



ANNUAL FINANCIAL REPORT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014



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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF BELLMEAD, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2014

Page Number

FINANCIAL SECTION

Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 10
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Government Fund Financial Statements:	
Balance Sheet.....	13 – 14
Statement of Revenues, Expenditures and Changes in Fund Balance.....	15 – 16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance	17
Proprietary Fund Financial Statements:	
Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Fund Net Position.....	19
Statement of Cash Flows	20
Notes to the Financial Statements.....	21 – 38

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General	39
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Economic Development – A.....	40
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Economic Development – B	41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Fund	42
TMRS Analysis of Funding Progress	43
Notes to Required Supplementary Information	44

Other Supplementary Information

Nonmajor Governmental Funds:	
Combining Balance Sheet.....	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46

THIS PAGE LEFT BLANK INTENTIONALLY



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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Bellmead, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bellmead, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Bellmeads' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

THIS PAGE LEFT BLANK INTENTIONALLY

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, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the Financial Statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 39–44 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellmead's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

March 17, 2015

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2014. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,339,517 (net position). Of this amount, \$8,796,784 (unrestricted net position) 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 \$26,923,237. Of this amount, \$8,327,981 (unrestricted net position) 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 net investment in capital assets increased by \$310,822 from the prior year.
- As of September 30, 2014, the City of Bellmead's governmental funds reported ending fund balances of \$12,701,684. Of this amount, \$1,909,873 is unassigned 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 \$7,632,482. Of this amount, \$1,869,707 was unassigned fund balance in the General Fund available for use within the City's fiscal policies.
- As of September 30, 2014, the restricted net position of the governmental activities is \$6,100,197 of which \$4,695,853 is restricted for economic development and \$1,106,713 was restricted for culture and recreation. In the prior year, restricted net position of the governmental activities was \$4,483,968 of which \$3,166,471 was restricted for economic development and \$995,230 was restricted for culture and recreation.
- As of September 30, 2014, the City of Bellmead's Enterprise Fund reported ending fund net position of \$8,335,515. Of this amount, \$5,208,403 is unrestricted fund net position 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 position of \$7,892,677. Of this amount, \$5,213,955 was unrestricted fund net position 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 position was \$29,339,517 at September 30, 2014, which is a 8.97% increase from September 30, 2013. (See Table A-1) The largest portion of the City's net position, \$14,422,110, 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.

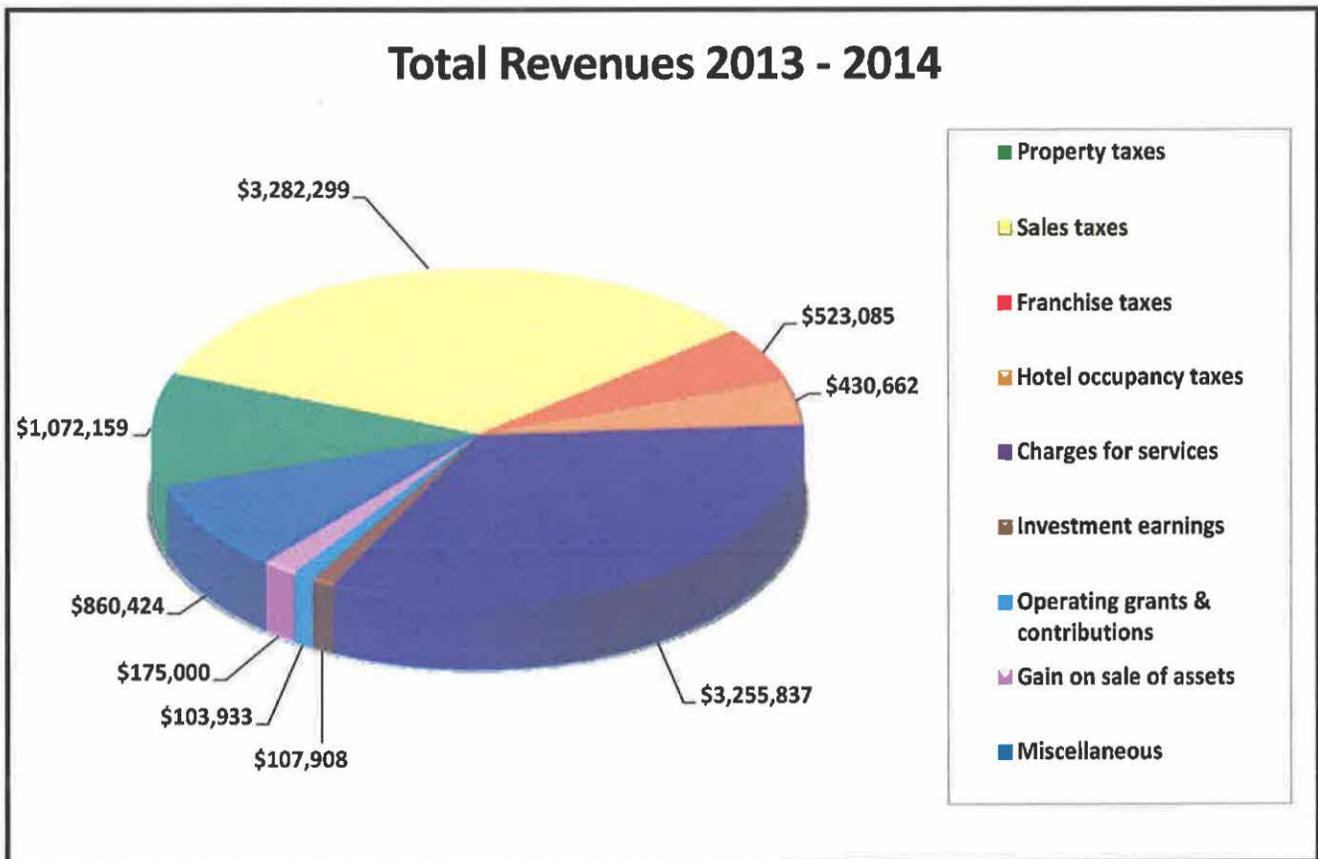
**Table A-1
City of Bellmead, Texas' Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 14,271,930	\$ 9,270,202	\$ 10,352,535	\$ 5,737,545	\$ 24,624,465	\$ 15,007,747
Capital assets	11,523,753	11,877,168	3,695,555	3,348,303	15,219,308	15,225,471
Total assets	<u>25,795,683</u>	<u>21,147,370</u>	<u>14,048,090</u>	<u>9,085,848</u>	<u>39,843,773</u>	<u>30,233,218</u>
Total deferred outflows of resources	-	-	13,888	18,518	13,888	18,518
Long-term liabilities	4,195,272	1,330,029	4,941,788	522,799	9,137,060	1,852,828
Other liabilities	596,409	786,781	784,675	688,890	1,381,084	1,475,671
Total liabilities	<u>4,791,681</u>	<u>2,116,810</u>	<u>5,726,463</u>	<u>1,211,689</u>	<u>10,518,144</u>	<u>3,328,499</u>
Net position:						
Net investment in capital assets	11,315,424	11,452,985	3,106,686	2,658,303	14,422,110	14,111,288
Restricted	6,100,197	4,463,549	20,426	20,419	6,120,623	4,483,968
Unrestricted	<u>3,588,381</u>	<u>3,114,026</u>	<u>5,208,403</u>	<u>5,213,955</u>	<u>8,796,784</u>	<u>8,327,981</u>
Total net position	<u>\$ 21,004,002</u>	<u>\$ 19,030,560</u>	<u>\$ 8,335,515</u>	<u>\$ 7,892,677</u>	<u>\$ 29,339,517</u>	<u>\$ 26,923,237</u>

