

TOWN OF BARTONVILLE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
CITY OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	3-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
Notes to Financial Statements	14-29
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule-General Fund	30
Budgetary Comparison Schedule-Capital Improvement Fund	31
Budgetary Comparison Schedule-Community Development Corporation	32
Budgetary Comparison Schedule-Crime Control & Prevention District	33
Schedule of Changes in Net Pension Liability and Related Ratios	34
Schedule of Pension Contributions	35
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Property Taxes	36
Schedule of Restricted/Designated Cash Accounts	37

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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 and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 misstatements, 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Bartonville, Texas, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of changes in net pension liability and related ratios and the schedule of pension contributions 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.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the Town of Bartonville's basic financial statements. The schedule of property taxes and the schedule of restricted/designated cash accounts are presented for additional analysis and are not a part of the basic financial statements.

The schedule of property taxes and the schedule of restricted/designated cash accounts are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of property taxes and the schedule of restricted/designated cash accounts are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William C. Spore, P.C.

Keller, Texas

Certified Public Accountants

February 21, 2017

TOWN OF BARTONVILLE

CITY OFFICIALS

September 30, 2016

MAYOR	Bill Scherer
MAYOR PRO TEM	Jaclyn Carrington
COUNCILMEN	Jim Langford
	Jim Murphy
	Clay Sams
	Jeff Traylor
TOWN ADMINISTRATOR	Stacey Almond
TOWN SECRETARY	Tammy Dixon
POLICE CHIEF	Corry Blount
MUNICIPAL COURT JUDGE	Robin Ramsay
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, 2016. The information provided here should be used in conjunction with the basic financial statements.

Management's discussion and analysis ("MD&A") has been designed to [1] assist readers and interested parties in focusing on significant financial issues [2] provide an overview of the Town's financial activity, [3] identify changes in the Town's financial position, including its ability to address the next and subsequent years challenges, [4] identify material deviations from the approved budgets adopted by the Town Council (those charged with governance), and [5] identify individual fund issues or concerns.

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- The Town's government-wide assets and deferred outflows exceeded its government-wide liabilities and deferred inflows at September 30, 2016 by \$3,333,673, an increase of \$308,240 from the prior year.
- At September 30, 2016, the Town's governmental funds reported combined fund balances of \$1,410,873, a decrease of \$339,864 from the prior year.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$2,621,289 at September 30, 2016 while the Town's long-term debt totaled \$445,000 at September 30, 2016.

USING THIS ANNUAL REPORT

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

The Statement of Activities (page 11) presents information showing how the Town's net position changed during the fiscal year. All changes in net position 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 Position 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 position is as follows:

	NET POSITION	
	GOVERNMENTAL ACTIVITIES	
	2016	2015
Current and Other Assets	\$ 1,713,207	\$ 1,874,550
Capital Assets	<u>2,621,289</u>	<u>2,059,968</u>
Total Assets	<u>4,334,496</u>	<u>3,934,518</u>
Current Liabilities	(306,153)	(200,790)
Long-Term Liabilities	<u>(694,670)</u>	<u>(708,295)</u>
Total Liabilities	<u>(1,000,823)</u>	<u>(909,085)</u>
Net Assets:		
Invested in Capital Assets, net of debt	2,176,289	2,030,143
Restricted	484,647	336,515
Unrestricted	<u>672,737</u>	<u>658,775</u>
Total Net Position	\$ <u>3,333,673</u>	\$ <u>3,025,433</u>

The Town's net position increased by \$308,240 during the fiscal year ended September 30, 2016 to \$3,333,673. The largest portion of the Town's net position 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.

Analysis of Town's Operations

For the fiscal year ended September 30, 2016 the Town's revenues totaled \$1,770,676, an increase of \$92,232 from 2015. Fiscal year 2015 permit and fee revenues include a \$162,133 reimbursement of legal fees from Cross Timbers Water Supply Company related to a lawsuit settlement. There were no similar fees collected in fiscal year 2016. The Town's 2016 sales tax revenues increased 38% from 2015 due to new commercial developments in the Town.

Total government-wide expenses increased \$250,017 (21%) in 2016 compared to 2015. Police department expenditures increased during 2016 due to adding additional police officers. Total police expenditures returned to levels expended in fiscal year 2014 after the reduction in staff in 2015. During 2016 the Town completed major road improvement and maintenance projects totaling \$787,146 while there were no similar major projects in 2015. Administrative expenses increased in 2016 primarily due to an increase in personnel costs and economic development incentive grant expenses related to commercial development in the Town.

In July 2015, the Town issued tax notes in the amount of \$550,000 for street improvement projects to be started in fiscal year 2016. The cost of issuing the tax notes totaled \$29,825 and is included in 2015 expenses.

