

TOWN OF BARTONVILLE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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WILLIAM C SPORE, PC
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Independent Auditor's Report

To the Town Council
Town of Bartonville, Texas

I have audited the accompanying financial statements of the governmental activities and major funds of the Town of Bartonville, Texas as of September 30, 2011, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Bartonville, Texas, management. My responsibility is to express an opinion on these general purpose financial statements based upon my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Town of Bartonville, Texas, as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund and the schedule of pension plan funding progress be presented to supplement the basic financial statements. Such information, although not 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 regarding 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 us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the Town of Bartonville's basic financial statements taken as a whole. The other supplementary information schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William C. Spore, P.C.

Certified Public Accountants

January 17, 2012

TOWN OF BARTONVILLE

CITY OFFICIALS

September 30, 2011

MAYOR	Ron Robertson
MAYOR PRO TEM	Carla Anderson
COUNCILMEN	Gracie Egan
	Jim Farrell
	Ryan Litherland
	Bill Reaves
ADMINISTRATOR	Debbie Millican
SECRETARY	Kristin Gilbert
POLICE CHIEF	Dave Howell
MUNICIPAL COURT JUDGE	Angie Warner
ATTORNEY	Bob Hager

TOWN OF BARTONVILLE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bartonville, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2011. The information provided here should be used in conjunction with the basic financial statements.

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the Town as a Whole - Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The Statement of Net Assets (page 10) presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the Town's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The Town currently only provides Governmental type activities. Governmental activities include basic services such as police, municipal court, inspection, streets and general administration. Permit revenues, sales taxes, and franchise fees finance most of these activities. The Town does not provide any Business-type activities such as water or sewer systems and related fees.

Reporting the Town's Most Significant Funds

Fund Financial Statements

All of the Town's activities are accounted for in governmental funds. Governmental funds focus on how money flows into and out of the funds and the balances left at the end of the year that is available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's net assets are as follows:

	NET ASSETS	
	GOVERNMENTAL ACTIVITIES	
	2011	2010
Current and Other Assets	\$ 1,119,386	\$ 1,751,526
Capital Assets	<u>3,017,786</u>	<u>2,384,202</u>
Total Assets	<u>4,137,172</u>	<u>4,135,728</u>
Current Liabilities	<u>(270,823)</u>	<u>(363,369)</u>
Long-Term Liabilities	<u>(760,000)</u>	<u>(940,000)</u>
Total Liabilities	<u>(1,030,823)</u>	<u>(1,303,369)</u>
Net Assets:		
Invested in Capital Assets, net		
of debt	2,111,104	1,437,539
Restricted	278,925	271,917
Unrestricted	<u>716,320</u>	<u>1,122,903</u>
Total Net Assets	\$ <u>3,106,349</u>	\$ <u>2,832,359</u>

The Town's net assets increased by \$273,990 during the fiscal year ended September 30, 2011 to \$3,106,349. The largest portion of the Town's net assets is its investment in capital assets, (land,

building, equipment and infrastructure.) The Town uses these capital assets to provide services to the Town’s citizens; consequently these assets are not available for future spending.

During the 2011 fiscal year the Town purchased real estate to be used as a future Town Hall. The cost of real estate was \$497,573 and was purchased using funds that had been accumulated for this purpose in the capital improvement fund. In August 2011 the State of Texas transferred 8.3446 acres of right of ways to the Town. The right of ways transferred related to a portion of Highway FM 407 that was abandoned by the State due to the relocation of FM 407. The abandoned highway became Town streets and the transfer was valued at \$383,852.

Analysis of Town’s Operations

A summary of the Town’s operations for the years ended September 30, 2011 & 2010 is as follows:

	CHANGES IN NET ASSETS	
	2011	2010
REVENUES		
Program Revenues:		
Permits & Fees	\$ 283,888	\$ 578,630
Municipal Court	67,091	50,559
Contributions & Grants	388,374	145,478
General Revenues:		
Property Taxes	457,420	445,702
Sales & Beverage Taxes	173,839	125,566
Franchise Fees	158,642	141,667
Interest Income	14,992	30,267
Total Revenues	<u>1,544,246</u>	<u>1,517,869</u>
PROGRAM EXPENSES		
General Government	465,607	372,749
Public Safety	422,240	376,327
Public Works	338,793	343,228
Interest on Long-Term Debt	43,616	57,912
Total Expenses	<u>1,270,256</u>	<u>1,150,216</u>
Increase (Decrease) in Net Assets	\$ <u>273,990</u>	\$ <u>367,653</u>

During fiscal year 2010 the Town received road remediation, gas drilling permits and right of way permits totaling \$307,759 related to gas drilling in the Town. In fiscal year 2011 the Town only received \$9,750 of similar drilling related permit revenues and, therefore, the Town’s permit and fee revenues decreased significantly in 2011 compared to 2010.

Contribution and grant revenues in 2011 include the right of way transferred to the Town by the State of Texas (\$383,852) and revenues received from Denton County as part an ICA agreement (\$4,522). In 2010 the contribution and grant revenues included funds received from Denton

County (\$145,478) as part of the ICA agreement between the Town and the County for the “Welcome to Bartonville” scenic project.

In August 2010 the citizens of the Town, by election, approved establishing a Crime Control and Prevention District in the Town. The District is funded by a one quarter of one percent (.25%) local sales and use tax. The sales tax became effective October 1, 2010 and the District collected \$17,588 of sales tax in fiscal year 2011.

