



**ANNUAL FINANCIAL REPORT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**CITY OF BELLMEAD, TEXAS**

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## **FINANCIAL SECTION**

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P A T T I L L O , B R O W N & H I L L , 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, 2017, 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, 2017, 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.

### ***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.*

Waco, Texas  
March 13, 2018

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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, 2017. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$30,942,966 (net position). Of this amount, \$8,432,978 (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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$30,796,412. Of this amount, \$9,834,901 (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, 2017, the City of Bellmead's governmental funds reported ending fund balances of \$13,074,273. Of this amount, \$1,734,648 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 \$13,459,240. Of this amount, \$1,854,773 was unassigned fund balance in the General Fund available for use within the City's fiscal policies.
- As of September 30, 2017, the restricted net position of the governmental activities is \$7,570,424 of which \$5,651,338 is restricted for economic development and \$1,545,094 was restricted for culture and recreation. In the prior year, restricted net position of the governmental activities was \$7,372,858 of which \$5,509,434 was restricted for economic development and \$1,421,289 was restricted for culture and recreation.
- As of September 30, 2017, the City of Bellmead's Enterprise Fund reported ending fund net position of \$8,757,739. Of this amount, \$4,556,935 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 \$8,780,546. Of this amount, \$5,655,690 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 \$30,942,966 at September 30, 2017, which is a 0.48% increase from September 30, 2016. (See Table A-1) The largest portion of the City’s net position, \$14,939,564, 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.

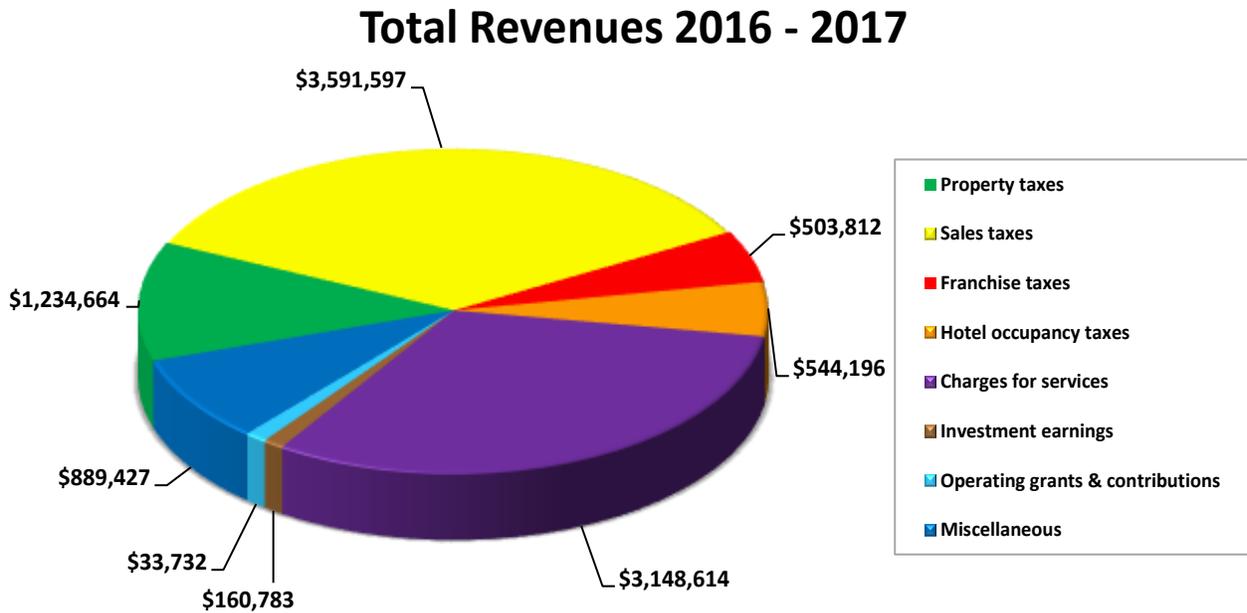
**Table A-1**  
**City of Bellmead, Texas’ Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14,601,083	\$ 14,867,161	\$ 11,454,164	\$ 12,873,178	\$ 26,055,247	\$ 27,740,339
Capital assets	<u>12,120,151</u>	<u>11,617,363</u>	<u>5,006,653</u>	<u>3,722,682</u>	<u>17,126,804</u>	<u>15,340,045</u>
Total assets	<u>26,721,234</u>	<u>26,484,524</u>	<u>16,460,817</u>	<u>16,595,860</u>	<u>43,182,051</u>	<u>43,080,384</u>
Total deferred outflows of resource	<u>742,778</u>	<u>920,410</u>	<u>86,678</u>	<u>122,002</u>	<u>829,456</u>	<u>1,042,412</u>
Long-term liabilities	4,148,403	4,494,902	6,744,579	6,994,825	10,892,982	11,489,727
Other liabilities	<u>700,462</u>	<u>531,560</u>	<u>995,008</u>	<u>896,251</u>	<u>1,695,470</u>	<u>1,427,811</u>
Total liabilities	<u>4,848,865</u>	<u>5,026,462</u>	<u>7,739,587</u>	<u>7,891,076</u>	<u>12,588,452</u>	<u>12,917,538</u>
Total deferred inflows of resources	<u>429,920</u>	<u>362,606</u>	<u>50,169</u>	<u>46,240</u>	<u>480,089</u>	<u>408,846</u>
Net position:						
Net investment in capital assets	10,738,760	10,463,797	4,200,804	3,124,856	14,939,564	13,588,653
Restricted	7,570,424	7,372,858	-	-	7,570,424	7,372,858
Unrestricted	<u>3,876,043</u>	<u>4,179,211</u>	<u>4,556,935</u>	<u>5,655,690</u>	<u>8,432,978</u>	<u>9,834,901</u>
Total net position	<u>\$ 22,185,227</u>	<u>\$ 22,015,866</u>	<u>\$ 8,757,739</u>	<u>\$ 8,780,546</u>	<u>\$ 30,942,966</u>	<u>\$ 30,796,412</u>

As of September 30, 2017, 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.

