

CITY OF BARTLETT, TEXAS
BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2015

WILLIAMGRIMSLEY
CERTIFIED PUBLIC ACCOUNTANT

City of Bartlett, Texas
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WILLIAMGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of the governmental activities, 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, 2015, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The introduction of a new computerized operating system in September 2013 resulted in numerous errors and omissions within the operating system. As of the date of my audit report, management was still in the process of rectifying the system deficiencies and correcting the errors. I was unable to confirm or verify by alternative means whether several accounts in the financial statements were fairly stated including; accounts receivable balances for municipal court fines and utility billing included in the governmental and proprietary funds balance sheet and statement of net position of \$102,571 and \$229,772, respectively. As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded accounts receivable, and the elements making up the statement of activities and cash flow statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of Matter

As described in Note 1 and Note 4 to the financial statements, for the year ended September 30, 2015, the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, resulting in a restatement of the City’s net position as of September 30, 2014. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and I do not express an opinion on the emphasis of matter referred to above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and the other required supplementary information on pages 3-7 and pages 40-42, respectively, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have issued my report dated June 13, 2016, on my consideration of the City’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.


William Grimsley, CPA

Killeen, Texas
June 13, 2016

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

CITY OF BARTLETT, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bartlett, Texas's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended September 30, 2015. Please read it in conjunction with the accompanying basic financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$2,176,097 (net position).
- During the year the City had total expenses of \$3,274,772 compared to revenues of \$3,208,133, resulting in a decrease in its net position by \$66,639.
- The City's investment in capital assets totaled \$2,793,596, net of accumulated depreciation.
- Debt at year-end of \$1,412,521 decreased by \$95,385, 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, liabilities, and deferred inflows/outflows with the difference 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 revenues or expenses that are appropriated for the current year even though cash is not received or expended until the following year. The government-wide financial statements can be found on pages 8-9 of this report.

**CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 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 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 balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains two governmental funds, the General Fund and the Bartlett Municipal Development District. The basic governmental fund financial statements can be found on pages 10-13 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 a business-type activity in the government-wide financial statements. The City uses the enterprise fund to account for its water, sewer, electric, and solid waste services. The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Fiduciary Fund. The City maintains a fiduciary fund to account for the cemetery fund in a trustee capacity.

**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 19.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. The City's net assets exceed liabilities by \$2,176,097 as of September 30, 2015. 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. The following is a summary comparison of net position:

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 512,090	\$ 404,998	\$ 571,580	\$ 676,626	\$ 1,083,670	\$ 1,081,624
Capital assets, net	1,119,682	1,137,284	1,673,914	1,654,597	2,793,596	2,791,881
Total assets	<u>1,631,772</u>	<u>1,542,282</u>	<u>2,245,494</u>	<u>2,331,223</u>	<u>3,877,266</u>	<u>3,873,505</u>
Current liabilities	63,805	17,782	224,843	160,902	38,708	178,684
Long-term liabilities	1,381,171	1,464,366	31,350	43,540	1,412,521	1,507,906
Total liabilities	<u>1,444,976</u>	<u>1,482,148</u>	<u>256,193</u>	<u>204,442</u>	<u>1,451,229</u>	<u>1,686,590</u>
Net position:						
Net investment in capital assets	203,522	137,929	1,177,554	1,146,046	1,381,076	1,283,975
Restricted	39,896	37,611	819	819	40,715	38,430
Unrestricted	(56,622)	(115,406)	810,928	979,916	754,306	864,510
Total net position	<u>\$ 186,796</u>	<u>\$ 60,134</u>	<u>\$ 1,989,301</u>	<u>\$ 2,126,781</u>	<u>\$ 2,176,097</u>	<u>\$ 2,186,915</u>

**CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position. Revenues totaled \$3,208,133, an increase of \$405,109 to the prior year. Increases in grant income and court fines and fees, where primarily the reason for the increase. Expenses total \$3,274,772, an increase of \$332,590, primarily due to expenses associated with the Home grant and utility repairs and maintenance. The following is a summary comparison of changes in net position:

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for services	\$ 127,063	\$ 18,998	\$ 2,303,657	\$ 2,314,595	\$ 2,430,720	\$ 2,333,593
Grant income	187,449	-	155,883	10,500	343,332	10,500
General Revenues:						
Tax revenues	379,563	333,161	-	-	379,563	333,161
Transfers	698,354	768,816	(698,354)	(768,816)	-	-
Other income	54,518	125,770	-	-	54,518	125,770
Total revenues	1,446,947	1,246,745	1,761,186	1,556,279	3,208,133	2,803,024
Expenses:						
General government	648,375	508,203	-	-	648,375	508,203
Public safety	363,863	323,814	-	-	363,863	323,814
Public works	179,345	147,883	-	-	179,345	147,883
Parks and recreation	58,175	72,282	-	-	58,175	72,282
Library	73,336	67,623	-	-	73,336	67,623
Utility services	-	-	1,915,816	1,782,218	1,915,816	1,782,218
Interest on long-term debt	34,591	37,136	1,271	3,023	35,862	40,159
Total expenses	1,357,685	1,156,941	1,917,087	1,785,241	3,274,772	2,942,182
Change in net position	89,262	89,804	(155,901)	(228,962)	(66,639)	(139,158)
Net position, beginning as restated	97,534	(29,670)	2,145,202	2,355,743	2,242,736	2,326,073
Net position, ending	\$ 186,796	\$ 60,134	\$ 1,989,301	\$ 2,126,781	\$ 2,176,097	\$ 2,186,915

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 spending 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.

As the City completed the year, its general fund (as presented in the balance sheet on page 10) reported a combined fund balance of \$345,168, (an increase from the prior year of \$25,056), primarily the result of an increase in fines revenue off-set primarily by lower transfers from the water and sewer fund.

**CITY OF BARTLETT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budget Highlights. Actual revenues were \$47,992 lower than the final budget, primarily due to lower fines. Actual expenditures and other financing sources netted to an unfavorable variance of \$112, resulting in a \$48,104 lower than budget change in the general fund balance. More detail is presented in the required supplementary information section on page 40.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, the City's investment in capital assets totaled \$2,793,596, net of accumulated depreciation, a net increase of \$1,715 to prior year. This year's major addition was:

TxCDBG Water & Sewer project	\$166,005
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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's long-term debt was \$1,412,521, a decrease of \$95,385. This decrease was the result of principal payments made on existing debt. 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 2016 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 balanced budget for the 2015-2016 fiscal year.

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: Sabra Davis, City Administrator, City of Bartlett, 140 W. Clark Street, Bartlett, Texas 76511.

BASIC FINANCIAL STATEMENTS
Government-Wide

City of Bartlett, Texas
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 247,888	\$ 323,387	\$ 571,275
Receivables	170,239	229,345	399,584
Due from other funds	52,786	427	53,213
Net pension asset	25,416	12,518	37,934
Inventory	3,777	-	3,777
Capital assets, net	1,119,682	1,673,914	2,793,596
Total assets	1,619,788	2,239,591	3,859,379
Deferred Outflow of Resources			
Pension related	11,984	5,903	17,887
Liabilities			
Accounts payable	37,539	152,265	189,804
Accrued expenses	26,266	-	26,266
Customer deposits	-	72,578	72,578
Noncurrent liabilities			
Due within one year	198,131	13,296	211,427
Due in more than one year	1,183,040	18,054	1,201,094
Total liabilities	1,444,976	256,193	1,701,169
Net Position			
Net investment in capital assets	203,522	1,177,554	1,381,076
Restricted for:			
Debt service	22,300	-	22,300
Other nonmajor funds	17,596	819	18,415
Unrestricted	(56,622)	810,928	754,306
Total net position	\$ 186,796	\$ 1,989,301	\$ 2,176,097

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

City of Bartlett, Texas
Statement of Activities
For the Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grant</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:						
Governmental activities:						
General government	\$ 648,375	\$ 8,614	\$ 187,449	\$ (452,312)	\$ -	\$ (452,312)
Public safety	363,863	118,449	-	(245,414)	-	(245,414)
Public works	179,345	-	-	(179,345)	-	(179,345)
Parks and recreation	58,175	-	-	(58,175)	-	(58,175)
Library	73,336	-	-	(73,336)	-	(73,336)
Interest expense	34,591	-	-	(34,591)	-	(34,591)
Total governmental activities	1,357,685	127,063	187,449	(1,043,173)	-	(1,043,173)
Business-Type Activities						
Utility fund	1,917,087	2,303,657	155,883	-	542,453	542,453
Total business-type activities	1,917,087	2,303,657	155,883	-	542,453	542,453
Total primary government	<u>\$ 3,274,772</u>	<u>\$ 2,430,720</u>	<u>\$ 343,332</u>	<u>\$ (1,043,173)</u>	<u>\$ 542,453</u>	<u>\$ (500,720)</u>
General revenues:						
Property taxes				256,851	-	256,851
Sales tax				99,056	-	99,056
Franchise and other taxes				23,656	-	23,656
Transfers				698,354	(698,354)	-
Other income				54,518	-	54,518
Total general revenues				1,132,435	(698,354)	434,081
Changes in net position				89,262	(155,901)	(66,639)
Net position - beginning of year, as restated				97,534	2,145,202	2,242,736
Net position - end of year				<u>\$ 186,796</u>	<u>\$ 1,989,301</u>	<u>\$ 2,176,097</u>