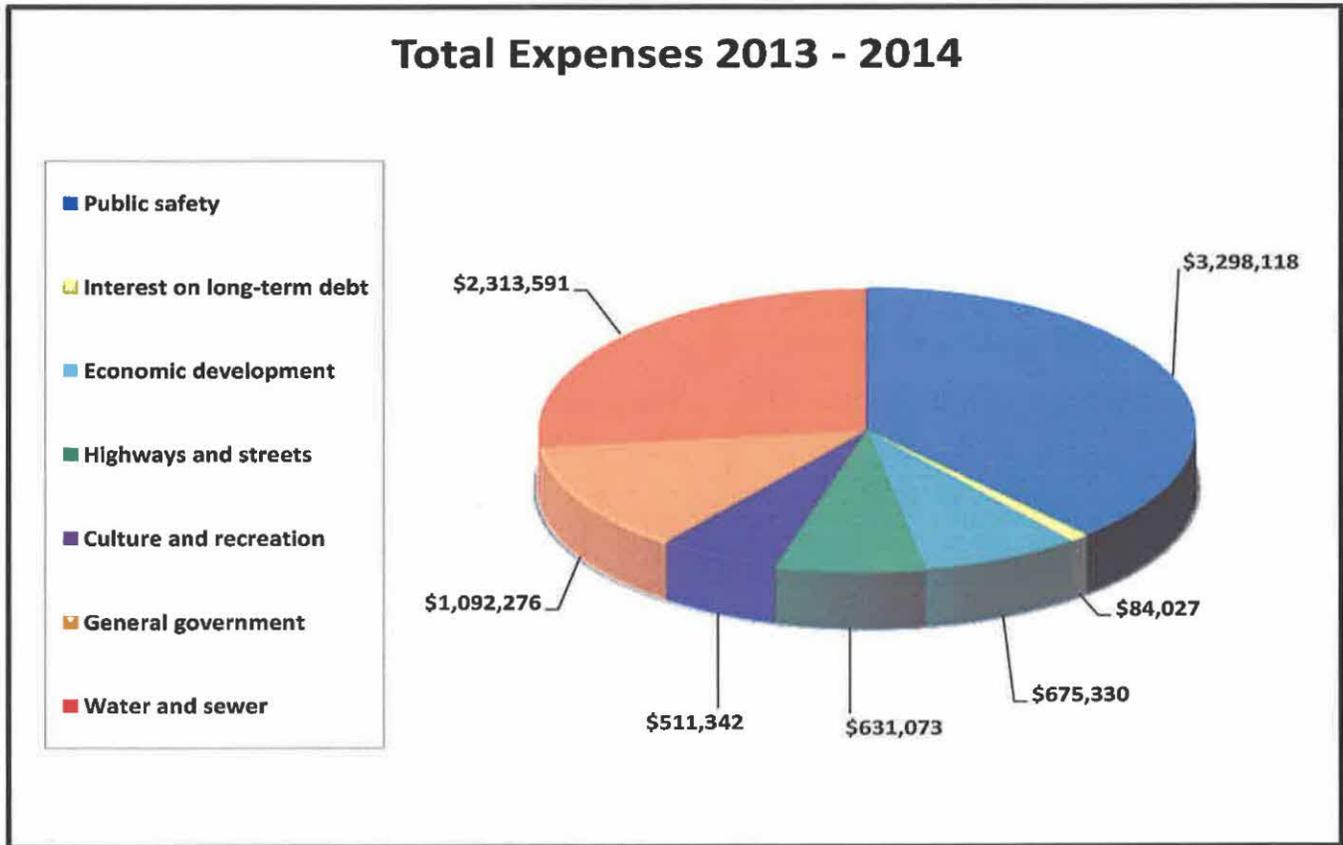
As of September 30, 2014, the City has positive balances in all three categories of net assets, both for the government as a whole, as well as separately for its governmental and business-type activities.

Changes in Net Position. The City's total revenues were \$9,811,307. Property taxes comprise 10.93%, or \$1,072,159 of the City's revenue. Sales tax revenue comprises 33.45%, or \$3,282,299 of the City's revenue. In addition, \$3,255,837 or 33.18% comes from charges for services; water and sewer fees of \$2,747,642 comprise 84.39% of the charges for services.

For the prior year, The City's total revenues were \$9,212,006. Property taxes comprise 11.08%, or \$1,020,937 of the City's revenue. Sales tax revenue comprises 35.59%, or \$3,278,348 of the City's revenue. In addition, \$3,161,419 or 34.32% comes from charges for services; water and sewer fees of \$2,672,771 comprise 84.54% of the charges for services.



The total cost of all programs and services for the year ended September 30, 2014, was \$8,605,757. For the prior year ended September 30, 2013, the total cost of all programs and services was \$7,757,887.



Governmental Activities

- The City's property tax rate remained the same for 2014 at \$0.298608 per \$100 valuation resulting in a slight increase in property tax income for fiscal year 2014 due to increased assessed values.
- City franchise tax revenue increased \$30,931 or 6.28% from the prior year while hotel occupancy tax revenue increased \$49,470 or 12.98% from the prior year.
- Miscellaneous income increased due to the change in the charging for administrative services and insurance recoveries.
- The increases in general government and public safety are related to the additional salaries expenses including some from the change in administrative services. Economic development expenses decreased due to the administrative charge and capital outlay.

