



**ANNUAL FINANCIAL REPORT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**PB&H**

**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS



CITY OF BELLMEAD, TEXAS

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the 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, 2012, 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 the 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and budgetary comparison information on pages 3 through 10 and 39 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Pattillo, Brown & Hill, L.L.P.*

March 5, 2013

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## 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, 2012. 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 \$25,469,118 (net assets). Of this amount, \$7,219,107 (unrestricted net assets) may be used to meet the City'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 by \$24,660,475. Of this amount, \$5,719,162 (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 \$83,055 from the prior year.
- As of September 30, 2012, the City of Bellmead's governmental funds reported ending fund balances of \$6,506,112. Of this amount, \$1,705,700 is unrestricted 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 \$6,559,266. Of this amount, \$1,927,206 was unrestricted fund balance in the General Fund available for use within the City's fiscal policies.
- As of September 30, 2012, the restricted net assets of the governmental activities are \$3,906,347 of which \$2,677,724 are restricted for economic development and \$948,458 are restricted for culture and recreation. In the prior year, restricted net assets of the governmental activities were \$4,153,457 of which \$3,049,064 was restricted for economic development and \$809,567 was restricted for culture and recreation.
- As of September 30, 2012, the City of Bellmead's Enterprise Fund reported ending fund net assets of \$7,450,992. Of this amount, \$4,653,092 is unrestricted fund net assets available for use within the City's fund designation and fiscal policies. In the prior year, the City's Enterprise Fund reported ending fund net assets of \$6,828,414. Of this amount, \$3,323,673 was 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 City'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 11 and 12 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 same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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 13 through 17 of this report.

**Proprietary funds.** The City maintains one 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 18 through 20 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 38 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** The City's combined net assets were \$25,469,118 at September 30, 2012, which is a 2.97% increase from September 30, 2011. (See Table A-1) The largest portion of the City's net assets, \$14,263,331, 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 debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

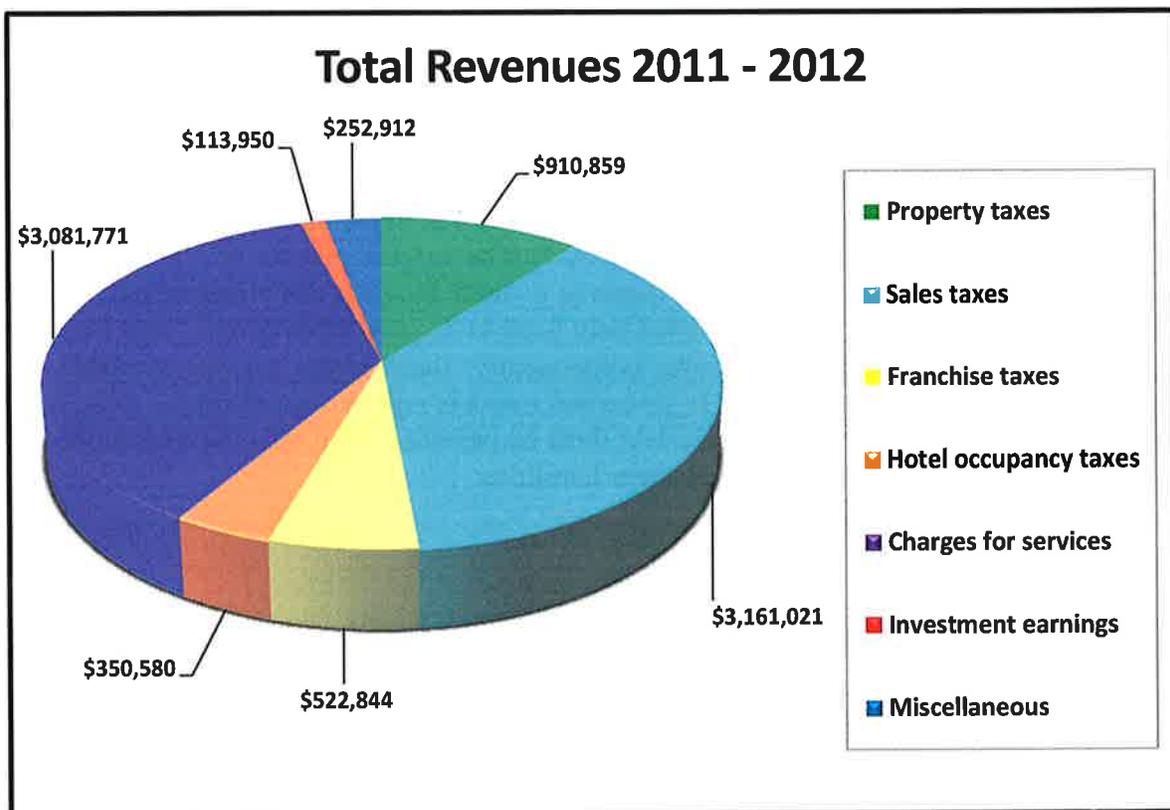
**Table A-1  
City of Bellmead, Texas' Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,436,413	\$ 8,537,732	\$ 5,310,338	\$ 4,551,112	\$ 13,746,751	\$ 13,088,844
Capital assets	12,249,131	12,028,115	3,587,567	3,876,885	15,836,698	15,905,000
Total assets	\$ 20,685,544	\$ 20,565,847	\$ 8,897,905	\$ 8,427,997	\$ 29,583,449	\$ 28,993,844
Long-term liabilities	\$ 1,766,902	\$ 1,991,018	\$ 707,212	\$ 853,559	\$ 2,474,114	\$ 2,844,577
Other liabilities	900,516	742,768	739,701	746,024	1,640,217	1,488,792
Total liabilities	2,667,418	2,733,786	1,446,913	1,599,583	4,114,331	4,333,369
Net assets:						
Invested in capital assets, net related debt	11,545,764	11,283,115	2,717,567	2,897,161	14,263,331	14,180,276
Restricted	3,906,347	4,153,457	80,333	607,580	3,986,680	4,761,037
Unrestricted	2,566,015	2,395,489	4,653,092	3,323,673	7,219,107	5,719,162
Total net assets	\$ 18,018,126	\$ 17,832,061	\$ 7,450,992	\$ 6,828,414	\$ 25,469,118	\$ 24,660,475