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

BASIC FINANCIAL STATEMENTS
General and Proprietary Funds

**City of Bartlett, Texas
Balance Sheet
September 30, 2015**

	<u>General Fund</u>	<u>Bartlett Municipal Development District</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 232,961	\$ 14,827	\$ 247,788
Taxes receivable	67,668	-	67,668
Court fines receivable	102,571	-	102,571
Inventory	3,777	-	3,777
Due from other fund	52,786	-	52,786
Total assets	<u>\$ 459,763</u>	<u>\$ 14,827</u>	<u>\$ 474,590</u>
LIABILITIES			
Accounts payable	\$ 37,440	\$ -	\$ 37,440
Accrued liabilities	26,266	-	26,266
Total liabilities	<u>63,706</u>	<u>-</u>	<u>63,706</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	65,716	-	65,716
Fund Balance			
Nonspendable			
Inventory	3,777	-	3,777
Restricted:			
Debt service fund	22,300	-	22,300
Municipal court building security fund	892	-	892
Police seizure fund	934	-	934
Special revenue fund	-	14,827	14,827
Committed	92,583	-	92,583
City administrator severance fund	78,000	-	78,000
Community development fund	14,953	-	14,953
Assigned	-	-	-
Unassigned	116,902	-	116,902
Total fund balance	<u>330,341</u>	<u>14,827</u>	<u>345,168</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 459,763</u>	<u>\$ 14,827</u>	<u>\$ 474,590</u>

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

City of Bartlett, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2015

Total fund balance (deficit) – governmental funds \$ 345,168
Amounts reported for governmental activities in the statement
of net position 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 and improvements	2,591,187	
Machinery and equipment	431,513	
Accumulated depreciation	<u>(1,928,017)</u>	
Net capital assets		1,119,683

Some assets and liabilities are not considered resources available or due
in the current period and therefore are not reported in the governmental
fund. These consist of:

Long-term debt	(1,381,171)	
Net pension assets	<u>25,416</u>	
Total		(1,355,755)

Certain pension contributions and changes in pension plan net position
are reported as deferred outflows of resources in the statement of net
position, but are reported as expenses in the governmental fund 11,984

Some revenues in the governmental fund are recorded as deferred
inflow of resources because they are not collected within the prescribed
time period (60 days) after year end and are therefore unavailable resources.
On the accrual basis, however, those revenues would be recognized,
regardless of when they are collected. 65,716

Net position of governmental activities (page 8) \$ 186,796

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

City of Barlett, Texas
Statement of Revenues, Expenditures and Changes in
Governmental Funds
for the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Bartlett Municipal Development District</u>	<u>Total Governmental Funds</u>
Revenues:			
Property tax	\$ 258,239	\$ -	\$ 258,239
Sales tax	85,262	13,794	99,056
Franchise and other taxes	23,656	-	23,656
Fines	118,872	-	118,872
Fees and permits	2,182	-	2,182
Charges for services	6,432	-	6,432
Other income	54,094	-	54,094
Total Revenues	<u>548,737</u>	<u>13,794</u>	<u>562,531</u>
Expenditures:			
General government	577,411	-	577,411
Public safety	352,112	-	352,112
Public works	165,383	-	165,383
Parks and recreation	58,174	-	58,174
Library	70,389	-	70,389
Debt service:			
Principal	122,843	-	122,843
Inrerest	34,591	-	34,591
Capital outlay	82,023	-	82,023
Total Expenditures	<u>1,462,926</u>	<u>-</u>	<u>1,462,926</u>
Excess of Revenues Over Expenditures	<u>(914,189)</u>	<u>13,794</u>	<u>(900,395)</u>
Other Financing Sources (Uses)			
Transfers in	698,354	-	698,354
Grant proceeds	187,449	-	187,449
Proceeds from issuance of debt	39,648	-	39,648
Total other financing sources (uses)	<u>925,451</u>	<u>-</u>	<u>925,451</u>
Net Change in Fund Balance	11,262	13,794	25,056
Fund Balance, Beginning of Year	<u>319,079</u>	<u>1,033</u>	<u>320,112</u>
Fund Balance, End of Year	<u>\$ 330,341</u>	<u>\$ 14,827</u>	<u>\$ 345,168</u>

