

CITY OF BARTLETT, TEXAS
BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2014

**CITY OF BARTLETT, TEXAS
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government- Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Statement of Fiduciary Fund Net Position	18
Statement of Changes in Fiduciary Fund Net Position	19
Notes to Financial Statements	20-36
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-Combined General and Enterprise Funds	37
Note to Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual-Combined General and Enterprise Funds	38
Compliance and Internal Control Section:	
Independent Auditor's Report on Compliance and Internal Control Over Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	39-40
Schedule of Findings and Responses	41
Status of Prior Year Findings and Responses	42-43

ALTON D. THIELE, P. C.

Certified Public Accountant
300 East Avenue C
P.O. Box 808
BELTON, TX 76513-0808

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Bartlett, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bartlett, Texas (the City), as of and for the year ended September 30, 2014, 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, each major fund, and the aggregate remaining fund information of the City of Bartlett, Texas, as of September 30, 2014, 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

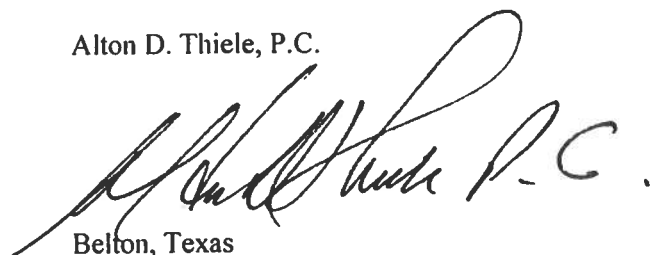
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 37-38 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2015, on our consideration of the City of Bartlett, Texas' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Alton D. Thiele, P.C.



Belton, Texas
April 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bartlett's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended September 30, 2014. Please read it in conjunction with the Independent Auditor's Report on pages 1-2, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$2,186,915 (net position).
- The City had a \$69,620 favorable budget variance at the operating level when compared to actual operating level activity.
- During the year the City had total expenses of \$2,942,182, including depreciation of \$359,467 a non-cash expense, compared to revenues of \$2,803,024, resulting in a decrease in its net position of \$139,158.
- The City's investment in capital assets totaled \$2,791,881, net of accumulated depreciation of \$7,409,651.
- Total debt at year-end of \$1,507,906 reflects a net reduction of \$61,072 compared to the prior year.

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'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 supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide the readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the 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 result in cash flows in future periods. This may include uncollected taxes and other revenue or expenses that are appropriate for the current year even though cash is not received or expended until the following year.

CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities include general government, judicial, law enforcement, and streets. The business-type activities include water, sewer, and sanitation.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on 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 the comparison between government funds and governmental activities.

The City maintains two governmental funds, the General Fund and the Bartlett Municipal Development District. The basic governmental funds financial statements can be found on pages 11-14 of this report.

Proprietary Funds. The only type of proprietary fund of the City is the Enterprise Fund. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses the enterprise fund to account for its water, sewer, electric and sanitation.

The proprietary financial statements can be found on pages 15-17 of this report.

CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements. The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 20.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. The City's assets exceed liabilities by \$2,186,915 as of September 30, 2014. A large portion of the City's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its 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. (See Table I).

**Table I
NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 404,998	\$ 397,602	\$ 676,626	\$ 860,235	\$ 1,081,624	\$ 1,257,837
Capital assets, net	1,137,284	1,093,887	1,654,597	1,870,136	2,791,881	2,964,023
Total assets	1,542,282	1,491,489	2,331,223	2,730,371	3,873,505	4,221,860
Current liabilities	17,782	19,159	160,902	152,627	178,684	171,786
Long-term liabilities	1,464,366	1,502,000	43,540	66,978	1,507,906	1,568,978
Total liabilities	1,482,148	1,521,159	204,442	219,605	1,686,590	1,740,764
Net position:						
Net investment in capital assets	137,929	56,898	1,146,046	1,338,147	1,283,975	1,395,045
Restricted for:						
Debt service	24,100	28,369	-	2,205	24,100	30,574
Other minor funds	13,511	2,798	819	2,539	14,330	5,337
Unrestricted	(115,406)	(117,735)	979,916	1,012,852	864,510	895,117
Total net position	\$ 60,134	\$ (29,670)	\$ 2,126,781	\$ 2,355,743	\$ 2,186,915	\$ 2,326,073

CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the City's net position represents resources that are subject to external and internal restrictions and on how they may be used. The remaining balance of the unrestricted net position may be used to meet the City's ongoing obligations to its citizens.

Changes in Net Position. Revenues totaled \$2,803,024 for the year, a decrease of \$41,073 from the prior year. The decrease came primarily from lower charges for services, property taxes and sales taxes. Expenses totaled \$2,942,182 for the year, an increase of \$199,757 due to increased legal and insurance expenses over the prior year. (See Table II).