A summary of the Town's operations for the years ended September 30, 2016 & 2015 is as follows:

CHANGES IN NET POSITION		
	2016	2015
REVENUES		
Program Revenues:		
Permits & Fees	\$ 333,136	\$ 465,911
Municipal Court	71,988	55,943
Contributions & Grants	3,249	1,170
General Revenues:		
Property Taxes	560,887	510,664
Sales & Beverage Taxes	637,599	462,966
Franchise Fees	158,146	180,413
Sale of Assets	0	0
Interest Income	5,671	1,377
Total Revenues	<u>1,770,676</u>	<u>1,678,444</u>
PROGRAM EXPENSES		
General Government	592,772	536,642
Public Safety	510,763	388,994
Public Works	358,489	243,938
Debt Issue Costs	0	29,825
Interest on Long-Term Debt	412	13,020
Total Expenses	<u>1,462,436</u>	<u>1,212,419</u>
Increase (Decrease) in Net Position	<u>\$ 308,240</u>	<u>\$ 466,025</u>

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 2016 and 2015 fund basis revenues is as follows:

	2016	2015
REVENUES		
Property Taxes	\$ 560,934	\$ 508,262
Sales & Beverage Taxes	637,599	462,966
Franchise Taxes	158,146	180,413
Permits & Fees	315,780	290,302
Municipal Court	71,988	55,943
Grants & Donations	3,249	1,170
Interest Income	5,671	1,377
Other Income	17,356	175,609
Proceeds from Tax Notes	0	550,000
Sale of Assets	0	0
TOTAL REVENUES	\$ 1,770,723	\$ 2,226,042

The Town's primary sources of revenues, property and sales taxes, franchise fees and permit revenues, increased \$205,038 (12%) from 2015 to 2016 primarily due to an increase in property values and an increase in commercial businesses sales in 2016 compared to 2015. The Town's property tax rate remained the same in 2016 as it was in 2015. The other income in 2015 includes the \$162,133 legal fee reimbursement from Cross Timbers Water Supply Corporation discussed above and the fund basis 2015 revenues include the \$550,000 proceeds of the 2015 tax notes issued in July 2015; there were no similar revenues in 2016.

A comparison of fiscal years 2016 and 2015 fund basis expenditures is as follows:

	2016	2015
EXPENDITURES		
General Government	\$ 561,011	\$ 505,411
Public Safety	458,127	378,438
Public Works	141,669	44,870
Capital Outlay - Public Works	787,146	7,993
Capital Outlay - General Government	1,327	7,264
Capital Outlay - Public Safety	45,046	5,615
Debt Issue Costs	0	29,825
Debt Service-Principle	105,000	27,090
Debt Service-Interest	11,261	1,528
TOTAL EXPENDITURES	\$ 2,110,587	\$ 1,008,034

Total governmental fund basis expenditures increased \$1,102,553 primarily due to an increase in public works expenditures in 2016 for road improvements and road maintenance when compared to 2015. Debt service expenditures (principal and interest) related to the 2015 tax notes also increased during 2016 as 2016 was the first full year of debt payments related to the 2015 tax notes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2016 budget was amended on three occasions by the Town Council. The amendments were made to more accurately reflect changes in revenues and expenses incurred by the Town.

The Town's actual general fund revenues exceeded budgeted revenues by \$86,519. Actual revenues include transfers from the Bartonville Community Development Corporation of \$5,000, Bartonville Crime Control and Prevention District of \$11,018 and a \$406,500 transfer from the capital improvement project fund.

General fund expenditures totaled \$2,131,180 which was \$668 under budgeted general fund expenditures.

The Town budgeted for the general fund to have a deficit of \$258,213 while the actual general fund actual deficit was \$171,026. This deficit was funded by using restricted and unrestricted funds on hand at the beginning of the fiscal year.

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2016 amounts to \$2,621,289 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. The Town's capital assets are as follows:

	2016	2015
Land	\$ 510,102	\$ 510,102
Buildings	208,641	237,896
Equipment	78,779	54,187
Infrastructure	<u>1,823,767</u>	<u>1,256,783</u>
TOTAL	\$ <u>2,621,289</u>	\$ <u>2,058,968</u>

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

DEBT ADMINISTRATION

The Town did not incur any additional long-term debt during 2016. Outstanding long-term debts are as follows:

	2016	2015
Tax Notes	<u>445,000</u>	<u>550,000</u>
TOTAL	\$ <u>445,000</u>	\$ <u>550,000</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 2017 are \$1,644,501. These revenues include property tax revenues of \$630,303, based upon a tax rate of .19294 per \$100 of valuation, the same rate as the prior year. The 2017 budget anticipates the Town collecting \$450,000 of sales tax revenues, \$168,000 of franchise fees and \$78,500 of permits and fee revenues.