Business-type Activities

- Water and sewer expenses increased due to professional fees, depreciation and bond issuance costs.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 508,195	\$ 488,648	\$ 2,747,642	\$ 2,672,771	\$ 3,255,837	\$ 3,161,419
Operating grants	92,029	89,713	11,904	-	103,933	89,713
General revenues:						
Property taxes	1,072,159	1,020,937	-	-	1,072,159	1,020,937
Sales taxes	3,282,299	3,278,348	-	-	3,282,299	3,278,348
Franchise taxes	523,085	492,154	-	-	523,085	492,154
Hotel occupancy	430,662	381,192	-	-	430,662	381,192
Investment earnings	95,090	98,338	12,818	8,334	107,908	106,672
Miscellaneous	860,424	531,407	-	-	860,424	531,407
Gain on sale of land	175,000	150,164	-	-	175,000	150,164
Total revenues	<u>7,038,943</u>	<u>6,530,901</u>	<u>2,772,364</u>	<u>2,681,105</u>	<u>9,811,307</u>	<u>9,212,006</u>
Expenditures						
General government	1,092,276	988,499	-	-	1,092,276	988,499
Public safety	3,298,118	2,905,298	-	-	3,298,118	2,905,298
Highways and streets	631,073	728,820	-	-	631,073	728,820
Economic development	675,330	359,382	-	-	675,330	359,382
Culture and recreation	511,342	516,036	-	-	511,342	516,036
Interest on long-term debt	84,027	20,432	-	-	84,027	20,432
Water and sewer	-	-	2,313,591	2,239,420	2,313,591	2,239,420
Total expenditures	<u>6,292,166</u>	<u>5,518,467</u>	<u>2,313,591</u>	<u>2,239,420</u>	<u>8,605,757</u>	<u>7,757,887</u>
Increase (decrease) in net position before transfers	746,777	1,012,434	458,773	441,685	1,205,550	1,454,119
Transfers	-	-	-	-	-	-
Changes in net position	746,777	1,012,434	458,773	441,685	1,205,550	1,454,119
Net position, beginning	19,030,560	18,018,126	7,892,677	7,450,992	26,923,237	25,469,118
Prior period adjustment	<u>1,226,665</u>	-	<u>(15,935)</u>	-	<u>1,210,730</u>	-
Net position, ending	<u>\$ 21,004,002</u>	<u>\$ 19,030,560</u>	<u>\$ 8,335,515</u>	<u>\$ 7,892,677</u>	<u>\$ 29,339,517</u>	<u>\$ 26,923,237</u>

Analysis of the City's Operations. Table A-2 provides a summary of the City's operations for the year ended September 30, 2014. The governmental activities increased the City's net position by \$746,777. The business-type activities increased net position by \$458,773. The governmental net position also increased by \$1,226,665, while the business-type net position decreased \$15,935 due to prior period adjustments. More information on these prior period adjustments can be found in the notes to the financial statements.

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 \$763,826. The significant changes in actual expenditures reflected an increase in general government of \$73,902, public safety of \$221,469, economic development of \$302,716 and culture and recreation of \$89,885 offset by decreases in highways and streets of \$32,317. Also, actual resources available were \$4,706,658 or 72.10% more than the actual resources available in the prior year. Notable changes in actual resources were as follows: bond proceeds and premiums increased by \$4,070,106; miscellaneous revenue increased by \$145,624; insurance recoveries increased by \$175,985; and sales of capital assets increased by \$154,511.

Proprietary Fund

For the current year, actual expenses as compared to prior year actual expenses increased by \$74,171, or 3.31%. Operating revenues in the current year were \$74,871 or 2.80% more than the operating revenues in the prior year. The notable increase in operating revenues was an increase in miscellaneous revenue in the amount of \$122,722.

General Fund Budgetary Highlights

The original budget for the General Fund was not amended during the year. For fiscal year 2013-2014, revenues exceeded budgetary estimates while expenditures exceeded the budget in public safety and culture and recreation.

Actual expenditures exceeded budgeted expenditures by \$33,188. The most significant variance resulted from actual expenditures being more than budgeted in public safety by \$152,178, while actual expenditures were less than budgeted in general government by \$48,178 and highways and streets by \$72,732. On the other hand, actual revenue was \$222,445 more than budgeted revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year ended September 30, 2014, the City spent \$208,441 for governmental capital asset additions. Of the additions, \$177,578 represented the construction of buildings and improvements. Additionally, the City spent \$860,366 for enterprise capital asset additions during the year ended September 30, 2014.

- Total gross governmental capital assets as of September 30, 2014, are \$18,310,510. For the prior year, gross governmental capital assets were \$18,102,069.
- Total gross enterprise capital assets as of September 30, 2014, are \$11,649,855. For the prior year, gross enterprise capital assets were \$10,853,528.

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

At September 30, 2014, the City had \$9,150,000 in bonds and notes outstanding. As of September 30, 2013, the City had \$1,125,000 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 is continuing to budget conservatively in order to maintain fiscal responsibility. The unassigned fund balance in the General Fund is currently approximately 5 months of estimated expenditures for a year. The City will continue to monitor its fund balance closely in order to keep a strong fund balance for future considerations.

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

CITY OF BELLMEAD, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 16,965,962	\$ 3,953,515	\$ 20,919,477
Accounts receivable, net	694,926	301,715	996,641
Inventories	728	5,000	5,728
Internal balances	(4,497,933)	4,497,933	-
Prepays	440	-	440
Restricted cash and cash equivalents	-	20,426	20,426
Equity in joint venture	-	1,573,946	1,573,946
Lease receivable:			
Due within one year	183,005	-	183,005
Due in more than one year	924,802	-	924,802
Capital assets not being depreciated:			
Land	2,771,193	38,799	2,809,992
Construction in progress	-	147,598	147,598
Capital assets, net of accumulated depreciation:			
Building and improvements	4,666,702	801,242	5,467,944
Infrastructure	2,784,227	-	2,784,227
Water and sewer facilities	-	2,533,103	2,533,103
Equipment	<u>1,301,631</u>	<u>174,813</u>	<u>1,476,444</u>
Total assets	<u>25,795,683</u>	<u>14,048,090</u>	<u>39,843,773</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>-</u>	<u>13,888</u>	<u>13,888</u>
Total deferred outflows of resources	<u>-</u>	<u>13,888</u>	<u>13,888</u>
LIABILITIES			
Accounts payable	197,072	247,551	444,623
Accrued liabilities	157,615	28,497	186,112
Customer deposits payable	-	337,654	337,654
Noncurrent liabilities:			
Due within one year	241,722	170,973	412,695
Due in more than one year	<u>4,195,272</u>	<u>4,941,788</u>	<u>9,137,060</u>
Total liabilities	<u>4,791,681</u>	<u>5,726,463</u>	<u>10,518,144</u>
NET POSITION			
Net investment in capital assets	11,315,424	3,106,686	14,422,110
Restricted for:			
Court security and technology	31,225	-	31,225
Public safety	76,554	-	76,554
Debt service	189,852	-	189,852
Capital projects	-	20,426	20,426
Economic development	4,695,853	-	4,695,853
Culture and recreation	1,106,713	-	1,106,713
Unrestricted	<u>3,588,381</u>	<u>5,208,403</u>	<u>8,796,784</u>
Total net position	<u>\$ 21,004,002</u>	<u>\$ 8,335,515</u>	<u>\$ 29,339,517</u>