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

City of Bartlett, Texas
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Governmental Funds
to the Statement of Activities
for the Year Ended September 30, 2015

Net change in fund balance – total governmental fund	\$ 25,056
Amounts reported for governmental activities in the statement of activities (page 9) are different because:	
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 capital outlays were lower than depreciation in the current period.	(17,602)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund. This is the next change from the previous period.	(1,387)
The issuance of long-term debt provides current financial resources in the governmental funds, but the issuance of debt increases long-term liabilities in the statement of net position	(39,648)
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	122,843
Change in net position of governmental activities (page 9)	<u>\$ 89,262</u>

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

City of Bartlett, Texas
Statement of Net Position
Proprietary Fund
September 30, 2015

	Business-type Activities
	Enterprise Fund
Assets	
Current assets:	
Cash	\$ 323,387
Accounts receivable	229,772
Total current assets	553,159
Noncurrent assets:	
Capital assets, net	1,673,914
Net pension asset	12,518
Total noncurrent assets	1,686,432
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	5,903
Total deferred outflows of resources	5,903
Total Assetets and Deferred Outflows	\$ 2,245,494
Liabilities	
Current liabilities:	
Accounts payable	\$ 152,265
Customer deposits	72,578
Current portion of long-term debt	13,296
Total current liabilities	238,139
Noncurrent liabilities:	
Long-term debt	18,054
Total noncurrent liabilities	18,054
Net Position	
Net investment in capital assets	1,177,554
Restricted	819
Unrestricted	810,928
Total net position	1,989,301
Total liabilities and net position	\$ 2,245,494

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

City of Bartlett, Texas
Statement of Revenue, Expenses,
and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	Business-Type Activities
	Enterprise Fund
Operating revenue	
Charges for services:	
Water	\$ 520,133
Sewer	409,629
Electricity	1,193,601
Sanitation	179,498
Other	795
Total operating revenue	2,303,656
Operating expenses	
Salary and wages	225,489
Payroll tax and benefits	64,745
Professional and technical expense	92,803
Sanitation expense	135,918
Electricity purchases	791,865
Repairs and maintenance	125,791
Supplies	70,992
Utilities	8,396
Depreciation	258,599
Other	27,947
Total Operating Expenses	1,802,545
Operating gain (loss)	501,111
Non-operating revenue (expenses)	
Grant income	155,883
Legal settlement	(125,000)
Interest expense	(1,271)
Transfers out	(698,354)
Other income	11,730
Total non-operating revenue (expenses)	(657,012)
Net gain (loss)	(155,901)
Net position - beginning of year, as restated	2,145,202
Net position - end of year	\$ 1,989,301

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

City of Bartlett, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2015

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,285,188
Cash payments to suppliers	(1,180,906)
Cash payments to employees	(225,489)
Net Cash Provided by Operating Activities	<u>878,793</u>
Cash Flows from Non-Capital Financing Activities	
Transfers to other funds	(698,354)
Legal settlement	(125,000)
Other income	11,730
Net cash (used) in non-capital financing activities	<u>(811,624)</u>
Cash Flows from Capital and Related Financing Activities	
Capital grant proceeds	155,883
Debt proceeds	13,000
Acquisition of capital assets	(277,916)
Payments on long-term debt	(25,190)
Interest paid	(1,271)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(135,494)</u>
Net Increase in Cash	(68,325)
Cash - beginning of year	391,712
Cash - end of year	<u>\$ 323,387</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 501,111
Adjustments to reconcile operating income to net cash provided by Operating Activities:	
Depreciation expense	258,599
(Increase) decrease in accounts receivable	32,602
(Increase) decrease in inventory	22,540
Increase (decrease) in accounts payable	68,937
Increase (decrease) in customer deposits	(4,996)
Total adjustments	<u>377,682</u>
Net Cash Provided by Operating Activities	<u>\$ 878,793</u>