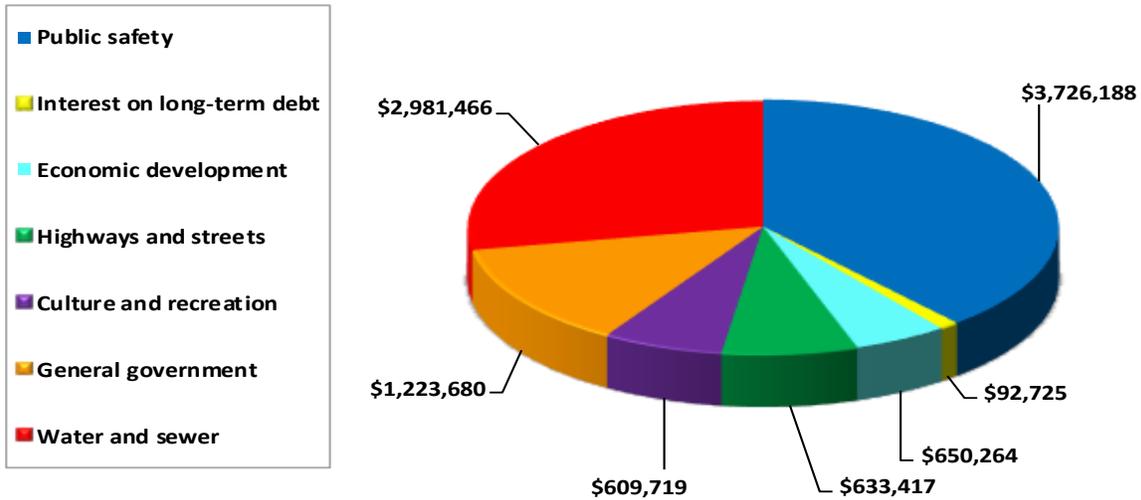
**Changes in Net Position.** The City's total revenues were \$9,373,391. Property taxes comprise 13.17%, or \$1,234,664 of the City's revenue. Sales tax revenue comprises 38.32%, or \$3,591,597 of the City's revenue. In addition, 33.59% or \$3,148,614 comes from charges for services; water and sewer fees of \$2,771,776 comprise 88.03% of the charges for services.

For the prior year, The City's total revenues were \$9,315,741. Property taxes comprise 12.70%, or \$1,183,252 of the City's revenue. Sales tax revenue comprises 37.89%, or \$3,529,550 of the City's revenue. In addition, 33.98% or \$3,165,037 comes from charges for services; water and sewer fees of \$2,758,010 of the charges for services.



The total cost of all programs and services for the year ended September 30, 2017, was \$9,226,837. For the prior year ended September 30, 2016, the total cost of all programs and services was \$8,700,168.

### Total Expenses 2016 - 2017



#### Governmental Activities

- The City’s property tax rate remained \$0.303761 per \$100 valuation. Assessed values also increased during fiscal year 2017.
- City Sales tax revenue increased \$62,047 or 1.76% from the prior year due to continued economic growth.
- The increases in public safety are related to the additional salaries expenses including some from the change in administrative services. Highways and streets decreased due to decreased expenditures related to the significant street rehab project.

#### Business-type Activities

- Water and sewer expenses increased due to salaries and benefits, utilities, and water purchases.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 376,838	\$ 407,027	\$ 2,771,776	\$ 2,758,010	\$ 3,148,614	\$ 3,165,037
Operating grants	34,732	76,929	-	34,244	34,732	111,173
General revenues:						
Property taxes	1,234,664	1,183,252	-	-	1,234,664	1,183,252
Sales taxes	3,591,597	3,529,550	-	-	3,591,597	3,529,550
Franchise taxes	503,812	518,565	-	-	503,812	518,565
Hotel occupancy	544,196	539,344	-	-	544,196	539,344
Investment earnings	138,233	97,768	22,547	10,744	160,780	108,512
Miscellaneous	154,996	160,308	-	-	154,996	160,308
Total revenues	<u>6,579,068</u>	<u>6,512,743</u>	<u>2,794,323</u>	<u>2,802,998</u>	<u>9,373,391</u>	<u>9,315,741</u>
<b>Expenses</b>						
General government	1,230,900	1,244,747	-	-	1,230,900	1,244,747
Public safety	3,759,489	3,635,664	-	-	3,759,489	3,635,664
Highways and streets	626,393	686,991	-	-	626,393	686,991
Economic development	381,764	239,756	-	-	381,764	239,756
Culture and recreation	520,838	528,991	-	-	520,838	528,991
Interest on long-term debt	92,725	100,519	-	-	92,725	100,519
Water and sewer	-	-	2,614,728	2,263,500	2,614,728	2,263,500
Total expenses	<u>6,612,109</u>	<u>6,436,668</u>	<u>2,614,728</u>	<u>2,263,500</u>	<u>9,226,837</u>	<u>8,700,168</u>
Increase (decrease) in net position						
before transfers	( 33,041)	76,075	179,595	539,498	146,554	615,573
Transfers	<u>202,402</u>	<u>397,298</u>	<u>( 202,402)</u>	<u>( 397,298)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>169,361</u>	<u>473,373</u>	<u>( 22,807)</u>	<u>142,200</u>	<u>146,554</u>	<u>615,573</u>
Net position, beginning	<u>22,015,866</u>	<u>21,542,493</u>	<u>8,780,546</u>	<u>8,638,346</u>	<u>30,796,412</u>	<u>30,180,839</u>
Net position, ending	<u>\$ 22,185,227</u>	<u>\$ 22,015,866</u>	<u>\$ 8,757,739</u>	<u>\$ 8,780,546</u>	<u>\$ 30,942,966</u>	<u>\$ 30,796,412</u>

**Analysis of the City's Operations.** Table A-2 provides a summary of the City's operations for the year ended September 30, 2017. The governmental activities increased the City's net position by \$169,361 due to increases in property and sales tax revenue mentioned above. The business-type activities decreased net position by \$22,807 to increases in water purchases.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS AND BUDGETARY HIGHLIGHTS

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. At the end of the 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$13,074,273, a decrease of \$384,967 from the prior year. Approximately 13.27% of this total amount is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is restricted for a variety of purposes. The majority is restricted for economic development, capital projects, and debt service (\$8,820,439).

**General Fund.** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,734,648, while the total fund balance was \$4,200,548. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to expenditures. Unassigned fund balance represents 29.08% of the General Fund expenditures, while total fund balance represents 70.42% of that same amount.

**Bellmead EDC Fund.** The fund balance of the Bellmead EDC Funds increased \$235,941. Fund balance was projected to increase by \$139,700 in the final budget, but economic development expenditures were less than the final budgeted amounts by \$352,234.

**Hotel/Motel Tax Fund.** The fund balance of the Hotel/Motel Tax Fund increased \$123,805. Fund balance was projected to increase by \$15,676 in the final budget, but culture and recreation expenditures were less than the final budgeted amounts by \$151,514.

**Capital Projects Fund.** The fund balance of the Capital Projects Fund decreased \$431,331. Fund balance decreased due to an ongoing street rehabilitation project.

### Proprietary Fund

For the current year, actual expenses as compared to prior year actual expenses increased by \$12,985, or 0.49%. Operating revenues in the current year were \$13,766 or 0.50% more than the operating revenues in the prior year. The notable increases in operating revenues was an increase in water sales in the amount of \$47,927 offset by a decrease in water and sewer tap fees.

### General Fund Budgetary Highlights

The general fund's revised expenditure budget was \$689,830 greater than the figure originally adopted (an increase of about 12.2%). This increase is attributable to supplemental appropriations of \$689,830 to fund the street rehabilitation project.

