THE CITY OF BELLMEAD, TEXAS
BELLMEAD, TEXAS
INDEPENDENT AUDITORS' REPORT
September 30, 2009

Riggs & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

City of Bellmead, Texas

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Riggs & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Honorable Members of City Council
City of Bellmead, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellmead, Texas (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellmead, Texas as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the general fund and Bellmead Economic Development Corporation (a special revenue fund) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages ii through ix is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Riggs & Company, P.C.

February 15, 2010

Management's Discussion and Analysis

The management of the City of Bellmead, Texas (the City) offers the following overview and analysis of the City's financial statements and financial activities for the fiscal year ended September 30, 2009. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by $22,306,227 (net assets). Of this amount, $3,522,552 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with fund designation and fiscal policies. In the prior year, the City's assets exceeded its liabilities as of September 30, 2008 by $21,339,275. Of this amount, $4,005,907 (unrestricted net assets) could have been used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's investment in capital assets, net of debt, increased $2,000,354 from prior year.
- As of September 30, 2009, the City of Bellmead's governmental funds reported ending fund balances of $7,160,727. Of this amount, $1,642,093 is unreserved undesignated fund balance in the general fund available for use within the City's fund designation and fiscal policies. In the prior year, the City's governmental funds reported ending fund balances of $7,707,983. Of this amount, $1, 562,596 was unreserved undesignated fund balance in the general fund available for use within the City's fiscal policies.
- As of September 30, 2009, the restricted net assets of the governmental activities are $5,413,253 of which $4,070,467 were restricted for economic development and $1,014,195 were restricted for culture and recreation. In the prior year, restricted net assets of the governmental activities were $5,411,383 of which $4,741,350 were restricted for economic development and $741,007 were restricted for culture and recreation.
- As of September 30, 2009, the City of Bellmead's enterprise fund reported ending fund net assets of $6,537,000. Of this amount, $1,880,459 are unrestricted fund net assets available for use within the City's fund designation and fiscal policies. In the prior year, the City's enterprise funds reported ending fund net assets of $6,885,274. Of this amount, $2,245,298 were unrestricted fund net assets available for use within the City's fiscal policies.
- The total cost of the City's programs represents the inclusion of the City Council's funding priorities including: employee compensation and insurance, maintenance of the water system, and equipment for maintenance and operations.

Overview of the Financial Statements

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

Government-wide financial statements.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by citations, sales tax, street tax, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, economic development, culture and recreation, and highways and streets. The business-type activities of the City include a water distribution operation and sewer services.

The government-wide financial statements can be found on pages 1 and 2 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

Proprietary funds. The City maintains on type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution operations and sewer services.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 8 through 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 24 of this report.

Government-wide Financial Analysis

Net assets. The City's combined net assets were $22,306,227 at September 30, 2009, which is a 4.5% increase from September 30, 2008. (See Table A-1.) The largest portion of the City's net assets, $13,201,694, reflects its investment in capital assets (e.g., land, buildings and improvements, equipment, and water and sewer facilities), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debts, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

City of Bellmead

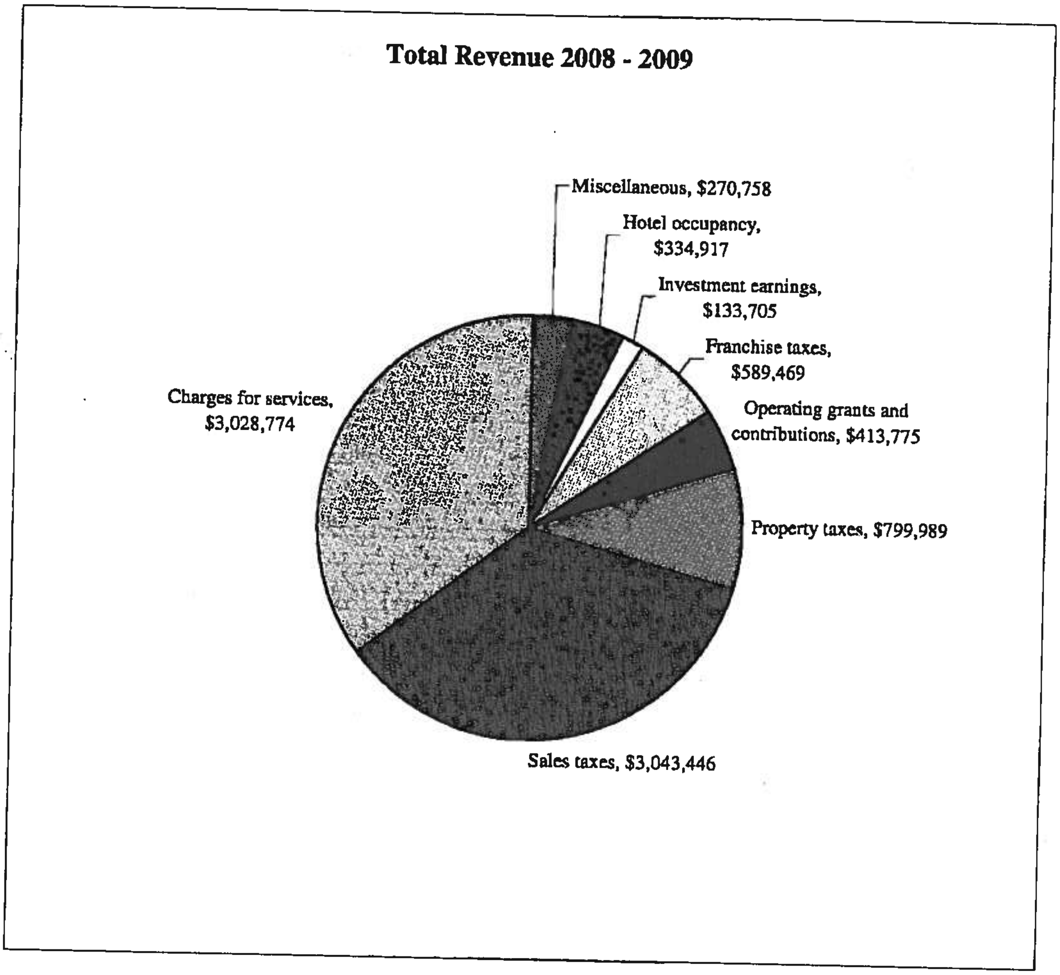
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 9,652,507	$ 8,424,923	$ 4,200,275	$ 4,539,150	$ 13,852,782	$ 12,964,073
Capital assets	9,898,881	8,240,531	4,487,813	4,493,435	14,386,694	12,733,966
Total assets	19,551,388	16,665,454	8,688,088	9,032,585	28,239,476	25,698,039
Long-term liabilities	2,808,721	1,323,085	1,324,122	1,489,975	4,132,843	2,813,060
Other liabilities	973,440	888,368	826,966	657,336	1,800,406	1,545,704
Total liabilities	3,782,161	2,211,453	2,151,088	2,147,311	5,933,249	4,358,764
Net assets:						
Invested in capital assets, net of related debt	8,713,881	6,855,531	4,487,813	4,345,809	13,201,694	11,201,340
Restricted	5,413,253	5,837,861	168,728	294,167	5,581,981	6,132,028
Unrestricted	1,642,093	1,760,609	1,880,459	2,245,298	3,522,552	4,005,907
Total net assets	$ 15,769,227	$ 14,454,001	$ 6,537,000	$ 6,885,274	$ 22,306,227	$ 21,339,275