Budgeted general fund expenditures total \$1,625,291 including \$45,000 for legal fees, \$246,244 for administrative staff personnel costs, and \$424,854 for the police department.

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 POSITION

September 30, 2016

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 371,379
Receivable-Sales Taxes, Franchise Fees & Other	159,974
Receivable-Property Taxes	11,487
Prepaid Expenses	3,460
TOTAL CURRENT ASSETS	<u>546,300</u>
NONCURRENT ASSETS	
Restricted Cash	1,052,856
CAPITAL ASSETS:	
Land	510,102
Buildings & Improvements	368,184
Equipment	357,170
Infrastructure	5,267,838
Accumulated Depreciation	<u>(3,882,005)</u>
NET CAPITAL ASSETS	<u>2,621,289</u>
TOTAL NONCURRENT ASSETS	<u>3,674,145</u>
TOTAL ASSETS	<u>\$ 4,220,445</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date	\$ 33,620
Difference in Expected & Actual Experience	19,200
Difference in Assumption Changes	24,207
Difference in Projected & Actual Earnings	37,024
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 114,051</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 133,517
Accrued Liabilities	44,316
Accrued Compensated Absences	18,320
Tax Notes Payable	110,000
TOTAL CURRENT LIABILITIES	<u>306,153</u>
NONCURRENT LIABILITIES	
Tax Notes Payable	335,000
Net Pension Liability	<u>359,670</u>
TOTAL NONCURRENT LIABILITIES	<u>694,670</u>
TOTAL LIABILITIES	<u>\$ 1,000,823</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	\$ 2,176,289
Restricted For:	
Economic Development	452,530
Crime Control	32,117
Unrestricted	<u>672,737</u>
TOTAL NET POSITION	<u>\$ 3,333,673</u>

TOWN OF BARTONVILLE

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	DONATIONS	CAPITAL GRANTS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (592,772)	\$ 333,136	\$ 0	\$ 0	\$ (259,636)
Public Safety	(510,763)	71,988	3,249	0	(435,526)
Public Works	(358,489)	0	0	0	(358,489)
Interest on Long-Term Debt	(412)	0	0	0	(412)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,462,436)	\$ 405,124	\$ 3,249	\$ 0	(1,054,063)
GENERAL REVENUE					
Property Taxes					560,887
Sales & Beverage Taxes					637,599
Franchise Fees					158,146
Interest Income					5,671
TOTAL GENERAL REVENUE					1,362,303
CHANGE IN NET POSITION					308,240
NET POSITION - BEGINNING					3,025,433
NET POSITION - ENDING					\$ 3,333,673

TOWN OF BARTONVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2016

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	COMMUNITY DEVELOPMENT CORPORATION	CRIME CONTROL DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 686,109	\$ 300,168	\$ 414,274	\$ 23,684	\$ 1,424,235
Receivables:					
Sales Taxes, Franchise Fees & Other	111,028	0	42,168	6,778	159,974
Property Taxes	11,487	0	0	0	11,487
Legal Settlement	0	0	0	0	0
Interfund	522	0	(522)	0	0
Prepaid Expenses	1,355	0	0	2,105	3,460
TOTAL ASSETS	810,501	300,168	455,920	32,567	1,599,156
LIABILITIES					
Accounts Payable	129,677	0	3,390	450	133,517
Accrued Expenses	43,279	0	0	0	43,279
TOTAL LIABILITIES	172,956	0	3,390	450	176,796
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue-Property Tax	11,487	0	0	0	11,487
FUND BALANCES					
Non-Spendable - Prepaid Expenses	1,355	0	0	0	1,355
Restricted For:					
Economic Development	0	0	452,530	0	452,530
Crime Control	0	0	0	32,117	32,117
Committed to:					
Capital Improvements	0	300,168	0	0	300,168
Vehicles & Equipment	36,034	0	0	0	36,034
Roads	270,896	0	0	0	270,896
Unassigned, Reported In General Fund	317,773	0	0	0	317,773
TOTAL FUND BALANCES	626,058	300,168	452,530	32,117	1,410,873
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 810,501	\$ 300,168	\$ 455,920	\$ 32,567	\$ 1,587,669

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF BARTONVILLE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**

September 30, 2016

Fund Balance	\$ 1,410,873
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 Balance Sheet.	2,621,289
Property Taxes receivable are not available to pay for current period period expenditures and therefore are deferred in the Fund Balance Sheet.	11,487
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet:	
2015 Tax Notes Payable	(445,000)
Accrued compensated absences & severance pay	(18,320)
Accrued interest	(1,037)
Net pension liability and related deferred inflows and deferred outflows	<u>(245,619)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>3,333,673</u></u>