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

BASIC FINANCIAL STATEMENTS
Fiduciary Fund

City of Bartlett, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2015

	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,233
Total Assets	<u>1,233</u>
<u>LIABILITIES</u>	
Liabilities:	
Due to general fund	<u>52,786</u>
Total Liabilities	<u>52,786</u>
<u>NET ASSETS</u>	
Restricted for cemetery	<u>(51,553)</u>
Total Liabilities and Net Assets	<u>\$ 1,233</u>

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

City of Barrlett, Texas
Statement of Changes in Fiduciary Fund Net Assets
Fiduciary Funds
For the Year Ended September 30, 2015

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Deposits	\$ 1,350
Investment earnings	3
Total Additions	<u>1,353</u>
DEDUCTIONS:	
Disbursements	<u>12,442</u>
Total Expenditures	<u>12,442</u>
Change in net assets	<u>(11,089)</u>
Total Net Assets- October 1 (Beginning)	<u>(40,464)</u>
Total Net Assets- September 30 (Ending)	<u><u>\$ (51,553)</u></u>

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

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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 to include the following as a blended component unit in the fund financial statements:

Bartlett Municipal Development District

The Bartlett Municipal Development District (the District) is a political subdivision of the City, 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 is authorized to impose a one-half percent sales tax to finance development projects beneficial to the City.

The District is governed by the City Council. Although it is a legally separate from the City, because the City has the ability to impose its will, act as the governing body, and a financial benefit or burden relationship exists between the City and the District, the District is reported as a blended component unit.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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.

Government 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 major governmental funds:

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- 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 OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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.

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

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

receivable not determined to be available to finance current period obligations are recorded and deferred in the fund statements.

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.

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

Accounts receivables include amounts due from customers for water, sewer, electricity, 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.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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.

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 financings 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 inflows 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 has one item that qualifies for reporting in this category, which is the deferred outflow of resources related to the defined benefit plan. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earning.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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.

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.

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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.

i) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgetary data reflected in the requires supplemental information:

Prior to the end of each fiscal year, the City Manager/Secretary 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

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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-today 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, 2015, the carrying amount of the City's cash deposits were \$571,175 and the bank balances were \$600,926.

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) banker's acceptances, (7) mutual funds (8) investment pools, (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 OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

The City did not have invested funds at September 30, 2015.

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, 2015 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	\$ 22,300	\$ 819	\$ 23,119
Other minor funds	17,596	-	17,596
Total	<u>\$ 39,896</u>	<u>\$ 819</u>	<u>\$ 40,715</u>

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

C. PROPERTY TAXES AND RECEIVABLES

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, 2014 (fiscal year ended September 30, 2015) was \$249,126. The tax assessment of October 1, 2014 sets a tax levy at \$.5791 per \$100 of assessed valuation at 100 percent of market value. This total rate consisted of \$.2122 for Maintenance and Operations (M&O) and \$.3669 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, 2015, were as follows:

	Balance September 30, 2014	Additions	Transfers/ Retirements	Balance September 30, 2015
Governmental Activities:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Buildings and improvements	2,509,164	82,023	-	2,591,187
Machinery and equipment	431,513	-	-	431,513
Less accumulated depreciation	(1,828,392)	(99,625)	-	(1,928,017)
Net capital assets	<u>1,137,285</u>	<u>(17,602)</u>	<u>-</u>	<u>1,119,683</u>
Business-type Activities				
Land	\$ 69,519	\$ 9,302	\$ -	\$ 78,821
Construction in progress	10,500	166,005	-	176,505
Water and sewer system	6,312,652	89,609	-	6,402,261
Electric system	558,624	-	-	558,624
Machinery and equipment	284,562	13,000	-	297,562
Less accumulated depreciation	(5,581,259)	(258,600)	-	(5,839,859)
Net capital assets	<u>\$ 1,654,598</u>	<u>\$ 19,316</u>	<u>\$ -</u>	<u>\$ 1,673,914</u>

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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

Governmental activities:	
General government	\$ 70,965
Public safety	11,751
Public works	13,962
Library	2,947
Total depreciation expense - governmental activities	\$ 99,625
Business-type activities:	
Utilities	\$ 258,600
Total depreciation expense – business type activities	\$ 258,600

E. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Bonds payable	\$ 1,205,000	\$ -	\$ (90,000)	\$ 1,115,000
Time warrants payable	184,000	-	(29,000)	155,000
Note payable	75,366	-	(3,843)	71,523
Lease purchase agreement	-	39,648	-	39,648
Governmental activity long - term liabilities	\$ 1,464,366	\$ 39,648	\$ (122,843)	\$ 1,381,171
Business - type activities:				
Finance contract	\$ 26,909	\$ -	\$ (8,559)	\$ 18,350
Capital lease obligation	16,631	-	(16,631)	-
Lease purchase agreement	-	13,000	-	13,000
Business - type activity long - term liabilities	\$ 43,540	\$ 13,000	\$ (25,190)	\$ 31,350

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

The City's long-term debt at September 30, 2015 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	\$ 1,115,000	\$ -
Time Warrants:		
\$400,000 Series 2005 Time Warrants maturing in 2020; payable \$18,000 to \$34,000 annually; interest at 2.34%	155,000	-
Note Payable:		
\$80,000 note payable to a local bank amortized over 15 years, \$562 in monthly payments including interest, renewable annually.	71,523	
Lease purchase agreement with a local bank payable with six annual installment of \$7,288, through March 1, 2021.	39,648	
Finance Contracts Payable:		
Finance contract with a financial institution with principal and interest paid annually; secured by levy and collection of ad valorem taxes	-	18,350
Finance contract with a financial institution with principal and interest paid annually; secured by levy and collection of ad valorem taxes	-	13,000
Total debt	<u>\$ 1,381,171</u>	<u>\$ 31,350</u>

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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

Governmental Activities			
Year Ending September 30	Principal	Interest	Total
2016	\$ 198,131	\$ 34,142	\$ 232,273
2017	127,608	26,982	154,590
2018	134,608	24,276	158,884
2019	135,608	20,954	156,562
2020	133,608	17,290	150,898
2021-2025	536,608	46,688	583,296
2026	115,000	1,374	116,374
Total	\$ 1,381,171	\$ 171,706	\$ 1,552,877

Business-Type Activities			
Year Ending September 30	Principal	Interest	Total
2016	\$ 13,296	\$ 1,092	\$ 14,388
2017	13,720	668	14,388
2018	4,334	225	4,559
Total	\$ 31,350	\$ 1,985	\$ 33,335

4. OTHER INFORMATION

A. LITIGATION

The City is a defendant in various lawsuits. Although the outcome of these lawsuits are not presently determinable, it is management’s opinion that any such lawsuits outstanding as of the period ended September 30, 2015, would not have a material effect on the financial statements.

B. 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

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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.

C. 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.

D. 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, 2015 payments by the City under the contract totaled \$135,918.

E. 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, 2015 payments by the City under the agreement totaled \$791,865.

F. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of the 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

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

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

Benefits Provided

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

Plan provisions for the City were as follows:

	Plan Year 2014	Plan Year 2015
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	18
Active employees	16
Total	39

THE CITY OF BARTLETT, TEXAS
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Contributions

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

Employees for the City of Bartlett were required to contribute 7%, of their annual gross earnings during the fiscal year. The contribution rates for the City of Bartlett were 3.7% and 5.0% for the calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$34,162, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were

THE CITY OF BARTLETT, TEXAS
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updated based on Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore,

THE CITY OF BARTLETT, TEXAS
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the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)- (b)
Balance at 12/31/13	\$ 768,102	\$ 836,164	\$ (68,062)
Changes for the year:			
Service cost	88,003	-	88,003
Interest	56,009	-	56,009
Difference between expected and actual experience	13,000	-	13,000
Contributions-employer	-	27,889	(27,889)
Contributions-employee	-	51,701	(51,701)
Net investment income	-	47,834	(47,834)
Benefit payments, including refunds of emp. contributions	(23,956)	(23,956)	-
Administrative expense	-	(499)	499
Other changes	-	(41)	41
Net changes	<u>133,056</u>	<u>102,928</u>	<u>30,128</u>
Balance at 12/31/14	<u>\$ 901,158</u>	<u>\$ 939,092</u>	<u>\$ (37,934)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Singe Rate Assumption 7.00%	1% Increase 8.00%
	\$ <u>137,843</u>	\$ <u>(37,934)</u>	\$ <u>(175,696)</u>

**THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015**

Pension Plan Fiduciary Net Position

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

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

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 9,329	\$
Changes in actuarial assumptions	-	
Difference between projected and actual investment earnings	8,558	
Total	\$ 17,887	\$