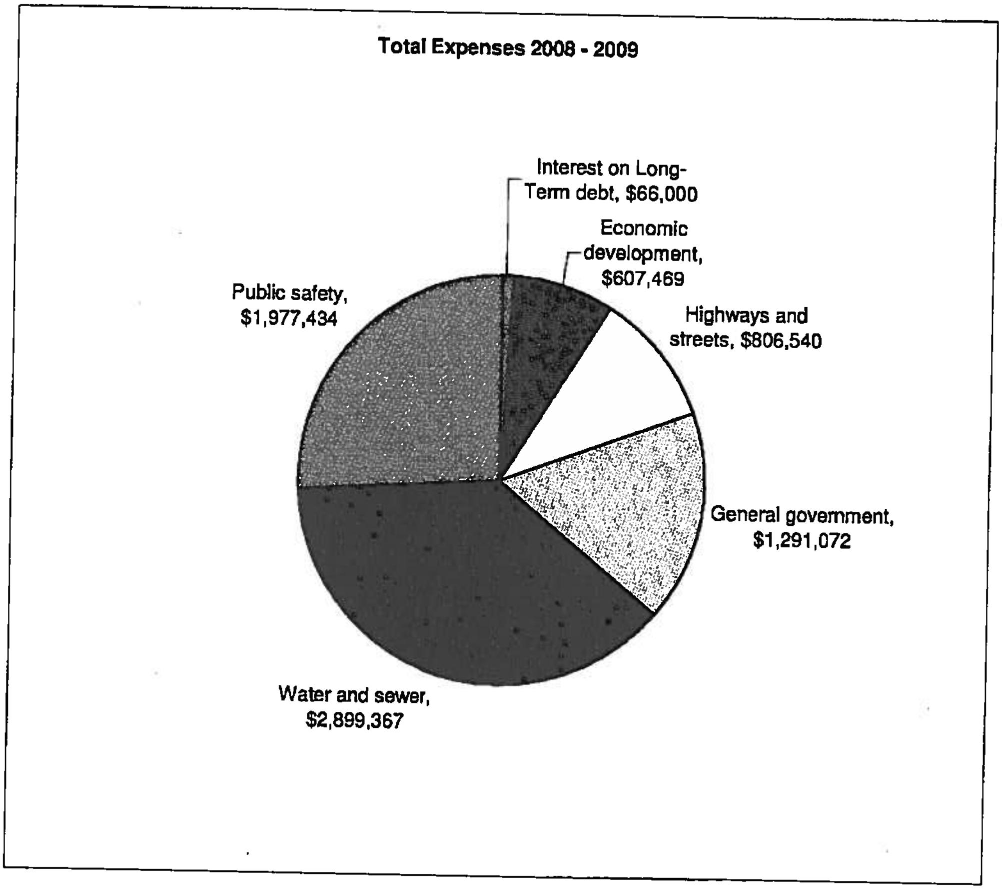
As of September 30, 2009, the City has positive balances in all three categories of net assets, both for the government as a whole as well as separately for its governmental and business-type activities.

Changes in Net Assets. The City's total revenues were $8,613,194. Property taxes comprise 9.3% or $798,349 of the City's revenue. Sales tax revenue comprises 35.3% or $3,043,446 of the City's revenue. In addition, $3,028,774 or 35.2% comes from charges for services; water and sewer fees of $2,611,295 comprise 86.2% of the charges for services.

For the prior year, the City's total revenues were $8,505,385. Property taxes comprised 9.3% or $794,771 of the City's revenue. Sales tax revenue comprised 34.9% or $2,971,409 of the City's revenue. In addition, $2,983,112 or 35.1% came from charges for service; water and sewer fees comprised 82.9% or $2,472,418 of the charges for service.



The total cost of all programs and services for the year ended September 30, 2009 was $7,647,882. For the prior year ended September 30, 2008, the total cost of all programs and services was $6,916,179.



Governmental Activities

- The City was able to lower its property tax rate from .267528 to .253304 per $100 valuation due to higher property appraisals and continued commercial growth.
- The Bellmead Economic Development Corporation completed the construction of an industrial facility to house Texas Machine and Tool. The new ten year lease totaling $1,832,000 begins October, 1, 2009.
- During 2009, the City completed the construction of the police department facility with a total cost of $882,673 of which $290,144 was expended in fiscal year 2009 financed by existing funds.
- The City completed the interior remodeling of the culture and recreational center expending $322,170 in fiscal year 2009 financed from existing funds.
- The City completed the new aquatic facility utilizing a federal grant for $295,345.

Business-type Activities

- Water and sewer incurred $954,505 in system repairs and maintenance to maintain the water supply to the citizens of the City of Bellmead, Texas.

Table A-2

City of Bellmead

Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 417,479	$ 510,694	$ 2,611,295	$ 2,472,418	$ 3,028,774	$ 2,983,112
Operating grants	413,775	238,728	-	-	413,775	238,728
General revenues:						
Property taxes	799,989	794,771	-	-	799,989	794,771
Sales taxes	3,043,446	2,971,409	-	-	3,043,446	2,971,409
Franchise taxes	589,469	572,318	-	-	589,469	572,318
Hotel occupancy	334,917	313,886	-	-	334,917	313,886
Investment earnings	84,062	266,579	49,643	131,805	133,705	398,384
Miscellaneous	210,604	187,500	60,154	45,277	270,758	232,777
Total revenue	5,893,741	5,855,885	2,721,093	2,649,500	8,614,834	8,505,385
Expenditures:						
General government	1,291,072	1,012,622	-	-	1,291,072	1,012,622
Public safety	1,977,434	1,805,747	-	-	1,977,434	1,805,747
Highway and streets	806,540	673,918	-	-	806,540	673,918
Economic development	607,469	649,931	-	-	607,469	649,931
Culture and recreation	-	347,174	-	-	-	347,174
Interest on long-term debt	66,000	76,007	-	-	66,000	76,007
Water and sewer	-	-	2,899,367	2,350,780	2,899,367	2,350,780
Total expenditures	6,609,357	4,565,399	2,899,367	2,350,780	7,647,882	6,916,179
Increase (decrease) in net assets before transfers	(717,256)	1,290,486	(178,274)	298,720	966,952	1,589,206
Transfers	170,000	91,961	(170,000)	(91,961)	-	-
Changes in net assets	(547,256)	1,382,447	(348,274)	206,759	966,952	1,589,206
Net assets, beginning of year	14,454,001	13,071,554	6,885,274	6,678,515	21,339,275	19,750,069
Net assets, end of year	$ 13,906,745	$ 14,454,001	$ 6,537,000	$ 6,885,274	$ 22,306,227	$ 21,339,275