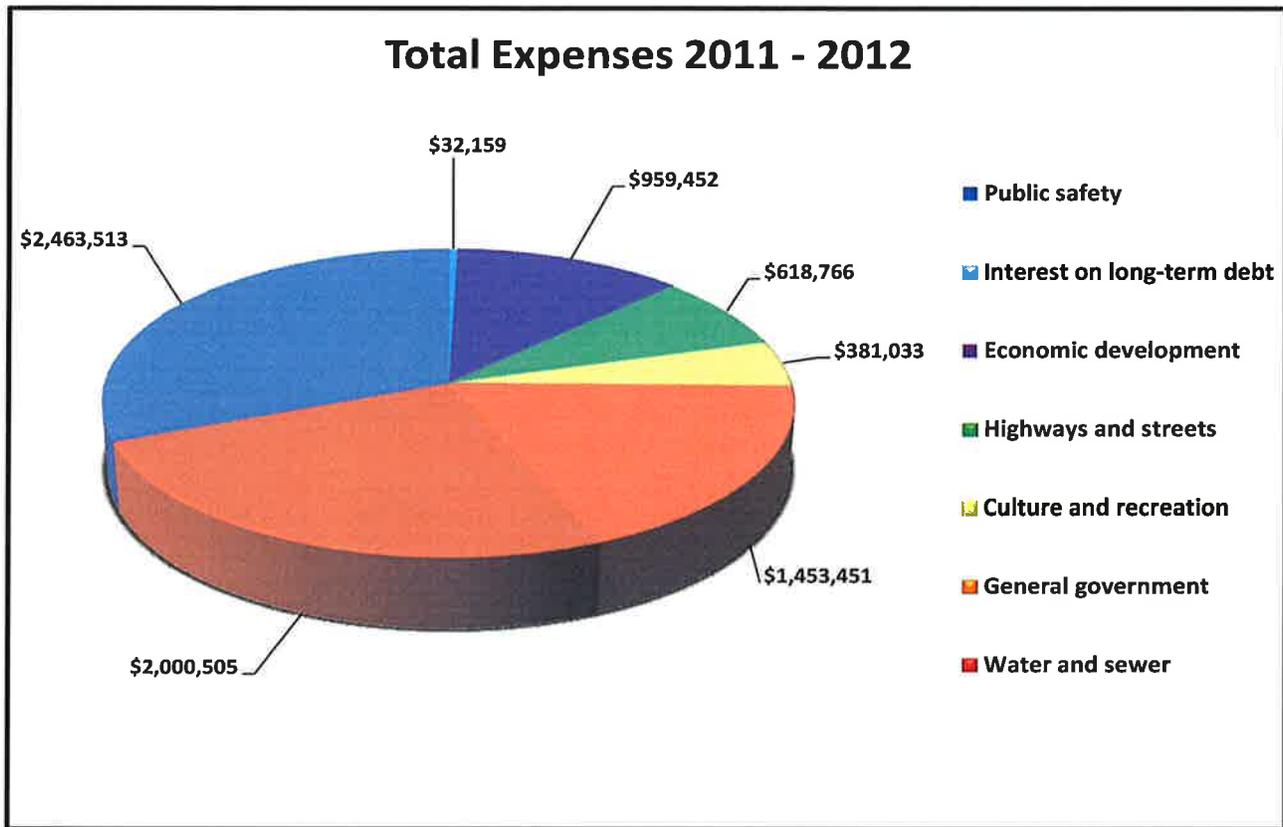
As of September 30, 2012, the City has positive balances in all three categories of net assets, both for the government as a whole, as well as separately for its governmental and business-type activities.

**Changes in Net Assets.** The City's total revenues were \$8,641,081. Property taxes comprise 10.54%, or \$910,859 of the City's revenue. Sales tax revenue comprises 36.58%, or \$3,161,021 of the City's revenue. In addition, \$3,081,771 or 35.66% comes from charges for services; water and sewer fees of \$2,678,041 comprise 86.90% of the charges for services.

For the prior year, the City's total revenues were \$8,524,175. Property taxes comprised 10.32%, or \$879,328 of the City's revenue. Sales tax revenue comprised 36.75%, or \$3,132,994 of the City's revenue. In addition, \$3,111,809, or 36.51% came from charges for services; water and sewer fees of \$2,591,099 comprised 83.27% of the charges for services.



The total cost of all programs and services for the year ended September 30, 2012, was \$7,908,879. For the prior year ended September 30, 2011, the total cost of all programs and services was \$7,712,548.



**Governmental Activities**

- The City increased its property tax rate for 2011 from .26556 to .274498 per \$100 valuation resulting in increased property tax income for fiscal year 2012.
- The Bellmead Economic Development Corporation Type A and Type B had increased expenses during 2012 for various projects such as the Baylor BRIC and the TSTC Aviation Project.
- During 2012, the City completed the Research Boulevard Water Well and Pump Station with a total cost of \$1,652,670 of which \$256,128 was expended in fiscal year 2012 financed by existing funds.
- The Bellmead Economic Development Corporation Type B purchased additional land (the Feed Store) for \$100,601.

**Business-type Activities**

- Water and sewer expenses decreased due to decreased salaries and system repairs and maintenance to maintain the water supply to the citizens of the City.

**Table A-2**  
**City of Bellmead, Texas' Statement of Activities**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 403,730	\$ 520,710	\$ 2,678,041	\$ 2,591,099	\$ 3,081,771	\$ 3,111,809
Operating grants	93,191	-	-	-	93,191	-
General revenues:						
Property taxes	910,859	879,328	-	-	910,859	879,328
Sales taxes	3,161,021	3,132,994	-	-	3,161,021	3,132,994
Franchise taxes	522,844	569,355	-	-	522,844	569,355
Hotel occupancy	350,580	364,090	-	-	350,580	364,090
Investment earnings	108,908	131,284	5,042	11,594	113,950	142,878
Miscellaneous	252,912	144,797	-	-	252,912	144,797
Gain on sale of land	153,953	178,924	-	-	153,953	178,924
Total revenues	<u>5,957,998</u>	<u>5,921,482</u>	<u>2,683,083</u>	<u>2,602,693</u>	<u>8,641,081</u>	<u>8,524,175</u>
<b>Expenditures</b>						
General government	1,453,451	1,355,564	-	-	1,453,451	1,355,564
Public safety	2,463,513	2,379,436	-	-	2,463,513	2,379,436
Highways and streets	618,766	605,576	-	-	618,766	605,576
Economic development	959,452	688,838	-	-	959,452	688,838
Culture and recreation	381,033	409,589	-	-	381,033	409,589
Interest on long-term debt	32,159	44,519	-	-	32,159	44,519
Water and sewer	-	-	2,000,505	2,229,026	2,000,505	2,229,026
Total expenditures	<u>5,908,374</u>	<u>5,483,522</u>	<u>2,000,505</u>	<u>2,229,026</u>	<u>7,908,879</u>	<u>7,712,548</u>
<b>Increase (decrease) in net assets</b>						
before transfers	49,624	437,960	682,578	373,667	732,202	811,627
Transfers	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	109,624	437,960	622,578	373,667	732,202	811,627
Net assets, beginning	17,832,061	17,394,101	6,828,414	6,454,747	24,660,475	23,848,848
Prior period adjustment	<u>76,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,441</u>	<u>-</u>
Net assets, ending	<u>\$ 18,018,126</u>	<u>\$ 17,832,061</u>	<u>\$ 7,450,992</u>	<u>\$ 6,828,414</u>	<u>\$ 25,469,118</u>	<u>\$ 24,660,475</u>

**Analysis of the City's Operations.** Table A-2 provides a summary of the City's operations for the year ended September 30, 2012. The governmental activities increased the City's net assets by \$109,624. The business-type activities increased net assets by \$622,578.