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,092,276	\$ 46,832	\$ -	\$(1,045,444)	\$ -	\$(1,045,444)
Public safety	3,298,118	357,416	92,029	(2,848,673)	-	(2,848,673)
Highways and streets	631,073	-	-	(631,073)	-	(631,073)
Economic development	675,330	65,049	-	(610,281)	-	(610,281)
Culture and recreation	511,342	38,898	-	(472,444)	-	(472,444)
Interest on long-term debt	84,027	-	-	(84,027)	-	(84,027)
Total governmental activities	<u>6,292,166</u>	<u>508,195</u>	<u>92,029</u>	<u>(5,691,942)</u>	<u>-</u>	<u>(5,691,942)</u>
Business-type activities:						
Water and sewer	2,313,591	2,747,642	11,904	-	445,955	445,955
Total business-type activities	<u>2,313,591</u>	<u>2,747,642</u>	<u>11,904</u>	<u>-</u>	<u>445,955</u>	<u>445,955</u>
Total primary government	<u>\$ 8,605,757</u>	<u>\$ 3,255,837</u>	<u>\$ 103,933</u>	<u>(5,691,942)</u>	<u>445,955</u>	<u>(5,245,987)</u>
General revenues:						
Property taxes, levied for general purposes				772,127	-	772,127
Property taxes, levied for debt service				300,032	-	300,032
Sales taxes				3,282,299	-	3,282,299
Franchise taxes				523,085	-	523,085
Hotel occupancy taxes				430,662	-	430,662
Investment earnings				95,090	12,818	107,908
Miscellaneous				860,424	-	860,424
Gain on sale of assets				175,000	-	175,000
Total general revenues and transfers				<u>6,438,719</u>	<u>12,818</u>	<u>6,451,537</u>
Change in net position				746,777	458,773	1,205,550
Net position, beginning				19,030,560	7,892,677	26,923,237
Prior period adjustment				<u>1,226,665</u>	<u>(15,935)</u>	<u>1,210,730</u>
Net position, ending				<u>\$ 21,004,002</u>	<u>\$ 8,335,515</u>	<u>\$ 29,339,517</u>

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General	Bellmead EDC A
ASSETS		
Cash and cash equivalents	\$ 3,643,361	\$ 1,323,670
Receivables (net of allowance for uncollectibles)	566,643	-
Lease receivable	-	1,107,807
Due from other funds	-	-
Prepays	440	-
Inventories	728	-
Total assets	\$ 4,211,172	\$ 2,431,477
LIABILITIES		
Accounts payable	\$ 150,018	\$ -
Accrued liabilities	119,972	-
Due to other funds	38,173	1,585
Total liabilities	308,163	1,585
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	85,269	-
Unavailable revenue - lease receivable	-	1,107,807
Total deferred inflows of resources	85,269	1,107,807
FUND BALANCES		
Restricted for:		
Inventories	728	-
Prepays	440	-
Public safety	76,554	-
Court technology	-	-
Culture and recreation	-	-
Economic development	-	1,322,085
Capital projects	-	-
Debt service	-	-
Committed for:		
Street improvements	1,830,145	-
Unassigned	1,909,873	-
Total fund balances	3,817,740	1,322,085
Total liabilities, deferred inflows of resources and fund balances	\$ 4,211,172	\$ 2,431,477

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

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

Long-term liabilities including bonds payable are not due and payable in the current period and; therefore, aren't reported in the funds.

Net position of governmental activities

See accompanying notes to financial statements.

Bellmead EDC B	Hotel/Motel Tax	Capital Projects	Other Governmental	Total Governmental Funds
\$ 2,191,551	\$ 1,131,451	8,500,179	\$ 175,750	\$ 16,965,962
93,086	-	-	35,197	694,926
-	-	-	-	1,107,807
1,585	6,948	1,598	35,090	45,221
-	-	-	-	440
-	-	-	-	728
<u>\$ 2,286,222</u>	<u>\$ 1,138,399</u>	<u>\$ 8,501,777</u>	<u>\$ 246,037</u>	<u>\$ 18,815,084</u>
\$ 20,261	\$ 26,793	\$ -	\$ -	\$ 197,072
-	4,893	-	21,564	146,429
-	-	4,500,000	3,396	4,543,154
<u>20,261</u>	<u>31,686</u>	<u>4,500,000</u>	<u>24,960</u>	<u>4,886,655</u>
-	-	-	33,669	118,938
-	-	-	-	1,107,807
-	-	-	33,669	1,226,745
-	-	-	-	728
-	-	-	-	440
-	-	-	-	76,554
-	-	-	31,225	31,225
-	1,106,713	-	-	1,106,713
2,265,961	-	-	-	3,588,046
-	-	4,001,777	-	4,001,777
-	-	-	156,183	156,183
-	-	-	-	1,830,145
-	-	-	-	1,909,873
<u>2,265,961</u>	<u>1,106,713</u>	<u>4,001,777</u>	<u>187,408</u>	<u>12,701,684</u>
<u>\$ 2,286,222</u>	<u>\$ 1,138,399</u>	<u>\$ 8,501,777</u>	<u>\$ 246,037</u>	
				11,523,753
				1,226,745
				(4,448,180)
				<u>\$ 21,004,002</u>