Total government-wide expenses increased \$120,040 in 2011 from 2010. The Town had several ongoing legal matters during 2011 which caused legal fees to increase \$48,015 over 2010. The Town has not been assessed any monetary damages as the result of the legal matters and does not expect any unfavorable outcomes at this time. With the ongoing gas drilling the Town is now incurring gas drilling inspection expenses. During 2011 the Town expended \$29,395 for gas well inspection while there were no similar expenses in 2010.

GOVERNMENTAL FUND ANALYSIS

The focus of the Town’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements; in particular, unreserved fund balance may serve a measure of a government’s net resources available for spending at the end of the fiscal year.

A comparison of fiscal years 2011 and 2010 fund basis revenues is as follows:

REVENUES	2011	2010	CHANGE	% CHANGE
Property Taxes	\$ 456,525	\$ 444,321	\$ 12,204	3%
Sales & Beverage Taxes	173,839	125,566	48,273	38%
Franchise Taxes	158,642	141,667	16,975	12%
Permits & Fees	283,888	578,630	(294,742)	-51%
Municipal Court	67,091	50,559	16,532	33%
Denton County-ICA	4,522	145,478	(140,956)	--
Donations	383,852	0	383,852	--
Interest Income	14,992	30,267	(15,275)	-50%
Tax Note Proceeds	0	500,000	(500,000)	--
TOTAL REVENUES	\$ 1,543,351	\$ 2,016,488	\$ (473,137)	

Due to an increase in taxable property in the Town, the Town’s property tax collections increased without the Town increasing the property tax rate, which remained the same in 2011 as it was in 2010. Sales tax revenues increased 38% during 2011 due in part to the added one quarter of one percent sales tax related to the newly created Crime Control and Prevention District which generated an additional \$17,588 of sales tax revenues. As discussed above, gas drilling related permit revenues decreased by \$298,009 from the prior year which is reflected in the decrease in permit and fee revenues.

In 2010 the Town issued \$500,000 of tax notes which are included in fund basis 2010 revenues above. There were no similar debt proceeds in 2011.

A comparison of fiscal years 2011 and 2010 fund basis expenditures is as follows:

EXPENDITURES	2011	2010	CHANGE
General Government	\$ 444,236	\$ 357,907	\$ 86,329
Public Safety	60,567	34,520	26,047
Police	329,893	289,995	39,898
Public Works	107,302	135,178	(27,876)
Capital Outlay - Public Works	525,480	472,602	52,878
Capital Outlay - General Government	390,646	251,005	139,641
Debt Service-Principal	186,897	146,228	40,669
Debt Service-Interest	33,915	45,329	(11,414)
Tax Note Issue Costs	0	22,500	(22,500)
TOTAL EXPENDITURES	\$ 2,078,936	\$ 1,755,264	\$ 323,672

The Town’s total 2011 expenditures include \$916,126 of capital improvements compared to \$723,607 expended for capital improvements in 2010. Operating expenses (general government, public safety, police and public works) increased \$124,398 (15%) from the prior year. The increase in expenditures is primarily related to an increase in personnel costs, increased legal fees related to challenges to the Town’s ordinances and increased inspection costs associated with the gas well drilling in the Town.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2011 the Town Council amended the original police department budget. The amendment increased the originally budgeted expenditures by \$7,942 and was made to include expenditures that were not anticipated at the time the original budget was passed.

The Town’s actual general fund revenues exceeded budgeted revenues by \$451,104 primarily due the right of way transfer to the Town by the State of Texas which was valued at \$383,852 which was not included in the budgeted revenues. Sales tax revenues (15% increase), franchise fees (12%), permit revenues (11%) and municipal court revenues (22%) all exceeded budgeted revenues.

Due to unanticipated expenditures related to legal fees (\$51,269 over budget), municipal court expenses (\$5,163 over budget), building and equipment maintenance (\$7,375 over budget) and supplies (\$5,945 over budget) total general government expenditures were \$77,541 over budget. As discussed above the legal fees related to legal matters incurred during the fiscal year that were unanticipated at the time the 2011 budget was passed.

Due to gas well inspection expenditures total inspection and code enforcement expenditures exceeded budgeted inspection and code enforcement expenditures by \$22,444. Police department

total expenditures exceeded budget by \$6,323 (2%) and public works road maintenance expenditures exceeded budgeted expenditures by \$25,038 due road maintenance projects undertaken during the fiscal year that were not originally anticipated in the budget.

The transfer of the right of ways to the Town by the State, which was valued at \$383,851, was not included in the budget revenues or expenditures. The recording of this donation and the offsetting capital outlay expenditure accounts for \$383,851 of the \$505,133 total excess of actual expenditures over budgeted expenditures. The general fund amended budget resulted in an excess of expenditures over revenues of \$114,385, the actual excess of expenditures over revenues was \$168,414, an unfavorable variance of \$54,029.