Analysis of the City's Operations – Table A-2 provides a summary of the City's operations for the year ended September 30, 2009. The governmental activities decreased the City's net assets by ($547,256). The business-type activities decreased net assets by ($348,274).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS AND BUDGETARY HIGHLIGHTS

Governmental Funds

In the current year, actual expenditures, as compared to prior year actual expenditures, increased by $51,959. The significant changes in actual expenditures reflected a decrease in economic development of ($183,501). On the other hand, actual resources available were $30,783 or 0.53% less than the actual resources available in the prior year. Notable changes in actual resources were as follows: sales tax increased by $72,037, investment earnings decreased by ($182,517), while operating grants increased by $175,047 and charges for services decreased by ($93,215).

Proprietary Fund

For the current year, actual expenses, as compared to prior year actual expenses, increased by $540,688 or 23.6%. On the other hand, actual revenues in the current year were $138,877 or 5.6% greater than the actual revenues in the prior year. The notable increase in actual revenues was an increase in water sales and service in the amount of $85,266.

General Fund Budgetary Highlights

The original budget for the general fund was amended during the year. For fiscal year 2008-2009, revenues exceeded budgetary estimates including expenditures and transfers, which were less than budgetary estimates.

Actual expenditures, as compared to budget expenditures, decreased $21,659. The most significant variance resulted from actual expenditures being more than budgeted in General Government of ($213,613), while actual expenditures were less than budgeted in culture and recreation of $96,417 and highway and streets of $84,485. On the other hand, actual resources available were $68,774 more than budgeted resources.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year ended September 30, 2009, the City spent $2,118,595 for governmental capital asset additions. Of the additions, $290,000 represented expenditures for the completion of the City's new Municipal Service Center and $853,000 additional construction costs for the Texas Machine Tool building. Additionally, the City spent $233,507 for enterprise capital asset additions during the year ended September 30, 2009.

- Total gross governmental capital assets as of September 30, 2009 are $13,897.945. For the prior year, gross governmental capital assets were $11,962,820.

- Total gross enterprise capital assets as of September 30, 2009 are $10,552,328. For the prior year, gross enterprise capital assets were $10,249,580.

Additional information on the City's capital assets can be found in Note 9 to the financial statements on pages 18 – 19 of this report.

Long-Term Debt

At September 30. 2009, the City had $3,262,876 in bonds and notes outstanding. As of September 30, 2008, the City had $3,132,819 in bonds and notes outstanding.

Additional information on the City's long-term debt can be found in Note 10 to the financial statements on pages 20 – 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City's adopted tax rate in effect for fiscal year 2010 is .239487, which is .013817 less than the current year's rate, a 5.4547% reduction.
- Net appraised value in effect for the fiscal year 2010 is $327,803,074, a 6.66% increase from the net appraised value during the current year of $307,335,198.
- The City is planning on purchasing a new Detective's vehicle, building and car cameras, along with a new truck for the Animal Control Officer for an approximate cost of $103,000, a pumper truck for approximately $75,000, new backhoe for approximately $105,000, and has applied for a grant for a new fire truck.
- The City is planning to remodel the exterior of the Civic Center.
- The Economic Development sales tax for streets will fund major street reconstruction of Paradise and Treasure Island and purchase additional equipment at a cost of approximately $395,000.
- The Economic Development entered into an agreement with other entities on a construction project in the old general tire building, the City's cost is approximately $500,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, City of Bellmead, Texas, 3015 Bellmead Drive, Bellmead, Texas 76705.

Victor Peña
City Manager
City of Bellmead, Texas

The City of Bellmead, Texas
Statement of Net Assets
September 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 6,837,475	$ 2,574,432	$ 9,411,907
Accounts receivable, net	452,143	366,469	818,612
Inventories	9,700	29,879	39,579
Internal balances	24,080	(24,080)	-
Restricted cash and cash equivalents	497,109	1,253,575	1,750,684
Lease receivable:			
Due within one year	134,504	-	134,504
Due in more than one year	1,697,496	-	1,697,496
Capital assets not being depreciated:			
Land	2,202,568	61,858	2,264,426
Construction in progress	-	644,563	644,563
Capital assets, net of accumulated depreciation:			
Building and improvements	5,047,798	2,444	5,050,242
Infrastructure	1,152,969	-	1,152,969
Water and sewer facilities	-	3,436,693	3,436,693
Equipment	1,495,546	342,255	1,837,801
Total assets	19,551,388	8,688,088	28,239,476
Liabilities			
Accounts payable	534,505	307,004	841,509
Accrued liabilities	31,746	90,801	122,547
Customer deposits payable	-	243,907	243,907
Noncurrent liabilities:			
Deferred revenue			
Due within one year	192,189	14,464	206,653
Due in more than one year	1,838,721	33,082	1,871,803
Notes and bonds payable			
Due within one year	215,000	170,790	385,790
Due in more than one year	970,000	1,291,040	2,261,040
Total liabilities	3,782,161	2,151,088	5,933,249
Net Assets			
Invested in capital assets, net of related debt	8,713,881	4,487,813	13,201,694
Restricted for:			
Court security and technology	79,607	-	79,607
Debt service	248,984	48,371	297,355
Capital projects	-	120,357	120,357
Economic development	4,070,467	-	4,070,467
Culture and recreation	1,014,195	-	1,014,195
Unrestricted	1,642,093	1,880,459	3,522,552
Total net assets	$ 15,769,227	$ 6,537,000	$ 22,306,227

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Activities
Year ended September 30, 2009

		Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	$ 1,291,072	$ 38,122	$ -	$ (1,252,950)	$ -	$ (1,252,950)
Public safety	1,977,434	339,502	5,796	(1,632,136)	-	(1,632,136)
Highways and streets	806,540	-	-	(806,540)	-	(806,540)
Economic development	607,469	-	407,979	(199,490)	-	(199,490)
Culture and recreation	-	39,855	-	39,855	-	39,855
Interest on long-term debt	66,000	-	-	(66,000)	-	(66,000)
Total governmental activities	4,748,515	417,479	413,775	(3,917,261)	-	(3,917,261)
	-	-	-	-	-	-
Business-type activities:						
Water and sewer	2,899,367	2,611,295	-	-	(288,072)	(288,072)
Total business-type activities	2,899,367	2,611,295	-	-	(288,072)	(288,072)
Total	$ 7,647,882	$ 3,028,774	$ 413,775	$ (3,917,261)	$ (288,072)	$ (4,205,333)
General revenues:						
Property taxes, levied for general purposes				596,066	-	596,066
Property taxes, levied for debt service				203,923	-	203,923
Sales taxes				3,043,446	-	3,043,446
Franchise taxes				589,469	-	589,469
Hotel occupancy taxes				334,917	-	334,917
Investment earnings				84,062	49,643	133,705
Miscellaneous				210,604	60,154	270,758
Transfers				170,000	(170,000)	-
Total general revenues and transfers				5,232,487	(60,202)	5,172,285
Change in net assets				1,315,226	(348,274)	966,952
Net assets - beginning				14,454,001	6,885,274	21,339,275
Net assets - ending				$ 15,769,227	$ 6,537,000	$ 22,306,227

See accompanying notes to financial statements.

City of Bellmead, Texas
Balance Sheet -
Governmental Funds
Year Ended: September 30, 2009

	General	Bellmead Economic Development Corporation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 2,641,342	$ 3,520,143	$ 140	$ 675,850	$ 6,837,475
Receivables (net of allowance for uncollectibles)	321,833	48,530	-	81,780	452,143
Restricted cash	-	497,109	-	-	497,109
Lease receivable	-	1,832,000	-	-	1,832,000
Due from other funds	127,445	5,685	-	5,685	138,815
Inventories	9,700	-	-	-	9,700
Total assets	$ 3,100,320	$ 5,903,467	$ 140	$ 763,315	$ 9,767,242
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 383,719	$ -	$ -	$ 150,786	$ 534,505
Accrued liabilities	27,122	-	-	4,624	31,746
Due to other funds	98,735	1,000	-	15,000	114,735
Deferred revenue - sale of building	-	1,832,000	-	-	1,832,000
Deferred revenue - delinquent property taxes	69,118	-	-	24,411	93,529
Total liabilities	578,694	1,833,000	-	194,821	2,606,515
Fund balances:					
Reserved for:					
Inventories	9,700	-	-	-	9,700
Drug enforcement	821	-	-	-	821
Cultural activities	1,014,195	-	-	-	1,014,195
Public safety	58,422	-	-	-	58,422
Court technology	20,364	-	-	-	20,364
Economic development	-	4,070,467	-	-	4,070,467
Capital acquisition	-	-	140	-	140
Unreserved, designated for:					
Street improvements	405,984	-	-	-	405,984
Unreserved, undesignated reported in:					
General fund	1,012,140	-	-	-	1,012,140
Special revenue fund	-	-	-	343,921	343,921
Debt service fund	-	-	-	224,573	224,573
Total fund balances	2,521,626	4,070,467	140	568,494	7,160,727
Total liabilities and fund balances	$ 3,100,320	$ 5,903,467	$ 140	$ 763,315	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,898,881
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	93,529
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Includes compensated absences of $198,910 and long-term debt of $1,185,000.	(1,383,910)
Net assets of governmental activities	$ 15,769,227

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended: September 30, 2009

	General	Bellmead Economic Development Corporation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property taxes	$ 594,957	$ -	$ -	$ 203,392	$ 798,349
Sales taxes	2,028,963	507,241	-	507,242	3,043,446
Franchise taxes	589,469	-	-	-	589,469
Hotel occupancy taxes	334,917	-	-	-	334,917
Licenses and permits	38,122	-	-	-	38,122
Intergovernmental	5,796	-	-	407,979	413,775
Parks and recreation fees	39,855	-	-	-	39,855
Fines and fees	339,502	-	-	-	339,502
Investment earnings	33,136	45,111	42	5,773	84,062
Miscellaneous	151,057	59,547	-	-	210,604
Total revenue	4,155,774	611,899	42	1,124,386	5,892,101
Expenditures					
General government	1,168,113	-	-	-	1,168,113
Public safety	1,901,131	-	-	-	1,901,131
Highway and streets	635,515	-	-	296,852	932,367
Economic and physical development	-	1,282,782	-	452,740	1,735,522
Culture and recreation	268,583		-	-	268,583
Debt service:					
Principal	-	-	-	200,000	200,000
Interest and other charges	-	-	-	66,000	66,000
Capital outlay	-	-	337,641		337,641
Total expenditures	3,973,342	1,282,782	337,641	1,015,592	6,609,357
Excess (deficiency) of revenues over (under) expenditures	182,432	(670,883)	(337,599)	108,794	(717,256)
Other financing sources (uses):					
Transfers in	110,000	-	536,600	75,000	721,600
Transfers out	(551,600)	-	-	-	(551,600)
Total other financing sources (uses)	(441,600)	-	536,600	75,000	170,000
Net change in fund balance	(259,168)	(670,883)	199,001	183,794	(547,256)
Fund balance, beginning of year	2,780,794	4,741,350	(198,861)	384,700	7,707,983
Fund balance, end of year	$ 2,521,626	$ 4,070,467	$ 140	$ 568,494	$ 7,160,727

See accompanying notes to financial statements.

City of Bellmead, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended: September 30, 2009

Net change in fund balances - total governmental funds	$ (547,256)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions ($2,124,083) exceeds depreciation expense ($453,150) in the current period.	1,665,444
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,639
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	200,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(4,601)
Changes in net assets of governmental activities	$ 1,315,226

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended: September 30, 2009

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes:				
Property taxes	$ 592,000	$ 601,000	$ 594,957	$ (6,043)
Sales taxes	1,955,000	2,000,000	2,028,963	28,963
Franchise taxes	594,000	583,000	589,469	6,469
Hotel occupancy	664,500	353,000	334,917	(18,083)
Licenses and permits	47,000	35,500	38,122	2,622
Intergovernmental	30,000	30,000	5,796	(24,204)
Parks and recreation fees	32,500	32,500	39,855	7,355
Fines and fees	425,000	325,000	339,502	14,502
Investment earnings	55,000	35,000	33,136	(1,864)
Miscellaneous	99,000	92,000	151,057	59,057
Total revenue	4,494,000	4,087,000	4,155,774	68,774
Expenditures:				
General government	1,003,000	954,500	1,168,113	(213,613)
Public safety	1,921,500	1,955,500	1,901,131	54,369
Highway and streets	801,000	720,000	635,515	84,485
Culture and recreation	843,500	365,000	268,583	96,417
Total expenditures	4,569,000	3,995,000	3,973,342	21,658
Excess (deficiency) of revenues over (under) expenditures	(75,000)	92,000	182,432	90,432
Other financing sources (uses):				
Transfers in	100,000	120,000	110,000	10,000
Transfers out	(350,000)	(552,000)	(551,600)	(400)
Total other financing sources (uses)	(250,000)	(432,000)	(441,600)	9,600
Net change in fund balance	(325,000)	(340,000)	(259,168)	100,032
Fund balance, beginning of year	765,877	1,840,764	2,780,794	(940,030)
Fund balance, end of year	$ 440,877	$ 1,500,764	$ 2,521,626	$ (839,998)