## 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, decreased by \$638,693. The significant changes in actual expenditures reflected an increase in general government of \$95,151 and public safety of \$370,750 offset by decreases in highways and streets of \$123,504, economic development of \$450,535 and capital outlay of \$568,756. On the other hand, actual resources available were \$332,913 or 5.64% more than the actual resources available in the prior year. Notable changes in actual resources were as follows: total taxes increased by \$22,416; intergovernmental revenue increased by \$93,191; licenses and permits decreased by \$77,430; and miscellaneous revenue increased by \$100,314.

### Proprietary Fund

For the current year, actual expenses as compared to prior year actual expenses decreased by \$140,411, or 7.48%. On the other hand, actual revenues in the current year were \$86,942 or 3.36% more 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 \$46,861.

### General Fund Budgetary Highlights

The original budget for the General Fund was not amended during the year. For fiscal year 2011-2012, budgetary estimates exceeded revenues while expenditures exceeded the budget in public safety, economic development and interest and fiscal charges

Budgeted expenditures exceeded actual expenditures by \$38,882. The most significant variance resulted from actual expenditures being less than budgeted in highways and streets by \$186,875, while actual expenditures were more than budgeted in economic development by \$160,014. On the other hand, actual resources available were \$438,611 less than budgeted resources primarily attributable to property and sales tax revenue being less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

During the year ended September 30, 2012, the City spent \$813,012 for governmental capital asset additions. Of the additions, \$256,128 represented expenditures for the Research Boulevard water well and pump station projects and \$321,217 for new vehicles and equipment. Additionally, the City spent \$108,215 for enterprise capital asset additions during the year ended September 30, 2012.

- Total gross governmental capital assets as of September 30, 2012, are \$17,836,277. For the prior year, gross governmental capital assets were \$17,023,265.
- Total gross enterprise capital assets as of September 30, 2012, are \$10,681,010. For the prior year, gross enterprise capital assets were \$10,572,795.

Additional information on the City's capital assets can be found in Note 8 to the financial statements on pages 31 – 32 of this report.

## **Long-term Debt**

In March 2012, the City issued \$1,365,000 in General Obligation bonds to refund the outstanding Series 1999 and 2007 General Obligation bonds. Additionally, the City simultaneously issued \$230,000 in Tax Anticipation Notes for the purchase of police vehicles and fire department equipment.

At September 30, 2012, the City had \$1,595,000 in bonds and notes outstanding. As of September 30, 2011, the City had \$1,724,724 in bonds and notes outstanding.

Additional information on the City's long-term debt can be found in Note 9 to the financial statements on pages 32 – 34 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The City's adopted tax rate in effect for fiscal year 2013 is 0.298608 (2012 tax year), which is \$0.02411 more than the current year's rate, an 8.78% increase.
- Net appraised value in effect for the fiscal year 2013 is \$337,419,719 (2012 certified net taxable value), a 2.60% increase from the net appraised value during the current year of \$328,879,084.

## **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.

**BASIC FINANCIAL STATEMENTS**

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**CITY OF BELLMEAD, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,375,151	\$ 3,249,852	\$ 9,625,003
Accounts receivable, net	650,815	341,596	992,411
Inventories	728	19,713	20,441
Prepays	440	-	440
Restricted cash and cash equivalents	-	80,333	80,333
Equity in joint venture	-	1,575,778	1,575,778
Lease receivable:			
Due within one year	164,263	-	164,263
Due in more than one year	1,223,383	-	1,223,383
Deferred charges	21,633	43,066	64,699
Capital assets not being depreciated:			
Land	2,771,193	38,799	2,809,992
Construction in progress	-	1,002,387	1,002,387
Capital assets, net of accumulated depreciation:			
Building and improvements	4,919,781	1,518	4,921,299
Infrastructure	2,942,397	-	2,942,397
Water and sewer facilities	-	2,345,668	2,345,668
Equipment	<u>1,615,760</u>	<u>199,195</u>	<u>1,814,955</u>
Total assets	<u>20,685,544</u>	<u>8,897,905</u>	<u>29,583,449</u>
<b>LIABILITIES</b>			
Accounts payable	321,184	235,871	557,055
Accrued liabilities	88,896	24,318	113,214
Customer deposits payable	-	293,774	293,774
Noncurrent liabilities:			
Deferred revenue:			
Due within one year	164,263	-	164,263
Due in more than one year	1,223,383	-	1,223,383
Notes and bonds payable:			
Due within one year	326,173	185,738	511,911
Due in more than one year	<u>543,519</u>	<u>707,212</u>	<u>1,250,731</u>
Total liabilities	<u>2,667,418</u>	<u>1,446,913</u>	<u>4,114,331</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,545,764	2,717,567	14,263,331
Restricted for:			
Court security and technology	31,225	-	31,225
Public safety	64,729	-	64,729
Debt service	184,211	-	184,211
Capital projects	-	80,333	80,333
Economic development	2,677,724	-	2,677,724
Culture and recreation	948,458	-	948,458
Unrestricted	<u>2,566,015</u>	<u>4,653,092</u>	<u>7,219,107</u>
Total net assets	<u>\$ 18,018,126</u>	<u>\$ 7,450,992</u>	<u>\$ 25,469,118</u>

**See accompanying notes to financial statements.**

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**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 1,453,451	\$ 34,668	\$ -	\$( 1,418,783)	\$ -	\$( 1,418,783)
Public safety	2,463,513	277,689	-	( 2,185,824)	-	( 2,185,824)
Highways and streets	618,766	-	93,191	( 525,575)	-	( 525,575)
Economic development	959,452	45,163	-	( 914,289)	-	( 914,289)
Culture and recreation	381,033	46,210	-	( 334,823)	-	( 334,823)
Interest on long-term debt	32,159	-	-	( 32,159)	-	( 32,159)
Total governmental activities	5,908,374	403,730	93,191	( 5,411,453)	-	( 5,411,453)
<b>Business-type activities:</b>						
Water and sewer	2,000,505	2,678,041	-	-	677,536	677,536
Total business-type activities	2,000,505	2,678,041	-	-	677,536	677,536
Total primary government	7,908,879	3,081,771	93,191	( 5,411,453)	677,536	( 4,733,917)
<b>General revenues:</b>						
Property taxes, levied for general purposes				702,868	-	702,868
Property taxes, levied for debt service				207,991	-	207,991
Sales taxes				3,161,021	-	3,161,021
Franchise taxes				522,844	-	522,844
Hotel occupancy taxes				350,580	-	350,580
Investment earnings				108,908	5,042	113,950
Miscellaneous				252,912	-	252,912
Transfers				60,000	( 60,000)	-
Gain on sale of assets				153,953	-	153,953
Total general revenues and transfers				5,521,077	( 54,958)	5,466,119
Change in net assets				109,624	622,578	732,202
Net assets, beginning				17,832,061	6,828,414	24,660,475
Prior period adjustment				76,441	-	76,441
Net assets, ending				18,018,126	7,450,992	25,469,118

See accompanying notes to financial statements.