CAPITAL ASSETS

The Town’s investment in capital assets as of September 30, 2011 amounts to \$3,017,786 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. Major capital additions during the year included \$497,573 for real estate acquisition \$383,851 for land and streets transferred to the Town from the State of Texas. The Town’s capital assets are as follows:

CAPITAL ASSETS AT YEAR END NET OF ACCUMULATED DEPRECIATION

	2011		2010
Land	\$ 497,276	\$	73,276
Buildings	300,602		183,942
Equipment	24,587		65,930
Construction in Progress	0		453,570
Infrastructure	<u>2,195,321</u>		<u>1,607,484</u>
TOTAL	\$ <u>3,017,786</u>	\$	<u>2,384,202</u>

Additional information on the Town’s capital assets can be found in Note 4.

DEBT ADMINISTRATION

The Town did not issued any long-term debts during 2011 and made all of the required payments on its long-term debts in a timely manner. Outstanding long-term debts are as follows:

OUTSTANDING DEBT AT YEAR END

	2011		2010
General Obligation Bonds	\$ 470,000	\$	560,000
Tax Notes Payable	470,000		555,000
Capital Lease Payable	0		11,897
TOTAL	\$ <u>940,000</u>	\$	<u>1,126,897</u>

Additional information on the Town’s long-term debts can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2012 are \$1,024,332. These revenues include property tax revenues of \$482,347, based upon a tax rate of .19294 per \$100 of valuation, the same rate as the prior year. The 2012 budget anticipates the Town collecting \$18,000 of gas drilling permits and \$50,000 of gas well inspection fees.

Budgeted expenditures total \$1,124,332 and include transferring \$217,587 of property tax revenues to the debt service fund and \$349,125 for the police department. The budgeted deficit of \$100,000 will be funded from funds on hand at the beginning of the fiscal year.

Budgeted expenditures include \$120,000 for legal fees, \$25,650 for gas well inspection fees and \$11,000 for gas well complaint investigations.

Debt service property tax revenues were budgeted to match debt service expenditures. This required an increase in the debt service property tax rate from \$.07002 per \$100 of valuation in 2011 to \$.08812 per \$100 of valuation in 2012. The Town chose to not increase the total property tax rate so the operating and maintenance portion of the tax rate decreased by the same amount of the increase in the debt service portion of the tax rate.

Street and capital improvement budgeted expenditures include road improvement projects of \$80,000 for projects to be determined during 2012.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town of Bartonville. If you have questions about this report or need any additional information, contact the Town Secretary at 1941 E. Jeter Road, Bartonville, TX 76226 or at (817) 430-4052.

TOWN OF BARTONVILLE
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

September 30, 2011

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS	
Cash	\$ 730,483
Receivable-Sales Taxes & Franchise Fees	65,551
Receivable-Property Taxes	7,927
TOTAL CURRENT ASSETS	803,961
 NONCURRENT ASSETS	
Restricted Cash	282,107
Unamortized Bond Issue Costs (Net of Amortization)	33,318
CAPITAL ASSETS:	
Land	497,276
Buildings & Improvements	369,475
Equipment	209,499
Infrastructure	4,440,519
Accumulated Depreciation	(2,498,983)
NET CAPITAL ASSETS	3,017,786
TOTAL NONCURRENT ASSETS	3,333,211
 TOTAL ASSETS	 4,137,172
 LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	29,609
Accrued Liabilities	41,114
Accrued Compensated Absences	20,100
General Obligation Refunding Bond Payable	95,000
Tax Notes Payable	85,000
TOTAL CURRENT LIABILITIES	270,823
 NONCURRENT LIABILITIES	
General Obligation Refunding Bond Payable	375,000
Tax Notes Payable	385,000
TOTAL NONCURRENT LIABILITIES	760,000
 TOTAL LIABILITIES	 1,030,823
 NET ASSETS	
Invested in Capital Asset, Net of Related Debt	2,111,104
Restricted For:	
Debt Service	8,249
Economic Development	253,246
Crime Control	17,430
Unrestricted	716,320
TOTAL NET ASSETS	\$ 3,106,349

TOWN OF BARTONVILLE

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	CAPITAL CONTRIBUTIONS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:				
General Government	\$ (465,607)	\$ 283,888	\$ 46,000	\$ (135,719)
Public Safety	(60,567)	0	0	(60,567)
Police	(361,673)	67,091	0	(294,582)
Public Works	(338,793)	0	342,374	3,581
Interest on Long-Term Debt	(43,616)	0	0	(43,616)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,270,256)	\$ 350,979	\$ 388,374	(530,903)
GENERAL REVENUE				
Property Taxes				457,420
Sales & Beverage Taxes				173,839
Franchise Fees				158,642
Interest Income				14,992
TOTAL GENERAL REVENUE				804,893
CHANGE IN NET ASSETS				273,990
NET ASSETS - BEGINNING				2,832,359
NET ASSETS - ENDING				\$ 3,106,349

