



**CITY OF JACKSBORO, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

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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, 2012

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## *INTRODUCTORY SECTION*



March 7, 2013

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 generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards 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, 2012, 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, 2012, 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, 2012, 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.

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 (5) 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 (2) 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 and 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.

### **Economic Conditions and Outlook**

The current economic climate is substantial as plans for business, commercial, and residential development are being prepared. We continue to see a decline in the oil and gas exploration activities that have been a benefit to the City in the past. Consequently, this decline and the current state of the economy has caused us to see a decline in Sales tax revenues which began in FY 2009.

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 (2) U.S. Highways (281, 380) and four (4) 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 (17) 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 (2) 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 the recipient of those dollars based upon hunting and fishing and enhanced recreation facilities. That 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 works 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 is now a tourism/visitor center and houses the Jacksboro Economic Development Corporation

Funding for this work began as a result of the development of the Community Advancement Foundation of the Chamber, a 501(c) 3 tax exempt organization. In 2009 the restoration project of the former Gulf Texas & Western Railroad Depot was taken over by the Jacksboro Economic Development Corporation, which issued debt to fund the additional \$350,000 needed to complete the project. These 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 \$1.012 to \$1.180 per one hundred dollars of assessed valuation. The 2012 certified taxable value of real and personal property is \$116,632,090. This is a 4.81% decrease below the 2011 tax year value of \$122,519,280.

### **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 (30) 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, 2011.

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 generally accepted accounting principles 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,

---

Michael R. Smith  
City Manager

# 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, 2011

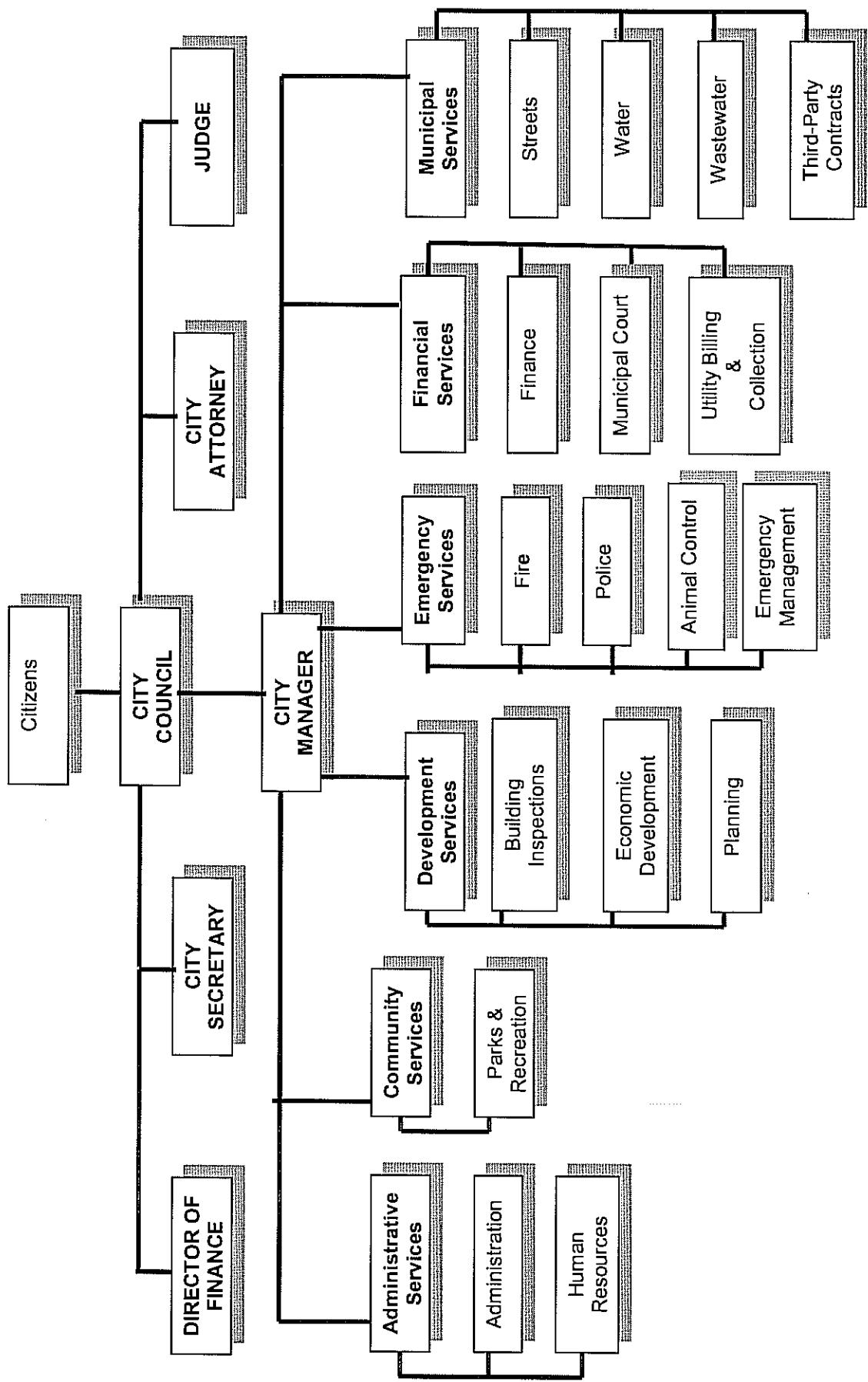
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



*Christopher P. Morrell*  
President

*Jeffrey P. Evans*

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  
Juan Salazar ..... Alderman

Appointed Officials

Michael R. Smith ..... 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jacksboro, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jacksboro, Texas, as of September 30, 2012, 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 March 28, 2013, 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  
March 28, 2013



## 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, 2012.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,193,376 (net assets). Of this amount \$702,336 (unrestricted net assets) may be used to meet the City's obligations.
- Net assets decreased \$441,380. This change in net assets is primarily attributed to: 1) increased water and sewer expenses due to repairs to the wastewater plant and an increase in garbage rates, and 2) increase in public safety expenses for the non-capitalizable project costs related to the new fire station.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$639,112, a decrease of \$1,756,100 in comparison with the prior year. The decrease is primarily due to the construction of a new fire station, which expended the remainder of the proceeds from the prior year bond issuance of \$2,060,000. Of the combined ending balances, \$128,578 is restricted in the debt service fund, \$98,669 is restricted in the special revenue funds, \$253,060 is restricted in the capital projects fund, and \$2,806 is restricted in the general fund.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$159,196 or 6.1% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is 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 include 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 \$8,193,376 at the close of the most recent fiscal year.

The largest portion (85.8%) 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, 2012 and 2011:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 1,129,161	\$ 2,978,481	\$ 1,650,947	\$ 1,682,155	\$ 2,780,108	\$ 4,660,636
Capital assets, net of accumulated depreciation	9,418,570	8,670,270	6,490,087	6,689,922	15,908,657	15,360,192
<b>Total assets</b>	<b>10,547,731</b>	<b>11,648,751</b>	<b>8,141,034</b>	<b>8,372,077</b>	<b>18,688,765</b>	<b>20,020,828</b>
Current liabilities	265,194	291,852	173,148	196,725	438,342	488,577
Long-term liabilities outstanding	8,084,407	8,800,101	1,972,640	2,097,394	10,057,047	10,897,495
<b>Total liabilities</b>	<b>8,349,601</b>	<b>9,091,953</b>	<b>2,145,788</b>	<b>2,294,119</b>	<b>10,495,389</b>	<b>11,386,072</b>
Net assets						
Invested in capital assets, net of related debt	1,475,336	1,609,827	5,558,518	5,643,311	7,033,854	7,253,138
Restricted net assets						
Capital projects	227,229	174,147	-	-	227,229	174,147
Debt service	130,499	153,681	-	-	130,499	153,681
Specific purposes	99,458	109,515	-	-	99,458	109,515
Unrestricted	265,608	509,628	436,728	434,647	702,336	944,275
<b>Total net assets</b>	<b>\$ 2,198,130</b>	<b>\$ 2,556,798</b>	<b>\$ 5,995,246</b>	<b>\$ 6,077,958</b>	<b>\$ 8,193,376</b>	<b>\$ 8,634,756</b>

An additional portion of the City's net assets (5.6%) represents resources that are subject to external restrictions on how they may be used.

## Governmental Activities

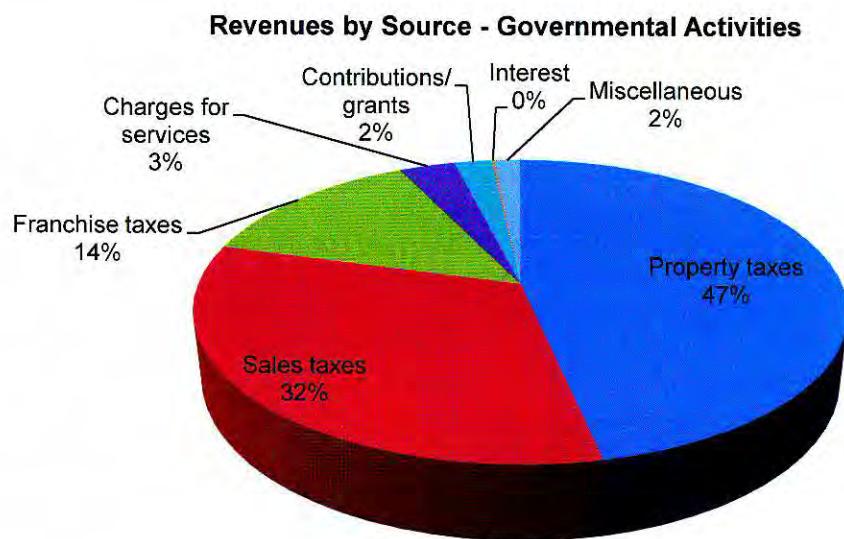
Governmental activities decreased net assets by \$358,668, and business-type activities decreased net assets by \$82,712, for a total decrease in net assets of \$441,380. The key elements of this City wide increase are shown in the following table:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 89,523	\$ 186,739	\$ 3,079,731	\$ 3,154,574	\$ 3,169,254	\$ 3,341,313
Operating grants and contributions	59,143	42,557	-	-	59,143	42,557
Capital grants and contributions	-	-	16,471	84,880	16,471	84,880
General revenues						
Property taxes	1,262,272	1,245,294	-	-	1,262,272	1,245,294
Sales taxes	879,398	914,071	-	-	879,398	914,071
Franchise taxes	370,339	384,189	-	-	370,339	384,189
Interest	3,459	4,362	2,106	1,692	5,565	6,054
Miscellaneous	36,401	7,953	7,786	14,394	44,187	22,347
Total revenues	2,700,535	2,785,165	3,106,094	3,255,540	5,806,629	6,040,705
Expenses:						
Legislative	47,468	36,411	-	-	47,468	36,411
General government	924,629	894,444	-	-	924,629	894,444
Public safety	1,683,649	1,176,656	-	-	1,683,649	1,176,656
Streets	432,540	292,679	-	-	432,540	292,679
Culture and recreation	375,718	431,231	-	-	375,718	431,231
Interest on debt service	413,932	412,300	-	-	413,932	412,300
Water and sewer utilities	-	-	2,370,073	2,331,081	2,370,073	2,331,081
Total expenses	3,877,936	3,243,721	2,370,073	2,331,081	6,248,009	5,574,802
Increase (decrease) in net assets before transfers	(1,177,401)	(458,556)	736,021	924,459	(441,380)	465,903
Net transfers	818,733	866,374	(818,733)	(866,374)	-	-
Increase (decrease) in net assets	(358,668)	407,818	(82,712)	58,085	(441,380)	465,903
Net assets - beginning	2,556,798	2,148,980	6,077,958	6,019,873	8,634,756	8,168,853
Net assets - ending	\$ 2,198,130	\$ 2,556,798	\$ 5,995,246	\$ 6,077,958	\$ 8,193,376	\$ 8,634,756

The \$441,380 decrease in net assets for the City is represented by the degree in which ongoing revenues were exceeded by expenses. The key factors in the change in the increase in net assets (before transfers) of the business-type activities were the decrease in water and sewer usage due to relatively milder weather in 2012 and an increase in repair and maintenance costs for the wastewater plant. The key factor in the decrease in net assets (before transfers) of the governmental activities is increased public safety costs incurred to prepare the new fire house for its first year of operation.

