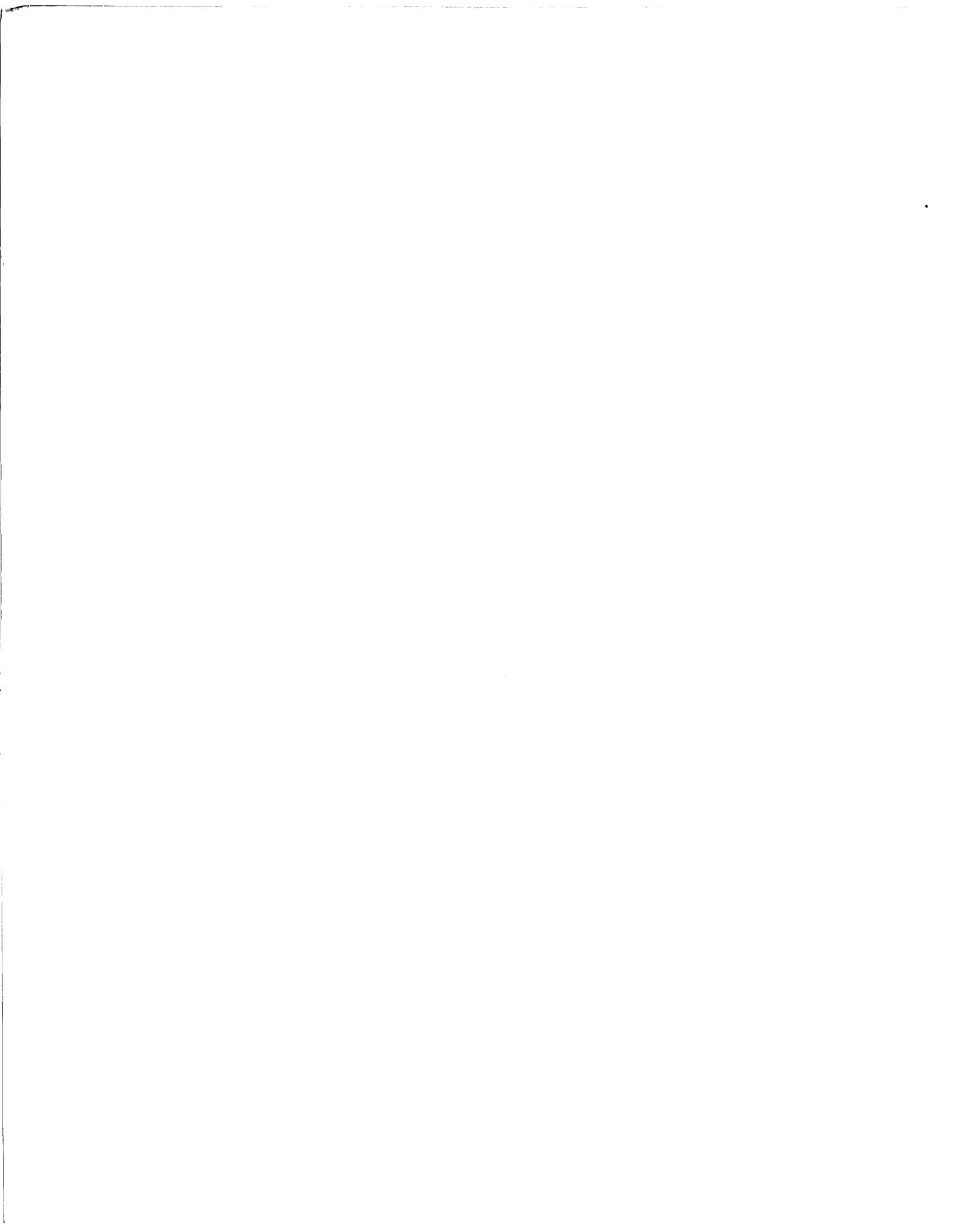


CITY OF BELLMEAD, TEXAS
(McLennan County)

\$900,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 1990

Selling Tuesday, January 23, 1990,
at 6:30 PM, CST



OFFICIAL STATEMENT

Dated January 5, 1990

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax on corporations.

**THE CITY WILL DESIGNATE THE CERTIFICATES AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS.**

**\$900,000
CITY OF BELLMEAD, TEXAS
(McLennan County)**

**COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 1990**

Dated: January 1, 1990

Due: March 1, as shown below

Interest on the \$900,000 City of Bellmead, Texas Certificates of Obligation, Series 1989 (the "Certificates") will accrue from the dated date as shown above and will be payable March 1 and September 1 of each year, commencing September 1, 1990, calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The initial Paying Agent/Registrar shall be NCNB Texas National Bank, Dallas, Texas. (See "Paying Agent/Registrar".)

The Certificates are direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem on all taxable property located within the City, and (ii) a pledge of revenues of the City's Waterworks System, all as provided in the ordinance authorizing the Certificates (the "Ordinance").

Proceeds from the sale of the Certificates will be used for street improvements within the City, for replacement of a water line, for engineering fees and costs of issuance of the Certificates.

MATURITY SCHEDULE

Amount	Maturity	Rate	Yield	Amount	Maturity	Rate	Yield
30,000	1991	9.00	6.25	60,000	1998	7.00	7.00
35,000	1992	9.00	6.30	65,000	1999	7.10	7.10
35,000	1993	9.00	6.40	70,000	2000	7.15	7.15
40,000	1994	9.00	6.50	70,000	2001	7.20	7.20
40,000	1995	9.00	6.70	120,000	2002	7.25	7.25
40,000	1996	9.00	6.85	125,000	2003	7.25	7.25
45,000	1997	6.90	6.90	125,000	2004	7.30	7.30

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2000, in whole or in part, on March 1, 1999, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "Optional Redemption of Certificates".)

The Certificates are offered for delivery when, as and if issued and received by the original purchaser(s) and subject to the approving opinion of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton, Bond Counsel, Dallas, Texas. The opinion of Bond Counsel will be printed on the Certificates. (See Appendix C, "Form of Bond Counsel's Opinion".)

It is expected that the Certificates will be eligible for delivery through the Depository Trust Company ("DTC"). It will be the responsibility of the original purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire.

Delivery: March 6, 1990

This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

TABLE OF CONTENTS

	<u>Page No.</u>
Official Statement	
Description of the Certificates -----	1
Selected Data from the Official Statement -----	3
Elected Officials-----	4
Appointed Officials -----	4
Consultants and Advisors-----	4
Bond Information	
Authority for Issuance -----	5
Security for the Certificates -----	5
Optional Redemption of Certificates -----	5
Paying Agent/Registrar -----	5
Transfer, Exchange and Registration-----	5
Limitation on Transfer of Certificates Called for Redemption-----	6
Record Date for Interest Payment-----	6
Use of Certificate Proceeds-----	6
Tax Information	
Ad Valorem Tax Law -----	7
Assessed Valuation, Exemption and Debt Information -----	7
Assessed Valuation and Bond Debt History -----	8
Tax Rate, Levy and Collections History -----	8
Ten Largest Taxpayers-----	9
Tax Rate Limitation-----	9
Assessed Valuation and Tax Rates of Overlapping Taxing Jurisdictions-----	9
Debt Information	
Debt Service Requirements-----	10
Direct and Estimated Overlapping Bond Debt Payable From Ad Valorem Taxes -----	11
Authorized Tax Bonds -----	11
Bonded Debt Limitation-----	11
Other Obligations -----	11
Pension Plan -----	11
Financial Information	
General Fund - Comparative Summary of Revenues and Expenditures -----	12
Municipal Sales Tax History -----	12
Waterworks System -----	13
Future Water Supply-----	13
Water Production -----	13
Sewer System -----	13
Summary of Operations Water and Sewer Fund -----	14
Coverage Factors -----	14
Authorized and Unissued Revenue Bonds -----	14
Monthly Water Rates -----	14
Monthly Sewer Rates -----	14
Tap Fees-----	14
General Information Regarding the City-----	15
Other Relevant Information	
Ratings -----	16
Tax Exemption -----	16
Qualified Tax-Exempt Obligations -----	16
Tax Accounting Treatment of Original Issue Discount -----	17
Registration and Qualification of Certificates for Sale -----	17
Legal Investments and Eligibility to Secure Public Funds in Texas-----	17
Legal Opinions and No-Litigation Certificate -----	17
Authenticity of Financial Data and Other Information-----	18
Financial Advisor -----	18
Certification of Official Statement-----	18
Appendices	
Excerpts from the City's Audited Financial Statements-----	Appendix A
Form of Bond Counsel's Opinion -----	Appendix B