TOWN OF BARTONVILLE

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	IMPROVEMENT FUND	CAPITAL FUND	COMMUNITY DEVELOPMENT CORPORATION	CRIME CONTROL DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 676,741	\$ 8,249	\$ 59,714	\$ 252,120	\$ 15,766	\$ 1,012,590	
Receivables:							
Sales Taxes & Franchise Fees	60,220	0	0	3,667	1,664	65,551	
Property Taxes	7,927	0	0	0	0	7,927	
Interfund Receivable/Payable	2,541	0	0	(2,541)	0	0	
TOTAL ASSETS	<u>747,429</u>	<u>8,249</u>	<u>59,714</u>	<u>253,246</u>	<u>17,430</u>	<u>1,086,068</u>	
LIABILITIES							
Accounts Payable	29,609	0	0	0	0	29,609	
Accrued Expenses	36,291	0	0	0	0	36,291	
Deferred Revenues	7,927	0	0	0	0	7,927	
TOTAL LIABILITIES	<u>73,827</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>73,827</u>	
FUND BALANCES							
Restricted For:							
Debt Service	0	8,249	0	0	0	8,249	
Economic Development	0	0	0	253,246	0	253,246	
Crime Control	0	0	0	0	17,430	17,430	
Committed to:							
Capital Improvements	0	0	59,714	0	0	59,714	
Roads	275,518	0	0	0	0	275,518	
Operating Reserve	202,033	0	0	0	0	202,033	
Unassigned, Reported In General Fund	196,051	0	0	0	0	196,051	
TOTAL FUND BALANCES	<u>673,602</u>	<u>8,249</u>	<u>59,714</u>	<u>253,246</u>	<u>17,430</u>	<u>1,012,241</u>	
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 747,429</u>	<u>\$ 8,249</u>	<u>\$ 59,714</u>	<u>\$ 253,246</u>	<u>\$ 17,430</u>	<u>\$ 1,086,068</u>	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF BARTONVILLE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS

September 30, 2011

Fund Balance	\$ 1,012,241
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 Balance Sheet.	3,017,786
Property Taxes receivable are not available to pay for current period period expenditures and therefore are deferred in the Fund Balance Sheet.	7,927
Debt issue costs are current expenditures in the fund statement of revenues & expenditures but are amortized in the statement of net assets.	33,318
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet:	
General obligation bonds payable	(470,000)
Tax notes payable	(470,000)
Accrued compensated absences	(20,100)
Accrued interest	(4,823)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 3,106,349

TOWN OF BARTONVILLE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

REVENUES	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	COMMUNITY DEVELOPMENT CORPORATION	CRIME CONTROL DISTRICT	TOTAL GOVERNMENTAL FUNDS
Property Taxes	\$ 292,273	\$ 164,252	\$ 0	\$ 0	\$ 0	\$ 456,525
Sales & Beverage Taxes	112,479	0	0	43,802	17,558	173,839
Franchise Fees	158,642	0	0	0	0	158,642
Permits, Fees & Other Revenues	133,888	0	150,000	0	0	283,888
Municipal Court	67,091	0	0	0	0	67,091
Denton County-ICA Old Town	4,522	0	0	0	0	4,522
Donations	383,852	0	0	0	0	383,852
Interest Income	8,802	1,410	1,301	3,467	12	14,992
TOTAL REVENUES	1,161,549	165,662	151,301	47,269	17,570	1,543,351
EXPENDITURES						
General Government	444,236	0	0	0	0	444,236
Public Safety	60,567	0	0	0	0	60,567
Police	329,753	0	0	0	140	329,893
Public Works	107,302	0	0	0	0	107,302
Capital Outlay	390,646	0	525,480	0	0	916,126
Debt Service - Principle	0	186,897	0	0	0	186,897
Debt Service - Interest	0	33,915	0	0	0	33,915
TOTAL EXPENDITURES	1,332,504	220,812	525,480	0	140	2,078,936
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHERS SOURC	(170,955)	(55,150)	(374,179)	47,269	17,430	(535,585)
OTHER SOURCES (USES)						
Transfer-Community Development Corp.	2,541	0	0	(2,541)	0	0
TOTAL OTHER SOURCES (USES)	2,541	0	0	(2,541)	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(168,414)	(55,150)	(374,179)	44,728	17,430	(535,585)
FUND BALANCE - BEGINNING	842,016	63,399	433,893	208,518	0	1,547,826
FUND BALANCE - ENDING	\$ 673,602	\$ 8,249	\$ 59,714	\$ 253,246	\$ 17,430	\$ 1,012,241

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**TOWN OF BARTONVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2011

Net Change in Fund Balance - Governmental Funds	\$ (535,585)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However in the statement of net activities the cost of these assets is allocated over the estimated useful lives as depreciation expense:	
Capital assets recorded in the current period	916,126
Depreciation expense on capital assets	(282,542)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	186,897
Debt issue cost is an expenditure in the governmental funds, but is amortized over the life of related debt in the statement of net assets:	
Amortization of Debt Issue Costs	(10,813)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues - Property Taxes	895
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Accrued Interest	1,112
Compensated Absences	(2,100)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 273,990

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The Town of Bartonville operates under a Council-Mayor form of government, following the laws of a General Law Town as defined by the State of Texas. The Town provides the following services: inspection, municipal court, police, public works, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below:

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Bartonville (the primary government) and its component units. The following component units are included in the Town's reporting entity because of their operational and financial relationship with the Town.

Blended component units:

The Bartonville Community Development Corporation (the B.C.D.C.) is governed by a board of seven directors, all of whom are appointed by the Town Council of the Town of Bartonville and any of whom can be removed from office by the Town's Council at its' will. The B.C.D.C. was incorporated in the state of Texas as a non-profit industrial development corporation under the Development Corporation Act of 1979. The purpose of the B.C.D.C. is to promote economic development within the Town of Bartonville. Separate financial statements of the B.C.D.C. can be obtained from the Town's administrative offices.