### Revenues by source – governmental activities

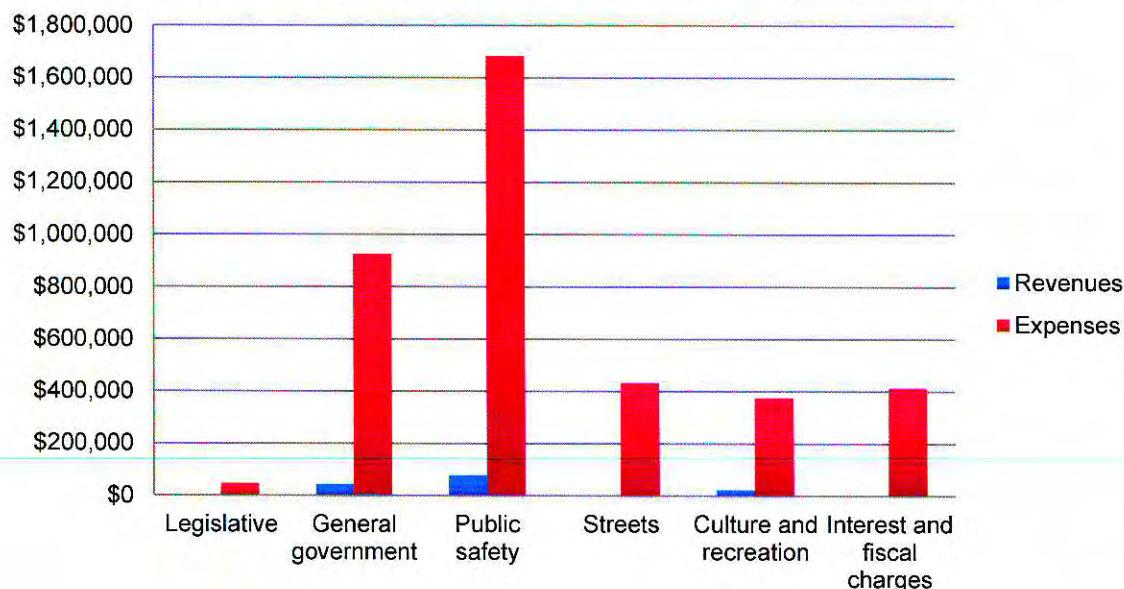
Property taxes, sales taxes, franchise taxes, and charges for services provide 96% of the revenues for the governmental activities. The chart below provides a graphic representation of the City's revenues by source:



#### *Expenses and program revenues – governmental activities*

Public safety, general government, and streets make up 78% of the expenses for the governmental activities. The chart below provides a graphic representation of the City's governmental expenses and any directly related revenues by source.

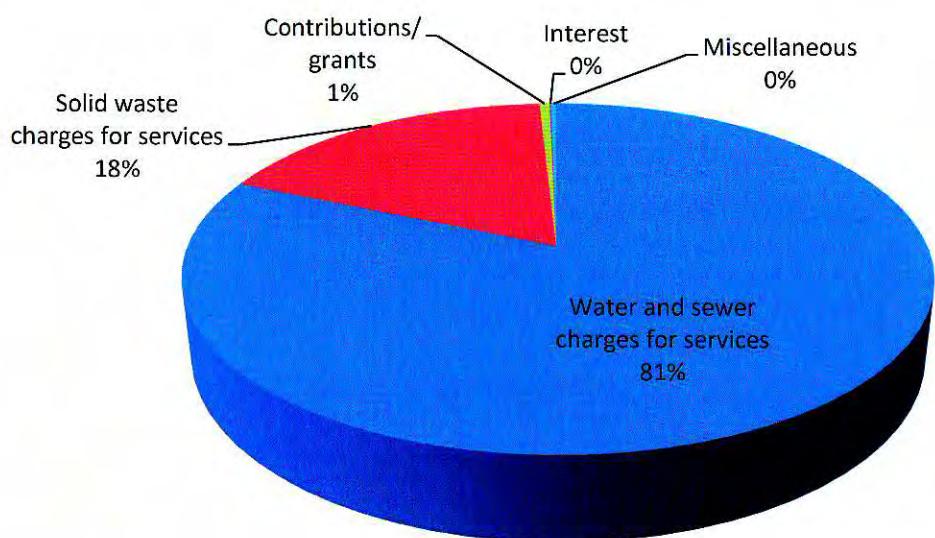
**Expenses and Program Revenues - Governmental Activities**



#### *Revenues by source – business-type activities*

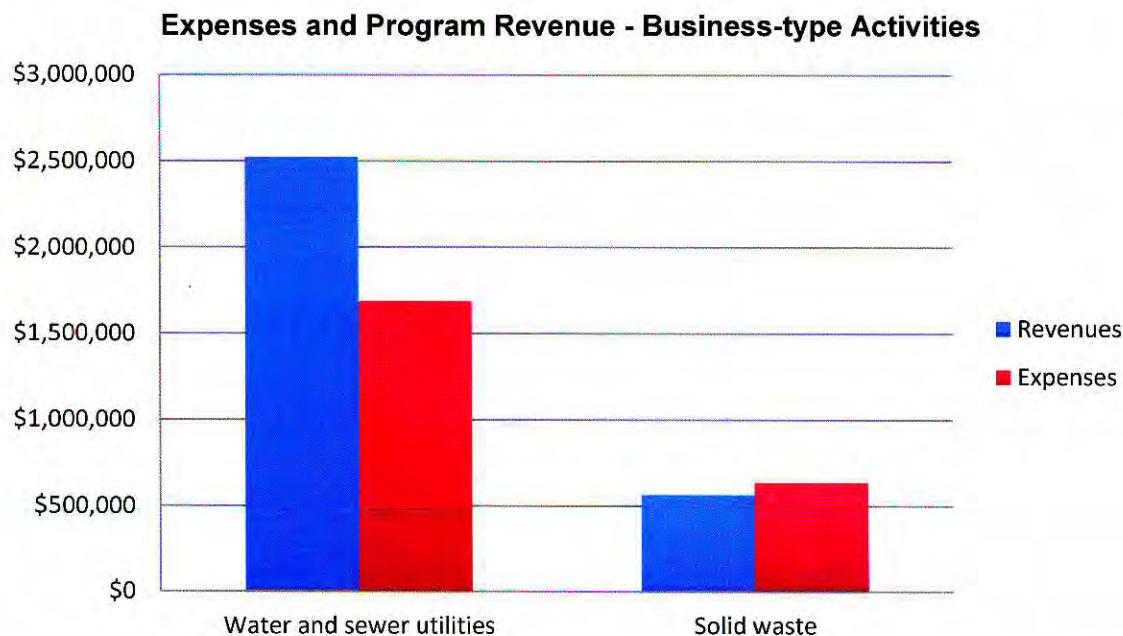
Water, sewer and solid waste charges for services account for 99% of the revenue for business-type activities. This is comparable to 2011 income. The following chart provides a breakdown of all business-type revenues by source.

**Revenues by Source - Business-type Activities**



### *Expenses and program revenues – business-type activities*

The City's business-type activities include water, sewer, and solid waste utilities. The City's water and sewer utilities make up 73% of operating expenses, and solid waste makes up the remaining 27%. The chart below provides a graphic representation of the City's business-type operating expenses and any directly related revenues by source.



### **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 \$639,112, a decrease of \$1,756,100 in comparison with the prior year. Approximately 25% of this total amount, \$159,196, 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 required to be set aside for specific purposes as follows: 1) debt service \$128,578, 2) tourism \$80,662, 3) court technology \$7,990, 4) court security \$409, 5) school safety \$2,288, 6) crossing guard fund \$7,320, 7) capital projects \$253,060, and 8) other \$2,806.

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 \$159,196. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 6.1% of total general fund expenditures.

The fund balance of the general fund decreased \$161,997 during the current fiscal year. Key factors and significant items included in this decrease are as follows:

- Property tax revenues in the general fund decreased by \$55,394 as the City decreased the tax rate for general operations by approximately 6.5%. The property tax rate for interest and sinking

fund increased by 13.8%, with an overall tax rate increase of 2.9%, to pay the debt service for the bond issued in fiscal year 2011 to construct a new fire station.

- Expenditures in the streets department increased by \$134,647 as the City completed several street repair projects during the year.
- Public safety capital outlay increased by \$50,700 as the City purchased two new vehicles for the police department during 2012.
- The majority of other expenses and revenues were comparable to 2011.

The debt service fund has a total fund balance of \$128,578, 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 \$40,125. The property tax revenues increased in the debt service fund as the property tax rate for interest and sinking increased and the percent allocated to interest and sinking increased for fiscal year 2012. However, debt service expenditures were higher in 2012 as compared to 2011, due to the increase in principal and interest expense.

The capital projects fund has a total fund balance of \$253,060, which is restricted for capital expenditures. The net decrease in 2012 was \$1,548,173, which is due to the completion of the new fire station during 2012. The City expended \$1,549,011 to construct and complete the fire station during 2012, which represents an increase of \$1,142,786 from 2011 expenditures.

#### *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 \$436,728. Net assets decreased \$82,712 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 \$21,952 lower than the City's budgeted projections, and expenditures were more than the final budget by \$154,520. The negative revenue variance was primarily due to lower than anticipated property tax revenues and licenses, permit and fees revenues. The negative expenditure variance was primarily due to unanticipated repair and maintenance costs and state fees in general government and increased fire administration and operations expenses with the addition of the new fire station.

#### **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, 2012 amounts to \$15,908,659 (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		2012	2011
	2012	2011	2012	2011		
Land	\$ 289,178	\$ 289,178	\$ -	\$ -	\$ 289,178	\$ 289,178
Construction in progress	-	406,225	10,205	10,205	10,205	416,430
Buildings and improvements	2,400,997	1,357,472	-	-	2,400,997	1,357,472
Lost Creek Dam & Reservoir	5,357,959	5,520,894	-	-	5,357,959	5,520,994
Streets	692,456	742,741	-	-	692,456	742,741
Water and sewer system	-	-	6,200,451	6,489,308	6,200,451	6,489,308
Furniture and fixtures	-	-	-	-	-	-
Machinery & equipment	677,982	353,660	279,431	180,409	957,413	544,069
Total	<u>\$ 9,418,572</u>	<u>\$ 8,670,270</u>	<u>\$ 6,490,087</u>	<u>\$ 6,689,922</u>	<u>\$ 15,908,659</u>	<u>\$ 15,360,192</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 2012 fiscal year, the City had total long-term liabilities of \$10,057,047.

TABLE IV  
CITY OF JACKSBORO OUTSTANDING LONG TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds payable	\$ 7,968,742	\$ 8,699,968	\$ 1,935,000	\$ 2,030,000	\$ 9,903,742	\$ 10,729,968
Capital leases payable	49,227	40,786	15,833	37,354	65,060	78,140
Compensated absences	66,438	59,347	21,807	30,040	88,245	89,387
<b>Total</b>	<b>\$ 8,084,407</b>	<b>\$ 8,800,101</b>	<b>\$ 1,972,640</b>	<b>\$ 2,097,394</b>	<b>\$ 10,057,047</b>	<b>\$ 10,897,495</b>

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**

- 2012 appraised value used for the FY 13 budget preparation is \$116,632,090, or 4.8% less than the 2011 appraised values.
- The property tax rate increased from \$1.012 to \$1.180 per one hundred dollars of assessed valuation, which is a 16.6% increase from the prior year.
- The FY 13 adopted general operating fund budget increased expenditures compared to the final FY 12 actual amount, from \$2,607,120 actual in FY 12 to a budgeted \$2,672,839 in FY 12. This is an increase of approximately 2.5%.
- The budgeted transfer-in to the general fund from the utility fund increased from \$350,000 in FY 12 to a budgeted \$410,000 in FY13.