The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

RE:

\$900,000
CITY OF BELLMEAD, TEXAS
(McLennan County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 1990

Selling Tuesday, January 23, 1990, at 6:30 PM, CST

The following rating has been assigned:

MOODY'S INVESTORS SERVICE, INC. - "Baa 1"

FIRST SOUTHWEST COMPANY
FINANCIAL ADVISOR
Dallas, Texas

- January 19, 1990 -

SELECTED DATA

This data page was prepared to present the purchasers of the Certificates selected information concerning the Certificates, the revenues pledged to payment of the Certificates, a description of the revenue base and other pertinent data, and is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

- The Issuer** ----- The City of Bellmead, Texas is a political subdivision located in McLennan County, Texas, approximately three miles northeast of Waco. As a home rule city under State law, Bellmead operates under a charter which was initially approved by an election in 1948, and is governed by a six-member City Council who serve staggered two-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the City Council. The City Council delegates administrative responsibilities to the City Manager who is the chief administrative officer of the City. Certain support services are supplied by consultants and advisors. (See Appendix A - "General Information Regarding the City").
- The Certificates** ----- The Certificates are being issued in the principal amount of \$900,000 pursuant to the Constitution and laws of the State of Texas, particularly Article 2368a.1, VATCS, and an Ordinance passed by the City. (See "Authority for Issuance").
- Qualified Tax-Exempt Obligations** ----- The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "Qualified Tax-Exempt Obligations").
- Security for the Certificates** ----- The Certificates constitute direct obligations of the City payable from a combination of a continuing ad valorem tax levied against all taxable property within the City, within the limits prescribed by law, and a pledge of revenues of the City's Waterworks System as provided in the Ordinance authorizing the Certificates. (See "Security for the Certificates").
- Optional Redemption** ----- The Certificates maturing on and after March 1, 2000 are subject to redemption prior to maturity, at the option of the City, on March 1, 1999, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "Optional Redemption of Certificates").
- Tax Exemption** ----- In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax on corporations. (See "Tax Exemption").
- Use of Certificate Proceeds** ----- The Bond proceeds will be used for various street improvements, for replacement of a water line, for engineering fees and costs of issuance of the Certificates.
- Payment Record** ----- The City has never defaulted.

Selected Indices

Fiscal Year Ended 9-30	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio of Debt to Taxable Assessed Valuation	% of Total Tax Collections
1985	\$ 63,199,580	\$ 7,778	\$ 211,000	\$ 26	0.33%	97.86%
1986	83,072,169	10,082	1,779,000	216	2.63%	95.56%
1987	89,444,552	10,908	1,731,000	211	1.94%	102.07%
1988	96,256,036	11,739	1,654,000	202	1.72%	101.47%
1989	105,782,917	12,900	1,566,000	191	1.48%	101.99%

CITY ADMINISTRATION

The City of Bellmead operates under a Home Rule Charter (as amended) which was initially approved by the electorate on May 1, 1948. The Charter provides for a Council-Manager form of government with all powers of the City and determination of policy vested in the City Council. The City Council may appoint a City Manager who shall then be responsible for the administration of the affairs of the City.

Elected Officials

<u>City Council</u>	<u>Term Expires</u>	<u>Occupation</u>
Joe Rodriguez Mayor	May, 1991	LULAC Bi-lingual Education
W. N. (Wink) Pickens Mayor Pro-Tem	May, 1990	Willis Plumbing
Russell Devorsky Councilmember	May, 1991	Auto Customizing
Elson Hall Councilmember	May, 1991	Minister
Robert Hawkins Councilmember	May, 1990	Economic Development Program, T.S.T.I.
James Wyatt, Jr. Councilmember	May 1990	Maintenance Supervisor, Stillwell Corp.

Appointed Officials (Administrative and Finance)

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Harold M. Baker	City Manager and City Clerk	Since 1974
S. G. Radcliffe	Assistant City Manager	Since 1982
Keith Bond	Public Works Director	Since 1980
Kim Massey	City Clerk	Since 1984

Consultants and Advisors

Bond Counsel ----- McCall, Parkhurst & Horton
Dallas, Texas

Financial Advisor ----- First Southwest Company
Dallas, Texas

For additional information regarding the City, please contact:

Harold M. Baker
City Manager
City of Bellmead
3015 Bellmead Drive
Bellmead, Texas 76705
(817) 799-2436

or

J. C. Hall
First Southwest Company
500 First City Center
1700 Pacific Avenue
Dallas, Texas 75201
(214) 953-4028

CERTIFICATE INFORMATION

Authority for Issuance

The City is authorized by the Constitution and laws of the State of Texas, particularly Article 2368a.1, VATCS, as amended, and an Ordinance passed by the City Council as authorized by the City Charter, which was initially approved at an election held in the City in 1948, to issue debt obligations and to levy a tax and pledge revenues in payment of such debt.

Security for the Certificates

The Certificates are payable from a combination of (i) continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a pledge of revenues of the City's Waterworks System, as provided in the Ordinance.

Optional Redemption of Certificates

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2000, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 1999, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot Certificates, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption.

Not less than 30 days prior to an optional redemption date for the Certificates, the City shall cause a notice of such redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

Paying Agent/Registrar

The initial Paying Agent/Registrar will be NCNB Texas National Bank, Dallas, Texas. In the Ordinance the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a paying agent/registrar at all times while the Certificates are outstanding and any successor paying agent/registrar shall be a commercial bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent/registrar for the Certificates. Upon any change in the paying agent/registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new paying agent/registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Certificates will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close and payment on such date shall have the same force and effect as if made on the original date payment was due.

Transfer, Exchange and Registration

The Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificate being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates

registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer.

Limitation on Transfer of Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange to an assignee of the owner of the Certificates any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the fifteenth (15th) day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Use of Certificate Proceeds

The City expects to use the proceeds derived from the sale of the Certificates to fund construction and improvements to various City streets, to replace a water line, to pay engineering fees and costs of issuance of the Certificates.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District. Excluding open-space land devoted to farm or ranch purposes or to timber production, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. The value placed upon property within the Appraisal District is subject to review by the Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District every four years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, VATCS, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

The City has granted an exemption of \$7,500 of assessed valuation to the residence homestead, including cooperative housing, of property owners over 65 years of age or disabled. State law mandates an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces. The exemption from taxation applies to either real or personal property with the amount of assessed valuation exempted ranging from \$1,500 to \$3,000, dependent upon the amount of disability or whether the exemption is applicable to a surviving spouse or children. Additionally, State law provides that an eligible owner of agricultural land or timberland may apply to have such property appraised on the basis of productivity value or on the basis of market value, whichever is less.

Local governments have the option of granting additional homestead exemptions of up to 20% of market value, with a minimum exemption of \$5,000. Taxes may continue to be levied against the value of the homestead exempted where ad valorem taxes have been previously pledged for the payment of debt, if cessation of the levy would impair the obligation of the contract by which the debt was created. Local governments also have the option to exempt all non-business personal property such as boats, automobiles and aircraft. The City has not granted the 20% optional exemption and does not tax non-business personal property.