**CITY OF BELLMEAD, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	General	Bellmead EDC A
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,615,267	\$ 1,227,775
Receivables (net of allowance for uncollectibles)	535,148	-
Lease receivable	-	1,387,646
Due from other funds	-	-
Prepays	440	-
Inventories	728	-
Total assets	\$ 3,151,583	\$ 2,615,421
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 253,504	\$ -
Accrued liabilities	83,389	-
Due to other funds	38,173	1,585
Deferred revenue - sale of building	-	1,387,646
Deferred revenue - delinquent property taxes	86,235	-
Total liabilities	461,301	1,389,231
<b>Fund balances:</b>		
<b>Restricted for:</b>		
Inventories	728	-
Prepays	440	-
Public safety	64,729	-
Court technology	-	-
Culture and recreation	-	-
Economic development	-	1,226,190
Debt service	-	-
<b>Committed for:</b>		
Street improvements	918,685	-
Unrestricted	1,705,700	-
Total fund balances	2,690,282	1,226,190
Total liabilities and fund balances	\$ 3,151,583	\$ 2,615,421

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.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Includes compensated absences of \$144,692 and long-term debt of \$725,000 less deferred charges of \$21,633.

Net assets of governmental activities

**See accompanying notes to financial statements.**

<u>Bellmead EDC B</u>	<u>Hotel/Motel Tax</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 1,414,980	\$ 960,318	\$ 156,811	\$ 6,375,151
88,267	-	27,400	650,815
-	-	-	1,387,646
1,585	6,948	31,225	39,758
-	-	-	440
-	-	-	728
<u>\$ 1,504,832</u>	<u>\$ 6,948</u>	<u>\$ 215,436</u>	<u>\$ 7,494,220</u>
\$ 53,298	\$ 14,382	\$ -	\$ 321,184
-	4,426	-	87,815
-	-	-	39,758
-	-	-	1,387,646
-	-	25,788	112,023
<u>53,298</u>	<u>18,808</u>	<u>25,788</u>	<u>1,948,426</u>
-	-	-	728
-	-	-	440
-	-	-	64,729
-	-	31,225	31,225
-	948,458	-	948,458
1,451,534	-	-	2,677,724
-	-	158,423	158,423
-	-	-	918,685
-	-	-	1,705,700
<u>1,451,534</u>	<u>948,458</u>	<u>189,648</u>	<u>6,506,112</u>
<u>\$ 1,504,832</u>	<u>\$ 967,266</u>	<u>\$ 215,436</u>	
			12,249,131
			110,942
			( 848,059)
			<u>\$ 18,018,126</u>

**CITY OF BELLMEAD, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Bellmead EDC A</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 704,056	\$ -
Sales	2,634,182	-
Franchise	522,844	-
Hotel occupancy	-	-
Other	43,236	-
Licenses and permits	34,668	-
Intergovernmental	93,191	-
Rent	-	-
Fines and fees	269,182	-
Investment earnings	8,847	97,218
Miscellaneous	<u>196,729</u>	<u>12,947</u>
Total revenues	<u>4,506,935</u>	<u>110,165</u>
<b>EXPENDITURES</b>		
General government	1,379,384	-
Public safety	2,536,427	-
Highways and streets	510,897	-
Economic and physical development	160,014	832,538
Culture and recreation	51,347	-
Debt service:		
Principal	-	-
Interest and other charges	10,000	-
Capital outlay	-	-
Total expenditures	<u>4,648,069</u>	<u>832,538</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 141,134)</u>	<u>( 722,373)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	30,991	-
Transfers out	-	( 130,504)
Proceeds from debt issuance	230,000	-
Payment to escrow agent	-	-
Sale of property	-	153,953
Total other financing sources (uses)	<u>260,991</u>	<u>23,449</u>
<b>NET CHANGE IN FUND BALANCE</b>	119,857	(698,924)
<b>FUND BALANCE, BEGINNING</b>	2,493,984	1,925,114
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>76,441</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,690,282</u>	<u>\$ 1,226,190</u>

See accompanying notes to financial statements.

<u>Bellmead EDC B</u>	<u>Hotel/Motel Tax</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 212,665	\$ 916,721
526,839	-	-	3,161,021
-	-	-	522,844
-	350,580	-	350,580
-	-	-	43,236
-	-	-	34,668
-	-	-	93,191
45,163	46,210	-	91,373
-	-	-	269,182
1,389	928	526	108,908
-	-	8,507	218,183
<u>573,391</u>	<u>397,718</u>	<u>221,698</u>	<u>5,809,907</u>
-	-	-	1,379,384
-	-	1,290	2,537,717
-	-	-	510,897
245,710	-	-	1,238,262
-	258,827	-	310,174
-	-	235,000	235,000
-	-	43,977	53,977
<u>100,601</u>	<u>-</u>	<u>-</u>	<u>100,601</u>
<u>346,311</u>	<u>258,827</u>	<u>280,267</u>	<u>6,366,012</u>
<u>227,080</u>	<u>138,891</u>	<u>( 58,569)</u>	<u>( 556,105)</u>
100,504	-	60,000	191,495
-	-	( 991)	( 131,495)
-	-	495,000	725,000
-	-	( 512,443)	( 512,443)
-	-	-	153,953
<u>100,504</u>	<u>-</u>	<u>41,566</u>	<u>426,510</u>
327,584	138,891	( 17,003)	( 129,595)
1,123,950	809,567	206,651	6,559,266
-	-	-	76,441
<u>\$ 1,451,534</u>	<u>\$ 948,458</u>	<u>\$ 189,648</u>	<u>\$ 6,506,112</u>

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CITY OF BELLMEAD, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$( 129,595)
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 (\$813,012) exceeds depreciation expense (\$591,996) in the current period.	221,016
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 5,862)
The issuance of long-term debt (e.g., bonds, leases) provided current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	41,633
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.	( 17,568)
Changes in net assets of governmental activities	<u>\$ 109,624</u>

See accompanying notes to financial statements.

