

# **City of Bellmead**



## ***Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2018***

**Prepared by**

**Yousry Zakhary  
Interim City Manager**

**Karen Evans, CPA  
Chief Financial Officer**



***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

of the

**City of Bellmead, Texas**

**For the Year Ended  
September 30, 2018**

**Prepared by**

Yousry Zakhary  
Interim City Manager

Karen Evans, CPA  
Chief Financial Officer



# City of Bellmead, Texas

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## ***INTRODUCTORY SECTION***





March 25, 2019

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

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

BrooksWatson & Co., a firm of licensed independent certified public accountants, have issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended September 30, 2018. The independent auditor’s report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City of Bellmead was part of a broader, federally-mandated, Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report, not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the federal single audit section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

***Profile of the City***

Bellmead was founded in the mid-1920’s when the site was chosen for the locomotive shops of the Missouri, Kansas, and Texas railroad. The first school was named Bellmead in honor of Belle Meade Farms, a prominent horse farm in Tennessee.

Waco Army Air Field (later called James Connally Air Force Base) opened in 1942, just northeast of town. The town boasted a population of 25 in the early 1940s, which increased rapidly after World War II, rising to 800 by 1949. The community was incorporated in 1954 with a mayor-alderman government. By 1960, Bellmead had 5,127 residents and 85 businesses. When the air force base was closed in 1965, Texas A&M University established the James Connally Technical Institute at the facility. The City has since grown to an estimated population of 9,900.

The City of Bellmead is a home rule City and operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council which consists of a mayor and five council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the government and appointing department heads.

The City provides a full range of services, including police and fire protection, construction and maintenance of streets, roads, and other infrastructure, solid waste collection, parks operation and maintenance, and administrative services necessary to serve the citizens of our community. Water and sewer services are operated under an enterprise fund concept, with user charges set to ensure adequate coverage of operating expenses and payments on outstanding debt. In addition, the City is also financially accountable for a legally separate economic development corporation, which is reported separately with the City's financial statements. Additional information on this legally separate entity can be found in the Notes to the Financial Statements.

The Council is required to adopt an initial budget for the fiscal year no later than September 27 preceding the beginning of the fiscal year on October 1. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police).

After adoption of the budget, the City Manager may transfer any unencumbered appropriation or portion thereof between general classifications of expenditures within a division or department. At the request of the City Manager and within the last three months of the fiscal year, the Council may by resolution, transfer any unencumbered appropriation or portion thereof from one division or department to another. After adoption, the City Council may amend the budget at any time.

### ***Local Economy***

The City of Bellmead is situated within the geographic center of Texas and is often referred to as the "Heart of Texas." At the confluence of the Bosque River and the 890-mile Brazos River, Bellmead lies between the three largest cities in the state: 90 miles south of Dallas, 200 miles northwest of Houston, and 180 miles northeast of San Antonio. It is less than 100 miles from the state capital of Austin. The City sits on the rich southern agricultural Backland Prairie on the east and cattle country of the rolling Grand Prairie on the west. Bellmead sits just to the east of Waco and the major north/south route of Interstate Highway 35 which stretches from Laredo at the Mexican border to Duluth, Minnesota in the north.

Bellmead enjoys vigorous sales tax and hotel tax revenues due to its proximity to Waco and Waco attractions. Secondary education is also available in the Bellmead area to include Baylor University, McLennan Community College, and Texas State Technical College.

Baylor University, a private Christian university and a nationally ranked research institution, provides a vibrant campus community for more than 15,000 students by blending interdisciplinary research with an international reputation for educational excellence and a faculty commitment to teaching and scholarship. Baylor is located only three miles south of Bellmead on Interstate 35.

Chartered in 1845 by the Republic of Texas through the efforts of Baptist pioneers, Baylor is the oldest continually operating university in Texas. Located in Waco, Baylor welcomes students from all 50 states and more than 80 countries to study a broad range of degrees among its 11 nationally recognized academic divisions. Baylor University enjoys high standing among many national rating services that evaluate quality of education, research activity, affordability, baccalaureate value, sustainability and athletic excellence.

McLennan Community College is located on a scenic 215-acre campus adjacent to Cameron Park and the Bosque River. Nestled among rolling hills and large trees, MCC has been recognized statewide for its natural beauty and outstanding architecture. The college also owns Highlander Ranch, a 200-acre horse farm located

about five miles from campus and has an Emergency Services Education Center off campus near the Waco Regional Airport.

For more than 45 years, Texas State Technical College Waco has been providing top-quality technical education. The college is nationally recognized for the number and quality of our technology graduates. With more than 40,000 TSTC graduates employed throughout the state and nation, the tradition of excellence is strong.

TSTC Waco is committed to providing highly specialized and advanced technical education that can lead to great career opportunities. TSTC offers technical associate degrees, certificate programs and workforce mastery skills that give students a competitive edge in the job market. Students gain extensive hands-on experience in laboratories learning by doing, spending nearly 60 percent of their time working with the tools, technology and equipment they will use in their future careers.

TSTC offers career training for the future by providing solid basics and advanced technology applications and processes. Faculty members are experts in their fields, bringing real-world industry experience into the classroom and labs.

### ***Major initiatives***

On February 24, 2004, the City entered into an interlocal cooperative agreement with the City of Waco and five other cities to acquire from Brazos River Authority the assets that comprise the Waco Metropolitan Area Regional Sewer System (WMARSS). The acquisition was funded by the issuance of bonds by the City of Waco and cash contributions by the member cities. The City's proportionate share is 5.707%. The City funded its share of the acquisition cost with a cash contribution from the Bellmead Development Corporation.

In fiscal year 2014, the City issued 8,500,000 in certificates of obligation. \$4,500,000 was designated for the sewer interceptor project and ground and elevated storage tank coatings systems project.

\$4,000,000 was designated for constructing the new Municipal Court building, renovating the Police and Fire Department buildings, purchasing public safety vehicles, upgrading the police parking lot, and making needed street improvements. This important capital improvement project was substantially completed in fiscal year 2018; however, cost savings on all project components will allow the construction of other eligible priority infrastructure projects.

In fiscal year 2016, the City issued \$2,400,000 in certificates of obligation to fund the Transfer/LaSalle Lift Station and Force Main Project for the Waco Metropolitan Area Regional Sewer System. The funding has been transferred to the City of Waco that manages WMARSS. There are three parts to this project which is currently in the construction phase 1) Gravity Line, Odor Control Facility, Inverted Siphon, 2) Transfer Lift Station, and 3) Force Main to WMARSS Central Plant.

In fiscal year 2017, the City was awarded a \$1,900,000 Economic Development Administration grant for the reconstruction of 4,850 linear feet of a 40-foot-wide roadway known as Tirey Road to enable increased traffic capacity to support expansion and location of tenants in the industrial park. Tirey Road was completed in FY 2018, and the City utilized funding from the 2014 certificates of obligation as the City's matching portion.

In fiscal year 2018, the City issued \$2,000,000 in certificates of obligation to acquire and equip two fire trucks. The trucks are currently being built and will be ready for the City to put into use in FY 2019.

### ***Financial Procedures and Budgetary Controls***

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services

or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis. The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the City Manager who submits a recommended budget to the City Council. The City Council approves all budget amendments. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

***Acknowledgements***

The preparation of this report would not have been possible without the proficient and dedicated work of the entire staff of the Finance Department. We wish to thank all city departments for their assistance in providing the data necessary to prepare this report. We also wish to express our sincere appreciation to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

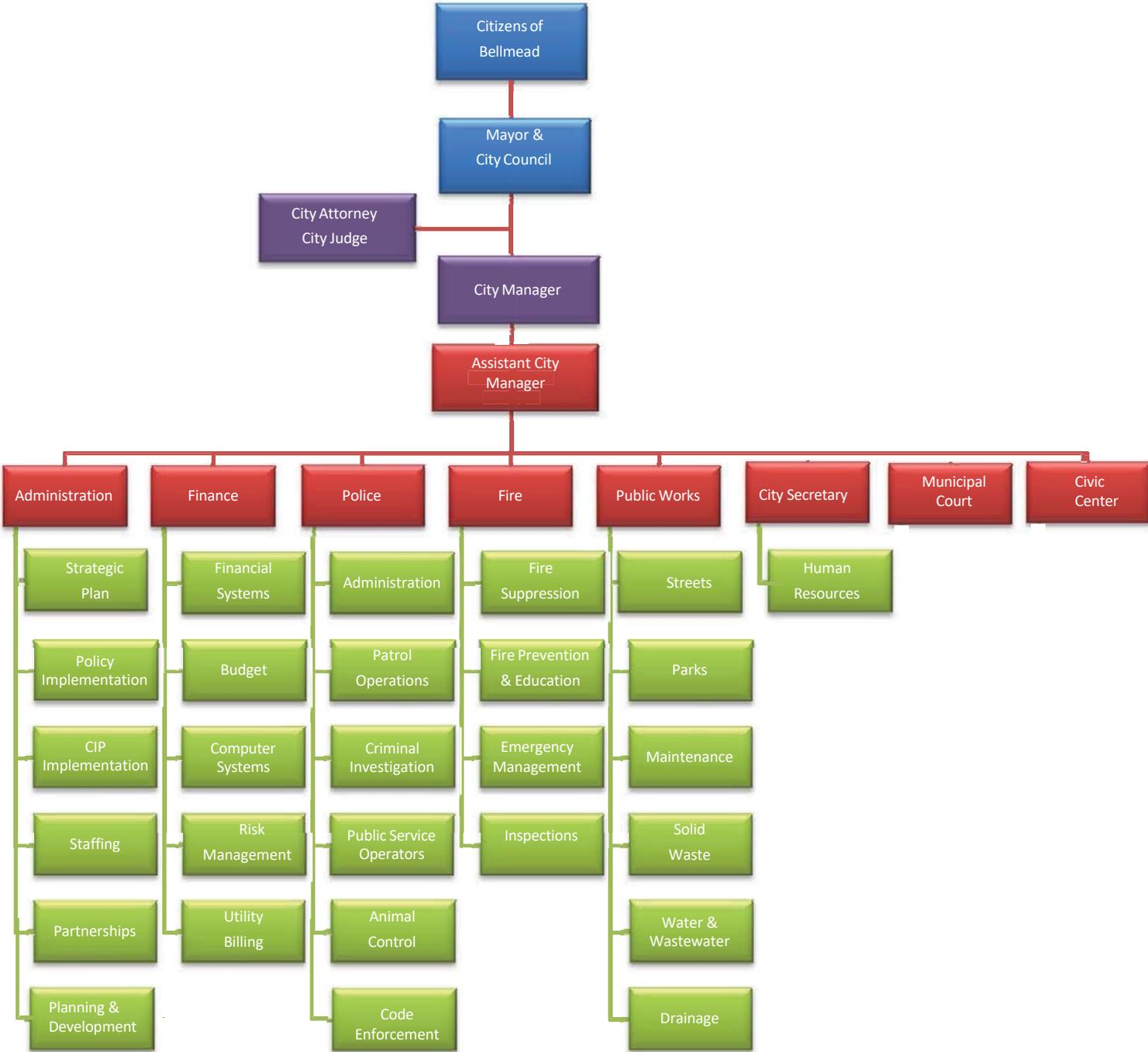


Yousry Zakhary  
Interim City Manager



Karen Evans, CPA  
Chief Financial Officer

# City of Bellmead Organization Chart





**City of Bellmead, Texas**  
*ELECTED AND APPOINTED OFFICIALS*  
September 30, 2018

**City Council**

William Ridings	Mayor - Precint 4
Dr. Alfreda Love	Council Member - Precinct 1
Travis Gibson	Council Member - Precinct 2
James Cleveland	Council Member - Precinct 3
Doss Youngblood	Council Member - Precinct 5
Gary Moore	Council Member - At Large

**Appointed Officials**

Yousry Zakhary	Interim City Manager
Charles Buenger	City Attorney
Ray Black	Municipal Judge
Karen Evans, CPA	Chief Financial Officer
Lydia Alvarado	Police Chief
William Hlavenka	Fire Chief
Patricia Ervin	Interim City Secretary
Scott Coleman	Public Works Director
Velma Ervin-Haynes	Court Administrator



***FINANCIAL SECTION***



***INDEPENDENT AUDITOR'S REPORT***

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bellmead, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

The City's 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.