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Bellmead Economic Development Corporation
Year Ended:September 30, 2009

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales taxes	$ 435,000	$ 525,000	$ 507,241	$ (17,759)
Investment earnings	190,000	75,000	45,111	(29,889)
Miscellaneous	40,000	41,000	59,547	18,547
Total Revenue	665,000	641,000	611,899	(29,101)
Expenditures:				
Economic development	960,000.00	1,297,500.00	1,282,782.00	14,718
Total expenditures	960,000.00	1,297,500.00	1,282,782.00	14,718
Excess (deficiency) of revenues over (under) expenditures	(295,000)	(656,500)	(670,883)	(14,383)
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(295,000)	(656,500)	(670,883)	(14,383)
Fund balance, beginning of year	5,386,892	4,752,892	4,741,350	-
Fund balance, end of year	$ 5,091,892	$ 4,096,392	$ 4,070,467	$ (14,383)

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Net Assets -
Proprietary Fund
Year Ended: September 30, 2009

	Business-type Activities Enterprise Fund
	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 2,574,432
Accounts receivable (net of allowance for uncollectibles of $24,973):	
Accounts	350,354
Other	16,115
Due from other funds	-
Inventories	29,879
Total current assets	2,970,780
Noncurrent assets:	
Restricted cash	1,253,575
Capital assets:	
Land	61,858
Buildings and improvements	12,461
Water and sewer facilities	8,580,223
Equipment	1,253,223
Construction in progress	644,563
Less accumulated depreciation	(6,064,515)
Total capital assets (net of accumulated depreciation)	4,487,813
Total noncurrent assets	5,741,388
Total assets	8,712,168
Liabilities	
Current liabilities:	
Accounts payable	307,004
Accrued liabilities	90,801
Customer deposits payable	243,907
Compensated absences, current portion	14,464
Due to other funds	24,080
Revenue bond and note payable, current portion	170,790
Total current liabilities	851,046
Noncurrent liabilities:	
Compensated absences	33,082
Revenue bond and note payable	1,291,040
Total noncurrent liabilities	1,324,122
Total liabilities	2,175,168
Net Assets	
Invested in capital assets, net of related debt	4,487,813
Restricted for:	
Debt service	48,371
Capital projects	120,357
Unrestricted	1,880,459
Total net assets	$ 6,537,000

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
Year Ended: September 30, 2009

	Business-type Activities Enterprise Fund Water and Sewer Fund
Operating revenues:	
Charges for sales and services:	
Water sales	$ 1,729,248
Sewer charges	788,973
Turn-on fees	31,545
Water and sewer tap fees	3,485
Chipper fees	37,637
Other	20,407
Total operating revenue	2,611,295
Operating expenses:	
Salaries and benefits	798,953
System repair and maintenance	954,505
Auto and equipment maintenance	61,718
Office expense	35,949
Professional fees	75,063
Utilities	395,941
Bad debts	15,630
Depreciation	420,005
Insurance	37,067
Miscellaneous	36,472
Total operating expenses	2,831,303
Operating Income	(220,008)
Nonoperating revenues (expenses):	
Interest and other income	109,798
Interest charges	(68,064)
Total nonoperating revenue (expenses)	41,734
Income before transfers	(178,274)
Transfers out	(170,000)
Change in net assets	(348,274)
Total net assets - beginning of year	6,885,274
Total net assets - end of year	$ 6,537,000

See accompanying notes to financial statements.

City of Bellmead, Texas
Statement of Cash Flows -
Proprietary Fund
Year Ended: September 30, 2009

	Business-type Activities Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers and users	$ 2,594,814
Payments to suppliers	(1,467,263)
Payments to employees	(805,042)
Net cash provided by operating activities	322,509
Cash flows to noncapital related financing activities:	
Transfer out	(170,000)
Net cash used in noncapital and related financing activities	(170,000)
Cash flows to capital and related financing activities:	
Acquisition of capital assets	(366,660)
Principal paid on bonds and note payable	(163,989)
Interest paid on bonds and note payable	(68,064)
Net cash used in capital and related financing activities	(598,713)
Cash flows from investing activities:	
Interest received	109,798
Net cash provided by investing activities	109,798
Net increase (decrease) in cash and cash equivalents	(336,406)
Cash and cash equivalents, at beginning of year	4,164,413
Cash and cash equivalents, at end of year	$ 3,828,007
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ (220,008)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	420,005
Change in assets and liabilities:	
Accounts receivables, net	(16,481)
Inventories	(5,306)
Due from other funds	176
Accounts payables	108,942
Other liabilities	35,181
Net cash provided by operating activities	$ 322,509

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting entity

The City of Bellmead, Texas (the City) 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-Manager form of government and provides the following services: general government, public safety (police and fire), highways and streets, economic development, and culture and recreation.

Generally accepted accounting principles require financial statements to present the government and its component units, entities for which the government is considered financially accountable. Based on these criteria, the Bellmead Economic Development Corporation (the Corporation) has been included as a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and, therefore, data from these units are combined with data of the primary government. The Corporation is responsible for certain economic development expenditures benefiting all citizens of the government and is financed by a portion of sales tax revenue and is governed by a board comprised of members of the government's council and citizens of the community. The Corporation has a September 30 year-end and is reported as a special revenue fund. Complete financial statements of the Corporation may be obtained from the City of Bellmead.

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting and financial statement presentation

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

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

Property taxes, City sales and use taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

(Continued)

(1) Summary of Significant Accounting Policies (continued)

(c) Measurement focus, basis of accounting and financial statement presentation (continued)

The City reports the following major governmental funds:

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

Bellmead Economic Development Corporation - The Bellmead Economic Development Corporation is a blended component unit which is reported as a special revenue fund that accounts for sales tax revenue that is to be used for certain economic development expenditures benefiting all citizens of the City.

Capital Projects Fund - The capital projects fund is used for various construction projects for the City.