At its May 2010 election the citizens of the Town of Bartonville approved the creation of the Town of Bartonville Crime Control and Prevention District (the B.C.C.D.) an adopted a local sales and use tax of one-quarter of one percent (.25%) to fund the B.C.C.D. The District is governed by a board of seven directors, all of whom are appointed by the Town Council of the Town of Bartonville. The purpose of the B.C.C.D. is to provide training for the Town's police officers, purchase necessary equipment and technology needed to provide a higher level of crime prevention and crime control in the District and to provide avenues to inform and educate the citizens of the District in multiple crime control topics and applications. The B.C.C.D. began collecting sales tax revenues in October 2010. Separate financial statements of the B.C.C.D. can be obtained from the Town's police office.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's fire, ambulance, inspection, police, municipal court, parks, public works, and general administrative services are classified as governmental activities. The Town does not provide any business-type activities.

In the government-wide Statement of Net Assets governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's Functions (general government, public safety, and public works). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants.

The net costs (by function) are normally covered by general revenue (property, sales, franchise taxes).

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town only provides Governmental Fund type activities. The Town has presented the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources not accounted for in other funds.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the Town. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Improvement Fund - The Capital Improvement Fund is used to account for funds restricted or designated for future capital improvements.

Community Development Corporation Fund - The Community Development Corporation Fund is used to account for the financial resources of the Bartonville Community Development Corporation, a blended component unit of the Town. The fund balance of the Community Development Corporation is reserved to signify amounts that are restricted to be used for economic development within the scope of the Bartonville Community Development Corporation's by-laws.

Crime Control and Prevention District - The Crime Control and Prevention District Fund is used to account for the financial resources of the Bartonville Crime Control and Prevention District, a blended component unit of the Town. The fund balance of the Crime Control and Prevention District is reserved to signify amounts that are restricted to be used for crime control and prevention within the scope of the Bartonville Crime Control and Prevention District's governing code.

The Town does not provide any Business-type activities or have any Fiduciary Funds.

D: BASIS OF ACCOUNTING:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related primarily to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expensed are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

3. Revenue Recognition:

The Town considers property, sales and franchise taxes as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

4. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the Town first applies restricted resources.

5. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles to local governments in the United States of America requires management and those charged with governance to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6: New Accounting Principles:

The Town has adopted all current GASB pronouncements that are applicable to its operations and activities. No new statements required adoption for the year ended September 30, 2011. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the Town of Bartonville and its component units.

- Statement No. 59, *Financial Instruments Omnibus*
- Statement No. 60, *Accounting and Reporting for Service Concession Arrangements*
- Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre--November 30, 1989 FASB and AICPA Pronouncements*
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Statement No. 64, *Derivative Investments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*

New pronouncements not yet in effect as of September 30, 2011, are not expected to have any significant impact on the Town's financial position, results of operations, or cash flows. The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2011, as required.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand and demand deposits and time deposits with an original maturity of 90 days or less.

2. Capital Assets:

Capital assets which include land, buildings, office equipment, police equipment and infrastructure (roads, bridges and drainage systems) purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line basis over the following estimated useful lives:

Buildings	5 - 40 years
Equipment	3 - 10 years
Infrastructure	15 years

3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

5. Compensated Absences:

The Town accrues accumulated unpaid comp and vacation time when earned by the employee. Unused compensatory time is paid upon termination. All comp and vacation time is accrued in the government-wide statements. A liability for these amounts is not recorded in the governmental fund statements and represents a reconciling item between the fund and government-wide presentations.

6. Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in three components:

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

- a: Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by Town Council ordinance or resolution) and unassigned.

F: BUDGETS AND BUDGETARY ACCOUNTING:

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

- 1: Prior to September 1, the Town Secretary submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

NOTE 2: DESIGNATED CASH:

By Town Council resolution certain funds held in the "General Fund Money Market" account at a local bank are designated to be held as an operating reserve to be used in an emergency situation as determined by the Town's Council. At September 30, 2011 the Town had committed operating reserve funds totaling \$202,033.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

By Town Council resolution the funds held in the “Street Maintenance” accounts at a local Bank are designated for Town road improvements. At September 30, 2011 the Town had committed road improvement funds totaling \$275,518.

By Town Council resolution the funds held in the “Capital Improvement” account at a local Bank are committed for Town capital improvements. At September 30, 2011 the Town had designated road improvement funds totaling \$59,714.

NOTE 3: DEPOSITS:

At September 30, 2011 the carrying amount of the Town’s cash accounts were \$1,012,590, made up of petty cash of \$300 and \$1,012,290 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2011.

Deposit and Investment risk Disclosures:

(1) Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The Town does not currently own any investments and, therefor, is not exposed to credit risk.

(2) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2011 the Town's bank balances (per bank) totaled \$1,029,428. Of the bank balances, \$250,000 was covered by federal depository insurance and \$2,000,000 was secured by collateral held by the pledging Bank's agent in the name of the Town. The Town was not exposed to custodial credit risk at September 30, 2011.

Securities pledged by the Town's depository institution at September 30, 2011 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit	\$2,000,000	\$2,000,000

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the Town’s investment in a single issuer. The Town does not currently own any investments and, therefor, is not exposed to concentration of credit risk.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

(4) Interest rate risk:

This is the risk that changes in interest rates will adversely effect the fair value of an investment. The Town does not currently own any investments and, therefor, is not exposed to interest rate risk.