***Auditor's 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.

### *Opinion*

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, 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.

### *Emphasis of Matter*

As discussed in Note V.E. to the financial statements, due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. In addition, the City restated beginning net position of governmental activities and business-type activities, and the beginning fund balances of three governmental funds due to various accounting errors and changes in reporting of a governmental fund and the City's component unit. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund and hotel/motel tax fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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's basic financial statements. The introductory section, budgetary comparison information, combining schedules for nonmajor funds, and statistical sections are presented for additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and combining schedules for nonmajor funds noted above are the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
March 25, 2019



***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***



# City of Bellmead, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2018

As management of the City of Bellmead, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

### **Financial Highlights**

- The City's total combined net position is \$24,560,722 at September 30, 2018. Of this, \$8,753,087 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$9,769,824, an increase of \$1,305,886.
- As of the end of the year, the unassigned fund balance of the general fund was \$1,252,075 or 16% of total general fund expenditures.
- The City had an overall increase in net position of \$1,027,746, which is primarily due to strong water and utility revenues and increased investment in capital assets compared to the prior year.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-Wide 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 with the difference 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2018**

are reported 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 of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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, public works, and culture and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Bellmead Economic Development Corporation (the "EDC") for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City of Bellmead. They are usually segregated for specific activities or objectives. The City of Bellmead uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

**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 year. Such information may be useful in evaluating the City'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 City of Bellmead maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, capital projects,

**City of Bellmead, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2018

hotel/motel tax, court security and technology, and cable PEG funds. The general, capital projects, and hotel/motel tax funds are considered to be major funds.

The City of Bellmead adopts an annual appropriated budget for all funds, with the exception of the capital projects fund. Budgetary comparison schedules have been provided to demonstrate compliance with all governmental fund budgets.

**Proprietary Funds**

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its water and sewer utility services. All activities associated with providing such services are accounted for in this fund, including salaries and benefits, materials and supplies, and other operating expenses. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

**Component Unit**

The City maintains the accounting and financial statements for one component unit. The Bellmead EDC is a discretely presented component unit displayed on the government-wide financial statements.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a budgetary comparison schedule for the general fund, schedules for the City's Defined Pension Plan, and schedule for changes in postemployment benefits other than pension. RSI can be found after the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Bellmead, assets exceeded liabilities by \$24,560,722 as of September 30, 2018, in the primary government.

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2018**

The largest portion of the City's net position, \$9,289,886, reflects its investments in capital assets (e.g., land, buildings and improvements, machinery and equipment roads, bridges, sidewalks, and similar items ), less any debt used to acquire those assets that are still outstanding. 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 assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$6,517,749, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,224,060 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current assets of governmental activities as of September 30, 2018 and September 30, 2017 were \$10,294,831 and \$8,951,066, respectively. The increase of \$1,343,765 was primarily attributable to unspent bond proceeds from a new bond issuance during the year.

Current assets of business-type activities as of September 30, 2018 and September 30, 2017 were \$10,173,913 and \$11,454,164, respectively. The decrease of \$1,280,251 was primarily attributable to cash on hand being utilized on additional capital asset investments in the current year.

Other liabilities for governmental activities as of September 30, 2018 and September 30, 2017 were \$360,523 and \$590,920, respectively. The decrease of \$230,397 was primarily a result of fewer vendor payables as of the end of the current year.

Long-term liabilities for governmental activities as of September 30, 2018 and September 30, 2017 were \$5,908,947 and \$4,276,228, respectively. The increase of \$1,632,719 was a direct result of the aforementioned bond issuance occurring in the current year.

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2018**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 10,294,831	\$ 10,173,913	\$ 20,468,744	\$ 8,951,066	\$ 11,454,164	\$ 20,405,230
Capital assets, net	10,512,543	7,261,191	17,773,734	10,389,815	5,006,653	15,396,468
Net pension asset	490,519	47,691	538,210	-	-	-
<b>Total Assets</b>	<b>21,297,893</b>	<b>17,482,795</b>	<b>38,780,688</b>	<b>19,340,881</b>	<b>16,460,817</b>	<b>35,801,698</b>
<b>Deferred Outflows of Resources</b>	<b>274,183</b>	<b>26,657</b>	<b>300,840</b>	<b>743,757</b>	<b>86,773</b>	<b>830,530</b>
Other liabilities	360,523	1,035,164	1,395,687	590,920	995,008	1,585,928
Long-term liabilities	5,908,947	6,350,601	12,259,548	4,276,228	6,757,007	11,033,235
<b>Total Liabilities</b>	<b>6,269,470</b>	<b>7,385,765</b>	<b>13,655,235</b>	<b>4,867,148</b>	<b>7,752,015</b>	<b>12,619,163</b>
<b>Deferred Inflows of Resources</b>	<b>788,873</b>	<b>76,698</b>	<b>865,571</b>	<b>429,920</b>	<b>50,169</b>	<b>480,089</b>
Net Position:						
Net investment in capital assets	6,861,614	2,428,272	9,289,886	9,008,424	4,200,804	13,209,228
Restricted	6,517,749	-	6,517,749	2,054,926	-	2,054,926
Unrestricted	1,134,370	7,618,717	8,753,087	3,724,220	4,544,602	8,268,822
<b>Total Net Position</b>	<b>\$ 14,513,733</b>	<b>\$ 10,046,989</b>	<b>\$ 24,560,722</b>	<b>\$ 14,787,570</b>	<b>\$ 8,745,406</b>	<b>\$ 23,532,976</b>

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2018**

**Statement of Activities:**

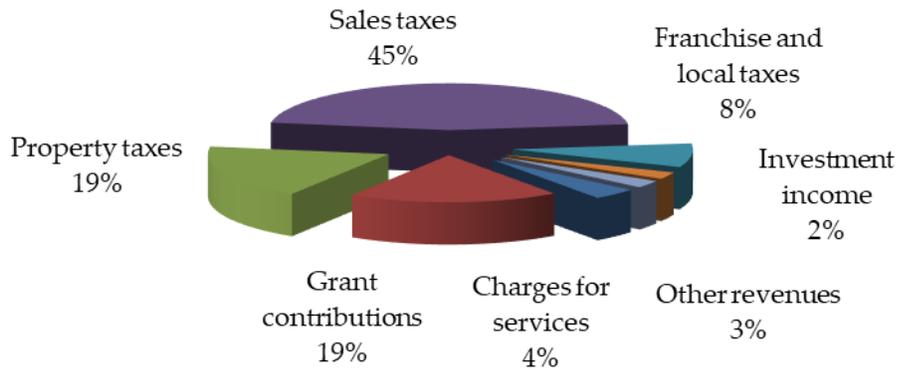
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 274,771	\$ 3,379,038	\$ 3,653,809	\$ 326,817	\$ 3,446,800	\$ 3,773,617
Grant contributions	1,299,018	-	1,299,018	34,732	-	34,732
General revenues:						
Property taxes	1,282,797	-	1,282,797	1,234,664	-	1,234,664
Sales taxes	3,126,317	-	3,126,317	2,993,211	-	2,993,211
Franchise and local taxes	563,099	-	563,099	503,812	-	503,812
Hotel and motel taxes	599,513	-	599,513	544,196	-	544,196
Investment income	166,038	39,134	205,172	77,950	22,547	100,497
Other revenues	176,197	54,606	230,803	60,958	-	60,958
<b>Total Revenues</b>	<b>7,487,750</b>	<b>3,472,778</b>	<b>10,960,528</b>	<b>5,776,340</b>	<b>3,469,347</b>	<b>9,245,687</b>
<b>Expenses</b>						
General government	1,120,110	-	1,120,110	1,251,195	-	1,251,195
Public safety	3,963,259	-	3,963,259	3,850,818	-	3,850,818
Public works	809,098	-	809,098	635,272	-	635,272
Economic development	-	-	-	133,498	-	133,498
Culture and recreation	542,733	-	542,733	527,180	-	527,180
Interest and fiscal charges	202,496	182,264	384,760	92,725	188,881	281,606
Water & sewer	-	3,112,822	3,112,822	-	3,113,204	3,113,204
<b>Total Expenses</b>	<b>6,637,696</b>	<b>3,295,086</b>	<b>9,932,782</b>	<b>6,490,688</b>	<b>3,302,085</b>	<b>9,792,773</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	850,054	177,692	1,027,746	(714,348)	167,262	(547,086)
Transfers	(1,123,891)	1,123,891	-	(202,048)	(202,402)	(404,450)
<b>Total</b>	<b>(1,123,891)</b>	<b>1,123,891</b>	<b>-</b>	<b>(202,048)</b>	<b>(202,402)</b>	<b>(404,450)</b>
<b>Change in Net Position</b>	<b>(273,837)</b>	<b>1,301,583</b>	<b>1,027,746</b>	<b>(916,396)</b>	<b>(35,140)</b>	<b>(951,536)</b>
Beginning Net Position	14,787,570	8,745,406	23,532,976	15,703,966	8,780,546	24,484,512
<b>Ending Net Position</b>	<b>\$ 14,513,733</b>	<b>\$ 10,046,989</b>	<b>\$ 24,560,722</b>	<b>\$ 14,787,570</b>	<b>\$ 8,745,406</b>	<b>\$ 23,532,976</b>

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2018**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

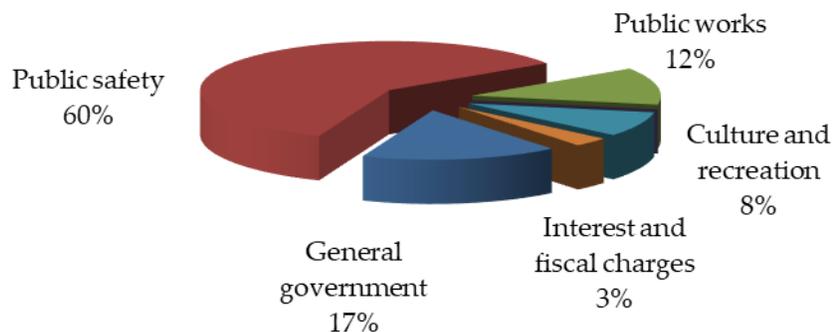
**Governmental Activities - Revenues**



For the year ended September 30, 2018, revenues from governmental activities totaled \$7,487,750. Property tax, sales tax and grant contributions are the City's largest revenue sources. Grant contributions increased \$1,264,286 primarily due to nonrecurring economic development grant revenue received in the current year. Charges for services decreased by \$52,046 or 16% primarily due to more culture and recreation related service revenues received in the prior year. Franchise and local taxes increased by \$59,287 or 12% primarily due to additional telephone franchise fees received in the current year. Hotel and motel taxes increased by \$55,317 or 10% due to increased tourism to the area over the course of the fiscal year. Investment income increased by \$88,088 primarily due to an increase in interest-bearing cash accounts. Other revenues increased by \$115,239 primarily as a result of nonrecurring insurance reimbursements received in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



# City of Bellmead, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

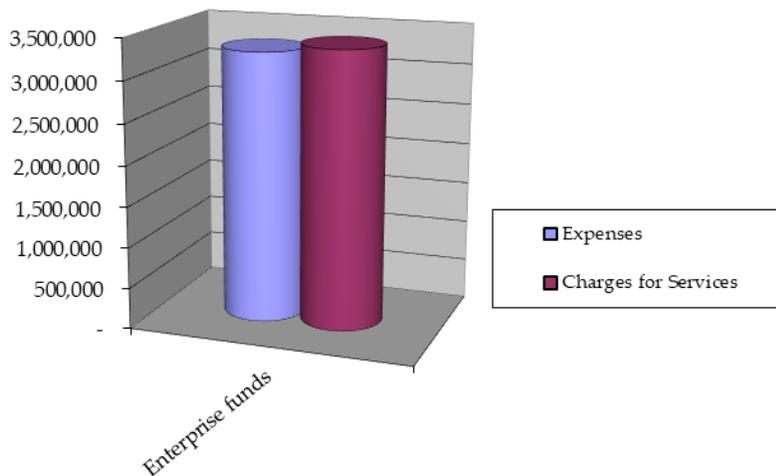
### September 30, 2018

For the year ended September 30, 2018, expenses for governmental activities totaled \$6,637,696. This represents an increase of \$147,008 or 2% from the prior year. The City's largest functional expense is public safety of \$3,963,259, which primarily includes operational and administrative costs for the City's police and fire suppression activities. General government expenses decreased by \$131,085 or 10% primarily due to the actuarial valuation changes to the City's net pension obligations. In the prior year, the City recognized a net pension liability. In the current year, the City has recognized a net pension asset. Public works increased by \$173,826 or 27% primarily due to increased personnel and maintenance related expenses. Economic development expenses decreased by \$133,498 or 100% as a result of the change in the City's reporting of the Bellmead EDC. In the prior year, the EDC was a blended component unit. However, in the current year the City changed its presentation to a discrete component unit, which is separate from the primary government. Interest and fiscal charges increased by \$109,771 primarily due to the recognition of bond issuance costs in the current year. All other expenditures remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

For the year ended September 30, 2018, charges for services by business-type activities totaled \$3,379,038. This represents a slight decrease of \$67,762, or 2%, from the previous year. The decrease is primarily a result of a decline in water and sewer consumption compared to the prior year.

