



**CITY OF JACKSBORO, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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**Prepared By**

**The Department of Finance**

**Debbie Goodner  
Finance Manager**

# CITY OF JACKSBORO, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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# CITY OF JACKSBORO, TEXAS

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## *INTRODUCTORY SECTION*



April 22, 2014

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, 2013, 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, 2013, 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, 2013, 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 4,491. 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 have experienced an increase in the oil and gas exploration activities that have been a benefit to the City in the past. Consequently, this increase and the current state of the economy have caused us to see an increase in Sales tax revenues.

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 an increase in property values the property tax rate remains unchanged at \$1.180 per one hundred dollars of assessed valuation. The 2013 certified taxable value of real and personal property is \$116,886,890. This is a 0.22% increase to the 2012 tax year value of \$116,632,090.

## **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, 2012.

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

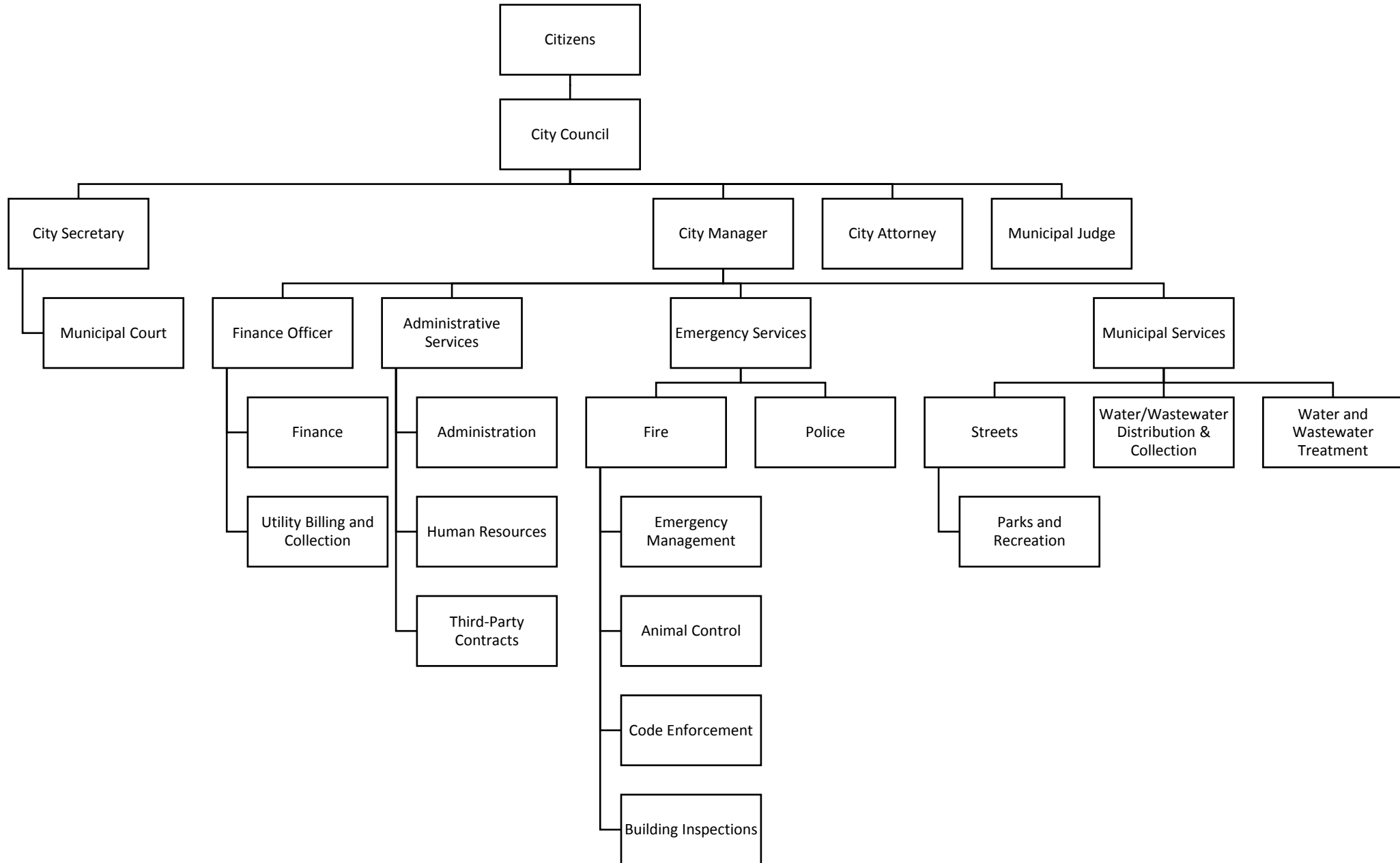
**City of Jacksboro  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# City of Jacksboro Organizational Chart



City of Jacksboro, Texas  
Principal Officials

Elected Officials

Lewis James.....	Mayor
Juan Salazar .....	Mayor Pro-Tem
Ken Joslin.....	Alderman
J.W. Lindsey.....	Alderman
Alton Morris .....	Alderman
Joe Mitchell .....	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*





City Council  
City of Jacksboro, Texas  
Jacksboro, Texas

## **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jacksboro, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Texas Municipal Retirement System Schedule of Funding Progress on pages 11 through 19 and page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

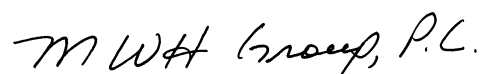
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksboro, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014, 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* in considering City of Jacksboro, Texas' internal control over financial reporting and compliance.



MWH GROUP, P.C.

Wichita Falls, Texas  
April 30, 2014



## 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, 2013.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,977,685 (net position). Of this amount \$953,197 (unrestricted net position) may be used to meet the City's obligations.
- Net position increased \$874,973. This increase in net position is attributed to: 1) capital contributions of \$490,000 for pool improvements, 2) increased revenues for sales tax collections, and 3) expenditures less than budgeted in the General Fund.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$459,365, a decrease of \$179,747 in comparison with the prior year. The decrease is primarily due to expenditures for pool improvements.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$213,131, or 8.3% percent of total general fund expenditures.
- The City of Jacksboro's total outstanding bonds payable decreased by \$788,742 in the governmental activities and \$95,000 in the business-type activities because no new debt was issued during the current fiscal year and required debt payments were made on time.

### 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,977,685 at the close of the most recent fiscal year.

The largest portion (86.6%) of the City's net position reflects its net 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 position as of September 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
Current and other assets	\$ 780,146	\$ 1,083,063	\$ 1,197,237	\$ 1,606,379	\$ 1,977,383	\$ 2,689,442
Capital assets, net of accumulated depreciation	9,690,119	9,418,572	6,719,449	6,490,087	16,409,568	15,908,659
Total assets	10,470,265	10,501,635	7,916,686	8,096,466	18,386,951	18,598,101
Current liabilities	112,492	265,194	165,156	173,148	277,648	438,342
Long-term liabilities outstanding	7,264,585	8,084,407	1,867,033	1,972,640	9,131,618	10,057,047
Total liabilities	7,377,077	8,349,601	2,032,189	2,145,788	9,409,266	10,495,389
Net assets						
Net investment in capital assets	2,526,939	1,429,240	5,245,700	5,513,950	7,772,639	6,943,190
Restricted net assets						
Capital projects	64,208	227,229	-	-	64,208	227,229
Debt service	151,453	130,499	-	-	151,453	130,499
Specific purposes	36,188	99,458	-	-	36,188	99,458
Unrestricted	314,400	265,608	638,797	436,728	953,197	702,336
Total net assets	\$ 3,093,188	\$ 2,152,034	\$ 5,884,497	\$ 5,950,678	\$ 8,977,685	\$ 8,102,712

\* Net position of the 2012 governmental and business-type activities has been restated. (see note 4.G)

An additional portion of the City's net position (2.8%) represents resources that are subject to external restrictions on how they may be used.

## Governmental Activities

Governmental activities increased net position by \$941,154, and business-type activities decreased net position by \$66,181, for a total increase in net position of \$874,973. The key elements of this City wide increase are shown in the following table:

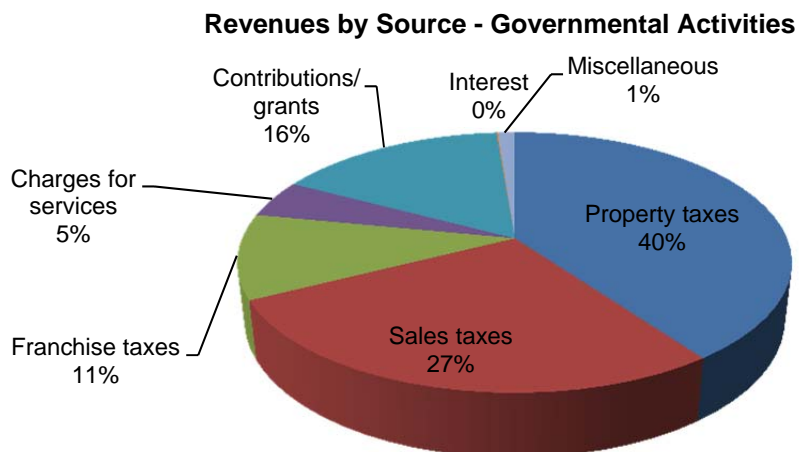
	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
Revenues:						
Program revenues						
Charges for services	\$ 163,492	\$ 89,523	\$ 3,237,058	\$ 3,079,731	\$ 3,400,550	\$ 3,169,254
Operating grants and contributions	66,111	59,143	-	-	66,111	59,143
Capital grants and contributions	490,000	-	-	16,471	490,000	16,471
General revenues						
Property taxes	1,395,287	1,262,270	-	-	1,395,287	1,262,270
Sales taxes	959,232	879,398	-	-	959,232	879,398
Franchise taxes	368,177	370,339	-	-	368,177	370,339
Interest	3,006	3,461	2,426	2,106	5,432	5,567
Miscellaneous	41,747	36,401	21,922	7,786	63,669	44,187
Total revenues	3,487,052	2,700,535	3,261,406	3,106,094	6,748,458	5,806,629
Expenses:						
Legislative	22,255	47,468	-	-	22,255	47,468
General government	1,013,319	924,629	-	-	1,013,319	924,629
Public safety	1,221,844	1,683,647	-	-	1,221,844	1,683,647
Streets	367,827	432,540	-	-	367,827	432,540
Culture and recreation	439,893	375,718	-	-	439,893	375,718
Interest on debt service	357,818	409,610	-	-	357,818	409,610
Water and sewer utilities	-	-	2,450,529	2,366,898	2,450,529	2,366,898
Total expenses	3,422,956	3,873,612	2,450,529	2,366,898	5,873,485	6,240,510
Increase (decrease) in net assets before transfers	64,096	(1,173,077)	810,877	739,196	874,973	(433,881)
Net transfers	877,058	818,733	(877,058)	(818,733)	-	-
Increase (decrease) in net assets	941,154	(354,344)	(66,181)	(79,537)	874,973	(433,881)
Net assets - beginning	2,152,034	2,506,378	5,950,678	6,030,215	8,102,712	8,536,593
Net assets - ending	\$ 3,093,188	\$ 2,152,034	\$ 5,884,497	\$ 5,950,678	\$ 8,977,685	\$ 8,102,712

\* Net position of the 2012 governmental and business-type activities has been restated. (see note 4.G)

The \$874,973 increase in net position for the City is represented by the degree in which ongoing revenues exceeded expenses. The key factors of the increase in net position (before transfers) of the governmental activities were capital contributions and increased sales taxes. The key factors in the decrease in net position of the business-type activities was due to increased depreciation expenses from infrastructure improvements.