**Table II
CHANGES IN NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 18,998	\$ 40,258	\$ 2,314,595	\$ 2,346,280	\$ 2,333,593	\$ 2,386,538
Grant income	-	10,400	10,500	-	10,500	10,400
General Revenues:						
Property tax	245,432	253,679	-	-	245,432	253,679
Sales tax	60,021	64,206	-	-	60,021	64,206
Franchise and other taxes	27,708	25,350	-	-	27,708	25,350
Transfers	768,816	239,454	(768,816)	(239,454)	-	-
Other income	125,770	103,924	-	-	125,770	103,924
Total revenues	1,246,745	737,271	1,556,279	2,106,826	2,803,024	2,844,097
Expenses:						
General government	508,203	435,744	-	-	508,203	435,744
Public safety	323,814	267,017	-	-	323,814	267,017
Public works	147,883	122,609	-	-	147,883	122,609
Parks and recreation	72,282	52,157	-	-	72,282	52,157
Library	67,623	67,515	-	-	67,623	67,515
Interest on long- term debt	37,136	34,730	3,023	3,553	40,159	38,283
Utilities	-	-	1,782,218	1,759,100	1,782,218	1,759,100
Total Expenses	1,156,941	979,772	1,785,241	1,762,653	2,942,182	2,742,425
Change in position	89,804	(242,501)	(228,962)	344,173	(139,158)	101,672
Net position - beginning as restated	(29,670)	212,831	2,355,743	2,011,570	2,326,073	2,224,401
Net position - ending	\$ 60,134	\$ (29,670)	\$ 2,126,781	\$ 2,355,743	\$ 2,186,915	\$ 2,326,073

CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds. The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in accessing the City's financing requirements. In particular, unassigned and assigned fund balances may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The Governmental Accounting Standards Board (GASB) Statement 54 requires fund balances to be classified as follows:

Nonspendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government's highest level of decision making authority. In the case of the City it is the City Council and the formal action would be an ordinance to modify or rescind the commitment.

Assigned – Amounts constrained by City management's intent to be used for specific purposes but are not formally restricted by external resources or committed by City Council.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

As the City completed the year, its general fund (as presented in the balance sheet on page 11) reported a total fund balance of \$320,112 (an increase from prior year of \$1,377). This increase was primarily the result of increased transfers and miscellaneous revenue.

General Fund Budget Highlights. Actual revenues were \$100,699 lower than the budget. However, actual expenditures were \$77,969 higher than the budget, reflecting a net unfavorable variance of \$178,668 in the change in fund balance. This change is largely due to depreciation, a non-cash related expense. More detail is presented in the required supplemental information section on pages 37-38.

CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had invested \$10,201,534 in capital assets (excluding accumulated depreciation of \$7,409,651), consisting primarily of buildings and utility infrastructure assets.

More detailed information about the City's capital assets is presented in the Notes to the Financial Statements starting on page 28.

Debt

At year-end, the City had \$1,507,906 in total debt. This net decrease of \$61,072 was the result of \$161,174 in principal payments made, off-set by new debt of \$80,000. More detailed information about the City's long-term debt is presented in the Notes to the Financial Statements starting on page 29.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. Some of those factors include the economy and the anticipated needs of the City for operations and capital outlay in the next year.

The City adopted a \$2,850,114 combined general and utility fund budget for fiscal year 2015, reflecting a surplus balance of \$13,469. It will be funded through utility revenues of \$2,312,091 and \$538,023 in general fund revenues.

If the City does not incur any unforeseen expenditures or reductions in revenue, the City's management is confident they will accomplish the task of providing improved services within its available resources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Bartlett, P.O. Drawer H, Bartlett, Texas 76511.

BASIC FINANCIAL STATEMENTS

CITY OF BARTLETT, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash	\$ 235,371	\$ 390,893	\$ 626,264
Accounts receivable, net of allowance for doubtful accounts	87,294	262,374	349,668
Due (to)/from other funds	41,545	-	41,545
Inventory	3,177	22,540	25,717
Capital assets, net	1,137,284	1,654,597	2,791,881
Restricted assets:			
Cash and investments	37,611	819	38,430
Total assets	1,542,282	2,331,223	3,873,505
<u>Liabilities</u>			
Accounts payable	1,095	83,328	84,423
Accrued expenses	16,687	-	16,687
Customer deposits	-	77,574	77,574
Noncurrent liabilities			
Due within one year	194,366	24,507	218,873
Due in more than one year	1,270,000	19,033	1,289,033
Total liabilities	1,482,148	204,442	1,686,590
<u>Net Position</u>			
Net investment in capital assets	137,929	1,146,046	1,283,975
Restricted for:			
Debt service	24,100	-	24,100
Other minor funds	13,511	819	14,330
Unrestricted net assets	(115,406)	979,916	864,510
Total Net Position	\$ 60,134	\$ 2,126,781	\$ 2,186,915

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental activities:						
General government	\$ 508,203	\$ 3,290	\$ -	\$ (504,913)	\$ -	\$ (504,913)
Public safety	323,814	13,235	-	(310,579)	-	(310,579)
Public works	147,883	-	-	(147,883)	-	(147,883)
Parks and recreation	72,282	2,473	-	(69,809)	-	(69,809)
Library	67,623	-	-	(67,623)	-	(67,623)
Interest expense	37,136	-	-	(37,136)	-	(37,136)
Total governmental activities	1,156,941	18,998	-	(1,137,943)	-	(1,137,943)
Business-type activities						
Utilities	1,785,241	2,314,595	10,500	-	539,854	539,854
Total business-type activities	1,785,241	2,314,595	10,500	-	539,854	539,854
Total primary government	\$ 2,942,182	\$ 2,333,593	\$ 10,500	(1,137,943)	539,854	(598,089)
General revenues:						
Property taxes				245,432	-	245,432
Sales taxes				60,021	-	60,021
Franchise taxes				27,708	-	27,708
Transfers				768,816	(768,816)	-
Other income				125,770	-	125,770
Total general revenues				1,227,747	(768,816)	458,931
Changes in net position				89,804	(228,962)	(139,158)
Net position - beginning of year (as restated)				(29,670)	2,355,743	2,326,073
Net position - end of year				\$ 60,134	\$ 2,126,781	\$ 2,186,915

The accompanying notes are an integral part of the financial statements.