#### Business-Type Activities - Revenues and Expenses



Total expenses increased only \$6,999 from the prior year, which is consistent with the prior year.

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2018**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$3,723,048, all of which is unassigned. The general fund decreased by \$420,072 due to current year expenditures exceeding revenues and transfer in.

The capital projects fund reflected an ending balance of \$3,852,202, an increase of \$1,614,004. This increase is directly a result of the \$1,995,000 in new bond proceeds received in the current year.

The hotel/motel tax fund reflected an ending balance of \$1,758,926, an increase of \$77,992. This increase is primarily due to current year tax revenue exceeding expenditures and transfers out.

There was an increase in governmental fund balance of \$1,305,886 over the prior year. The increase was primarily due to the aforementioned bond proceeds received in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total negative budget variance of \$405,026 in the general fund. This is a combination of a negative revenue variance of \$715,845, a positive expenditure variance of \$942,112, and a negative variance of \$631,293 in other financing sources and uses. The most significant revenue variances were for grant and intergovernmental receipts and fines and forfeitures. The most significant expenditure variances were for general government, public safety and capital outlay. Both the public safety and public works departments were over budget.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$10,512,543 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$7,261,191 in a variety of capital assets and infrastructure, net of accumulated depreciation.

**City of Bellmead, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2018**

Major capital asset events during the current year include the following:

- Tiery Road infrastructure investment totaling \$1,579,534.
- Williams Road remodel investments of \$146,966.
- Victoria and Michigan street improvements totaling \$291,977.
- Purchase of public safety equipment for fire and police department totaling \$146,893.
- Investments in ground and elevated water storage tank rehabilitation of \$712,843.
- New investments in Parrish pump station of \$66,900.
- \$442,135 in additions to construction in progress for the City's shared centralized regional service facilities with the City of Waco, otherwise known as Waco Metropolitan Area Regional Sewerage System ("WMARSS").
- \$1,508,062 in capital assets were transferred from governmental activities to business-type activities in the current year.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

#### **LONG-TERM DEBT**

At the end of the current year, the City had total bonds outstanding of \$11,795,000 and notes payable of \$84,304. During the year, the City had principal payments on bonds and notes payable of \$517,416. During the year, the City had a \$1,995,000 bond issuance for the capital projects fund. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Bellmead and improving services provided to their public citizens. The City is budgeting conservatively for the upcoming year and planning to maintain similar services.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## ***FINANCIAL STATEMENTS***

**City of Bellmead, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 4,049,623	\$ 1,182,486	\$ 5,232,109
Restricted cash	-	2,518,545	2,518,545
Investments	9,254,621	2,192,131	11,446,752
Receivables, net	961,090	305,248	1,266,338
Inventory	-	5,000	5,000
Internal balances	(3,970,503)	3,970,503	-
<b>Total Current Assets</b>	<b>10,294,831</b>	<b>10,173,913</b>	<b>20,468,744</b>
Capital assets:			
Non-depreciable	2,918,159	1,959,635	4,877,794
Net depreciable capital assets	7,594,384	5,301,556	12,895,940
Long-term receivables	-	-	-
Net pension asset	490,519	47,691	538,210
	<b>11,003,062</b>	<b>7,308,882</b>	<b>18,311,944</b>
<b>Total Assets</b>	<b>21,297,893</b>	<b>17,482,795</b>	<b>38,780,688</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	232,311	22,586	254,897
OPEB contributions	767	75	842
OPEB (gains) losses	10,411	1,012	11,423
Pension experience vs assumption	30,694	2,984	33,678
<b>Total Deferred Outflows of Resources</b>	<b>274,183</b>	<b>26,657</b>	<b>300,840</b>

See Notes to Financial Statements.

**Component Unit**  
**Bellmead Economic**  
**Development Corporation**

---

\$		2,416,788
		-
		2,698,808
		213,181
		-
		-
		<hr/> 5,328,777 <hr/>

		-
		678,883
		-
		<hr/> 678,883 <hr/>
		<hr/> 6,007,660 <hr/>

		-
		-
		-
		-
		<hr/> - <hr/>
		<hr/> - <hr/>

**City of Bellmead, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 346,133	\$ 303,467	\$ 649,600
Accrued interest payable	14,390	14,755	29,145
Customer deposits	-	375,884	375,884
Long-term debt due within one year	449,449	341,058	790,507
<b>Total Current Liabilities</b>	<b>809,972</b>	<b>1,035,164</b>	<b>1,845,136</b>
Noncurrent liabilities:			
Long-term debt due in more than one year	5,306,479	6,335,723	11,642,202
OPEB liability	153,019	14,878	167,897
	<b>5,459,498</b>	<b>6,350,601</b>	<b>11,810,099</b>
<b>Total Liabilities</b>	<b>6,269,470</b>	<b>7,385,765</b>	<b>13,655,235</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension investment returns	311,866	30,321	342,187
Pension investment experience	477,007	46,377	523,384
<b>Deferred Inflows of Resources</b>	<b>788,873</b>	<b>76,698</b>	<b>865,571</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	6,861,614	2,428,272	9,289,886
Restricted for:			
Debt service	275,816	-	275,816
Capital projects	1,950,212	-	1,950,212
Municipal court	61,822	-	61,822
Tourism	1,758,926	-	1,758,926
Streets	2,470,973	-	2,470,973
Economic development	-	-	-
Unrestricted	1,134,370	7,618,717	8,753,087
<b>Total Net Position</b>	<b>\$ 14,513,733</b>	<b>\$ 10,046,989</b>	<b>\$ 24,560,722</b>

See Notes to Financial Statements.

**Component Unit**  
**Bellmead Economic**  
**Development Corporation**

	39,082
	-
	-
	-
	39,082
	-
	-
	-
	39,082
	-
	-
	-
	-
	-
	-
	-
	5,968,578
	-
\$	5,968,578

# City of Bellmead, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,120,110	\$ 35,772	\$ 288,496	\$ -
Public safety	3,963,259	238,999	142,889	-
Public works	809,098	-		867,633
Culture and recreation	542,733	-	-	-
Interest and fiscal charges	202,496	-	-	-
<b>Total Governmental Activities</b>	<b>6,637,696</b>	<b>274,771</b>	<b>431,385</b>	<b>867,633</b>
<b>Business-Type Activities</b>				
Water and sewer	3,295,086	3,379,038	-	-
<b>Total Business-Type Activities</b>	<b>3,295,086</b>	<b>3,379,038</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 9,932,782</b>	<b>\$ 3,653,809</b>	<b>\$ 431,385</b>	<b>867,633</b>
<b>Component Unit</b>				
Economic Development Corp.	389,935	-	-	-
	<b>\$ 389,935</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

- Taxes
  - Property taxes
  - Sales taxes
  - Franchise and local taxes
  - Hotel and motel taxes
- Investment income
- Other revenues
- Insurance recoveries

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Bellmead Economic Development Corporation</b>
\$ (795,842)	\$ -	\$ (795,842)	\$ -
(3,581,371)	-	(3,581,371)	-
58,535	-	58,535	-
(542,733)	-	(542,733)	-
(202,496)	-	(202,496)	-
(5,063,907)	-	(5,063,907)	-
-	83,952	83,952	-
-	83,952	83,952	-
(5,063,907)	83,952	(4,979,955)	-
			(389,935)
			(389,935)
1,282,797	-	1,282,797	-
3,126,317	-	3,126,317	625,253
563,099	-	563,099	-
599,513	-	599,513	-
166,038	39,134	205,172	81,922
101,443	54,606	156,049	-
74,754	-	74,754	-
(1,123,891)	1,123,891	-	-
4,790,070	1,217,631	6,007,701	707,175
(273,837)	1,301,583	1,027,746	317,240
14,787,570	8,745,406	23,532,976	5,651,338
\$ 14,513,733	\$ 10,046,989	\$ 24,560,722	\$ 5,968,578

# City of Bellmead, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	General	Capital Projects	Hotel/Motel Tax
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 2,223,803	\$ 465,399	\$ 952,548
Investments	1,205,894	7,373,998	674,729
Receivables, net	745,171	24,102	143,112
Due from other funds	-	1,598	6,948
<b>Total Assets</b>	<b>\$ 4,174,868</b>	<b>\$ 7,865,097</b>	<b>\$ 1,777,337</b>
 <b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 279,887	\$ 40,325	\$ 18,411
Due to other funds	38,173	3,972,570	-
<b>Total Liabilities</b>	<b>318,060</b>	<b>4,012,895</b>	<b>18,411</b>
 <b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue			
Property taxes	133,760	-	-
<b>Total Deferred Inflows of Resources</b>	<b>133,760</b>	<b>-</b>	<b>-</b>
 <b><u>Fund Balances</u></b>			
Restricted for:			
Court security and technology	-	-	-
Tourism	-	-	1,758,926
Debt service	-	-	-
Capital projects	-	3,852,202	-
Streets	2,470,973	-	-
Unassigned reported in:			
General fund	1,252,075	-	-
<b>Total Fund Balances</b>	<b>3,723,048</b>	<b>3,852,202</b>	<b>1,758,926</b>
 <b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	 <b>\$ 4,174,868</b>	 <b>\$ 7,865,097</b>	 <b>\$ 1,777,337</b>

See Notes to Financial Statements.

<u>Nonmajor Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 407,873	\$ 4,049,623
-	9,254,621
48,705	961,090
35,090	43,636
<u>\$ 491,668</u>	<u>\$ 14,308,970</u>

\$ 7,510	\$ 346,133
3,396	4,014,139
<u>10,906</u>	<u>4,360,272</u>

<u>45,114</u>	<u>178,874</u>
<u>45,114</u>	<u>178,874</u>

61,822	61,822
-	1,758,926
275,816	275,816
98,010	3,950,212
-	2,470,973
-	1,252,075
<u>435,648</u>	<u>9,769,824</u>
<u>\$ 491,668</u>	<u>\$ 14,308,970</u>



# City of Bellmead, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2018

<b>Fund Balances - Total Governmental Funds</b>	\$ 9,769,824
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	2,918,159
Capital assets - net depreciable	7,594,384
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	178,874
Net pension asset	490,519
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Pension contributions	232,311
OPEB contributions	767
Pension investment experience	(477,007)
Pension investment returns	(311,866)
Pension experience vs assumption	30,694
OPEB (gains) losses	10,411
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(14,390)
Compensated absences	(249,389)
Bond premium	(151,539)
OPEB liability	(153,019)
Non-current liabilities due in one year	(225,000)
Non-current liabilities due in more than one year	(5,130,000)
<b>Net Position of Governmental Activities</b>	<b>\$ 14,513,733</b>

See Notes to Financial Statements.