For the fiscal year 2016-2017, revenue and expenditures were below budgetary estimates. Actual expenditures were below budgeted expenditures were below budgetary estimates. Actual expenditures were below budgeted expenditures by \$364,822. The most significant variance resulted from actual expenditures being less than budgeted in highways and streets by \$355,948.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

During the year ended September 30, 2017, the City spent \$1,113,216 for governmental capital asset additions. Of the additions, \$127,044 represented the equipment and vehicles purchased. Additionally, the City spent \$406,391 for enterprise capital asset additions during the year ended September 30, 2017.

- Total gross governmental capital assets as of September 30, 2017, are \$20,618,053. For the prior year, gross governmental capital assets were \$19,504,025.
- Total gross enterprise capital assets as of September 30, 2017, are \$15,165,661. For the prior year, gross enterprise capital assets were \$12,560,571.

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 33 – 34 of this report.

### **Long-term Debt**

At September 30, 2017, the City had \$10,401,720 in bonds and notes outstanding. As of September 30, 2016, the City had \$10,805,000 in bonds and notes outstanding.

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 34 – 36 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**

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**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,749,785	\$ 4,423,854	\$ 21,173,639
Accounts receivable, net	883,767	331,734	1,215,501
Inventories	728	5,000	5,728
Internal balances	( 3,913,757)	3,913,757	-
Prepays	440	-	440
Restricted cash and cash equivalents	-	2,779,819	2,779,819
Lease receivable	880,120	-	880,120
Capital assets not being depreciated:			
Land	2,771,193	38,799	2,809,992
Construction in progress	1,094,676	452,101	1,546,777
Capital assets, net of accumulated depreciation:			
Building and improvements	4,545,399	670,557	5,215,956
Infrastructure	2,526,312	-	2,526,312
Water and sewer facilities	-	3,583,886	3,583,886
Equipment	1,182,571	261,310	1,443,881
Total assets	<u>26,721,234</u>	<u>16,460,817</u>	<u>43,182,051</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	<u>742,778</u>	<u>86,678</u>	<u>829,456</u>
Total deferred outflows of resources	<u>742,778</u>	<u>86,678</u>	<u>829,456</u>
<b>LIABILITIES</b>			
Accounts payable	377,359	289,483	666,842
Accrued liabilities	45,415	5,927	51,342
Customer deposits	-	368,199	368,199
Accrued interest	-	15,244	15,244
Noncurrent liabilities:			
Due within one year	277,688	316,155	593,843
Due in more than one year	4,148,403	6,744,579	10,892,982
Total liabilities	<u>4,848,865</u>	<u>7,739,587</u>	<u>12,588,452</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	<u>429,920</u>	<u>50,169</u>	<u>480,089</u>
Total deferred inflows of resources	<u>429,920</u>	<u>50,169</u>	<u>480,089</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,738,760	4,200,804	14,939,564
Restricted for:			
Court security and technology	53,286	-	53,286
Public safety	10,553	-	10,553
Debt service	310,153	-	310,153
Tourism	1,545,094	-	1,545,094
Economic development	5,651,338	-	5,651,338
Unrestricted	3,876,043	4,556,935	8,432,978
Total net position	<u>\$ 22,185,227</u>	<u>\$ 8,757,739</u>	<u>\$ 30,942,966</u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 1,230,900	\$ 35,182	\$ 32,873	\$( 1,162,845)	\$ -	\$( 1,162,845)
Public safety	3,759,489	294,816	1,859	( 3,462,814)	-	( 3,462,814)
Highways and streets	626,393	-	-	( 626,393)	-	( 626,393)
Economic development	381,764	-	-	( 381,764)	-	( 381,764)
Culture and recreation	520,838	46,840	-	( 473,998)	-	( 473,998)
Interest on long-term debt	92,725	-	-	( 92,725)	-	( 92,725)
Total governmental activities	<u>6,612,109</u>	<u>376,838</u>	<u>34,732</u>	<u>( 6,200,539)</u>	<u>-</u>	<u>( 6,200,539)</u>
<b>Business-type activities:</b>						
Water and sewer	<u>2,614,728</u>	<u>2,771,776</u>	<u>-</u>	<u>-</u>	<u>157,048</u>	<u>157,048</u>
Total business-type activities	<u>2,614,728</u>	<u>2,771,776</u>	<u>-</u>	<u>-</u>	<u>157,048</u>	<u>157,048</u>
Total primary government	<u>\$ 9,226,837</u>	<u>\$ 3,148,614</u>	<u>\$ 34,732</u>	<u>( 6,200,539)</u>	<u>157,048</u>	<u>( 6,043,491)</u>
<b>General revenues:</b>						
Property taxes, levied for general purposes				924,970	-	924,970
Property taxes, levied for debt service				309,694	-	309,694
Sales taxes				3,591,597	-	3,591,597
Franchise taxes				503,812	-	503,812
Hotel occupancy taxes				544,196	-	544,196
Investment earnings				138,233	22,547	160,780
Miscellaneous				154,996	-	154,996
Transfers				202,402	( 202,402)	-
Total general revenues and transfers				<u>6,369,900</u>	<u>( 179,855)</u>	<u>6,190,045</u>
Change in net position				<u>169,361</u>	<u>( 22,807)</u>	<u>146,554</u>
Net position, beginning				<u>22,015,866</u>	<u>8,780,546</u>	<u>30,796,412</u>
Net position, ending				<u>\$ 22,185,227</u>	<u>\$ 8,757,739</u>	<u>\$ 30,942,966</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELLMEAD, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	General	Bellmead EDC A
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,048,108	\$ 1,445,906
Receivables (net of allowance for uncollectibles)	719,035	2,766
Lease receivable	-	880,120
Due from other funds	-	-
Prepays	440	-
Inventories	728	-
Total assets	\$ 4,768,311	\$ 2,328,792
<b>LIABILITIES</b>		
Accounts payable	\$ 307,149	\$ 37,026
Accrued liabilities	42,749	-
Due to other funds	38,173	69,560
Total liabilities	388,071	106,586
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	129,672	-
Unavailable revenue - court fines	50,020	-
Unavailable revenue - lease receivable	-	880,120
Total deferred inflows of resources	179,692	880,120
<b>FUND BALANCES</b>		
Nonspendable:		
Inventories	728	-
Prepays	440	-
Restricted for:		
Public safety	10,553	-
Court security and technology	-	-
Tourism	-	-
Economic development	-	1,342,086
Capital projects	-	-
Debt service	-	-
Committed for:		
Street improvements	2,454,179	-
Unassigned	1,734,648	-
Total fund balances	4,200,548	1,342,086
Total liabilities, deferred inflows of resources and fund balances	\$ 4,768,311	\$ 2,328,792

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

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

The notes to the financial statements are an integral part of this statement.

