



ANNUAL FINANCIAL REPORT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

PB&H

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

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CITY OF BELLMEAD, TEXAS

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FINANCIAL SECTION

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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, each major fund, and the aggregate remaining fund information of City of Bellmead, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Bellmead's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, and the respective changes in financial position and, where applicable, cash flows 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 I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 4 – 11 and 44 – 50 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

March 28, 2016

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Bellmead, Texas (the "City") offers the following overview and analysis of the City's financial statements and financial activities for the fiscal year ended September 30, 2015. 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 \$30,180,839 (net position). Of this amount, \$9,327,966 (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 \$29,339,517. Of this amount, \$8,796,784 (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.
- As of September 30, 2015, the City of Bellmead's governmental funds reported ending fund balances of \$13,214,682. Of this amount, \$1,912,301 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 \$12,701,684. Of this amount, \$1,909,873 was unassigned fund balance in the General Fund available for use within the City's fiscal policies.
- As of September 30, 2015, the restricted net position of the governmental activities is \$6,862,334 of which \$5,206,660 is restricted for economic development and \$1,285,977 was restricted for culture and recreation. In the prior year, restricted net position of the governmental activities was \$6,100,197 of which \$4,695,853 was restricted for economic development and \$1,106,713 was restricted for culture and recreation.
- As of September 30, 2015, the City of Bellmead's Enterprise Fund reported ending fund net position of \$8,638,346. Of this amount, \$5,472,338 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 \$8,335,515. Of this amount, \$5,208,403 was unrestricted fund net position available for use within the City's fiscal policies.

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, liabilities and deferred inflows/outflows of resources, 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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

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 12 and 13 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 14 through 18 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 19 through 21 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 22 – 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. The City's combined net position was \$30,180,839 at September 30, 2015, which is a 2.87% increase from September 30, 2014. (See Table A-1) The largest portion of the City's net position, \$13,970,102, 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.

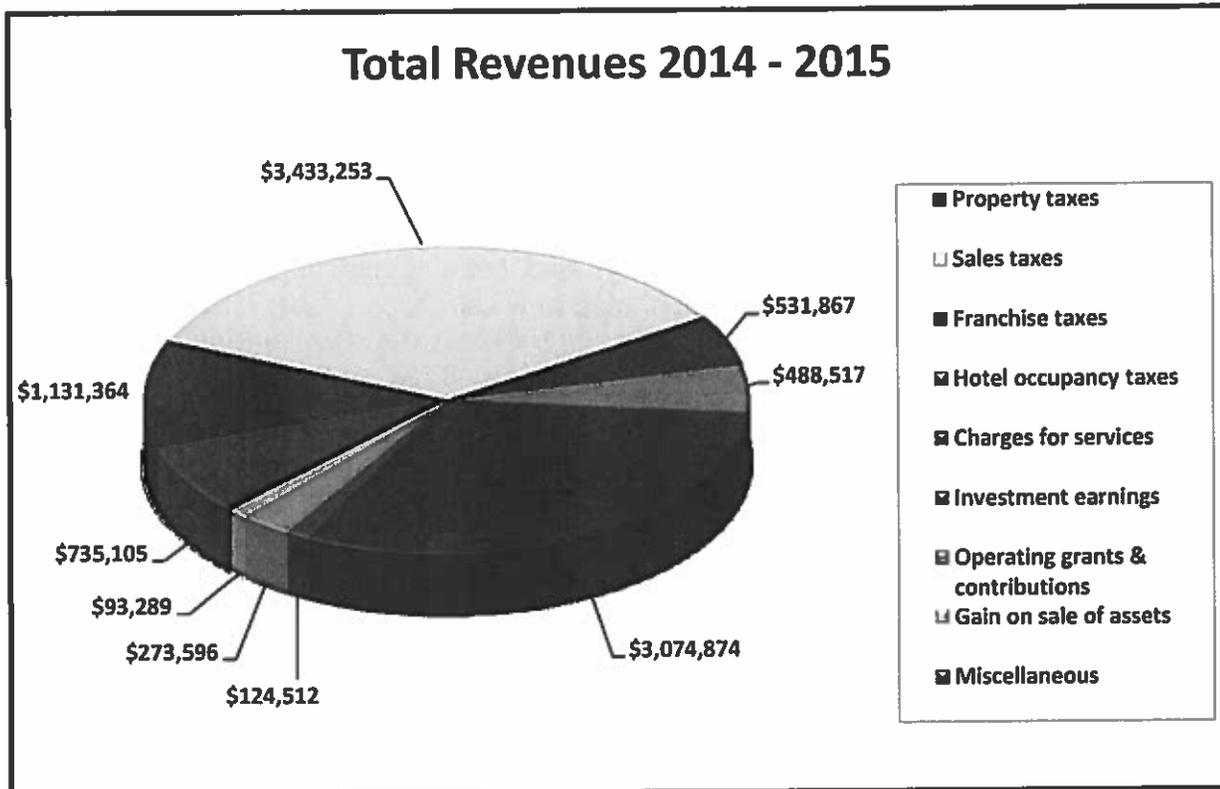
**Table A-1
City of Bellmead, Texas' Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 14,867,688	\$ 14,271,930	\$ 10,252,481	\$ 10,352,535	\$ 25,120,169	\$ 24,624,465
Capital assets	11,401,184	11,523,753	3,808,057	3,695,555	15,209,241	15,219,308
Total assets	26,268,872	25,795,683	14,060,538	14,048,090	40,329,410	39,843,773
Total deferred outflows of resources	335,406	-	47,107	13,888	382,513	13,888
Long-term liabilities	4,370,523	4,195,272	4,784,632	4,941,788	9,155,155	9,137,060
Other liabilities	691,262	596,409	684,667	784,675	1,375,929	1,381,084
Total liabilities	5,061,785	4,791,681	5,469,299	5,726,463	10,531,084	10,518,144
Net position:						
Net investment in capital assets	10,824,531	11,315,424	3,145,571	3,106,686	13,970,102	14,422,110
Restricted	6,862,334	6,100,197	20,437	20,426	6,882,771	6,120,623
Unrestricted	3,855,628	3,588,381	5,472,338	5,208,403	9,327,966	8,796,784
Total net position	\$ 21,542,493	\$ 21,004,002	\$ 8,638,346	\$ 8,335,515	\$ 30,180,839	\$ 29,339,517