The City reports the following major proprietary fund:

Water and Sewer Fund - The water and sewer fund accounts of the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

(d) Deposits and investments

For purposes of the statement of cash flows, the City considers all highly liquid investments (investments with original maturities less than 90 days, including restricted assets) to be cash equivalents.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, certificates of deposit, money market mutual funds, and local government investment pools.

(Continued)

(1) Summary of Significant Accounting Policies (continued)

(d) Deposits and investments (continued)

Investments are reported at fair value. The governmental investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

(e) Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts receivable are shown net of an allowance for uncollectibles.

(f) Inventories

All inventories are valued at the lower of cost (first-in, first-out) or market. Inventories are recorded as expenditures when consumed rather than when purchased.

(g) Restricted assets

Restricted cash accounts in the water and sewer fund of $312,679 are used to report resources set aside for operations of the Waco Metropolitan Area Regional Sewer System (WMARSS), as more fully discussed in Note 3. In addition, $736,428 represents proceeds from the 2008 tax and revenue certificates of obligation that have not been spent but have been restricted to purchase water and sewer improvements in the future; and $204,467 represents funds set aside for construction of water wells.

(h) Capital assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected to report general infrastructure assets prospectively from October 1, 2003 as permitted by GASB Statement No. 34. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Buildings and improvements	5 to 30
Water and sewer facilities	5 to 30
Equipment	3 to 20
Infrastructure	40

(1) **Summary of Significant Accounting Policies (continued)**

(i) **Long-term obligations**

In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

(j) **Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The fund financial statements included the following fund with cumulative fund deficits at September 30, 2009:

Fund	Deficit Amount
Capital Projects Fund	$140

The capital projects fund completed the construct a new police department building in fiscal year 2009. There are no capital projects planned for next year.

(2) **Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between fund balance of total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets.

The governmental statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

(3) **Undivided Interest in Waco Metropolitan Area Regional Sewer System**

During 2004, the City entered into an agreement with the City of Waco, Texas to acquire a 5.73% undivided interest in the facilities and operations of the Waco Metropolitan Area Regional Sewer System (WMARSS). The City believes that its purchase and operation of the system will increase the efficiency and effectiveness of providing sewer treatments services to its citizens.

During 2009, the undivided interest of 5.73% in the WMARSS facilities and operations was adjusted to 5.707% to adjust another City's allocation to the agreement.

Under an inter-local agreement , a WMARSS board consists of the City managers from each of the seven participating cities. The operation and administration of the system is subject to joint control by the cities through the WMARSS board; however, a separate legal entity was not created. The agreement allows the cities to pool resources and share the costs, risk, and rewards of providing services. Further, each City retains an ongoing financial interest and ongoing financial interest and ongoing financial responsibility in the operations of the system.

(3) Undivided Interest in Waco Metropolitan Area Regional Sewer System (continued)

The City has reported its share of assets, liabilities, equity, revenues and expenses that are associated with this joint activity in its enterprise fund as follows:

Current assets	$	374,868
Capital assets		995,671
Current liabilities		(147,765)
Net assets	$	1,222,774
Operating expenses	$	(311,581)
Non-operating revenue		49,527
Change in net assets	$	(262,054)

(4) Budgetary Information

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

Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget in accordance with generally accepted accounting principles for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.

Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

The budget is legally enacted by the City Council. Budgetary control is maintained at the fund level.

Budget revisions are made during the year.

Formal budgetary integration is employed for the general fund, debt service fund, and special revenue funds.

Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual fund level.

Appropriations lapse at the close of the fiscal year to the extent tat they have not been expended or encumbered.

(5) Deposits and Investments

A summary of the City's cash and cash equivalents follows:

Cash and certificates of deposit in bank	$	4,797,333
Undivided interest in bank deposits held by another government		299,422
Government Investment pools:		
TexPool		3,334,498
TexSTAR		2,731,338
Total cash and cash equivalents	$	11,162,591

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term certificates of deposit, securities, money market mutual funds, or government investment pools, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing more

(Continued)

(5) Deposits and Investments (continued)

than three years from the date of purchase. At September 30, 2009, the City's only investment is in external investment pools. The weighted average maturity of Texas Local Government Investment Pool (TexPool) and Texas Short Term Asset Reserve Fund (TexSTAR) as of September 30, 2009 is 44 days and 34 days, respectively.

Credit Risk. The City's investment policy limits investments in governmental investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2009, the City's investment in TexPool and TexSTAR was rated AAA by Standard & Poor.

TexPool is a public funds investment pool created pursuant to the Inter-local Cooperation Act of the State of Texas. The City has delegated the authority to hold legal title to the pool as custodians and to make investment purchases with the City's funds. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

TexSTAR is a Texas public funds investment pool that is co-administered by J.P. Morgan Chase and First Southwest Asset Management, Inc. TexSTAR is run by a five-member board comprised of three representatives of eligible governmental entities and one member designated by each of the co-administrators. TexSTAR currently offers a "Cash Reserve Fund" which will invest only in authorized investments under the Public Funds Investment Act with weighted average maturities which cannot exceed 60 days.

TexPool and TexSTAR operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool and TexSTAR use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool and TexSTAR is the same as the value of TexPool shares and TexSTAR shares.

(6) Receivables

Receivables as of September 30, 2009 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Bellmead Economic Development Corporation	Other Non-major Non-major	Water and Sewer	Total
Receivables:					
Property taxes	$ 67,545	$ -	$ 24,411	$ -	$ 91,956
Sales taxes	156,453	39,113	39,113	-	232,679
Accounts	-	-	-	313,138	313,138
Other	97,835	9,417	18,256	78,304	203,812
Gross receivables	321,833	48,530	81,780	391,442	841,585
Less: allowance for uncollectibles	-	-	-	24,973	24,973
Net total receivables	$ 321,833	$ 48,530	$ 81,780	$ 366,469	$ 816,612

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the District). The District is required under the Property Tax Code to assess all property within the District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the District must be reviewed every four years.

(Continued)

(6) Receivables (continued)

The City's property tax is levied each October 1 on assessed value listed as of the prior January 1 for all real and business personal property located in the City. The new assessed value upon which the fiscal 2009 levy was based was $291,103,380.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2009 were 96.54% of the tax levy.

(7) Inter-fund Receivables, Payables, and Transfers

Inter-fund receivables and payable balances at September 30, 2009 are as follows:

Funds	Receivable	Payable
General	$ 127,445	$ 98,735
Bellmead Economic Development Corp	5,685	1,000
Non-major	5,685	15,000
Water and Sewer	-	24,080
Totals	$ 138,815	$ 138,815

All balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Inter-fund transfers at September 30, 2009 are as follows:

	General	Transfers in Capital Projects	Non-major	Total
Transfers out:				
General	$ -	$ 536,600	$ 15,000	$ 551,600
Enterprise	110,000	-	60,000	170,000
Total Transfers	$ 110,000	$ 536,600	$ 75,000	$ 721,600

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or match funds for various grant programs.