Assessed Valuation, Exemption and Debt Information

1989 Market Valuation of Taxable Property Established by McLennan County Appraisal District		\$ 116,764,523
Less Exemptions:		
Homestead and Over 65 or Disabled	\$ 4,931,816	
Disabled Veterans	315,527	
Open Space & Timberland	<u>368,033</u>	<u>5,615,376</u>
1989 Net Taxable Assessed Valuation		\$ 111,149,147
Funded Debt Payable From Ad Valorem Taxes:		
Outstanding Obligations (as of 12-1-89)	\$ 1,566,000	
The Certificates	<u>900,000</u>	
Total (1)		\$ 2,466,000
Interest and Sinking Fund (as of 9-30-89)		<u>\$ 3,122</u>
Ratio General Obligation Debt Payable From Ad Valorem Taxes to Taxable Assessed Valuation-----		2.22%

1980 Census Population - 7,569
 1989 Estimated Population - 8,200
 Per Capita Assessed Valuation - \$13,555
 Per Capita Debt Payable From Ad Valorem Taxes - \$301

(1) Estimated by the City.

Assessed Valuation and Bond Debt History

Fiscal Year Ended 9-30	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita (1)	Bond Debt Outstanding at End of Year	Ratio Bond Debt to Taxable Assessed Valuation	Bond Debt Per Capita (1)
1980	\$ 23,995,667	\$ 3,170	\$ 464,000	1.93%	\$ 61
1981	23,750,400 (2)	3,093	416,000	1.75%	54
1982	39,720,300 (3)	5,099	366,000	0.90%	47
1983	58,080,440 (4)	7,352	316,000	0.54%	40
1984	59,375,654	7,411	266,000	0.45%	33
1985	63,199,580	7,778	211,000	0.33%	26
1986	83,072,169 (4)	10,082	1,779,000	2.63%	216
1987	89,444,552	10,908	1,731,000	1.94%	211
1988	96,256,036	11,739	1,654,000	1.72%	202
1989	105,782,917	12,900	1,566,000	1.48%	191

- (1) Based on estimated population.
(2) Decrease due to exemptions and allowances given under Chapter 11 of the Texas Property Tax Code.
(3) Basis of assessment changed from 60% to 100%.
(4) Revaluation.

Tax Rate, Levy and Collections History

Fiscal Year Ended 9-30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
1981	\$0.9000	\$0.5900	\$0.3100	\$213,416	93.23%	99.89%
1982	0.5400	0.3600	0.1800	219,350	94.21%	103.03%
1983	0.3900	0.2371	0.1529	277,830	93.65%	102.93%
1984	0.4100	0.2600	0.1500	245,143	94.72%	99.67%
1985	0.4400	0.3000	0.1400	280,897	94.68%	97.86%
1986	0.3000	0.2500	0.0500	249,217	93.00%	95.56%
1987	0.2776	0.2529	0.0247	248,291	95.00%	102.07%
1988	0.2474	0.2472	0.0002	237,516	96.50%	101.47%
1989	0.2410	0.2408	0.0002	254,937	95.32%	101.99%
1990	0.2502	0.2500	0.0002	278,095	In process of collection	

Property within the City is assessed as of January 1 of each year; taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Split payments are not permitted; discounts are not allowed.

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	27% (1)	6%	33% (2)

- (1) Includes an additional 15% penalty to defray attorneys' fees.
(2) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

Ten Largest Taxpayers

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>1989 Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
Sam's Wholesale Club	Retail Store	\$ 6,435,897	5.79%
Walmart Stores, Inc.	Retail Store	4,869,135	4.38%
Southwestern Bell Telephone	Telephone Utility	4,652,493	4.18%
H. E. Butt Grocery Company	Supermarket	3,708,277	3.34%
Donald J. Dwyer	Real Estate Properties	2,371,429	2.13%
American Bank	Bank	2,316,534	2.08%
Texas Utilities Electric Company	Electric Utility	1,965,290	1.77%
The Bay Prairie Group	Real Estate Properties	1,897,290	1.71%
MKT Railroad Company	Railroad	1,888,091	1.70%
Cardinal Group Ltd.	Real Estate Properties	1,608,635	1.45%
		<u>\$ 31,713,071</u>	<u>28.53%</u>

Tax Rate Limitation

Imposed by Texas Constitution: \$2.50 per \$100 Assessed Valuation; by Home Rule Charter: \$2.50 per \$100 Assessed Valuation.

By each September 1, or as soon as practicable thereafter, the City must adopt a tax rate for the then current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. Under the Tax Code the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or 103% of the effective tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers and has otherwise complied with the Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the following year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total taxes for maintenance and operations and debt service (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation taxes (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

Reference is made to the Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Assessed Valuations, Tax Rates and Authorized But Unissued Bonds of Overlapping Taxing Jurisdictions

<u>Taxing Jurisdiction</u>	<u>1989 Taxable Assessed Valuation</u>	<u>1989 Tax Rate</u>	<u>Authorized But Unissued Bonds</u>
City of Bellmead	\$ 111,149,147	\$ 0.2502	None
McLennan County	3,909,018,582	0.1980	None
McLennan County Community College District	4,055,863,758	0.0633	None
Connally Independent School District	159,855,960	0.8732	None
La Vega Independent School District	191,240,091	1.3340	None

DEBT INFORMATION

DEBT SERVICE REQUIREMENTS

YEAR ENDING 9/30	OUTSTANDING BONDS		THE CERTIFICATES		GRAND TOTAL REQUIREMENTS	% OF PRINCIPAL RETIRED
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
1990	\$ 95,000	\$ 117,354	\$	\$ 45,000	\$ 45,000	
1991	100,000	108,392	30,000	66,375	96,375	
1992	110,000	98,679	35,000	63,938	98,938	
1993	116,000	88,993	35,000	61,313	96,313	
1994	127,000	79,939	40,000	58,500	98,500	
1995	138,000	70,478	40,000	55,500	95,500	
1996	155,000	60,039	40,000	52,500	92,500	
1997	165,000	48,644	45,000	49,313	94,313	
1998	140,000	37,275	60,000	45,375	105,375	
1999	140,000	26,425	65,000	40,688	105,688	
2000	140,000	15,400	70,000	35,625	105,625	
2001	140,000	4,900	70,000	30,375	100,375	
2002			120,000	23,250	143,250	
2003			125,000	14,063	139,063	
2004			125,000	4,688	129,688	
	\$ 1,566,000	\$ 756,518	\$ 900,000	\$ 646,503	\$ 1,546,503	\$ 3,869,021

INTEREST ON THE CERTIFICATES HAS BEEN CALCULATED AT THE RATE OF 7.500% FOR PURPOSES OF ILLUSTRATION.

Direct and Estimated Overlapping Bond Debt Payable From Ad Valorem Taxes (As of 11-1-89)

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by such taxing bodies on properties within the City. Such taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas and other available sources. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated in the table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of such taxing bodies.

<u>Taxing Jurisdiction</u>	<u>Total Bond Debt</u>	<u>Estimated % Applicable</u>	<u>Overlapping Bond Debt</u>
City of Bellmead (1)	\$ 2,466,000	100.00%	\$ 2,466,000
McLennan County	8,960,000	2.19%	196,224
McLennan County Community College District	1,395,000	2.91%	30,550
Connally Independent School District	2,300,000	3.93%	90,390
La Vega Independent School District	4,934,987	50.31%	<u>2,482,792</u>
Total Overlapping Bond Debt			\$ 5,265,956
Ratio of Direct and Overlapping Bond Debt to Taxable Assessed Valuation -----			4.74%
Per Capita Overlapping Bond Debt-----			\$642

(1) Includes the Certificates.