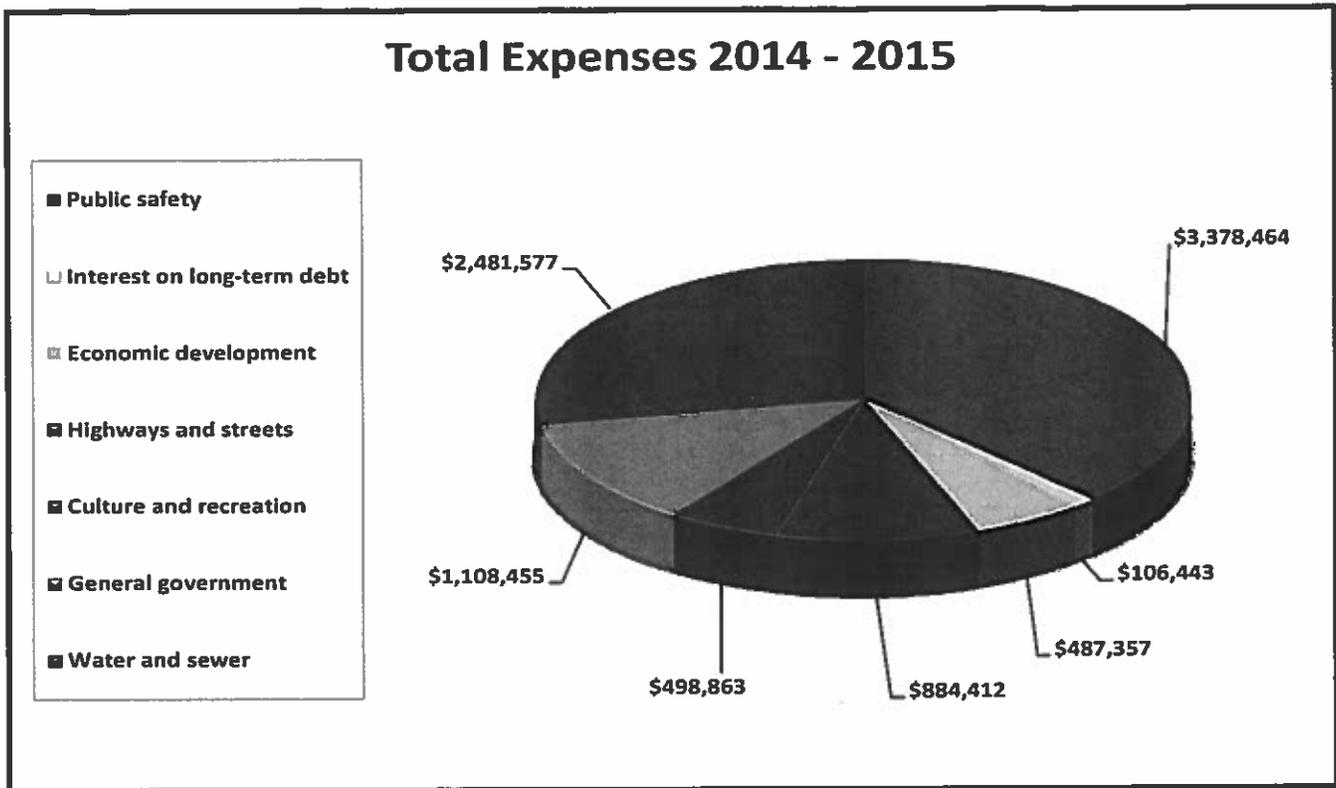
As of September 30, 2015, the City has positive balances in all three categories of net assets, both for the government as a whole, as well as separately for its governmental and business-type activities.

Changes in Net Position. The City's total revenues were \$9,886,377. Property taxes comprise 11.44%, or \$1,131,364 of the City's revenue. Sales tax revenue comprises 34.73%, or \$3,433,253 of the City's revenue. In addition, \$3,074,874 or 31.10% comes from charges for services; water and sewer fees of \$2,643,494 comprise 85.97% of the charges for services.

For the prior year, 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.



The total cost of all programs and services for the year ended September 30, 2015, was \$8,945,571. For the prior year ended September 30, 2014, the total cost of all programs and services was \$8,605,757.



Governmental Activities

- The City's property tax rate remained the same for 2015 at \$0.298608 per \$100 valuation resulting in a slight increase in property tax income for fiscal year 2015 due to increased assessed values.
- City franchise tax revenue increased \$8,782 or 1.68% from the prior year while hotel occupancy tax revenue increased \$57,855 or 13.43% from the prior year.
- Miscellaneous income decreased due to the increase in the charging for administrative services offset by insurance recoveries in the prior year.
- The increases in public safety are related to the additional salaries expenses including some from the change in administrative services. Economic development expenses decreased due to the contingency expense in the prior year. Highways and streets increased due to a significant street rehab project.