These indicators were taken into account when adopting the FY 13 general fund budget. Beginning estimated fund balance available for appropriation in the FY 12 general fund budget was \$162,009. In total, the City's adopted FY 13 general fund budget is projected to decrease the ending fund balance by \$88,139.

### **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 \$1,507,411 September 30, 2012.
- Net assets increased by \$231,621 in comparison with the prior year due to the increase in sales tax revenue.

**Table V**  
**Jacksboro Economic Development Corporation Net Assets**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 1,248,927	\$ 975,907
Capital assets, net of accumulated depreciation	<u>861,878</u>	<u>546,556</u>
Total assets	<u>2,110,805</u>	<u>1,522,463</u>
Long-term liabilities outstanding	575,000	225,000
Other liabilities	<u>28,394</u>	<u>21,673</u>
Total liabilities	<u>603,394</u>	<u>246,673</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	286,878	321,556
Unrestricted	<u>1,220,533</u>	<u>954,234</u>
Total net assets	<u><u>\$ 1,507,411</u></u>	<u><u>\$ 1,275,790</u></u>

### **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, 2012**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 142,846	\$ 205,219	\$ 348,065	\$ 1,198,706
Receivables (net of allowance for uncollectibles)	391,012	432,013	823,025	50,221
Due from component unit	22,373	-	22,373	-
Internal balances	63,200	(63,200)	-	-
Deferred charges	46,098	44,568	90,666	-
Restricted assets:				
Cash and cash equivalents	463,632	1,032,347	1,495,979	-
Capital assets not being depreciated:				
Land	289,178	-	289,178	855,000
Construction in progress	-	10,205	10,205	6,878
Capital assets:				
Buildings and improvements	3,626,774	-	3,626,774	-
Streets	1,005,762	-	1,005,762	-
Lost Creek Dam and Reservoir	8,355,568	-	8,355,568	-
Water and sewer system	-	11,122,758	11,122,758	-
Machinery and equipment	1,622,586	649,589	2,272,175	-
Furniture and fixtures	3,767	45,199	48,966	-
Accumulated depreciation	(5,485,063)	(5,337,664)	(10,822,727)	-
Total assets	<u>10,547,733</u>	<u>8,141,034</u>	<u>18,688,767</u>	<u>2,110,805</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	205,811	109,090	314,901	5,396
Wages payable	11,554	6,407	17,961	-
Due to primary government	-	-	-	22,373
Accrued interest payable	47,829	11,635	59,464	625
Customer deposits	-	46,016	46,016	-
Non-current liabilities				
Due within one year	796,851	125,218	922,069	160,000
Due in more than one year	7,287,556	1,847,422	9,134,978	415,000
Total liabilities	<u>8,349,601</u>	<u>2,145,788</u>	<u>10,495,389</u>	<u>603,394</u>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	1,475,338	5,558,518	7,033,856	286,878
Restricted for capital projects	227,229	-	227,229	-
Restricted for debt service	130,499	-	130,499	-
Restricted for tourism	81,451	-	81,451	-
Restricted for technology	7,990	-	7,990	-
Restricted for security and safety	10,017	-	10,017	-
Unrestricted	<u>265,608</u>	<u>436,728</u>	<u>702,336</u>	<u>1,220,533</u>
Total net assets	<u><u>\$ 2,198,132</u></u>	<u><u>\$ 5,995,246</u></u>	<u><u>\$ 8,193,378</u></u>	<u><u>\$ 1,507,411</u></u>

**City of Jacksboro, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							Component Unit
Governmental activities:							
Legislative	\$ 47,468	\$ -	\$ 31,693	\$ (47,468)	\$ -	\$ (47,468)	\$ -
General government	924,829	13,254	27,450	(879,682)	(1,604,342)	(879,682)	(1,604,342)
Public safety	1,663,647	51,855	-	(1,652,540)	(432,540)	(1,652,540)	(432,540)
Streets	432,540	-	-	(351,304)	(351,304)	(351,304)	(351,304)
Culture and recreation	375,718	24,414	-	(413,932)	(413,932)	(413,932)	(413,932)
Interest and fiscal charges	413,932	-	-	(3,728,268)	(3,728,268)	(3,728,268)	(3,728,268)
Total governmental activities	<u>3,877,934</u>	<u>89,523</u>	<u>59,143</u>				
Business-type activities:							
Water, sewer and solid waste utilities	2,370,073	<u>3,079,731</u>	-	16,471	-	726,129	-
Total business-type activities	<u>2,370,073</u>	<u>3,079,731</u>		<u>16,471</u>		<u>726,129</u>	
Total Primary Government	<u>\$ 6,248,007</u>	<u>\$ 3,169,254</u>	<u>\$ 59,143</u>	<u>\$ 16,471</u>	<u>(3,729,268)</u>	<u>726,129</u>	<u>(3,003,139)</u>
Component unit:							
Economic Development Corporation	\$ 211,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 211,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:							
Property taxes				1,262,270	-	1,262,270	-
Sales taxes				879,398	-	879,398	-
Franchise taxes				370,339	-	370,339	-
Interest				3,461	2,106	5,567	3,778
Miscellaneous				36,401	7,786	44,187	154,311
Transfers in (out)				818,733	(818,733)		
Total general revenues and transfers				<u>3,370,602</u>	<u>(808,841)</u>	<u>2,561,761</u>	<u>443,448</u>
Net change in net assets				<u>(358,666)</u>	<u>(82,712)</u>	<u>(441,378)</u>	<u>231,621</u>
Net assets - beginning				<u>2,556,798</u>	<u>6,077,958</u>	<u>8,634,756</u>	<u>1,275,750</u>
Net assets - ending				<u>\$ 2,198,132</u>	<u>\$ 5,995,246</u>	<u>\$ 8,193,378</u>	<u>\$ 1,507,411</u>

The accompanying notes are an integral part of this statement.

**City of Jacksboro, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 142,846	\$ -	\$ -	\$ -	\$ 142,846
Receivables (net of allowance for uncollectibles)					
Property taxes	54,086	49,750	-	-	103,836
Sales taxes	150,664	-	-	-	150,664
Municipal court	122,751	-	-	-	122,751
Other	6,584	-	-	7,177	13,761
Due from other funds	18,348	-	61,400	-	79,748
Due from component unit	22,373	-	-	-	22,373
Restricted cash	2,806	141,929	226,616	92,281	463,632
<b>Total assets</b>	<b>\$ 520,458</b>	<b>\$ 191,679</b>	<b>\$ 288,016</b>	<b>\$ 99,458</b>	<b>\$ 1,099,611</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable and other current liabilities	\$ 170,066	\$ -	\$ 34,956	\$ 789	\$ 205,811
Wages payable	11,554	-	-	-	11,554
Due to other funds	-	13,351	-	3,197	16,548
Deferred revenue	176,836	49,750	-	-	226,586
Total liabilities	358,456	63,101	34,956	3,986	460,499
Fund balances:					
Unassigned, reported in					
General fund	159,196	-	-	-	159,196
Special revenue funds	-	-	-	(3,197)	(3,197)
Restricted, reported in					
General fund	2,806	-	-	-	2,806
Debt service fund	-	128,578	-	-	128,578
Special revenue funds	-	-	-	98,669	98,669
Capital projects fund	-	-	253,060	-	253,060
Total fund balances	162,002	128,578	253,060	95,472	639,112
<b>Total liabilities and fund balances</b>	<b>\$ 520,458</b>	<b>\$ 191,679</b>	<b>\$ 288,016</b>	<b>\$ 99,458</b>	<b>\$ 1,099,611</b>

**City of Jacksboro, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2012**

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

Fund balances - total governmental funds	\$ 639,112
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,418,572
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.	(8,038,308)
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.	(47,829)
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>226,586</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 2,198,132</u></b>

**City of Jacksboro, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes:					
Property	\$ 607,808	\$ 636,564	\$ -	\$ -	\$ 1,244,372
Sales	879,398	-	-	-	879,398
Franchise	338,579	-	-	31,760	370,339
Charges for services	2,034	-	-	-	2,034
Licenses, permits and fees	10,020	-	-	-	10,020
Recreation fees	24,414	-	-	-	24,414
Court fines	136,850	-	-	4,807	141,757
Rentals	1,200	-	-	-	1,200
Donations	31,693	-	-	-	31,693
Intergovernmental	-	-	-	27,450	27,450
Interest income	762	1,632	838	229	3,481
Miscellaneous	35,518	883	-	-	36,401
Total revenues	<u>2,068,376</u>	<u>639,079</u>	<u>838</u>	<u>64,246</u>	<u>2,772,539</u>
<b>EXPENDITURES</b>					
Current:					
Legislative	47,468	-	-	-	47,468
General government	831,442	-	-	28,346	859,788
Public safety	1,034,836	-	391,405	49,805	1,476,046
Streets	372,509	-	-	-	372,509
Culture and recreation	162,318	-	-	-	162,318
Capital outlay:					
General government	5,267	-	1,157,606	-	1,162,873
Public safety	89,390	-	-	-	89,390
Streets	34,823	-	-	-	34,823
Debt service					
Principal retirement	26,404	731,226	-	-	757,630
Interest	2,663	414,844	-	-	417,807
Paying agent fees	-	1,767	-	-	1,767
Total expenditures	<u>2,607,120</u>	<u>1,147,937</u>	<u>1,549,011</u>	<u>78,151</u>	<u>5,382,219</u>
Deficiency of revenues under expenditures	<u>(538,744)</u>	<u>(508,858)</u>	<u>(1,548,173)</u>	<u>(13,905)</u>	<u>(2,609,680)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	341,800	468,733	-	8,100	818,733
Capital lease proceeds	34,847	-	-	-	34,847
Total other financing sources (uses)	<u>376,747</u>	<u>468,733</u>	<u>-</u>	<u>8,100</u>	<u>853,580</u>
Net change in fund balances	<u>(161,987)</u>	<u>(40,125)</u>	<u>(1,548,173)</u>	<u>(5,805)</u>	<u>(1,756,100)</u>
Fund balances - beginning	<u>323,999</u>	<u>168,703</u>	<u>1,601,233</u>	<u>101,277</u>	<u>2,395,212</u>
Fund balances - ending	<u>\$ 162,002</u>	<u>\$ 128,578</u>	<u>\$ 253,060</u>	<u>\$ 95,472</u>	<u>\$ 639,112</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, 2012**