**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPREITARY FUND**  
**SEPTEMBER 30, 2012**

	Business-type Activities Enterprise Fund <u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,249,852 ✓
Accounts receivable, net of allowance for uncollectibles of \$41,383:	
Accounts	337,125 ✓
Other	4,471 ✓
Inventories	19,713 ✓
Total current assets	<u>3,611,161</u>
Noncurrent assets:	
Restricted cash	80,333 ✓
Deferred charges	43,066 ✓
Equity in joint venture	1,575,778
Capital assets:	
Land	38,799
Buildings and improvements	12,461
Water and sewer facilities	8,361,013
Equipment	1,266,350
Construction in progress	1,002,387
Less: accumulated depreciation	<u>(7,093,443)</u>
Total capital assets (net of accumulated depreciation)	3,587,567 ✓
Total noncurrent assets	<u>5,286,744</u>
Total assets	<u>8,897,905</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	235,871 ✓
Accrued liabilities	24,318
Customer deposits payable	293,774 ✓
Compensated absences, current portion	5,738
Revenue bond and note payable, current portion	<u>180,000 ✓</u>
Total current liabilities	<u>739,701</u>
Noncurrent liabilities:	
Compensated absences	17,212
Revenue bond and note payable	<u>690,000 ✓</u>
Total noncurrent liabilities	<u>707,212</u>
Total liabilities	1,446,913
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,717,567
Restricted for:	
Capital projects	80,333
Unrestricted	<u>4,653,092</u>
Total net assets	<u>\$ 7,450,992</u>

See accompanying notes to financial statements.

**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPREITARY FUND**  
**SEPTEMBER 30, 2012**

	Business-type Activities Enterprise Fund <u>Water and Sewer</u>
<b>REVENUE</b>	
Operating revenues:	
Water sales	\$ 1,798,918
Sewer charges	784,835
Turn-on fees	52,920
Water and sewer tap fees	6,632
Other	<u>34,736</u>
Total operating revenue	<u>2,678,041</u>
<b>EXPENSES</b>	
Operating expenses:	
Salaries and benefits	661,068
System repair and maintenance	132,518
Auto and equipment maintenance	49,713
Office expense	19,809
Professional fees	41,694
Utilities	344,619
Depreciation	397,533
Insurance	36,250
Miscellaneous	<u>54,317</u>
Total operating expenses	<u>1,737,521</u>
<b>OPERATING INCOME</b>	<u>940,520</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and other income	5,042
Gain (loss) on joint venture	(261,686)
Interest charges	<u>(1,298)</u>
Total nonoperating revenue (expenses)	<u>(257,942)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>682,578</u>
<b>TRANSFERS</b>	
Transfers out	( 60,000)
Total transfers	<u>(60,000)</u>
<b>CHANGE IN NET ASSETS</b>	622,578
<b>NET ASSETS, BEGINNING</b>	<u>6,828,414</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 7,450,992</u>

See accompanying notes to financial statements.

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**CITY OF BELLMEAD, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND**

**YEAR ENDED SEPTEMBER 30, 2012**

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,657,153
Payments to suppliers	( 727,957)
Payments to employees	( 666,922)
Net cash provided by operating activities	<u>1,262,274</u>
<b>CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES</b>	
Transfer out	( 60,000)
Net cash provided by noncapital and related financing activities	<u>( 60,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	( 108,215)
Principal paid on bonds and note payable	( 979,724)
Proceeds from debt issuance	870,000
Costs of debt issuance	( 43,066)
Interest paid on bonds and note payable	( 1,298)
Net cash provided by capital and related financing activities	<u>( 262,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment in joint venture	( 288,967)
Interest received	5,042
Net cash provided by investing activities	<u>( 283,925)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	656,046
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,674,139</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 3,330,185</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>	
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	940,520
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	397,533
Change in assets and liabilities:	
Accounts receivable, net	( 33,155)
Inventories	1
Due from other funds	27,743
Accounts payable	( 49,038)
Due to other funds	( 27,422)
Other liabilities	<u>6,092</u>
Net cash provided by operating activities	<u>\$ 1,262,274</u>

**See accompanying notes to financial statements.**

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# CITY OF BELLMEAD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

### 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 Type A (EDC A) and Bellmead Economic Development Corporation Type B (EDC B) have been included as blended component units. 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 Corporations are responsible for certain economic development expenditures benefiting all citizens of the government and are financed by a portion of sales tax revenue and are governed by a board comprised of members of the government's council and citizens of the community. The Corporations have a September 30 year-end and are reported as Special Revenue Funds. Complete financial statements of the Corporations 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 interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

(continued)

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## B. Government-wide and Fund Financial Statements (Continued)

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.

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 Types A and B are blended component units which are reported as Special Revenue Funds that account for sales tax revenue that is to be used for certain economic development expenditures benefiting all citizens of the City.

**Hotel/Motel Tax Fund** – The Hotel/Motel Tax Fund accounts for the receipts and allocation of the City’s occupancy tax imposed on the rental of hotel-motel rooms. These funds are used to promote tourism and related activities within 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 proprietary fund:

***Water and Sewer Fund*** – The Water and Sewer Fund accounts for 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 *nonoperating* 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 nonoperating 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.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Deposits and Investments (Continued)

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.

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 \$80,333 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.

### 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**H. Capital Assets** (Continued)

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

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

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

**I. Fund Equity and Net Assets**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

(continued)

## 1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### I. Fund Equity and Net Assets (Continued)

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide and fund level financial statements report restricted fund balances for amounts not available for appropriation or legally restricted for specific uses. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## 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 treatment 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.

(continued)

3. **UNDIVIDED INTEREST IN WACO METROPOLITAN AREA REGIONAL SEWER SYSTEM**  
(Continued)

Under an interlocal 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 responsibility in the operations of the system.

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	\$ 241,978
Capital assets	1,485,934
Current liabilities	<u>( 152,134)</u>
Net assets	<u>\$ 1,575,778</u>
Operating expenses	\$( 279,491)
Nonoperating revenues	<u>17,805</u>
Change in net assets	<u>\$( 261,686)</u>
Capital contributions - current year	<u>\$ 288,967</u>

4. **DEPOSITS AND INVESTMENTS**

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

Cash and certificates of deposit in bank	\$ 4,813,039
Government investment pools:	
TexPool	2,882,535
TexStar	<u>2,030,951</u>
Total cash and cash equivalents	<u>\$ 9,726,525</u>

*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 than three years from the date of purchase. At September 30, 2012, 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, 2012, is less than 60 days.

(continued)

#### 4. DEPOSITS AND INVESTMENTS (Continued)

*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, 2012, the City's investment in TexPool and TexStar was rated AAA by Standard & Poor's.

TexPool is a public funds investment pool created pursuant to the Interlocal 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.

#### 5. RECEIVABLES

Receivables as of September 30, 2012, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Bellmead Economic Development Corporation - B	Other Nonmajor	Water and Sewer	Total
Receivables:					
Property taxes	\$ 91,311	\$ -	\$ 27,400	\$ -	\$ 118,711
Sales taxes	441,336	88,267	-	-	529,603
Accounts	-	-	-	378,508	378,508
Other	2,501	-	-	4,471	6,972
Gross receivables	535,148	88,267	27,400	382,979	1,033,794
Less: allowance for uncollectibles	-	-	-	( 41,383)	( 41,383)
Net total receivables	\$ 535,148	\$ 88,267	\$ 27,400	\$ 341,596	\$ 992,411

(continued)

5. **RECEIVABLES (Continued)**

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.