Business-type Activities

- Water and sewer expenses increased due to salaries and benefits and system repair and maintenance costs.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 431,380	\$ 508,195	\$ 2,643,494	\$ 2,747,642	\$ 3,074,874	\$ 3,255,837
Operating grants	79,912	92,029	193,684	11,904	273,596	103,933
General revenues:						
Property taxes	1,131,364	1,072,159	-	-	1,131,364	1,072,159
Sales taxes	3,433,253	3,282,299	-	-	3,433,253	3,282,299
Franchise taxes	531,867	523,085	-	-	531,867	523,085
Hotel occupancy	488,517	430,662	-	-	488,517	430,662
Investment earnings	114,130	95,090	10,382	12,818	124,512	107,908
Miscellaneous	735,105	860,424	-	-	735,105	860,424
Gain on sale of land	93,289	175,000	-	-	93,289	175,000
Total revenues	<u>7,038,817</u>	<u>7,038,943</u>	<u>2,847,560</u>	<u>2,772,364</u>	<u>9,886,377</u>	<u>9,811,307</u>
Expenditures						
General government	1,108,455	1,092,276	-	-	1,108,455	1,092,276
Public safety	3,378,464	3,298,118	-	-	3,378,464	3,298,118
Highways and streets	884,412	631,073	-	-	884,412	631,073
Economic development	487,357	675,330	-	-	487,357	675,330
Culture and recreation	498,863	511,342	-	-	498,863	511,342
Interest on long-term debt	106,443	84,027	-	-	106,443	84,027
Water and sewer	-	-	2,481,577	2,313,591	2,481,577	2,313,591
Total expenditures	<u>6,463,994</u>	<u>6,292,166</u>	<u>2,481,577</u>	<u>2,313,591</u>	<u>8,945,571</u>	<u>8,605,757</u>
Increase (decrease) in net position before transfers	574,823	746,777	365,983	458,773	940,806	1,205,550
Transfers	53,064	-	(53,064)	-	-	-
Changes in net position	627,887	746,777	312,919	458,773	940,806	1,205,550
Net position, beginning	21,004,002	19,030,560	8,335,515	7,892,677	29,339,517	26,923,237
Prior period adjustment	(89,396)	1,226,665	(10,088)	(15,935)	(99,484)	1,210,730
Net position, ending	<u>\$ 21,542,493</u>	<u>\$ 21,004,002</u>	<u>\$ 8,638,346</u>	<u>\$ 8,335,515</u>	<u>\$ 30,180,839</u>	<u>\$ 29,339,517</u>

Analysis of the City's Operations. Table A-2 provides a summary of the City's operations for the year ended September 30, 2015. The governmental activities increased the City's net position by \$627,887. The business-type activities increased net position by \$312,919. The governmental net position also decreased by \$89,396, while the business-type net position decreased \$10,088 due to a prior period adjustment. 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 \$599,862. The significant changes in actual expenditures reflected an increase in general government of \$30,435, public safety of \$156,263, highways and streets of \$233,736 and capital outlay of \$405,412 offset by decreases in economic development of \$142,121. Also, actual resources available were \$3,956,342 or 35.22% less than the actual resources available in the prior year. Notable changes in actual resources were as follows: bond proceeds and premiums decreased by \$4,070,106; miscellaneous revenue increased by \$52,386; and insurance recoveries decreased by \$175,985.

Proprietary Fund

For the current year, actual expenses as compared to prior year actual expenses increased by \$115,687, or 5.87%. Operating revenues in the current year were \$104,148 or 3.79% less than the operating revenues in the prior year. The notable decrease in operating revenues was a decrease in miscellaneous revenue in the amount of \$161,730.

General Fund Budgetary Highlights

The original budget for the General Fund was not amended during the year. For fiscal year 2014-2015, revenues were below budgetary estimates while expenditures exceeded the budget in highways and streets, and culture and recreation.

Actual expenditures were below budgeted expenditures by \$92,600. The most significant variance resulted from actual expenditures being more than budgeted in highways and streets by \$117,007, while actual expenditures were less than budgeted in general government by \$6,994 and public safety by \$209,809. On the other hand, actual revenue was \$70,233 less than budgeted revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year ended September 30, 2015, the City spent \$576,345 for governmental capital asset additions. Of the additions, \$453,507 represented the equipment and vehicles purchased. Additionally, the City spent \$532,491 for enterprise capital asset additions during the year ended September 30, 2015.

- Total gross governmental capital assets as of September 30, 2015, are \$18,709,277. For the prior year, gross governmental capital assets were \$18,310,510.
- Total gross enterprise capital assets as of September 30, 2015, are \$12,182,346. For the prior year, gross enterprise capital assets were \$11,649,855.

Additional information on the City's capital assets can be found in Note 8 to the financial statements on pages 34 – 35 of this report.

Long-term Debt

At September 30, 2015, the City had \$8,800,000 in bonds and notes outstanding. As of September 30, 2014, the City had \$9,150,000 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 35 – 37 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 4.5 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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,326,057	\$ 4,018,510	\$ 21,344,567
Accounts receivable, net	731,772	337,127	1,068,899
Inventories	728	5,000	5,728
Internal balances	(4,255,373)	4,255,373	-
Prepays	440	-	440
Restricted cash and cash equivalents	-	20,437	20,437
Equity in joint venture	-	1,616,034	1,616,034
Lease receivable:			
Due within one year	89,907	-	89,907
Due in more than one year	974,157	-	974,157
Capital assets not being depreciated:			
Land	2,771,193	38,799	2,809,992
Construction in progress	73,701	136,185	209,886
Capital assets, net of accumulated depreciation:			
Building and improvements	4,314,110	757,672	5,071,782
Infrastructure	2,705,142	-	2,705,142
Water and sewer facilities	-	2,625,981	2,625,981
Equipment	1,537,038	249,420	1,786,458
Total assets	26,268,872	14,060,538	40,329,410
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS	335,406	37,848	373,254
Deferred charge on refunding	-	9,259	9,259
Total deferred outflows of resources	335,406	47,107	382,513
LIABILITIES			
Accounts payable	282,871	107,556	390,427
Accrued liabilities	161,532	27,527	189,059
Customer deposits payable	-	342,622	342,622
Noncurrent liabilities:			
Due within one year	246,859	206,962	453,821
Due in more than one year	4,370,523	4,784,632	9,155,155
Total liabilities	5,061,785	5,469,299	10,531,084
NET POSITION			
Net investment in capital assets	10,824,531	3,145,571	13,970,102
Restricted for:			
Court security and technology	33,632	-	33,632
Public safety	74,643	-	74,643
Debt service	261,422	-	261,422
Capital projects	-	20,437	20,437
Economic development	5,206,660	-	5,206,660
Culture and recreation	1,285,977	-	1,285,977
Unrestricted	3,855,628	5,472,338	9,327,966
Total net position	\$ 21,542,493	\$ 8,638,346	\$ 30,180,839