BASIC FINANCIAL STATEMENTS
(The Funds)

**CITY OF BARTLETT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014**

	<u>General</u>	<u>Bartlett Municipal Development District</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash	\$ 235,371	\$ -	\$ 235,371
Taxes receivable	87,294	-	87,294
Inventory	3,177	-	3,177
Due from cemetery fund	41,545	-	41,545
Restricted assets:			
Cash	36,578	1,033	37,611
Total assets	<u>\$ 403,965</u>	<u>\$ 1,033</u>	<u>\$ 404,998</u>
<u>Liabilities</u>			
Accounts payable	\$ 1,095	\$ -	\$ 1,095
Accrued expenses	16,687	-	16,687
Total Liabilities	<u>17,782</u>	<u>-</u>	<u>17,782</u>
<u>Deferred Inflow Of Resources</u>			
Unavailable revenue- property taxes	67,103	-	67,103
<u>Fund Balance</u>			
Nonspendable:			
Inventory	3,177	-	3,177
Restricted:			
Series 2012 I&S fund	24,100	-	24,100
Municipal court fund	11,544	-	11,544
Police seizure fund	934	-	934
Economic development	-	1,033	1,033
Committed:			
City administrator severance fund	78,000	-	78,000
Community development fund	62,778	-	62,778
Assigned	-	-	-
Unassigned	138,546	-	138,546
Total Fund Balances	<u>319,079</u>	<u>1,033</u>	<u>320,112</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 403,964</u>	<u>1,033</u>	<u>\$ 404,998</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2014

Total fund balance (deficit) – governmental funds		\$ 320,112
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:		
Land	\$ 25,000	
Buildings & Improvements	2,509,163	
Machinery & Equipment	431,513	
Accumulated depreciation	<u>(1,828,392)</u>	
Total Capital Assets		1,137,284
Long-term debt is not due and payable in the current period and therefore is not reported a liability in the fund financial statement.		
		(1,464,365)
Some revenues in the governmental fund are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized regardless of when they are collected.		
		<u>67,103</u>
Net position of governmental activities (page 9)		<u><u>\$ 60,134</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF BARTLETT, TEXAS
STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>General</u>	<u>Bartlett Municipal Development District</u>	<u>Total Governmental Funds</u>
Revenue			
General property taxes	\$ 238,036	-	\$ 238,036
Sales taxes	58,988	1,033	60,021
Franchise taxes	27,708	-	27,708
Fines	13,235	-	13,235
Fees and permits	890	-	890
Charges for services	4,874	-	4,874
Other revenue	125,770	-	125,770
Total Revenue	<u>469,501</u>	<u>1,033</u>	<u>470,534</u>
Expenditures			
General government	439,428	-	439,428
Public safety	305,936	-	305,936
Public works	141,517	-	141,517
Parks and recreation	72,282	-	72,282
Library	63,303	-	63,303
Debt service	154,770	-	154,770
Total Expenditures	<u>1,177,236</u>	<u>-</u>	<u>1,177,236</u>
Excess Of Revenue Over (Under) Expenditures	<u>(707,735)</u>	<u>1,033</u>	<u>(706,702)</u>
Other Financing Sources (Uses)			
Transfers in	768,816	-	768,816
Proceeds from issuance of debt	80,000	-	80,000
Capital outlay	(140,737)	-	(140,737)
Total Other Financing Sources (Uses)	<u>708,079</u>	<u>-</u>	<u>708,079</u>
Excess Of Revenue And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	344	1,033	1,377
Fund Balance, Beginning Of Year	<u>318,735</u>	<u>-</u>	<u>318,735</u>
Fund Balance, End Of Year	<u>\$ 319,079</u>	<u>\$ 1,033</u>	<u>\$ 320,112</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014**

Net change in fund balances – total governmental funds	\$ 1,337
<p>Amounts reported for governmental activities in the statement of activities (page 10) are different because:</p>	
<p>Governmental funds report capital outlays 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 depreciation was lower/(higher) than capital outlays in the current period.</p>	43,398
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund.</p>	7,395
<p>The issuance of long-term debt provides current financial resources in the general fund, but issuing debt increases long-term liabilities in the statement of net position.</p>	(80,000)
<p>Long-term debt principal payments are expenditures in the general fund, but are shown as reductions in long-term debt in the statement of net position.</p>	117,634
<p>The net effect of various miscellaneous transactions is to increase net position.</p>	40
<p>Change in net assets of governmental activities (page 10)</p>	<u><u>\$ 89,804</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014**

		<u>Business-type Activities Utility Fund</u>
<u>Assets</u>		
Current assets:		
Cash	\$	390,893
Accounts receivable, net		262,374
Inventory		22,540
Total current assets		<u>675,807</u>
Noncurrent assets:		
Restricted:		
Cash		819
Capital assets:		
Land and improvements		69,519
Electric system		558,624
Water and sewer system		6,321,152
Machinery and equipment		276,061
Construction in process		10,500
Less- accumulated depreciation		<u>(5,581,259)</u>
Total noncurrent assets		<u>1,655,416</u>
Total assets	\$	<u><u>2,331,223</u></u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$	83,328
Accrued expenses		-
Customer deposits		77,574
Current portion of long-term debt		24,507
Total current liabilities		<u>185,409</u>
Noncurrent liabilities		
Finance contract and lease obligation		19,033
Total liabilities		<u>204,442</u>
<u>Net Position</u>		
Net investment in capital assets		1,146,046
Restricted for:		
Other minor funds		819
Unrestricted		979,916
Total net position		<u>2,126,781</u>
Total liabilities and net position	\$	<u><u>2,331,223</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TEXAS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION - PROPRIETARY FUND
Year Ended September 30, 2014