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 2012 levy was based was \$328,593,388.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2012, were 96.65% of the tax levy.

6. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payable balances at September 30, 2012, are as follows:

Fund	Receivable	Payable
General	\$ -	\$ 38,173
Bellmead EDC - A	-	1,585
Bellmead EDC - B	1,585	
Hotel/Motel Tax	6,948	-
Nonmajor	31,225	-
<b>Totals</b>	<b>\$ 39,758</b>	<b>\$ 39,758</b>

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

Interfund transfers at September 30, 2012, are as follows:

	General	Bellmead EDC - B	Nonmajor	Total
Transfers out:				
Bellmead EDC - A	\$ 30,000	\$ 100,504	\$ -	\$ 130,504
Nonmajor	991	-	-	991
Water and Sewer	-	-	60,000	60,000
<b>Total transfers</b>	<b>\$ 30,991</b>	<b>\$ 100,504</b>	<b>\$ 60,000</b>	<b>\$ 191,495</b>

(continued)

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

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.

**7. LEASE RECEIVABLES**

The Bellmead Economic Development Corporation Type A (EDC A) has completed construction on a building which will be utilized as a plant and office space by Texas Machine & Tool International, LLC (TMI). EDC A has entered into a 10-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. After the 2012 payments, the current lease receivable is \$1,387,646.

The lease began October 1, 2009. The payments, including interest at 6.5% are:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 164,263	\$ 85,361
2014	175,264	74,360
2015	187,002	62,622
2016	199,526	50,098
2017	212,889	36,735
2018 - 2022	<u>448,702</u>	<u>29,743</u>
	<u>\$ 1,387,646</u>	<u>\$ 338,919</u>

**(continued)**

## 8. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,670,592	\$ 100,601	\$ -	\$ 2,771,193
Construction in progress	1,396,542	256,128	( 1,652,670)	-
Total capital assets not being depreciated	<u>4,067,134</u>	<u>356,729</u>	<u>( 1,652,670)</u>	<u>2,771,193</u>
Capital assets being depreciated:				
Buildings and improvements	6,515,950	-	-	6,515,950
Infrastructure	1,404,034	1,787,736	-	3,191,770
Equipment	5,036,147	321,217	-	5,357,364
Total capital assets being depreciated	<u>12,956,131</u>	<u>2,108,953</u>	<u>-</u>	<u>15,065,084</u>
Less accumulated depreciation for:				
Buildings and improvements	( 1,375,474)	( 220,695)	-	( 1,596,169)
Infrastructure	( 183,794)	( 65,579)	-	( 249,373)
Equipment	( 3,435,882)	( 305,722)	-	( 3,741,604)
Total accumulated depreciation	<u>( 4,995,150)</u>	<u>( 591,996)</u>	<u>-</u>	<u>( 5,587,146)</u>
Total capital assets being depreciated, net	<u>7,960,981</u>	<u>1,516,957</u>	<u>-</u>	<u>9,477,938</u>
Governmental activities capital assets, net	<u>\$ 12,028,115</u>	<u>\$ 1,873,686</u>	<u>\$( 1,652,670)</u>	<u>\$ 12,249,131</u>
	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 38,799	\$ -	\$ -	\$ 38,799
Construction in progress	977,578	24,809	-	1,002,387
Total capital assets not being depreciated	<u>1,016,377</u>	<u>24,809</u>	<u>-</u>	<u>1,041,186</u>
Capital assets being depreciated:				
Buildings and improvements	12,461	-	-	12,461
Water and sewer facilities	8,277,607	83,406	-	8,361,013
Equipment	1,266,350	-	-	1,266,350
Total capital assets being depreciated	<u>9,556,418</u>	<u>83,406</u>	<u>-</u>	<u>9,639,824</u>
Less accumulated depreciation for:				
Buildings and improvements	( 10,634)	( 309)	-	( 10,943)
Water and sewer facilities	( 5,659,490)	( 355,855)	-	( 6,015,345)
Equipment	( 1,025,786)	( 41,369)	-	( 1,067,155)
Total accumulated depreciation	<u>( 6,695,910)</u>	<u>( 397,533)</u>	<u>-</u>	<u>( 7,093,443)</u>
Total capital assets being depreciated, net	<u>2,860,508</u>	<u>( 314,127)</u>	<u>-</u>	<u>2,546,381</u>
Business-type activities capital assets, net	<u>\$ 3,876,885</u>	<u>\$( 289,318)</u>	<u>\$ -</u>	<u>\$ 3,587,567</u>

(continued)

**8. CAPITAL ASSETS (Continued)**

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

Governmental activities	
General government	\$ 74,432
Public safety	223,974
Highways and streets	110,152
Economic development	112,384
Culture and recreation	<u>71,054</u>
Total depreciation - governmental activities	<u>\$ 591,996</u>
Business-type activities	
Water and sewer	<u>\$ 397,533</u>
Total depreciation - business-type activities	<u>\$ 397,533</u>

**9. 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, 2012:

	Balance October 1, 2011	Additions	Retirements	Balance September 30, 2012	Due Within One Year
<b>Governmental activities</b>					
Tax and revenue certificates of obligation	\$ 745,000	\$ -	\$( 745,000)	\$ -	\$ -
General obligation refunding bonds Series 2012	-	495,000	-	495,000	245,000
Tax anticipation notes	-	230,000	-	230,000	45,000
Compensated absences	<u>124,496</u>	<u>43,876</u>	<u>( 23,680)</u>	<u>144,692</u>	<u>36,173</u>
	<u>\$ 869,496</u>	<u>\$ 768,876</u>	<u>\$( 768,680)</u>	<u>\$ 869,692</u>	<u>\$ 326,173</u>
<b>Business-type activities</b>					
Tax and revenue certificates of obligation	\$ 979,724	\$ -	\$( 979,724)	\$ -	\$ -
General obligation refunding bonds Series 2012	-	870,000	-	870,000	180,000
Compensated absences	<u>26,260</u>	<u>23,414</u>	<u>( 26,724)</u>	<u>22,950</u>	<u>5,738</u>
	<u>\$ 1,005,984</u>	<u>\$ 893,414</u>	<u>\$( 1,006,448)</u>	<u>\$ 892,950</u>	<u>\$ 185,738</u>

(continued)

9. LONG-TERM DEBT (Continued)

Long-term debt for governmental activities at September 30, 2012, is comprised of the following:

\$495,000 Series 2012 General Obligation Refunding Bonds, due in annual installments of \$245,000 to \$250,000 with an interest rate of 1.79%, maturing in 2014.	\$ <u>495,000</u>
\$230,000 Series 2012 Tax Anticipation Notes, due in annual installments of \$45,000 to \$50,000 with an interest rate of 1.79%, maturing in 2017.	\$ <u>230,000</u>