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,108,455	\$ 42,170	\$ -	\$(1,066,285)	\$ -	\$(1,066,285)
Public safety	3,378,464	332,056	79,912	(2,966,496)	-	(2,966,496)
Highways and streets	884,412	-	-	(884,412)	-	(884,412)
Economic development	487,357	11,014	-	(476,343)	-	(476,343)
Culture and recreation	498,863	46,140	-	(452,723)	-	(452,723)
Interest on long-term debt	106,443	-	-	(106,443)	-	(106,443)
Total governmental activities	6,463,994	431,380	79,912	(5,952,702)	-	(5,952,702)
Business-type activities:						
Water and sewer	2,481,577	2,643,494	193,684	-	355,601	355,601
Total business-type activities	2,481,577	2,643,494	193,684	-	355,601	355,601
Total primary government	\$ 8,945,571	\$ 3,074,874	\$ 273,596	(5,952,702)	355,601	(5,597,101)

General revenues:

Property taxes, levied for general purposes	816,647
Property taxes, levied for debt service	314,717
Sales taxes	3,433,253
Franchise taxes	531,867
Hotel occupancy taxes	488,517
Investment earnings	114,130
Miscellaneous	735,105
Transfers	53,064
Gain on sale of assets	93,289
Total general revenues and transfers	6,580,589
Change in net position	627,887
Net position, beginning	21,004,002
Prior period adjustment	(89,396)
Net position, ending	\$ 21,542,493

	816,647	816,647
	-	314,717
	-	3,433,253
	-	531,867
	-	488,517
	10,382	124,512
	-	735,105
	(53,064)	-
	-	93,289
	(42,682)	6,537,907
	312,919	940,806
	8,335,515	29,339,517
	(10,088)	(99,484)
	\$ 8,638,346	\$ 30,180,839

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Bellmead EDC A
ASSETS		
Cash and cash equivalents	\$ 3,881,390	\$ 1,384,777
Receivables (net of allowance for uncollectibles)	598,961	-
Lease receivable	-	1,064,064
Due from other funds	-	-
Prepays	440	-
Inventories	728	-
Total assets	\$ 4,481,519	\$ 2,448,841
LIABILITIES		
Accounts payable	\$ 97,553	\$ 31,423
Accrued liabilities	145,888	-
Due to other funds	38,173	1,585
Total liabilities	281,614	33,008
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	114,139	-
Unavailable revenue - lease receivable	-	1,064,064
Total deferred inflows of resources	114,139	1,064,064
FUND BALANCES		
Restricted for:		
Inventories	728	-
Prepays	440	-
Public safety	74,643	-
Court technology	-	-
Culture and recreation	-	-
Economic development	-	1,351,769
Capital projects	-	-
Debt service	-	-
Committed for:		
Street improvements	2,097,654	-
Unassigned	1,912,301	-
Total fund balances	4,085,766	1,351,769
Total liabilities, deferred inflows of resources and fund balances	\$ 4,481,519	\$ 2,448,841

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 (net pension liability, bonds payable, and etc.) are not due and payable in the current period and, therefore, have not been included in the fund financial statements. Also, the premium on the issuance of bonds and deferred resources related to the net pension liability are not 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
\$ 2,709,142	\$ 1,356,199	7,771,865	\$ 222,684	\$ 17,326,057
92,135	-	-	40,676	731,772
-	-	-	-	1,064,064
1,585	6,948	1,598	35,090	45,221
-	-	-	-	440
-	-	-	-	728
<u>\$ 2,802,862</u>	<u>\$ 1,363,147</u>	<u>\$ 7,773,463</u>	<u>\$ 298,450</u>	<u>\$ 19,168,282</u>
\$ 12,035	\$ 70,785	\$ 71,075	\$ -	\$ 282,871
-	6,385	-	-	152,273
-	-	4,257,440	3,396	4,300,594
<u>12,035</u>	<u>77,170</u>	<u>4,328,515</u>	<u>3,396</u>	<u>4,735,738</u>
-	-	-	39,659	153,798
-	-	-	-	1,064,064
-	-	-	39,659	1,217,862
-	-	-	-	728
-	-	-	-	440
-	-	-	-	74,643
-	-	-	33,632	33,632
-	1,285,977	-	-	1,285,977
2,790,827	-	-	-	4,142,596
-	-	3,444,948	-	3,444,948
-	-	-	221,763	221,763
-	-	-	-	2,097,654
-	-	-	-	1,912,301
<u>2,790,827</u>	<u>1,285,977</u>	<u>3,444,948</u>	<u>255,395</u>	<u>13,214,682</u>
<u>\$ 2,802,862</u>	<u>\$ 1,363,147</u>	<u>\$ 7,773,463</u>	<u>\$ 298,450</u>	
				11,401,184
				1,217,862
				(4,291,235)
				<u>\$ 21,542,493</u>

CITY OF BELLMEAD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Bellmead EDC A</u>
REVENUES		
Taxes:		
Property	\$ 787,777	\$ -
Sales	2,861,045	-
Franchise	531,867	-
Hotel occupancy	-	-
Other	57,993	-
Licenses and permits	42,170	-
Intergovernmental	79,912	-
Rent	-	-
Fines and fees	332,056	-
Investment earnings	20,158	70,847
Miscellaneous	663,156	-
Total revenues	<u>5,376,134</u>	<u>70,847</u>
EXPENDITURES		
General government	1,013,370	-
Public safety	3,189,027	-
Highways and streets	817,744	-
Economic and physical development	-	22,500
Culture and recreation	87,967	-
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	-	-
Total expenditures	<u>5,108,108</u>	<u>22,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>268,026</u>	<u>48,347</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	(62,406)
Sale of general capital assets	-	43,743
Total other financing sources (uses)	<u>-</u>	<u>(18,663)</u>
NET CHANGE IN FUND BALANCE	268,026	29,684
FUND BALANCE, BEGINNING	<u>3,817,740</u>	<u>1,322,085</u>
FUND BALANCE, ENDING	<u>\$ 4,085,766</u>	<u>\$ 1,351,769</u>

See accompanying notes to financial statements.