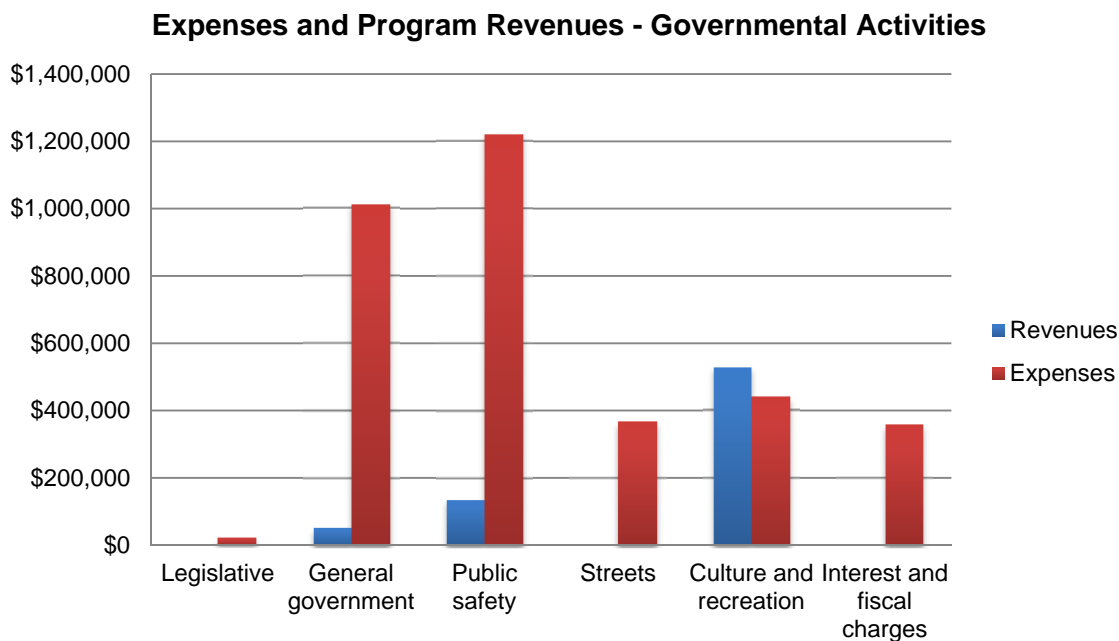
### Revenues by source – governmental activities

Property taxes, sales taxes, franchise taxes, and charges for services provide 83% of the revenues for the governmental activities. The chart below provides a graphic representation of the City's revenues by source:



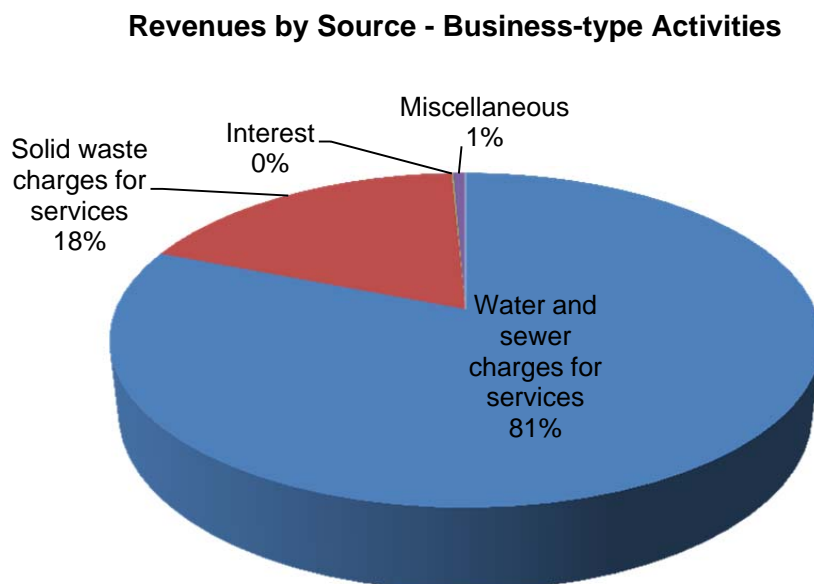
### *Expenses and program revenues – governmental activities*

Public safety, general government, and streets make up 76% 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.



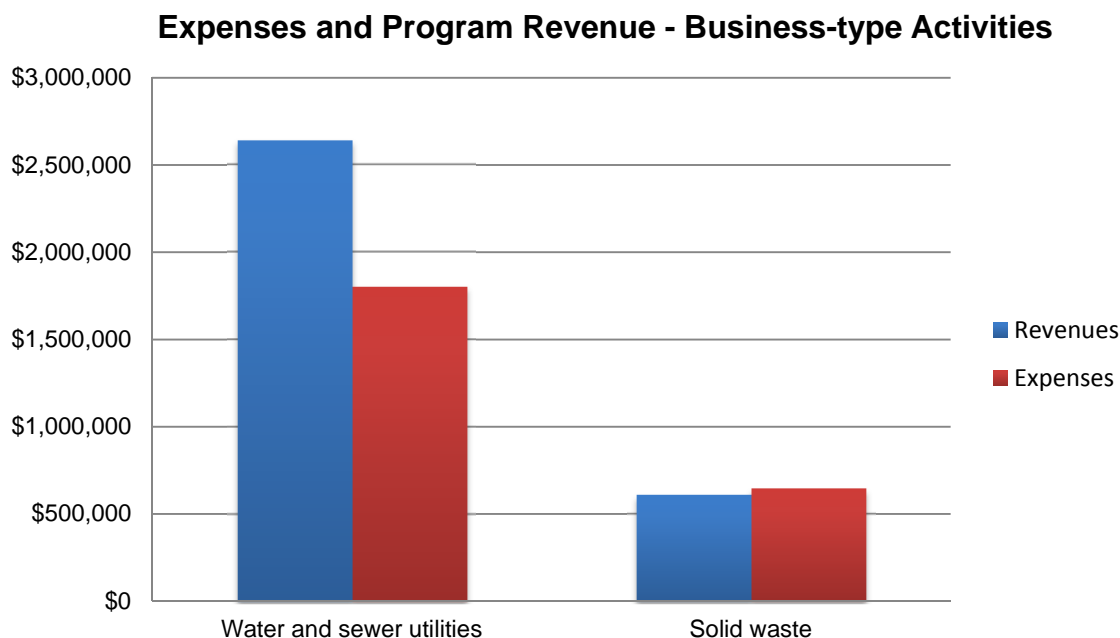
### *Revenues by source – business-type activities*

Water, sewer, and solid waste charges for services account for 99% of the revenue for business-type activities. This is comparable to 2012 income. The following chart provides a breakdown of all business-type revenues by source.



### *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 74% of operating expenses, and solid waste makes up the remaining 26%. 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 \$459,365, a decrease of \$179,747 in comparison with the prior year. Approximately 46% of this total amount, \$213,131, 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 \$133,562, 2) tourism \$12,393, 3) court technology \$7,299, 4) court security \$482, 5) school safety \$3,568, 6) crossing guard fund \$8,696, 7) capital projects \$79,931, and 8) other \$2,808.

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 \$213,131. 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 8.3% of total general fund expenditures.

The fund balance of the general fund increased \$53,937 during the current fiscal year. Key factors and significant items included in this increase are as follows:

- Sales tax revenues in the general fund increased by \$79,834 over the previous year.



- Overall actual expenditures were less than budget.
- Transfers out from the General Fund to the Grant Fund \$8,100 and to the Capital Projects Fund \$3,732.

The debt service fund has a total fund balance of \$133,562, all of which is restricted for the payment of debt service. Debt service payments were made when due. After transfers in from the utility fund, the net increase in fund balance during the current year in the debt service fund was \$4,984.

The capital projects fund has a total fund balance of \$79,931, which is restricted for capital expenditures. The net decrease in 2013 was \$173,129, due to pool improvements that were partially funded by capital contributions.

#### *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 position of the water and sewer fund at the end of the current fiscal year amounted to \$638,797. Net position decreased \$66,181 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 \$140,799 higher than the City's budgeted projections, and expenditures were less than the final budget by \$133,109. The positive revenue variance was primarily due to higher than anticipated sales tax revenues and increased participation at the Activity Center. The positive expenditure variance was primarily due to lower than anticipated costs in several areas including legal, contingency account in administration, personnel and debt payments on street department equipment.

### **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, 2013 amounts to \$16,409,568 (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.

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 289,178	\$ 289,178	\$ -	\$ -	\$ 289,178	\$ 289,178
Construction in progress	-	-	10,205	10,205	10,205	10,205
Buildings and improvements	2,922,147	2,400,997	-	-	2,922,147	2,400,997
Lost Creek Dam & Reservoir	5,190,522	5,357,959	-	-	5,190,522	5,357,959
Streets	642,166	692,456	-	-	642,166	692,456
Water and sewer system	-	-	6,386,679	6,200,451	6,386,679	6,200,451
Furniture and fixtures	-	-	5,237	-	5,237	-
Machinery & equipment	646,106	677,982	317,328	279,431	963,434	957,413
<b>Total</b>	<b>\$ 9,690,119</b>	<b>\$ 9,418,572</b>	<b>\$ 6,719,449</b>	<b>\$ 6,490,087</b>	<b>\$ 16,409,568</b>	<b>\$ 15,908,659</b>

### *Long-term Liabilities*

At the end of the 2013 fiscal year, the City had total long-term liabilities of \$9,131,618.

**TABLE IV  
CITY OF JACKSBORO OUTSTANDING LONG TERM LIABILITIES**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Bonds payable	\$ 7,180,000	\$ 7,968,742	\$ 1,840,000	\$ 1,935,000	\$ 9,020,000	\$ 9,903,742
Capital leases payable	1,711	49,227	-	15,833	1,711	65,060
Compensated absences	82,874	66,438	27,033	21,807	109,907	88,245
Total	<u>\$ 7,264,585</u>	<u>\$ 8,084,407</u>	<u>\$ 1,867,033</u>	<u>\$ 1,972,640</u>	<u>\$ 9,131,618</u>	<u>\$ 10,057,047</u>

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

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

- The 2013 appraised net taxable value used for the FY 2013-14 budget preparation was \$116,886,890, which is a 0.22% increase over the 2012 appraised net taxable value of \$116,632,090.
- The FY 2013-14 overall property tax rate remained unchanged from the prior fiscal year at \$1.180 per one hundred dollars of assessed valuation.
- The FY 2013-14 adopted general operating fund budget decreases expenditures by 5% compared to the final FY 2012-13 actual amount, from \$2,672,839 actual in FY 2012-13 to a budgeted \$2,539,240 in FY 2013-14.
- The budgeted transfer-in to the general fund from the utility fund decreased from \$410,000 in FY 2012-13 to a budgeted \$400,000 in FY 2013-14.

These indicators were taken into account when adopting the FY 2013-14 general fund budget. Beginning actual fund balance available for appropriation in the FY 2013-14 general fund budget is \$215,939. In total, the City's adopted FY 2013-14 general fund budget is projected to increase the ending fund balance by \$13,460.

### **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 \$1,637,982 September 30, 2013.
- Net position increased by \$130,571 in comparison with the prior year due to land sale proceeds of \$323,493.

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

	Governmental Activities	
	2013	2012*
Current and other assets	\$ 2,226,035	\$ 2,098,927
Capital assets, net of accumulated depreciation	25,000	11,878
Total assets	<u>2,251,035</u>	<u>2,110,805</u>
Current liabilities	198,053	28,394
Long-term liabilities outstanding	415,000	575,000
Total liabilities	<u>613,053</u>	<u>603,394</u>
Net assets		
Invested in capital assets, net of related debt	25,000	11,878
Unrestricted	<u>1,612,982</u>	<u>1,495,533</u>
Total net assets	<u>\$ 1,637,982</u>	<u>\$ 1,507,411</u>

\* Certain asset balances have been reclassified to conform with current year presentation. (see note 4.E)

### 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 Position**  
**September 30, 2013**

	Primary Government			
	Governmental	Business-type	Total	Component Unit
	Activities	Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,511	\$ 373,849	\$ 375,360	\$ 1,182,961
Receivables (net of allowance for uncollectibles)	533,202	452,945	986,147	78,000
Property held for sale	-	-	-	965,074
Internal balances	55,768	(55,768)	-	-
Restricted assets:				
Cash and cash equivalents	189,665	426,211	615,876	-
Capital assets not being depreciated:				
Land	289,178	-	289,178	15,000
Construction in progress	-	10,205	10,205	-
Capital assets:				
Buildings and improvements	4,318,739	-	4,318,739	10,000
Streets	1,005,762	-	1,005,762	-
Lost Creek Dam and Reservoir	8,355,568	-	8,355,568	-
Water and sewer system	-	11,620,355	11,620,355	-
Machinery and equipment	1,775,960	764,475	2,540,435	-
Furniture and fixtures	3,767	50,436	54,203	-
Accumulated depreciation	(6,058,855)	(5,726,022)	(11,784,877)	-
Total assets	<u>10,470,265</u>	<u>7,916,686</u>	<u>18,386,951</u>	<u>2,251,035</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	57,215	97,120	154,335	194,907
Wages payable	16,339	8,076	24,415	-
Accrued interest payable	38,938	11,635	50,573	3,146
Customer deposits	-	48,325	48,325	-
Non-current liabilities				
Due within one year	791,270	124,385	915,655	160,000
Due in more than one year	6,473,315	1,742,648	8,215,963	255,000
Total liabilities	<u>7,377,077</u>	<u>2,032,189</u>	<u>9,409,266</u>	<u>613,053</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,526,939	5,245,700	7,772,639	25,000
Restricted for capital projects	64,208	-	64,208	-
Restricted for debt service	151,453	-	151,453	-
Restricted for tourism	12,393	-	12,393	-
Restricted for technology	7,299	-	7,299	-
Restricted for security and safety	12,746	-	12,746	-
Restricted for purposes of grantors	3,750	-	3,750	-
Unrestricted	314,400	638,797	953,197	1,612,982
Total net position	<u>\$ 3,093,188</u>	<u>\$ 5,884,497</u>	<u>\$ 8,977,685</u>	<u>\$ 1,637,982</u>