CITY OF BELLMEAD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>General</u>	<u>Bellmead EDC A</u>
REVENUES		
Taxes:		
Property	\$ 768,018	\$ -
Sales	2,735,250	-
Franchise	523,085	-
Hotel occupancy	-	-
Other	59,713	-
Licenses and permits	46,792	-
Intergovernmental	92,029	-
Rent	40	-
Fines and fees	357,416	-
Investment earnings	17,292	65,572
Miscellaneous	624,226	-
Total revenues	<u>5,223,861</u>	<u>65,572</u>
EXPENDITURES		
General government	982,935	-
Public safety	3,040,225	-
Highways and streets	584,008	-
Economic and physical development	-	69,798
Culture and recreation	82,883	-
Debt service:		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Capital outlay	-	-
Total expenditures	<u>4,690,051</u>	<u>69,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>533,810</u>	<u>(4,226)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	(166,416)
Bond proceeds	-	-
Premium on bonds issued	-	-
Insurance recoveries	-	-
Sale of general capital assets	-	129,675
Total other financing sources (uses)	<u>-</u>	<u>(36,741)</u>
NET CHANGE IN FUND BALANCE	533,810	(40,967)
FUND BALANCE, BEGINNING	<u>3,283,930</u>	<u>1,363,052</u>
FUND BALANCE, ENDING	<u>\$ 3,817,740</u>	<u>\$ 1,322,085</u>

See accompanying notes to financial statements.

<u>Bellmead EDC B</u>	<u>Hotel/Motel Tax</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 300,101	\$ 1,068,119
547,049	-	-	-	3,282,299
-	-	-	-	523,085
-	430,662	-	-	430,662
-	-	-	-	59,713
-	-	-	-	46,792
-	-	-	-	92,029
65,049	38,898	-	-	103,987
-	-	-	-	357,416
8,311	3,298	179	438	95,090
500	-	-	-	624,726
<u>620,909</u>	<u>472,858</u>	<u>179</u>	<u>300,539</u>	<u>6,683,918</u>
-	-	-	-	982,935
-	-	-	-	3,040,225
-	-	-	-	584,008
498,190	-	-	-	567,988
-	351,924	-	-	434,807
-	-	-	295,000	295,000
-	-	-	4,982	4,982
-	-	68,508	-	68,508
<u>177,578</u>	<u>9,451</u>	<u>-</u>	<u>-</u>	<u>187,029</u>
<u>675,768</u>	<u>361,375</u>	<u>68,508</u>	<u>299,982</u>	<u>6,165,482</u>
(54,859)	111,483	(68,329)	557	518,436
166,416	-	-	-	166,416
-	-	-	-	(166,416)
-	-	4,000,000	-	4,000,000
-	-	70,106	-	70,106
175,985	-	-	-	175,985
<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,675</u>
<u>517,401</u>	<u>-</u>	<u>4,070,106</u>	<u>-</u>	<u>4,550,766</u>
462,542	111,483	4,001,777	557	5,069,202
<u>1,803,419</u>	<u>995,230</u>	<u>-</u>	<u>186,851</u>	<u>7,632,482</u>
<u>\$ 2,265,961</u>	<u>\$ 1,106,713</u>	<u>\$ 4,001,777</u>	<u>\$ 187,408</u>	<u>\$ 12,701,684</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2014

Net change in fund balances - total governmental funds \$ 5,069,202

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period. (353,415)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 4,040

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets. (129,675)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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. (3,775,106)

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. (68,269)

Changes in net position of governmental activities \$ 746,777

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
STATEMENT OF NET POSITION
PROPREITARY FUND
SEPTEMBER 30, 2014

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,953,515
Accounts receivable, net of allowance for uncollectibles of \$49,707:	
Accounts	275,164
Other	26,551
Due from other funds	4,501,798
Inventories	5,000
Total current assets	<u>8,762,028</u>
Noncurrent assets:	
Restricted cash	20,426
Equity in joint venture	1,573,946
Capital assets:	
Land	38,799
Buildings and improvements	877,695
Water and sewer facilities	9,248,100
Equipment	1,337,663
Construction in progress	147,598
Less: accumulated depreciation	<u>(7,954,300)</u>
Total capital assets (net of accumulated depreciation)	3,695,555
Total noncurrent assets	<u>5,289,927</u>
Total assets	<u>14,051,955</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge of refunding	<u>13,888</u>
Total deferred outflows of resources	<u>13,888</u>
LIABILITIES	
Current liabilities:	
Accounts payable	247,551
Accrued liabilities	28,497
Customer deposits payable	337,654
Compensated absences, current portion	5,973
Due to other funds	3,865
Revenue bond and note payable, current portion	<u>165,000</u>
Total current liabilities	<u>788,540</u>
Noncurrent liabilities:	
Compensated absences	17,919
Revenue bond and note payable	<u>4,923,869</u>
Total noncurrent liabilities	<u>4,941,788</u>
Total liabilities	5,730,328
NET POSITION	
Net investment in capital assets	3,106,686
Restricted for:	
Capital projects	20,426
Unrestricted	<u>5,208,403</u>
Total net position	<u>\$ 8,335,515</u>

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPREITARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
REVENUE	
Operating revenues:	
Water sales	\$ 1,705,580
Sewer charges	805,847
Turn-on fees	41,750
Water and sewer tap fees	19,645
Other	<u>174,820</u>
Total operating revenue	<u>2,747,642</u>
 EXPENSES	
Operating expenses:	
Salaries and benefits	419,945
System repair and maintenance	127,259
Auto and equipment maintenance	69,890
Office expense	33,972
Professional fees	94,452
Utilities	319,523
Depreciation	449,075
Insurance	60,028
Miscellaneous	<u>398,036</u>
Total operating expenses	<u>1,972,180</u>
 OPERATING INCOME	 <u>775,462</u>
 NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	11,904
Interest and other income	12,818
Gain (loss) on joint venture	(236,777)
Interest charges	<u>(104,634)</u>
Total nonoperating revenue (expenses)	<u>(316,689)</u>
 CHANGE IN NET POSITION	 458,773
 NET POSITION, BEGINNING	 <u>7,892,677</u>
 PRIOR PERIOD ADJUSTMENT	 <u>(15,935)</u>
 NET POSITION, ENDING	 <u>\$ 8,335,515</u>