<u>Bellmead EDC B</u>	<u>Hotel/ Motel Tax</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 3,258,178	\$ 1,559,622	\$ 6,151,550	\$ 286,421	\$ 16,749,785
104,350	3,751	8,541	45,324	883,767
-	-	-	-	880,120
69,560	6,948	1,598	35,090	113,196
-	-	-	-	440
-	-	-	-	728
<u>\$ 3,432,088</u>	<u>\$ 1,570,321</u>	<u>\$ 6,161,689</u>	<u>\$ 366,835</u>	<u>\$ 18,628,036</u>
\$ 2,956	\$ 22,561	\$ 7,667	\$ -	\$ 377,359
-	2,666	-	-	45,415
-	-	3,915,824	3,396	4,026,953
<u>2,956</u>	<u>25,227</u>	<u>3,923,491</u>	<u>3,396</u>	<u>4,449,727</u>
-	-	-	44,224	173,896
-	-	-	-	50,020
-	-	-	-	880,120
<u>-</u>	<u>-</u>	<u>-</u>	<u>44,224</u>	<u>1,104,036</u>
-	-	-	-	728
-	-	-	-	440
-	-	-	-	10,553
-	-	-	53,286	53,286
-	1,545,094	-	-	1,545,094
3,429,132	-	-	-	4,771,218
-	-	2,238,198	-	2,238,198
-	-	-	265,929	265,929
-	-	-	-	2,454,179
-	-	-	-	1,734,648
<u>3,429,132</u>	<u>1,545,094</u>	<u>2,238,198</u>	<u>319,215</u>	<u>13,074,273</u>
<u>\$ 3,432,088</u>	<u>\$ 1,570,321</u>	<u>\$ 6,161,689</u>	<u>\$ 366,835</u>	
				12,120,151
				1,104,036
				( 4,113,233)
				<u>\$ 22,185,227</u>

**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General	Bellmead EDC A
<b>REVENUES</b>		
Taxes:		
Property	\$ 927,814	\$ -
Sales	2,993,211	-
Franchise	503,812	-
Hotel occupancy	-	-
Other	54,713	-
Licenses and permits	35,182	-
Intergovernmental	61,630	-
Rent	-	-
Fines and fees	234,317	-
Investment earnings	22,900	50,968
Miscellaneous	76,307	-
Total revenues	4,909,886	50,968
<b>EXPENDITURES</b>		
Current:		
General government	1,111,229	-
Public safety	3,454,302	-
Highways and streets	1,335,898	-
Economic development	-	-
Culture and recreation	63,809	-
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	5,965,238	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>( 1,055,352)</b>	<b>50,968</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	728,107	-
Transfers out	-	( 148,450)
Proceeds from sale of assets	-	94,038
Total other financing sources (uses)	728,107	( 54,412)
<b>NET CHANGE IN FUND BALANCE</b>	<b>( 327,245)</b>	<b>( 3,444)</b>
<b>FUND BALANCE, BEGINNING</b>	<b>4,527,793</b>	<b>1,345,530</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 4,200,548</b>	<b>\$ 1,342,086</b>

The notes to the financial statements are an integral part of this statement.

<u>Bellmead EDC B</u>	<u>Hotel/ Motel Tax</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 309,233	\$ 1,237,047
598,386	-	-	-	3,591,597
-	-	-	-	503,812
-	544,196	-	-	544,196
-	-	-	-	54,713
-	-	-	-	35,182
-	-	-	-	61,630
-	46,840	-	-	46,840
-	-	-	7,556	241,873
9,315	5,158	47,987	1,905	138,233
-	-	-	-	76,307
<u>607,701</u>	<u>596,194</u>	<u>47,987</u>	<u>318,694</u>	<u>6,531,430</u>
-	-	-	-	1,111,229
-	-	-	-	3,454,302
-	-	-	-	1,335,898
248,266	-	-	-	248,266
-	381,889	-	-	445,698
-	-	312,334	-	312,334
-	-	-	200,000	200,000
-	-	-	105,110	105,110
<u>248,266</u>	<u>381,889</u>	<u>312,334</u>	<u>305,110</u>	<u>7,212,837</u>
<u>359,435</u>	<u>214,305</u>	<u>( 264,347)</u>	<u>13,584</u>	<u>( 681,407)</u>
135,950	-	-	279	864,336
( 256,000)	( 90,500)	( 166,984)	-	( 661,934)
-	-	-	-	94,038
<u>( 120,050)</u>	<u>( 90,500)</u>	<u>( 166,984)</u>	<u>279</u>	<u>296,440</u>
<u>239,385</u>	<u>123,805</u>	<u>( 431,331)</u>	<u>13,863</u>	<u>( 384,967)</u>
<u>3,189,747</u>	<u>1,421,289</u>	<u>2,669,529</u>	<u>305,352</u>	<u>13,459,240</u>
<u>\$ 3,429,132</u>	<u>\$ 1,545,094</u>	<u>\$ 2,238,198</u>	<u>\$ 319,215</u>	<u>\$ 13,074,273</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, 2017

Net change in fund balances - total governmental funds \$( 384,967)

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. 502,788

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 47,637

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets. ( 94,037)

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. ( 64,474)

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. 203,506

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. ( 41,092)