**City of Jacksboro, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2013**

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
Legislative	\$ 22,255	\$ -	\$ -	\$ -	\$ (22,255)	\$ -	\$ (22,255)	\$ -
General government	1,013,319	20,827	33,242	-	(959,250)	-	(959,250)	-
Public safety	1,221,844	114,107	24,094	-	(1,083,643)	-	(1,083,643)	-
Streets	367,827	-	-	-	(367,827)	-	(367,827)	-
Culture and recreation	439,893	28,558	8,775	490,000	87,440	-	87,440	-
Interest and fiscal charges	357,818	-	-	-	(357,818)	-	(357,818)	-
Total governmental activities	3,422,956	163,492	66,111	490,000	(2,703,353)	-	(2,703,353)	-
Business-type activities:								
Water, sewer, and solid waste utilities	2,450,529	3,237,058	-	-	-	786,529	786,529	-
Total business-type activities	2,450,529	3,237,058	-	-	-	786,529	786,529	-
Total Primary Government	\$ 5,873,485	\$ 3,400,550	\$ 66,111	\$ 490,000	(2,703,353)	786,529	(1,916,824)	-
<b>Component unit:</b>								
Economic Development Corporation	\$ 464,902	\$ -	\$ -	\$ -	-	-	-	(464,902)
Total Component Unit	\$ 464,902	\$ -	\$ -	\$ -	-	-	-	(464,902)
General revenues:								
Property taxes					1,395,287	-	1,395,287	-
Sales taxes					959,232	-	959,232	318,842
Franchise taxes					368,177	-	368,177	-
Interest					3,006	2,426	5,432	2,061
Miscellaneous					41,747	21,922	63,669	274,570
Transfers in (out)					877,058	(877,058)	-	-
Total general revenues and transfers					3,644,507	(852,710)	2,791,797	595,473
Net change in net position					941,154	(66,181)	874,973	130,571
Net position - beginning, as restated (see note 4.G)					2,152,034	5,950,678	8,102,712	1,507,411
Net position - ending					\$ 3,093,188	\$ 5,884,497	\$ 8,977,685	\$ 1,637,982

The accompanying notes are an integral part of this statement.

**City of Jacksboro, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2013**

	<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>Assets:</b>					
Cash and cash equivalents	\$ 1,511	\$ -	\$ -	\$ -	\$ 1,511
Receivables (net of allowance for uncollectibles)					
Property taxes	61,049	60,677	-	-	121,726
Sales taxes	234,000	-	-	-	234,000
Municipal court	133,221	-	-	-	133,221
Other	33,328	-	-	10,927	44,255
Due from other funds	15,150	-	63,000	-	78,150
Due from component unit	-	-	-	-	-
Restricted cash	2,808	143,065	18,531	25,261	189,665
<b>Total assets</b>	<b>\$ 481,067</b>	<b>\$ 203,742</b>	<b>\$ 81,531</b>	<b>\$ 36,188</b>	<b>\$ 802,528</b>
<b>Liabilities:</b>					
Accounts payable and other current liabilities	\$ 57,215	\$ -	\$ -	\$ -	\$ 57,215
Wages payable	16,339	-	-	-	16,339
Due to other funds	1,176	13,351	1,600	6,255	22,382
<b>Total liabilities</b>	<b>74,730</b>	<b>13,351</b>	<b>1,600</b>	<b>6,255</b>	<b>95,936</b>
<b>Deferred inflows of resources:</b>					
Deferred revenue	190,398	56,829	-	-	247,227
<b>Fund balances:</b>					
Unassigned, reported in					
General fund	213,131	-	-	-	213,131
Special revenue funds	-	-	-	(2,505)	(2,505)
Restricted, reported in					
General fund	2,808	-	-	-	2,808
Debt service fund	-	133,562	-	-	133,562
Special revenue funds	-	-	-	32,438	32,438
Capital projects fund	-	-	79,931	-	79,931
<b>Total fund balances</b>	<b>215,939</b>	<b>133,562</b>	<b>79,931</b>	<b>29,933</b>	<b>459,365</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 481,067</b>	<b>\$ 203,742</b>	<b>\$ 81,531</b>	<b>\$ 36,188</b>	<b>\$ 802,528</b>

**City of Jacksboro, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**September 30, 2013**

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

Fund balances - total governmental funds	\$ 459,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,690,119
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.	(7,264,585)
Accrued interest is reported in the statement of net position but does not require the use of current financial resources, therefore it is not reported in the governmental funds.	(38,938)
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>247,227</u>
Net position of governmental activities	<u><u>\$ 3,093,188</u></u>



**City of Jacksboro, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	<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	\$ 695,394	\$ 689,723	\$ -	\$ -	\$ 1,385,117
Sales	959,232	-	-	-	959,232
Franchise	339,663	-	-	28,514	368,177
Charges for services	977	-	-	-	977
Licenses, permits, and fees	18,650	-	-	-	18,650
Recreation fees	28,558	-	-	-	28,558
Court fines	98,705	-	-	4,933	103,638
Rentals	1,200	-	-	-	1,200
Donations	42,017	-	490,000	-	532,017
Intergovernmental	994	-	-	23,100	24,094
Interest income	654	2,029	182	141	3,006
Miscellaneous	41,855	(108)	-	-	41,747
Total revenues	<u>2,227,899</u>	<u>691,644</u>	<u>490,182</u>	<u>56,688</u>	<u>3,466,413</u>
<b>EXPENDITURES</b>					
Current:					
Legislative	22,255	-	-	-	22,255
General government	866,001	-	27,043	52,992	946,036
Public safety	955,249	-	-	33,460	988,709
Streets	290,731	-	-	-	290,731
Culture and recreation	227,181	-	-	-	227,181
Capital outlay:					
General government	11,000	-	-	43,875	54,875
Public safety	35,754	-	-	-	35,754
Streets	114,710	-	-	-	114,710
Culture and recreation	-	-	640,000	-	640,000
Debt service					
Principal retirement	47,516	788,742	-	-	836,258
Interest	1,733	363,254	-	-	364,987
Paying agent fees	-	1,722	-	-	1,722
Total expenditures	<u>2,572,130</u>	<u>1,153,718</u>	<u>667,043</u>	<u>130,327</u>	<u>4,523,218</u>
Deficiency of revenues under expenditures	<u>(344,231)</u>	<u>(462,074)</u>	<u>(176,861)</u>	<u>(73,639)</u>	<u>(1,056,805)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Net transfers	398,168	467,058	3,732	8,100	877,058
Total other financing sources (uses)	<u>398,168</u>	<u>467,058</u>	<u>3,732</u>	<u>8,100</u>	<u>877,058</u>
Net change in fund balances	53,937	4,984	(173,129)	(65,539)	(179,747)
Fund balances - beginning	162,002	128,578	253,060	95,472	639,112
Fund balances - ending	<u>\$ 215,939</u>	<u>\$ 133,562</u>	<u>\$ 79,931</u>	<u>\$ 29,933</u>	<u>\$ 459,365</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, 2013**

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

Net change in fund balances - total governmental funds	\$ (179,747)
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.	271,547
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the statement of activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	836,258
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.	(7,543)
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	20,639
Change in net position of governmental activities	<u>\$ 941,154</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, 2013**

	<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>				
Taxes:				
Property	\$ 670,000	\$ 670,000	\$ 695,394	\$ 25,394
Sales	851,500	851,500	959,232	107,732
Franchise	362,000	362,000	339,663	(22,337)
Charges for services	1,500	1,500	977	(523)
Licenses, permits, and fees	25,000	25,000	18,650	(6,350)
Recreation fees	14,000	14,000	28,558	14,558
Court fines	120,000	120,000	98,705	(21,295)
Rentals	-	-	1,200	1,200
Donations	-	16,500	42,017	25,517
Intergovernmental	-	-	994	994
Interest income	700	700	654	(46)
Miscellaneous	10,000	25,900	41,855	15,955
Total revenues	<u>2,054,700</u>	<u>2,087,100</u>	<u>2,227,899</u>	<u>140,799</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	22,175	22,175	22,255	(80)
General government	986,375	976,361	877,001	99,360
Public safety	1,021,762	1,053,876	991,003	62,873
Streets	442,380	433,230	405,441	27,789
Culture and recreation	166,535	185,985	227,181	(41,196)
Debt service:				
Capital lease principal	29,007	29,007	47,516	(18,509)
Capital lease interest	4,605	4,605	1,733	2,872
Total expenditures	<u>2,672,839</u>	<u>2,705,239</u>	<u>2,572,130</u>	<u>133,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(618,139)</u>	<u>(618,139)</u>	<u>(344,231)</u>	<u>273,908</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Net transfers	410,000	410,000	398,168	(11,832)
Capital lease proceeds	120,000	120,000	-	120,000
Total other financing sources and uses	<u>530,000</u>	<u>530,000</u>	<u>398,168</u>	<u>108,168</u>
Net change in fund balances	<u>(88,139)</u>	<u>(88,139)</u>	<u>53,937</u>	<u>382,076</u>
Fund balances - beginning	<u>162,002</u>	<u>162,002</u>	<u>162,002</u>	<u>-</u>
Fund balances - ending	<u>\$ 73,863</u>	<u>\$ 73,863</u>	<u>\$ 215,939</u>	<u>\$ 382,076</u>

**City of Jacksboro, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2013**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 373,849
Receivables (net of allowance for uncollectibles)	452,945
Due from other funds	6,255
Restricted assets:	
Cash and cash equivalents	426,211
Total current assets	<u>1,259,260</u>
Noncurrent assets:	
Capital assets:	
Water and sewer system	11,620,355
Machinery and equipment	764,475
Furniture and fixtures	50,436
Construction in progress	10,205
Less: accumulated depreciation	<u>(5,726,022)</u>
Total capital assets (net of accumulated depreciation)	<u>6,719,449</u>
Total noncurrent assets	<u>6,719,449</u>
Total assets	<u>7,978,709</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other current liabilities	97,120
Wages payable	8,076
Due to other funds	62,023
Utility customer deposits	48,325
Compensated absences current	14,385
Bonds payable current	110,000
Accrued interest payable	11,635
Total current liabilities	<u>351,564</u>
Noncurrent liabilities:	
Bonds payable	1,730,000
Compensated absences	12,648
Total noncurrent liabilities	<u>1,742,648</u>
Total liabilities	<u>2,094,212</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,245,700
Unrestricted	<u>638,797</u>
Total net position	<u><u>\$ 5,884,497</u></u>

**City of Jacksboro, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for sales and services:	
Water sales	\$ 1,590,885
Sewer charges	929,221
Solid waste	596,265
Penalties	60,813
Tap fees	4,075
Miscellaneous	21,922
Total operating revenues	<u>3,203,181</u>
OPERATING EXPENSES:	
Costs of sales and services:	
Salaries and benefits	705,976
Supplies and maintenance	477,456
Contractual services	119,561
Sanitation contractual services	645,862
Depreciation	396,581
Bad debt expense	150
Total operating expenses	<u>2,345,586</u>
Operating income	<u>857,595</u>
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	2,426
Interest expense	(95,585)
Capital improvement fees	55,799
Loss on disposal of assets	(9,358)
Total nonoperating revenue (expenses)	<u>(46,718)</u>
Income before contributions and transfers	<u>810,877</u>
Net transfers	<u>(877,058)</u>
Net change in net position	<u>(66,181)</u>
Net position - beginning (as restated, see note 4.G)	<u>5,950,678</u>
Net position - ending	<u><u>\$ 5,884,497</u></u>