See accompanying notes to financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF BELLMEAD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,834,400
Payments to suppliers	(1,020,311)
Payments to employees	(411,576)
Net cash provided by operating activities	<u>1,402,513</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES	
Operating grants	<u>1,753</u>
Net cash provided by noncapital and related financing activities	<u>1,753</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(796,327)
Principal paid on bonds and note payable	(180,000)
Interest paid on bonds and note payable	(10,593)
Net cash provided by capital and related financing activities	<u>(986,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in joint venture	(242,407)
Interest received	<u>12,818</u>
Net cash provided by investing activities	<u>(229,589)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,757
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,786,184</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,973,941</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 775,462
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	449,075
Change in assets and liabilities:	
Accounts receivable, net	71,570
Other receivables	(11,725)
Inventories	14,713
Customer deposits	26,913
Accounts payable	68,283
Due to other funds	(147)
Other liabilities	<u>8,369</u>
Net cash provided by operating activities	<u>\$ 1,402,513</u>

See accompanying notes to financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF BELLMEAD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

The above criteria were applied to potential organizations to determine if the entity should be reported as part of the City. The following was determined:

The Bellmead Economic Development Corporation Type A (EDC A) and Bellmead Economic Development Corporation Type B are *blended component units* and are reported within the City’s 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. 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 revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes 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 revenue are reported instead as *general revenue*.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. 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*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items 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.

Capital Projects Fund – The Capital Projects Fund accounts for the acquisition or construction of governmental capital assets.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes 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 Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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. Assets, Liabilities and Net Position or Equity

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.

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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). 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."

Inventories and Prepaid Items

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.

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 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

Restricted Assets

Restricted cash accounts in the Water and Sewer Fund of \$20,426 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.

Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Fund Equity and Net Position

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.
- **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 offsetting of assigned fund balance amounts.

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets, 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 position is 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes require a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The city does not have any items that qualify for reporting in this category in the current fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Prior Period Adjustment

Change in Accounting Principles - As the result of implementing GASB Statement No. 65, the City has decreased beginning net position as of October 1, 2013 by \$10,817 for the governmental activities and by \$15,935 for business-type activities. These decreases result from no longer deferring and amortizing bond issuance costs.

Further, the City has reclassified its deferred loss on bond refunding, previously reported as a component of long-term debt, to deferred outflows of resources in the government-wide statements in accordance with GASB Statement No. 65. The effect of this change decreases current and other assets of the business-type activities by \$18,518, and corresponds to an increase in deferred outflows of resources as of October 1, 2013.

In addition, a prior period adjustment of \$1,237,482 was recorded to remove the unavailable revenue for the lease receivable which had been deferred in previous years. This revenue is considered earned and therefore should have been included in revenue in the governmental activities at the time of the sale. This revenue is still unavailable so this prior period adjustment only effects the government-wide financial statements.

Compensated Absences

Compensated absences are reported as accrued in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminated employees are reported.

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 position of governmental activities as reported in the government-wide statement of net position.

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 position 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.

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 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	\$ 315,009
Capital assets	1,389,991
Current liabilities	(131,054)
Net assets	\$ <u>1,573,946</u>
Operating expenses	\$ (252,851)
Nonoperating revenues	<u>16,074</u>
Change in net assets	\$ <u>(236,777)</u>
Capital contributions - current year	\$ <u>242,407</u>

4. DEPOSITS AND INVESTMENTS

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

Cash and certificates of deposit in bank	\$ 20,739,062
Government investment pools:	
TexPool	115,646
TexStar	<u>68,258</u>
Total cash and cash equivalents	\$ <u>20,922,966</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, 2014, 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, 2014, is less than 60 days.

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, 2014, 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, 2014, 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	\$ 89,299	\$ -	\$ 35,197	\$ -	\$ 124,496
Sales taxes	465,432	93,086	-	-	558,518
Accounts	-	-	-	324,871	324,871
Other	11,912	-	-	26,551	38,463
Gross receivables	566,643	93,086	35,197	351,422	1,046,348
Less: allowance for uncollectibles	-	-	-	(49,707)	(49,707)
Net total receivables	<u>\$ 566,643</u>	<u>\$ 93,086</u>	<u>\$ 35,197</u>	<u>\$ 301,715</u>	<u>\$ 996,641</u>

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 2014 levy was based was \$354,890,713.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2014, were 96.7 % of the tax levy.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payable balances at September 30, 2014, are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 38,173
Bellmead EDC - A	-	1,585
Bellmead EDC - B	1,585	-
Hotel/Motel Tax	6,948	
Capital Projects	1,598	4,500,000
Nonmajor	35,090	3,396
Water and sewer	<u>4,501,798</u>	<u>3,865</u>
Totals	<u>\$ 4,547,019</u>	<u>\$ 4,547,019</u>

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, 2014, are as follows:

	<u>Bellmead EDC - B</u>	<u>Total</u>
Transfers out:		
Bellmead EDC - A	\$ <u>166,416</u>	\$ <u>166,416</u>
Total transfers	\$ <u>166,416</u>	\$ <u>166,416</u>

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 (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 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 2013 payments, the current lease receivable is \$1,107,807.

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

Year Ended September 30,	Principal	Interest
2015	\$ 183,005	\$ 66,619
2016	195,261	54,363
2017	208,338	41,286
2018	222,290	27,334
2019	237,177	12,447
2020	<u>61,736</u>	<u>670</u>
	<u>\$ 1,107,807</u>	<u>\$ 202,719</u>

8. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,771,193	\$ -	\$ -	\$ 2,771,193
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,771,193</u>	<u>-</u>	<u>-</u>	<u>2,771,193</u>
Capital assets being depreciated:				
Buildings and improvements	6,531,619	177,578	-	6,709,197
Infrastructure	3,191,770	-	-	3,191,770
Equipment	<u>5,607,487</u>	<u>30,863</u>	<u>-</u>	<u>5,638,350</u>
Total capital assets being depreciated	<u>15,330,876</u>	<u>208,441</u>	<u>-</u>	<u>15,539,317</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,819,136)	(223,359)	-	(2,042,495)
Infrastructure	(328,458)	(79,085)	-	(407,543)
Equipment	<u>(4,077,307)</u>	<u>(259,412)</u>	<u>-</u>	<u>(4,336,719)</u>
Total accumulated depreciation	<u>(6,224,901)</u>	<u>(561,856)</u>	<u>-</u>	<u>(6,786,757)</u>
Total capital assets being depreciated, net	<u>9,105,975</u>	<u>(353,415)</u>	<u>-</u>	<u>8,752,560</u>
Governmental activities capital assets, net	<u>\$ 11,877,168</u>	<u>\$(353,415)</u>	<u>\$ -</u>	<u>\$ 11,523,753</u>