Changes in net position of governmental activities \$ 169,361

**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2017**

	<u>Business-type Activities Enterprise Fund Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,423,854
Accounts receivable (net of allowance for uncollectible):	
Accounts	311,153
Other	20,581
Due from other funds	3,917,622
Inventories	5,000
Restricted cash	2,779,819
Total current assets	<u>11,458,029</u>
Noncurrent assets:	
Capital assets:	
Land	38,799
Buildings and improvements	877,695
Water and sewer facilities	11,377,218
Equipment	1,583,944
Construction in progress	452,101
Less: accumulated depreciation	( 9,323,104)
Total capital assets	<u>5,006,653</u>
Total noncurrent assets	<u>5,006,653</u>
Total assets	<u>16,464,682</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	<u>86,678</u>
Total deferred outflows of resources	<u>86,678</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	289,483
Accrued liabilities	5,927
Customer deposits	368,199
Accrued interest	15,244
Compensated absences, current portion	3,839
Due to other funds	3,865
Revenue bond and note payable, current portion	312,316
Total current liabilities	<u>998,873</u>
Noncurrent liabilities:	
Compensated absences	11,516
Net pension liability	57,851
Revenue bond and note payable	6,675,212
Total noncurrent liabilities	<u>6,744,579</u>
Total liabilities	<u>7,743,452</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	<u>50,169</u>
Total deferred inflows of resources	<u>50,169</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,200,804
Unrestricted	4,556,935
Total net position	<u>\$ 8,757,739</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>OPERATING REVENUE</b>	
Water sales	\$ 1,785,320
Sewer charges	904,836
Water and sewer tap fees	11,833
Other	<u>69,787</u>
Total operating revenue	<u>2,771,776</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	520,070
Materials and supplies	812,595
Contractual services	518,019
Depreciation	<u>575,163</u>
Total operating expenses	<u>2,425,847</u>
<b>OPERATING INCOME</b>	<u>345,929</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment earnings	22,547
Interest expense	<u>( 188,881)</u>
Total non-operating revenue (expenses)	<u>( 166,334)</u>
<b>NET INCOME BEFORE TRANSFERS</b>	<u>179,595</u>
Transfers in	164,527
Transfers out	<u>( 366,929)</u>
<b>CHANGE IN NET POSITION</b>	<u>( 22,807)</u>
<b>NET POSITION, BEGINNING</b>	<u>8,780,546</u>
<b>NET POSITION, ENDING</b>	<u>\$ 8,757,739</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELLMEAD, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,801,377
Payments to suppliers	( 1,251,932)
Payments to employees	( 513,210)
Net cash provided by operating activities	<u>1,036,235</u>
<b>CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES</b>	
Transfers from other funds	426,468
Transfers to other funds	( 366,929)
Net cash provided by noncapital and related financing activities	<u>59,539</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	( 358,358)
Principal paid on bonds and note payable	( 312,045)
Interest paid on bonds and note payable	( 193,425)
Net cash used by capital and related financing activities	<u>( 863,828)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>22,547</u>
Net cash provided by investing activities	<u>22,547</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>254,493</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>6,949,180</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 7,203,673</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>	
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 345,929
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	575,163
Change in assets, deferred outflows and inflows, and liabilities:	
Accounts receivable, net	29,201
Other receivables	( 9,646)
Customer deposits	10,046
Accounts payable	78,682
Deferred outflows of resources	30,695
Deferred inflows of resources	3,929
Net pension liability	( 28,383)
Compensated absences	2,431
Other liabilities	( 1,812)
Net cash provided by operating activities	<u>\$ 1,036,235</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF BELLMEAD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

### 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 (EDC B) are blended component units and are reported within the City’s primary government. The Corporations are responsible for certain economic development benefiting all citizens of the government and are financed by a portion of sales tax revenue and are governed by a board comprised of City Council members and citizens of the community.

## **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 economic development 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 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.

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, 2017, the City had a tax rate of \$0.303761 per \$100 of which \$0.22799 was allocated for general government and \$0.075771 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 acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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:

Assets	Years
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 \$2,779,819 represents proceeds from the 2008 tax and revenue certificates of obligation and 2016 Certificate of Obligation that have not been spent but have been restricted to purchase water and sewer improvements in the future. Also included in restricted cash is money held by the City of Waco on behalf of the City of Bellmead for the operations of the Waco Metropolitan Area Regional Sewer System.

## 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.

## **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.

## **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 TMRS'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.

## **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 and/or balance sheet 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.

- 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 two types of items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources that require deferral: property taxes, municipal court fines and lease receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

## **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.

## 2. DEPOSITS AND INVESTMENTS

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

Cash and certificates of deposit in bank	\$ 23,767,619
Government investment pools:	
TexPool	116,845
TexStar	<u>68,994</u>
Total cash and cash equivalents	<u>\$ 23,953,458</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, 2017, 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, 2017, 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, 2017, 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 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. They have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

### 3. RECEIVABLES

Receivables as of September 30, 2017, 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 - A	Bellmead Economic Development Corporation - B	Hotel Motel Tax	Capital Projects	Other Nonmajor	Water and Sewer	Total
Receivables:								
Property taxes	\$ 176,888	\$ -	\$ -	\$ -	\$ -	\$ 60,432	\$ -	\$ 237,320
Sales taxes	508,796	-	101,759	-	-	-	-	610,555
Accounts	-	-	-	-	-	-	387,028	387,028
Court Fines	250,103	-	-	-	-	-	-	250,103
Lease	-	880,120	-	-	-	-	-	880,120
Other	27,553	2,766	2,591	3,751	8,541	-	20,581	65,783
Gross receivables	963,340	882,886	104,350	3,751	8,541	60,432	407,609	2,430,909
Less: allowance for uncollectibles	( 244,305)	-	-	-	-	( 15,108)	( 75,875)	( 335,288)
Net total receivables	\$ 719,035	\$ 882,886	\$ 104,350	\$ 3,751	\$ 8,541	\$ 45,324	\$ 331,734	\$ 2,095,621

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 2017 levy was based was \$407,683,002.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2017, were 96.7 % of the tax levy.

### 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payable balances at September 30, 2017, are as follows:

Fund	Receivable	Payable
General	\$ -	\$ 38,173
Bellmead EDC - A	-	69,560
Bellmead EDC - B	69,560	-
Hotel/Motel Tax	6,948	-
Capital Projects	1,598	3,915,824
Nonmajor	35,090	3,396
Water and sewer	3,917,622	3,865
Totals	\$ 4,030,818	\$ 4,030,818

An interfund balance of \$3,917,622 resulted when the City issued bonds in fiscal year 2014 to finance a new sewer interceptor and water well to improve the City's utility system. The bond proceeds were reported in the Capital Projects Fund and the long-term liability was reported in the Water and Sewer Fund, which resulted in an interfund balance. As cost are incurred for the project, the bond proceeds are used to fund the project and the capital assets are reported in the Water and Sewer Fund. The remainder of the 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, 2017, are as follows:

	General	Bellmead EDC - B	Nonmajor Funds	Water/Sewer	Total
Transfers out:					
Bellmead EDC - A	\$ 12,500	\$ 135,950	\$ -	\$ -	\$ 148,450
Bellmead EDC - B	256,000	-	-	-	256,000
Hotel/Motel Tax	90,500	-	-	-	90,500
Capital Projects	2,457	-	-	164,527	166,984
Water/Sewer	<u>366,650</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>366,929</u>
Total transfers	<u>\$ 728,107</u>	<u>\$ 135,950</u>	<u>\$ 279</u>	<u>\$ 164,527</u>	<u>\$ 1,028,863</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, 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, and 4) a payment in lieu of taxes to the General Fund.