**City of Jacksboro, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,184,408
Cash payments to suppliers for goods and services	(489,426)
Cash payments to employees and professional contractors for services	(1,464,504)
Net cash provided (used) by operating activities	<u>1,230,478</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to other funds	(884,490)
Net cash provided (used) by noncapital financing activities	<u>(884,490)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(635,301)
Amortization of debt issue costs	
Bond sale proceeds	
Principal and interest paid on capital debt	(206,418)
Capital contribution	-
Capital improvement fees	55,799
Net cash provided (used) by capital and related financing activities	<u>(785,920)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	2,426
Net cash provided (used) by investing activities	<u>2,426</u>
Net increase (decrease) in cash and cash equivalents	(437,506)
Cash and cash equivalents - beginning	1,237,566
Cash and cash equivalents - ending	<u>\$ 800,060</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 857,595
Adjustments to reconcile operating income to net cash provided by operating	
Depreciation and amortization	396,581
(Increase) decrease in bad debt	(4,490)
(Increase) decrease in accounts receivable	(16,442)
Increase (decrease) in accounts payable and other liabilities	(11,970)
Increase (decrease) in wages payable	1,669
Increase (decrease) in customer deposits	2,309
Increase (decrease) in compensated absences	5,226
Net cash provided by operating activities	<u>\$ 1,230,478</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>	
Unrestricted cash and cash equivalents	\$ 373,849
Restricted cash and cash equivalents	<u>426,211</u>
Total cash and cash equivalents	<u>\$ 800,060</u>

**CITY OF JACKSBORO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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 position 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 position from October 1, 2012 to September 30, 2013. 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, 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 comprise its assets, liabilities, fund balances, revenues and

**CITY OF JACKSBORO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

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, 2013, 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.

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.



**CITY OF JACKSBORO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

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.

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 position, 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 net investment in capital assets, restricted net position, and unrestricted net position.

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 position 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, 2013**

**D. Assets, Liabilities, Deferred Inflows of Resources, Fund Balance/Net Position 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) Deferred Inflows of Resources

The City's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The City will not recognize the related revenues until a future event occurs. The City has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, deferred property taxes and municipal court fines are reported in the governmental funds balance sheet. The City did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

5) 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

**CITY OF JACKSBORO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

the City had not been declined coverage for any exposures or limits of liability and/or scheduled covered amounts from the previous year. Settled claims for risks have not exceeded coverage for the past three fiscal years.

6) 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.

7) 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 position**

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. 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 \$7,264,585 difference are as follows:

Bonds payable	\$ 7,180,000
Capital lease payable	1,711
Compensated absences	82,874
<i>Net adjustment to reconcile fund balance - total governmental funds to net position - governmental activities</i>	<u>\$ 7,264,585</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. 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 \$271,547 difference are as follows:

**CITY OF JACKSBORO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

Capital outlay	\$ 845,339
Depreciation expense	(573,792)
Net adjustment to reconcile <i>net changes in fund balance - total</i>	
<i>governmental funds to changes in net position of governmental activities</i>	<u>\$ 271,547</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 position. 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 \$836,258 difference are as follows:

Debt principal repayments:	
General obligation debt	\$ 788,742
Capital leases	47,516
Net adjustment to reconcile <i>net changes in fund balance - total</i>	
<i>governmental funds to changes in net position of governmental activities</i>	<u>\$ 836,258</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 \$7,543 difference are as follows:

Accrued interest	\$ 8,891
Compensated absences	(16,434)
Net adjustment to reconcile <i>net changes in fund balance - total</i>	
<i>governmental funds to changes in net position of governmental activities</i>	<u>\$ (7,543)</u>

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 \$20,639 difference are as follows:

Ad valorem taxes	\$ 10,170
Municipal court fines	10,469
Net adjustment to reconcile <i>net changes in fund balance - total</i>	
<i>governmental funds to changes in net position of governmental activities</i>	<u>\$ 20,639</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.

**CITY OF JACKSBORO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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, 2013 the General Fund budget was amended to reflect: 1) additional revenues for donations for the wall mural project and contributions from Faith Community Hospital, and 2) additional expenditures for completion of the wall mural, funding for a full time recreation center attendant position, and donations to the Jacksboro Garden Club. The net effect of the budget amendments in the General Fund balance is \$0.

**4. Detailed Notes on All Funds**

**A. Assets**

**1) Deposits**

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$575,701, and the combined bank account balances amounted to \$683,405. The difference of \$107,704 is due to a combination of deposits in transit and outstanding checks. The City's cash deposits at September 30, 2013 and during the fiscal year ended September 30, 2013, 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, 2013, the book value and the combined account balances of the City's deposits in the TexSTAR local government investment pool was \$658,105. The average monthly rate of the pool was 0.0390%, the weighted average maturity of the pool was 52 days and the net asset value of the pool was 1.000082. These investments are considered cash equivalents in the financial statements. The fair value of these investments is the same as the value of the pooled shares.

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

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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.

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.

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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, 2013 for the City's individual major funds, including the allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds	Debt Service Fund	Utility Fund	Total
<b>Receivables:</b>					
Property tax	\$ 67,832	\$ -	\$ 67,419	\$ -	\$ 135,251
Sales tax	234,000	-	-	-	234,000
Hotel/motel tax	-	7,177	-	-	7,177
Franchise fees	23,357	-	-	-	23,357
Municipal court fines	266,442	-	-	-	266,442
Customer accounts	-	-	-	476,467	476,467
Miscellaneous	9,971	3,750	-	-	13,721
<b>Gross Receivables</b>	<b>601,602</b>	<b>10,927</b>	<b>67,419</b>	<b>476,467</b>	<b>1,156,415</b>
<b>Less: Allowance for uncollectibles</b>					
Property tax	(6,783)	-	(6,742)	-	(13,525)
Municipal court fines	(133,221)	-	-	-	(133,221)
Customer accounts	-	-	-	(23,522)	(23,522)
	<b>(140,004)</b>	<b>-</b>	<b>(6,742)</b>	<b>(23,522)</b>	<b>(170,268)</b>
<b>Net total receivables</b>	<b>\$ 461,598</b>	<b>\$ 10,927</b>	<b>\$ 60,677</b>	<b>\$ 452,945</b>	<b>\$ 986,147</b>

4) Capital Assets

Capital assets, additions, disposals, and depreciation for governmental activities and business-type activities for the year ended September 30, 2013 were as follows:

	Beginning Balance	Increases	Decreases and Transfers	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 289,178	\$ -	\$ -	\$ 289,178
Capital assets, being depreciated:				
Furniture and fixtures	3,767	-	-	3,767
Machinery & equipment	1,622,586	161,464	(8,090)	1,775,960
Streets	1,005,762	-	-	1,005,762
Lost Creek Dam & Reservoir	8,355,568	-	-	8,355,568
Buildings and improvements	3,626,774	683,875	8,090	4,318,739
Totals, capital assets being depreciated	14,614,457	845,339	-	15,459,796
Less: accumulated depreciation for:				
Furniture and fixtures	(3,767)	-	-	(3,767)
Machinery & equipment	(944,604)	(185,250)	-	(1,129,854)
Streets	(313,306)	(50,290)	-	(363,596)
Lost Creek Dam & Reservoir	(2,997,609)	(167,437)	-	(3,165,046)
Buildings and improvements	(1,225,777)	(170,815)	-	(1,396,592)
Total accumulated depreciation	(5,485,063)	(573,792)	-	(6,058,855)
Total capital assets being depreciated, net	9,129,394	271,547	-	9,400,942
<b>City capital assets, net</b>	<b>\$ 9,418,572</b>	<b>\$ 271,547</b>	<b>-</b>	<b>\$ 9,690,119</b>

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	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 10,205	\$ -	\$ -	\$ 10,205
Capital assets, being depreciated:				
Furniture & fixtures	45,199	-	5,237	50,436
Machinery & equipment	649,589	108,047	6,839	764,475
Water and sewer system	11,122,758	527,254	(29,657)	11,620,355
Totals, capital assets being depreciated	11,817,546	635,301	(17,581)	12,435,266
Less: accumulated depreciation for:				
Furniture & fixtures	(45,199)	-	-	(45,199)
Machinery & equipment	(370,158)	(76,989)		(447,147)
Water and sewer system	(4,922,307)	(319,592)	8,223	(5,233,676)
Total accumulated depreciation	(5,337,664)	(396,581)	8,223	(5,726,022)
Total capital assets being depreciated, net	6,479,882	238,720	(9,358)	6,709,244
<b>City capital assets, net</b>	<b>\$ 6,490,087</b>	<b>\$ 238,720</b>	<b>\$ (9,358)</b>	<b>\$ 6,719,449</b>

Depreciation expense was charged to governmental functions as follows:

	<b>Amount</b>
General government	\$ 59,459
Public safety	226,037
Streets	76,698
Culture and recreation	211,598
<b>Total Depreciation</b>	<b>\$ 573,792</b>

**B. Liabilities**

1) Changes in general long term liabilities:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds payable	\$ 7,968,742	\$ -	\$ (788,742)	\$ 7,180,000	\$ 760,000
Capital leases payable	49,227	-	(47,516)	1,711	1,711
Compensated absences	66,438	30,980	(14,544)	82,874	29,559
<b>Governmental activity long-term liabilities</b>	<b>\$ 8,084,407</b>	<b>\$ 30,980</b>	<b>\$ (850,802)</b>	<b>\$ 7,264,585</b>	<b>\$ 791,270</b>
<b>Business-type activities:</b>					
Bonds payable	\$ 1,935,000	\$ -	\$ (95,000)	\$ 1,840,000	\$ 110,000
Capital leases payable	15,833	-	(15,833)	-	-
Compensated absences	21,807	11,892	(6,666)	27,033	14,385
<b>Business-type activity long-term liabilities</b>	<b>\$ 1,972,640</b>	<b>\$ 11,892</b>	<b>\$ (117,499)</b>	<b>\$ 1,867,033</b>	<b>\$ 124,385</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 position, 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, 2013, is as follows:



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Description	Series	Interest Rate	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance
<b>Governmental Activities:</b>							
Comb Tax & Rev - Cert of Obligation **	1988	4.7 - 7.45% [2]	\$ 5,799,013	\$ 673,742	\$ -	\$ (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	205,000	-	(15,000)	190,000
Comb Tax & Rev - Cert of Obligation	2006	4.73% [3]	455,000	335,000	-	(15,000)	320,000
Comb Tax & Rev - Cert of Obligation	2008	4.00% [3]	1,600,000	1,270,000	-	(65,000)	1,205,000
General Obligation Refunding Bonds	2008	4.98% [1]	2,635,000	2,635,000	-	-	2,635,000
Comb Tax & Rev - Cert of Obligation	2011	3.0 - 4.0% [3]	2,060,000	2,060,000	-	(20,000)	2,040,000
<b>Total Governmental Activities</b>			<u>\$18,582,013</u>	<u>\$7,968,742</u>	<u>\$ -</u>	<u>\$ (788,742)</u>	<u>\$7,180,000</u>
<b>Business-type activities:</b>							
<b>Water and wastewater fund</b>							
Comb Tax & Rev - Cert of Obligation	2004	4.65% [3]	\$ 262,000	\$ 190,000	\$ -	\$ (10,000)	\$ 180,000
Comb Tax & Rev - Cert of Obligation	2006	4.71% [3]	545,000	440,000	-	(20,000)	420,000
Comb Tax & Rev - Cert of Obligation	2008	4.00% [3]	200,000	160,000	-	(10,000)	150,000
Comb Tax & Rev - Cert of Obligation **	2008A	4.98% - 6.85% [3]	350,000	315,000	-	(20,000)	295,000
Comb Tax & Rev - Cert of Obligation **	2009	5.35% - 6.75% [3]	920,000	830,000	-	(35,000)	795,000
<b>Total Business-type Activities</b>			<u>\$ 2,277,000</u>	<u>\$1,935,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$1,840,000</u>

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

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

[2] Issued to purchase the Lost Creek Reservoir

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

Annual debt service requirements are as follows:

Years ending September 30:	Principal	Interest	Total Requirements
<b>Governmental activities:</b>			
2014	\$ 760,000	\$ 315,828	\$ 1,075,828
2015	795,000	279,408	1,074,408
2016	820,000	240,746	1,060,746
2017	710,000	201,561	911,561
2018	520,000	167,596	687,596
2019-2023	1,860,000	513,942	2,373,942
2024-2028	1,245,000	229,730	1,474,730
2029-2031	470,000	38,200	508,200
	<u>\$7,180,000</u>	<u>\$1,987,011</u>	<u>\$ 9,167,011</u>

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Years ending September 30:	Principal	Interest	Total Requirements
<b>Business-type activities:</b>			
2014	\$ 110,000	\$ 91,547	\$ 201,547
2015	100,000	96,701	196,701
2016	110,000	91,859	201,859
2017	110,000	85,538	195,538
2018	115,000	79,532	194,532
2019-2023	675,000	304,567	979,567
2024-2028	545,000	108,703	653,703
2029	75,000	5,063	80,063
	<u>\$ 1,840,000</u>	<u>\$ 863,510</u>	<u>\$ 2,703,510</u>

3) **Defeasance of Prior Debt**

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

At September 30, 2013, the following refunded debt outstanding is as follows:

Series 1997 Combination Tax & Revenue Certificates of Obligation \$ 940,000

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, 2013 are accounted for in the Statement of Net Position. The assets acquired through capital leases are as follows:

	Net Asset Book Value	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Fire truck	\$ 92,769	\$ 21,719	\$ -	\$ (20,008)	\$ 1,711	\$ 1,711
2012 Tahoe	22,711	27,508	-	(27,508)	-	-
<b>Total Governmental Activities:</b>	<u>\$ 115,480</u>	<u>\$ 49,227</u>	<u>\$ -</u>	<u>\$ (47,516)</u>	<u>\$ 1,711</u>	<u>\$ 1,711</u>
<b>Business-type activities:</b>						
<b>Water and wastewater fund</b>						
Backhoe	<u>\$ 29,568</u>	<u>\$ 15,833</u>	<u>\$ -</u>	<u>\$ (15,833)</u>	<u>\$ -</u>	<u>\$ -</u>

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2013 as follows:

Years ending September 30:	Principal	Interest	Total Requirements
<b>Governmental activities:</b>			
2014	<u>\$ 1,711</u>	<u>\$ 7</u>	<u>\$ 1,718</u>

**CITY OF JACKSBORO, TEXAS**  
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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:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</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	Repeating, Transfers	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.

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

Fiscal Year Ending September 30	APC	Actual Contribution Made	Percentage of APC Contributed	NPO
2011	\$ 189,186	\$ 189,186	100%	\$ -
2012	\$ 173,375	\$ 173,375	100%	\$ -
2013	\$ 194,923	\$ 194,923	100%	\$ -

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
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	27.1 years - closed period	26.1 years - closed period	25.1 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
Actuarial Assumptions: Investment return *	7.0%	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%

**CITY OF JACKSBORO, TEXAS**  
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**Funded Status and Funding Progress**

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$4,164,883	\$5,261,107	79.2%	\$1,096,224	\$1,361,502	80.5%

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.

6) 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, 2013, 2012, and 2010 were \$5,422, \$6,947, and \$4,150, respectively, which equaled the required contributions each year.

**CITY OF JACKSBORO, TEXAS**  
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**C. Restricted Assets**

Restricted assets consist of cash held for specific purposes in accordance with bond covenants or other legal restrictions. At September 30, 2013, restricted assets are comprised of the following:

**Governmental funds restricted cash:**

Special revenue funds:	
Hotel/motel fund	\$ 5,216
Court technology fund	7,299
Court security fund	482
School safety fund	3,568
Crossing guard fund	8,696
Debt service fund	143,065
Capital projects fund	18,531
Landfill capital projects	2,405
Other specific activities	403

**Total governmental funds restricted cash:** \$ 189,665

**Utility fund restricted cash:**

Utility capital projects fund	\$ 377,886
Utility customer deposits	48,325

**Total utility fund restricted cash:** \$ 426,211

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	\$ 410,000	Provide subsidy to cover City operations
Proprietary funds	Debt Service fund	467,058	Transfer to pay for general long-term debt
General fund	Grant fund	8,100	Matching portion of an intergovernmental grant
General fund	Capital projects fund	3,732	Transfer to pay for capital purchases

The following schedule presents significant transactions between the primary government and its component unit during the year ended September 30, 2013:

<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 \$318,842. Additionally, the City donated an old fire building and land to the EDC, with an estimated fair market value of \$20,000. This was recorded as donation revenue and a fixed asset addition for the component unit.

**CITY OF JACKSBORO, TEXAS**  
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**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, 2013, the carrying amount of JEDC's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$481,861, and the combined bank account balances amounted to \$496,802. The difference of \$14,941 is due to a combination of deposits in transit and outstanding checks. JEDC's cash deposits exceeded the FDIC insurance limit by \$245,067 at September 30, 2013.

**Capital Asset Activity:**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,000	\$ 10,000	\$ -	\$ 15,000
Construction in progress	6,878	-	(6,878)	-
Total capital assets, not being depreciated:	11,878	10,000	(6,878)	15,000
Capital assets, being depreciated:				
Buildings	-	10,000	-	10,000
Capital assets	\$ 11,878	\$ 20,000	\$ (6,878)	\$ 25,000

**Long Term Debt Activity:**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Note payable - TIB	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
Note payable - land	425,000	-	(85,000)	340,000	85,000
Capital assets	\$ 575,000	\$ -	\$ (160,000)	\$ 415,000	\$ 160,000

Annual debt service requirements are as follows:

Years ending September 30:	Principal	Interest	Total Requirements
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>\$ 415,000</u>	<u>\$ 46,250</u>	<u>\$ 461,250</u>

**CITY OF JACKSBORO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

Commitments and Contingencies:

The EDC has entered into a construction contract during the fiscal year to add a street and other improvements to the industrial park land held for sale. As of September 30, 2013, the corporation had outstanding commitments of \$82,248 that will be financed from operating funds.

Restatement:

The fund financial statements at October 1, 2012, the beginning of the current year, have been restated to reflect the recording of property held for sale, which was not previously recognized at the fund level. The effect of this restatement is an \$850,000 increase in fund net assets. Additionally, assets held for sale were reclassified from capital assets to current assets on the government-wide financial statements.

**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.

**G. Accounting Changes**

In fiscal year 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement 65 *Items Previously Reported as Assets and Liabilities*. Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 63 resulted in a new presentation for the statement of net position and various changes in terminology. No balances were required to be restated.

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide and enterprise fund financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods and resulted in the adjustment below:

	Primary Government		
	Governmental Activities	Business-Type Activities/ Enterprise Fund	Total
Net position at September 30, 2012	\$ 2,198,132	\$ 5,995,246	\$ 8,193,378
Change in reporting for debt issuance costs	(46,098)	(44,568)	(90,666)
Net position at September 30, 2012, restated	<u>\$ 2,152,034</u>	<u>\$ 5,950,678</u>	<u>\$ 8,102,712</u>



**CITY OF JACKSBORO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**H. Subsequent Event**

In February 2014, the City received an initial lump-sum payment of \$500,000 from the IESI TX Corporation. The lump-sum payment was in accordance with the contract for the Development, Ownership and Operation of a Waste Management System between the City of Jacksboro and the IESI TX Corporation, and is consideration for IESI having secured valid, effective and non-appealable or uncontested Permits by the TCEQ. The funds are unrestricted and available for general use. The City has no immediate plans for appropriations of these funds.

**I. New Accounting Pronouncement**

The GASB has issued the following statements which will become effective in future years.

Statement No. 68, *"Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27."*  
– This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement will become effective for the City in fiscal year 2015. Management has not yet determined the effect of these statements on the financial statements; however, the impact of Statement No. 68 is expected to be significant as they will now reflect a previously unrecorded liability. The City also expects the largest deferred inflows and outflows to be pension related.

*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>
12/31/2010	\$ 3,712,678	\$ 5,115,988	\$ 1,403,310	72.6%	1,389,381	101.0%
12/31/2011	3,910,061	5,054,016	1,143,955	77.4%	1,313,842	87.1%
12/31/2012	4,164,883	5,261,107	1,096,224	79.2%	1,361,502	80.5%

*COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES*

**City of Jacksboro, Texas**  
**Combining Statement of Assets, Liabilities, and Fund Balances**  
**Nonmajor Governmental Funds**  
**September 30, 2013**

	<b>Special Revenue 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>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>							
Restricted cash and cash equivalents	\$ 5,216	\$ 7,299	\$ 482	\$ 3,568	\$ 8,696	\$ -	\$ 25,261
Receivables (net of allowance for uncollectibles)	7,177	-	-	-	-	3,750	10,927
Total assets	<u>12,393</u>	<u>7,299</u>	<u>482</u>	<u>3,568</u>	<u>8,696</u>	<u>3,750</u>	<u>36,188</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Due to other funds	-	-	-	-	-	6,255	6,255
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,255</u>	<u>6,255</u>
Fund balances:							
Unassigned	-	-	-	-	-	(2,505)	(2,505)
Restricted	12,393	7,299	482	3,568	8,696	-	32,438
Total fund balances	<u>12,393</u>	<u>7,299</u>	<u>482</u>	<u>3,568</u>	<u>8,696</u>	<u>(2,505)</u>	<u>29,933</u>
Total liabilities and fund balances	<u>\$ 12,393</u>	<u>\$ 7,299</u>	<u>\$ 482</u>	<u>\$ 3,568</u>	<u>\$ 8,696</u>	<u>\$ 3,750</u>	<u>\$ 36,188</u>

**City of Jacksboro, Texas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2013**

	<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	\$ 28,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,514
Court fines	-	2,236	72	1,273	1,352	-	4,933
Interest income	84	25	1	7	24	-	141
Intergovernmental	-	-	-	-	-	23,100	23,100
Total revenues	<u>28,598</u>	<u>2,261</u>	<u>73</u>	<u>1,280</u>	<u>1,376</u>	<u>23,100</u>	<u>56,688</u>
<b>EXPENDITURES</b>							
Current:							
General government	52,992	-	-	-	-	-	52,992
Public safety	-	2,952	-	-	-	30,508	33,460
Capital outlay:							
General government	43,875	-	-	-	-	-	43,875
Total expenditures	<u>96,867</u>	<u>2,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,508</u>	<u>130,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,269)</u>	<u>(691)</u>	<u>73</u>	<u>1,280</u>	<u>1,376</u>	<u>(7,408)</u>	<u>(73,639)</u>
<b>OTHER FINANCING SOURCES</b>							
Net transfers	-	-	-	-	-	8,100	8,100
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,100</u>	<u>8,100</u>
Net change in fund balances	<u>(68,269)</u>	<u>(691)</u>	<u>73</u>	<u>1,280</u>	<u>1,376</u>	<u>692</u>	<u>(65,539)</u>
Fund balances - beginning	<u>80,662</u>	<u>7,990</u>	<u>409</u>	<u>2,288</u>	<u>7,320</u>	<u>(3,197)</u>	<u>95,472</u>
Fund balances - ending	<u>\$ 12,393</u>	<u>\$ 7,299</u>	<u>\$ 482</u>	<u>\$ 3,568</u>	<u>\$ 8,696</u>	<u>\$ (2,505)</u>	<u>\$ 29,933</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, 2013**

	<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>				
Taxes:				
Property taxes	\$ 684,866	\$ 684,866	\$ 658,074	\$ (26,792)
Delinquent taxes	-	-	19,533	19,533
Penalty and interest	-	-	12,116	12,116
Interest income	8,000	8,000	2,029	(5,971)
Miscellaneous	-	-	(108)	(108)
Total revenues	<u>692,866</u>	<u>692,866</u>	<u>691,644</u>	<u>(1,222)</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	1,017,135	1,017,135	788,742	228,393
Interest	325,079	325,079	363,254	(38,175)
Paying agent fees	4,500	4,500	1,722	2,778
Total expenditures	<u>1,346,714</u>	<u>1,346,714</u>	<u>1,153,718</u>	<u>192,996</u>
Deficiency of revenues under expenditures	<u>(653,848)</u>	<u>(653,848)</u>	<u>(462,074)</u>	<u>191,774</u>
<b>OTHER FINANCING SOURCES</b>				
Net transfers	<u>657,274</u>	<u>657,274</u>	<u>467,058</u>	<u>(190,216)</u>
Total other financing sources	<u>657,274</u>	<u>657,274</u>	<u>467,058</u>	<u>(190,216)</u>
Net change in fund balance	3,426	3,426	4,984	1,558
Fund balance - beginning	<u>128,578</u>	<u>128,578</u>	<u>128,578</u>	<u>-</u>
Fund balance - ending	<u>\$ 132,004</u>	<u>\$ 132,004</u>	<u>\$ 133,562</u>	<u>\$ 1,558</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, 2013**