The City reported \$17,887 as deferred outflows of resources related to the pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2015	5,810
2016	5,810
2017	4,126
2018	2,141
2019	-
Thereafter	-
Total	\$ 17,887

**THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015**

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 employee are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2014	Plan Year 2015
Active employees	Yes	Yes
Retirees	Yes	Yes

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
09/30/2015	0.04%
09/30/2014	0.03%
09/30/2013	0.04%

4. CHANGE IN ACCOUNTING PRICIPLE

During the year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employees about financial support for pensions that

THE CITY OF BARTLETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

is provided by other entities. The implementation of GASB 68 resulted in the restatement of the beginning net position in the government-wide financial statements of \$55,821. Under GASB 68, the liability of employers to employees for defined benefit pensions (net pension liability) is required to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current and inactive employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The following is a summary of the changes to net position as a result of this change in accounting principle:

	Governmental Activities	Business-Type Activities	Total
Prior year ending net position as reported	\$ 60,134	\$ 2,126,781	\$ 2,186,915
Implementation of GASB 68	37,400	18,421	55,821
Restated beginning net position	<u>\$ 97,534</u>	<u>\$ 2,145,202</u>	<u>\$ 2,242,736</u>

6. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 13, 2016, the date the financial statements were available to be issued.

City of Bartlett, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Tax revenue	\$ 389,973	\$ 389,973	\$ 380,951	\$ (9,022)
Charges for services	8,000	8,000	6,432	(1,568)
Fines	100,000	175,000	118,872	(56,128)
Fees and permits	1,100	1,100	2,182	1,082
Other income	36,450	36,450	54,094	17,644
Total General Revenue	<u>535,523</u>	<u>610,523</u>	<u>562,531</u>	<u>(47,992)</u>
<u>EXPENDITURES</u>				
General government	423,766	428,766	577,411	(148,645)
Public safety	311,104	392,104	352,112	39,992
Public works	178,980	178,980	165,383	13,597
Parks and recreation	70,331	70,331	58,174	12,157
Library	66,258	66,258	70,389	(4,131)
Debt service	150,924	150,924	157,434	(6,510)
Capital outlay	-	-	82,023	(82,023)
Total Expenses	<u>1,201,363</u>	<u>1,287,363</u>	<u>1,462,926</u>	<u>(175,563)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(665,840)</u>	<u>(676,840)</u>	<u>(900,395)</u>	<u>(223,555)</u>
Other Financing Sources (Uses)				
Grant income	-	-	187,449	187,449
Proceeds from issuance of debt	-	-	39,648	39,648
Transfers in	750,000	750,000	698,354	(51,646)
Total other financing sources (uses)	<u>750,000</u>	<u>750,000</u>	<u>925,451</u>	<u>175,451</u>
Net Change in Fund Balance	<u>84,160</u>	<u>73,160</u>	<u>25,056</u>	<u>(48,104)</u>

City of Bartlett, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2014
Total pension liability	
Service Cost	\$ 88,003
Interest (on the Total Pension Liability)	56,009
Changes of benefit terms	-
Difference between expected and actual experience	13,000
Change in assumptions	-
Benefit payments, including refunds of employee contributions	(23,956)
Net Change in Total Pension Liability	133,056
Total Pension Liability - Beginning	768,102
Total Pension Liability - Ending (a)	\$ 901,158
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 27,889
Contributions - Employee	51,701
Net Investment Income	47,834
Benefit payments, including refunds of employee contributions	(23,956)
Administrative Expense	(499)
Other	(41)
Net Change in Plan Fiduciary Net Position	102,928
Plan Fiduciary Net Position - Beginning	836,164
Plan Fiduciary Net Position - Ending (b)	\$ 939,092
 Net Pension Liability - Ending (a) - (b)	\$ (37,934)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.21%
 Covered Employee Payroll	\$ 738,590
Net Pension Liability as a Percentage of Covered Employee Payroll	-5.14%

Notes to Schedule:

N/A

City of Bartlett, Texas
Schedule of Contributions
Last 10 Years (will ultimately be displayed)

	2015
Actuarially Determined Contribution	\$ 901,158
Contributions in relation to the actuarially determined contribution	939,092
Contribution deficiency (excess)	37,934
Covered employee payroll	\$ 738,590
Contributions as a percentage of covered employee payroll	5.14%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated December 31 and become effective in January 13 month

Methods and Assumptions Used to Determine Contribution Rates:

Amortization Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience- based table of rates that are specific to the C of benefits. Last updated for the 2010 valuation pursuant experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adj rates multiplied by 109% and female rate multiplied by 1 on a fully generated basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

**COMPLIANCE AND INTERNAL CONTROL
SECTION**

WILLIAMGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S 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

I was engaged to audit, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated June 13, 2016. My report has been modified to reflect a disclaimer of opinion, due to scope limitations expressed therein.