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2011 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	DELETIONS/ TRANSFERS	ENDING
Land	\$ 73,276	\$ 424,000	\$ 0	\$ 497,276
Building & Improvements	249,902	119,573	0	369,475
Equipment	39,672	0	(12,906)	26,766
Police Equipment	183,460	6,795	(7,522)	182,733
Construction in Process	453,570	0	(453,570)	0
Infrastructure	3,621,191	365,758	453,570	4,440,519
TOTAL AT HISTORICAL COST	<u>4,621,071</u>	<u>916,126</u>	<u>(20,428)</u>	<u>5,516,769</u>
 LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	65,960	15,819	(12,906)	68,873
Equipment	30,667	3,402	(7,522)	26,547
Police Equipment	126,535	31,830	0	158,365
Infrastructure	2,013,707	231,491	0	2,245,198
TOTAL ACCUMULATED DEPRECIATION	<u>2,236,869</u>	<u>282,542</u>	<u>(20,428)</u>	<u>2,498,983</u>
 TOTAL CAPITAL ASSETS, NET	 <u>\$ 2,384,202</u>	 <u>\$ 633,584</u>	 <u>\$ 0</u>	 <u>\$ 3,017,786</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 19,221
Police	31,830
Public Works	231,491
TOTAL DEPRECIATION EXPENSE	<u>\$ 282,542</u>

NOTE 5: LONG-TERM DEBT:

At September 30, 2011, the long-term debt of the town consisted of the following:

General Obligation Bonds:

Series 2004 General Obligation Bonds, dated May 2004. The bonds are payable from an ad valorem tax to be levied by the Town. The bonds bear interest at 3.75% and are redeemable by the Town at

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

any time. The bond proceeds were used to fully refund the Towns' Series 1997 General Obligation Bonds which will benefit the Town by resulting in a gross debt service savings of \$154,465 and a net present value debt service savings of \$97,097.

Annual debt service requirements to maturity for general obligation debt is:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 95,000	\$ 17,626	\$ 112,626
2013	100,000	14,062	114,062
2014	100,000	10,312	110,312
2015	105,000	6,562	111,562
2016	<u>70,000</u>	<u>2,626</u>	<u>72,626</u>
TOTALS	\$ <u>470,000</u>	\$ <u>51,188</u>	\$ <u>521,188</u>

Tax Notes:

Series 2009 Tax Notes, dated November 17, 2009. The notes are payable from an ad valorem tax to be levied by the Town. The notes bear interest at 4.46% and are redeemable by the Town at any time. The note proceeds are to be used for road improvements.

Annual debt service requirements to maturity for tax note debt is:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 85,000	\$ 20,962	\$ 105,962
2013	90,000	17,171	107,171
2014	95,000	13,157	108,157
2015	100,000	8,920	108,920
2016	<u>100,000</u>	<u>4,460</u>	<u>104,460</u>
TOTALS	\$ <u>470,000</u>	\$ <u>64,670</u>	\$ <u>534,670</u>

General long-term debt activity for the fiscal year is as follows:

	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Series 2004, G.O. Refunding Boi	\$ 560,000	\$ 0	\$ 90,000	\$ 470,000	\$ 95,000
Series 2004 Tax Notes	55,000	0	55,000	0	0
Series 2009 Tax Notes	500,000	0	30,000	470,000	85,000
Capital Lease-Ford Motor Cr.	<u>11,897</u>	<u>0</u>	<u>11,897</u>	<u>0</u>	<u>0</u>
TOTAL BONDS/LEASES	<u>1,126,897</u>	<u>0</u>	<u>186,897</u>	<u>940,000</u>	<u>180,000</u>
Compensated Absences	<u>18,000</u>	<u>15,299</u>	<u>13,199</u>	<u>20,100</u>	<u>0</u>
TOTAL GOVERNMENTAL	\$ <u>1,144,897</u>	\$ <u>15,299</u>	\$ <u>200,096</u>	\$ <u>960,100</u>	\$ <u>180,000</u>

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 6: RETIREMENT PLAN:

Plan Description

The Town provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted 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, PO 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.

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

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7.00%	7.00%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5.0/20	60/5.0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions:

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

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

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

The annual pension cost and the net pension obligation/(asset) are as follows:

	2009		2010		2011
Annual required contribution rate	7.42%		8.20%		8.72%
Annual required contribution (ARC)	\$ 25,235	\$	30,451	\$	33,635
Interest on net pension obligation	\$ 0	\$	0	\$	0
Adjustment to the ARC	\$ 0	\$	0	\$	0
Annual pension cost	\$ 25,235	\$	30,451	\$	33,635
Contributions funded	\$ 25,235	\$	30,451	\$	33,635
Increase (decrease) in net pension obligation	\$ 0	\$	0	\$	0
Net pension obligation (asset) at beginning of year	\$ 0	\$	0	\$	0
Net pension obligation (asset) at end of year	\$ 0	\$	0	\$	0

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

Actuarial valuation date	12/31/2008	12/31/2009	12/31/2010
	Projected	Projected	Projected
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
	Level % of	Level % of	Level % of
Amortization method	payroll	payroll	payroll
	24 years;	24 years;	22.9 years;
Remaining amortization period	closed period	closed period	closed period
Amortization period for new gains/losses	25 years	25 years	12 years
		10-year	10-year
	Amortized	Smoothed	Smoothed
Asset valuation method	cost	Market	Market
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.00%
	Varies by age	Varies by age	Varies by age
	& years of	& years of	& years of
Projected salary increases	service	service	service
Inflation factor	3.00%	3.00%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