	Business-Type Activities
	Utility Fund
Operating Revenue	
Charges for water services	\$ 513,032
Charges for waste water services	397,382
Charges for electricity services	1,224,945
Charges for garbage services	142,454
Other	36,783
Total operating revenue	2,314,596
Operating Expenses	
Salary and wages	249,181
Employee benefits	40,622
Payroll taxes	19,082
Purchased professional and technical services	160,052
Purchased property services	45,109
Purchased garbage services	112,810
Purchased electricity	691,564
Supplies	153,910
Utilities	10,066
Depreciation	262,128
Fines	11,916
Other operating expenses	25,779
Total operating expenses	1,782,219
Operating Gain (Loss)	532,377
Non-Operating Revenue (Expenses)	
Grant revenue	10,500
Interest expense	(3,023)
Total non-operating revenue (expenses)	7,477
Interfund transfers:	
Transfers out	(768,816)
NET GAIN (LOSS)	(228,962)
Net position - beginning of year (as restated)	2,355,743
Net position - end of year	\$ 2,126,781

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2014**

	Business-Type Activities Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,245,202
Cash payments to suppliers	(1,251,223)
Cash payments to employees	(261,744)
Net cash provided by operating activities	732,235
Cash Flows from Non-Capital Financing Activities	
Transfers to other funds	(768,816)
Net cash (used) in non-capital financing activities	(768,816)
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(36,090)
Proceeds from finance contract	-
Payments on long-term debt	(23,438)
Interest paid	(3,023)
Net cash provided by capital and related financing activities	(62,551)
Net increase in cash and cash equivalents	(99,132)
Cash and cash equivalents - beginning of year	490,844
Cash and cash equivalents - end of year	\$ 391,712
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating income (loss)	\$ 532,377
Adjustments to reconcile operating gain to net cash provided by Operating Activities:	
Depreciation expense	262,128
(Increase) decrease in accounts receivable	(69,714)
(Increase) decrease in inventory	(827)
Increase (decrease) in accounts payable	17,288
Increase (decrease) in accrued expenses	(12,563)
Increase (decrease) in customer deposits	3,546
Total adjustments	199,858
Net Cash Provided by Operating Activities	\$ 732,235

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TEXAS
STATEMENT OF FIDUCIARY FUND NET POSITION
September 30, 2014

	<u>Private Purpose Trust Fund</u>
Assets:	
Cash and investments	\$ 1,081
Total Assets	<u>1,081</u>
Liabilities:	
Due to general fund	<u>41,545</u>
Total Liabilities	<u>41,545</u>
Net Position:	
Restricted for cemetery	<u>(40,464)</u>
Total Liabilities and Net Position	<u>\$ 1,081</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
For the Year Ended September 30, 2014

	<u>Private Purpose Trust Fund</u>
Additions:	
Sale of cemetery plots	\$ 2,094
Interest income	10
Total additions	<u>2,104</u>
 Deductions:	
Expenses	<u>14,185</u>
Total deductions	<u>14,185</u>
Change in net position	<u>(12,081)</u>
Total Net Position- October 1 (Beginning)	<u>(28,383)</u>
Total Net Position- September 30 (Ending)	<u>\$ (40,464)</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Bartlett (the City) conform to generally accepted accounting principles (GAAP) in the United States of America, applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. The more significant of the City's policies are described below.

A. REPORTING ENTITY

The City of Bartlett, Texas (the City), is a general law city in the State of Texas, which operates under a Council form of government and provides such services as public safety, streets, electricity, water and sanitation, public improvements, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens.

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

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include or exclude a potential component unit was made as set forth in GASB Statement No. 61. Based on such criteria, management has determined that the Bartlett Municipal Development District is to be included as a blended component in the fund financial statements of the City.

Blended Component Unit

Bartlett Municipal Development District

The Bartlett Municipal Development District (BMDD) is a political subdivision of the City of Bartlett, authorized under Chapter 377 of the Texas Government Code, which was approved by a majority vote of the citizens during a special election held on November 5, 2013 and authorized to impose a one-half percent sales tax to finance development projects beneficial to the District. State law allows the District to collect a sales tax up to one-half of one percent, and tax receipts began in September 2014.

The BMDD is governed by the City Council. Although it is legally separate from the City, because the City has the ability to impose its will, act as the governing body of the District and a financial benefit or burden relationships exists between the City and the District, the BMDD is reported as a blended component unit. The District was created for the purpose of planning, acquiring, establishing, developing, consulting or renovating one or more projects, as defined by law.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds.

The City reports the following governmental funds:

General Fund-The general fund is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Bartlett Municipal Development District-This fund is a special revenue fund used to account for the revenues collected from sales taxes on transactions within the District's limits. Revenues are authorized to be spent on development within the City. The District is considered a blended component unit for reporting purposes.

The City reports the following major proprietary fund:

Enterprise Fund-The enterprise fund accounts for the activities of the water distribution system, electric distribution system, the sewage treatment plant, sewage pumping stations and solid waste collections systems.