Authorized Tax Bonds -NONE

Bonded Debt Limitation

No direct bonded debt limitation is imposed on the City under current State law or the City's Home Rule Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter which adopts the constitutional provisions.

Other Obligations

The City has no unfunded debt outstanding as of the date of this Official Statement.

Pension Plan

The City provides pension benefits for all of its eligible employees through the retirement plan of the Texas Municipal Retirement System. The current rates for City contributions resulted in total contributions of \$39,989 for the year ended September 30, 1988. More complete details of the City's pension plan are provided in Note 2, "Notes to Combined Financial Statements" included in Appendix A.

FINANCIAL INFORMATION

General Fund - Comparative Summary of Revenues, Expenditures and Fund Balances

	For Fiscal Year Ended August 31				
	1989 (1)	1988	1987	1986	1985
Revenues					
Ad Valorem Taxes	\$ 268,000	\$ 249,389	\$ 262,980	\$ 208,890	\$ 187,641
Sales Taxes	618,568	594,325	513,232	323,960	288,623
Hotel-Motel Taxes	101,750	94,762	93,805	99,469	110,162
Franchise Taxes	178,221	172,884	166,793	164,258	154,883
Licenses and Permits	10,651	11,584	11,825	11,821	20,981
Fines & Forfeitures	49,597	71,841	109,210	60,365	73,911
Interest Earned	6,481	7,636	13,774	24,486	31,621
Charges for Services	12,000	14,857	17,682	47,738	286,128
Other Revenues	26,000	28,037	35,949	72,245	155,119
Total Revenues	\$ 1,271,268	\$ 1,245,315	\$ 1,225,250	\$ 1,013,232	\$ 1,309,069
Expenditures					
General Government	\$ 301,000	\$ 301,973	\$ 301,476	\$ 318,962	\$ 247,871
Public Safety	438,000	427,413	405,803	408,677	331,679
Public Service	8,000	6,704	8,280	8,953	145,101
Public Works	495,780	465,819	313,786	333,131	352,502
Cultural & Recreational	108,700	222,846	208,267	147,958	172,747
Capital Outlay	18,000	23,387	90,130	136,229	265,225
Other Expenditures	42,000	8,371	5,585	-	-
Total Expenditures	\$ 1,411,480	\$ 1,456,513	\$ 1,333,327	\$ 1,353,910	\$ 1,515,125
Excess (deficiency) of Revenues Over Expenditures	(140,212)	(211,198)	(108,077)	(340,678)	(206,056)
Other Financing Sources (uses):					
Operating Transfers In	162,500	186,120	83,875	211,446	179,588
Operating Transfers Out	-	-	(4,562)	-	-
Excess (deficiency)	22,288	(25,078)	(28,764)	(129,232)	(26,468)
Beginning Fund Balance	99,874	124,952	153,716	282,948	309,416
Ending Fund Balance	\$ 122,162	\$ 99,874	\$ 124,952	\$ 153,716	\$ 282,948

(1) Per the Budget.

Municipal Sales Tax History

The City has adopted the provisions of Article 1066c, Vernon's Texas Civil Statutes, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City, the proceeds of which are credited to the General Fund. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The following table shows the revenue from this source for the past ten fiscal years.

Fiscal Year Ended 9/30	Total Collected	% Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
1980	\$ 141,007	65.29%	\$0.588
1981	164,465	77.06%	0.692
1982	172,814	78.78%	0.435
1983	206,919	90.82%	0.354
1984	237,809	97.01%	0.401
1985	288,623	102.75%	0.457
1986	323,960	129.99%	0.390
1987	513,232	206.71%	0.574
1988	594,325	250.23%	0.617
1989	618,568 (1)	242.64%	0.585

(1) Unaudited.

Waterworks System

The City of Bellmead's source for water supply is four City-owned wells. Two of the wells were drilled in the mid 1960's, one in 1977 and the fourth was drilled in 1986. The four wells have a capacity of 3,456,000 gallons per day (gpd). Additionally, the City has two emergency water supply lines to the City of Waco.

Bellmead's water storage facilities consist of three elevated storage tanks with a combined capacity of 450,000 gallons, and three ground storage tanks with a combined capacity of 1,500,000 gallons.

Future Water Supply

Brazos River Authority is currently engaged in certain design, engineering and other pre-construction activities in connection with the planned construction of a surface water supply (Lake Bosque) by virtue of contracts with the cities of Waco, Bellmead, Lacy-Lakeview, Hewitt, Woodway, Clifton and Meridian and the McLennan County Water Control and Improvement District No. 2. It is anticipated that the Authority will issue bonds during 1990/1991 to finance construction of the lake. Lake Bosque will have a dependable yield of 16 million gallons per day and is estimated to cost \$44.5 million. Bellmead's allocation of the water is 17.52%. Bellmead and the other contracting parties will be obligated to pay to the Authority the operating costs of the reservoir and, unless a contracting party provides its share of the construction costs from its own funds, the debt service requirements of bonds issued by the Authority for construction of the lake. Such payments will constitute operation and maintenance charges of each contracting parties' water system.

Water Production

Fiscal Year Ended <u>9/30</u>	Total Water Pumped through System
1981	291,795,000
1982	355,298,000
1983	327,692,000
1984	388,084,000
1985	375,470,000
1986	383,219,000
1987	378,012,000
1988	383,396,000
1989	378,574,000

Sewer System

Bellmead, together with the cities of Waco, Hewitt, Woodway, Robinson and Lacy-Lakeview, entered into a contract with the Brazos River Authority for wastewater treatment. Under provisions of the contract, which is dated January 10, 1969 and extends for a period of forty years, the City, together with the other contracting parties, has agreed to pay the Authority monthly amounts to provide for: (1) maintenance and operation expenses of the system, (2) debt service on bonds issued to construct the system and (3) any funds or deficiency in any funds established by the bond resolutions. Payments made by Bellmead under its contract with the Authority constitute operating expenses of its sewer system.

The monthly payments by Bellmead are determined by the Authority each July based on the sewage discharged by Bellmead into the Regional System during the twelve-months ending June 30, as such is proportional to the total amount of sewage discharged into the System by all contracting parties during the same twelve-month period. The allocation of total charges to Bellmead, payable monthly, is subject to minimum contract discharge or actual discharge of each contracting party, whichever is greater. Bellmead's monthly payment for the twelve month period ending August 31, 1990 is \$15,300 which is based on the City's allocated percentage of 4.7153% of the total charges from the Brazos River Authority.

The following table indicates the number of gallons of sewage discharged by the City into the Regional System during the periods shown.

12 Months Ended <u>6/30</u>	Annual Flow*
1982	274,417,000
1983	210,124,000
1984	182,236,000
1985	322,781,000
1986	399,159,000
1987	284,222,000
1988	302,890,000
1989	334,394,000

*Source: Brazos River Authority

Summary of Operations Water and Sewer Fund

	Fiscal Year Ended				
	9-30-89 (1)	9-30-88	9-30-87	9-30-86	9-30-85
Revenue					
Water and Sewer Charges	\$ 1,112,000	\$ 1,104,954	\$1,084,476	\$ 714,871	\$ 779,182
Interest	12,000	47,657	83,531	33,206	19,926
Total Revenues	<u>\$ 1,124,000</u>	<u>\$ 1,152,611</u>	<u>\$1,168,007</u>	<u>\$ 748,077</u>	<u>\$ 799,108</u>
Expenses (other than depreciation)					
BRA Contract	141,000	151,190	134,574	122,181	72,026
Lake Bosque Project	100,000	78,715	83,570	0	0
Other	334,000	462,732	420,214	463,505	420,719
Total Expenses	<u>\$ 575,000</u>	<u>\$ 692,637</u>	<u>\$ 638,358</u>	<u>\$ 585,686</u>	<u>\$ 492,745</u>
Available for Debt Service	<u>\$ 549,000</u>	<u>\$ 459,974</u>	<u>\$ 529,649</u>	<u>\$ 162,391</u>	<u>\$ 306,363</u>
Water Customers	3,250	3,315	3,300	3,225	3,200
Sewer Customers	3,175	3,150	3,100	3,080	3,060

(1) Unaudited.