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

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

The funding status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial valuation of assets	\$	136,539	\$	192,698	\$	262,213
Actuarial accrued liability	\$	214,636	\$	355,088	\$	469,473
Funded ratio		63.61%		54.27%		55.85%
Unfunded (overfunded) actuarial accrued liability	\$	78,097	\$	162,390	\$	207,260
Annual covered payroll	\$	205,395	\$	330,273	\$	370,810
UAAL as percentage of covered payroll		38.02%		49.17%		55.89%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE 7: PROPERTY TAX:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the Town. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes at the fund level are recorded as receivables and deferred revenues at the time taxes are assessed. Revenues are recognized as the related taxes are collected.

NOTE 8: RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the Town.

NOTE 9: SUBSEQUENT EVENTS:

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 9, 2012 (the date that the Town Council approved the financial statements). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events which would require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)				
Property Taxes	\$ 293,976	\$ 293,976	\$ 292,273	\$ (1,703)
Sales & Beverage Taxes	97,800	97,800	112,479	14,679
Franchise Fees	142,000	142,000	158,642	16,642
Permits & Fees	108,650	108,650	120,471	11,821
Municipal Court	55,000	55,000	67,091	12,091
Denton County-ICA Old Town	0	0	4,522	4,522
Donations	0	0	383,852	383,852
Other Income	3,160	3,160	13,417	10,257
Interest Income	12,400	12,400	8,802	(3,598)
Transfer-Community Development Corp	0	0	2,541	2,541
TOTAL RESOURCES	712,986	712,986	1,164,090	451,104
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Wages	178,300	178,300	181,516	(3,216)
Payroll Taxes	3,270	3,270	2,836	434
Retirement	15,375	15,375	15,896	(521)
Employee Medical Insurance & HSA	28,900	28,900	28,787	113
Contract Labor	1,800	1,800	1,695	105
Accounting & Auditing Services	3,400	3,400	3,000	400
Appraisal & Tax Collection Services	5,150	5,150	5,069	81
Codification Services	3,500	3,500	3,305	195
Elections	2,400	2,400	2,585	(185)
Engineering Services	16,000	16,000	18,771	(2,771)
Legal Services	8,000	8,000	59,269	(51,269)
Municipal Court	12,500	12,500	17,663	(5,163)
Building & Equipment Maintenance	16,000	16,000	23,375	(7,375)
Copier Lease & Supplies	4,800	4,800	6,345	(1,545)
Dues, Subscriptions & Public Notices	5,600	5,600	5,427	173
Insurance	2,800	2,800	3,250	(450)
Supplies, Postage & Printing	18,300	18,300	24,245	(5,945)
Town Meetings & Events	8,000	8,000	7,792	208
Travel & Training	16,600	16,600	16,117	483
Utilities	16,000	16,000	17,293	(1,293)
Total General Government	366,695	366,695	444,236	(77,541)
Public Safety:				
Inspection & Code Enforcement	33,000	33,000	55,444	(22,444)
Child Safety	0	0	2,748	(2,748)
Animal Control	2,100	2,100	2,375	(275)
Total Public Safety	35,100	35,100	60,567	(25,467)

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
Police:				
Wages	202,146	202,618	202,511	107
Payroll Taxes	3,640	3,640	3,215	425
Retirement	17,668	17,668	17,739	(71)
Employee Medical Insurance & HSA	28,900	28,900	28,823	77
Insurance	10,670	10,887	10,888	(1)
Vehicle Fuel	12,000	12,450	13,751	(1,301)
Vehicle Maintenance	6,000	9,500	9,858	(358)
Supplies	15,000	19,000	16,695	2,305
Dues & Memberships	1,500	1,596	1,596	0
Criminal Investigations	1,500	707	707	0
Telephone	4,200	4,200	3,717	483
Uniforms	4,800	4,800	3,900	900
Travel & Training	7,500	7,500	3,749	3,751
Debt Service	12,610	12,610	12,604	6
Total Police	328,134	336,076	329,753	6,323
Public Works:				
Street Signs	2,500	2,500	2,264	236
Road Maintenance Projects	80,000	80,000	105,038	(25,038)
Total Public Works	82,500	82,500	107,302	(24,802)
Capital Outlay:				
Administration	0	0	46,000	(46,000)
Police	7,000	7,000	6,795	205
Public Works	0	0	337,851	(337,851)
Total Capital Outlay	7,000	7,000	390,646	(383,646)
TOTAL APPROPRIATIONS	819,429	827,371	1,332,504	(505,133)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ (106,443)	\$ (114,385)	\$ (168,414)	(54,029)
BEGINNING FUND BALANCE	\$ 106,443	\$ 114,385	\$ 842,016	
ENDING FUND BALANCE	\$ 0	\$ 0	\$ 673,602	