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

Net change in fund balances - total governmental funds	\$ (1,756,100)
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.	748,302
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.	718,461
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.	2,675
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	<u>(72,004)</u>
Change in net assets of governmental activities	<u>\$ (358,666)</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>					
Taxes:					
Property	\$ 639,400	\$ 639,400	\$ 607,808	\$ (31,592)	
Sales	722,500	842,500	879,398	36,898	
Franchise	347,000	347,000	338,579	(8,421)	
Charges for services	1,500	1,500	2,034	534	
Licenses, permits and fees	50,000	50,000	10,020	(39,980)	
Recreation fees	16,000	16,000	24,414	8,414	
Court fines	110,000	110,000	136,950	26,950	
Rentals	3,600	3,600	1,200	(2,400)	
Donations	300	31,828	31,693	(135)	
Interest income	1,500	1,500	762	(738)	
Miscellaneous	47,000	47,000	35,518	(11,482)	
Total revenues	<u>1,938,800</u>	<u>2,090,328</u>	<u>2,068,376</u>	<u>(21,952)</u>	
<b>EXPENDITURES</b>					
Current:					
Legislative	48,225	46,025	47,468	(1,443)	
General government	773,235	765,506	836,709	(71,203)	
Public safety	1,034,274	1,075,003	1,124,226	(49,223)	
Streets	237,985	395,522	407,332	(11,810)	
Culture and recreation	138,932	138,932	162,318	(23,386)	
Debt service:					
Capital lease principal	27,067	27,067	26,404	663	
Capital lease interest	4,545	4,545	2,663	1,882	
Total expenditures	<u>2,264,263</u>	<u>2,452,600</u>	<u>2,607,120</u>	<u>(154,520)</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(325,463)</u>	<u>(362,272)</u>	<u>(538,744)</u>	<u>(176,472)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	350,000	350,000	341,900	(8,100)	
Capital lease proceeds	35,000	35,000	34,847	153	
Total other financing sources and uses	<u>385,000</u>	<u>385,000</u>	<u>376,747</u>	<u>(7,947)</u>	
Net change in fund balances	59,537	22,728	(161,997)	(184,419)	
Fund balances - beginning	323,999	323,999	323,999	-	
Fund balances - ending	<u>\$ 383,536</u>	<u>\$ 346,727</u>	<u>\$ 162,002</u>	<u>\$ (184,419)</u>	

**City of Jacksboro, Texas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2012**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 205,219
Receivables (net of allowance for uncollectibles)	432,013
Restricted assets:	
Cash and cash equivalents	<u>1,032,347</u>
Total current assets	<u>1,669,579</u>
Noncurrent assets:	
Deferred charges	<u>44,568</u>
Capital assets:	
Water and sewer system	11,122,758
Machinery and equipment	649,589
Furniture and fixtures	45,199
Construction in progress	10,205
Less: accumulated depreciation	<u>(5,337,664)</u>
Total capital assets (net of accumulated depreciation)	<u>6,490,087</u>
Total noncurrent assets	<u>6,534,655</u>
Total assets	<u>8,204,234</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other current liabilities	109,090
Wages payable	6,407
Due to other funds	63,200
Utility customer deposits	46,016
Compensated absences current	14,385
Leases payable current	15,833
Bonds payable current	95,000
Accrued interest payable	11,635
Total current liabilities	<u>361,566</u>
Noncurrent liabilities:	
Bonds payable	1,840,000
Compensated absences	<u>7,422</u>
Total noncurrent liabilities	<u>1,847,422</u>
Total liabilities	<u>2,208,988</u>
<b>NET ASSETS</b>	
Invested in capital assets (net of related debt)	5,558,518
Unrestricted	<u>436,728</u>
Total net assets	<u>\$ 5,995,246</u>

**City of Jacksboro, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for sales and services:	
Water sales	\$ 1,495,580
Sewer charges	898,046
Solid waste	553,486
Penalties	61,842
Tap fees	15,196
Miscellaneous	7,786
Total operating revenues	<u>3,031,936</u>
<b>OPERATING EXPENSES:</b>	
Costs of sales and services:	
Salaries and benefits	630,210
Supplies and maintenance	535,891
Contractual services	129,971
Sanitation contractual services	633,971
Depreciation	329,885
Bad debt expense	6,323
Total operating expenses	<u>2,266,251</u>
Operating income	<u>765,685</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment earnings	2,106
Interest expense	(103,822)
Capital improvement fees	55,581
Total nonoperating revenue (expenses)	<u>(46,135)</u>
Income before contributions and transfers	<u>719,550</u>
Transfers	(818,733)
Capital contribution	16,471
Net change in net assets	<u>(82,712)</u>
Net assets - beginning	<u>6,077,958</u>
Net assets - ending	<u>\$ 5,995,246</u>

**City of Jacksboro, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,245,594
Cash payments to suppliers for goods and services	(560,612)
Cash payments to employees and professional contractors for services	<u>(1,401,320)</u>
Net cash provided (used) by operating activities	<u>1,283,662</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to other funds	(818,733)
Net cash provided (used) by noncapital financing activities	<u>(818,733)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(130,050)
Amortization of debt issue costs	3,175
Principal and interest paid on capital debt	<u>(220,915)</u>
Capital contribution	16,471
Capital improvement fees	55,581
Net cash provided (used) by capital and related financing activities	<u>(275,738)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	2,106
Net cash provided (used) by investing activities	<u>2,106</u>
Net increase (decrease) in cash and cash equivalents	191,297
Cash and cash equivalents - beginning	1,046,269
Cash and cash equivalents - ending	<u>\$ 1,237,566</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 765,685
Adjustments to reconcile operating income to net cash provided by operating	
Depreciation and amortization	329,885
(Increase) decrease in bad debt	(43,704)
(Increase) decrease in accounts receivable	263,034
Increase (decrease) in accounts payable and other liabilities	(24,721)
Increase (decrease) in wages payable	1,065
Increase (decrease) in customer deposits	651
Increase (decrease) in compensated absences	<u>(8,233)</u>
Net cash provided by operating activities	<u>\$ 1,283,662</u>
<b>Reconciliation of cash and cash equivalents to the statement of net assets:</b>	
Unrestricted cash and cash equivalents	\$ 205,219
Restricted cash and cash equivalents	<u>1,032,347</u>
Total cash and cash equivalents	<u>\$ 1,237,566</u>

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

**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 City Council has ultimate authority over the actions of the JEDC. 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.

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, 2011 to September 30, 2012. 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 government: legislative, general government, public safety, streets, culture and recreation, and water,

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

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, 2012, 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, 2012**

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

**Water, Wastewater, and Solid Waste Utility Services:** This is used to account for the water, wastewater, and 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 collectible 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 taxes 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 uncollectible 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 collectible 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, 2012**

**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, 2012**

**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, 2012**

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

**5) Interfund Activity**

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 funds are netted as part of the reconciliation to the government-wide financial statements.

**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 \$8,038,309 difference are as follows:

Bonds Payable	\$ 7,968,742
Less: deferred charge for issuance costs (to be amortized over life of debt)	(46,098)
Capital leases payable	49,227
Compensated absences	<u>66,438</u>
Net adjustment to reconcile <i>fund balance - total governmental funds to net assets- governmental activities</i>	<u>\$ 8,038,309</u>

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

**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 \$748,302 difference are as follows:

Capital outlay	\$ 1,287,086
Depreciation expense	<u>(538,784)</u>
<i>Net adjustment to reconcile net changes in fund balance - total governmental funds to changes in net assets of governmental activities.</i>	
	\$ <u>748,302</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 \$718,461 difference are as follows:

Debt principal repayments:	
General obligation debt	\$ 731,226
Capital leases	26,404
Bond proceeds	(34,847)
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>718,461</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 \$2,673 difference are as follows:

Accrued interest	\$ 9,764
Compensated absences	<u>(7,089)</u>
<i>Net adjustment to reconcile net changes in fund balance - total governmental funds to changes in net assets of governmental activities.</i>	
	\$ <u>2,675</u>

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

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 \$72,004 difference are as follows:

Ad valorem taxes	\$ 17,898
Municipal court fines	<u>(89,902)</u>
Net adjustment to reconcile <i>net changes in fund balance - total governmental funds to changes in net assets of governmental activities.</i>	<u>\$ (72,004)</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, 2012, the general fund budget was amended to reflect additional expenditures of \$188,337 and additional revenues of \$151,528. The most significant amendments were made to reflect higher than anticipated sales tax revenues of \$120,000 and an increase in budgeted streets maintenance projects of \$157,537. The net effect of the budget amendments to the general fund balance is a decrease in the final fund balance of \$36,809. Actual expenditures in the General Fund exceeded final budgeted amounts by \$154,520 for the year ended September 30, 2012.

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

**4. Detailed Notes on All Funds**

**A. Assets**

**1) Deposits**

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$601,851, and the combined bank account balances amounted to \$745,917. The difference of \$144,066 is due to a combination of deposits in transit and outstanding checks. The City's cash deposits at September 30, 2012 and during the fiscal year ended September 30, 2012, 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, 2012, the book value and the combined account balances of the City's deposits in the TexSTAR local government investment pool was \$1,240,682. The average monthly rate of the pool was 0.1574%, the weighted average maturity of the pool was 46 days and the net asset value of the pool was 1.000132. 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 150 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:

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**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 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.

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**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, 2012 for the City's individual major funds, including the allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Debt Service Fund</b>	<b>Utility Fund</b>	<b>Total</b>
<b>Receivables:</b>					
Property tax	\$ 59,738	\$ -	\$ 55,810	\$ -	\$ 115,548
Sales tax	150,664	-	-	-	150,664
Hotel/motel tax	-	7,177	-	-	7,177
Franchise fees	5,948	-	-	-	5,948
Municipal court fines	245,501	-	-	-	245,501
Customer accounts	-	-	-	454,701	454,701
Miscellaneous	636	-	-	-	636
<b>Gross Receivables</b>	<b>462,487</b>	<b>7,177</b>	<b>55,810</b>	<b>454,701</b>	<b>980,175</b>
<b>Less: Allowance for uncollectibles</b>					
Property tax	(5,652)	-	(6,060)	-	(11,712)
Municipal court fines	(122,750)	-	-	-	(122,750)
Customer accounts	-	-	-	(22,688)	(22,688)
	<b>(128,402)</b>	<b>-</b>	<b>(6,060)</b>	<b>(22,688)</b>	<b>(157,150)</b>
<b>Net total receivables</b>	<b>\$ 334,085</b>	<b>\$ 7,177</b>	<b>\$ 49,750</b>	<b>\$ 432,013</b>	<b>\$ 823,025</b>

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**4) Capital Assets**

Capital assets, additions, disposals, and depreciation for governmental activities and business-type activities for the year ended September 30, 2012 were as follows:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 289,178	\$ -	\$ -	\$ 289,178
Construction in progress	406,225	809,234	(1,215,458)	-
Totals, capital assets not being depreciated	<u>695,403</u>	<u>809,234</u>	<u>(1,215,458)</u>	<u>289,178</u>
Capital assets, being depreciated:				
Furniture and fixtures	3,767	-	-	3,767
Machinery & equipment	1,181,899	477,852	(37,165)	1,622,586
Streets	1,005,762	-	-	1,005,762
Lost Creek Dam & Reservoir	8,355,568	-	-	8,355,568
Buildings and improvements	2,411,315	-	1,215,459	3,626,774
Totals, capital assets being depreciated	<u>12,958,311</u>	<u>477,852</u>	<u>1,178,294</u>	<u>14,514,457</u>
Less: accumulated depreciation for:				
Furniture and fixtures	(3,767)	-	-	(3,767)
Machinery & equipment	(828,239)	(153,530)	37,165	(944,604)
Streets	(263,021)	(50,285)	-	(313,306)
Lost Creek Dam & Reservoir	(2,834,574)	(163,035)	-	(2,997,609)
Buildings and improvements	(1,053,843)	(171,934)	-	(1,225,777)
Total accumulated depreciation	<u>(4,983,444)</u>	<u>(538,784)</u>	<u>37,165</u>	<u>(5,485,063)</u>
Total capital assets being depreciated, net	<u>7,974,867</u>	<u>(60,932)</u>	<u>1,215,459</u>	<u>9,129,385</u>
<b>City capital assets, net</b>	<b>\$ 8,670,270</b>	<b>\$ 748,302</b>	<b>-</b>	<b>\$ 9,418,572</b>