# City of Bellmead, Texas

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

For the Year Ended September 30, 2018

	General	Capital Projects	Hotel/Motel Tax
<b><u>Revenues</u></b>			
Property tax	\$ 969,035	\$ -	\$ -
Sales tax	3,126,317	-	-
Franchise and local taxes	547,560	-	-
Hotel and motel taxes	-	-	599,513
License and permits	35,772	-	-
Grant and intergovernmental revenue	1,299,018	-	-
Fines and forfeitures	230,438	-	-
Investment income	28,838	123,947	11,561
Other revenue	44,934	-	56,509
<b>Total Revenues</b>	6,281,912	123,947	667,583
<b><u>Expenditures</u></b>			
Current:			
General government	1,150,270	-	-
Public safety	3,830,097	-	-
Culture and recreation	40,948	-	404,519
Public works	981,162	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	90,454	-
Capital outlay	1,726,499	126,381	-
<b>Total Expenditures</b>	7,728,976	216,835	404,519
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,447,064)	(92,888)	263,064
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	952,238	-	-
Transfers (out)	-	(383,562)	(185,072)
Bond proceeds	-	1,995,000	-
Premium on bond issuance	-	95,454	-
Insurance recoveries	74,754	-	-
<b>Total Other Financing Sources (Uses)</b>	1,026,992	1,706,892	(185,072)
<b>Net Change in Fund Balances</b>	(420,072)	1,614,004	77,992
Beginning fund balances	4,143,120	2,238,198	1,680,934
<b>Ending Fund Balances</b>	\$ 3,723,048	\$ 3,852,202	\$ 1,758,926

See Notes to Financial Statements.

<u>Nonmajor Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 308,784	\$ 1,277,819
-	3,126,317
15,539	563,099
-	599,513
-	35,772
-	1,299,018
8,561	238,999
1,692	166,038
-	101,443
334,576	7,408,018
25	1,150,295
-	3,830,097
-	445,467
-	981,162
200,000	200,000
101,156	101,156
-	90,454
-	1,852,880
301,181	8,651,511
33,395	(1,243,493)
567	952,805
-	(568,634)
-	1,995,000
-	95,454
-	74,754
567	2,549,379
33,962	1,305,886
401,686	8,463,938
\$ 435,648	\$ 9,769,824



# 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, 2018**

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

Net changes in fund balances - total governmental funds	\$ 1,305,886
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,271,459
Depreciation expense	(640,669)
Capital assets transferred to proprietary fund	(1,508,062)

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

Property tax receivable	4,978
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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.

Compensated absences	61,364
Accrued interest	(14,390)
Pension expense	147,542
OPEB expense	(14,995)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 issuance costs, premiums, discounts, and similar items when they are 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.

Bond issuance	(1,995,000)
Premium on debt	(95,454)
Amortization of bond premium	3,504
Principal payments	200,000

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (273,837)</b>
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See Notes to Financial Statements.

# City of Bellmead, Texas

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

September 30, 2018

	<b>Water &amp; Sewer</b>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 1,182,486
Restricted cash	2,518,545
Investments	2,192,131
Receivables, net	305,248
Inventory	5,000
Due from other funds	3,974,368
<b>Total Current Assets</b>	<b>10,177,778</b>
<b><u>Noncurrent Assets</u></b>	
Capital assets:	
Non-depreciable	1,959,635
Net depreciable capital assets	5,301,556
Net pension asset	47,691
<b>Total Noncurrent Assets</b>	<b>7,308,882</b>
<b>Total Assets</b>	<b>17,486,660</b>
<b><u>Deferred Outflows of Resources</u></b>	
Pension contributions	22,586
Pension experience vs assumption	2,984
OPEB (gains) losses	1,012
OPEB contributions	75
<b>Total Deferred Outflows of Resources</b>	<b>26,657</b>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts payable and accrued liabilities	303,467
Accrued interest	14,755
Customer deposits	375,884
Due to other funds	3,865
Compensated absences - current	13,282
Bonds and capital leases payable-current	327,776
<b>Total Current Liabilities</b>	<b>1,039,029</b>
<b><u>Noncurrent Liabilities</u></b>	
Compensated absences	1,476
OPEB liability	14,878
Bonds and capital leases payable	6,334,247
<b>Total Liabilities</b>	<b>7,389,630</b>
<b><u>Deferred Inflows of Resources</u></b>	
Pension earnings	76,698
<b><u>Net Position</u></b>	
Net investment in capital assets	2,428,272
Unrestricted	7,618,717
<b>Total Net Position</b>	<b>\$ 10,046,989</b>

See Notes to Financial Statements.

# City of Bellmead, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2018

	<b>Water &amp; Sewer</b>
<b><u>Operating Revenues</u></b>	
Water sales	\$ 1,731,569
Sewer charges	819,189
Sanitation revenue	748,735
Water and sewer tap fees	79,545
Other	54,606
<b>Total Operating Revenues</b>	<b>3,433,644</b>
 <b><u>Operating Expenses</u></b>	
Salaries and benefits	435,278
Materials and supplies	949,811
Contractual supplies	1,154,018
Depreciation	573,715
<b>Total Operating Expenses</b>	<b>3,112,822</b>
<b>Operating Income (Loss)</b>	<b>320,822</b>
 <b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest income	39,134
Interest expenses	(182,264)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(143,130)</b>
<b>Income (Loss) Before Transfers</b>	<b>177,692</b>
Transfers in	1,508,062
Transfers (out)	(384,171)
<b>Total Transfers</b>	<b>1,123,891</b>
<b>Change in Net Position</b>	<b>1,301,583</b>
Beginning net position	8,745,406
<b>Ending Net Position</b>	<b>\$ 10,046,989</b>

See Notes to Financial Statements.

# City of Bellmead, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2018

	<u>Water &amp; Sewer</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 3,467,815
Payments to suppliers	(2,095,772)
Payments to employees	(452,322)
Payments/receipts for other	(56,746)
<b>Net Cash Provided by Operating Activities</b>	<u>862,975</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Operating transfers out	(384,171)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(384,171)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital purchases	(1,320,191)
Principal paid on debt	(317,416)
Interest paid on debt	(190,842)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(1,828,449)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Purchases of investments, net	(38,899)
Interest on investments	39,134
<b>Net Cash Provided by Investing Activities</b>	<u>235</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,349,410)
Beginning cash and cash equivalents	<u>5,050,441</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 3,701,031</u></u>

See Notes to Financial Statements.

# City of Bellmead, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2018

	<u>Water &amp; Sewer</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>	
Operating Income	\$ 320,822
Adjustments to reconcile operating income to net cash provided:	
Depreciation	573,715
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	26,486
Due from/to other funds	(56,746)
Deferred outflows of resources - pension	60,096
Deferred outflows of resources - OPEB	20
Deferred inflows of resources - pension	26,529
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	8,057
Compensated absences	(597)
Customer deposits	7,685
OPEB liability	2,450
Net pension asset	(105,542)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 862,975</b>
<b><u>Schedule of Non-Cash Capital and Related Financing Activities</u></b>	
Capital assets transferred from governmental activities	\$ 1,508,062

See Notes to Financial Statements.



# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide 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 nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### B. Reporting Entity

The City of Bellmead, Texas (the "City") is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: general government, public safety (police and fire), highways and streets, economic development, and culture and recreation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

**Financial Accountability** – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

**City of Bellmead, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**Discretely Presented Component Unit**

Bellmead Economic Development Corporation (the “EDC”)

The EDC is a legally separate entity responsible for certain economic developments benefiting all citizens of the government and is financed by a portion of sales tax revenue. The EDC is governed by a board comprised by City Council members and citizens of the community. The EDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. Discrete presentation is appropriate because the EDC’s Board is not substantially the same as the City. Separate financial statements have not been prepared.

**C. Basis of Presentation Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government’s funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**City of Bellmead, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

The government reports the following major governmental funds:

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, hotel occupancy taxes, licenses and permits, and fines and forfeitures. Expenditures include general government, public safety, public works, economic development, and culture and recreation.

**Capital Projects Fund**

The capital projects fund is used to account for the acquisition or construction of capital assets.

**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.

**Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

**City of Bellmead, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

The government reports the following major enterprise 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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are 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 revenues 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.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

### **2. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

### **3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

### 5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

### 6. Capital Assets

Capital assets, which include property, plant, 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. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Equipment	3 - 20 years
Infrastructure	40 years
Water and sewer facilities	5 - 30 years
Buildings and improvements	5 - 30 years

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

### 8. Net Position Flow Assumption

Sometimes the government 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.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 9. Fund Balance Flow Assumptions

Sometimes the government 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 government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the 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.

### 10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### 11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

### **12. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 13. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### 14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of 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.

### 15. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits plan, with retiree coverage. The TMRS Supplemental Death Benefits Fund (SDBF) covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) 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. 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.”

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all individual governmental and proprietary funds, with the exception of the capital projects fund.

The appropriated budget is prepared by fund, function, and department. The legal level of control is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Budget amendments were only re-classes at the function level and below and there was no increase in budgeted revenues or expenses by function from amendments. Expenditures exceeded appropriations in the general fund public safety and public works departments by \$111,720 and \$2,487, respectively. Expenditures also exceeded appropriations in the court security and technology fund for public safety by \$25.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2018, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 11,446,752	0.09
External investment pools	134,786	0.54
Total value	<u>\$ 11,581,538</u>	
Portfolio weighted average maturity		1.54

As of September 30, 2018, the discretely presented component unit had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 2,698,808	1.19
External investment pools	53,929	0.19
Total value	<u>\$ 2,752,737</u>	
Portfolio weighted average maturity		1.38

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2018, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. 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. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Hotel/ Motel Tax</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water &amp; Sewer</u>	<u>Total</u>
Property taxes	\$ 178,350	\$ -	\$ -	\$ 60,151	\$ -	\$ 238,501
Sales tax	520,001	-	-	-	-	520,001
Franchise & local taxes	21,510	-	-	3,591	-	25,101
Grants	24,035	-	-	-	-	24,035
Hotel/motel taxes	-	140,105	-	-	-	140,105
Accounts	-	-	-	-	383,943	383,943
Other	45,865	3,007	24,102	-	14,967	87,941
Allowance	(44,590)	-	-	(15,037)	(93,662)	(153,289)
	<u>\$ 745,171</u>	<u>\$ 143,112</u>	<u>\$ 24,102</u>	<u>\$ 48,705</u>	<u>\$ 305,248</u>	<u>\$ 1,266,338</u>

The following comprise receivable balances of the discretely presented component unit at year end:

	<u>EDC</u>	<u>Total</u>
Sales tax	\$ 104,001	\$ 104,001
Lease receivable	781,763	781,763
Other	6,300	6,300
	<u>\$ 892,064</u>	<u>\$ 892,064</u>

The EDC constructed a building, which is being utilized as a plant and office space by Texas Machine & Tool International, LLC ("TMI"). The EDC entered into a 10-year promissory note with TMI to purchase the property in the amount of \$1,093,146. The following summarizes the remaining balance as of September 30, 2018.