Internal Control Over Financial Reporting

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I 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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge of governance. I consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Items, 2015-1, 2015-2, 2015-3, and 2015-4. I consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: Item 2015-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item: 2015-6.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William Grimsley, CPA
Killeen, TX
June 13, 2016

**CITY OF BARLETT, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 20, 2015**

Item 201 5-1

Finding:

Multiple adjusting journal entries were required to correct non-recorded and misclassified transactions. Additionally, required supporting documentation was unobtainable.

Effect:

The financial statements may contain material misstatements. Accordingly, a disclaimer of audit opinion was required.

Conditions:

The introduction of a new computerized operating system resulted in numerous errors and omissions within the operating system. As a result, the inability to confirm or verify numerous account balances with supporting detail or by alternative methods, existed.

Recommendation:

The City is in need of qualified personal to correct existing errors and omissions, as well as, the ongoing maintenance and oversight of the operating system.

Response:

A new City Administrator, experienced with the operating system, has been employed and is in the process of rectifying the system deficiencies and correcting errors within.

Item 2015-2

Finding:

The City does not perform bank reconciliations.

Effect:

Cash and accounts payable balances reported in the general ledger were incorrect.

**CITY OF BARLETT, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 20, 2015**

Item 2015-2 (continued)

Condition:

During the auditing procedures for cash, it was noted that the ending cash balances at September 30, 2015, as reported in the general ledger, were the same as the bank statement balances. Upon further review it was noted that a year-end adjustment recorded to the general ledger was made by management to balance the cash balances to the bank statement balances. Since reconciliations were not performed, an adjusting journal entry was required to account for outstanding checks totaling \$29,751 as a reduction of cash and accounts payable.

Recommendation:

The City should perform monthly bank reconciliations as a standard internal control procedure.

Response:

Management agrees with the recommendation and will proceed accordingly.

Item 2015-3

Finding:

The City does not perform reconciliations of court fines and fees, utility billings, payroll, and payroll taxes.

Effect:

Amounts reported in the general ledger may be over or understated.

Condition:

As disclosed in Item 2015-1, I was unable to obtain the supporting documentation for the related finding.

Recommendation:

The City should perform monthly reconciliations for the above accounts as a standard internal control procedure.

Response:

Management agrees with the recommendation and will proceed accordingly.

**CITY OF BARLETT, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 20, 2015**

Item 2015-5 (continued)

Recommendation:

The City needs to store reclaimed assets in a secure location, as well as, conduct a documented physical inventory of the amounts. Procedures related to access of the stored reclaimed assets should limit such access to a/(an) assigned member/(s) of management.

Response:

Management agrees with the recommendation and will proceed accordingly.

Item 2015-6

Finding:

Legal representations letters were not received.

Effect:

Contingent liabilities, if any, of the City have are not recorded or disclosed in the financial statements. The note to the financial statements are not in compliance with generally accepted accounting principles (GAAP).

Condition:

During my required audit procedures for contingent liabilities, repeated attempts were made to obtain legal representation letters from law firms that have represented the City during the year ended September 30, 2015. As of this report date, legal letters have not been received.

Recommendation:

The City should immediately contact the law firms regarding the required letters

Response:

The City will follow the recommendation.

**CITY OF BARLETT, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 20, 2015**

Status of Open Prior Years Finding and Responses (from predecessor auditor's report)

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 transactions annually, at the end of the year.

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

Condition: 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 time adjustments.

Status: Open as of September 30, 2015.

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.

Condition: 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 the general ledger. Additionally, a formal fixed asset register should be prepared and maintained on an ongoing basis.

**CITY OF BARLETT, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 20, 2015**

Item 2010-5 (continued)

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

Status: Open as of September 30, 2015.

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 users of the financial statements.

Condition: The utility customer billing 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 timelier basis.

Status: Open as of September 30, 2015. Included as part of Item 2015- 3 above.