Coverage Factors

Average Annual Principal and Interest Requirements, All Waterworks and Sewer System Obligations	-----	\$195,099
Coverage of Average Annual Requirements based on 9-30-89 Revenue Available for Debt Service	-----	2.82 Times

Authorized and Unissued Revenue Bonds - NONE

Monthly Water Rates

(Effective October 1, 1987)

Inside City Limits

First 2,000 gallons	\$12.50 (minimum)
Over 2,000 gallons	1.60/m gallons

Outside City Limits

1 1/2 times above rate for over 2,000 gallons

Monthly Sewer Rates

(Effective October 1, 1989)

Residential

(Based on Water Consumption)

Old Rates

Base: \$3.50 (minimum)
Service: \$0.50/m gallons
Maximum \$8.00

New Rates

Base: \$4.00 (minimum)
Service: \$0.50/m gallons
Maximum \$8.50

Commercial

(Based on Water Consumption)

Old Rates

Base: \$3.50 (minimum)
Service: \$0.50/m gallons
No maximum

New Rates

Base: \$4.00 (minimum)
Service: \$0.50/m gallons
No maximum

Tap Fees

Water

3/4 inch tap -	\$ 300
1 inch tap -	350
1 1/2 inch tap -	500
2 inch tap -	600

Over 2 inch taps varies with cost

Sewer

4 inch tap -	\$ 250
6 inch tap -	400

General Information Regarding the City

The City of Bellmead is located three miles northeast of Waco on U.S. Highway 84 adjacent to Interstate Highway 35. The City's 1989 estimated population is 8,200 a 8.3% increase over the 1980 census population of 7,569. Many residents of Bellmead work in Waco. Bellmead's economy is based primarily on the retail industry and light manufacturing. Among the major employers are Sam's Wholesale Club which employs approximately 180 persons, Walmart, 200 and La Vega Independent School District, 240.

The City is served by La Vega Independent School District and Connally Independent School District. There is one high school, one Junior High School, two elementary schools and one kindergarten located in the City. Higher Education is available to the residents of Bellmead at Baylor University, Texas State Technical Institute, Paul Quinn College, Four C Business College and McLennan County Community College, all within McLennan County.

The City of Bellmead provides to their residents the following municipal facilities; four parks, swimming pool, Community Center, Senior Citizens' Center, four baseball fields, a softball complex with four softball fields and tennis courts. Additionally, for recreational purposes three lakes are located nearby.

OTHER RELEVANT INFORMATION

Ratings

The presently outstanding tax supported debt of the City is rated "Baa 1" by Moody's Investors Service, Inc. ("Moody's"). Application for a contract rating on this issue (has) been made to Moody's Investors Service, Inc. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

Tax Exemption

In the opinion of McCall, Parkhurst & Horton, Dallas, Texas, Bond Counsel, under existing statutes, regulations, published rulings and court decisions, interest on the Certificates is excludable from the gross income of the owners of the Certificates for federal income tax purposes. In expressing their opinion that interest on the Certificates is excludable from the gross income of the owners of the Certificates, Bond Counsel will rely on the City's no-arbitrage certificate, and will assume compliance by the City with certain covenants of the City with respect to the use and investment of the proceeds of the Certificates. Failure by the City to comply with these covenants may cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

A portion of the interest on the Certificates will be includable as an adjustment for book income or adjusted earnings and profits to calculate alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Internal Revenue Code of 1986 (the "Code"), and for purposes of the environmental tax imposed on corporations by section 59A of the Code. In addition, certain foreign corporations doing business in the United States may be subject to the new "branch profits tax" on their effectively-connected earnings and profits including tax-exempt interest such as interest on the Certificates. Furthermore, in the case of an S corporation, interest on the Certificates is treated as "passive investment income" which is subject to the tax imposed by section 1375 of the Code.

The Code includes as an individual and corporate alternative minimum tax preference item, the interest on certain "private activity bonds" issued after August 7, 1986. In the opinion of Bond Counsel, the interest on the Certificates is not an alternative minimum tax preference item under section 57(a)(5) of the Code.

Except as stated above with respect to the exclusion of the interest on the Certificates from gross income, Bond Counsel expresses no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Certificates.

The law upon which Bond Counsel has based their opinion is subject to change by the Congress and the Department of the Treasury and to subsequent judicial and administrative interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely effect the tax treatment of ownership of the Certificates.

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers falling within any of these categories should consult their own tax advisors as to the applicability of these consequences.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." The City may only designate an issue as an issue of "qualified tax-exempt obligations" where not more than \$10 million of tax-exempt obligations are issued by the City during the calendar year in which the issue so designated is issued.

The City expects to designate the Certificates as "qualified tax-exempt obligations." Furthermore, the City will represent that it has or will take such action as is necessary for the Certificates to constitute "qualified tax-exempt obligations." Accordingly, it is anticipated that financial institutions that purchase the Certificates will not be subject to the 100 percent disallowance of interest expense under section 265 of the Code. However, such purchasers would be subject to the 20 percent interest disallowance rule applicable under prior law.

Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof. In such event, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. Under existing law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a) (2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 9 of the Bond Procedures Act provides that the Certificates "shall constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas". Such Act further provides that the Certificates are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

Legal Opinions and No-Litigation Certificate

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be

excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will be printed on the Certificates.

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Financial Advisor

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company may submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. First Southwest Company, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Certificates.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the original purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

JOE RODRIGUEZ
Mayor
City of Bellmead, Texas

ATTEST:

KIM MASSEY
City Clerk
City of Bellmead, Texas

APPENDIX A

**EXCERPTS FROM THE
CITY OF BELLMEAD, TEXAS
ANNUAL FINANCIAL STATEMENTS**

For the Year Ended September 30, 1988

The information contained in this Appendix consists of excerpts from the City of Bellmead Annual Financial Statements for the Year Ended September 30, 1988, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Statements for further information.

CITY OF BELLHEAD, TEXAS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 1988

ASSETS

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General Fund	Special Revenue Fund	Special Debt Service Fund	Enterprise Fund	Trust and Agency Funds	General Long-Term Debt				
Cash	\$ 8,263	\$ 10,525	\$ 1,959	\$ 8,231	\$ 5,747	\$ -	\$ -	\$ 34,725		
Certificate of deposit	120,456	-	-	149,266	-	-	-	269,722		
Accounts receivable	247	-	-	154,967	-	-	-	155,214		
Accrued interest receivable	530	-	-	-	-	-	-	530		
Delinquent taxes receivable (Note 2)	33,773	-	-	-	-	-	-	33,773		
Penalty and interest receivable (Note 2)	31,499	-	-	-	-	-	-	31,499		
Special Assessments receivable	-	-	3,185	-	-	-	-	3,185		
Due from other funds	25,561	-	-	-	-	-	-	25,561		
Inventories at cost	1,157	-	-	5,876	-	-	-	7,033		
Restricted assets - water and sewer fund (Note 4)	-	-	-	-	-	-	-	-		
Cash	-	-	-	27,869	-	-	-	27,869		
Certificates of deposit	-	-	-	309,542	-	-	-	309,542		
Customers deposits	-	-	-	78,894	-	-	-	78,894		
Fixed assets, net (Note 3)	-	-	-	2,845,915	-	-	-	2,845,915		
Deferred debits (Note 7)	-	-	-	199,500	-	-	-	199,500		
Amount available for retirement of general obligation bonds	-	-	-	-	-	1,959	-	1,959		
Amount to be provided for retirement of general obligation bonds	-	-	-	-	-	172,041	-	172,041		
TOTAL ASSETS	\$221,486	\$ 10,525	\$ 1,959	\$3,780,060	\$ 5,747	\$174,000	\$174,000	\$4,196,962		