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	10,205	-	-	10,205
Totals, capital assets not being depreciated	<u>10,205</u>	<u>-</u>	<u>-</u>	<u>10,205</u>
Capital assets, being depreciated:				
Furniture & fixtures	45,199	-	-	45,199
Machinery & equipment	555,076	130,050	(35,537)	649,589
Water and sewer system	11,113,054	-	9,704	11,122,758
Totals, capital assets being depreciated	<u>11,713,329</u>	<u>130,050</u>	<u>(25,833)</u>	<u>11,817,546</u>
Less: accumulated depreciation for:				
Furniture & fixtures	(45,199)	-	-	(45,199)
Machinery & equipment	(364,667)	(41,028)	35,537	(370,158)
Water and sewer system	(4,623,746)	(288,857)	(9,704)	(4,922,307)
Total accumulated depreciation	<u>(5,033,612)</u>	<u>(329,885)</u>	<u>25,833</u>	<u>(5,337,664)</u>
Total capital assets being depreciated, net	<u>6,679,717</u>	<u>(199,835)</u>	<u>-</u>	<u>6,479,882</u>
<b>City capital assets, net</b>	<b>\$ 6,689,922</b>	<b>\$ (199,835)</b>	<b>\$ -</b>	<b>\$ 6,490,087</b>

Depreciation expense was charged to governmental functions as follows:

	<b>Amount</b>
General government	\$ 61,306
Public safety	204,786
Streets	59,782
Culture and recreation	212,910
<b>Total Depreciation</b>	<b>\$ 538,784</b>

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**B. Liabilities**

**1) Changes in general long term liabilities:**

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds payable	\$ 8,699,968	\$ -	\$ (731,226)	\$ 7,968,742	\$ 734,179
Capital leases payable	40,786	34,847	(26,406)	49,227	33,113
Compensated absences	59,347	28,441	(21,350)	66,438	29,559
<b>Governmental activity long-term liabilities</b>	<b>\$ 8,800,101</b>	<b>\$ 63,288</b>	<b>\$ (778,982)</b>	<b>\$ 8,084,407</b>	<b>\$ 796,851</b>
<b>Business-type activities:</b>					
Bonds payable	\$ 2,030,000	\$ -	\$ (95,000)	\$ 1,935,000	\$ 95,000
Capital leases payable	37,354	-	(21,521)	15,833	15,833
Compensated absences	30,040	11,016	(19,249)	21,807	14,385
<b>Business-type activity long-term liabilities</b>	<b>\$ 2,097,394</b>	<b>\$ 11,016</b>	<b>\$ (135,770)</b>	<b>\$ 1,972,640</b>	<b>\$ 125,218</b>

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, 2012, is as follows:

<b>Description</b>	<b>Series</b>	<b>Interest Rate</b>	<b>Amounts</b>		<b>Beginning Balance</b>	<b>Issued</b>	<b>Retired</b>	<b>Ending Balance</b>
			<b>Original Issue</b>	<b>Beginning Balance</b>				
<b>Governmental Activities:</b>								
Comb Tax & Rev - Cert of Obligation **	1988	4.7 - 7.45% [2]	\$ 5,799,013	\$ 1,299,968	\$ -	\$ (626,226)	\$ 673,742	
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	\$ 215,000	-	(10,000)	-	\$ 205,000
Comb Tax & Rev - Cert of Obligation	2006	4.73% [3]	\$ 455,000	\$ 350,000	-	(15,000)	-	\$ 335,000
Comb Tax & Rev - Cert of Obligation	2008	4.00% [3]	\$ 1,600,000	\$ 1,350,000	-	(80,000)	-	\$ 1,270,000
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]	\$ 2,050,000	\$ 2,050,000	-	-	-	\$ 2,050,000
<b>Total Governmental Activities</b>			<b>\$ 18,582,013</b>	<b>\$ 8,699,968</b>	<b>\$ -</b>	<b>\$ (731,226)</b>	<b>\$ 7,968,742</b>	
<b>Business-type activities:</b>								
Water and wastewater fund								
Comb Tax & Rev - Cert of Obligation	2004	4.65% [3]	\$ 262,000	\$ 200,000	\$ -	\$ (10,000)	\$ 190,000	
Comb Tax & Rev - Cert of Obligation	2006	4.71% [3]	\$ 545,000	\$ 460,000	-	(20,000)	-	\$ 440,000
Comb Tax & Rev - Cert of Obligation	2008	4.00% [3]	\$ 200,000	\$ 170,000	-	(10,000)	-	\$ 160,000
Comb Tax & Rev - Cert of Obligation **	2008A	4.98% - 6.85% [3]	\$ 350,000	\$ 335,000	-	(20,000)	-	\$ 315,000
Comb Tax & Rev - Cert of Obligation **	2009	5.35% - 6.75% [3]	\$ 920,000	\$ 865,000	-	(35,000)	-	\$ 830,000
<b>Total Business-type Activities</b>			<b>\$ 2,277,000</b>	<b>\$ 2,030,000</b>	<b>\$ -</b>	<b>\$ (95,000)</b>	<b>\$ 1,935,000</b>	

\*\* 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

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

Annual debt service requirements are as follows:

<b>Years ending September 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
<b>Governmental activities:</b>			
2013	\$ 734,179	\$ 364,106	\$ 1,098,285
2014	810,166	317,856	1,128,022
2015	797,690	281,321	1,079,011
2016	823,242	242,994	1,066,236
2017	712,690	203,249	915,939
2018-2022	2,142,734	610,554	2,753,288
2023-2027	1,231,145	278,428	1,509,573
2028-2031	716,896	64,646	781,542
	<b>\$ 7,968,742</b>	<b>\$ 2,363,154</b>	<b>\$ 10,331,896</b>
<b>Business-type activities:</b>			
2013	\$ 95,000	\$ 94,370	\$ 189,370
2014	107,310	89,440	196,750
2015	97,310	94,788	192,098
2016	106,758	89,615	196,373
2017	107,310	83,850	191,160
2018-2022	637,268	335,375	972,643
2023-2027	625,940	143,223	769,163
2028-2031	158,104	15,104	173,208
	<b>\$ 1,935,000</b>	<b>\$ 945,765</b>	<b>\$ 2,880,765</b>

**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, 2012, the following refunded debt outstanding is as follows:

Series 1999 General Obligation Refunding Bonds	\$ 205,000
Series 1997 Combination Tax & Revenue Certificates of Obligation	<u>1,090,000</u>
	<b><u>\$ 1,295,000</u></b>

**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, 2012 are accounted for in the Statement of Net Assets. The assets acquired through capital leases are as follows:

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	<b>Net Asset Book Value</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>						
Fire truck 2012 Tahoe	\$ 110,724 29,524	\$ 40,786 -	\$ - 34,847	\$ (19,067) (7,339)	\$ 21,719 27,508	\$ 21,719 11,394
<b>Total Governmental Activities:</b>	<b>\$ 140,248</b>	<b>\$ 40,786</b>	<b>\$ 34,847</b>	<b>\$ (26,406)</b>	<b>\$ 49,227</b>	<b>\$ 33,113</b>
<b>Business-type activities:</b>						
Water and wastewater fund Sewer jetting machine Backhoe	24,294 37,282	3,436 33,918	- -	(3,436) (18,085)	- 15,833	- 15,833
	<b>\$ 61,576</b>	<b>\$ 37,354</b>	<b>\$ -</b>	<b>\$ (21,521)</b>	<b>\$ 15,833</b>	<b>\$ 15,833</b>

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2012 as follows:

<b>Years ending September 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
<b>Governmental activities:</b>			
2013	\$ 33,113	\$ 1,145	\$ 34,258
2014	11,983	547	12,530
2015	4,131	44	4,175
<b>Total governmental activities</b>	<b>\$ 49,227</b>	<b>\$ 1,736</b>	<b>\$ 50,963</b>
<b>Business-type activities:</b>			
2013	\$ 15,833	\$ 1,311	\$ 17,144
<b>Total business-type activities</b>	<b>\$ 15,833</b>	<b>\$ 1,311</b>	<b>\$ 17,144</b>

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](http://www.TMRS.com).

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

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	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Reporting	70% of CPI Reporting

**Contributions**

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

<u>Fiscal Year</u>		<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>NPO</u>
<u>Ending</u>	<u>September</u>			
<u>30</u>	<u>APC</u>	<u>Made</u>	<u>Contributed</u>	
2010	\$ 174,386	\$ 174,386	100%	\$ -
2011	\$ 189,186	\$ 189,186	100%	\$ -
2012	\$ 173,375	\$ 173,375	100%	\$ -

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

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	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization period	28.0 years - closed period	27.1 years - closed period	26.1 years - closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Assumptions:			
Investment return *	7.5%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Valuation Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$3,910,061	\$5,054,016	77.4%	\$1,143,955	\$1,313,842	87.1%

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

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

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S) 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," or 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, 2012, 2011, and 2010 were \$6,947, \$4,150, and \$4,792, 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, 2012, restricted assets are comprised of the following:

**Governmental funds restricted cash:**

Special revenue funds:

Hotel/motel fund	\$ 74,274
Court technology fund	7,990
Court security fund	409
School safety fund	2,288
Crossing guard fund	7,320
Debt service fund	141,929
Capital projects fund	226,616
Landfill capital projects	2,403
Other specific activities	403

**Total governmental funds restricted cash:**

**\$ 463,632**

**Utility fund restricted cash:**

Utility capital projects fund	\$ 986,331
Utility customer deposits	46,016

**Total utility fund restricted cash:**

**\$ 1,032,347**

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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	\$ 468,733	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, 2012:

<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 \$307,722. The general fund overpaid by \$22,373, which is reported as due to the primary government at September 30, 2012.

**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 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, Texas. 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, Texas, 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, 2012, the carrying amount of JEDC's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$498,564, and the combined bank account balances amounted to \$512,309. The difference of \$13,745 is due to a combination of deposits in transit and outstanding checks. JEDC's cash deposits exceeded the FDIC insurance limit by \$160,634 at September 30, 2012.

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

**Capital Asset Activity:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 539,678	\$ 850,000	\$ (534,678)	\$ 855,000
Construction in progress	6,878	-	-	6,878
Capital assets	<u>\$ 546,556</u>	<u>\$ 850,000</u>	<u>\$ (534,678)</u>	<u>\$ 861,878</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>
<b>Governmental Activities:</b>					
Note payable - TIB	\$ 225,000	\$ -	\$ (75,000)	\$ 150,000	\$ 75,000
Note payable - land	-	425,000	-	425,000	85,000
Capital assets	<u>\$ 225,000</u>	<u>\$ 425,000</u>	<u>\$ (75,000)</u>	<u>\$ 575,000</u>	<u>\$ 160,000</u>

Annual debt service requirements are as follows:

<u>Years ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 160,000	\$ 28,750	\$ 188,750
2014	160,000	20,750	180,750
2015	85,000	12,750	97,750
2016	85,000	8,500	93,500
2017	85,000	4,250	89,250
	<u>\$ 575,000</u>	<u>\$ 75,000</u>	<u>\$ 650,000</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.