<u>Belimead EDC B</u>	<u>Hotel/Motel Tax</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 308,727	\$ 1,096,504
572,208	-	-	-	3,433,253
-	-	-	-	531,867
-	488,517	-	-	488,517
-	-	-	-	57,993
-	-	-	-	42,170
-	-	-	-	79,912
11,014	46,140	-	-	57,154
-	-	-	-	332,056
7,650	2,115	12,696	664	114,130
4,088	-	-	9,868	677,112
<u>594,960</u>	<u>536,772</u>	<u>12,696</u>	<u>319,259</u>	<u>6,910,668</u>
-	-	-	-	1,013,370
-	-	-	7,461	3,196,488
-	-	-	-	817,744
403,367	-	-	-	425,867
-	334,592	-	-	422,559
-	-	-	185,000	185,000
-	-	-	111,875	111,875
-	22,916	569,525	-	592,441
<u>403,367</u>	<u>357,508</u>	<u>569,525</u>	<u>304,336</u>	<u>6,765,344</u>
<u>191,593</u>	<u>179,264</u>	<u>(556,829)</u>	<u>14,923</u>	<u>145,324</u>
62,406	-	-	53,064	115,470
-	-	-	-	(62,406)
270,867	-	-	-	314,610
<u>333,273</u>	<u>-</u>	<u>-</u>	<u>53,064</u>	<u>367,674</u>
524,866	179,264	(556,829)	67,987	512,998
<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>\$ 2,790,827</u>	<u>\$ 1,285,977</u>	<u>\$ 3,444,948</u>	<u>\$ 255,395</u>	<u>\$ 13,214,682</u>

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CITY OF BELLMEAD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds \$ 512,998

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. 55,009

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 34,860

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets. (221,321)

Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource inflows/outflows related to the pension liability were amortized. 36,457

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. 188,505

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. 21,379

Changes in net position of governmental activities \$ 627,887

See accompanying notes to financial statements

CITY OF BELLMEAD, TEXAS
STATEMENT OF NET POSITION
PROPREITARY FUND
SEPTEMBER 30, 2015

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,018,510
Accounts receivable, net of allowance for uncollectibles of \$57,619:	
Accounts	323,049
Other	14,078
Due from other funds	4,259,238
Inventories	<u>5,000</u>
Total current assets	<u>8,619,875</u>
Noncurrent assets:	
Restricted cash	20,437
Equity in joint venture	1,616,034
Capital assets:	
Land	38,799
Buildings and improvements	877,695
Water and sewer facilities	9,668,674
Equipment	1,460,993
Construction in progress	136,185
Less: accumulated depreciation	<u>(8,374,289)</u>
Total capital assets (net of accumulated depreciation)	3,808,057
Total noncurrent assets	<u>5,444,528</u>
Total assets	<u>14,064,403</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge of refunding	9,259
Deferred outflows related to TMRS	<u>37,848</u>
Total deferred outflows of resources	<u>47,107</u>
LIABILITIES	
Current liabilities:	
Accounts payable	107,556
Accrued liabilities	27,527
Customer deposits payable	342,622
Compensated absences, current portion	6,962
Due to other funds	3,865
Revenue bond and note payable, current portion	<u>200,000</u>
Total current liabilities	<u>688,532</u>
Noncurrent liabilities:	
Compensated absences	20,884
Net pension liability	43,822
Revenue bond and note payable	<u>4,719,926</u>
Total noncurrent liabilities	<u>4,784,632</u>
Total liabilities	5,473,164
NET POSITION	
Net investment in capital assets	3,145,571
Restricted for:	
Capital projects	20,437
Unrestricted	<u>5,472,338</u>
Total net position	<u>\$ 8,638,346</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, 2015

	Business-type Activities Enterprise Fund <u>Water and Sewer</u>
REVENUE	
Operating revenues:	
Water sales	\$ 1,716,632
Sewer charges	858,960
Turn-on fees	47,562
Water and sewer tap fees	7,250
Other	13,090
Total operating revenue	<u>2,643,494</u>
EXPENSES	
Operating expenses:	
Salaries and benefits	455,504
System repair and maintenance	321,340
Auto and equipment maintenance	57,565
Office expense	35,196
Professional fees	50,249
Utilities	287,881
Depreciation	419,989
Insurance	45,759
Miscellaneous	414,384
Total operating expenses	<u>2,087,867</u>
OPERATING INCOME	<u>555,627</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	193,684
Interest and other income	10,382
Gain (loss) on joint venture	(257,670)
Interest charges	(136,040)
Total nonoperating revenue (expenses)	<u>(189,644)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>365,983</u>
TRANSFERS	
Transfers out	(53,064)
Total transfers	<u>(53,064)</u>
CHANGE IN NET POSITION	312,919
NET POSITION, BEGINNING	8,335,515
PRIOR PERIOD ADJUSTMENT	(10,088)
NET POSITION, ENDING	<u>\$ 8,638,346</u>

See accompanying notes to financial statements.

CITY OF BELLMEAD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2015

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,608,746
Payments to suppliers	(1,352,369)
Payments to employees	(454,587)
Net cash provided by operating activities	<u>801,790</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES	
Transfers from other funds	242,560
Transfers to other funds	(53,064)
Operating grants	<u>197,988</u>
Net cash provided by noncapital and related financing activities	<u>387,484</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(532,491)
Principal paid on bonds and note payable	(165,000)
Interest paid on bonds and note payable	(137,401)
Net cash provided by capital and related financing activities	<u>(834,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in joint venture	(299,758)
Interest received	<u>10,382</u>
Net cash provided by investing activities	<u>(289,376)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,006
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,973,941</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,038,947</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 555,627
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	419,989
Change in assets and liabilities:	
Accounts receivable, net	(47,885)
Other receivables	8,169
Customer deposits	4,968
Accounts payable	(139,995)
Deferred outflows of resources	(18,668)
Net pension liability	14,554
Compensated absences	3,954
Other liabilities	<u>1,077</u>
Net cash provided by operating activities	<u>\$ 801,790</u>

See accompanying notes to financial statements

CITY OF BELLMEAD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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.

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."

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied each October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The McLennan County Tax Assessor/Collector bills and collects the City's property taxes. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred revenue.