LIABILITIES AND FUND EQUITY

Deferred Revenue (Note 2)	\$ 65,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,272
Accounts Payable	13,474	-	-	70,992	-	-	-	84,466
Accrued liabilities	42,866	-	-	14,430	-	-	-	57,296
Due to other funds	-	-	-	20,353	5,208	-	-	25,561
Customer deposits	-	-	-	78,894	-	-	-	78,894
Other liabilities	-	-	-	-	539	-	-	539
General obligation bonds payable (Note 4)	-	-	-	-	-	174,000	-	174,000
Revenue bonds payable (Note 4)	-	-	-	1,485,000	-	-	-	1,485,000
Total Liabilities	<u>121,612</u>	-	-	<u>1,669,669</u>	<u>5,747</u>	<u>174,000</u>	<u>174,000</u>	<u>1,971,028</u>
Reserve for revenue bond debt service (Note 4)	-	-	-	335,220	-	-	-	335,220
Contributions from subdivider and customers	-	-	-	132,801	-	-	-	132,801
Contributions from municipality	-	-	-	961,820	-	-	-	961,820
Contributions from Federal revenue sharing	-	-	-	109,301	-	-	-	109,301
Fund balances	99,874	10,525	1,959	-	-	-	-	115,543
Retained earnings	-	-	-	571,249	-	-	-	571,249
Total Fund Equity	<u>99,874</u>	<u>10,525</u>	<u>1,959</u>	<u>2,110,391</u>	-	-	-	<u>2,225,934</u>
TOTAL LIABILITIES AND FUND EQUITY	\$221,486	\$ 10,525	\$ 1,959	\$3,780,060	\$ 5,747	\$174,000	\$174,000	\$4,196,962

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

CITY OF BELLMEAD, TEXAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1988

	Governmental Fund Types				Total (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Special Assessment Fund	
REVENUES					
General Property taxes (Note 2)	\$ 249,389	\$ -	\$ 136	\$ -	\$ 249,525
City sales tax	594,325	-	-	-	594,325
Hotel-Motel tax	94,762	-	-	-	94,762
Business and occupation fees	172,884	-	-	-	172,884
Permits, licenses and fees	11,584	-	-	-	11,584
Fines	71,841	-	-	-	71,841
Charges for services	14,857	-	-	-	14,857
Interest	7,636	596	778	-	9,010
Swimming pool revenues	14,066	-	-	-	14,066
Miscellaneous	13,971	-	-	-	13,971
	<u>1,245,315</u>	<u>596</u>	<u>914</u>	<u>-</u>	<u>1,246,825</u>
EXPENDITURES					
General government	301,973	-	-	-	301,973
Public safety	427,413	-	-	-	427,413
Public services	6,704	-	-	-	6,704
Public works	465,819	-	-	-	465,819
Cultural and recreational	222,846	-	-	-	222,846
Capital outlay	23,387	-	-	-	23,387
Planning/Engineering/Contingency	8,371	-	-	-	8,371
Debt service:					
Principal retirement	-	-	12,000	-	12,000
Interest and fiscal charges	-	-	8,600	-	8,600
	<u>1,456,513</u>	<u>-</u>	<u>20,600</u>	<u>-</u>	<u>1,477,113</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(211,198)</u>	<u>596</u>	<u>(19,686)</u>	<u>-</u>	<u>(230,288)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	186,120	-	-	-	186,120
Operating transfers out	-	11,620	-	-	11,620
	<u>186,120</u>	<u>(11,620)</u>	<u>-</u>	<u>-</u>	<u>174,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,078)	(11,024)	(19,686)	-	(55,788)
FUND BALANCE AT BEGINNING OF YEAR	<u>124,952</u>	<u>21,549</u>	<u>21,645</u>	<u>3,185</u>	<u>171,331</u>
FUND BALANCE AT END OF YEAR	\$ 99,874	\$ 10,525	\$ 1,959	\$ 3,185	\$ 115,543
	=====	=====	=====	=====	=====

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

CITY OF BELLHEAD, TEXAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL, SPECIAL REVENUE, DEBT SERVICE, AND SPECIAL ASSESSMENT FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1988

	General Fund			Special Revenue Fund			Debt Service Fund			Special Assessment Fund			Totals (Memorandum Only)			
	Budget	Actual	Over (Under)	Budget	Actual	Over (Under)	Budget	Actual	Over (Under)	Budget	Actual	Over (Under)	Budget	Actual	Over (Under)	
			Budget			Budget			Budget			Budget			Budget	
REVENUES																
General property taxes (Note 2)	\$ 261,444	\$ 249,389	\$ (12,055)	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,444	\$ 249,525	\$ (11,919)	
City sales tax	470,000	594,325	124,325	-	-	-	-	-	-	-	-	-	470,000	594,325	124,325	
Hotel-motel tax	95,500	94,762	(738)	-	-	-	-	-	-	-	-	-	95,500	94,762	(738)	
Business and occupation fees	169,500	172,884	3,384	-	-	-	-	-	-	-	-	-	169,500	172,884	3,384	
Permits, licenses, and fees	15,000	11,584	(3,416)	-	-	-	-	-	-	-	-	-	15,000	11,584	(3,416)	
Fines	75,000	71,841	(3,159)	-	-	-	-	-	-	-	-	-	75,000	71,841	(3,159)	
Charges for services	13,700	14,857	1,157	-	-	-	-	-	-	-	-	-	13,700	14,857	1,157	
Interest	30,000	7,636	(22,364)	-	-	-	778	-	-	-	-	-	30,000	9,010	(20,990)	
Swimming pool revenues	15,000	14,066	(934)	-	-	-	-	-	-	-	-	-	15,000	14,066	(934)	
Miscellaneous	16,200	13,971	(2,229)	-	-	-	-	-	-	-	-	-	16,200	13,971	(2,229)	
Total Revenues	1,161,344	1,245,315	83,971	-	596	596	914	-	-	-	-	-	1,161,344	1,246,825	85,481	
EXPENDITURES																
General government	327,200	301,973	(25,227)	-	-	-	-	-	-	-	-	-	327,200	301,973	(25,227)	
Public safety	421,420	427,413	5,993	-	-	-	-	-	-	-	-	-	421,420	427,413	5,993	
Public service	8,500	6,704	(1,796)	-	-	-	-	-	-	-	-	-	8,500	6,704	(1,796)	
Public works	518,455	465,819	(52,636)	-	-	-	-	-	-	-	-	-	518,455	465,819	(52,636)	
Cultural and recreational	228,175	222,846	(5,329)	-	-	-	-	-	-	-	-	-	228,175	222,846	(5,329)	
Capital outlay	-	23,387	23,387	-	-	-	-	-	-	-	-	-	-	23,387	23,387	
Planning/Engineering/Contingency	52,500	8,371	(44,129)	-	-	-	-	-	-	-	-	-	52,500	8,371	(44,129)	
Debt service:																
Principal retirement	-	-	-	-	-	-	12,000	-	-	-	-	-	-	12,000	-	-
Interest and fiscal charges	-	-	-	-	-	-	8,555	-	-	-	-	-	-	8,555	-	-
Total Expenditures	1,556,250	1,456,513	(99,737)	-	20,555	20,555	45	-	-	-	-	-	1,556,250	1,477,113	(99,692)	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(394,906)	(211,198)	183,708	-	596	596	(19,686)	869	-	-	-	-	(415,461)	(230,288)	185,173	
OTHER FINANCING SOURCES (USES)																
Operating transfers in	171,500	186,120	14,620	-	-	-	10,555	-	-	-	-	-	182,055	186,120	4,065	
Operating transfers out	-	-	-	(21,500)	(11,620)	(9,880)	-	-	-	-	-	-	(21,500)	(11,620)	(9,880)	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(223,406)	(25,078)	198,328	(21,500)	(11,024)	10,476	(19,686)	(9,686)	-	-	-	-	(254,906)	(55,788)	199,118	
FUND BALANCE AT BEGINNING OF YEAR	124,952	124,952	-	21,549	21,549	-	21,645	21,645	-	3,185	3,185	-	171,331	171,331	-	
FUND BALANCE AT END OF YEAR	\$ (98,454)	\$ 99,874	\$ 198,328	\$ 49	\$ 10,525	\$ 10,476	\$ 11,645	\$ 1,959	\$ (9,686)	\$ 3,185	\$ 3,185	\$ -	\$ (83,575)	\$ 115,543	\$ 199,118	