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**

<b>Actual Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a / b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ( (b-a) / c )</b>
<b>12/31/2009</b>	\$ 2,762,364	\$ 4,178,878	\$ 1,416,514	66.1%	\$ 1,268,442	111.7%
<b>12/31/2010</b>	3,712,678	5,115,988	1,403,310	72.6%	1,389,381	101.0%
<b>12/31/2011</b>	3,910,061	5,054,016	1,143,955	77.4%	1,313,842	87.1%

*COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES*

**City of Jacksboro, Texas**  
**Combining Schedule of Assets, Liabilities, and Fund Balances**  
**Nonmajor Governmental Funds**  
**September 30, 2012**

<u>Special Revenue Funds</u>							Total Nonmajor Governmental Funds
Hotel/Motel Tax Fund	Court Technology Fund	Court Security Fund	School Safety Fund	Crossing Guard Fund	Grant Fund		
<b>ASSETS</b>							
Restricted cash and cash equivalents							
Receivables (net of allowance for uncollectibles)	\$ 74,274	\$ 7,990	\$ 409	\$ 2,288	\$ 7,320	\$ -	\$ 92,281
Total assets	7,177	-	-	-	-	-	7,177
	<u>81,451</u>	<u>7,990</u>	<u>409</u>	<u>2,288</u>	<u>7,320</u>	<u>-</u>	<u>99,458</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Due to other funds	-	-	-	-	-	-	3,197
Accounts payable	789	-	-	-	-	-	789
Total liabilities	<u>789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,197</u>
Fund balances:							
Unassigned	-	-	-	-	-	-	(3,197)
Restricted	80,662	7,990	409	2,288	7,320	-	(3,197)
Total fund balances	<u>80,662</u>	<u>7,990</u>	<u>409</u>	<u>2,288</u>	<u>7,320</u>	<u>-</u>	<u>(3,197)</u>
Total liabilities and fund balances	<u>\$ 81,451</u>	<u>\$ 7,990</u>	<u>\$ 409</u>	<u>\$ 2,288</u>	<u>\$ 7,320</u>	<u>\$ -</u>	<u>\$ 99,458</u>

**City of Jacksboro, Texas**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2012**

<b>Special Revenue</b>							<b>Total Nonmajor Governmental Funds</b>
<b>Hotel/Motel Tax Fund</b>	<b>Court Technology Fund</b>	<b>Court Security Fund</b>	<b>School Safety Fund</b>	<b>Crossing Guard Fund</b>	<b>Grant Fund</b>		
<b>REVENUES</b>							
Taxes:							
Franchise	\$ 31,760	\$ 2,835	\$ 72	\$ 850	\$ 1,050	\$ -	\$ 31,760
Court fines	-	44	1	4	18	-	4,907
Interest income							229
Intergovernmental							27,450
Total revenues	<u>31,922</u>	<u>2,879</u>	<u>73</u>	<u>854</u>	<u>1,068</u>	<u>27,450</u>	<u>64,246</u>
<b>EXPENDITURES</b>							
Current:							
General government	28,346	19,296	-	-	-	-	28,346
Public safety	-	19,296	-	-	-	-	49,805
Total expenditures	<u>28,346</u>	<u>19,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,576</u>	<u>(16,417)</u>	<u>73</u>	<u>854</u>	<u>1,068</u>	<u>(3,059)</u>	<u>(13,905)</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers in:							
Total other financing sources	-	-	-	-	-	-	8,100
Net change in fund balances	3,576	(16,417)	73	854	1,068	8,100	8,100
Fund balances - beginning	77,086	24,407	336	1,434	6,252	5,041	(5,805)
Fund balances - ending	<u>\$ 80,662</u>	<u>\$ 7,890</u>	<u>\$ 409</u>	<u>\$ 2,288</u>	<u>\$ 7,320</u>	<u>\$ (3,197)</u>	<u>\$ 85,472</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 602,394	\$ 602,394	\$ 612,198	\$ 9,804	
Delinquent taxes	-	-	11,693	11,693	
Penalty and interest	-	-	12,673	12,673	
Interest income	8,000	8,000	1,632	(6,368)	
Miscellaneous	-	-	883	883	
Total revenues	<u>610,394</u>	<u>610,394</u>	<u>639,079</u>	<u>28,685</u>	
<b>EXPENDITURES</b>					
Debt service					
Principal retirement	1,017,268	1,017,268	731,226	286,042	
Interest	323,817	323,817	414,944	(91,127)	
Paying agent fees	4,500	4,500	1,767	2,733	
Total expenditures	<u>1,345,585</u>	<u>1,345,585</u>	<u>1,147,937</u>	<u>197,648</u>	
Deficiency of revenues under expenditures	<u>(735,191)</u>	<u>(735,191)</u>	<u>(508,858)</u>	<u>226,333</u>	
<b>OTHER FINANCING SOURCES</b>					
Transfers in					
Total other financing sources	663,584	663,584	468,733	(194,851)	
Net change in fund balance	663,584	663,584	468,733	(194,851)	
Fund balance - beginning	(71,607)	(71,607)	(40,125)	31,482	
Fund balance - ending	<u>157,961</u>	<u>157,961</u>	<u>168,703</u>	<u>10,742</u>	
	<u>\$ 86,354</u>	<u>\$ 86,354</u>	<u>\$ 128,578</u>	<u>\$ 42,224</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		Variance with Final Budget - Positive (Negative)
	Original	Final			
<b>REVENUES</b>					
Taxes:					
Franchise	\$ 25,000	\$ 25,000		31,760	\$ 6,760
Interest Income	500	500		162	(338)
Total revenues	<u>25,500</u>	<u>25,500</u>		<u>31,922</u>	<u>6,422</u>
<b>EXPENDITURES</b>					
Current:					
General government	20,000	30,000		28,346	1,654
Total expenditures	<u>20,000</u>	<u>30,000</u>		<u>28,346</u>	<u>1,654</u>
Excess of revenues over expenditures	5,500	(4,500)		3,576	8,076
Net change in fund balance	5,500	(4,500)		3,576	8,076
Fund balance - beginning	77,086	77,086		77,086	-
Fund balance - ending	<u>\$ 82,586</u>	<u>\$ 72,586</u>		<u>\$ 80,662</u>	<u>\$ 8,076</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget -</b>	
					<b>Positive</b>	<b>(Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>						
Court fines	\$ 2,500	\$ 2,500	\$ 2,835	\$ 335		
Interest income	150	150	44	(106)		
Total revenues	<u>2,650</u>	<u>2,650</u>	<u>2,879</u>	<u>229</u>		
<b>EXPENDITURES</b>						
Current:						
Public safety	3,200	19,700	19,296	404		
Total expenditures	<u>3,200</u>	<u>19,700</u>	<u>19,296</u>	<u>404</u>		
Excess of revenues over expenditures	<u>(550)</u>	<u>(17,050)</u>	<u>(16,417)</u>	<u>633</u>		
Net change in fund balance						
Fund balance - beginning	(550)	(17,050)	(16,417)	633		
Fund balance - ending	<u>24,286</u>	<u>24,286</u>	<u>24,407</u>	<u>-</u>		
	<b>\$ 23,736</b>	<b>\$ 7,236</b>	<b>\$ 7,990</b>	<b>\$ 633</b>		

**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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>	
					<b>\$</b>	<b>(3)</b>
	<b>Original</b>	<b>Final</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>(4)</b>
<b>REVENUES</b>						
Court fines	\$ 75	\$ 75	\$ 72	\$ 1	\$ (3)	
Interest income	5	5	1		(4)	
Total revenues	<u>80</u>	<u>80</u>	<u>73</u>		<u>(7)</u>	
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	
Total expenditures	-	-	-	-	-	
Excess of revenues over expenditures	<u>80</u>	<u>80</u>	<u>73</u>		<u>(7)</u>	
Net change in fund balance	80	80	73		(7)	
Fund balance - beginning	<u>260</u>	<u>260</u>	<u>336</u>		<u>-</u>	
Fund balance - ending	<u>\$ 340</u>	<u>\$ 340</u>	<u>\$ 409</u>		<u>\$ (7)</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Court fines	\$ 1,000	\$ 1,000	\$ 850	\$ (150)	
Interest income	15	15	4	(11)	
Total revenues	<u>1,015</u>	<u>1,015</u>	<u>854</u>	<u>(161)</u>	
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	
Total expenditures	-	-	-	-	
Excess of revenues over expenditures	<u>1,015</u>	<u>1,015</u>	<u>854</u>	<u>(161)</u>	
Net change in fund balance	1,015	1,015	854	(161)	
Fund balance - beginning	442	442	1,434	-	
Fund balance - ending	<u>\$ 1,457</u>	<u>\$ 1,457</u>	<u>\$ 2,288</u>	<u>\$ (161)</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Court fines	\$ 1,000	\$ 1,000	\$ 1,050	\$ 50	
Interest income	100	100	18	(82)	
Total revenues	<u>1,100</u>	<u>1,100</u>	<u>1,068</u>	<u>(32)</u>	
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	
Total expenditures	-	-	-	-	
Excess of revenues over expenditures	<u>1,100</u>	<u>1,100</u>	<u>1,068</u>	<u>(32)</u>	
Net change in fund balance	1,100	1,100	1,068	(32)	
Fund balance - beginning	<u>5,232</u>	<u>5,232</u>	<u>6,252</u>	<u>-</u>	
Fund balance - ending	<u>\$ 6,332</u>	<u>\$ 6,332</u>	<u>\$ 7,320</u>	<u>\$ (32)</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, 2012**

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Original	Final	
	\$	\$	\$	\$	
<b>REVENUES</b>					
Intergovernmental					
Total revenues	\$ 23,100	\$ 23,100	\$ 27,450	\$ 27,450	\$ 4,350
	<u>23,100</u>	<u>23,100</u>	<u>27,450</u>	<u>27,450</u>	<u>4,350</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	29,817	29,817	30,509	(692)	
Total expenditures	29,817	29,817	30,509	(692)	
Deficiency of revenues under expenditures	(6,717)	(6,717)	(3,059)	3,658	
	<u>(6,717)</u>	<u>(6,717)</u>	<u>(3,059)</u>	<u>3,658</u>	
<b>OTHER FINANCING SOURCES</b>					
Transfers in	8,100	8,100	8,100	-	
Total other financing sources	8,100	8,100	8,100	-	
Net change in fund balance	1,383	1,383	5,041	3,658	
Fund balance - beginning	(830)	(830)	(8,238)	-	
	<u>(830)</u>	<u>(830)</u>	<u>(8,238)</u>	<u>-</u>	
Fund balance - ending	\$ 553	\$ 553	\$ (3,197)	\$ 3,658	
	<u>553</u>	<u>553</u>	<u>(3,197)</u>	<u>3,658</u>	

**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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>
			<b>\$</b>	<b>\$</b>	
	<b>Original</b>	<b>Final</b>	<b>\$</b>	<b>\$</b>	
<b>REVENUES</b>					
Interest Income					
Total revenues					
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
	<b>-</b>	<b>-</b>	<b>838</b>	<b>838</b>	
<b>EXPENDITURES</b>					
Fire administration				391,405	(391,405)
Capital outlay				1,157,606	476,047
Total expenditures				1,549,011	84,642
Deficiency of revenues over under expenditures				(1,548,173)	(1,548,173)
Net change in fund balance					
Fund balance - beginning				1,801,233	-
	<b>\$</b>	<b>1,801,233</b>	<b>\$</b>	<b>1,801,233</b>	
Fund balance - ending					
	<b>\$</b>	<b>167,580</b>	<b>\$</b>	<b>253,060</b>	
	<b>\$</b>	<b>1,801,233</b>	<b>\$</b>	<b>85,480</b>	

**Jacksboro Economic Development Corporation**  
**Balance Sheet**  
**Governmental Fund**  
**September 30, 2012**

**ASSETS**

Cash and cash equivalents	\$ 1,198,706
Receivables (net of allowance for uncollectibles)	50,221
Total assets	<u>1,248,927</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	5,396
Due to primary government	22,373
Total liabilities	<u>27,769</u>

Fund balance:

Unassigned	1,221,158
Total fund balance	<u>1,221,158</u>

Total liabilities and fund balance	<u>\$ 1,248,927</u>
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**Jacksboro Economic Development Corporation**  
**Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets**  
**Governmental Fund**  
**September 30, 2012**

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

Fund balance - governmental fund	\$ 1,221,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	861,878
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(575,000)
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.	<u>(625)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 1,507,411</u></b>

