year)	NA	NA	135	140	125	125
Source:	City Departments					
Note:	2002 data not available at time of this publication.					

INTERNAL CONTROL AND COMPLIANCE SECTION



Independent Auditor's Report

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*

City Council
City of Jacksboro, Texas
Jacksboro, Texas

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jacksboro, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Jacksboro, Texas' basic financial statements and have issued our report thereon dated April 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies in internal control over financial reporting (2011-1). A significant deficiency is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jacksboro, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Jacksboro, Texas in a separate letter dated April 23, 2012.

The City of Jacksboro, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Jacksboro, Texas' response and, accordingly, we express no opinion on it.

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

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
April 23, 2012

CITY OF JACKSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Auditor's Results

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

B. Financial Statement Finding 2011-1

Condition and Criteria: Internal controls are not optimal due to the lack of segregation of duties.

Cause: The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide optimum segregation of duties.

Effect: There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

Recommendations: We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves. Below we have listed several such areas to consider.

- Someone outside of the finance department should receive the bank statements directly from the bank and review them thoroughly before they are given to the finance department for reconciliation. Also, someone outside of the finance department should review the bank reconciliations monthly.
- Journal entries should be reviewed by a person outside of the general ledger function.
- Someone from outside the accounts receivable function should open the mail and night deposit boxes and list all remittances. The daily lists should be compared periodically with details in the cash book, by an employee who has no access to cash. Also, the employee who records entries in the cash receipts book should not have access to the accounts receivable ledger.
- Signed checks should not be given back to the person preparing the checks and posting them to the general ledger.
- Written policies should be created and/or updated periodically regarding areas such as fixed assets, expense reports, purchasing, and fund balances.
- Someone from the City's finance department should review the activities and records in the various departments where funds are collected, such as the municipal court, to ensure that proper accounting procedures are being followed.

- A monthly review should be performed to ensure detailed records and reconciliations agree to the general ledger amounts for items such as accounts payable and interfund transfers. This monthly review should be completed by someone who does not perform the functions related to that account.

Response: The City is aware of the limitations it has with regard to internal control because of the limited number of office staff. As a result, the City will always be aware of its need to improve internal controls when the opportunity presents itself, and will remain committed to the involvement of the City Council in oversight and review of City functions and financial affairs.