## 5. 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.

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

Year Ended September 30,	Principal	Interest
2018	\$ 98,357	\$ 37,593
2019	102,876	33,075
2020	107,602	28,349
2021	112,545	23,405
2022	117,275	23,405
2023-2026	<u>341,465</u>	<u>22,825</u>
	<u>\$ 880,120</u>	<u>\$ 168,652</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,771,193	\$ -	\$ -	\$ 2,771,193
Construction in progress	<u>761,622</u>	<u>944,680</u>	<u>( 611,626)</u>	<u>1,094,676</u>
Total capital assets not being depreciated	<u>3,532,815</u>	<u>944,680</u>	<u>( 611,626)</u>	<u>3,865,869</u>
Capital assets being depreciated:				
Buildings and improvements	6,659,032	612,439	-	7,271,471
Infrastructure	3,191,770	-	-	3,191,770
Equipment	<u>6,120,408</u>	<u>168,535</u>	<u>-</u>	<u>6,288,943</u>
Total capital assets being depreciated	<u>15,971,210</u>	<u>780,974</u>	<u>-</u>	<u>16,752,184</u>
Less accumulated depreciation for:				
Buildings and improvements	( 2,496,035)	( 230,037)	-	( 2,726,072)
Infrastructure	( 565,713)	( 99,744)	-	( 665,457)
Equipment	<u>( 4,824,914)</u>	<u>( 281,459)</u>	<u>-</u>	<u>( 5,106,373)</u>
Total accumulated depreciation	<u>( 7,886,662)</u>	<u>( 611,240)</u>	<u>-</u>	<u>( 8,497,902)</u>
Total capital assets being depreciated, net	<u>8,084,548</u>	<u>169,734</u>	<u>-</u>	<u>8,254,282</u>
Governmental activities capital assets, net	<u>\$ 11,617,363</u>	<u>\$ 1,114,414</u>	<u>\$ ( 611,626)</u>	<u>\$ 12,120,151</u>

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 38,799	\$ -	\$ -	\$ 38,799
Construction in progress	263,895	236,241	( 48,035)	452,101
Total capital assets not being depreciated	<u>302,694</u>	<u>236,241</u>	<u>( 48,035)</u>	<u>490,900</u>
Capital assets being depreciated:				
Buildings and improvements	877,695	-	-	877,695
Water and sewer facilities	9,872,897	-	-	9,872,897
WMARSS facilities	2,410,042	93,490	( 163,307)	2,340,225
Equipment	1,507,284	76,660	-	1,583,944
Total capital assets being depreciated	<u>14,667,918</u>	<u>170,150</u>	<u>( 163,307)</u>	<u>14,674,761</u>
Less accumulated depreciation for:				
Buildings and improvements	( 163,593)	( 43,545)	-	( 207,138)
Water and sewer facilities	( 7,410,955)	( 382,377)	-	( 7,793,332)
WMARSS facilities	( 745,957)	( 89,947)	-	( 835,904)
Equipment	( 1,263,340)	( 59,294)	-	( 1,322,634)
Total accumulated depreciation	<u>( 9,583,845)</u>	<u>( 575,163)</u>	<u>-</u>	<u>( 10,159,008)</u>
Total capital assets being depreciated, net	<u>5,084,073</u>	<u>( 405,013)</u>	<u>( 163,307)</u>	<u>4,515,753</u>
Business-type activities capital assets, net	<u>\$ 5,386,767</u>	<u>\$( 168,772)</u>	<u>\$( 211,342)</u>	<u>\$ 5,006,653</u>

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

Governmental activities	
General government	\$ 93,119
Public safety	228,270
Highways and streets	84,943
Economic development	133,498
Culture and recreation	71,410
Total depreciation - governmental activities	<u>\$ 611,240</u>
Business-type activities	
Water and sewer	\$ 575,163
Total depreciation - business-type activities	<u>\$ 575,163</u>

## 7. 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, 2017:

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017	Due Within One Year
<b>Governmental activities</b>					
Certificates of obligation	\$ 3,710,000	\$ -	\$( 150,000)	\$ 3,560,000	\$ 200,000
Tax anticipation notes	50,000	-	( 50,000)	-	-
Net pension liability	676,221	97,217	( 277,689)	495,749	-
Compensated absences	260,782	126,612	( 76,641)	310,753	77,688
Premium on debt	<u>63,095</u>	<u>-</u>	<u>( 3,506)</u>	<u>59,589</u>	<u>-</u>
	<u>\$ 4,760,098</u>	<u>\$ 223,829</u>	<u>\$( 557,836)</u>	<u>\$ 4,426,091</u>	<u>\$ 277,688</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 175,000	\$ -	\$( 175,000)	\$ -	\$ -
Certificates of obligation	6,870,000	-	( 125,000)	6,745,000	305,000
Note payable - COW	108,765	-	( 12,045)	96,720	12,316
Net pension liability	86,233	4,022	( 32,404)	57,851	-
Compensated absences	12,924	13,260	( 10,829)	15,355	3,839
Premium on debt	<u>153,899</u>	<u>-</u>	<u>( 8,091)</u>	<u>145,808</u>	<u>-</u>
	<u>\$ 7,406,821</u>	<u>\$ 17,282</u>	<u>\$( 363,369)</u>	<u>\$ 7,060,734</u>	<u>\$ 321,155</u>

Long-term debt for governmental activities at September 30, 2017, is comprised of the following:

\$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. \$ 3,560,000

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

Year Ended September 30,	Certificates of Obligation	
	Principal	Interest
2018	\$ 200,000	\$ 100,656
2019	170,000	96,956
2020	175,000	93,506
2021	180,000	89,731
2022	185,000	85,625
2023-2027	985,000	356,309
2028-2032	1,145,000	197,100
2033-2034	<u>520,000</u>	<u>19,688</u>
	<u>\$ 3,560,000</u>	<u>\$ 1,039,571</u>

Long-term debt for business-type activities at September 30, 2017, is comprised of the following:

Note payable to the City of Waco, Texas, due in annual installments of \$15,621, with an interest rate of 3.65%, maturing in 2024.	\$ <u>96,720</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>4,440,000</u>
\$2,400,000 Series 2016 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of \$95,000 to \$150,000 with an interest rate of 2.00% to 3.00%, maturing in 2036.	\$ <u>2,305,000</u>

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

Year Ended September 30,	Certificates of Obligation		Notes Payable - COW	
	Principal	Interest	Principal	Interest
2018	\$ 305,000	\$ 187,238	\$ 12,316	\$ 3,305
2019	315,000	181,038	12,776	2,845
2020	320,000	174,688	13,283	2,369
2021	330,000	167,906	13,777	1,875
2022	335,000	160,688	14,257	1,364
2023-2027	1,805,000	674,525	30,311	1,111
2028-2032	2,100,000	385,649	-	-
2033-2035	1,235,000	60,188	-	-
	<u>\$ 6,745,000</u>	<u>\$ 1,991,920</u>	<u>\$ 96,720</u>	<u>\$ 12,869</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.

In March 2016, the City issued \$2.4 million in certificates of obligation to finance \$2.4 million in Utility Fund capital improvement projects.

**8. UNDIVIDED INTEREST WACO METROPOLITAN AREA REGIONAL SEWER SYSTEM**

During 2004, the City entered into an agreement with four other participating cities to acquire the facilities and operations of the Waco Metropolitan Area Regional Sewer System (the “System”) from Brazos River Authority (the “Authority”). Prior to the acquisition, the cities were “tenants in common” of the System owned by the Authority, and funded the System through payments to the Authority based on the amount of wastewater treated.

The City’s initial purchase included a 5.73% undivided interest in the System; however, the City subsequently sold portions of its undivided interest to other cities leaving it with a 5.707% undivided interest in the System. The City’s undivided interest in the System as of September 30, 2017 was 4.964% as a result of certain capacity expansion improvements completed during 2012.