The City's fiduciary fund consists of:

The Cemetery Fund – The cemetery fund is used to account for assets held by the City in a trustee capacity.

Governmental funds report as *program revenues* 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses 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 enterprise funds are charges to customers for sales and services. Operating expenses for the 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.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City. Property taxes receivable not determined to be available to finance current period obligations are recorded and deferred in the fund statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

a) Cash and Cash Equivalents

The City's cash and cash equivalents for the purpose of the statements of net position and the statement of cash flows of the proprietary fund consist of cash on hand and saving accounts which are available for immediate withdrawal.

b) Accounts Receivables

Receivables include amounts due from customers for water, sewer and sanitation services in the proprietary fund. In the governmental funds, receivables include primarily property tax and fines. All receivables are current and therefore due within one year. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

c) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. The City will report newly acquired or constructed general infrastructure assets subsequently in the statement of net position in the period they acquire or construct those assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	3-20
Machinery and equipment	3-10
Water and sewer system	5-20
Electric system	10-50

d) Restricted Assets

Certain resources of the City are set aside primarily for the repayment of its revenue bonds and accordingly are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)

e) Long-Term Debt

In the government-wide financial statements and in the fund financial statements for proprietary fund types, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

f) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the periods the amounts become available.

g) Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)

g) Equity Classifications (continued)

Unrestricted – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

The City reports governmental fund balances by the five following classifications:

Nonspendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government’s highest level of decision making authority. In the case of the City it is the City Council and the formal action would be an ordinance to modify or rescind the commitment.

Assigned – Amounts constrained by City management’s intent to be used for specific purposes but are not formally restricted by external resources or committed by City Council.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the City considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned fund balance.

h) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the end of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data from the preceding year.

Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. The Council may authorize supplemental appropriations during the year.

The final amended budget is used in this report. Unused appropriations lapse at the end of the year unless carried forward to the next year by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund. The City adopted the current year budget on a line item basis.

3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions, Governing Deposits and Investments

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

At September 30, 2014, the carrying amount of the City's cash deposits were \$665,775 and the bank balances were \$704,280.

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

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

(9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act.

The City did not have invested funds at September 30, 2014.

Policies, Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2014 were covered by depository insurance or by pledged collateral held by the City’s agent bank in the City’s name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City’s investment pools allow the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC.

B. RESTRICTED ASSETS

Restricted assets consist of cash balances that are dedicated to the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Debt service	\$ 24,100	\$ -	\$ 24,100
Other minor funds	13,511	819	14,330
Total	<u>\$ 37,611</u>	<u>\$ 819</u>	<u>\$ 38,430</u>

**THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014**

3. DETAILED NOTES ON ALL FUNDS (Continued)

C. PROPERTY TAXES AND RECEIVABLES (Continued)

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The lien date is January 1 of that year and they become delinquent on February 1. The tax levy for October, 2013 (fiscal year ended September 30, 2014) was \$243,113.

The tax assessment of October 1, 2013 sets a tax levy at \$.5800 per \$100 of assessed valuation at 100 percent of market value. This total rate consisted of \$.2137 for Maintenance and Operations (M&O) and \$.3663 for Interest and Sinking (I&S) to service outstanding debt.

Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues. At the fund level, only the amount collected 60 days after year end are recorded as revenue with the remainder recorded as deferred inflows of resources on the balance sheet.

D. CAPITAL ASSETS

Changes in capital assets during the year ended September 30, 2014, were as follows:

	Balance September 30, 2013	Additions	Transfers/ Retirements	Balance September 30, 2014
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Buildings and improvements	2,383,119	126,045	-	2,509,164
Machinery and equipment	416,821	14,692	-	431,513
Total capital assets being depreciated	2,799,940	140,737	-	2,940,677
Less accumulated depreciation	(1,731,053)	(97,339)	-	(1,828,392)
Total capital assets, being depreciated, net	1,068,887	43,398	-	1,112,285
Governmental activities capital assets, net	<u>\$ 1,093,887</u>	<u>\$ 43,398</u>	<u>\$ -</u>	<u>\$ 1,137,285</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 69,519	\$ -	\$ -	\$ 69,519
Construction in progress	-	10,500	-	10,500
Capital assets being depreciated:				
Water and sewer system	6,298,500	14,152	-	6,312,652
Electric system	558,624	-	-	558,624
Machinery and equipment	262,624	21,938	-	284,562
Total capital assets, being depreciated	7,119,748	36,090	-	7,155,838
Less accumulated depreciation	(5,319,131)	(262,128)	-	(5,581,259)
Total capital assets, being depreciated, net	1,800,617	(226,038)	-	1,574,579
Business-type activities capital assets, net	<u>\$ 1,870,136</u>	<u>\$ (215,538)</u>	<u>\$ -</u>	<u>\$ 1,654,598</u>

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 68,775
Public safety	17,878
Public works	6,366
Library	4,320
Total depreciation expense - governmental activities	<u>\$ 97,339</u>
Business-type activities:	
Utilities	\$ 262,128
Total depreciation expense – business type activities	<u>\$ 262,128</u>

E. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Bonds payable	\$ 1,290,000	\$ -	\$ (85,000)	\$ 1,205,000
Time warrants payable	212,000	-	(28,000)	184,000
FSB-Police Building	-	80,000	(4,634)	75,366
Governmental activity long - term liabilities	<u>\$ 1,502,000</u>	<u>\$ 80,000</u>	<u>\$ (117,634)</u>	<u>\$ 1,464,366</u>
Business - type activities:				
Note payable	\$ 35,082	\$ -	\$ (8,173)	\$ 26,909
Capital lease obligation	31,896	-	(15,265)	16,631
Business - type activity long - term liabilities	<u>\$ 66,978</u>	<u>\$ -</u>	<u>\$ (23,438)</u>	<u>\$ 43,540</u>

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LONG-TERM DEBT (Continued)

The City's long-term debt at September 30, 2014 consists of the following:

	Governmental Type Activities	Business- Type Activities
Obligation Bonds:		
\$1,375,000 General Obligation Refunding Bonds Series 2012; maturing March 1, 2026; payable \$85,000 to \$115,000 annually; interest at 2.39%; secured by levy and collection of ad valorem taxes	\$ 1,205,000	\$ -
Note Payable:		
\$80,000 note payable to a local bank payable monthly in payments of \$562, interest at 3.25% renewable annually at the prime rate of interest, eligible for up to fourteen renewals	75,366	
Time Warrants:		
\$400,000 Series 2005 Time Warrants maturing in 2020; payable \$18,000 to \$34,000 annually; interest at 2.34%	184,000	-
Finance Contract Payable:		
Finance contract with a financial institution with principal and interest paid annually; secured by levy and collection of ad valorem taxes	-	26,909
Capital Lease Obligation:		
Lease obligation with a bank: payable in three annual installments through September 1, 2015	-	16,631
	\$ 1,464,366	\$ 43,540

The refunding bond and the finance contract required the establishment and maintenance of interest and sinking funds in varying amounts. The City is in compliance with all significant requirements and restrictions.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LONG TERM DEBT (Continued)

Debt service requirements to maturity for the above long – term debt is as follows:

Governmental Activities

General Obligation Refunding Bonds, Series 2012:

Year Ending September 30	Principal	Interest	Total
2015	90,000	27,724	117,724
2016	90,000	25,573	115,573
2017	90,000	23,422	113,422
2018	95,000	21,211	116,211
2019-2023	505,000	61,544	566,544
2024-2026	335,000	21,389	356,389
Total	\$ 1,205,000	\$ 180,863	\$ 1,385,863

Time Warrants

Year Ending September 30	Principal	Interest	Total
2015	29,000	4,337	33,337
2016	30,000	3,621	33,621
2017	31,000	2,880	33,880
2018	33,000	2,385	35,385
2019-2020	61,000	1,333	62,333
Total	\$ 184,000	\$ 14,556	\$ 198,556

Note Payable

Year Ending September 30	Principal	Interest	Total
2015	\$ 75,366	\$ 54	\$ 75,420
Total	\$ 75,366	\$ 54	\$ 75,420

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LONG TERM DEBT (Continued)

Business - Type Activities			
Finance Contract			
Year Ending September 30	Principal	Interest	Total
2015	24,507	1,954	26,461
2016	8,963	867	9,830
2017	10,070	444	10,514
Total	\$ 43,540	\$ 3,265	\$ 46,805

4. OTHER INFORMATION

A. 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 has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

B. CONTINGENCIES

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014**

4. OTHER INFORMATION (Continued)

C. SANITATION SERVICES

The City entered into a contract with a trash disposal company for garbage collection within the City. Fees are billed monthly to the City based upon a fee schedule included in the contract. During the year ended September 30, 2014 payments by the City under the contract totaled \$112,810.

D. ELECTRICITY PURCHASE AGREEMENT

The City entered into an agreement with AEP Energy Partners, Inc. for the purchase of electricity, with a term beginning March 1, 2013 through June 30, 2016. Fees are billed monthly to the City based upon a fee schedule included in the agreement. During the year ended September 30, 2014 payments by the City for the purchase of electricity totaled \$691,564.

E. PENSION PLAN

Plan Description

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

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

Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee deposit rate	5.00%	7.00%
Matching ratio (City to employee)	1 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating	100% Repeating
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

4. OTHER INFORMATION (Continued)

F. PENSION PLAN (Continued)

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 allocation annually. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 24-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credit and Annuity Increases.

Funding Policy

Both the employees and the City make contributions monthly. Cities are required to contribute at an actuarially determined rate; these rates are provided to the City on an annual basis, following the completion of the actuarial valuation. Note that there is a time delay in the valuation and when the rate becomes effective- for example, the fiscal year 2014 contribution rate is based on the December 31, 2012 and 2011 valuation results; if a change in plan provisions is elected by the City, this rate can change. The actuary determines contribution rates on a calendar year basis; the City discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the City's fiscal year.

Actuarial Information	2011	2012	2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	20.7 years; closed period	19.4 years; closed period	30.0 years closed period
Amortization period for new gains/losses	19 years	19 years	25 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
Inflation	3%	3%	3%
Cost of living adjustments	0.9%	0.9%	0.9%

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

4. OTHER INFORMATION (Continued)

F. PENSION PLAN (Continued)

Schedule of Funding Information

Actuarial valuation date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial value of assets	\$ 804,989	\$ 851,075	\$ 926,620
Actuarial accrued liability (AAL)	912,864	901,415	1,020,739
Funded ratio	88.2%	94.4%	90.8%
Unfunded AAL (UAAL)	107,875	50,340	94,119
Covered payroll	475,635	460,237	580,615
UAAL as a percentage of covered payroll	22.7%	10.9%	16.2%

G. SUPPLEMENTAL DEATH BENEFITS PLAN

The City also participates in the cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (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 an "other post employment benefit," or OPEB.