	<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>				
Taxes:				
Franchise	\$ 25,000	\$ 25,000	\$ 28,514	\$ 3,514
Interest income	250	250	84	(166)
Total revenues	<u>25,250</u>	<u>25,250</u>	<u>28,598</u>	<u>3,348</u>
<b>EXPENDITURES</b>				
Current:				
General government	20,000	52,100	52,992	(892)
Capital outlay:				
General government	-	39,875	43,875	(4,000)
Total expenditures	<u>20,000</u>	<u>91,975</u>	<u>96,867</u>	<u>(4,892)</u>
Excess of revenues over expenditures	<u>5,250</u>	<u>(66,725)</u>	<u>(68,269)</u>	<u>(1,544)</u>
Net change in fund balance	5,250	(66,725)	(68,269)	(1,544)
Fund balance - beginning	<u>80,662</u>	<u>80,662</u>	<u>80,662</u>	<u>-</u>
Fund balance - ending	<u>\$ 85,912</u>	<u>\$ 13,937</u>	<u>\$ 12,393</u>	<u>\$ (1,544)</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, 2013**

	<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	\$ 2,500	\$ 2,500	\$ 2,236	\$ (264)
Interest income	100	100	25	(75)
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>2,261</u>	<u>(339)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	6,400	6,400	2,952	3,448
Total expenditures	<u>6,400</u>	<u>6,400</u>	<u>2,952</u>	<u>3,448</u>
Excess of revenues over expenditures	<u>(3,800)</u>	<u>(3,800)</u>	<u>(691)</u>	<u>3,109</u>
Net change in fund balance	(3,800)	(3,800)	(691)	3,109
Fund balance - beginning	<u>7,990</u>	<u>7,990</u>	<u>7,990</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,190</u>	<u>\$ 4,190</u>	<u>\$ 7,299</u>	<u>\$ 3,109</u>

**City of Jacksboro, Texas**  
**Court Security Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual**  
**For the Year Ended September 30, 2013**

	<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	\$ 75	\$ 75	\$ 72	\$ (3)
Interest income	1	1	1	-
Total revenues	<u>76</u>	<u>76</u>	<u>73</u>	<u>(3)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>76</u>	<u>76</u>	<u>73</u>	<u>(3)</u>
Net change in fund balance	76	76	73	(3)
Fund balance - beginning	<u>409</u>	<u>409</u>	<u>409</u>	<u>-</u>
Fund balance - ending	<u>\$ 485</u>	<u>\$ 485</u>	<u>\$ 482</u>	<u>\$ (3)</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, 2013**

	<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	\$ 950	\$ 950	\$ 1,273	\$ 323
Interest income	5	5	7	2
Total revenues	<u>955</u>	<u>955</u>	<u>1,280</u>	<u>325</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>955</u>	<u>955</u>	<u>1,280</u>	<u>325</u>
Net change in fund balance	955	955	1,280	325
Fund balance - beginning	<u>2,288</u>	<u>2,288</u>	<u>2,288</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,243</u>	<u>\$ 3,243</u>	<u>\$ 3,568</u>	<u>\$ 325</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, 2013**

	<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	\$ 1,352	\$ 352
Interest income	10	10	24	14
Total revenues	<u>1,010</u>	<u>1,010</u>	<u>1,376</u>	<u>366</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>1,010</u>	<u>1,010</u>	<u>1,376</u>	<u>366</u>
Net change in fund balance	1,010	1,010	1,376	366
Fund balance - beginning	<u>7,320</u>	<u>7,320</u>	<u>7,320</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,330</u>	<u>\$ 8,330</u>	<u>\$ 8,696</u>	<u>\$ 366</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, 2013**

	<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>				
Intergovernmental	\$ 23,100	\$ 23,100	\$ 23,100	\$ -
Total revenues	23,100	23,100	23,100	-
<b>EXPENDITURES</b>				
Current:				
Public safety	29,817	29,817	30,508	(691)
Total expenditures	29,817	29,817	30,508	(691)
Deficiency of revenues under expenditures	(6,717)	(6,717)	(7,408)	(691)
<b>OTHER FINANCING SOURCES</b>				
Net transfers	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	692	(691)
Fund balance - beginning	(3,197)	(3,197)	(3,197)	-
Fund balance - ending	\$ (1,814)	\$ (1,814)	\$ (2,505)	\$ (691)

**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, 2013**

	<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>				
Donations	\$ -	\$ -	\$ 490,000	\$ 490,000
Interest income	-	-	182	182
Total revenues	-	-	490,182	490,182
<b>EXPENDITURES</b>				
General government	-	-	27,043	(27,043)
Capital outlay	22,000	22,000	640,000	(618,000)
Total expenditures	22,000	22,000	667,043	(645,043)
Deficiency of revenues over under expenditures	(22,000)	(22,000)	(176,861)	(154,861)
<b>OTHER FINANCING SOURCES</b>				
Net transfers	-	-	3,732	3,732
Total other financing sources	-	-	3,732	3,732
Net change in fund balance	(22,000)	(22,000)	(173,129)	(151,129)
Fund balance - beginning	253,060	253,060	253,060	-
Fund balance - ending	\$ 231,060	\$ 231,060	\$ 79,931	\$ (151,129)

**Jacksboro Economic Development Corporation**  
**Balance Sheet**  
**Governmental Fund**  
**September 30, 2013**

**ASSETS**

Cash and cash equivalents	\$ 1,182,961
Receivables (net of allowance for uncollectibles)	78,000
Assets held for sale	965,074
Total assets	<u>2,226,035</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	194,907
Total liabilities	<u>194,907</u>

Fund balance:

Unassigned	2,031,128
Total fund balance	<u>2,031,128</u>

Total liabilities and fund balance	<u><u>\$ 2,226,035</u></u>
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**Jacksboro Economic Development Corporation**  
**Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position**  
**Governmental Fund**  
**September 30, 2013**

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

Fund balance - governmental fund	\$ 2,031,128
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	25,000
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(415,000)
Accrued interest payable is reported in the statement of net position but does not require the use of current financial resources and, therefore, is not reported in the governmental fund.	<u>(3,146)</u>
Net position of governmental activities	<u><u>\$ 1,637,982</u></u>



**Jacksboro Economic Development Corporation**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Governmental Fund**  
**For the Year Ended September 30, 2013**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Sales tax	\$ 212,700	\$ 212,700	\$ 318,842	\$ 106,142
Interest income	1,700	1,700	2,061	361
Miscellaneous	4,200	4,200	24,149	19,949
Total revenues	<u>218,600</u>	<u>218,600</u>	<u>345,052</u>	<u>126,452</u>
<b>EXPENDITURES</b>				
Current:				
General government	988,160	988,160	426,483	561,677
Debt service:				
Note principal	160,000	160,000	160,000	-
Note interest	41,008	41,008	29,020	11,988
Capital outlay:				
General government	-	-	20,000	(20,000)
Swimming pool	100,000	100,000	-	100,000
Total expenditures	<u>1,289,168</u>	<u>1,289,168</u>	<u>635,503</u>	<u>653,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,070,568)</u>	<u>(1,070,568)</u>	<u>(290,451)</u>	<u>780,117</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from the sale of capital assets	-	-	250,421	250,421
Total other financing sources	<u>-</u>	<u>-</u>	<u>250,421</u>	<u>250,421</u>
Net change in fund balance	(1,070,568)	(1,070,568)	(40,030)	1,030,538
Fund balance - beginning, as restated (see note E)	<u>2,071,158</u>	<u>2,071,158</u>	<u>2,071,158</u>	<u>-</u>
Fund balance - ending	<u>\$1,000,590</u>	<u>\$1,000,590</u>	<u>\$2,031,128</u>	<u>\$1,030,538</u>

**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, 2013**

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

Net change	\$ (40,030)
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.	20,000
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.	(6,878)
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:	
Repayment of long-term debt	160,000
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.	(2,521)
Change in net position of governmental activities	<u><u>\$ 130,571</u></u>

*STATISTICAL SECTION  
(UNAUDITED)*

# Statistical Section

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

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> <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>1 - 4</b>
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the significant local revenue sources.</i>	<b>5 - 9</b>
<b>Debt Capacity</b> <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>10 - 12</b>
<b>Demographic and Economic Information</b> <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>13 - 14</b>
<b>Operating Information</b> <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>	<b>15 - 16</b>

**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 TEN FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited)

Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 435,485	\$ 1,355,078	\$ 2,352,077	\$ 2,757,824	\$ 634,836	\$ 769,804	\$ 1,471,609	\$ 1,609,827	\$ 1,429,240	\$ 2,526,939
Restricted	71,057	47,045	199,701	289,988	432,792	288,133	289,507	437,343	457,186	251,849
Unrestricted	217,899	517,951	325,374	275,855	467,208	428,448	387,864	509,628	265,608	314,400
Total governmental activities net assets	<u>\$ 724,441</u>	<u>\$ 1,920,074</u>	<u>\$ 2,877,152</u>	<u>\$ 3,323,667</u>	<u>\$ 1,534,836</u>	<u>\$ 1,486,385</u>	<u>\$ 2,148,980</u>	<u>\$ 2,556,798</u>	<u>\$ 2,152,034</u>	<u>\$ 3,093,188</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 5,873,910	\$ 5,927,370	\$ 5,849,096	\$ 5,633,731	\$ 5,294,376	\$ 5,598,629	\$ 5,450,477	\$ 5,643,311	\$ 5,513,950	\$ 5,245,700
Unrestricted	610,299	507,673	423,798	220,212	599,622	517,272	569,396	434,647	436,728	638,797
Total business-type activities net assets	<u>\$ 6,484,209</u>	<u>\$ 6,435,043</u>	<u>\$ 6,272,894</u>	<u>\$ 5,853,943</u>	<u>\$ 5,893,998</u>	<u>\$ 6,115,901</u>	<u>\$ 6,019,873</u>	<u>\$ 6,077,958</u>	<u>\$ 5,950,678</u>	<u>\$ 5,884,497</u>
Primary government										
Invested in capital assets, net of related debt	\$ 6,309,395	\$ 7,282,448	\$ 8,201,173	\$ 8,391,555	\$ 5,929,212	\$ 6,368,433	\$ 6,922,086	\$ 7,253,138	\$ 6,943,190	\$ 7,772,639
Restricted	71,057	47,045	199,701	289,988	432,792	288,133	289,507	437,343	457,186	251,849
Unrestricted	828,198	1,025,624	749,172	496,067	1,066,830	945,720	957,260	944,275	702,336	953,197
Total primary government net assets	<u>\$ 7,208,650</u>	<u>\$ 8,355,117</u>	<u>\$ 9,150,046</u>	<u>\$ 9,177,610</u>	<u>\$ 7,428,834</u>	<u>\$ 7,602,286</u>	<u>\$ 8,168,853</u>	<u>\$ 8,634,756</u>	<u>\$ 8,102,712</u>	<u>\$ 8,977,685</u>

**Source:** Comprehensive Annual Financial Reports

**Note:** The fiscal year 2012 governmental and business-type activities were restated with implementation of GASB 65 and elimination of deferred charges for issuance costs.