TOWN OF BARTONVILLE

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended September 30, 2011

DEFINED BENEFIT RETIREMENT PLAN

	12-31-10	12-31-09	12-31-08
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 262,213	192,698	136,539
Actuarial Accrued Liabilities (AAL)	469,473	355,008	214,636
Unfunded (Overfunded) AAL (UAAL)	207,260	162,310	78,097
Funded Ratio	55.85%	54.28%	63.61%
Covered Payroll	370,810	330,273	205,395
UAAL as a Percentage of Covered Payroll	55.89%	49.14%	38.02%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BARTONVILLE
SCHEDULE OF PROPERTY TAXES

September 30, 2011

TAX YEAR	2010	2009	2008	2007
Assessed Value	\$ 235,095,470	\$ 229,478,975	\$ 230,947,212	\$ 197,116,124
Tax Rate per \$100 of Assessed Value	<u>0.19294</u>	<u>0.19294</u>	<u>0.19294</u>	<u>0.19294</u>
Total Tax Levy	\$ <u>453,593</u>	\$ <u>442,757</u>	\$ <u>445,590</u>	\$ <u>380,316</u>
Collections During Fiscal Year	\$ <u>450,752</u>	\$ <u>438,928</u>	\$ <u>442,113</u>	\$ <u>378,375</u>
% of Current Taxes Collected	<u>99.37%</u>	<u>99.14%</u>	<u>99.22%</u>	<u>99.49%</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent on February 1 of the following year.

TOWN OF BARTONVILLE
RESTRICTED/COMMITTED CASH ACCOUNTS

September 30, 2011

RESTRICTED FUNDS:

GENERAL, DEBT SERVICE & CIP FUNDS

Interest & Sinking Debt Service Funds	\$	8,249
Security & Technology Funds		4,783
Spirit Day Funds		<u>1,189</u>
TOTAL GENERAL, DEBT SERVICE & CIP FUNDS	\$	<u>14,221</u>

SPECIAL REVENUE FUNDS

Community Development Funds	\$	252,120
Crime Control District		<u>15,766</u>
TOTAL SPECIAL REVENUE FUNDS	\$	<u>267,886</u>

COMMITTED FUNDS:

Designated for Roads	\$	275,518
Capital Improvements		59,714
Operating Reserves		<u>202,033</u>
TOTAL COMMITTED FUNDS	\$	<u>537,265</u>

TOTAL RESTRICTED & COMMITTED FUNDS \$ **819,372**

**TOWN OF BARTONVILLE
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
GOVERNMENTAL LONG - TERM DEBT**

September 30, 2011

Series 2004 General Obligation Refunding Bonds

Original Amount	1,100,000				
Interest Rate	3.750%				
YEAR ENDING SEPTEMBER 30,	FEB 15 INTEREST	AUGUST 15 INTEREST	AUGUST 15 PRINCIPLE	TOTAL REQUIREMENTS	
2012	\$ 8,813	\$ 8,813	\$ 95,000	\$	112,626
2013	7,031	7,031	100,000		114,062
2014	5,156	5,156	100,000		110,312
2015	3,281	3,281	105,000		111,562
2016	1,313	1,313	70,000		72,626
TOTALS	\$ 25,594	\$ 25,594	\$ 470,000	\$	521,188

Series 2009 TAX NOTES

Original Amount	500,000				
Interest Rate	4.460%				
YEAR ENDING SEPTEMBER 30,	FEB 15 INTEREST	AUGUST 15 INTEREST	AUGUST 15 PRINCIPLE	TOTAL REQUIREMENTS	
2012	\$ 10,481	\$ 10,481	\$ 85,000	\$	105,962
2013	8,585	8,586	90,000		107,171
2014	6,579	6,578	95,000		108,157
2015	4,460	4,460	100,000		108,920
2016	2,230	2,230	100,000		104,460
TOTALS	\$ 32,335	\$ 32,335	\$ 470,000	\$	534,670

TOTAL ALL GOVERNMENTAL LONG-TERM DEBTS

YEAR ENDING SEPTEMBER 30,	FEB 15 INTEREST	JUNE OR AUGUST 15 INTEREST	JUNE OR AUGUST 15 PRINCIPLE	TOTAL REQUIREMENTS	
2012	\$ 19,294	\$ 19,294	\$ 180,000	\$	218,588
2013	15,616	15,617	190,000		221,233
2014	11,735	11,734	195,000		218,469
2015	7,741	7,741	205,000		220,482
2016	3,543	3,543	170,000		177,086
TOTALS	\$ 57,929	\$ 57,929	\$ 940,000	\$	1,055,858

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 204
Keller, TX 76248
817-421-6619

To the Town Council
Town of Bartonville

In planning and performing my audit of the financial statements of the governmental activities and major fund of the Town of Bartonville as of and for the year ending September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the Town of Bartonville' internal control over financial reporting (internal control) as a basis for designing my auditing procedures 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 governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

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 misstatements on a timely basis. A materiel 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.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

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

William C. Spore, PC
Certified Public Accountants
January 17, 2012

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 204
Keller, TX 76248
817-421-6619

January 17, 2012

To the Mayor & Town Council
Town of Bartonville

I have audited the financial statements of the governmental activities and the major funds of the Town of Bartonville for the year ended September 30, 2011, and have issued my report thereon dated January 18, 2011. Professional standards require that I provide you with the following information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated January 19, 2011. Professional standards also require that I communicate to you the following information related to my 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 Town of Bartonville 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 2011. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 estimate(s) affecting the financial statements was :

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

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 17, 2012

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

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

Very truly yours,

William C. Spore

Certified Public Accountant