TOWN OF BARTONVILLE

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

For the Year Ended September 30, 2016

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	COMMUNITY DEVELOPMENT CORPORATION	CRIME CONTROL DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property Taxes	\$ 560,934	\$ 0	\$ 0	\$ 0	\$ 560,934
Sales & Beverage Taxes	406,426	0	192,948	38,225	637,599
Franchise Fees	158,146	0	0	0	158,146
Permits, Fees & Other Revenues	315,780	0	0	0	315,780
Municipal Court	71,988	0	0	0	71,988
Grants & Donations	1,749	0	0	1,500	3,249
Other Income	17,356	0	0	0	17,356
Interest Income	3,589	869	1,196	17	5,671
TOTAL REVENUES	<u>1,535,968</u>	<u>869</u>	<u>194,144</u>	<u>39,742</u>	<u>1,770,723</u>
EXPENDITURES					
General Government	499,560	7,102	54,349	0	561,011
Public Safety	442,740	0	0	15,387	458,127
Public Works	141,669	0	0	0	141,669
Capital Outlay	830,179	3,340	0	0	833,519
Debt Service - Principle	105,000	0	0	0	105,000
Debt Service - Interest	11,261	0	0	0	11,261
TOTAL EXPENDITURES	<u>2,030,409</u>	<u>10,442</u>	<u>54,349</u>	<u>15,387</u>	<u>2,110,587</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHERS SOURC	<u>(494,441)</u>	<u>(9,573)</u>	<u>139,795</u>	<u>24,355</u>	<u>(339,864)</u>
OTHER SOURCES (USES)					
Transfer-Crime Control District	11,018	0	0	(11,018)	0
Transfer-CIP Fund	307,397	(307,397)	0	0	0
Transfer-Community Development Fund	5,000	0	(5,000)	0	0
TOTAL OTHER SOURCES (USES)	<u>323,415</u>	<u>(307,397)</u>	<u>(5,000)</u>	<u>(11,018)</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(171,026)</u>	<u>(316,970)</u>	<u>134,795</u>	<u>13,337</u>	<u>(339,864)</u>
FUND BALANCE - BEGINNING	797,084	617,138	317,735	18,780	1,750,737
FUND BALANCE - ENDING	<u>\$ 626,058</u>	<u>\$ 300,168</u>	<u>\$ 452,530</u>	<u>\$ 32,117</u>	<u>\$ 1,410,873</u>

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, 2016

Net Change in Fund Balance - Governmental Funds	\$	(339,864)
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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 activities the cost of these assets is allocated over the estimated useful lives as depreciation expense:

Capital assets recorded in the current period		833,519
Depreciation expense on capital assets		(272,198)

Borrowings on long-term debt are revenues in the governmental funds, but the borrowing increases long-term liabilities in the statement of net position:		0
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Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		105,000
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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		(47)
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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		10,849
Compensated Absences		(2,370)
Pension Expense		(26,649)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>308,240</u>
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TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of 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.

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.

Individual audited financial statements of the component units are not issued. Management issued financial statements can be obtained from the Town's administrative offices.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 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 Position 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 position is reported in three parts- invested in capital assets, net of related debt; restricted net position; and unrestricted net position. 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 position 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, 2016

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: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.
2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using 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 the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical 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 only when payment is due.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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. 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.

5: New Accounting Principles:

The Town has adopted all current GASB pronouncements that are applicable to its operations and activities. Effective October 1, 2014 the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement made significant modifications to reporting of employee pension benefits. 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.

- Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will not affect the Town.
- Statement No. 77, *Tax Abatement Disclosures*. This statement will not affect the Town.
- *Statement No.78, Pension Provided Through Certain Multi-Employer Defined Benefit Pension Plan*. This statement will not affect the Town.
- *Statement No.79, Certain External Investment Pools and Pool Participants*. This statement will not affect the Town.
- *Statement No.80, Blending Requirements for Certain Component Units*. This statement will not affect the Town.

New pronouncements not yet in effect as of September 30, 2016, 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 2016, as required.

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 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. Restricted Resources:

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

4. 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.

5. Deferred Outflows of Resources:

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) a deferred outflow of resources for contributions made to the Town's retirement plan between the measurement date of the net pension liabilities from the plan and the end of the Town's fiscal year end, (2) deferred outflows of resources related to differences between the plans' projected and actual earnings, (3) deferred outflows of resources related to changes in pension assumptions and (4) deferred outflows of resources related to differences between the expected and actual demographics of the Town's pension plan. The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences between projected and actual plan earnings will be amortized to pension expense

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

over a total of five years, including the current fiscal year. The deferred outflows related to changes in assumptions and deferred outflows related to differences in actuarial assumptions for demographic factors amount will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

6. Deferred Inflows of resources:

The Town's statement of government-wide net position reports a separate section for deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). There are no deferred inflows of resources currently reported by the Town in its government-wide position reports. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The Town will not recognize the related revenues until they are available (collected no later than 60 days after the end of the Town's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

7. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows 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.