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

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
Legislative	\$ 27,709	\$ 37,779	\$ 48,025	\$ 42,935	\$ 31,869	\$ 32,305	\$ 31,067	\$ 36,411	\$ 47,468	\$ 22,255
General government	451,636	641,265	900,649	696,107	787,637	901,048	912,723	894,444	924,629	1,013,319
Public safety	852,676	907,425	1,046,882	1,107,883	1,284,841	1,249,648	1,147,095	1,176,656	1,683,647	1,221,844
Streets	205,111	288,687	260,105	251,085	307,501	537,893	326,458	292,679	432,540	367,827
Culture and recreation	396,440	403,672	469,345	463,105	510,059	452,765	446,787	431,231	375,718	439,893
Interest on long term debt	324,441	332,645	329,195	1,013,505	468,532	469,985	439,792	412,300	409,610	357,818
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>	<u>3,303,922</u>	<u>3,243,721</u>	<u>3,873,612</u>	<u>3,422,956</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	1,617,321	1,741,581	1,732,927	1,804,667
Sanitation	494,562	394,975	406,103	415,594	456,241	514,195	562,789	589,500	633,971	645,862
Total business-type activities expenses	<u>1,527,854</u>	<u>1,394,986</u>	<u>1,504,459</u>	<u>1,687,115</u>	<u>1,824,964</u>	<u>1,905,085</u>	<u>2,180,110</u>	<u>2,331,081</u>	<u>2,366,898</u>	<u>2,450,529</u>
Total primary government expenses	<u>3,785,867</u>	<u>4,006,459</u>	<u>4,558,660</u>	<u>5,261,735</u>	<u>5,215,403</u>	<u>5,548,729</u>	<u>5,484,032</u>	<u>5,574,802</u>	<u>6,240,510</u>	<u>5,873,485</u>
<b>Program Revenues</b>										
Governmental activities:										
Fees, fines, and charges for services:										
General government and administration	(326.00)	-	15,501	84,812	53,996	63,463	67,329	32,215	13,254	20,827
Public safety	225,279	221,221	196,127	178,062	227,849	152,703	111,657	127,553	51,855	114,107
Streets	-	-	15	-	-	-	-	-	-	-
Cultural and recreational	39,986	56,681	65,581	42,658	35,016	20,753	20,261	26,971	24,414	28,558
Operating grants and contributions	115,023	142,826	80,957	52,302	124,871	59,549	27,720	42,557	59,143	66,111
Capital grants and contributions	10,400	41,815	72,351	8,707	94,292	199,827	512,687	-	-	490,000
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>	<u>739,654</u>	<u>229,296</u>	<u>148,666</u>	<u>719,603</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	2,221,838	2,621,988	2,515,926	2,628,824
Sanitation	392,744	381,984	403,158	422,358	492,157	571,945	513,702	532,586	563,805	608,234
Operating grants and contributions	-	17,800	-	-	-	-	-	-	-	-
Capital grants and contributions	91,472	173,881	57,876	57,022	318,766	76,899	162,620	84,880	16,471	-
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>	<u>2,898,160</u>	<u>3,239,454</u>	<u>3,096,202</u>	<u>3,237,058</u>
Total primary government program revenues	<u>2,676,973</u>	<u>2,952,875</u>	<u>2,870,678</u>	<u>2,706,379</u>	<u>3,205,519</u>	<u>3,195,751</u>	<u>3,637,814</u>	<u>3,468,750</u>	<u>3,244,868</u>	<u>3,956,661</u>

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

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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)	(3,724,946)	(2,703,353)
Business-type Activities	758,757	1,095,346	935,687	652,723	844,531	794,371	718,050	908,373	729,304	786,529
Total Primary government net expense	<u>(1,108,894)</u>	<u>(1,053,584)</u>	<u>(1,687,982)</u>	<u>(2,555,356)</u>	<u>(2,009,884)</u>	<u>(2,352,978)</u>	<u>(1,846,218)</u>	<u>(2,106,052)</u>	<u>(2,995,642)</u>	<u>(1,916,824)</u>
<b>General Revenues</b>										
<b>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	1,395,287
Sales	699,218	950,437	1,137,586	1,123,789	1,140,405	948,050	717,274	914,071	879,398	959,232
Franchise fees	376,037	339,539	384,311	376,255	360,996	383,047	353,473	384,189	370,339	368,177
Investment earnings	15,189	50,547	47,558	80,179	43,073	11,054	4,679	4,362	3,461	3,006
Loss on sale/retirement of capital asset	-	-	-	-	(6,116)	-	-	-	-	-
Miscellaneous	5,666	36,833	10,564	76,929	40,226	108,142	51,013	7,953	36,401	41,747
Transfers	799,533	1,156,626	1,121,797	1,148,863	824,247	576,594	818,732	866,374	818,733	877,058
Total Governmental Activities	<u>2,751,121</u>	<u>3,385,804</u>	<u>3,580,747</u>	<u>3,654,595</u>	<u>3,482,519</u>	<u>3,098,898</u>	<u>3,226,863</u>	<u>3,422,243</u>	<u>3,370,602</u>	<u>3,644,507</u>
Business-type Activities:										
Investment earnings	767	2,433	17,119	80,915	15,120	6,300	2,859	1,692	2,106	2,426
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	21,922
Transfers	(799,533)	(1,156,626)	(1,121,797)	(1,148,863)	(824,247)	(576,594)	(818,732)	(866,374)	(818,733)	(877,058)
Total Business-type Activities	<u>(707,968)</u>	<u>(1,144,513)</u>	<u>(1,097,835)</u>	<u>(1,071,675)</u>	<u>(804,477)</u>	<u>(572,468)</u>	<u>(814,078)</u>	<u>(850,288)</u>	<u>(808,841)</u>	<u>(852,710)</u>
Total Primary Government	<u>2,043,153</u>	<u>2,241,291</u>	<u>2,482,912</u>	<u>2,582,920</u>	<u>2,678,042</u>	<u>2,526,430</u>	<u>2,412,785</u>	<u>2,571,955</u>	<u>2,561,761</u>	<u>2,791,797</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	(354,344)	941,154
Business-type Activities	50,790	(49,166)	(162,148)	(418,952)	40,054	221,903	(96,028)	58,085	(79,537)	(66,181)
Total Primary Government	<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>\$ (433,881)</u>	<u>\$ 874,973</u>

**Source:** Comprehensive Annual Financial Reports

**Note:** The fiscal year 2012 governmental and business-type activities were restated with implementation of GASB 65 and elimination of deferred charges for issuance costs.

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

Table 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted	\$ -	\$ 260,503	\$ 22,721	\$ 402	\$ 402	\$ 402	\$ 402	\$ 2,803	\$ 2,806	\$ 2,808
Unassigned	105,852	9,284	192,242	290,249	304,539	309,978	225,823	321,196	159,196	213,131
Total general fund	<u>\$ 105,852</u>	<u>\$ 269,787</u>	<u>\$ 214,963</u>	<u>\$ 290,651</u>	<u>\$ 304,941</u>	<u>\$ 310,380</u>	<u>\$ 226,225</u>	<u>\$ 323,999</u>	<u>\$ 162,002</u>	<u>\$ 215,939</u>
All Other Governmental Funds										
Restricted, reported in										
Debt Service Fund	\$ 68,674	\$ 117,508	\$ 176,980	\$ 216,539	\$ 275,466	\$ 147,402	\$ 186,270	\$ 168,703	\$ 128,578	\$ 133,562
Special revenue funds	79,132	72,251	78,355	117,926	157,326	138,338	100,438	109,515	98,669	32,438
Capital funds	753,979	13,483	463,456	12,484	739,651	253,562	173,537	1,801,233	253,060	79,931
Unassigned, reported in special revenue funds	-	-	-	-	-	-	-	(8,238)	(3,197)	(2,505)
Total all other governmental funds	<u>\$ 901,785</u>	<u>\$ 203,242</u>	<u>\$ 718,791</u>	<u>\$ 346,949</u>	<u>\$ 1,172,443</u>	<u>\$ 539,302</u>	<u>\$ 460,245</u>	<u>\$ 2,071,213</u>	<u>\$ 477,110</u>	<u>\$ 243,426</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES:</b>										
Taxes:										
Ad valorem	\$ 862,352	\$ 852,544	\$ 893,642	\$ 840,345	\$ 1,091,782	\$ 1,035,894	\$ 1,268,649	\$ 1,238,815	\$ 1,244,372	\$ 1,385,117
Sales	700,697	950,437	1,137,586	1,123,789	1,140,405	948,050	717,274	914,071	879,398	959,232
Franchise fees	376,036	339,539	384,311	376,255	360,996	383,046	353,473	384,189	370,339	368,177
Charges for services	1,716	3,450	1,840	2,845	2,460	1,635	1,707	1,920	2,034	977
Licenses and permits	17,125	11,853	15,501	84,812	53,996	63,263	63,608	29,095	10,020	18,650
Recreation fees	39,986	56,406	65,581	42,658	35,016	20,753	20,261	26,971	24,414	28,558
Court fines	206,112	142,845	174,893	182,369	138,306	138,546	111,657	122,754	141,757	103,638
Rentals	7,900	4,800	4,100	3,706	3,900	3,690	2,015	1,200	1,200	1,200
Donations	50,196	67,473	62,638	27,593	40,475	35,845	513,095	27,985	31,693	532,018
Intergovernmental	35,887	112,368	69,851	30,495	174,788	223,531	27,312	14,572	27,450	24,094
Investment earnings	15,188	50,547	47,558	80,179	43,073	11,054	4,679	4,362	3,461	3,006
Miscellaneous	5,667	36,833	10,564	525,259	40,226	108,142	43,666	7,953	36,401	41,747
Total Revenues	<u>2,318,862</u>	<u>2,629,095</u>	<u>2,868,065</u>	<u>3,320,304</u>	<u>3,125,422</u>	<u>2,973,449</u>	<u>3,127,396</u>	<u>2,773,887</u>	<u>2,772,539</u>	<u>3,466,414</u>
<b>EXPENDITURES:</b>										
Legislative	27,709	37,779	48,025	42,935	31,869	32,305	31,067	36,411	47,468	22,255
General government and administration	442,625	631,404	875,616	696,440	780,146	881,146	884,208	812,353	859,788	946,037
Public safety	824,162	920,458	1,036,994	1,114,989	1,221,957	1,134,758	1,052,559	1,064,481	1,476,046	988,709
Streets	226,850	291,706	481,199	272,071	228,829	448,763	263,086	232,862	372,509	290,731
Cultural and recreational	221,200	448,135	269,079	260,047	301,706	232,969	230,575	215,819	162,318	227,181
Capital outlay	19,951	723,453	13,575	490,570	863,939	339,690	537,182	478,815	1,287,086	845,339
Debt Service:										
Principal retirement	855,000	895,000	990,918	1,056,375	1,039,442	614,375	673,342	715,239	757,630	836,258
Interest and fiscal charges	321,321	337,471	285,587	831,896	241,997	534,392	437,321	411,212	419,374	366,709
Total expenditures	<u>2,938,818</u>	<u>4,285,406</u>	<u>4,000,993</u>	<u>4,765,322</u>	<u>4,709,885</u>	<u>4,218,398</u>	<u>4,109,340</u>	<u>3,967,192</u>	<u>5,382,219</u>	<u>4,523,219</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(619,956)</u>	<u>(1,656,311)</u>	<u>(1,132,928)</u>	<u>(1,445,017)</u>	<u>(1,584,461)</u>	<u>(1,244,948)</u>	<u>(981,944)</u>	<u>(1,193,305)</u>	<u>(2,609,680)</u>	<u>(1,056,805)</u>
<b>OTHER FINANCING SOURCES (USES):</b>										
Bonds issued	773,000	-	455,000	-	1,600,000	2,635,000	-	2,060,000	-	-
Bond issue costs	(21,450)	-	(8,645)	-	-	-	-	(24,327)	-	-
Refunded bonds redeemed	-	-	-	-	-	(2,594,346)	-	-	-	-
Lease purchase proceeds	42,262	31,817	-	-	-	-	-	-	34,847	-
Transfers in	799,533	1,156,626	1,121,797	1,148,863	832,965	576,594	818,732	866,374	818,733	877,058
Transfers out	-	-	-	-	(8,718)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,593,345</u>	<u>1,188,443</u>	<u>1,568,152</u>	<u>1,148,863</u>	<u>2,424,247</u>	<u>617,248</u>	<u>818,732</u>	<u>2,902,047</u>	<u>853,580</u>	<u>877,058</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 973,391</u>	<u>\$ (467,868)</u>	<u>\$ 435,227</u>	<u>\$ (296,154)</u>	<u>\$ 839,785</u>	<u>\$ (627,700)</u>	<u>\$ (163,211)</u>	<u>\$ 1,708,742</u>	<u>\$ (1,756,100)</u>	<u>\$ (179,747)</u>
Debt service as a percentage of noncapital expenditures	40.3%	34.6%	32.0%	44.2%	33.3%	29.6%	31.1%	32.3%	28.7%	32.7%