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

CITY OF BELLMEAD, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

YEAR ENDED SEPTEMBER 30, 1988

OPERATING REVENUES	
Charges for services	\$ <u>1,104,954</u>
OPERATING EXPENSES	
Salaries	146,047
System repair and maintenance	51,570
Auto and equipment maintenance	63,078
Supplies	13,444
Taxes - payroll	10,788
Retirement and employee benefits	18,858
Professional fees	21,911
Insurance	20,133
Utilities	109,389
Sewer treatment cost	151,190
Bad debts	17,561
Depreciation	100,566
Miscellaneous	9,135
Total Operating Expense	<u>733,670</u>
OPERATING INCOME	371,284
NONOPERATING INCOME (EXPENSE)	
Interest income	47,657
Miscellaneous	980
Interest expense and fiscal charges	<u>(125,582)</u>
INCOME BEFORE OPERATING TRANSFERS	294,339
OPERATING TRANSFERS IN (OUT)	<u>(174,500)</u>
NET INCOME	119,839
RETAINED EARNINGS BEGINNING OF YEAR	18,068
ADD INCREASE, DEDUCT (DECREASE) IN REVENUE	
BOND DEBT SERVICE RESERVE	<u>433,342</u>
	\$ 571,249
	=====

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

CITY OF BELLMEAD, TEXAS

ENTERPRISE FUND

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION -
ALL PROPRIETARY FUND TYPES

YEAR ENDED SEPTEMBER 30, 1988

SOURCES OF WORKING CAPITAL

Operations

Net income	\$ 119,839
Item not requiring current outlay of funds:	
Depreciation	100,566
Total Working Capital Provided from Operations	<u>220,405</u>

Other Sources of Working Capital

Increase in retained earnings for debt service reserve reduction	433,342
Reduction of cash deposited with fiscal agent	5,000
Reduction in restricted cash and certificates of deposit	436,214
Total Working Capital Provided	<u>1,094,961</u>

USES OF WORKING CAPITAL

Increase in deferred debits	84,916
Reduction of revenue bonds payable	75,000
Decrease in reserve for revenue bond debt service	433,405
Acquisition of property, plant and equipment	530,917
Restriction of customer deposits	8,157
	<u>1,132,395</u>

INCREASE (DECREASE) IN WORKING CAPITAL \$ (37,434)
=====

CHANGES IN WORKING CAPITAL

Increase (decrease) in current assets	
Cash and certificates of deposit	\$ (20,848)
Receivables	<u>(14,501)</u>
	<u>(35,349)</u>

Increase (decrease) in current liabilities

Accounts payable	5,919
Accrued expenses	(2,839)
Due to General Fund	19,848
Customer deposits	8,157
Current maturities of revenue bonds payable	<u>(29,000)</u>
	<u>2,085</u>

INCREASE (DECREASE) IN WORKING CAPITAL \$ (37,434)
=====

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

CITY OF BELLMEAD, TEXAS

NOTES TO COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bellmead, Texas, is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Bellmead conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity

For financial reporting purposes, in conformance with Statement No. 3 of the National Council on Governmental Accounting, "Defining the Governmental Reporting Entity," the City of Bellmead includes all funds, account groups and agencies that are controlled by or dependent on the City's executive or legislative branches. Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur or receipt of significant subsidies from the City.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types and two broad fund categories as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Governmental Funds

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Special Assessment Funds - Special Assessment Funds are used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Long-Term Liabilities

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Long-Term Liabilities (Continued)

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group and not in the governmental funds.

The account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Inventories are valued at the lower of cost or market using the first-in, first-out method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year end.

Budgets and Budgetary Accounting

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

1. Prior to the beginning of each fiscal year, the City Secretary submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council.
4. The City Secretary has the authority to transfer appropriation balances from one expenditure account to another.
5. Budget revisions have not been made during the year.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Revenue Sharing Fund, and Enterprise Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate inter-fund receivable and payable accounts.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable in a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for real and business personal property located in the City. The assessed value for the roll of January 1, 1987, upon which the 1987 levy was based, was \$96,256,036.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 1988 were 96.5% of the tax levy.

Property taxes not collected in the current period are considered not to be available, and as such, are not accrued as revenue in the current period. The tax receivable, less an allowance for personal property taxes considered not collectible due to the statute of limitation, is recorded as deferred revenue.

The City entered into a contract with a local law firm employing them to enforce the collection of delinquent taxes, penalty and interest owed to the City by City taxpayers. Fees charged by the law firm consist of a fifteen percent charge to the taxpayer on delinquent amounts outstanding. This contract was renewed for an additional one year period.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment of the Enterprise Fund as of September 30, 1988, follows:

<u>Description</u>		<u>Estimated Life</u>
Land	\$ 19,986	
Buildings and grounds	49,349	5 - 33 years
Trucks and equipment	169,309	5 - 15 years
Furniture and fixtures	19,294	10 years
Water and sewer system	<u>4,056,490</u>	50 years
	4,314,428	
Less accumulated depreciation	<u>1,468,513</u>	
	\$2,845,915	
	=====	

During the year, the City expended a portion of the Bond proceeds for new water well construction, connections to adjacent municipal water systems, and improvements to existing water systems and tanks. The cost of such construction and improvements amounted to approximately \$493,370 for the year ended September 30, 1988. It is estimated that \$261,647 in additional water system construction and renovation remains to be performed.

4. LONG-TERM DEBT

General Long-Term Debt

All long-term debt except that accounted for in the Enterprise Fund is accounted for in the General Long-Term Debt Account Group. Payment on this debt is made by the Debt Service Fund from resources accumulated in the fund. Further information related to general long-term debt is presented in the tables below.

Revenue Bonds

Revenue bonds are issued to finance capital projects of the Water and Sewer Fund. They are secured by an irrevocable pledge of the net revenues of the water and sewer systems. Further information related to revenue bond balances, changes in balances, and future requirements is presented in the tables on the following page.

4. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

The City of Bellmead, Texas issued \$1,580,000 in certificates of obligation on July 15, 1986 for the purpose of paying, in whole or in part, contractual obligations to be incurred for improvements and extensions to the waterworks system of the City and to pay all or a portion of the legal and fiscal fees in connection with this project.

The City is required by bond indenture to pledge the net revenues of the Water and Sewer Systems for the retirement of its outstanding revenue bonds and the 1961 McLennan County W.C.I.D. #3 Sewer System combination revenue and unlimited tax bonds, including interest thereon, and is required for such purposes to maintain debt service and bond reserve funds for all outstanding revenue bonds.

The cash required for debt service and reserve requirements amounts to \$213,769. Cash available and restricted for this purpose amounts to \$332,411. The bond indentures contain various other requirements which currently are being met.