Contributions

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 pre-fund retiree term life insurance during employees' entire careers.

TMRS records indicate the following percentages contributed in full by the City (as employer contributions) for the following fiscal years ending:

	SDBF
09/30/2011	0.20%
09/30/2012	0.15%
09/30/2013	0.16%

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

4. OTHER INFORMATION (Continued)

H. *RESTATED BEGINNING NET POSITION*

When the City switched accounting system software during the year ended September 30, 2013, the conversion from one system to another carried forward old, inactive receivable accounts in the Enterprise Fund. These accounts had been deemed uncollectible and should not have been included in the accounts receivable. These uncollectible accounts have previously been turned over to a collections agency and have no bearing on current year operations and required an adjustment to the beginning net position balance in the Enterprise Fund of \$155,023.

5. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 3, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BARTLETT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- BUDGET TO ACTUAL -
COMBINED GENERAL and ENTERPRISE FUNDS
For the Year Ended September 30, 2014

	Non-GAAP Basis Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUE				
General fund	\$ 422,064	\$ 422,064	\$ 477,929	\$ 55,865
Utility fund	2,481,325	2,481,659	2,325,095	(156,564)
Total Revenue	<u>\$ 2,903,389</u>	<u>\$ 2,903,723</u>	<u>\$ 2,803,024</u>	<u>\$ (100,699)</u>
EXPENDITURES				
General administration	\$ 395,970	\$ 423,803	\$ 439,428	\$ (15,625)
Court	17,500	17,500	22,895	(5,395)
Police	239,896	252,096	241,409	10,687
Fire	49,000	49,000	41,632	7,368
Parks and recreation	59,640	72,640	72,282	358
Maintenance	95,634	95,634	94,014	1,620
Streets	50,000	51,000	47,503	3,497
Library	65,069	65,069	63,303	1,766
Cemetery	15,242	15,242	-	15,242
Utility administration	82,397	82,397	57,413	24,984
Electric expenses	871,136	887,767	908,697	(20,930)
Water expenses	316,633	326,463	248,698	77,765
Sewer expenses	275,287	275,287	195,495	79,792
Garbage expenses	102,000	102,000	112,810	(10,810)
Total Expenditures	<u>\$ 2,635,404</u>	<u>\$ 2,715,898</u>	<u>\$ 2,545,579</u>	<u>\$ 170,319</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 267,985	\$ 187,825	\$ 257,445	\$ 69,620
OTHER FINANCING SOURCES (USES)				
Debt service	(148,315)	(148,315)	(37,136)	111,179
Depreciation	-	-	(359,467)	(359,467)
Total Other Financing Sources (Uses)	<u>(148,315)</u>	<u>(148,315)</u>	<u>(396,603)</u>	<u>(248,288)</u>
CHANGE IN FUND BALANCE	<u>\$ 119,670</u>	<u>\$ 39,510</u>	<u>\$ (139,158)</u>	<u>\$ (178,668)</u>

The accompanying note is an integral part of the Required Supplementary Information.

CITY OF BARTLETT, TEXAS
Note to Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual-
Combined General and Enterprise Funds

For the Year Ended September 30, 2014

1. Basis of Presentation:

The City files its budget on a combined format which includes the general and enterprise funds. The budget is prepared using the modified accrual basis of accounting. Generally Accepted Accounting Principles (GAAP) requires the accrual basis of accounting for enterprise funds. As such, the actual results are presented on a full accrual basis of accounting for both funds. The following is a reconciliation of the Non-GAAP variances:

1. Debt service principal payments are not expenditures in the actual results.	111,179
2. Depreciation is not an expenditure in the budget.	<u>(359,467)</u>
Total Non-GAAP variances	<u><u>\$ (248,288)</u></u>

2. Budget Highlights:

The \$69,620 favorable variance at the operating level was the result of lower than budget revenues and lower than budget expenses. The unfavorable variance in revenues was the result of lower than budget electric, water and wastewater revenues, off-set partially by higher than budgeted garbage revenue. Correspondingly, the favorable variance in expense was primarily the result of the majority of expenses being under budget while electric, garbage and general administration expense were higher.

The unfavorable variance in other financing sources (uses) was the result of the Non-GAAP variances detailed in Note 1 above, yielding an unfavorable variance of \$248,288.

The combination of these resulted in a \$178,668 unfavorable change in fund balance.

COMPLIANCE AND INTERNAL CONTROL SECTION

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT
300 E. AVE. C
P.O. BOX 808
BELTON, TX 76513-0808

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

To the Honorable Mayor and Members of the City Council
City of Bartlett, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bartlett, Texas (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bartlett, 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 the City of Bartlett's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bartlett's 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 following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2014-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2014-2.

Compliance and Other Matters

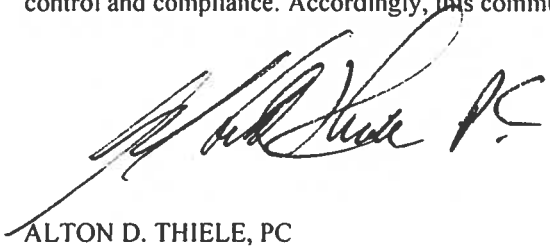
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

City of Bartlett, Texas' Response to Findings

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

Purpose of this Report

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



ALTON D. THIELE, PC
Belton, Texas
April 3, 2015

CITY OF BARLETT, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2014

Item 2014-1

Finding: The city did not record a note payable in the accounting system at the time of the police building purchase.