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			
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
2013	154,367,590	21,739,310	59,220,010	116,886,890	1.180000

**Source:** Jack County Appraisal District

## CITY OF JACKSBORO, TEXAS

## DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)

Table 6

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Jack County	Jack County Special	Jacksboro ISD	Faith Community Hospital	Jack WCID #1
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	0.222780	0.591090	0.813870	0.398080	0.064399	1.657000	0.130700	0.020099
2007	0.245000	0.668100	0.913100	0.376191	0.063283	1.368000	0.116000	0.017870
2008	0.280297	0.668100	0.948397	0.301741	0.062646	1.339040	0.116000	0.013094
2009	0.447530	0.479800	0.927330	0.299419	0.062460	1.500000	0.106110	0.013094
2010	0.527800	0.455900	0.983700	0.300813	0.067964	1.500000	0.129860	0.011829
2011	0.493300	0.518700	1.012000	0.357788	0.092112	1.500000	0.125468	0.011829
2012	0.591800	0.588200	1.180000	0.332809	0.086094	1.500000	0.315000	0.011584
2013	0.598040	0.581960	1.180000	0.441100	0.086875	1.500000	0.304920	0.009695

Source: Jack County Appraisal District

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

Table 7

2013			2004		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value <sup>a</sup>	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value <sup>b</sup>
Hurd Oilfield Service	\$ 4,120,500	3.52 %	Greystone Park LP	\$ 3,602,000	3.31 %
Bell Tubulers	3,013,090	2.58	Jacksboro National Bank	1,665,410	1.53
Jacksboro National Bank	2,091,030	1.79	First National Bank - Jacksboro	1,468,970	1.35
Stevens Transport	1,968,330	1.68	Diamond Food Markets, Inc.	1,310,890	1.20
Oncor Electric Delivery Co.	1,897,740	1.62	Geer Tank Trucks Inc.	1,003,970	0.92
One Cypress Trucking	1,800,280	1.54	Senior Living Properties LLC	933,440	0.86
Swan Real Estate Mgmt, LP	1,152,710	0.99	Mesquite Trails LP	872,010	0.80
Jacksboro Assisted Living, Inc.	1,028,530	0.88	Halliburton Energy Services	854,070	0.78
Jacksboro Pump & Specialty	967,230	0.83	Jerry Craft	829,460	0.76
Swan Production LP	775,960	0.66	Jacksboro Apartments LTD	720,450	0.66
Total	<u>\$ 18,815,400</u>	<u>16.09 %</u>	Total	<u>\$ 13,260,670</u>	<u>12.17 %</u>

**Source:** Jack County Appraisal District

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

Table 8

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted 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
2012/13	1,377,145	(2,775)	1,374,369	1,314,634	94.54	37,553	1,352,187	98.18

**Source:** Jack County Appraisal District

CITY OF JACKSBORO, TEXAS  
WATER AND SEWER SALES REVENUE LAST TEN 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
2012/13	1,590,885	929,221	596,265

**Source:** City records

CITY OF JACKSBORO, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE 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			
2004	\$ 3,085,000	\$ 4,427,013	\$ 232,357	\$ 262,000	\$ 38,989	\$ 8,045,359	0.01 %	1,783
2005	2,450,000	4,172,013	198,168	257,000	24,337	7,101,518	NA	1,574
2006	1,780,000	4,354,013	150,197	795,000	26,149	7,105,359	NA	1,573
2007	1,730,000	6,210,895	112,251	775,000	11,786	8,839,932	NA	1,990
2008	1,620,000	6,900,895	92,813	950,000	6,048	9,569,756	NA	2,183
2009	3,425,000	4,568,039	76,293	2,180,000	19,651	10,268,983	NA	2,365
2010	3,425,000	3,912,029	58,964	2,120,000	62,763	9,578,756	NA	2,206
2011	3,425,000	5,274,968	40,786	2,030,000	37,354	10,808,108	NA	2,143
2012	3,425,000	4,543,742	49,227	1,935,000	15,833	9,345,079	NA	1,988
2013	3,425,000	3,755,000	1,711	1,840,000	-	9,021,711	NA	2,009

**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>	Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligations	Total		
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
2013	3,425,000	3,755,000	7,180,000	6.14	1,599

**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, 2013  
(Unaudited)

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Jack County	\$ 5,425,000	11.96%	\$ 648,830
Jacksboro Independent School District	42,835,000	15.47%	<u>6,626,575</u>
Subtotal, overlapping debt			7,275,405
<b>City of Jacksboro (direct debt)</b>	5,403,178	100.00%	<u>5,403,178</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 12,678,583</u></u>

**Source:** Municipal Advisory Council of Texas

<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)

Table 13

Year	Estimated Population	Personal Income	Jack County Per Capita Personal Income	Median Age	School Enrollment	Jack County Unemployment Rate
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%
2013	4,491	NA	NA	*	990	4.2%

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

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

Table 14

2013			2005		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Corrections Corp. of America	250	6.49%	Corrections Corp. of America	250	6.49%
Jacksboro Independent School District	175	4.54%	Jacksboro Independent School District	170	4.41%
County of Jack	80	2.08%	Faith Community Hospital	70	1.82%
Faith Community Hospital	70	1.82%	Halliburton Resources	57	1.48%
Jacksboro Health Care Center	41	1.06%	Mercer Well Service	50	1.30%
City of Jacksboro	35	0.91%	Jacksboro Health Care Center	41	1.06%
Geer Tank Trucks	33	0.86%	City of Jacksboro	35	0.91%
Renewable Energy Services Americas, Inc	30	0.78%	Geer Tank Trucks	33	0.86%
Jacksboro National Bank	25	0.65%	First National Bank	25	0.65%
First National Bank	25	0.65%	Jacksboro National Bank	25	0.65%
			Devon Gas Services	21	0.54%
Total	<u>764</u>	<u>20.38%</u>		<u>777</u>	<u>20.17%</u>

**Source:** Oncor Economic Development Department

**Note:** 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	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government and Administration	10.00	10.00	10.00	12.00	12.00	10.25	10.25	10.25	11.00	12.00
Public Safety	14.00	17.00	18.00	18.50	18.50	14.00	14.00	15.00	12.00	13.00
Culture and Recreational	2.25	5.50	5.50	4.50	4.50	3.00	3.00	3.00	2.00	3.00
Street Maintenance	4.00	5.00	5.00	3.00	3.00	3.00	3.50	3.50	3.00	2.00
Water and Sewer	<u>12.50</u>	<u>12.50</u>	<u>12.50</u>	<u>15.00</u>	<u>15.00</u>	<u>15.00</u>	<u>15.00</u>	<u>15.00</u>	<u>9.00</u>	<u>10.00</u>
Total	<u>42.75</u>	<u>50.00</u>	<u>51.00</u>	<u>53.00</u>	<u>53.00</u>	<u>45.25</u>	<u>45.75</u>	<u>46.75</u>	<u>37.00</u>	<u>40.00</u>

**Source:** City Budget Office

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

Table 16

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration										
Council directed programs	5	5	5	5	6	6	6	5	5	5
Council meetings	26	20	20	35	33	36	36	36	35	23
Proclamations, ordinances, resolutions	50	32	35	47	52	40	48	46	25	33
Positions filled	5	5	5	8	14	11	8	4	5	4
GFOA CAFR Award	-	1	1	1	1	1	1	1	1	Pending
GFOA Distinguished Budget Award	-	-	1	1	1	1	1	1	1	
Public Safety										
Municipal court										
New cases filed	2,000	1,679	1,763	1,818	1,148	943	909	1,025	938	725
Warrants cleared	400	374	349	245	350	387	128	208	731	94
Police										
Number of employees	9	10	10	10	10	10	10	10	10	10
Calls for service	4,900	3,501	6,200	3,941	4,300	3,954	3,786	3,918	3,564	1,520
Fire										
Number of employees	0	1	2	2	2	2	2	3	3	3
Number of fire runs	125	200	250	286	350	365	286	331	294	688
Animal Control										
Calls for service	2,000	607	1,200	990	1,300	1,250	1,016	1,200	1,114	1,185
Animals impounded	600	232	1,560	875	292	275	223	254	231	164
Citations issued	100	137	312	205	60	45	33	55	55	18
Development Services										
Building permits	150	110	172	122	150	125	125	177	177	174
Cultural and Recreational										
Parks and Recreation										
Aquatics daily admissions	2,500	2,200	2,200	0	0	0	0	0	0	0
Athletics/ recreation participants	750	800	925	700	350	200	200	110	108	116
Activity center memberships	300	225	250	300	300	250	250	286	268	290
Park acreage maintained	88	88	88	89	93	93	93	93	93	93
Water and Sewer										
Number of water consumers	1,600	1,600	1,650	1,700	1,700	1,625	1,625	1,576	1,549	1,556
Treated water (million gallons per year)	250	207	225	255	255	255	255	255	255	200
Treated effluent water (million gallons per year)	NA	135	140	125	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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Jacksboro, Texas' basic financial statements and have issued our report thereon dated April 30, 2014.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in finding 2013-1 in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiency described in finding 2013-2 in the accompanying schedule of findings and responses to be a significant deficiency.

## **Compliance and Other Matters**

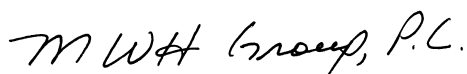
As part of obtaining reasonable assurance about whether City of Jacksboro, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

### **City of Jacksboro, Texas' Response to Findings**

City of Jacksboro, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Jacksboro, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "MWH Group, P.C." in a cursive, flowing script.

MWH GROUP, P.C.

Wichita Falls, Texas  
April 30, 2014



**CITY OF JACKSBORO, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**A. Summary of Auditor's Results**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input 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 Findings**

**Finding 2013-1: Material Weakness: Payroll**

*Condition and Criteria:* Internal controls should be in place to ensure that payroll is accurately computed and distributed to employees. Additionally, the City should maintain documentation of all relevant employee information, including approved pay rates, in the personnel files. The City's procedures over payroll failed to detect improper payments to City employees.

*Cause:* The City's procedures did not include an adequate review of payroll calculations before payroll checks or direct deposits were distributed to employees.

*Effect:* Improper payments were distributed to at least one employee. The improprieties, including the total amount of improper distributions, are currently under investigation.

*Recommendations:* We recommend that the City implement additional controls around the payroll process to prevent improper payments in the future. We also recommend that the City maintain documentation of approved employee pay rates in personnel files.

*Response:* The City has implemented additional controls around the payroll process for the 2013-14 FY by adding additional administrative support staff. The payroll process is now divided into two functions: a) preparation, performed by human resources; and b) verification and distribution, performed by finance. Further, an internal audit of City personnel records has been performed by human resources and documentation is being updated to reflect employees' current positions and rates.

**Finding 2013-2: Significant Deficiency: Segregation of Duties**

*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.

- 1) 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.
- 2) Journal entries should be reviewed by a person outside of the general ledger function.
- 3) 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.
- 4) Signed checks should not be given back to the person preparing the checks and posting them to the general ledger.
- 5) Written policies should be created and/or updated periodically regarding areas such as fixed assets, expense reports, purchasing, and fund balances.
- 6) 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.
- 7) 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.
- 8) The following payroll procedures should be performed by different individuals: preparing payroll checks, reviewing and authorizing payroll payments, and editing the payroll master file.

*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.

The City has implemented the following changes to internal control for the 2013-14 FY:

- 1) Bank statements are received by the City Manager for review and then turned over to finance for reconciliation. Monthly reconciliations are then available for review by the City Manager or Mayor and signed for approval.
- 2) Journal entries are prepared by finance and submitted to the City Manager for approval before posting to the general ledger. The City Manager signs for approval.
- 4) The accounts payable process has been divided into two functions and performed by two employees. Accounts Payable clerk receives vendor invoices and posts to the payable ledger on a daily basis. The finance department reviews and reconciles vendor invoices against vendor statements on a weekly basis and prepares checks for payments. Two signatures are required. The Finance Director is not a check signer. Signed checks are returned to the accounts payable clerk for distribution to vendors.
- 5) Many policies and procedures are in the review process for presentation to Council for approval.
- 8) The payroll process has been divided into two categories: 1) preparation; and 2) verification and disbursement; this is performed by two individuals.