Interest Rates and Principle Balances

At September 30, 1988, the City's long-term debt consisted of:

	<u>Range of Effective Interest Rates</u>	<u>Principle</u>		
		<u>Balance September 30, 1988</u>	<u>Current Maturities</u>	<u>Long-Term Maturities</u>
General Long-Term Debt	4.75%	\$ 174,000	\$ 13,000	\$ 161,000
Revenue Bonds	4.5, 5% and 7-10%	<u>1,485,000</u>	<u>80,000</u>	<u>1,405,000</u>
		<u>\$1,659,000</u>	<u>\$ 93,000</u>	<u>\$1,566,000</u>

4. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

Changes in the City's long-term debt for 1988 were as follows:

	Balance September 30, <u>1987</u>	<u>Redeemed</u>	Balance September 30, <u>1988</u>
General Long-Term Debt	\$ 186,000	\$ 12,000	\$ 174,000
Revenue Bonds	1,589,000	104,000	1,485,000

Future Principle and Interest Requirements

The following is a summary as of September 30, 1988 of the future principle and interest requirements for the City's long-term debt.

<u>Fiscal Year Ending:</u>	<u>General Long-Term Debt</u>	<u>Revenue Bonds</u>	<u>Total</u>
September 30, 1989	\$ 20,956	\$ 192,813	\$ 213,769
September 30, 1990	22,291	190,063	212,354
September 30, 1991	21,579	186,813	208,392
September 30, 1992	20,836	187,813	208,679
September 30, 1993	21,130	183,862	204,992
October 1, 1993 to maturity	<u>110,830</u>	<u>1,377,267</u>	<u>1,488,097</u>
Total principle and interest requirements	<u>\$217,652</u> =====	<u>\$2,318,631</u> =====	<u>\$2,536,283</u> =====

5. COMMITMENTS

The City has entered into a contract with the Brazos River Authority, a conservation and reclamation district created by an act of legislature, whereby the Authority is to receive, treat and dispose of the City's sewerage. This contract will expire in the year 2011. The City is being charged a monthly amount for sewer services provided by the Authority. The cost of this service was \$139,445 for the year ended September 30, 1988.

6. PENSION PLAN

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 500 administered by TMRS, an agent multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

(continued)

6. PENSION PLAN (Continued)

Benefits depend upon the sum of the employee's contributions to the Plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 15 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 20 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 5%, and the City matching percent is currently 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. Part of the City contribution rate (the normal cost) is to fund the currently accruing monetary credits, with the other part (the prior service contribution rate) calculated as the level percent of payroll needed to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 1988. The unit credit actuarial cost method is used for determining the city contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 1988 was \$783,636 and the City's contributions were based on a payroll of \$729,726. Both the City and the covered employees made the required contributions, amounting to \$39,989 (6.30% of covered payroll for the months in calendar year 1987 and 5.20% for the months in calendar year 1988) for the City and \$36,347 (5%) for the employees. The City adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the City's contribution rate for 1988 by 0.36% of payroll. There were no related-party transactions.

(continued)

6. PENSION PLAN (Continued)

Even though the substance of the City's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1987. Because of the money-purchase nature of the plan, the interest rate assumption, currently 5% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for each city's plan, but the market value of assets for TMRS as a whole was 105% of book value as of December 31, 1987.

Pension Benefit Obligation

Annuitants currently receiving benefits	\$295,490
Terminated employees	89
Current employees	
Accumulated employee contributions including	
allocated invested earnings	216,564
Employer-financed vested	69,771
Employer-financed nonvested	<u>241,629</u>
	\$823,543
	=====
Net Assets Available for Benefits, at Book Value	\$563,832
Unfunded Pension Benefit Obligation	\$259,711

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation. The numbers above reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded pension benefit obligation by \$82,903.

7. DEFERRED DEBITS

The City is currently one of eight entities participating in projectional studies for the development of the Lake Bosque Reservoir Project and has committed to providing funding assistance for this project. Expenditures of \$78,715 were made for the year ending September 30, 1988. The City will benefit from this project by being allowed to use water from this reservoir.

8. SUBSEQUENT EVENTS

The City was awarded a Local Public Works Grant on September 29, 1988 from the Economic Development Administration, U.S. Department of Commerce for the construction of a water main extension estimated to cost \$160,000, of which the City will pay approximately \$64,000.

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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CITY OF BELLMEAD, TEXAS
 COMBINATION TAX AND REVENUE
 CERTIFICATE OF OBLIGATION
 SERIES 1990, DATED JANUARY 1, 1990,
 IN THE PRINCIPAL AMOUNT OF \$900,000

AS BOND COUNSEL for the City of Bellmead, Texas (the "Issuer"), we have examined into the legality and validity of the certificate of obligation issue initially evidenced by the certificate of obligation described above (the "Initial Certificate of Obligation"), which Initial Certificate of Obligation originally has been issued and delivered as a single fully registered certificate of obligation, without interest coupons, with the principal amount thereof payable on March 1 in installments, and with the unpaid balance of each installment of principal, respectively, bearing interest from the date of the Initial Certificate of Obligation to the scheduled due date ("maturity"), or to the date of prepayment or redemption, of each installment of principal, at the following rates per annum for each maturity, respectively:

maturity 1991, _____%	maturity 1998, _____%
maturity 1992, _____%	maturity 1999, _____%
maturity 1993, _____%	maturity 2000, _____%
maturity 1994, _____%	maturity 2001, _____%
maturity 1995, _____%	maturity 2002, _____%
maturity 1996, _____%	maturity 2003, _____%
maturity 1997, _____%	maturity 2004, _____%

with interest payable on September 1, 1990 and semiannually on each March 1 and September 1 thereafter, and with the principal of the Initial Certificate of Obligation being subject to prepayment or redemption prior to the scheduled maturities, at the option of the Issuer, on March 1, 1999, or any date thereafter, in accordance with the terms and conditions stated in the text of the Initial Certificate of Obligation. The Initial Certificate of Obligation may, at the request of the registered owner, be transferred and converted into, and/or exchanged for, fully registered certificates of obligation, without interest coupons, in the denomination of \$5,000 or any integral multiple of \$5,000, and such certificates of obligation again may be transferred and/or exchanged, all subject to the conditions

stated and in the manner provided in the ordinance authorizing the issuance of the Initial Certificate of Obligation (the "Certificate of Obligation Ordinance"), with any such certificates of obligation which are registered, authenticated, and delivered in accordance with the Certificate of Obligation Ordinance being hereinafter called "Definitive Certificates of Obligation".

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Initial Certificate of Obligation and Definitive Certificates of Obligation and the issuance and delivery of the Initial Certificate of Obligation, including the executed Initial Certificate of Obligation and a printed specimen of the form for Definitive Certificates of Obligation initially made available by the Issuer for conversion of and exchange for the Initial Certificate of Obligation.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Initial Certificate of Obligation and Definitive Certificates of Obligation have been duly authorized, and that the Initial Certificate of Obligation has been duly issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, the Initial Certificate of Obligation constitutes and Definitive Certificates of Obligation (hereinafter referred to collectively as "Certificates of Obligation") will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates of Obligation have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates of Obligation are additionally secured by and payable from the Surplus Revenues of the Issuer's Waterworks System, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with any of the Issuer's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the Net Revenues of the Issuer's Waterworks System.

IN OUR OPINION, except as discussed below, the interest on the Certificates of Obligation is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates of Obligation are not "private activity bonds" and that accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In

expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Certificates of Obligation. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Certificates of Obligation to become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates of Obligation will be (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax and the environmental tax imposed on corporations by Sections 55 and 59A of the Code, (b) subject to the branch profits tax imposed on foreign corporations by Section 884 of the Code, and (c) included in the passive investment income of an S corporation and subject to the tax imposed by Section 1375 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates of Obligation.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates of Obligation described above under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on such Certificates of Obligation for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, and we have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness and assessed valuation of taxable property within, and the availability of the Surplus Revenues of, the Issuer.

Respectfully,