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 38,799	\$ -	\$ -	\$ 38,799
Construction in progress	64,039	147,598	(64,039)	147,598
Total capital assets not being depreciated	<u>102,838</u>	<u>147,598</u>	<u>(64,039)</u>	<u>186,397</u>
Capital assets being depreciated:				
Buildings and improvements	877,695	-	-	877,695
Water and sewer facilities	8,535,332	712,768	-	9,248,100
Equipment	1,337,663	-	-	1,337,663
Total capital assets being depreciated	<u>10,750,690</u>	<u>712,768</u>	<u>-</u>	<u>11,463,458</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,883)	(43,570)	-	(76,453)
Water and sewer facilities	(6,359,759)	(355,238)	-	(6,714,997)
Equipment	(1,112,583)	(50,267)	-	(1,162,850)
Total accumulated depreciation	<u>(7,505,225)</u>	<u>(449,075)</u>	<u>-</u>	<u>(7,954,300)</u>
Total capital assets being depreciated, net	<u>3,245,465</u>	<u>263,693</u>	<u>-</u>	<u>3,509,158</u>
Business-type activities capital assets, net	<u>\$ 3,348,303</u>	<u>\$ 411,291</u>	<u>\$ (64,039)</u>	<u>\$ 3,695,555</u>

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

Governmental activities	
General government	\$ 84,767
Public safety	228,749
Highways and streets	68,742
Economic development	107,343
Culture and recreation	<u>72,255</u>
Total depreciation - governmental activities	<u>\$ 561,856</u>
Business-type activities	
Water and sewer	<u>\$ 449,075</u>
Total depreciation - business-type activities	<u>\$ 449,075</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, 2014:

	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014	Due Within One Year
Governmental activities					
General obligation bonds	\$ 250,000	\$ -	\$(250,000)	\$ -	\$ -
Certificates of obligation	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 140,000
Tax anticipation notes	185,000	-	(45,000)	140,000	45,000
Compensated absences	169,156	69,500	(11,768)	226,888	56,722
Premium on debt	-	70,106	-	70,106	-
	<u>\$ 604,156</u>	<u>\$ 4,139,606</u>	<u>\$(306,768)</u>	<u>\$ 4,436,994</u>	<u>\$ 241,722</u>
Business-type activities					
General obligation bonds	\$ 690,000	\$ -	\$(180,000)	\$ 510,000	\$ 165,000
Certificates of obligation	\$ -	\$ 4,500,000	\$ -	\$ 4,500,000	\$ -
Compensated absences	17,065	11,093	(4,266)	\$ 23,892	5,973
Premium on debt	-	78,869	-	78,869	-
	<u>\$ 707,065</u>	<u>\$ 4,589,962</u>	<u>\$(184,266)</u>	<u>\$ 5,112,761</u>	<u>\$ 170,973</u>

Long-term debt for governmental activities at September 30, 2014, is comprised of the following:

\$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>\$ 140,000</u>
\$4,000,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of \$140,000 to \$265,000 with an interest rate of 2.00% to 3.75%, maturing in 2034.	<u>\$ 4,000,000</u>

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

Year Ended September 30,	Certificates of Obligation		Note Payable	
	Principal	Interest	Principal	Interest
2015	\$ 140,000	\$ 120,565	\$ 45,000	\$ 2,103
2016	150,000	107,531	45,000	1,298
2017	150,000	104,156	50,000	448
2018	200,000	100,656	-	-
2019	170,000	96,956	-	-
2020-2024	915,000	426,984	-	-
2025-2029	1,045,000	299,275	-	-
2030-2034	1,230,000	115,700	-	-
	<u>\$ 4,000,000</u>	<u>\$ 1,371,823</u>	<u>\$ 140,000</u>	<u>\$ 3,849</u>

Long-term debt for business-type activities at September 30, 2013, 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>510,000</u>
\$4,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of \$30,000 to \$330,000 with an interest rate of 2.00% to 3.75%, maturing in 2034.	<u>\$ 4,500,000</u>

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

Year Ended September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2015	\$ 165,000	\$ 7,652	\$ -	\$ 140,495
2016	170,000	4,654	30,000	129,313
2017	175,000	1,566	30,000	128,638
2018	-	-	210,000	126,238
2019	-	-	215,000	121,988
2020-2024	-	-	1,160,000	537,119
2025-2029	-	-	1,310,000	375,988
2030-2034	-	-	1,545,000	145,013
	<u>\$ 510,000</u>	<u>\$ 13,872</u>	<u>\$ 4,500,000</u>	<u>\$ 1,704,792</u>

In August 2014, the City issued \$8.5 million in certificates of obligation to finance \$4.5 million in Utility Fund capital improvement projects and \$4 million in General Fund capital improvement projects. This issuance has been done without a current increase in the tax rate.

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 state-wide 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.

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 2013</u>	<u>Plan Year 2014</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

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

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

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2012	268,019	268,019	100%	-
9/30/2013	241,743	241,743	100%	-
9/30/2014	267,187	267,187	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.4 years closed period	25.1 years closed period	30.0 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*	7.0%	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%

Funded Status and Funding Progress – In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, 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
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2013	\$ 10,085,429	\$ 11,007,558	91.6%	\$ 922,129	\$ 2,886,129	32.0%

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.

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.