**Jacksboro Economic Development Corporation**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Governmental Fund**  
**For the Year Ended September 30, 2012**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Sales tax	\$ 180,000	\$ 180,000	\$ 285,349	\$ 105,349
Interest income	1,200	1,200	3,778	2,578
Miscellaneous	4,200	4,200	154,311	150,111
<b>Total revenues</b>	<b>185,400</b>	<b>185,400</b>	<b>443,438</b>	<b>258,038</b>
<b>EXPENDITURES</b>				
Current:				
General government	708,994	708,994	195,859	513,135
Debt service:				
Note principal	75,000	75,000	75,000	-
Note interest	19,000	19,000	11,564	7,436
Capital outlay:				
Swimming pool	100,000	100,000	-	100,000
Economic development	-	-	850,000	(850,000)
Total expenditures	<b>902,994</b>	<b>902,994</b>	<b>1,132,423</b>	<b>620,571</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(717,594)</b>	<b>(717,594)</b>	<b>(688,985)</b>	<b>28,609</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from note payable	-	-	425,000	425,000
Proceeds from the sale of capital assets	-	-	529,971	529,971
Total other financing sources	-	-	954,971	954,971
Net change in fund balance	(717,594)	(717,594)	265,986	983,580
Fund balance - beginning	<b>955,172</b>	<b>955,172</b>	<b>955,172</b>	<b>-</b>
Fund balance - ending	<b>\$ 237,578</b>	<b>\$ 237,578</b>	<b>\$ 1,221,158</b>	<b>\$ 983,580</b>

**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, 2012**

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

Net change	\$ 265,986
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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.	850,000
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In the statement of activities, only the loss on the sale of property is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the property sold.	(534,678)
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The issuance of long-term debt (e.g. notes) 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. The net effect of these transactions are as follows:	
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Issuance of long-term debt	\$ (425,000)
Repayment of long-term debt	<u>75,000</u>
	(350,000)

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.	<u>313</u>
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Change in net assets of governmental activities	<u>\$ 231,621</u>
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***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>
<b>Financial Trends</b>	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>	
<b>Revenue Capacity</b>	5 - 9
<i>These schedules contain information to help the reader assess the significant local revenue sources.</i>	
<b>Debt Capacity</b>	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>	
<b>Demographic and Economic Information</b>	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>	
<b>Operating Information</b>	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 NINE FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited)

Table 1

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 435,485	\$ 1,355,078	\$ 2,352,077	\$ 2,757,824	\$ 634,836	\$ 769,804
Restricted	71,057	47,045	199,701	289,988	432,792	288,133
Unrestricted			325,374	275,855	467,208	428,448
<b>Total governmental activities net assets</b>	<b>\$ 217,899</b>	<b>\$ 517,951</b>				
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 5,873,910	\$ 5,927,370	\$ 5,849,096	\$ 5,633,731	\$ 5,294,376	\$ 5,598,629
Unrestricted	610,299	507,673	423,798	220,212	599,622	517,272
<b>Total business-type activities net assets</b>	<b>\$ 6,184,209</b>	<b>\$ 6,435,043</b>				
<b>Primary Government</b>						
Invested in capital assets, net of related debt	\$ 6,309,395	\$ 7,282,448	\$ 8,201,173	\$ 8,391,556	\$ 5,929,212	\$ 6,368,433
Restricted	71,057	47,045	199,701	289,988	432,792	288,133
Unrestricted			1,025,624	749,172	486,067	1,066,830
<b>Total primary government net assets</b>	<b>\$ 7,208,650</b>	<b>\$ 8,355,117</b>				

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 NINE FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited)

Table 2

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Expenses</b>						
Governmental activities:						
Legislative	\$ 27,709	\$ 37,779	\$ 48,025	\$ 42,935	\$ 31,869	\$ 32,305
General government	451,636	641,265	900,649	696,107	787,637	901,048
Public safety	852,676	907,425	1,046,882	1,107,883	1,284,841	1,249,648
Streets	205,111	288,687	260,105	251,085	307,501	537,893
Culture and recreation	396,440	403,672	469,345	463,105	510,059	452,765
Interest on long term debt	324,441	332,645	329,195	1,013,505	468,532	469,985
Total governmental activities expenses	<u>2,258,013</u>	<u>2,611,473</u>	<u>3,054,201</u>	<u>3,574,620</u>	<u>3,390,439</u>	<u>3,643,644</u>
Business-type activities:						
Water and sewer	1,033,292	1,000,011	1,098,356	1,271,521	1,368,723	1,390,890
Sanitation	494,562	394,975	406,103	415,594	456,241	514,195
Total business-type activities expenses	<u>1,527,854</u>	<u>1,394,966</u>	<u>1,504,459</u>	<u>1,687,115</u>	<u>1,824,964</u>	<u>1,905,085</u>
Total primary government expenses	<u>3,785,867</u>	<u>4,006,459</u>	<u>4,568,660</u>	<u>5,261,735</u>	<u>5,215,403</u>	<u>5,548,729</u>
<b>Program Revenues</b>						
Governmental activities:						
Fees, fines, and charges for services:						
General government and administration	(326)					
General government and administration	225,279	221,221	196,127	170,062	227,849	152,703
Public safety	-	-	15	-	-	111,657
Streets	-	-	-	-	-	127,553
Cultural and recreational	39,986	56,681	65,581	42,658	35,016	20,753
Operating grants and contributions	115,023	142,826	80,957	52,302	124,871	59,549
Capital grants and contributions	10,400	41,815	72,351	8,707	94,292	199,827
Total governmental activities program revenues	<u>390,362</u>	<u>462,543</u>	<u>430,532</u>	<u>366,541</u>	<u>536,024</u>	<u>496,295</u>
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
Sanitation	392,744	381,384	403,158	422,358	492,157	571,945
Operating grants and contributions	-	17,800	-	-	-	-
Capital grants and contributions	91,472	173,881	57,876	57,022	318,766	76,899
Total business-type activities program revenues	<u>2,286,611</u>	<u>2,490,332</u>	<u>2,440,146</u>	<u>2,339,838</u>	<u>2,669,495</u>	<u>2,699,456</u>
Total primary government program revenues	<u>2,676,973</u>	<u>2,952,875</u>	<u>2,870,678</u>	<u>2,705,379</u>	<u>3,205,519</u>	<u>3,195,751</u>

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

Table 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (Expense) Revenue</b>									
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)	(3,729,268)
Business-type Activities	1,095,346	935,687	652,723	844,531	794,371	718,050	908,373	726,129	
<b>Total Primary government net expense</b>	<u>758,757</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>	<u>(3,003,139)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
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	1,262,270
Sales	699,218	950,437	1,137,586	1,123,789	1,140,405	948,050	717,274	914,071	879,398
Franchise fees	376,037	339,539	384,311	376,255	360,996	383,047	353,473	384,189	370,339
Investment earnings	15,189	50,547	47,558	80,179	43,073	11,054	4,679	4,362	3,461
Loss on sale/retirement of capital asset	-	-	-	-	(6,116)	-	-	-	-
Miscellaneous	5,666	36,833	10,584	76,929	40,226	108,142	51,013	7,953	36,401
Transfers	799,533	1,156,626	1,121,797	1,148,853	824,247	576,594	818,732	866,374	818,733
<b>Total Governmental Activities</b>	<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>	<u>3,370,602</u>
Business-type Activities:									
Investment earnings	767	2,433	17,119	80,915	15,120	6,300	2,859	1,692	2,106
Gain (loss) on sale/retirement of capital assets	72,830	-	-	-	(2,174)	-	-	-	-
Miscellaneous	17,968	9,680	6,843	(3,727)	4,650	-	1,795	14,394	7,786
Transfers	(799,533)	(1,156,626)	(1,121,797)	(1,148,853)	(824,247)	(576,594)	(818,732)	(866,374)	(818,733)
<b>Total Business-type Activities</b>	<u>(707,968)</u>	<u>(1,144,513)</u>	<u>(1,097,835)</u>	<u>(1,077,675)</u>	<u>(804,477)</u>	<u>(572,498)</u>	<u>(814,078)</u>	<u>(850,286)</u>	<u>(808,841)</u>
<b>Total Primary Government</b>	<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>	<u>2,561,761</u>
<b>Change in Net Assets</b>									
Governmental Activities	883,470	1,236,872	957,078	446,516	628,104	(48,451)	662,595	407,818	(358,666)
Business-type Activities	50,790	(49,166)	(162,148)	(418,982)	40,054	221,903	(96,028)	58,085	(82,712)
<b>Total Primary Government</b>	<u>\$ 934,260</u>	<u>\$ 1,187,706</u>	<u>\$ 794,930</u>	<u>\$ 27,564</u>	<u>\$ 668,158</u>	<u>\$ 173,452</u>	<u>\$ 566,567</u>	<u>\$ 465,903</u>	<u>\$ (441,378)</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  
FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(Unaudited)

Table 3

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Fiscal Year
											2003
General Fund	\$ -	\$ -	\$ 260,503	\$ 22,721	\$ 402	\$ 402	\$ 402	\$ 402	\$ 2,803	\$ 2,806	
Restricted											
Unassigned	\$ (153,624)	\$ 105,852	\$ 9,284	\$ 192,242	\$ 290,249	\$ 304,539	\$ 309,978	\$ 225,823	\$ 321,196	\$ 159,196	
Total general fund	\$ (153,624)	\$ 105,852	\$ 269,787	\$ 214,963	\$ 290,651	\$ 304,941	\$ 310,380	\$ 226,225	\$ 323,993	\$ 162,002	
All Other Governmental Funds											
Restricted, reported in											
Debt Service Fund	\$ 22,582	\$ 68,674	\$ 117,508	\$ 176,980	\$ 216,639	\$ 275,466	\$ 147,402	\$ 186,270	\$ 166,703	\$ 128,578	
Special revenue funds	65,570	79,132	72,251	78,355	117,926	157,326	138,338	100,438	109,515	98,689	
Capital funds	-	753,979	13,483	463,456	12,484	739,651	253,562	173,537	1,801,233	253,060	
Unassigned, reported in special revenue funds	-	-	-	-	-	-	-	-	-	-	
Total all other governmental funds	\$ 88,152	\$ 901,785	\$ 203,242	\$ 748,791	\$ 346,949	\$ 1,172,443	\$ 539,302	\$ 460,245	\$ 2,071,213	\$ 477,110	