The City of Waco, Texas assisted four of the participating cities in financing their initial investments. During 2004, the City of Waco, Texas’ wastewater fund advanced \$1,849,058 to the four participating cities at an interest rate of 3.65% to be repaid in annual installments through February 2024. As of September 30, 2017, \$96,721 was payable to the City of Waco by the City of Bellmead.

Under the interlocal agreement for the System, a board was created consisting 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 board; however, a separate legal entity was not created. The agreement allows the cities to pool resources and share the costs, risks, and rewards of providing services. Further, each city retains an ongoing financial interest and ongoing financial responsibility in the operations of the System. The City has reported its share of assets, liabilities, net position, revenues and expenses that are associated with this joint activity in its water and sewer fund as follows:

Current assets	\$	513,963
Capital assets		1,504,321
Long-term liabilities	(	<u>96,721)</u>
Net position	\$	<u>1,921,563</u>
Operating expenses	\$(	446,249)
Nonoperating revenues		<u>27,667</u>
Loss before contributions	(	418,582)
Capital contributions - current year		<u>498,444</u>
Change in net position	\$	<u>79,862</u>

## 9. EMPLOYEE BENEFIT PLAN

### Plan Description

The City participates as one of 872 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.tmr.org](http://www.tmr.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, 2016 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	55
Active employees	<u>76</u>
	<u><u>159</u></u>

### **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 9.07% and 8.99% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$316,465, and were equal to the required contributions.

### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, 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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Net Position (a) - (b)
Balance at 12/31/2015	\$ 12,060,237	\$ 11,297,782	\$ 762,455
Changes for the year:			
Service cost	487,147	-	487,147
Interest	809,001	-	809,001
Difference between expected and actual experience	( 233,707)	-	( 233,707)
Contributions - employer	-	310,177	( 310,177)
Contributions - employee	-	206,710	( 206,710)
Net investment income	-	763,497	( 763,497)
Benefit payments, including refunds of employee contributions	( 637,232)	( 637,232)	-
Administrative expense	-	( 8,623)	8,623
Other changes	-	( 465)	465
Net changes	<u>425,209</u>	<u>634,064</u>	<u>( 208,855)</u>
Balance at 12/31/2016	<u>\$ 12,485,446</u>	<u>\$ 11,931,846</u>	<u>\$ 553,600</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, 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 (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 2,408,246	\$ 553,600	\$( 947,762)

***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.tmrs.org](http://www.tmrs.org).

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

For the year ended September 30, 2017, the City recognized pension expense of \$387,264. At September 30, 2017, 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	\$ 16,028	\$ 480,089
Changes in actuarial assumptions	53,725	-
Difference between projected and actual investment earnings	518,471	-
Contributions subsequent to the measurement date	<u>241,232</u>	<u>-</u>
Total	<u>\$ 829,456</u>	<u>\$ 480,089</u>

\$241,232 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, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30,	
2018	\$ 51,337
2019	43,910
2020	41,316
2021	( 28,428)

**10. 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’s contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$7,040, \$6,844, and \$6,676, respectively, which equaled the required contributions each year.

## **11. 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.

## **12. 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**

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**CITY OF BELLMEAD, TEXAS**

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

**GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 918,000	\$ 918,000	\$ 927,814	\$ 9,814
Sales	2,820,000	2,820,000	2,993,211	173,211
Franchise	521,500	521,500	503,812	( 17,688)
Other	55,000	55,000	54,713	( 287)
Licenses and permits	39,500	39,500	35,182	( 4,318)
Intergovernmental	154,716	154,716	61,630	( 93,086)
Fines and fees	355,000	355,000	234,317	( 120,683)
Investment earnings	16,000	16,000	22,900	6,900
Miscellaneous	<u>64,515</u>	<u>64,515</u>	<u>76,307</u>	<u>11,792</u>
Total revenue	<u>4,944,231</u>	<u>4,944,231</u>	<u>4,909,886</u>	<u>( 34,345)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,124,689	1,124,689	1,111,229	13,460
Public safety	3,433,809	3,433,809	3,454,302	( 20,493)
Highways and streets	1,002,016	1,691,846	1,335,898	355,948
Culture and recreation	<u>79,716</u>	<u>79,716</u>	<u>63,809</u>	<u>15,907</u>
Total expenditures	<u>5,640,230</u>	<u>6,330,060</u>	<u>5,965,238</u>	<u>364,822</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 695,999)</u>	<u>( 1,385,829)</u>	<u>( 1,055,352)</u>	<u>330,477</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>728,107</u>	<u>728,107</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>728,107</u>	<u>728,107</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 695,999)</u>	<u>( 1,385,829)</u>	<u>( 327,245)</u>	<u>1,058,584</u>
<b>FUND BALANCE, BEGINNING</b>	<u>4,527,793</u>	<u>4,527,793</u>	<u>4,527,793</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,831,794</u>	<u>\$ 3,141,964</u>	<u>\$ 4,200,548</u>	<u>\$ 1,058,584</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, 2017**

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	With Final Budget
<b>REVENUES</b>				
Investment earnings	\$ 96,000	\$ 96,000	\$ 50,968	\$( 45,032)
Miscellaneous	<u>42,000</u>	<u>42,000</u>	<u>-</u>	<u>( 42,000)</u>
Total revenue	<u>138,000</u>	<u>138,000</u>	<u>50,968</u>	<u>( 87,032)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	<u>42,000</u>	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Total expenditures	<u>42,000</u>	<u>42,000</u>	<u>-</u>	<u>42,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>96,000</u>	<u>96,000</u>	<u>50,968</u>	<u>( 45,032)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 148,200)	( 148,200)	( 148,450)	( 250)
Proceeds from sale of assets	<u>42,200</u>	<u>42,200</u>	<u>94,038</u>	<u>51,838</u>
Total other financing sources (uses)	<u>( 106,000)</u>	<u>( 106,000)</u>	<u>( 54,412)</u>	<u>51,588</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 10,000)</u>	<u>( 10,000)</u>	<u>( 3,444)</u>	<u>6,556</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,345,530</u>	<u>1,345,530</u>	<u>1,345,530</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,335,530</u>	<u>\$ 1,335,530</u>	<u>\$ 1,342,086</u>	<u>\$ 6,556</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 570,000	\$ 570,000	\$ 598,386	\$ 28,386
Investment earnings	<u>2,500</u>	<u>2,500</u>	<u>9,315</u>	<u>6,815</u>
Total revenue	<u>572,500</u>	<u>572,500</u>	<u>607,701</u>	<u>35,201</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	<u>558,500</u>	<u>558,500</u>	<u>248,266</u>	<u>310,234</u>
Total expenditures	<u>558,500</u>	<u>558,500</u>	<u>248,266</u>	<u>310,234</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,000</u>	<u>14,000</u>	<u>359,435</u>	<u>345,435</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	135,700	135,700	135,950	250
Transfers out	<u>-</u>	<u>-</u>	<u>( 256,000)</u>	<u>( 256,000)</u>
Total other financing sources (uses)	<u>135,700</u>	<u>135,700</u>	<u>( 120,050)</u>	<u>( 255,750)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>149,700</u>	<u>149,700</u>	<u>239,385</u>	<u>89,685</u>
<b>FUND BALANCE, BEGINNING</b>	<u>3,189,747</u>	<u>3,189,747</u>	<u>3,189,747</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,339,447</u>	<u>\$ 3,339,447</u>	<u>\$ 3,429,132</u>	<u>\$ 89,685</u>