(RETIREE-only portion of the rate)			
Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.05%	0.05%	100%
2013	0.06%	0.06%	100%
2014	0.06%	0.06%	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 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.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 751,289	\$ 751,289	\$ 768,018	\$ 16,729
Sales	2,733,601	2,733,601	2,735,250	1,649
Franchise	542,850	542,850	523,085	(19,765)
Other	41,850	41,850	59,713	17,863
Licenses and permits	52,325	52,325	46,792	(5,533)
Intergovernmental	-	-	92,029	92,029
Rent	-	-	40	40
Fines and fees	325,000	325,000	357,416	32,416
Investment earnings	5,445	5,445	17,292	11,847
Miscellaneous	549,056	549,056	624,226	75,170
Total revenue	<u>5,001,416</u>	<u>5,001,416</u>	<u>5,223,861</u>	<u>222,445</u>
EXPENDITURES				
General government	1,031,113	1,031,113	982,935	48,178
Public safety	2,888,047	2,888,047	3,040,225	(152,178)
Highways and streets	656,740	656,740	584,008	72,732
Culture and recreation	80,963	80,963	82,883	(1,920)
Total expenditures	<u>4,656,863</u>	<u>4,656,863</u>	<u>4,690,051</u>	<u>(33,188)</u>
NET CHANGE IN FUND BALANCE	344,553	344,553	533,810	189,257
FUND BALANCE, BEGINNING	<u>3,283,930</u>	<u>3,283,930</u>	<u>3,283,930</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 3,628,483</u>	<u>\$ 3,628,483</u>	<u>\$ 3,817,740</u>	<u>\$ 189,257</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, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget
REVENUES				
Investment earnings	\$ 75,304	\$ 75,304	\$ 65,572	\$(9,732)
Total revenue	75,304	75,304	65,572	(9,732)
EXPENDITURES				
Economic development	56,300	56,300	69,798	(13,498)
Total expenditures	56,300	56,300	69,798	(13,498)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,004	19,004	(4,226)	(23,230)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(166,416)	(166,416)
Sale of property	174,320	174,320	129,675	(44,645)
Total other financing sources (uses)	174,320	174,320	(36,741)	(211,061)
NET CHANGE IN FUND BALANCE	193,324	193,324	(40,967)	(234,291)
FUND BALANCE, BEGINNING	1,363,052	1,363,052	1,363,052	-
FUND BALANCE, ENDING	\$ 1,556,376	\$ 1,556,376	\$ 1,322,085	\$(234,291)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Sales taxes	\$ 546,600	\$ 546,600	\$ 547,049	\$ 449
Rent	19,000	19,000	65,049	
Investment earnings	1,000	1,000	8,311	7,311
Miscellaneous	-	-	500	500
Total revenue	566,600	566,600	620,909	54,309
EXPENDITURES				
Economic development	566,600	566,600	498,190	68,410
Capital outlay	-	-	177,578	(177,578)
Total expenditures	566,600	566,600	675,768	(109,168)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(54,859)	(54,859)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	166,416	166,416
Insurance recoveries	-	-	175,985	175,985
Sale of general capital assets	-	-	175,000	175,000
Total other financing sources (uses)	-	-	517,401	517,401
NET CHANGE IN FUND BALANCE	-	-	462,542	462,542
FUND BALANCE, BEGINNING	1,803,419	1,803,419	1,803,419	-
FUND BALANCE, ENDING	\$ 1,803,419	\$ 1,803,419	\$ 2,265,961	\$ 462,542

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, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Hotel occupancy tax	\$ 357,700	\$ 357,700	\$ 430,662	\$ 72,962
Rent	42,000	42,000	38,898	(3,102)
Investment earnings	1,000	1,000	3,298	2,298
Total revenue	<u>400,700</u>	<u>400,700</u>	<u>472,858</u>	<u>72,158</u>
EXPENDITURES				
Culture and recreation	349,792	349,792	351,924	(2,132)
Capital outlay	13,000	13,000	9,451	3,549
Total expenditures	<u>362,792</u>	<u>362,792</u>	<u>361,375</u>	<u>1,417</u>
NET CHANGE IN FUND BALANCE	37,908	37,908	111,483	73,575
FUND BALANCE, BEGINNING	<u>995,230</u>	<u>995,230</u>	<u>995,230</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,033,138</u>	<u>\$ 1,033,138</u>	<u>\$ 1,106,713</u>	<u>\$ 73,575</u>

City of Bellmead, Texas
 TMRS Analysis of Funding Progress
 For the Year Ended September 30, 2014
 (Unaudited)

Actuarial Valuation Date	12/31/13	12/31/12	12/31/11
Actuarial Value of Assets	\$ 10,085,429	\$ 9,412,845	\$ 8,951,504
Actuarial Accrued Liability	\$ 11,007,558	\$ 9,736,082	\$ 9,430,257
Percentage Funded	91.6%	96.7%	94.9%
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	\$ 922,129	\$ 323,237	\$ 478,753
Annual Covered Payroll	\$ 2,886,129	\$ 2,780,627	\$ 2,805,949
UAAL as a Percentage of Covered Payroll	32.0%	11.6%	17.1%

CITY OF BELLMEAD, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014
(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 and culture and recreation expenditures in the General Fund. These overruns were covered by unexpected revenues and unspent expenditure budget. Expenditures exceeded appropriations in economic development expenditures in the EDC A Fund. This overrun was covered by available fund balance. Expenditures exceeded appropriations in capital outlay in the EDC B Fund. This overrun was covered by unexepected revenue and other financing sources. Expenditures exceeded appropriations in culture and recreation in the Hotel/Motel Tax Fund. This overrun was covered by unexpected revenues and unspent expenditure budget.

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING STATEMENTS

CITY OF BELLMEAD, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>Special Revenue</u> <u>Court Technology</u>	<u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 175,750	\$ 175,750
Receivables (net of allowance for uncollectibles)	-	35,197	35,197
Due from other funds	<u>31,225</u>	<u>3,865</u>	<u>35,090</u>
Total assets	\$ <u>31,225</u>	\$ <u>214,812</u>	\$ <u>246,037</u>
LIABILITIES			
Accrued interest payable	\$ -	\$ 21,564	\$ 21,564
Due to other funds	-	<u>3,396</u>	<u>3,396</u>
Total liabilities	<u>-</u>	<u>24,960</u>	<u>24,960</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	<u>33,669</u>	<u>33,669</u>
Total deferred inflows of resources	<u>-</u>	<u>33,669</u>	<u>33,669</u>
FUND BLANCES			
Restricted for:			
Court technology	31,225	-	31,225
Debt service	-	<u>156,183</u>	<u>156,183</u>
Total fund balances	<u>31,225</u>	<u>156,183</u>	<u>187,408</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>31,225</u>	\$ <u>214,812</u>	\$ <u>246,037</u>

CITY OF BELLMEAD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Special Revenue</u> <u>Court Technolgy</u>	<u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Taxes:			
Property	\$ -	300,101	\$ 300,101
Investment earnings	-	438	438
Total revenues	<u>-</u>	<u>300,539</u>	<u>300,539</u>
EXPENDITURES			
Debt service:			
Principal	-	295,000	295,000
Interest and other charges	-	4,982	4,982
Total expenditures	<u>-</u>	<u>299,982</u>	<u>299,982</u>
NET CHANGE IN FUND BALANCE	-	557	557
FUND BALANCE, BEGINNING	<u>31,225</u>	<u>155,626</u>	<u>186,851</u>
FUND BALANCE, ENDING	<u>\$ 31,225</u>	<u>\$ 156,183</u>	<u>\$ 187,408</u>

THIS PAGE LEFT BLANK INTENTIONALLY