As a City that operates under a home-rule charter, the City has a tax rate limitation of \$2.50 per \$100 assessed valuation. For the year ended September 30, 2015, the City had a tax rate of \$0.298608 per \$100 of which \$0.214408 was allocated for general government and \$0.08420 was allocated for payment of principal and interest on general long-term debt.

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 \$20,437 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 and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net 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. Bond issuance costs are expensed during the period of issuance.

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

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Net Position

Net Position represents the difference between assets, deferred inflows/outflows of resources 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 improvement 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 legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

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.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the average remaining lives of all member determined as of the measurement date

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and lease receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Prior Period Adjustment

The GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,*" which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date.

Applying these changes resulted in the following prior period adjustments:

- In the Governmental Activities, an \$89,396 prior period adjustment was made which resulted in a restated beginning net position of \$20,914,606.
- In the Business-Type Activities and the Water and Sewer Fund, a \$10,088 prior period adjustment was made which resulted in a restated beginning net position of \$8,325,427.

Compensated Absences

Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. In the governmental 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	\$ 347,686
Capital assets	1,388,455
Current liabilities	(120,107)
Net assets	<u>\$ 1,616,034</u>
Operating expenses	\$(283,973)
Nonoperating revenues	<u>26,303</u>
Change in net assets	<u>\$(257,670)</u>
Capital contributions - current year	<u>\$ 299,758</u>

4. DEPOSITS AND INVESTMENTS

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

Cash and certificates of deposit in bank	\$ 21,266,521
Government investment pools:	
TexPool	115,706
TexStar	<u>68,301</u>
Total cash and cash equivalents	\$ <u>21,450,528</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, 2015, 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, 2015, 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, 2015, 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, 2015, 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	\$ 155,687	\$ -	\$ 54,234	\$ -	\$ 209,921
Sales taxes	460,676	92,135	-	-	552,811
Accounts	-	-	-	380,668	380,668
Other	21,520	-	-	14,078	35,598
Gross receivables	637,883	92,135	54,234	394,746	1,178,998
Less: allowance for uncollectibles	(38,922)	-	(13,558)	(57,619)	(110,099)
Net total receivables	\$ 598,961	\$ 92,135	\$ 40,676	\$ 337,127	\$ 1,068,899

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 2015 levy was based was \$363,660,469.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2015, were 96.9 % of the tax levy.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payable balances at September 30, 2015, are as follows:

Fund	Receivable	Payable
General	\$ -	\$ 38,173
Bellmead EDC - A	-	1,585
Bellmead EDC - B	1,585	-
Hotel/Motel Tax	6,948	-
Capital Projects	1,598	4,257,440
Nonmajor	35,090	3,396
Water and sewer	4,259,238	3,865
Totals	\$ 4,304,459	\$ 4,304,459

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, 2015, are as follows:

	<u>Bellmead EDC - B</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers out:			
Bellmead EDC - A	\$ 62,406	\$ -	\$ 62,406
Water/Sewer	<u>-</u>	<u>53,064</u>	<u>53,064</u>
Total transfers	<u>\$ 62,406</u>	<u>\$ 53,064</u>	<u>\$ 115,470</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) constructed on a building which is being utilized as a plant and office space by Texas Machine & Tool International, LLC (TMI). BEDC has entered into a 10-year promissory note with TMTI to purchase the property in accordance with the following schedule based on the remainder of the previous lease agreement of \$1,093,146. After the 2015 payments, the current lease receivable is \$1,064,064.

The new promissory note began July 1, 2015. The payments, including interest at 4.5% are:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 89,907	\$ 46,043
2017	94,037	41,913
2018	98,357	37,593
2019	102,876	33,075
2020	107,602	28,349
2021-2025	<u>571,285</u>	<u>63,149</u>
	<u>\$ 1,064,064</u>	<u>\$ 250,122</u>

8. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,771,193	\$ -	\$ -	\$ 2,771,193
Construction in progress	-	73,701	-	73,701
Total capital assets not being depreciated	<u>2,771,193</u>	<u>73,701</u>	<u>-</u>	<u>2,844,894</u>
Capital assets being depreciated:				
Buildings and improvements	6,709,197	49,137	(177,578)	6,580,756
Infrastructure	3,191,770	-	-	3,191,770
Equipment	5,638,350	453,507	-	6,091,857
Total capital assets being depreciated	<u>15,539,317</u>	<u>502,644</u>	<u>(177,578)</u>	<u>15,864,383</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,042,495)	(224,151)	-	(2,266,646)
Infrastructure	(407,543)	(79,085)	-	(486,628)
Equipment	(4,336,719)	(218,100)	-	(4,554,819)
Total accumulated depreciation	<u>(6,786,757)</u>	<u>(521,336)</u>	<u>-</u>	<u>(7,308,093)</u>
Total capital assets being depreciated, net	<u>8,752,560</u>	<u>(18,692)</u>	<u>(177,578)</u>	<u>8,556,290</u>
Governmental activities capital assets, net	<u>\$ 11,523,753</u>	<u>\$ 55,009</u>	<u>\$ (177,578)</u>	<u>\$ 11,401,184</u>
	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 38,799	\$ -	\$ -	\$ 38,799
Construction in progress	147,598	136,185	(147,598)	136,185
Total capital assets not being depreciated	<u>186,397</u>	<u>136,185</u>	<u>(147,598)</u>	<u>174,984</u>
Capital assets being depreciated:				
Buildings and improvements	877,695	-	-	877,695
Water and sewer facilities	9,248,100	420,574	-	9,668,674
Equipment	1,337,663	123,330	-	1,460,993
Total capital assets being depreciated	<u>11,463,458</u>	<u>543,904</u>	<u>-</u>	<u>12,007,362</u>
Less accumulated depreciation for:				
Buildings and improvements	(76,453)	(43,570)	-	(120,023)
Water and sewer facilities	(6,714,997)	(327,696)	-	(7,042,693)
Equipment	(1,162,850)	(48,723)	-	(1,211,573)
Total accumulated depreciation	<u>(7,954,300)</u>	<u>(419,989)</u>	<u>-</u>	<u>(8,374,289)</u>
Total capital assets being depreciated, net	<u>3,509,158</u>	<u>123,915</u>	<u>-</u>	<u>3,633,073</u>
Business-type activities capital assets, net	<u>\$ 3,695,555</u>	<u>\$ 260,100</u>	<u>\$ (147,598)</u>	<u>\$ 3,808,057</u>