<u>Year ending September 30,</u>	<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 102,880	\$ 34,075	\$ 136,955
2020	107,602	28,349	135,951
2021	112,545	23,405	135,950
2022	117,715	18,235	135,950
2023	123,123	12,827	135,950
2024	128,779	7,171	135,950
2025	89,119	1,511	90,630
Total	<u>\$ 781,763</u>	<u>\$ 125,573</u>	<u>\$ 907,336</u>

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**C. Inventory**

The following comprise the inventory balances of the primary government at year end:

Inventory type	Cost
Water & Sewer Department	\$ 5,000
Total	\$ 5,000

**D. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 2,771,193	\$ -	\$ -	\$ 2,771,193
Construction in progress	1,094,676	1,832,590	(2,780,300)	146,966
Total capital assets not being depreciated	3,865,869	1,832,590	(2,780,300)	2,918,159
Capital assets, being depreciated:				
Infrastructure	3,191,770	291,976	1,127,630	4,611,376
Buildings and improvements	5,108,551	-	(10,795)	5,097,756
Equipment	6,288,943	146,893	(687,552)	5,748,284
Total capital assets being depreciated	14,589,264	438,869	429,283	15,457,416
Less accumulated depreciation				
Infrastructure	665,457	210,933	(144,608)	731,782
Buildings and improvements	2,293,488	168,232	(10,795)	2,450,925
Equipment	5,106,373	261,504	(687,552)	4,680,325
Total accumulated depreciation	8,065,318	640,669	(842,955)	7,863,032
Net capital assets being depreciated	6,523,946	(201,800)	1,272,238	7,594,384
<b>Total Capital Assets</b>	\$ 10,389,815	\$ 1,630,790	\$ (1,508,062)	\$ 10,512,543

Depreciation was charged to governmental functions as follows:

General government	\$ 94,167
Public safety	226,157
Public works	222,622
Culture and recreation	97,723
<b>Total Governmental Activities Depreciation Expense</b>	\$ 640,669

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 38,799	\$ -	\$ -	\$ 38,799
Construction in progress	687,372	1,233,464	-	1,920,836
Total capital assets not being depreciated	<u>726,171</u>	<u>1,233,464</u>	<u>-</u>	<u>1,959,635</u>
Capital assets, being depreciated:				
Buildings and improvements	877,695	-	(1,558)	876,137
Water and sewer facilities	9,872,897	26,820	(1,641,414)	8,258,303
WMARSS facilities	2,104,954	15,180	(25,565)	2,094,569
Equipment	1,583,944	44,727	(109,172)	1,519,499
Total capital assets being depreciated	<u>14,439,490</u>	<u>86,727</u>	<u>(1,777,709)</u>	<u>12,748,508</u>
Less accumulated depreciation				
Buildings and improvements	207,138	43,262	(1,558)	248,842
Water and sewer facilities	7,793,332	371,934	(3,149,476)	5,015,790
WMARSS facilities	835,904	98,184	(25,565)	908,523
Equipment	1,322,634	60,335	(109,172)	1,273,797
Total accumulated depreciation	<u>10,159,008</u>	<u>573,715</u>	<u>(3,285,771)</u>	<u>7,446,952</u>
Net capital assets being depreciated	4,280,482	(486,988)	1,508,062	5,301,556
<b>Total Capital Assets</b>	<u>\$ 5,006,653</u>	<u>\$ 746,476</u>	<u>\$ 1,508,062</u>	<u>\$ 7,261,191</u>

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**E. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The City uses the debt service fund to liquidate governmental activities debts.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization/ Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 3,560,000	\$ 1,995,000	\$ (200,000)	\$ 5,355,000	\$ 225,000
Less deferred amounts:					
For issuance premiums	59,589	95,454	(3,504)	151,539	-
	<u>3,619,589</u>	<u>2,090,454</u>	<u>(203,504)</u>	<u>5,506,539</u>	<u>225,000</u>
Other liabilities:					
Compensated absences	310,753	108,195	(169,559)	249,389	224,449
<b>Total Governmental Activities</b>	<u>\$ 3,930,342</u>	<u>\$ 2,198,649</u>	<u>\$ (373,063)</u>	<u>\$ 5,755,928</u>	<u>\$ 449,449</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 5,306,479</u>	
<b>Business-Type Activities:</b>					
Certificates of Obligation	\$ 6,745,000	\$ -	\$ (305,000)	\$ 6,440,000	\$ 315,000
Less deferred amounts:					
For issuance premiums	145,808	-	(8,089)	137,719	-
	<u>6,890,808</u>	<u>-</u>	<u>(313,089)</u>	<u>6,577,719</u>	<u>315,000</u>
Other liabilities:					
Notes payable - COW	96,720	-	(12,416)	84,304	12,776
Compensated absences	15,355	13,663	(14,260)	14,758	13,282
<b>Total Business-Type Activities</b>	<u>\$ 7,002,883</u>	<u>\$ 13,663</u>	<u>\$ (339,765)</u>	<u>\$ 6,676,781</u>	<u>\$ 341,058</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 6,335,723</u>	

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Long-term debt at year end was comprised of the following debt issues:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Certificates of Obligation:</b>			
\$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.	\$ 3,360,000	\$ -	\$ 3,360,000
\$1,995,000 Series 2018 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of \$55,000 to \$135,000 with an interest rate of 3.00% to 4.00%, maturing in 2038.	1,995,000	-	1,995,000
\$4,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of \$30,000 to \$33,000 with an interest rate of 2.00% to 3.75%, maturing in 2034.	-	4,230,000	4,230,000
\$2,400,00 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.	-	2,210,000	2,210,000
<b>Total Certificates of Obligation</b>	<u>\$ 5,355,000</u>	<u>\$ 6,440,000</u>	<u>\$ 11,795,000</u>
<b>Less deferred amounts:</b>			
Issuance premium	\$ 151,539	\$ 137,719	\$ 289,258
<b>Total Deferred Amounts</b>	<u>\$ 151,539</u>	<u>\$ 137,719</u>	<u>\$ 289,258</u>
<b>Notes Payable:</b>			
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.	\$ -	\$ 84,304	\$ 84,304
<b>Total Notes Payable</b>	<u>\$ -</u>	<u>\$ 84,304</u>	<u>\$ 84,304</u>
<b>Compensated Absences</b>	249,389	14,758	264,147
<b>Total Long-term Liabilities</b>	<u>\$ 5,755,928</u>	<u>\$ 6,676,781</u>	<u>\$ 12,432,709</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The annual requirements to amortize governmental and business-type activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

<b>Year ending September 30,</b>	<b>Governmental Activities</b>		
	Principal	Interest	Total
2019	\$ 225,000	\$ 181,721	\$ 406,721
2020	250,000	168,395	418,395
2021	270,000	160,495	430,495
2022	290,000	151,514	441,514
2023	260,000	142,735	402,735
2024	270,000	134,289	404,289
2025	280,000	125,107	405,107
2026	290,000	115,357	405,357
2027	300,000	105,013	405,013
2028	310,000	94,013	404,013
2029	320,000	83,476	403,476
2030	335,000	73,226	408,226
2031	340,000	62,226	402,226
2032	355,000	50,532	405,532
2033	370,000	37,875	407,875
2034	380,000	24,388	404,388
2035	120,000	15,600	135,600
2036	125,000	11,463	136,463
2037	130,000	7,000	137,000
2038	135,000	2,363	137,363
Total	<u>\$ 5,355,000</u>	<u>\$ 1,746,784</u>	<u>\$ 7,101,784</u>

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

<b>Year ending September 30,</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 315,000	\$ 181,038	\$ 496,038
2020	320,000	174,688	494,688
2021	330,000	167,906	497,906
2022	335,000	160,688	495,688
2023	345,000	153,150	498,150
2024	355,000	145,088	500,088
2025	355,000	135,906	490,906
2026	370,000	125,656	495,656
2027	380,000	114,725	494,725
2028	395,000	103,100	498,100
2029	405,000	90,925	495,925
2030	420,000	78,013	498,013
2031	430,000	64,163	494,163
2032	450,000	49,450	499,450
2033	460,000	33,825	493,825
2034	475,000	17,363	492,363
2035	150,000	6,750	156,750
2036	150,000	2,250	152,250
<b>Total</b>	<b>\$ 6,440,000</b>	<b>\$ 1,804,681</b>	<b>\$ 8,244,681</b>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Notes Payable- COW

<b>Year ending September 30,</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 12,776	\$ 2,845	\$ 15,621
2020	13,283	2,369	15,653
2021	13,777	1,875	15,653
2022	14,257	1,363	15,621
2023	14,881	831	15,713
2024	15,329	280	15,609
<b>Total</b>	<b>\$ 84,304</b>	<b>\$ 9,564</b>	<b>\$ 93,868</b>

**City of Bellmead, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**F. 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, 2018 was 4.5350% 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, 2018, \$84,304 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.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The City was 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	\$	2,422,772
Capital assets		1,863,452
Long-term liabilities		(84,304)
Net position	\$	<u>4,201,920</u>
Operating expenses		(406,469)
Operating revenues		52,365
Income before contributions and transfers		(354,104)
Capital contributions and transfers		2,634,461
Change in net position	\$	<u>2,280,357</u>

**G. Interfund Transactions**

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and debt payments.

Transfer out:	Transfer In			Total
	General	Nonmajor Governmental	Water and Sewer	
Capital projects	\$ 383,562	\$ -	\$ -	\$ 383,562
Hotel/motel tax	185,072	-	-	185,072
Water and sewer	383,604	567	-	384,171
Governmental activities	-	-	1,508,062 *	1,508,062
	<u>\$ 952,238</u>	<u>\$ 567</u>	<u>\$ 1,508,062</u>	<u>\$ 2,460,867</u>

\* Represents transfer of capital assets.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The compositions of interfund due to/from balances as of the year ended September 30, 2018 were as follows:

<u>Due To (Receivable Fund)</u>	<u>Due From (Payable Fund)</u>	<u>Amount</u>
Capital Projects	Nonmajor	\$ 1,598
Hotel/Motel Tax	General	6,948
Nonmajor	General	31,225
Nonmajor	Water Sewer	3,865
Water Sewer	Nonmajor	1,798
Water Sewer	Capital Projects	3,972,570
		<u>\$ 4,018,004</u>

Interfund balances resulted from the timing difference 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. All balances are expected to be paid in the subsequent year.

**H. Fund Equity**

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	<u>Restricted</u>
Municipal court	\$ 61,822 *
Tourism	1,758,926 *
Debt service	275,816
Capital projects	3,950,212
Streets	2,470,973 *
	<u>\$ 8,517,749</u>

\* Represents restriction by enabling legislation.

**City of Bellmead, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**V. OTHER INFORMATION**

**A. 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; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting 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 amounts 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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

**City of Bellmead, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**D. Defined Benefit Pension Plans**

**1. Plan Description**

The City of Bellmead, Texas participates as one of 883 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 agent 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 Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**2. 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 one 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.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI, Repeating	70% of CPI, Repeating

### **Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	59
Active employees	77
<b>Total</b>	<b>165</b>

### **3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution 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 of Bellmead were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Bellmead were 8.99% and 9.09% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$335,268, and were equal to the required contributions.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions:**

The Total Pension Liability in the December 31, 2017 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

rates of return (expected returns, net of pension plan investment expense 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 real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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 periods of projected benefit payments to determine the Total Pension Liability.

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Changes in the Net Pension Liability (Asset):**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
<b>Balance at 12/31/16</b>	\$ 12,485,446	\$ 11,931,846	\$ 553,600
Changes for the year:			
Service Cost	521,330	-	521,330
Interest (on the Total Pension Liab.)	842,174	-	842,174
Difference between expected and actual experience	(273,905)	-	(273,905)
Contributions – employer	-	321,892	(321,892)
Contributions – employee	-	214,834	(214,834)
Net investment income	-	1,653,688	(1,653,688)
Benefit payments, including refunds of emp. contributions	(538,906)	(538,906)	-
Administrative expense	-	(8,570)	8,570
Other changes	-	(435)	435
Net changes	550,693	1,642,503	(1,091,810)
<b>Balance at 12/31/17</b>	<u>\$ 13,036,139</u>	<u>\$ 13,574,349</u>	<u>\$ (538,210)</u>

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

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-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,415,988	\$ (538,210)	\$ (2,119,457)

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

**5. Pension Expense and Deferred Outflows of Resources Related to Pensions**

For the year ended September 30, 2018, the City recognized pension expense of \$170,107.

At September 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Difference between projected and investment earnings	\$ -	\$ 523,384
Changes in actuarial assumptions	33,678	-
Differences between expected and actual economic experience	-	342,187
Contributions subsequent to the measurement date	254,897	-
<b>Total</b>	<b>\$ 288,575</b>	<b>\$ 865,571</b>

The City reported \$254,897 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended December 31:**

2018	\$ (189,593)
2019	(192,190)
2020	(261,937)
2021	(188,173)
2022	-
Thereafter	-
	<b>\$ (831,893)</b>

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### Other Postemployment Benefits

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.