(8) Lease Receivables

The Bellmead Economic Development Corporation (BEDC) has completed construction on a building which will be utilized as a plant and office space by Texas Machine & Tool International, LLC (TMI). BEDC has entered into a ten-year lease agreement with TMI to lease the property in accordance with the following schedule based on the construction cost of the building, not to exceed $1,832,000. At any time after the fifth year of the lease, TMI can purchase the building at amounts specified in the lease agreement. If the lease lasts to its maturity, TMI can purchase the building for $0.

(8) Lease Receivables (continued)

The lease is set to begin October 1, 2009. The payments, including interest at 6.5% are:

Year Ended September 30,	Principal	Interest
2010	$ 134,504	$ 115,120
2011	143,512	106,112
2012	153,123	96,501
2013	163,379	86,246
2014	174,320	75,304
Thereafter	1,063,162	184,956
	$ 1,832,000	$ 664,239

(9) Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

Governmental activities	Balance October 1, 2008	Additions	Deletions	Balance September 30, 2009
Capital assets not being depreciated:				
Land	$ 1,881,301	$ 321,271	$ -	$ 2,202,572
Construction in progress	1,902,296	1,137,808	(3,040,104)	-
Total capital assets not being depreciated	$ 3,783,597	$ 1,459,079	$ (3,040,104)	$ 2,202,572
Capital assets being depreciated:				
Buildings and improvements	$ 3,084,307	$ -	$ 3,045,593	6,129,900
Infrastructure	1,273,108	-	-	1,273,108
Equipment	3,821,808	659,515	(188,958)	4,292,365
Total capital assets being depreciated	8,179,223	659,515	2,856,635	11,695,373
Less accumulated depreciation for:				
Buildings and improvements	(951,198)	(130,904)	-	(1,082,102)
Infrastructure	(88,311)	(31,828)	-	(120,139)
Equipment	(2,682,780)	(293,418)	179,379	(2,796,819)
Total accumulated depreciation	(3,722,289)	(456,150)	179,379	(3,999,060)
Total capital assets being depreciated, net	4,456,934	203,365	3,036,014	7,696,313
Governmental activities capital assets, net	$ 8,240,531	$ 1,662,444	$ (4,090)	$ 9,898,885

(9) Capital Assets (continued)

	Balance October 1, 2008	Additions	Deletions	Balance September 30, 2009
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 42,896	$ 18,962	$ -	$ 61,858
Construction in progress	284,501	360,062	-	644,563
Total capital assets not being depreciated	$ 327,397	$ 379,024	$ -	$ 706,421
Capital assets being depreciated:				
Buildings and improvements	$ 12,461	$ -	$ -	$ 12,461
Water and sewer facilities	8,582,474	-	(2,251)	8,580,223
Equipment	1,327,248	37,612	(111,637)	1,253,223
Total capital assets being depreciated	9,922,183	37,612	(113,888)	9,845,907
Less accumulated depreciation for:				
Buildings and improvements	(9,708)	(309)	-	(10,017)
Water and sewer facilities	(4,768,392)	(200,258)		(4,968,650)
Equipment	(978,044)	(219,438)	111,634	(1,085,848)
Total accumulated depreciation	(5,756,144)	(420,005)	111,634	(6,064,515)
Total capital assets being depreciated, net	4,166,039	(382,393)	(2,254)	3,781,392
Business-type activities Capital assets, net	$ 4,493,436	$ (3,369)	$ (2,254)	$ 4,487,813

The City has active construction projects as of September 30, 2009, with commitments as follows:

	Spent to Date	Remaining Commitments
Business-type activities:		
Sewer projects	$ 427,880	$ 953,150
Well design	216,713	1,000,000
	$ 644,593	$ 1,953,150

(Continued)

(9) Capital Assets (continued)

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

Governmental activities		
General government	$	77,948
Public safety		198,502
Highways & streets		92,169
Economic development		40,883
Culture and recreation		43,647
Total depreciation-government activities	$	453,149
Business-type activities		
Water & sewer	$	420,005

(10) Long-term Debt

Long-term debt consists of bonded indebtedness, note payable, and compensated absences. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. General obligation bonds have been issued for the business-type activities. For the governmental activities, compensated absences are generally liquidated by the general fund.

The following is a summary of changes in long-term debt of the year ended September 30, 2009.

	October 1,2008	Additions	Retirements	Sept. 30, 2009	Due within one year
Governmental activities:					
Tax and revenue certificates of obligation	$ 1,385,000	$ -	$ (200,000)	$ 1,185,000	$ 215,000
Compensated absences	201,402	27,750	(30,242)	198,910	57,685
	$ 1,586,402	$ 27,750	$ (230,242)	$ 1,383,910	$ 272,685
Business-type activities:					
Tax and revenue certificates of obligation	$ 1,381,000	$ -	$ (127,819)	$ 1,253,181	$ 133,568
Note payable	244,819	-	(35,861)	208,958	37,222
Compensated absences	38,611	17,826	(8,889)	47,548	14,466
	$ 1,664,430	$ 17,826	$ (172,569)	$ 1,509,687	$ 185,256

Long-term debt for governmental activities at September 30, 2009 is comprised of the following:

$2,020,000 series 1999 tax and revenue certificates of obligation, due in annual installments of $80,000 to $260,000 with interest rates from 4.75% to 5.25%, maturing in 2014.	$ 1,185,000

(Continued)

(10) Long-term Debt (continued)

Annual debt services requirements to maturity for governmental activities are as follows:

Year Ended September 30,	Principal	Interest
2010	$ 215,000	$ 55,941
2011	225,000	44,434
2012	235,000	32,701
2013	250,000	20,160
2014	260,000	6,825
	$ 1,185,000	$ 160,061

Long-term debt for business-type activities at September 30, 2009 is comprised of the following:

Note payable to City of Waco, due in annual installments of $9,556 to $66,690 with interest at 3.65%, maturing in 2024.	$ 208,958
$1,503,000 series 2007 tax and revenue certificates or obligation, due in annual installments of $122,312 to $181,768 with interest at 4.5%, maturing in 2017.	1,253,181
	$ 1,462,139

Annual debt service requirements to maturity for business-type activities are as follows:

Year Ended September 30,	Certificates of Obligation Principal	Certificates of Obligation Interest	Note Payable Principal	Note Payable Interest
2010	$ 133,568	$ 56,379	$ 37,222	$ 6,950
2011	139,579	50,369	9,556	6,096
2012	145,860	44,088	10,046	5,739
2013	152,423	37,524	10,377	5,366
2014-2018	681,751	78,348	57,454	20,802
2019-2023	-	-	68,974	9,285
2024	-	-	15,329	280
	$ 1,253,181	$ 266,708	$ 208,958	$ 54,518

Tax and revenue certificates of obligation constitute direct obligations of the City payable from ad valorem taxes levied, within the limits prescribed by law, against all taxable property within the City and are additionally payable from and secured by a limited pledge of surplus net revenues of the City's waterworks systems, not to exceed $1,000 each as provided in the ordinances authorizing the bonds.