**CITY OF BELLMEAD, TEXAS**

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

**HOTEL/MOTEL TAX FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Hotel occupancy tax	\$ 499,900	\$ 499,900	\$ 544,196	\$ 44,296
Rent	46,000	46,000	46,840	840
Investment earnings	2,000	2,000	5,158	3,158
Total revenue	547,900	547,900	596,194	48,294
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	459,224	459,224	381,889	77,335
Capital outlay	73,000	73,000	-	73,000
Total expenditures	532,224	532,224	381,889	150,335
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	15,676	15,676	214,305	198,629
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	( 90,500)	( 90,500)
Total other financing sources (uses)	-	-	( 90,500)	( 90,500)
<b>NET CHANGE IN FUND BALANCE</b>	15,676	15,676	123,805	108,129
<b>FUND BALANCE, BEGINNING</b>	1,421,289	1,421,289	1,421,289	-
<b>FUND BALANCE, ENDING</b>	\$ 1,436,965	\$ 1,436,965	\$ 1,545,094	\$ 108,129

## **CITY OF BELLMEAD, TEXAS**

### **NOTES TO BUDGETARY SCHEDULES**

**SEPTEMBER 30, 2017**

**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<sup>st</sup>. 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 adopted for the General Fund Bellmead Economic Development Corporation Funds A and B and Hotel/Motel Tax Fund. These budgets are 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 not 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 the General Fund. Public Safety expenditures exceeded appropriations in the amount of \$19,275. This was mainly attributable to personnel shortages within the police and fire departments resulting in overtime pay to go over budget.

**CITY OF BELLMEAD, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Plan Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
<b>A. Total pension liability</b>			
Service Cost	\$ 389,742	\$ 458,188	\$ 487,147
Interest (on the Total Pension Liability)	767,022	818,762	809,001
Difference between expected and actual experience	51,209	( 519,945)	( 233,707)
Change of assumptions	-	93,818	-
Benefit payments, including refunds of employee contributions	<u>( 489,931)</u>	<u>( 516,186)</u>	<u>( 637,232)</u>
Net change in total pension liability	718,042	334,637	425,209
Total pension liability - beginning	<u>11,007,558</u>	<u>11,725,600</u>	<u>12,060,237</u>
Total pension liability - ending (a)	<u><u>\$ 11,725,600</u></u>	<u><u>\$ 12,060,237</u></u>	<u><u>\$ 12,485,446</u></u>
<b>B. Plan fiduciary net position</b>			
Contributions - employer	\$ 262,945	\$ 309,670	\$ 310,177
Contributions - employee	195,254	204,853	206,710
Net investment income	613,170	16,664	763,497
Benefit payments, including refunds of employee contributions	( 489,931)	( 516,186)	( 637,232)
Administrative expenses	( 6,402)	( 10,150)	( 8,623)
Other	<u>( 526)</u>	<u>( 502)</u>	<u>( 465)</u>
Net change in plan fiduciary net position	574,510	4,349	634,064
Plan fiduciary net position - beginning	<u>10,718,923</u>	<u>11,293,433</u>	<u>11,297,782</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,293,433</u></u>	<u><u>\$ 11,297,782</u></u>	<u><u>\$ 11,931,846</u></u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u><u>\$ 432,167</u></u>	<u><u>\$ 762,455</u></u>	<u><u>\$ 553,600</u></u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	96.31%	93.68%	95.57%
<b>E. Covered employee payroll</b>	\$ 3,254,228	\$ 3,414,216	\$ 3,445,170
<b>F. Net position liability as a percentage of covered employee payroll</b>	13.28%	22.33%	16.07%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

**CITY OF BELLMEAD, TEXAS**

**SCHEDULE OF CONTRIBUTIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Fiscal Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Actuarial determined contribution	\$ 260,868	\$ 297,841	\$ 320,484	\$ 316,465
Contributions in relation to the actuarially determined contribution	<u>260,868</u>	<u>297,841</u>	<u>320,484</u>	<u>316,465</u>
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	3,192,687	3,383,497	3,552,338	3,520,190
Contributions as a percentage of covered employee payroll	8.17%	8.80%	9.02%	8.99%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

**Other Information** There were no benefit changes during the year.

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## **COMBINING STATEMENTS**

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**CITY OF BELLMEAD, TEXAS**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

	<u>Court Security and Technology</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,061	\$ 264,360	\$ 286,421
Receivables (net of allowance for uncollectibles)	-	45,324	45,324
Due from other funds	<u>31,225</u>	<u>3,865</u>	<u>35,090</u>
Total assets	<u>\$ 53,286</u>	<u>\$ 313,549</u>	<u>\$ 366,835</u>
<b>LIABILITIES</b>			
Due to other funds	<u>\$ -</u>	<u>\$ 3,396</u>	<u>\$ 3,396</u>
Total liabilities	<u>-</u>	<u>3,396</u>	<u>3,396</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>-</u>	<u>44,224</u>	<u>44,224</u>
Total deferred inflows of resources	<u>-</u>	<u>44,224</u>	<u>44,224</u>
<b>FUND BALANCES</b>			
Restricted for:			
Court security and technology	53,286	-	53,286
Debt service	<u>-</u>	<u>265,929</u>	<u>265,929</u>
Total fund balances	<u>53,286</u>	<u>265,929</u>	<u>319,215</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 53,286</u>	<u>\$ 313,549</u>	<u>\$ 366,835</u>

**CITY OF BELLMEAD, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Court Security and Technology</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ -	\$ 309,233	\$ 309,233
Fines and fees	7,556	-	7,556
Investment earnings	-	1,905	1,905
Total revenues	<u>7,556</u>	<u>311,138</u>	<u>318,694</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	-	200,000	200,000
Interest and other charges	-	105,110	105,110
Total expenditures	<u>-</u>	<u>305,110</u>	<u>305,110</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>7,556</u>	<u>6,028</u>	<u>13,584</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	279	279
Total other financing sources (uses)	<u>-</u>	<u>279</u>	<u>279</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>7,556</u>	<u>6,307</u>	<u>13,863</u>
<b>FUND BALANCE, BEGINNING</b>	<u>45,730</u>	<u>259,622</u>	<u>305,352</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 53,286</u>	<u>\$ 265,929</u>	<u>\$ 319,215</u>