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

### Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	11
Active employees	77
Total	113

The City's retiree contribution rates to the TMRS SDBF for the years ended 2018, 2017 and 2016 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	0.03%	0.03%	100.0%
2017	0.04%	0.04%	100.0%
2016	0.04%	0.04%	100.0%

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

The City's contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$1,199, \$1,056, and \$1,026, respectively, which equaled the required contributions each year.

### **Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

### **Actuarial assumptions:**

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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.

### **Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
\$ 203,271	\$ 167,897	\$ 140,575

### Changes in the Total OPEB Liability:

	Total OPEB Liability
<b>Balance at 12/31/16</b>	\$ 140,253
Changes for the year:	
Service Cost	10,026
Interest	5,464
Changes of assumptions	13,586
Benefit payments	(1,432)
Net changes	27,644
<b>Balance at 12/31/17</b>	<b>\$ 167,897</b>

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$17,653.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 11,423
Contributions subsequent to measurement date	842
<b>Total</b>	<b>\$ 12,265</b>

**City of Bellmead, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The City reported \$842 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2018	\$ 2,163
2019	2,163
2020	2,163
2021	2,163
2022	2,163
Thereafter	608
	<u>\$ 11,423</u>

**E. Restatement**

The City restated the beginning net position of governmental activities and business-type activities, and the beginning fund balances of three governmental funds due to the implementation of GASB 75, accounting errors related to accrued receivables, and change in reporting of the cable PEG fund. In addition, the City changed in the presentation of the City's component unit to be discretely presented rather than blended with governmental activities. In addition, the component unit was previously presented as two component units (EDC A and EDC B); however, EDC A was dissolved in prior years and should have only been presented as one component unit.

The City has restated net position and fund balance as follows:

	<b>Governmental Funds</b>				
	<b>General Fund</b>	<b>Cable PEG</b>	<b>Hotel/ Motel Tax</b>	<b>Bellmead EDC A</b>	<b>Bellmead EDC B</b>
Prior year ending net position/ fund balance as reported	\$ 4,200,548	\$ -	\$ 1,545,094	\$ 1,342,086	\$ 3,429,132
Impact of implementation of GASB 75	-	-	-	-	-
Correction to accrued receivables	20,883	4,160	135,840	-	-
Change in reporting of Cable PEG fund	(78,311)	78,311	-	-	-
Discrete presentation of component units	-	-	-	(1,342,086)	(3,429,132)
Restated beginning net position/fund balance	\$ 4,143,120	\$ 82,471	\$ 1,680,934	\$ -	\$ -

# City of Bellmead, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

	<b>Governmental Activities</b>	<b>Discrete Component Unit Bellmead EDC</b>
Prior year ending net position	\$ 22,185,227	\$ -
Impact of implementation of GASB 75	(126,846)	-
Correction to accrued receivables	160,883	-
Correction of capital assets	(1,730,336)	-
Change in reporting of receivables	(880,120)	880,120
Correction to deferred receivables	(50,020)	-
Discrete presentation of component units	(4,771,218)	4,771,218
Restated beginning net position	\$ 14,787,570	\$ 5,651,338

	<b>Business-Type Activities</b>	<b>Proprietary Fund Water &amp; Sewer</b>
Prior year ending net position	\$ 8,757,739	\$ 3,429,132
Impact of implementation of GASB 75	(12,333)	(12,333)
Restated beginning net position	\$ 8,745,406	\$ 3,416,799

### F. Subsequent Events

There were no material subsequent events through March 25, 2019, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Bellmead, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND For the Year Ended September 30, 2018

	Original & Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>			
Property tax	\$ 958,000	\$ 969,035	\$ 11,035
Sales tax	2,950,000	3,126,317	176,317
Franchise and local taxes	563,000	547,560	(15,440)
License and permits	39,200	35,772	(3,428)
Grant and intergovernmental revenue	2,054,226	1,299,018	(755,208)
Fines and forfeitures	322,000	230,438	(91,562)
Investment income	18,300	28,838	10,538
Other revenue	93,031	44,934	(48,097)
<b>Total Revenues</b>	6,997,757	6,281,912	(715,845)
<b><u>Expenditures</u></b>			
Current:			
General government	1,182,923	1,150,270	32,653
Public safety	3,718,377	3,830,097	(111,720) *
Culture and recreation	76,828	40,948	35,880
Public works	978,675	981,162	(2,487) *
Capital outlay	2,714,285	1,726,499	987,786
<b>Total Expenditures</b>	8,671,088	7,728,976	942,112
<b>Revenues Over (Under) Expenditures</b>	\$ (1,673,331)	\$ (1,447,064)	\$ 226,267
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	\$ 1,658,285	\$ 952,238	\$ (706,047)
Insurance recoveries	-	74,754	74,754
<b>Total Other Financing Sources (Uses)</b>	1,658,285	1,026,992	(631,293)
<b>Net Change in Fund Balance</b>	\$ (15,046)	(420,072)	\$ (405,026)
Beginning fund balance		4,143,120	
<b>Ending Fund Balance</b>		\$ 3,723,048	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at the legal level on control.

**City of Bellmead, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL/MOTEL TAX FUND**  
**For the Year Ended September 30, 2018**

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Hotel and motel taxes	\$ 503,900	\$ 599,513	\$ 95,613
Other revenue	49,000	56,509	7,509
Investment income	2,000	11,561	9,561
<b>Total Revenues</b>	554,900	667,583	112,683
<b><u>Expenditures</u></b>			
Culture and recreation	495,192	404,519	90,673
<b>Total Expenditures</b>	495,192	404,519	90,673
<b>Excess of Revenues Over (Under) Expenditures</b>	59,708	263,064	203,356
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	(185,500)	(185,072)	428
<b>Total Other Financing Sources (Uses)</b>	(185,500)	(185,072)	428
<b>Net Change in Fund Balance</b>	\$ (125,792)	77,992	\$ 203,784
Beginning fund balance		1,680,934	
<b>Ending Fund Balance</b>		\$ 1,758,926	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Bellmead, Texas

## SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS Years ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				1
Service cost	\$ 521,330	\$ 487,147	\$ 458,188	\$ 389,742
Interest (on the Total Pension Liability)	842,174	809,001	818,762	767,022
Differences between expected and actual experience	(273,905)	(233,707)	(519,945)	51,209
Changes of assumptions	-	-	93,818	-
Benefit payments, including refunds of participant contributions	(538,906)	(637,232)	(516,186)	(489,931)
<b>Net change in total pension liability</b>	<u>550,693</u>	<u>425,209</u>	<u>334,637</u>	<u>718,042</u>
<b>Total pension liability - beginning</b>	<u>12,485,446</u>	<u>12,060,237</u>	<u>11,725,600</u>	<u>11,007,558</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 13,036,139</u>	<u>\$ 12,485,446</u>	<u>\$ 12,060,237</u>	<u>\$ 11,725,600</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 321,892	\$ 310,177	\$ 309,670	\$ 262,945
Contributions - members	214,834	206,710	204,853	195,254
Net investment income	1,653,688	763,497	16,664	613,170
Benefit payments, including refunds of participant contributions	(538,906)	(637,232)	(516,186)	(489,931)
Administrative expenses	(8,570)	(8,623)	(10,150)	(6,402)
Other	(435)	(465)	(502)	(526)
<b>Net change in plan fiduciary net position</b>	<u>1,642,503</u>	<u>634,064</u>	<u>4,349</u>	<u>574,510</u>
<b>Plan fiduciary net position - beginning</b>	<u>11,931,846</u>	<u>11,297,782</u>	<u>11,293,433</u>	<u>10,718,923</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 13,574,349</u>	<u>\$ 11,931,846</u>	<u>\$ 11,297,782</u>	<u>\$ 11,293,433</u>
<b>Fund's net pension (asset) liability - ending (a) - (b)</b>	<u>\$ (538,210)</u>	<u>\$ 553,600</u>	<u>\$ 762,455</u>	<u>\$ 432,167</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	104.13%	95.57%	93.68%	96.31%
<b>Covered payroll</b>	\$ 3,580,562	\$ 3,445,170	\$ 3,414,216	\$ 3,254,228
<b>Fund's net pension liability as a percentage of covered payroll</b>	(15.03%)	16.07%	22.33%	13.28%

### Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

# City of Bellmead, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u> <sup>1</sup>
Actuarially determined employer contributions	\$ 335,268	\$ 316,551	\$ 320,484	\$ 297,841	\$ 260,868
Contributions in relation to the actuarially determined contribution	\$ 335,268	\$ 316,551	\$ 320,484	\$ 297,841	\$ 260,868
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 3,698,157	\$ 3,520,210	\$ 3,552,338	\$ 3,383,497	\$ 3,192,687
Employer contributions as a percentage of covered payroll	9.07%	8.99%	9.02%	8.80%	8.17%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

Notes 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	2.5%
Salary Increases	3.0% 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 with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

# City of Bellmead, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Year ended December 31,

	2017	<sup>1</sup>
Total OPEB liability		
Service cost	\$ 10,026	
Interest	5,464	
Differences between expected and actual experience	-	
Changes of assumptions	13,586	
Benefit payments, including refunds of participant contributions	(1,432)	
<b>Net changes</b>	<b>27,644</b>	
<b>Total OPEB liability - beginning</b>	<b>140,253</b>	
<b>Total OPEB liability - ending</b>	<b>\$ 167,897</b>	<sup>2</sup>
 <b>Covered payroll</b>	 \$ 3,580,562	
<b>Total OPEB Liability as a percentage of covered employee payroll</b>		4.69%

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

***OTHER SUPPLEMENTARY INFORMATION  
COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES***

**City of Bellmead, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2018**

	<b>Court Security &amp; Technology</b>	<b>Debt Service</b>	<b>Cable PEG Fees</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 30,597	\$ 282,857	\$ 94,419	\$ 407,873
Receivables, net	-	45,114	3,591	48,705
Due from other funds	31,225	3,865	-	35,090
<b>Total Assets</b>	<b>\$ 61,822</b>	<b>\$ 331,836</b>	<b>\$ 98,010</b>	<b>\$ 491,668</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued expenses	\$ -	\$ 7,510	\$ -	\$ 7,510
Due to other funds	-	3,396	-	3,396
<b>Total Liabilities</b>	<b>-</b>	<b>10,906</b>	<b>-</b>	<b>10,906</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue				
Property taxes	-	45,114	-	45,114
<b><u>Fund Balances</u></b>				
Restricted for:				
Court security and technology	61,822	-	-	61,822
Debt service	-	275,816	-	275,816
Capital projects	-	-	98,010	98,010
<b>Total Fund Balances</b>	<b>61,822</b>	<b>275,816</b>	<b>98,010</b>	<b>435,648</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 61,822</b>	<b>\$ 331,836</b>	<b>\$ 98,010</b>	<b>\$ 491,668</b>

**City of Bellmead, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

	<u>Court Security &amp; Technology</u>	<u>Debt Service</u>	<u>Cable PEG Fees</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Taxes	\$ -	\$ 308,784	\$ 15,539	\$ 324,323
Fines and forfeitures	8,561	-	-	8,561
Investment income	-	1,692	-	1,692
<b>Total Revenues</b>	<u>8,561</u>	<u>310,476</u>	<u>15,539</u>	<u>334,576</u>
<b><u>Expenditures</u></b>				
Public safety	25	-	-	25
Debt service				
Principal	-	200,000	-	200,000
Interest	-	101,156	-	101,156
<b>Total Expenditures</b>	<u>25</u>	<u>301,156</u>	<u>-</u>	<u>301,181</u>
<b>Revenues Over Expenditures</b>	<u>8,536</u>	<u>9,320</u>	<u>15,539</u>	<u>33,395</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	567	-	567
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>567</u>	<u>-</u>	<u>567</u>
<b>Net Change in Fund Balances</b>	8,536	9,887	15,539	33,962
Beginning fund balances	53,286	265,929	82,471	401,686
<b>Ending Fund Balances</b>	<u>\$ 61,822</u>	<u>\$ 275,816</u>	<u>\$ 98,010</u>	<u>\$ 435,648</u>

**City of Bellmead, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CABLE PEG FEES FUND**  
**For the Year Ended September 30, 2018**

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Franchise taxes	\$ 15,750	\$ 15,539	\$ (211)
<b>Total Revenues</b>	15,750	15,539	(211)
<b>Excess of Revenues Over (Under) Expenditures</b>			
	15,750	15,539	(211)
<b>Net Change in Fund Balance</b>	\$ 15,750	15,539	\$ (211)
Beginning fund balance		82,471	
<b>Ending Fund Balance</b>		\$ 98,010	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**City of Bellmead, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COURT SECURITY AND TECHNOLOGY**  
**For the Year Ended September 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 9,900	\$ 8,561	\$ (1,339)
<b>Total Revenues</b>	<u>9,900</u>	<u>8,561</u>	<u>(1,339)</u>
<b><u>Expenditures</u></b>			
Public safety	-	25	(25) *
<b>Total Expenditures</b>	<u>-</u>	<u>25</u>	<u>(25)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 9,900</u>	8,536	<u>\$ (1,364)</u>
Beginning fund balance		53,286	
<b>Ending Fund Balance</b>		<u>\$ 61,822</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at the legal level of control.