Source: 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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES:</b>										
Taxes:										
Ad valorem	\$ -	\$ 852,352	\$ 852,514	\$ 893,642	\$ 840,345	\$ 1,091,762	\$ 1,035,894	\$ 1,258,649	\$ 1,238,815	\$ 1,244,372
Sales	1,495,460	700,597	950,437	1,137,586	1,123,789	1,140,405	940,050	717,274	914,071	879,398
Franchise fees										
Charges for services	376,036	-	339,539	384,311	376,255	360,986	381,946	353,473	384,189	370,339
Licenses and permits	53,684	1,716	3,450	1,840	2,845	2,460	1,635	1,707	1,930	2,034
Recreation fees	-	17,125	11,853	15,501	84,812	53,986	63,263	63,608	29,095	10,020
Court fines	149,554	206,112	142,845	174,893	182,369	138,306	138,546	111,657	122,754	24,414
Rentals	4,431	7,900	4,800	4,100	3,706	3,900	3,690	2,015	1,200	1,200
Donations	-	50,196	67,473	62,638	27,593	40,475	35,845	513,095	27,955	31,693
Intergovernmental	28,724	35,887	112,368	69,851	30,495	174,788	223,531	27,312	14,572	27,450
Investment earnings	7,986	15,188	50,547	47,558	80,179	43,073	11,054	4,679	4,362	3,461
Miscellaneous	35,017	5,687	36,933	10,564	525,258	40,226	108,142	43,666	7,953	36,401
<b>Total Revenues</b>	<b>1,774,866</b>	<b>2,318,862</b>	<b>2,629,095</b>	<b>2,868,065</b>	<b>3,125,422</b>	<b>3,320,304</b>	<b>2,973,449</b>	<b>3,127,396</b>	<b>2,773,887</b>	<b>2,772,539</b>
<b>EXPENDITURES:</b>										
Legislative	34,246	27,709	37,779	48,025	42,935	31,869	32,305	31,067	36,411	47,468
General government and administration	401,179	442,625	631,404	875,616	696,440	780,146	881,146	684,208	812,353	855,788
Public safety	636,828	824,162	920,456	1,036,994	1,114,989	1,221,987	1,134,758	1,052,559	1,064,481	1,470,046
Strals	155,673	265,850	291,706	481,199	270,711	228,829	448,763	263,086	232,882	372,509
Cultural and recreational	165,756	221,200	448,135	269,079	260,047	301,706	232,969	230,575	215,819	162,318
Capital outlay	89,213	19,951	723,453	13,575	490,570	863,939	339,690	537,182	478,815	1,287,086
Debt Service:										
Principal repayment	850,811	855,000	895,000	950,918	1,056,375	1,039,442	614,375	673,342	715,239	757,530
Interest and fiscal charges	370,467	321,321	337,471	285,587	631,895	241,987	534,392	437,321	411,212	419,374
<b>Total expenditures</b>	<b>2,704,173</b>	<b>2,958,818</b>	<b>4,285,306</b>	<b>4,000,933</b>	<b>4,765,322</b>	<b>4,705,885</b>	<b>4,216,398</b>	<b>4,109,310</b>	<b>3,967,192</b>	<b>5,382,219</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>										
(929,307)	(619,956)	(1,656,311)	(1,132,928)	(1,445,017)	(1,584,461)	(1,244,948)	(981,944)	(1,193,305)	(2,609,680)	
<b>OTHER FINANCING SOURCES (USES):</b>										
Bonds issued	-	773,000	-	455,000	-	1,600,000	2,685,000	-	2,060,000	-
Bond issue costs	-	(21,450)	-	(8,645)	-	-	(2,594,346)	-	(24,327)	-
Refunded bonds redeemed	-	-	-	-	-	-	-	-	-	-
Lease purchase proceeds	60,101	42,262	31,817	1,121,797	1,148,863	832,565	576,594	818,732	866,374	34,847
Transfers in	60,120	79,533	1,155,826	-	(8,718)	-	-	-	-	818,732
Transfers out										
Total Other Financing Sources (Uses)	661,301	1,553,345	1,189,443	1,568,152	1,148,863	2,424,247	617,248	818,732	2,902,047	855,580
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (268,006)</b>	<b>\$ 973,391</b>	<b>\$ (467,868)</b>	<b>\$ 435,227</b>	<b>\$ (296,154)</b>	<b>\$ 839,785</b>	<b>\$ (627,700)</b>	<b>\$ (163,211)</b>	<b>\$ 1,708,742</b>	<b>\$ (1,755,100)</b>
Dabit service as a percentage of noncapital expenditures	46.7%	40.3%	34.6%	32.0%	44.2%	33.3%	29.6%	31.1%	32.3%	28.7%

Note: Prior to 2004, Taxes, licenses, permits and fees were grouped together.

Source: 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			
2003	108,573,630	13,534,410	36,324,920	85,783,120	0.983800
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	0.813800
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
2012	155,829,680	20,217,390	59,414,980	116,632,090	1.180000

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		Total	Jack County	Jack County Special	Jacksboro ISD	Community Hospital	Faith Hospital	Jack WCID #1
	Operating/ General Rate	Obligation Debt Service							
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	0.2450000	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	
2012	0.591800	0.588200	1.180000	0.332809	0.086094	1.500000	0.315000	0.011584	

Source: Jack County Appraisal District

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

Table 7

Taxpayer	2012			2003		
	Taxable Assessed Value	Assessed Value <sup>a</sup>	Percentage of Total City Taxable Assesssd	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assesssd
Bell Tublers	\$ 4,580,740	4,21	%	Greystone Park LP	\$ 3,602,000	3.31 %
Hurd Oilfield Service	4,540,740	4.17		Jacksboro National Bank	1,665,410	1.53
Jacksboro National Bank	2,099,680	1.93		First National Bank - Jacksboro	1,468,970	1.35
Oncor Electric Delivery Co.	1,878,110	1.73		Diamond Food Markets, Inc.	1,310,890	1.20
Geer Tank Trucks, Inc.	1,276,610	1.17		Geer Tank Trucks Inc.	1,003,970	0.92
Jacksboro Assisted Living, Inc.	1,026,820	0.94		Senior Living Properties LLC	933,440	0.86
Swan Production LP	981,940	0.90		Mesquite Trails LP	872,010	0.80
Jacksboro Pump & Specialty	900,680	0.83		Halliburton Energy Services	854,070	0.78
First National Bank - Jacksboro	843,380	0.78		Jerry Craft	829,460	0.76
Double K Well Svc. LP	774,160	0.71		Jacksboro Apartments LTD	720,450	0.66
<b>Total</b>	<b>\$ 18,902,860</b>	<b>17.37</b>	<b>%</b>	<b>Total</b>	<b>\$ 13,260,670</b>	<b>12.17</b>

Source: Jack County Appraisal District

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

Table 8

Fiscal Year	Taxes Levied 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 %	\$ 22,415	\$ 838,627	99.81 %
2004/05	849,100	(2,586)	846,514	810,919	95.80	33,221	844,140	99.72
2005/06	851,421	(4,861)	846,560	821,713	97.06	22,199	843,912	99.69
2006/07	836,630	(677)	835,965	799,886	95.68	32,113	831,999	99.53
2007/08	1,055,975	(453)	1,055,522	1,032,756	97.84	17,533	1,050,289	99.50
2008/09	1,031,982	(7,401)	1,030,195	949,033	92.12	72,525	1,021,558	99.16
2009/10	1,263,697	(886)	1,262,811	1,227,986	97.24	24,443	1,252,429	99.18
2010/11	1,226,926	(1,030)	1,225,896	1,190,721	97.13	39,799	1,230,520	100.38
2011/12	1,240,093	(1,443)	1,238,650	1,194,435	96.43	14,522	1,208,957	97.60

Source: Jack County Appraisal District

Note: Fiscal year 2002/03 data not available at time of this publication.

CITY OF JACKSBORO, TEXAS  
 WATER AND SEWER SALES REVENUE LAST EIGHT FISCAL YEARS  
 Last Nine 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
2011/12	1,495,579	898,046	553,486

Source: City records

Note: Fiscal year 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 <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Certificates of Obligation	Capital Leases	Total			
2003	\$ 3,700,000.00	\$3,894,013.00	\$	\$ 232,357	\$ 262,000	\$ 38,989	\$ 7,594,013.00	0.01 %	1,684
2004	3,085,000	4,427,013					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	
2012	3,425,000	4,543,742	49,227	1,935,000	15,833	9,345,079	NA	1,988	

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

<sup>a</sup>See 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 <sup>a</sup>		
	General Obligation Bonds	Certificates of Obligations		Total	Property <sup>a</sup>	Per Capita <sup>b</sup>
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
2012	3,425,000	4,543,742	7,968,742	6.83		1,767

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

<sup>a</sup>See Table 5 for property value data.

<sup>b</sup>See Table 12 for population data.

CITY OF JACKSBORO, TEXAS  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 As of September 30, 2012  
 (Unaudited)

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>a</sup>	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Jack County	\$ 5,750,000	15.78%	\$ 907,350
Jacksboro Independent School District	44,984,632	23.33%	<u>10,494,915</u>
Subtotal, overlapping debt			
			11,402,265
<b>City of Jacksboro (direct debt)</b>	<b>7,968,742</b>	<b>100.00%</b>	<u><b>7,968,742</b></u>
<b>Total direct and overlapping debt</b>			
			<u><b>\$ 19,371,007</b></u>

Source: Debt outstanding data provided by each governmental unit.

<sup>a</sup> 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
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%
2012	4,511	NA	NA	*	953	5.0%

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

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

Table 14

<u>Employer</u>	<u>Employees</u>	2012		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%	Merger 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%
<b>Total</b>	<b>785</b>	<b>20.38%</b>		<b>777</b>	<b>20.17%</b>

**Source:** Oncor Economic Development Department

**Note:** 2003-2004 data not available at the time of this publication.

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

Table 15

Function/Program	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011	2012
General Government and Administration	10.00	10.00	10.00	12.00	12.00	10.25	10.25	10.25	10.25	11.00
Public Safety	14.00	14.00	17.00	18.00	18.50	18.50	14.00	14.00	15.00	12.00
Culture and Recreational	2.25	2.25	5.50	5.50	4.50	4.50	3.00	3.00	3.00	2.00
Street Maintenance	4.00	4.00	5.00	5.00	3.00	3.00	3.00	3.50	3.50	3.00
Water and Sewer	12.50	12.50	12.50	12.50	15.00	15.00	15.00	15.00	15.00	9.00
<b>Total</b>	<b>42.75</b>	<b>42.75</b>	<b>50.00</b>	<b>51.00</b>	<b>53.00</b>	<b>53.00</b>	<b>45.25</b>	<b>45.75</b>	<b>46.75</b>	<b>37.00</b>

Source: City Budget Office

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

Table 16

Function/Program	2003	2004	2005	2006	2007	Fiscal Year	2008	2009	2010	2011	2012
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Administration											
Council directed programs	6	5	5	5	5	6	6	6	5	5	
Council meetings	24	26	20	20	35	33	36	36	36	35	
Proclamations, ordinances, resolutions	60	50	32	35	47	52	40	48	46	25	
Positions filled	5	5	5	5	8	14	11	8	4	5	
GFOA CAFR Award	-	-	1	1	1	1	1	1	1	Pending	
GFOA Distinguished Budget Award	-	-	-	1	1	1	1	1	1	1	
Public Safety											
Municipal court	1,227	2,000	1,679	1,763	1,818	1,148	943	909	1,025	938	
New cases filed	295	400	374	349	245	350	387	128	208	731	
Warrants cleared											
Police											
Number of employees	9	9	10	10	10	10	10	10	10	10	
Calls for service	5,000	4,900	3,501	6,200	3,941	4,300	3,954	3,786	3,918	3,564	
Fire											
Number of employees	0	0	1	2	2	2	2	2	3	3	
Number of fire runs	200	125	200	250	286	350	365	286	331	294	
Animal Control											
Calls for service	2,000	2,000	607	1,200	990	1,300	1,250	1,016	1,200	1,114	
Animals impounded	450	600	232	1,560	875	292	275	223	254	231	
Citations issued	150	100	137	312	205	60	45	33	55	55	
Development Services											
Building permits	100	150	110	172	122	150	125	125	177	177	
Cultural and Recreational											
Parks and Recreation											
Aquatics daily admissions	2,500	2,500	2,200	2,200	0	0	0	0	0	0	
Athletics/ recreation participants	800	750	800	925	700	350	200	200	110	108	
Activity center memberships	300	300	225	250	300	300	250	250	286	268	
Park acreage maintained	49	88	88	88	89	93	93	93	93	93	
Water and Sewer											
Number of water consumers	1,633	1,600	1,600	1,650	1,700	1,700	1,625	1,625	1,576	1,549	
Treated water (million gallons per year)	219	250	207	225	255	255	255	255	255	255	
Treated effluent water (million gallons per year)	NA	NA	135	140	125	125	125	125	125	125	
Source:	City Departments										

## *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, 2012, which collectively comprise the City of Jacksboro, Texas' basic financial statements and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

Management of City of Jacksboro, Texas, is responsible for establishing and maintaining effective 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 over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies in internal control over financial reporting (2012-1). 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 March 28, 2013.

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  
March 28, 2013

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

**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 2012-1**

*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.