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

Year Ended September 30,	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2013	\$ 245,000	\$ 6,668	\$ 45,000	\$ 3,714
2014	250,000	2,237	45,000	2,909
2015	-	-	45,000	2,103
2016	-	-	45,000	1,298
2017	-	-	50,000	448
	<u>\$ 495,000</u>	<u>\$ 8,905</u>	<u>\$ 230,000</u>	<u>\$ 10,472</u>

Long-term debt for business-type activities at September 30, 2012, is comprised of the following:

\$870,000 Series 2012 General Obligation Refunding Bonds, due in annual installments of \$165,000 to \$180,000 with an interest rate of 1.79%, maturing in 2017.	<u>870,000</u>
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Annual debt service requirements to maturity for business-type activities are as follows:

Year Ended September 30,	Principal	Interest
2013	\$ 180,000	\$ 13,962
2014	180,000	10,740
2015	165,000	7,652
2016	170,000	4,654
2017	<u>175,000</u>	<u>1,566</u>
	<u>\$ 870,000</u>	<u>\$ 38,574</u>

In March 2012, the City issued \$230,000 in Tax Anticipation Notes in order to finance the purchase of police vehicles and fire department equipment.

(continued)

9. **LONG-TERM DEBT (Continued)**

**Advance Refunding**

The City issued \$1,365,000 in general obligation bonds with an interest rate of 1.79%. The proceeds were used to advance refund \$1,489,724 of outstanding 1999 and 2007 combination tax and revenue certificates of obligation which had interest rates ranging from 4.50% to 5.25%. The net proceeds of \$1,526,336 (including a City contribution of \$192,888 and after payment of \$31,552 in fees and issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 1999 and 2007 certificates of obligation are considered defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$36,611. This amount is being netted against the new debt and amortized over the life of the refunding debt. The government advance refunded the 1999 and 2007 certificates of obligation to reduce its total debt service payments over 5 years by \$74,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$64,673.

10. **EMPLOYEE BENEFIT PLAN**

**Plan Description**

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://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. Plan provisions for the City were as follows:

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	6%	6%
Matching ration (city to employee)	2 to 1	2 to 1
Years required for vesting	5 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

(continued)

10. **EMPLOYEE BENEFIT PLAN (Continued)**

**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.

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.

**Three-Year Trend Information**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution Made</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation/</u> <u>(Asset)</u>
9/30/2010	348,668	348,668	100%	-
9/30/2011	346,440	346,440	100%	-
9/30/2012	268,019	268,019	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

(continued)

10. EMPLOYEE BENEFIT PLAN (Continued)

**Contributions** (Continued)

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.8 years; closed period	27.1 years; closed period	26.4 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**Funding Status and Funding Progress -**

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$ 8,951,504	\$ 9,430,257	94.9%	\$ 478,753	\$ 2,805,949	17.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

(continued)

11. OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Schedule of Contribution Rates (RETIREE-only portion of the rate)			
Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.06%	0.06%	100%
2011	0.05%	0.05%	100%
2012	0.05%	0.05%	100%

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 incidental 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.

(continued)

### **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. PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was recorded in the General Fund and in the Governmental Activities on the Statement of Net Assets in order to eliminate old balances in liability accounts that had either been recorded in error or previously paid but the liability had not been removed from the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

# CITY OF BELLMEAD, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 925,709	\$ 925,709	\$ 704,056	\$( 221,653)
Sales	2,820,000	2,820,000	2,634,182	( 185,818)
Franchise	581,000	581,000	522,844	( 58,156)
Other	47,000	47,000	43,236	( 3,764)
Licenses and permits	95,505	95,505	34,668	( 60,837)
Intergovernmental	-	-	93,191	93,191
Fines and fees	370,132	370,132	269,182	( 100,950)
Investment earnings	8,400	8,400	8,847	447
Miscellaneous	97,800	97,800	196,729	98,929
Total revenue	<u>4,945,546</u>	<u>4,945,546</u>	<u>4,506,935</u>	<u>( 438,611)</u>
<b>EXPENDITURES</b>				
General government	1,413,425	1,413,425	1,379,384	34,041
Public safety	2,496,317	2,496,317	2,536,427	( 40,110)
Highways and streets	697,772	697,772	510,897	186,875
Economic and physical development	-	-	160,014	( 160,014)
Culture and recreation	79,437	79,437	51,347	28,090
Debt service:				
Interest and fiscal charges	-	-	10,000	( 10,000)
Total expenditures	<u>4,686,951</u>	<u>4,686,951</u>	<u>4,648,069</u>	<u>38,882</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>258,595</u>	<u>258,595</u>	<u>( 141,134)</u>	<u>( 399,729)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	30,991	30,991
Proceeds from debt issuance	-	-	230,000	230,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>260,991</u>	<u>260,991</u>
<b>NET CHANGE IN FUND BALANCE</b>	258,595	258,595	119,857	( 138,738)
<b>FUND BALANCE, BEGINNING</b>	2,493,984	2,493,984	2,493,984	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>76,441</u>	<u>76,441</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,752,579</u>	<u>\$ 2,752,579</u>	<u>\$ 2,690,282</u>	<u>\$( 62,297)</u>

**CITY OF BELLMEAD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BELLMEAD ECONOMIC DEVELOPMENT CORPORATION - A**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 105,000	\$ 105,000	\$ 97,218	\$ ( 7,782)
Miscellaneous	-	-	12,947	12,947
Total revenue	<u>105,000</u>	<u>105,000</u>	<u>110,165</u>	<u>5,165</u>
<b>EXPENDITURES</b>				
Economic development	<u>870,405</u>	<u>870,405</u>	<u>832,538</u>	<u>37,867</u>
Total expenditures	<u>870,405</u>	<u>870,405</u>	<u>832,538</u>	<u>37,867</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 765,405)</u>	<u>( 765,405)</u>	<u>( 722,373)</u>	<u>43,032</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 75,000)	( 75,000)	( 130,504)	( 55,504)
Sale of property	<u>153,123</u>	<u>153,123</u>	<u>153,953</u>	<u>830</u>
Total other financing sources (uses)	<u>78,123</u>	<u>78,123</u>	<u>23,449</u>	<u>( 54,674)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 687,282)</u>	<u>( 687,282)</u>	<u>( 698,924)</u>	<u>( 11,642)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,925,114</u>	<u>1,925,114</u>	<u>1,925,114</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,237,832</u>	<u>\$ 1,237,832</u>	<u>\$ 1,226,190</u>	<u>\$ ( 11,642)</u>