Effect: The City's liabilities were understated by the amount of the note payable and the fixed assets were understated by the corresponding asset acquired with the note payable at the time of purchase.

Conditions: Initially the note payable and the corresponding asset were not recorded in the accounting system. Monthly principal payments on the note were being recorded as an expense instead of as a reduction to the note payable. An adjusting entry was required to record the note payable and asset and reclassify the monthly payments between principal reduction of the note and interest expense.

Response: The City's current practice is to record items at the end of the year with an annual adjusting entry. The City will make an adjusting entry required to record the note and the corresponding asset.

Item 2014-2

Finding: The city does not record all the draft or electronic transactions as they occur in the different bank accounts as the City's process is to record these transaction annually, at the end of the year.

Effect: Income and expenses can be either understate or overstated on interim financial statements and any errors could go undetected for extended periods of time.

Conditions: All electronic transactions such as direct deposits and drafts in the various bank accounts are not being recorded timely. This creates the need for large, end of the year adjusting entries to reconcile the account balances with the underlying records. By doing this, mistakes may go unnoticed and interim financial statements can contain inaccurate information.

Response: The City will review the possibility of making at least quarterly or more timely adjustments.

**CITY OF BARLETT, TEXAS
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES**

Item 2011-5

Finding: The City received a \$35,772 fine from the Texas Commission on Environmental Quality (TCEQ) on January 21, 2011.

Effect: The City is in violation of the state's water quality program.

Conditions: In TCEQ Docket NO. 2010-1257-MWD-E issued January 21, 2011, the Executive Director of the TCEQ concluded that the City violated 30 Tex. Admin. Code 305.125(1) and (17) and 319.1; Tex. Water Code 26.121(a)(1); Texas Pollutant Discharge Elimination System Permit No. WQ0010880001, Effluent Limitations and Monitoring Requirements Nos. 1 and 3 and Monitoring and Reporting Requirements No. 1; and Agreed Order Docket No. 2007-0115-MWD-E, Ordering Provision No. 3. In addition to the fine referred to above, several corrective action ordering provisions are required.

Response: The City approved an Engineering Service Agreement with Tabor and Associates to assist the City with improving the quality of the City's waste water treatment plant discharge. The City will make the last fine payment in October of 2014 and the City will comply with the agreed order by finishing improvements by the end of 2015.

Status: Open at September 30, 2014.

Item 2010-5

Finding: The City has not performed a recent physical inventory of property and equipment.

Effect: The actual inventory of property and equipment may differ materially from the general ledger balance due to the failure to record additions, disposals, or missing assets.

Conditions: We recommend that the city conduct a physical inventory as soon as possible and continue this procedure on an annual basis. Once the inventory is completed, a reconciliation of the physical count should be made to general ledger. Additionally, a formal fixed asset register should be prepared and maintained on an ongoing basis.

Response: The City will conduct a physical inventory of its property and equipment as soon as possible.

Status: Resolved.

STATUS OF PRIOR YEAR FINDINGS AND RESPONSES

**CITY OF BARLETT, TEXAS
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES**

Item 2010-6

Finding: The city does not reconcile customer accounts receivable from the utility billing system to the general ledger on a monthly basis. The City's process is to reconcile on an annual basis.

Effect: Adjustments made to customer accounts are not reported in the general ledger. Interim financial statements and reports issued during the fiscal year to the Council could reflect incorrect fund balances and could be misleading to the users of the financial statements.

Conditions: The utility customer billings report is not reconciled to the general ledger each month. A material adjustment was required at year end to reconcile the adjusted balance.

Response: The City will review the process and try to reconcile on a more timely basis.

Status: As of September 30, 2014, the City is reconciling customer billings annually with a large, year-end adjustment.

Item 2010-12

Finding: Sales tax revenue direct deposits were not recorded in the general ledger.

Effect: The cash balance in the general fund and sales tax revenue were understated.

Conditions: The cash posting clerk did not have an understanding of how to record direct deposits. Additionally, the lack of bank statement reconciliations is the primary cause of this oversight.

Response: The City will implement monthly bank reconciliations.

Status: Resolved, as of September 30, 2014, sales tax direct deposits are recorded with a large, year-end adjustment.

CITY OF BARTLETT, TEXAS
COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDING SEPTEMBER 30, 2014

ALTON D. THIELE, P.C.
Certified Public Accountant
300 East Avenue C
P.O. Box 808
Belton, Texas 76513-00808

ALTON D. THIELE, P.C.

Certified Public Accountant
300 East Avenue C
P.O. Box 808
Belton, Texas 76513-00808

April 3, 2015

To the Honorable Mayor and City Council
City of Bartlett, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bartlett for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 11, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Bartlett are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by the City of Bartlett during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the estimated useful lives of fixed assets is based on historical experience. We evaluated the key factors and assumptions used to develop the lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the bad debt write offs is based on historical experience and analysis of the collectability of accounts. We evaluated the key factors and assumptions used to develop the bad debt write offs in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following misstatement detected as a result of audit procedures were corrected by management:

On initial purchase of the new police building, the \$80,000 note payable issued for the purchase and corresponding asset (the building) were not recorded in the accounting system. This required an adjustment by management to record the note payable and the asset.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 3, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-Combined General and Enterprise Funds and the related Note to the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-Combined General and Enterprise Funds, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,


Alton D. Thiere, P.C.