8. Equity Classifications:

Government-wide Statements

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

- 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 position - 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 position - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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.

For the fiscal year ending September 30, 2016 expenditures exceeded appropriations for the following departments and amounts:

General Government	\$	3,957
Public Safety	\$	4,127
Capital Outlay	\$	128,456

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 2: DEPOSITS:

At September 30, 2016, the carrying amount of the Town's cash accounts was \$1,424,235, made up of petty cash of \$300 and \$1,423,935 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2016.

Deposit and Investment risk Disclosures:

(1) 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, 2016, the Town's bank balances (per bank) totaled \$1,439,413. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,189,413 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, 2016.

Securities pledged by the Town's depository institution at September 30, 2016 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit, maturity date 8/12/17	\$2,000,000	\$2,000,000

(2) 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, therefore, is not exposed to credit risk.

(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, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk:

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

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 3: COMMITTED CASH:

By Town Council resolution funds held in the “Street Maintenance” accounts at a local Bank are committed for Town road improvements. At September 30, 2016, the Town had committed road improvement funds totaling \$270,896.

By Town Council resolution funds held in the “Capital Improvement” account at a local Bank are committed for Town capital improvements. At September 30, 2016, the Town had committed road improvement funds totaling \$300,168.

By Town Council resolution funds held in the “Vehicle & Equipment” account at a local Bank are committed for future vehicle and equipment purchases. At September 30, 2016, the Town had committed vehicle and equipment funds totaling \$36,034.

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2016 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	DELETIONS/ TRANSFERS	ENDING
Land	\$ 510,102	\$ 0	\$ 0	\$ 510,102
Building & Improvements	368,184	0	0	368,184
Equipment	30,711	4,667	(4,045)	31,333
Police Equipment	292,516	45,046	(11,725)	325,837
Infrastructure	<u>4,484,032</u>	<u>783,806</u>	<u>0</u>	<u>5,267,838</u>
TOTAL AT HISTORICAL COST	<u>5,685,545</u>	<u>833,519</u>	<u>(15,770)</u>	<u>6,503,294</u>
 LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	143,194	16,349	0	159,543
Equipment	19,091	3,853	(4,045)	18,899
Police Equipment	236,041	35,176	(11,725)	259,492
Infrastructure	<u>3,227,251</u>	<u>216,820</u>	<u>0</u>	<u>3,444,071</u>
TOTAL ACCUMULATED DEPRECIATION	<u>3,625,577</u>	<u>272,198</u>	<u>(15,770)</u>	<u>3,882,005</u>
 TOTAL CAPITAL ASSETS, NET	 <u>\$ 2,059,968</u>	 <u>\$ 561,321</u>	 <u>\$ 0</u>	 <u>\$ 2,621,289</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 20,202
Police	35,176
Public Works	<u>216,820</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 272,198</u>

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 5: LONG-TERM DEBT:

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

	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
2015 Tax Notes	\$ <u>550,000</u>	\$ <u>0</u>	\$ <u>105,000</u>	\$ <u>445,000</u>	\$ <u>110,000</u>
TOTAL NOTES/LEASES	<u>550,000</u>	<u>0</u>	<u>105,000</u>	<u>445,000</u>	<u>110,000</u>
Compensated Absences	<u>15,950</u>	<u>2,370</u>	<u>0</u>	<u>18,320</u>	<u>0</u>
TOTAL GOVERNMENTAL	<u>\$ <u>565,950</u></u>	<u>\$ <u>2,370</u></u>	<u>\$ <u>105,000</u></u>	<u>\$ <u>463,320</u></u>	<u>\$ <u>110,000</u></u>

A description of the Town's long-term debt is as follows:

Tax Notes:

In July 2015 the Town issued \$550,000 of tax notes for the purpose of constructing and improving streets within the Town. The notes bear interest at 1.85%, require annual principle and interest payments and have a final maturity date of August 2020. The notes are secured by an annual ad valorem tax to be assessed by the Town for payment of the notes.

Annual note payments for the Town's tax notes are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2017	\$ 110,000	\$ 8,233	\$ 118,233
2018	110,000	6,197	116,197
2019	110,000	4,162	114,162
2020	<u>115,000</u>	<u>2,128</u>	<u>117,128</u>
TOTALS	<u>\$ <u>445,000</u></u>	<u>\$ <u>20,720</u></u>	<u>\$ <u>465,720</u></u>

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 6: RETIREMENT PLAN:

A. Plan Description

The Town participates as one of 866 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered 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) can be obtained at www.TMRS.com.