**CITY OF BELLMEAD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BELLMEAD ECONOMIC DEVELOPMENT CORPORATION - B**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 520,000	\$ 520,000	\$ 526,839	\$ 6,839
Rent	38,236	38,236	45,163	6,927
Investment earnings	-	-	1,389	1,389
Total revenue	<u>558,236</u>	<u>558,236</u>	<u>573,391</u>	<u>15,155</u>
<b>EXPENDITURES</b>				
Economic development	1,256,500	1,256,500	245,710	1,010,790
Capital outlay	-	-	100,601	( 100,601)
Total expenditures	<u>1,256,500</u>	<u>1,256,500</u>	<u>346,311</u>	<u>910,189</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 698,264)</u>	<u>( 698,264)</u>	<u>227,080</u>	<u>925,344</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	100,504	100,504
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>100,504</u>	<u>100,504</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 698,264)</u>	<u>( 698,264)</u>	<u>327,584</u>	<u>1,025,848</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,123,950</u>	<u>1,123,950</u>	<u>1,123,950</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 425,686</u>	<u>\$ 425,686</u>	<u>\$ 1,451,534</u>	<u>\$ 1,025,848</u>

**CITY OF BELLMEAD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**HOTEL/MOTEL TAX FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Hotel occupancy tax	\$ 370,000	\$ 370,000	\$ 350,580	\$ ( 19,420)
Rent	45,000	45,000	46,210	1,210
Investment earnings	<u>1,100</u>	<u>1,100</u>	<u>928</u>	<u>( 172)</u>
Total revenue	<u>416,100</u>	<u>416,100</u>	<u>397,718</u>	<u>( 18,382)</u>
<b>EXPENDITURES</b>				
Culture and recreation	359,178	359,178	258,827	100,351
Capital outlay	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total expenditures	<u>424,178</u>	<u>424,178</u>	<u>258,827</u>	<u>165,351</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 8,078)</u>	<u>( 8,078)</u>	<u>138,891</u>	<u>146,969</u>
<b>FUND BALANCE, BEGINNING</b>	<u>809,567</u>	<u>809,567</u>	<u>809,567</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 801,489</u>	<u>\$ 801,489</u>	<u>\$ 948,458</u>	<u>\$ 146,969</u>

City of Bellmead, Texas  
 TMRS Analysis of Funding Progress  
 For the Year Ended September 30, 2012  
 (Unaudited)

Actuarial Valuation Date	12/31/11	12/31/10	12/31/09
Actuarial Value of Assets	\$ 8,951,504	\$ 8,384,112	\$ 6,463,660
Actuarial Accrued Liability	\$ 9,430,257	\$ 9,079,380	\$ 7,649,174
Percentage Funded	94.9%	92.3%	84.5%
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	\$ 478,753	\$ 695,268	\$ 1,185,514
Annual Covered Payroll	\$ 2,805,949	\$ 2,815,348	\$ 2,538,236
UAAL as a Percentage of Covered Payroll	17.1%	24.7%	46.7%

CITY OF BELLMEAD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2012  
(Unaudited)

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. Prior to the beginning of each fiscal year, the City Administrator 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 them.
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 through passage of an ordinance prior to the beginning of the fiscal year.
4. The City Administrator has the authority to transfer appropriations within departmental accounts. The City Council, however, must approve any interdepartmental transfer of unencumbered appropriation balances or portions thereof as well as any increases in fund appropriations. At the end of the fiscal year, all appropriations lapse.
5. Annual budgets are only adopted for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). There are no legally mandated budgetary constraints for the proprietary funds, however a budget is adopted for the proprietary fund annually as a management tool and for purposes of planning revenue bond repayment in accordance with bond covenants.
6. The budgetary data presented has been amended from the original budget by the City Council. There were no significant supplemental appropriations necessary during the year.
7. Expenditures exceeded appropriations in public safety, economic and physical development and interest and fiscal charges expenditures. These overruns were covered by unspent expenditure budget, proceeds from debt issuance and available fund balance.

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**OTHER SUPPLEMENTARY  
INFORMATION**

**CITY OF BELLMEAD, TEXAS**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2012**

	<u>Special Revenue</u>	<u>Capital</u>	<u>Debt</u>	<u>Total</u>
	<u>Court Technology</u>	<u>Projects</u>	<u>Service</u>	<u>Nonmajor</u>
				<u>Governmental</u>
				<u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 156,811	\$ 156,811
Receivables (net of allowance for uncollectibles)	-	-	27,400	27,400
Due from other funds	<u>31,225</u>	<u>-</u>	<u>-</u>	<u>31,225</u>
 Total assets	 <u>\$ 31,225</u>	 <u>\$ -</u>	 <u>\$ 184,211</u>	 <u>\$ 215,436</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Deferred revenue - delinquent property taxes	\$ -	\$ -	\$ 25,788	\$ 25,788
Total liabilities	<u>-</u>	<u>-</u>	<u>25,788</u>	<u>25,788</u>
 <b>Fund balances:</b>				
Restricted for:				
Court technology	31,225	-	-	31,225
Debt service	<u>-</u>	<u>-</u>	<u>158,423</u>	<u>158,423</u>
Total fund balances	<u>31,225</u>	<u>-</u>	<u>158,423</u>	<u>189,648</u>
 Total liabilities and fund balances	 <u>\$ 31,225</u>	 <u>\$ -</u>	 <u>\$ 184,211</u>	 <u>\$ 215,436</u>

**CITY OF BELLMEAD, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Special Revenue</u>	<u>Capital</u>	<u>Debt</u>	<u>Total</u>
	<u>Court Technolgy</u>	<u>Projects</u>	<u>Service</u>	<u>Nonmajor</u>
				<u>Governmental</u>
				<u>Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ -	\$ -	212,665	\$ 212,665
Investment earnings	1	1	524	526
Miscellaneous	<u>8,507</u>	<u>-</u>	<u>-</u>	<u>8,507</u>
Total revenues	<u>8,508</u>	<u>1</u>	<u>213,189</u>	<u>221,698</u>
<b>EXPENDITURES</b>				
Public safety	1,290	-	-	1,290
Debt service:				
Principal	-	-	235,000	235,000
Interest and other charges	<u>-</u>	<u>-</u>	<u>43,977</u>	<u>43,977</u>
Total expenditures	<u>1,290</u>	<u>-</u>	<u>278,977</u>	<u>280,267</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>7,218</u>	<u>1</u>	<u>( 65,788)</u>	<u>( 58,569)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	60,000	60,000
Transfers out	-	( 991)	-	( 991)
Payment to escrow agent	-	-	( 512,443)	( 512,443)
Proceeds from debt issuance	<u>-</u>	<u>-</u>	<u>495,000</u>	<u>495,000</u>
Total other financing sources (uses)	<u>-</u>	<u>( 991)</u>	<u>42,557</u>	<u>41,566</u>
<b>NET CHANGE IN FUND BALANCE</b>	7,218	( 990)	( 23,231)	( 17,003)
<b>FUND BALANCE, BEGINNING</b>	<u>24,007</u>	<u>990</u>	<u>181,654</u>	<u>206,651</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 31,225</u>	<u>\$ -</u>	<u>\$ 158,423</u>	<u>\$ 189,648</u>

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