(11) Employee Benefit Plan

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 833 municipalities has an annual, individual actuarial valuation performed. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

(Continued)

(11) **Employee Benefit Plan (continued)**

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

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. Plan provisions for the City are as follows:

	Plan year 2008	Plan year 2009
Deposit rate:	7%	6%
Matching ration (City to employee):	2 to 1	2 to 1
A member is vested after:	5 years	5 years

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 or her salary in the last three years that are one year before the effective date. 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.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. Paragraph. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Members can retire at certain ages, based on the years of service with the City. The service requirement eligibilities for the City are 5 years/age 60 or 20 years/any age.

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(Continued)

(11) **Employee Benefit Plan (continued)**

Since its inception, TMRS has used the unit credit actuarial funding method. This method accounts for the liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2008 valuation, the TMRS Board determined that the projected unit credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that whenever a change in the actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase in period, with will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial valuation date	December 31, 2008	2007	2006
Actuarial valuation of assets	$ 5,697,285	$ 5,179,564	$ 4,748,231
Actuarial accrued liability	6,958,067	6,304,221	5,361,117
Percentage funded	82%	82%	89%

Schedule of Actuarial Liabilities and Funding Progress (continued)

Actuarial valuation date	December 31, 2008	2007	2006
Unfunded actuarial accrued liability (UAAL)	$ 1,260,782	$ 1,124,625	$ 612,886
Annual covered payroll	2,413,033	2,238,802	2,024,218
UAAL as a percentage of covered payroll	52.20%	50.20%	30.30%

If the changes in actuarial funding method and assumptions had not been adopted for the 2008 valuation, the City's unfunded actuarial accrued liability would have been $1,260,782 and the funded ratio would have been 81.9%.

	September 30, 2009	2008	2007
Net pension obligation (NPO) at the beginning of period	$ -	$ -	$ -
Annual required contribution	279,246	233,009	218,317
Contributions made	279,246	233,009	218,317
NPO at the end of period	-	-	-

(Continued)

(11) **Employee Benefit Plan (continued)**

Actuarial assumptions:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	29 years-closed period
Asset valuation method	Amortized cost (to accurately reflect the requirements of GASB Statement No. 25, 36e and 138
Investment rate of return	7.50%
Projected salary increases	Varies by age and service
Includes inflation at	3.00%
Cost -of-living adjustments	2.1% (3.0% of CPI)

(12) **Commitments and Contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are other claims and pending actions incident to normal operations of the City. In the opinion of the City management based on consultation with the City's attorney, the City's potential liability in these matters will not have a material impact on the financial statements.

(13) **Risk Management**

The City is exposed to various risks of loss related to torts/theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workers' compensation coverages.

The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754-5128.

(14) **Authoritative Pronouncements New in Effective**

A summary of pronouncements issued by the Governmental Accounting Standards Board (GASB) which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (issued June 2007) - The objective of this statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies in accounting and financial reporting, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of the new statement become effective for periods beginning after June 15, 2009.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments* (issued June 2008) - This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for periods beginning after June 15, 2009.

EXHIBIT "A"

PLAN OF TERMINATION OF THE BELLMEAD DEVELOPMENT CORPORATION

A. ASSETS

1. CASH ASSETS:

Account Title	Amount
1001 Claim on Cash	$64,741.72
Cash in Bank	$829,766.93
Certificates of Deposit	$242,154.62
TEXPOOL	$1,350,077.38
TEXSTAR	$1,897,357.73
TOTAL	$4,384,098.38

2. PERSONAL PROPERTY:

2 motor vehicles previously titled in the City's name—no transfer necessary.

3. REAL PROPERTY:

Address	Legal	Liens, Leases, Contracts for Deed, Encumbrances
1501 New Dallas Highway	Oaklawn Terrace, Blk 12, Lots B-5 to B-14, and 15-22 & A23	2 standard leases
5701 Concord Road	Thomas de La Vega Tr. 4, 36.44 acres	None
Bowie Ave.	Fannin Blk 4, Lot 34	None
Research Ave.	Thomas de La Vega, Lot 1D, 27.06 acres	None*
600 Research Ave	Thomas de La Vega, Lot 1E, 6 acres	TMTI Lease-Purchase*

*see *E. Disposition of Real Property* below.

4. NOTES RECEIVABLE:

Payer/Borrower	Principal Amt.	Current Balance	Payments	Payoff Date
N/A*				

* But See Lease-Purchase to TMTI. Financing lease.

5. LEASES:

Property	Tenant	Rental	Term	Bal. 10/30/2010	Purch. Option
600 Research Ave. 6 acres	TMTI	$20,423.38 mo.	End 11/30/2019	$1,786,262.91	Yes
1501 New Dallas	TMD	$2,326.30	Mo. To Mo.	n/a	no
1501 New Dallas	Nickel Metalsmith	$860.00	Mo. To Mo.	n/a	no

6. OTHER ASSETS: n/a

B. OBLIGATIONS, EXPENSES, AND LIABILITIES

Obligation	Amount
BRIC Project	$500,000
TSTC Aviation Project	$250,000
Holiday Inn Project 1	$125,000
Holiday Inn Project 2	$77,000
Industrial Water Well	$1,900,000
City Administrative Support	$40,000
Legal Expenses [direct and reimbursement to City]	$20,000
Comprehensive Plan	$75,000
Engineering Fees	$69,000
Monument Signage	$23,000
Total	$3,079,000

TCF Downtown Revitalization Grant Match	$30,000—addressed separately in C.(3) below

C. *SATISFYING OR PROVIDING FOR OBLIGATIONS, EXPENSES, AND LIABILITIES*

1. The Bellmead Development Corporation has sufficient cash assets to satisfy and provide for its outstanding and projected obligations, expenses and liabilities.

2. The amount of $ 3,079,000 plus a $75,000 contingency ($3,154,000) will be transferred from the monies held by or on behalf of the Bellmead Development Corporation to an account solely owned and controlled by the City of Bellmead known as the Escrow Account. This account is to be used by the City to satisfy the outstanding obligations, liabilities, and expenses of the Bellmead Development Corporation.