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

B. Benefits provided

TMRS provides retirement, disability and death benefits. Benefits are adopted by the governing body of the Town, 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 Town-financed monetary credits with interest were used to purchase an annuity. Members 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.

The Town has adopted the following plan provisions:

	Plan Year 2015	Plan Year 2016
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

At the December 31, 2015 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>7</u>
	17

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town 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 of the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 10.82% and 10.37% for the calendar years 2016 and 2015 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2016 were \$45,993 and were equal to the required contributions.

D. Net Pension Liability or Assets

The Town'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 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	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, 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%. For additional conservatism lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. 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 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 Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 865,432	\$ 602,137	\$ 263,295
Service Cost	55,319		55,319
Interest	60,634		60,634
Differences between expected and actual results	15,412		15,412
Changes in assumptions	32,978		32,978
Contributions - employer		40,164	(40,164)
Contributions - employee		27,483	(27,483)
Net investment income		889	(889)
Benefit Payments, including refunds of employee contributions	(53,782)	(53,782)	0
Administrative expense		(541)	541
Other		(27)	27
Net Changes	<u>110,561</u>	<u>14,186</u>	<u>96,375</u>
Balance at December 31, 2015	\$ <u>975,993</u>	\$ <u>616,323</u>	\$ <u>359,670</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's Net Pension Liability	\$ <u>491,715</u>	\$ <u>359,670</u>	\$ <u>252,137</u>

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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.tmr.com.

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

For the year ended September 30, 2016 the Town recognized pension expense of \$72,642.

At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual economic experience	\$ 19,200	\$ 0	\$ 19,200
Differences in assumptions	24,207		
Differences between projected and actual investment earnings	37,024	0	37,024
To be recognized in the future	80,431	0	56,224
Contributions subsequent to the measurement date	33,620	0	
Total	\$ 114,051	\$ 0	

\$33,620 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date 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:

Year Ending December 31,	
2016	\$ 25,204
2017	25,204
2018	21,770
2019	8,253
2020	0
Thereafter	0
	\$ 80,431

TOWN OF BARTONVILLE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)				
Property Taxes	\$ 561,128	\$ 561,128	\$ 560,934	\$ (194)
Sales & Beverage Taxes	354,000	354,000	406,426	52,426
Franchise Fees	163,500	163,500	158,146	(5,354)
Permits & Fees	250,150	305,220	315,780	10,560
Municipal Court	55,000	58,559	71,988	13,429
Intergovernmental Grants	0	0	1,749	1,749
Other Income	4,000	4,000	5,356	1,356
CTWSC Settlement Agreement	0	12,000	12,000	0
Interest Income	710	710	3,589	2,879
Transfer-Community Development	5,000	5,000	5,000	0
Transfer-Crime Control District	1,350	1,350	11,018	9,668
Transfer-CIP Fund for Roads	0	406,500	406,500	0
TOTAL RESOURCES	1,394,838	1,871,967	1,958,486	86,519
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Wages	185,104	185,104	186,596	(1,492)
Payroll Taxes	4,000	4,000	3,463	537
Retirement	19,445	19,445	19,810	(365)
Employee Medical Insurance	16,450	16,450	17,400	(950)
Contract Labor	2,500	2,500	4,698	(2,198)
Accounting & Auditing Services	3,500	3,500	3,500	0
Appraisal & Tax Collection Services	5,400	5,400	4,308	1,092
Codification Services	2,700	2,700	2,675	25
Economic Development Grants	147,315	77,131	77,011	120
Elections	5,000	5,000	3,745	1,255
Appraisal - 96 McMakin	0	0	4,000	(4,000)
Engineering Services	15,000	24,000	26,555	(2,555)
Legal Services	50,000	42,000	47,337	(5,337)
Municipal Court	10,000	10,000	9,797	203
Records Management	5,000	5,000	2,735	2,265
Building, Park & Equip. Maintenance	15,500	17,500	18,122	(622)
Copier Lease & Supplies	4,000	4,000	4,523	(523)
IT Services & Software	12,000	12,000	10,549	1,451
Dues, Subscriptions & Public Notices	7,200	7,200	7,810	(610)
Insurance	4,500	4,500	1,324	3,176
Historical Marker	2,000	2,000	1,900	100
Supplies, Postage & Printing	12,700	12,700	7,832	4,868
Town Meetings & Events	10,700	11,773	11,939	(166)
Travel & Training	5,000	5,000	3,861	1,139
Utilities	16,700	16,700	18,070	(1,370)
Debt Service	116,261	116,261	116,261	0
Total General Government	677,975	611,864	615,821	(3,957)