**City of Bellmead, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Year Ended September 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Property taxes	\$ 306,450	\$ 308,784	\$ 2,334
Investment income	1,500	1,692	192
<b>Total Revenues</b>	307,950	310,476	2,526
<b><u>Expenditures</u></b>			
Debt service:			
Principal	505,000	200,000	305,000
Interest	288,894	101,156	187,738
<b>Total Expenditures</b>	793,894	301,156	492,738
<b>Excess of Revenues Over (Under) Expenditures</b>	(485,944)	9,320	495,264
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	490,000	567	(489,433)
<b>Total Other Financing Sources (Uses)</b>	490,000	567	(489,433)
<b>Net Change in Fund Balance</b>	\$ 4,056	9,887	\$ 5,831
Beginning fund balance		265,929	
<b>Ending Fund Balance</b>		\$ 275,816	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**City of Bellmead, Texas**  
**BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2018**

	<b>Bellmead Economic Development Corporation</b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 2,416,788
Investments	2,698,808
Receivables, net	110,301
Note receivable	781,763
<b>Total Assets</b>	<b>\$ 6,007,660</b>
 <b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	\$ 39,082
<b>Total Liabilities</b>	<b>39,082</b>
 <b><u>Deferred Inflows of Resources</u></b>	
Unavailable revenue - lease receivable	781,763
<b>Total Deferred Inflows of Resources</b>	<b>781,763</b>
 <b><u>Fund Balances</u></b>	
Restricted for:	
Economic development	5,186,815
<b>Total Fund Balance</b>	<b>5,186,815</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 6,007,660</b>

See Notes to Financial Statements.

# City of Bellmead, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2018

<b>Fund Balance</b>	\$ 5,186,815
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**Adjustments for the Statement of Net Position:**

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

Note receivable	781,763
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<b>Net Position of the Discretely Presented Component Unit</b>	<u><u>\$ 5,968,578</u></u>
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See Notes to Financial Statements.

# City of Bellmead, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2018

		<b>Bellmead Economic Development Corporation</b>
<b><u>Revenues</u></b>		
Sales tax		\$ 625,253
Investment income		81,922
	<b>Total Revenues</b>	<u>707,175</u>
<b><u>Expenditures</u></b>		
Current:		
Economic development		389,935
	<b>Total Expenditures</b>	<u>389,935</u>
<b>Over (Under) Expenditures</b>		317,240
<b><u>Other Financing Sources (Uses)</u></b>		
Payments received for notes receivable		98,357
<b>Total Other Financing Sources (Uses)</b>		<u>98,357</u>
	<b>Net Change in Fund Balance</b>	415,597
Beginning fund balance		4,771,218
	<b>Ending Fund Balance</b>	<u><u>\$ 5,186,815</u></u>

See Notes to Financial Statements.



# City of Bellmead, Texas

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

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

Net changes in fund balance	\$ 415,597
Governmental funds report payments received for note receivables as other financing sources. These are not recorded in the statement of activities, as they reduce the long term receivable balance in the statement of net position.	(98,357)
<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b><u><u>\$ 317,240</u></u></b>

See Notes to Financial Statements.



# City of Bellmead, Texas

## STATISTICAL SECTION

(UNAUDITED)

This part of the City of Bellmead's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	102
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	112
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	120
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	128
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i>	132
Continuing Financial Disclosures <i>These tables present various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of each fiscal year. This financial information is provided to the Municipal Securities Rulemaking Board (MSRB) annually via the Electronic Municipal Market Access (EMMA) system.</i>	136

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# City of Bellmead, Texas

## Net Position By Component

Last Ten Fiscal Years

( Accrual Basis of Accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 8,713,881	\$ 9,584,149	\$ 11,283,115	\$ 11,545,764
Restricted for:				
Debt service	248,984	248,959	212,116	184,211
Capital projects	-	986	990	-
Tourism	-	-	-	-
Streets	-	-	-	-
Economic development	4,070,467	4,444,445	3,049,064	2,677,724
Culture and recreation	1,014,195	714,542	809,567	948,458
Court security and technology	79,607	89,730	24,007	31,225
Public safety	-	-	57,713	64,729
Unrestricted	1,642,093	2,311,290	2,395,489	2,566,015
Total governmental activities net position	<u>\$ 15,769,227</u>	<u>\$ 17,394,101</u>	<u>\$ 17,832,061</u>	<u>\$ 18,018,126</u>
Business-type activities				
Net investment in capital assets	\$ 4,487,813	\$ 2,200,565	\$ 2,897,161	\$ 2,717,567
Restricted for:				
Debt service	48,371	179,759	42,668	-
Capital projects	120,357	559,712	564,912	80,333
Unrestricted	1,880,459	3,514,711	3,323,673	4,653,092
Total business-type activities net position	<u>\$ 6,537,000</u>	<u>\$ 6,454,747</u>	<u>\$ 6,828,414</u>	<u>\$ 7,450,992</u>
Primary government				
Net investment in capital assets	\$ 13,201,694	\$ 11,784,714	\$ 14,180,276	\$ 14,263,331
Restricted for:				
Debt service	297,355	428,718	254,784	184,211
Capital projects	120,357	560,698	565,902	80,333
Tourism	-	-	-	-
Economic development	4,070,467	4,444,445	3,049,064	2,677,724
Culture and recreation	1,014,195	714,542	809,567	948,458
Court security and technology	79,607	89,730	24,007	31,225
Public safety	-	-	57,713	64,729
Unrestricted	3,522,552	5,826,001	5,719,162	7,219,107
Total primary governmental activities net position	<u>\$ 22,306,227</u>	<u>\$ 23,848,848</u>	<u>\$ 24,660,475</u>	<u>\$ 25,469,118</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 11,452,985	\$ 11,315,424	\$ 10,824,531	\$ 10,463,797	\$ 9,008,424	\$ 6,861,614
189,364	189,852	261,422	321,762	310,153	275,816
-	-	-	-	-	1,950,212
-	-	-	-	1,680,934	1,758,926
-	-	-	2,597,208	2,345,942	2,470,973
3,166,471	4,695,853	5,206,660	5,509,434	-	-
995,230	1,106,713	1,285,977	1,421,289	-	-
31,225	31,225	33,632	45,730	53,286	61,822
81,259	76,554	74,643	74,643	10,553	-
3,114,026	3,588,381	3,855,628	1,582,003	1,378,278	1,134,370
<u>\$ 19,030,560</u>	<u>\$ 21,004,002</u>	<u>\$ 21,542,493</u>	<u>\$ 22,015,866</u>	<u>\$ 14,787,570</u>	<u>\$ 14,513,733</u>
\$ 2,658,303	\$ 3,106,686	\$ 3,145,571	\$ 3,104,361	\$ 4,200,804	\$ 2,428,272
-	-	-	-	-	-
20,419	20,426	20,437	20,495	-	-
5,213,955	5,208,403	5,472,338	5,655,690	4,544,602	7,618,717
<u>\$ 7,892,677</u>	<u>\$ 8,335,515</u>	<u>\$ 8,638,346</u>	<u>\$ 8,780,546</u>	<u>\$ 8,745,406</u>	<u>\$ 10,046,989</u>
\$ 14,111,288	\$ 14,422,110	\$ 13,970,102	\$ 13,568,158	\$ 13,209,228	\$ 9,289,886
189,364	189,852	261,422	321,762	310,153	275,816
20,419	20,426	20,437	20,495	-	1,950,212
-	-	-	-	1,680,934	1,758,926
3,166,471	4,695,853	5,206,660	5,509,434	-	-
995,230	1,106,713	1,285,977	1,421,289	-	-
31,225	31,225	33,632	45,730	53,286	61,822
81,259	76,554	74,643	74,643	10,553	-
8,327,981	8,796,784	9,327,966	7,237,693	5,922,880	8,753,087
<u>\$ 26,923,237</u>	<u>\$ 29,339,517</u>	<u>\$ 30,180,839</u>	<u>\$ 28,199,204</u>	<u>\$ 21,187,034</u>	<u>\$ 22,089,749</u>

# City of Bellmead, Texas

## Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 1,291,072	\$ 1,182,758	\$ 1,355,564	\$ 1,453,451
Public safety	1,977,434	2,348,823	2,379,436	2,463,513
Public works	806,540	1,298,345	605,576	618,766
Economic development	607,469	260,980	688,838	959,452
Culture and recreation	-	355,568	409,589	381,033
Interest on long-term debt	66,000	56,490	44,519	32,159
Total governmental activities expenses	<u>4,748,515</u>	<u>5,502,964</u>	<u>5,483,522</u>	<u>5,908,374</u>
Business-type activities				
Water and sewer	2,899,367	2,343,317	2,229,026	2,000,505
Total business-type activities expenses	<u>2,899,367</u>	<u>2,343,317</u>	<u>2,229,026</u>	<u>2,000,505</u>
Total primary government expenses	<u>\$ 7,647,882</u>	<u>\$ 7,846,281</u>	<u>\$ 7,712,548</u>	<u>\$ 7,908,879</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 38,122	\$ 96,056	\$ 112,098	\$ 34,668
Public safety	339,502	364,337	324,274	277,689
Economic development	-	36,769	38,198	45,163
Culture and recreation	39,855	46,500	46,140	46,210
Operating grants and contributions	413,775	77,870	-	93,191
Capital grants and contributions	-	196,045	-	-
Total governmental activities program revenues	<u>\$ 831,254</u>	<u>\$ 817,577</u>	<u>\$ 520,710</u>	<u>\$ 496,921</u>
Business-type activities:				
Charges for services:				
Water and sewer	2,611,295	2,417,557	2,591,099	2,678,041
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>2,611,295</u>	<u>2,417,557</u>	<u>2,591,099</u>	<u>2,678,041</u>
Total primary government program revenues	<u>\$ 3,442,549</u>	<u>\$ 3,235,134</u>	<u>\$ 3,111,809</u>	<u>\$ 3,174,962</u>
Net (expense)/revenue:				
Governmental activities	\$ (3,917,261)	\$ (4,685,387)	\$ (4,962,812)	\$ (5,411,453)
Business-type activities	(288,072)	74,240	362,073	677,536
Total primary government net expense	<u>\$ (4,205,333)</u>	<u>\$ (4,611,147)</u>	<u>\$ (4,600,739)</u>	<u>\$ (4,733,917)</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