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

Governmental activities	
General government	\$ 82,740
Public safety	188,618
Highways and streets	68,742
Economic development	110,627
Culture and recreation	<u>70,609</u>
Total depreciation - governmental activities	<u>\$ 521,336</u>
Business-type activities	
Water and sewer	<u>\$ 419,989</u>
Total depreciation - business-type activities	<u>\$ 419,989</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, 2015:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Governmental activities					
Certificates of obligation	\$ 4,000,000	\$ -	\$(140,000)	\$ 3,860,000	\$ 150,000
Tax anticipation notes	140,000	-	(45,000)	95,000	45,000
Net pension liability	259,367	128,978	-	388,345	-
Compensated absences	226,888	67,639	(87,091)	207,436	51,859
Premium on debt	<u>70,106</u>	<u>-</u>	<u>(3,505)</u>	<u>66,601</u>	<u>-</u>
	<u>\$ 4,696,361</u>	<u>\$ 196,617</u>	<u>\$(275,596)</u>	<u>\$ 4,617,382</u>	<u>\$ 246,859</u>
Business-type activities					
General obligation bonds	\$ 510,000	\$ -	\$(165,000)	\$ 345,000	\$ 170,000
Certificates of obligation	4,500,000	-	-	4,500,000	30,000
Net pension liability	29,268	14,554	-	43,822	-
Compensated absences	23,892	11,259	(7,305)	\$ 27,846	6,962
Premium on debt	<u>78,869</u>	<u>-</u>	<u>(3,943)</u>	<u>74,926</u>	<u>-</u>
	<u>\$ 5,142,029</u>	<u>\$ 25,813</u>	<u>\$(176,248)</u>	<u>\$ 4,991,594</u>	<u>\$ 206,962</u>

Long-term debt for governmental activities at September 30, 2015, 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>\$ 95,000</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>\$ 3,860,000</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
2016	\$ 150,000	\$ 107,531	\$ 45,000	\$ 1,298
2017	150,000	104,156	50,000	447
2018	200,000	100,656	-	-
2019	170,000	96,956	-	-
2020	175,000	93,506	-	-
2021-2025	935,000	405,197	-	-
2026-2030	1,080,000	267,594	-	-
2031-2035	1,000,000	75,663	-	-
	<u>\$ 3,860,000</u>	<u>\$ 1,251,259</u>	<u>\$ 95,000</u>	<u>\$ 1,745</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>\$ 345,000</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
2016	\$ 170,000	\$ 4,654	\$ 30,000	\$ 129,313
2017	175,000	1,566	30,000	128,638
2018	-	-	210,000	126,237
2019	-	-	215,000	121,987
2020	-	-	220,000	117,638
2021-2025	-	-	1,185,000	509,487
2026-2030	-	-	1,355,000	336,244
2031-2035	-	-	1,255,000	94,750
	<u>\$ 345,000</u>	<u>\$ 6,220</u>	<u>\$ 4,500,000</u>	<u>\$ 1,564,294</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 participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.org.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Beginning in 1998, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1998, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	25 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	70% of CPI Repeating

The City does participate in Social Security.

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	39
Active employees	76
	<hr/>
	143
	<hr/>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.08% and 9.07% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$297,841, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 11,007,558	\$ 10,718,923	\$ 288,635
Changes for the year:			
Service cost	389,742	-	389,742
Interest	767,022	-	767,022
Difference between expected and actual experience	51,209	-	51,209
Contributions - employer	-	262,945	(262,945)
Contributions - employee	-	195,254	(195,254)
Net investment income	-	613,170	(613,170)
Benefit payments, including refunds of employee contributions	(489,931)	(489,931)	-
Administrative expense	-	(6,402)	6,402
Other changes	-	(526)	526
Net changes	718,042	574,510	143,532
Balance at 12/31/2014	\$ 11,725,600	\$ 11,293,433	\$ 432,167

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 2,231,478	\$ 432,167	\$(1,018,340)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmr.org.

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

For the year ended September 30, 2015, the City recognized pension expense of \$257,271.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 39,482	\$ -
Difference between projected and actual investment earnings	109,724	-
Contributions subsequent to the measurement date	<u>224,048</u>	<u>-</u>
Total	<u>\$ 373,254</u>	<u>\$ -</u>

\$224,048 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending December 31,	
2015	\$ 39,158
2016	39,158
2017	39,158
2018	31,732
2019	-
Thereafter	-

Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the city has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

11. OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

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

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

Contributions

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

Schedule of Contribution Rates (RETIREE-only portion of the rate)			
Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.06%	0.06%	100%
2014	6,322	6,322	100%
2015	6,676	6,676	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, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 775,240	\$ 775,240	\$ 787,777	\$ 12,537
Sales	2,703,014	2,703,014	2,861,045	158,031
Franchise	492,000	492,000	531,867	39,867
Other	45,000	45,000	57,993	12,993
Licenses and permits	50,100	50,100	42,170	(7,930)
Intergovernmental	389,332	389,332	79,912	(309,420)
Fines and fees	345,000	345,000	332,056	(12,944)
Investment earnings	10,845	10,845	20,158	9,313
Miscellaneous	635,836	635,836	663,156	27,320
Total revenue	<u>5,446,367</u>	<u>5,446,367</u>	<u>5,376,134</u>	<u>(70,233)</u>
EXPENDITURES				
General government	1,020,364	1,020,364	1,013,370	6,994
Public safety	3,398,836	3,398,836	3,189,027	209,809
Highways and streets	700,737	700,737	817,744	(117,007)
Culture and recreation	80,771	80,771	87,967	(7,196)
Total expenditures	<u>5,200,708</u>	<u>5,200,708</u>	<u>5,108,108</u>	<u>92,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>245,659</u>	<u>245,659</u>	<u>268,026</u>	<u>22,367</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	55,915	55,915	-	(55,915)
Total other financing sources (uses)	<u>55,915</u>	<u>55,915</u>	<u>-</u>	<u>(55,915)</u>
NET CHANGE IN FUND BALANCE	301,574	301,574	268,026	(33,548)
FUND BALANCE, BEGINNING	<u>3,817,740</u>	<u>3,817,740</u>	<u>3,817,740</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 4,119,314</u>	<u>\$ 4,119,314</u>	<u>\$ 4,085,766</u>	<u>\$ (33,548)</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 70,847	\$ 70,847
Total revenue	<u>-</u>	<u>-</u>	<u>70,847</u>	<u>70,847</u>
EXPENDITURES				
Economic development	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,500)</u>	<u>(22,500)</u>	<u>48,347</u>	<u>70,847</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(62,406)	(62,406)
Sale of property	<u>-</u>	<u>-</u>	<u>43,743</u>	<u>43,743</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,663)</u>	<u>(18,663)</u>
NET CHANGE IN FUND BALANCE	<u>(22,500)</u>	<u>(22,500)</u>	<u>29,684</u>	<u>52,184</u>
FUND BALANCE, BEGINNING	<u>1,322,085</u>	<u>1,322,085</u>	<u>1,322,085</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,299,585</u>	<u>\$ 1,299,585</u>	<u>\$ 1,351,769</u>	<u>\$ 52,184</u>

CITY OF BELLMEAD, TEXAS

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

BELLMEAD ECONOMIC DEVELOPMENT CORPORATION - B

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Sales taxes	\$ 540,602	\$ 540,602	\$ 572,208	\$ 31,606
Rent	181,780	181,780	11,014	
Investment earnings	76,400	76,400	7,650	(68,750)
Miscellaneous	-	-	4,088	4,088
Total revenue	798,782	798,782	594,960	(203,822)
EXPENDITURES				
Economic development	1,071,782	1,071,782	403,367	668,415
Total expenditures	1,071,782	1,071,782	403,367	668,415
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(273,000)	(273,000)	191,593	464,593
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	62,406	62,406
Sale of general capital assets	-	-	270,867	270,867
Total other financing sources (uses)	-	-	333,273	333,273
NET CHANGE IN FUND BALANCE	(273,000)	(273,000)	524,866	797,866
FUND BALANCE, BEGINNING	2,265,961	2,265,961	2,265,961	-
FUND BALANCE, ENDING	\$ 1,992,961	\$ 1,992,961	\$ 2,790,827	\$ 797,866

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, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Hotel occupancy tax	\$ 398,250	\$ 398,250	\$ 488,517	\$ 90,267
Rent	37,500	37,500	46,140	8,640
Investment earnings	1,500	1,500	2,115	615
Total revenue	<u>437,250</u>	<u>437,250</u>	<u>536,772</u>	<u>99,522</u>
EXPENDITURES				
Culture and recreation	380,871	380,871	334,592	46,279
Capital outlay	24,260	24,260	22,916	1,344
Total expenditures	<u>405,131</u>	<u>405,131</u>	<u>357,508</u>	<u>47,623</u>
NET CHANGE IN FUND BALANCE	32,119	32,119	179,264	147,145
FUND BALANCE, BEGINNING	<u>1,106,713</u>	<u>1,106,713</u>	<u>1,106,713</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,138,832</u>	<u>\$ 1,138,832</u>	<u>\$ 1,285,977</u>	<u>\$ 147,145</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015
(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 Manager 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 Manager 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 highways and streets and culture and recreation expenditures in the General Fund. These overruns were covered by unexpected revenues and unspent expenditure budget. Expenditures did not exceed appropriations in the EDC A Fund. Expenditures did not exceed appropriations in the EDC B Fund. Expenditures did not exceed appropriations in the Hotel/Motel Tax Fund.

**OTHER SUPPLEMENTARY
INFORMATION**

CITY OF BELLMEAD, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	<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	\$ 2,407	\$ 220,277	\$ 222,684
Receivables (net of allowance for uncollectibles)	-	40,676	40,676
Due from other funds	<u>31,225</u>	<u>3,865</u>	<u>35,090</u>
Total assets	<u>\$ 33,632</u>	<u>\$ 264,818</u>	<u>\$ 298,450</u>
LIABILITIES			
Due to other funds	\$ -	\$ 3,396	\$ 3,396
Total liabilities	<u>-</u>	<u>3,396</u>	<u>3,396</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	39,659	39,659
Total deferred inflows of resources	<u>-</u>	<u>39,659</u>	<u>39,659</u>
FUND BLANCES			
Restricted for:			
Court technology	33,632	-	33,632
Debt service	<u>-</u>	<u>221,763</u>	<u>221,763</u>
Total fund balances	<u>33,632</u>	<u>221,763</u>	<u>255,395</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,632</u>	<u>\$ 264,818</u>	<u>\$ 298,450</u>

CITY OF BELLMEAD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<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>
REVENUES			
Taxes:			
Property	\$ -	308,727	\$ 308,727
Investment earnings	-	664	664
Miscellaneous	<u>9,868</u>	<u>-</u>	<u>9,868</u>
Total revenues	<u>9,868</u>	<u>309,391</u>	<u>319,259</u>
EXPENDITURES			
Public safety	7,461	-	7,461
Debt service:			
Principal	-	185,000	185,000
Interest and other charges	<u>-</u>	<u>111,875</u>	<u>111,875</u>
Total expenditures	<u>7,461</u>	<u>296,875</u>	<u>304,336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,407</u>	<u>12,516</u>	<u>14,923</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>53,064</u>	<u>53,064</u>
Total other financing sources (uses)	<u>-</u>	<u>53,064</u>	<u>53,064</u>
NET CHANGE IN FUND BALANCE	2,407	65,580	67,987
FUND BALANCE, BEGINNING	<u>31,225</u>	<u>156,183</u>	<u>187,408</u>
FUND BALANCE, ENDING	<u>\$ 33,632</u>	<u>\$ 221,763</u>	<u>\$ 255,395</u>

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