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
Public Safety:				
Inspection & Code Enforcement	48,000	54,500	58,927	(4,427)
Animal Control	2,700	2,700	2,400	300
Total Public Safety	<u>50,700</u>	<u>57,200</u>	<u>61,327</u>	<u>(4,127)</u>
Police:				
Wages	248,108	248,108	244,798	3,310
Payroll Taxes	4,300	4,300	4,781	(481)
Retirement	25,229	25,229	26,183	(954)
Employee Medical Insurance	32,833	32,833	34,660	(1,827)
Insurance	17,600	17,600	15,073	2,527
Vehicle Fuel	15,750	9,500	7,511	1,989
Vehicle Maintenance	8,000	8,000	12,111	(4,111)
Supplies & Contract Services	12,100	18,200	13,274	4,926
IT Services & Software	13,200	13,200	15,072	(1,872)
Dues & Memberships	1,000	1,000	487	513
Telephone	4,200	4,200	4,043	157
Uniforms	3,500	3,500	1,945	1,555
Travel & Training	1,000	1,000	1,475	(475)
Total Police	<u>386,820</u>	<u>386,670</u>	<u>381,413</u>	<u>5,257</u>
Public Works:				
Street Signs	3,333	13,333	12,557	776
Road Maintenance Projects	50,000	146,287	129,112	17,175
Total Public Works	<u>53,333</u>	<u>159,620</u>	<u>141,669</u>	<u>17,951</u>
Capital Outlay:				
Administration	21,723	21,723	1,327	20,396
Police	10,000	10,000	45,046	(35,046)
Streets	670,000	784,000	783,806	194
Total Capital Outlay	<u>701,723</u>	<u>815,723</u>	<u>830,179</u>	<u>(14,456)</u>
Transfers Out:				
To CIP Fund	17,000	99,103	99,103	0
Total Transfers Out	<u>17,000</u>	<u>99,103</u>	<u>99,103</u>	<u>0</u>
TOTAL APPROPRIATIONS	<u>1,887,551</u>	<u>2,130,180</u>	<u>2,129,512</u>	<u>668</u>
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ <u>(492,713)</u>	\$ <u>(258,213)</u>	\$ <u>(171,026)</u>	<u>87,187</u>
BEGINNING FUND BALANCE	\$ <u>797,084</u>	\$ <u>797,084</u>	\$ <u>797,084</u>	
ENDING FUND BALANCE	<u>\$ 304,371</u>	<u>\$ 538,871</u>	<u>\$ 626,058</u>	

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND

For the Year Ended September 30, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)				
Interest Income	\$ 200	\$ 200	\$ 869	\$ 669
Transfer from General Fund	17,000	99,103	99,103	0
TOTAL RESOURCES	<u>17,200</u>	<u>99,303</u>	<u>99,972</u>	<u>669</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Engineering	0	12,103	7,102	5,001
Transfer to General Fund for Roads	0	406,500	406,500	0
Town Hall Improvements	17,523	87,523	3,340	84,183
TOTAL APPROPRIATIONS	<u>17,523</u>	<u>506,126</u>	<u>416,942</u>	<u>89,184</u>
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ <u>(323)</u>	\$ <u>(406,823)</u>	\$ <u>(316,970)</u>	<u>89,853</u>
BEGINNING FUND BALANCE	\$ <u>617,138</u>	\$ <u>617,138</u>	\$ <u>617,138</u>	
ENDING FUND BALANCE	<u>\$ 616,815</u>	<u>\$ 210,315</u>	<u>\$ 300,168</u>	

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION

For the Year Ended September 30, 2016

	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)			
Sales Taxes	\$ 160,000	\$ 192,948	\$ 32,948
Interest Income	400	1,196	796
TOTAL RESOURCES	<u>160,400</u>	<u>194,144</u>	<u>33,744</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Administration:			
Administrative Fees to General Fund	5,000	5,000	0
Consulting Services	25,000	6,403	18,597
Development Grants	0	18,200	(18,200)
Dues & Training	1,000	125	875
Legal Services	5,000	2,526	2,474
Old Town Maintenance	21,500	27,095	(5,595)
Postage & Supplies	1,500	0	1,500
TOTAL APPROPRIATIONS	<u>59,000</u>	<u>59,349</u>	<u>(349)</u>
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	<u>\$ 101,400</u>	<u>\$ 134,795</u>	<u>33,395</u>
BEGINNING FUND BALANCE	<u>\$ 317,735</u>	<u>\$ 317,735</u>	
ENDING FUND BALANCE	<u>\$ 419,135</u>	<u>\$ 452,530</u>	

TOWN OF BARTONVILLE

BUDGETARY COMPARISON SCHEDULE - CRIME CONTROL & PREVENTION DISTRICT

For the Year Ended September 30, 2016

	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)			
Sales Taxes	\$ 30,000	\$ 38,225	\$ 8,225
Donations	1,000	1,500	500
Interest Income	25	17	(8)
TOTAL RESOURCES	<u>31,025</u>	<u>39,742</u>	<u>8,717</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Police:			
Accounting & Auditing Services	500	500	0
Insurance	300	140	160
Legal Services	500	16	484
National Night Out	1,800	2,754	(954)
Supplies, Software, Uniforms	8,225	11,369	(3,144)
Training	6,000	608	5,392
Transfer to General Fund for:			
Administrative Services	1,000	1,000	0
Capital Purchases	16,300	10,018	6,282
TOTAL APPROPRIATIONS	<u>34,625</u>	<u>26,405</u>	<u>8,220</u>
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ <u>(3,600)</u>	\$ <u>13,337</u>	<u>16,937</u>
BEGINNING FUND BALANCE	\$ <u>18,780</u>	\$ <u>18,780</u>	
ENDING FUND BALANCE	\$ <u><u>15,180</u></u>	\$ <u><u>32,117</u></u>	

TOWN OF BARTONVILLE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended September 30, 2016

Plan Year	2015	2014
TOTAL PENSION LIABILITY		
Service Cost	\$ 55,319	\$ 57,705
Interest (on the Total Pension Liability)	60,634	55,080
Changes in benefit terms	0	0
Difference between expected and actual experience	15,412	13,373
Change of assumptions	32,978	0
Benefit payments, including refunds of employee contributions	(53,782)	(37,472)
NET CHANGE IN TOTAL PENSION LIABILITY	\$ 110,561	\$ 88,686
TOTAL PENSION LIABILITY - BEGINNING	\$ 865,432	\$ 776,746
TOTAL PENSION LIABILITY - ENDING (a)	\$ 975,993	\$ 865,432
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 40,164	\$ 53,669
Contributions - Employee	27,483	32,275
Net investment income	889	29,988
Benefit payments, including refunds of employee contributions	(53,782)	(37,472)
Administrative expense	(541)	(313)
Other	(27)	(26)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	\$ 14,186	\$ 78,121
PLAN NET FIDUCIARY POSITION - BEGINNING	\$ 602,137	\$ 524,016
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 616,323	\$ 602,137
NET PENSION LIABILITY (a) - (b)	\$ 359,670	\$ 263,295
Plan Fiduciary Net Position as a percentage of Total Pension Liability	63.15%	69.58%
Covered employee payroll	392,611	461,070
Net Pension Liability as a percentage of covered payroll	91.61%	57.11%

TOWN OF BARTONVILLE
SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2016

	2016	2015
Actuarially Determined Contribution	\$ 45,993	\$ 38,174
Contributions in relation to the actuarially determined contribution	45,993	38,174
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	430,043	356,343
Contributions as a percentage of covered employee payroll	10.69%	10.71%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BARTONVILLE
SCHEDULE OF PROPERTY TAXES

September 30, 2016

TAX YEAR	2015	2014	2013	2012
Assessed Value	\$ 289,246,522	\$ 263,075,743	\$ 248,335,446	\$ 242,551,488
Tax Rate per \$100 of Assessed Value	0.19294	0.19294	0.19294	0.19294
Total Tax Levy	\$ 558,072	\$ 507,578	\$ 479,138	\$ 467,979
Collections During Fiscal Year	\$ 554,993	\$ 504,327	\$ 477,127	\$ 465,344
% of Current Taxes Collected	99.45%	99.36%	99.58%	99.44%

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, 2016

RESTRICTED FUNDS:

GENERAL FUND

Security & Technology Funds	\$ <u>7,800</u>
TOTAL GENERAL FUND	\$ <u><u>7,800</u></u>

SPECIAL REVENUE FUNDS

Capital Improvements - Unspent Tax Notes	\$ 0
Community Development Funds	414,274
Crime Control & Prevention District	<u>23,684</u>
TOTAL SPECIAL REVENUE FUNDS	\$ <u><u>437,958</u></u>

COMMITTED FUNDS:

Designated for Roads	\$ 270,896
Vehicles & Equipment	36,034
Capital Improvements	<u>300,168</u>
TOTAL COMMITTED FUNDS	\$ <u><u>607,098</u></u>

TOTAL RESTRICTED & COMMITTED FUNDS	\$ <u><u>1,052,856</u></u>
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WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 116
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, 2016, 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
February 21, 2017