Table 2

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 988,499	\$ 1,092,276	\$ 1,108,455	\$ 1,244,747	\$ 1,251,195	\$ 1,118,633	
2,905,298	3,298,118	3,378,464	3,635,664	3,850,818	3,964,526	
728,820	631,073	884,412	696,991	635,272	809,220	
359,382	675,330	487,357	483,256	133,498	-	
516,036	511,342	498,863	619,491	527,180	542,821	
20,432	84,027	106,443	100,519	92,725	202,496	
<u>5,518,467</u>	<u>6,292,166</u>	<u>6,463,994</u>	<u>6,780,668</u>	<u>6,490,688</u>	<u>6,637,696</u>	
2,239,420	2,313,591	2,481,577	2,628,931	2,627,061	3,295,086	
<u>2,239,420</u>	<u>2,313,591</u>	<u>2,481,577</u>	<u>2,628,931</u>	<u>2,627,061</u>	<u>3,295,086</u>	
<u>\$ 7,757,887</u>	<u>\$ 8,605,757</u>	<u>\$ 8,945,571</u>	<u>\$ 9,409,599</u>	<u>\$ 9,117,749</u>	<u>\$ 9,932,782</u>	
\$ 55,093	\$ 46,832	\$ 42,170	\$ 33,761	\$ 35,182	\$ 35,772	
371,414	357,416	332,056	320,431	291,635	238,999	
25,276	65,049	11,014	-	-	-	
36,865	38,898	46,140	52,835	-	-	
89,713	92,029	79,192	76,929	34,732	1,299,018	
-	-	-	-	-	-	
<u>\$ 578,361</u>	<u>\$ 600,224</u>	<u>\$ 510,572</u>	<u>\$ 483,956</u>	<u>\$ 361,549</u>	<u>\$ 1,573,789</u>	
2,672,771	2,747,642	2,643,494	2,758,010	2,771,776	3,379,038	
-	11,904	193,684	34,244	-	-	
<u>2,672,771</u>	<u>2,759,546</u>	<u>2,837,178</u>	<u>2,792,254</u>	<u>2,771,776</u>	<u>3,379,038</u>	
<u>\$ 3,251,132</u>	<u>\$ 3,359,770</u>	<u>\$ 3,347,750</u>	<u>\$ 3,276,210</u>	<u>\$ 3,133,325</u>	<u>\$ 4,952,827</u>	
\$ (4,940,106)	\$ (5,691,942)	\$ (5,953,422)	\$ (6,296,712)	\$ (6,129,139)	\$ (5,063,907)	
433,351	445,955	355,601	163,323	144,715	83,952	
<u>\$ (4,506,755)</u>	<u>\$ (5,245,987)</u>	<u>\$ (5,597,821)</u>	<u>\$ (6,133,389)</u>	<u>\$ (5,984,424)</u>	<u>\$ (4,979,955)</u>	

**City of Bellmead, Texas**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2009	2010	2011	2012
General revenues and other changes in net position				
Governmental activities:				
Ad valorem taxes	\$ 799,989	\$ 816,489	\$ 879,328	\$ 910,859
Sales taxes	3,043,446	3,074,535	3,132,994	3,161,021
Hotel occupancy taxes	334,917	359,638	364,090	350,580
Franchise taxes	589,469	550,229	569,355	522,844
Investment earnings	84,062	160,816	131,284	108,908
Miscellaneous	210,604	206,031	144,797	252,912
Gain on sale of capital assets	-	771,107	178,924	153,953
Transfers	170,000	110,000	-	60,000
Total governmental activities	<u>5,232,487</u>	<u>6,048,845</u>	<u>5,400,772</u>	<u>5,521,077</u>
Business-type activities:				
Investment earnings	49,643	19,140	11,594	5,042
Miscellaneous	60,154	-	-	-
Transfers	(170,000)	(110,000)	-	(60,000)
Total business-type activities	<u>(60,203)</u>	<u>(90,860)</u>	<u>11,594</u>	<u>(54,958)</u>
Total primary government	<u>\$ 5,172,284</u>	<u>\$ 5,957,985</u>	<u>\$ 5,412,366</u>	<u>\$ 5,466,119</u>
Changes in net position:				
Governmental activities	\$ 1,315,226	\$ 1,363,458	\$ 437,960	\$ 109,624
Business-type activities	(348,275)	(16,620)	373,667	622,578
Total primary government	<u>\$ 966,951</u>	<u>\$ 1,346,838</u>	<u>\$ 811,627</u>	<u>\$ 732,202</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 1,020,937	\$ 1,072,159	\$ 1,131,364	\$ 1,183,252	\$ 1,234,664	\$ 1,282,797	
3,278,348	3,282,299	3,433,253	3,529,550	2,993,211	3,126,317	
381,192	430,662	488,517	539,344	544,196	599,513	
492,154	523,085	531,867	518,565	664,696	563,099	
98,338	95,090	114,130	97,768	77,950	166,038	
531,407	860,424	735,105	869,629	60,958	176,197	
150,164	175,000	93,289	110	-	-	
-	-	53,064	31,867	(202,048)	384,171	
5,952,540	6,438,719	6,580,589	6,770,085	5,373,627	6,298,132	
8,334	12,818	10,382	10,744	22,547	39,134	
-	-	-	-	-	54,606	
-	-	(53,064)	(31,867)	(202,402)	(384,171)	
8,334	12,818	(42,682)	(21,123)	(179,855)	(290,431)	
\$ 5,960,874	\$ 6,451,537	\$ 6,537,907	\$ 6,748,962	\$ 5,193,772	\$ 6,007,701	
\$ 1,012,434	\$ 746,777	\$ 627,167	\$ 473,373	\$ (755,512)	\$ 1,234,225	
441,685	458,773	312,919	142,200	(35,140)	(206,479)	
\$ 1,454,119	\$ 1,205,550	\$ 940,086	\$ 615,573	\$ (790,652)	\$ 1,027,746	

**City of Bellmead, Texas**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Reserved				
Inventories	\$ 9,700	\$ 725	\$ -	\$ -
Drug enforcement	821	-	-	-
Cultural activities	1,014,195	-	-	-
Public safety	58,422	58,422	-	-
Court technology	20,364	31,308	-	-
Unreserved				
Designated	405,984	-	-	-
Undesignated	1,012,140	1,991,949	-	-
Nonspendable:				
Inventories	-	-	728	728
Prepaid assets	-	-	-	440
Restricted for:				
Public safety	-	-	57,713	64,729
Streets	-	-	-	-
Committed to:				
Street improvements	-	-	508,337	918,685
Unassigned	-	-	1,927,206	1,705,700
Total general fund	<u>\$ 2,521,626</u>	<u>\$ 2,082,404</u>	<u>\$ 2,493,984</u>	<u>\$ 2,690,282</u>
All other governmental funds:				
Reserved for:				
Debt service	\$ 224,573	\$ 222,690	\$ -	\$ -
Economic development	4,070,467	4,444,445	-	-
Capital projects	140	986	-	-
Unreserved:				
Designated	-	194,491	-	-
Undesignated - special revenue	343,921	906	-	-
Restricted for:				
Debt service	-	-	181,654	158,423
Capital projects	-	-	990	-
Tourism	-	-	-	-
Economic development	-	-	3,049,064	2,677,724
Culture and recreation	-	-	809,567	948,458
Court security and technology	-	-	24,007	31,225
Total all other governmental funds	<u>\$ 4,639,101</u>	<u>\$ 4,863,518</u>	<u>\$ 4,065,282</u>	<u>\$ 3,815,830</u>

Source: The data in this schedule is extracted from the City's audited financial statements.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011, and opted not to restate the previous years' activity.

Table 3

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
728	728	728	728	728	-
440	440	440	440	440	-
81,259	76,554	74,643	74,643	10,553	-
-	-	-	-	-	2,470,973
1,331,796	1,830,145	2,097,654	2,597,209	2,454,179	-
1,869,707	1,909,873	1,912,301	1,854,773	1,734,648	1,252,075
<u>\$ 3,283,930</u>	<u>\$ 3,817,740</u>	<u>\$ 4,085,766</u>	<u>\$ 4,527,793</u>	<u>\$ 4,200,548</u>	<u>\$ 3,723,048</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
155,626	156,183	221,763	259,622	265,929	275,816
-	4,001,777	3,444,948	2,669,529	2,238,198	3,950,212
-	-	-	-	1,545,094	1,758,926
3,166,471	3,588,046	4,142,596	4,535,277	4,771,218	-
995,230	1,106,713	1,285,977	1,421,289	-	-
31,225	31,225	33,632	45,730	53,286	61,822
<u>\$ 4,348,552</u>	<u>\$ 8,883,944</u>	<u>\$ 9,128,916</u>	<u>\$ 8,931,447</u>	<u>\$ 8,873,725</u>	<u>\$ 6,046,776</u>

**City of Bellmead, Texas**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Revenues:				
Taxes	\$ 4,766,181	\$ 4,794,513	\$ 4,971,986	\$ 4,994,402
Licenses and permits	38,122	96,056	112,098	34,668
Grants and intergovernmental	413,775	273,915	-	93,191
Charges for services	39,855	-	-	
Fines	339,502	364,337	307,005	269,182
Rents	-	83,269	84,338	91,373
Investment earnings	84,062	160,816	131,284	108,908
Miscellaneous	210,604	164,004	117,869	218,183
Total revenues	<u>5,892,101</u>	<u>5,936,910</u>	<u>5,724,580</u>	<u>5,809,907</u>
Expenditures:				
General government	1,168,113	1,140,559	1,284,233	1,379,384
Public safety	1,901,131	2,732,621	2,166,967	2,537,717
Public works	932,367	1,229,575	634,401	510,897
Economic development	1,735,522	483,294	1,688,797	1,238,262
Culture and recreation	268,583	301,848	295,140	310,174
Capital outlay	337,641	602,333	669,357	100,601
Debt service:				
Principal	200,000	215,000	225,000	235,000
Interest and fiscal charges	66,000	56,490	40,810	53,977
Costs of issuance	-	-	-	-
Total expenditures	<u>6,609,357</u>	<u>6,761,720</u>	<u>7,004,705</u>	<u>6,366,012</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(717,256)</u>	<u>(824,810)</u>	<u>(1,280,125)</u>	<u>(556,105)</u>
Other financing sources (uses):				
Capital-related bonds issued	-	-	-	725,000
Premium/discount on issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	(512,443)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	911,107	178,924	153,953
Transfers in	721,600	125,000	1,350,898	191,495
Transfers out	(551,600)	(15,000)	(1,350,898)	(131,495)
Total other financing sources	<u>170,000</u>	<u>1,021,107</u>	<u>178,924</u>	<u>426,510</u>
Net change in fund balances	<u>\$ (547,256)</u>	<u>\$ 196,297</u>	<u>\$ (1,101,201)</u>	<u>\$ (129,595)</u>
Debt service as a percentage of noncapital expenditures	4.2%	4.4%	4.2%	4.6%

Source: The data in this schedule is extracted from the City's audited financial statements.

Table 4

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 5,222,061	\$ 5,363,878	\$ 5,608,134	\$ 5,805,952	\$ 6,092,249	\$ 5,566,748	
55,093	46,792	42,170	33,761	35,182	35,772	
89,713	92,029	79,912	76,929	61,630	1,299,018	
	-	-	-	-	-	
371,414	357,416	332,056	320,431	241,873	238,999	
62,141	103,987	57,154	52,835	46,840	-	
98,338	95,090	114,130	97,768	138,233	166,038	
479,102	624,726	677,112	811,907	76,307	176,197	
<u>6,377,862</u>	<u>6,683,918</u>	<u>6,910,668</u>	<u>7,199,583</u>	<u>6,692,314</u>	<u>7,482,772</u>	
909,033	982,935	1,013,370	1,121,916	1,111,229	1,216,335	
2,818,756	3,040,225	3,196,488	3,329,224	3,454,302	3,743,545	
616,325	584,008	817,744	605,892	1,335,898	583,095	
265,272	567,988	425,867	370,416	248,266	-	
344,922	434,807	422,559	536,394	445,698	445,467	
147,000	187,029	592,441	813,662	312,334	2,271,459	
290,000	295,000	185,000	195,000	200,000	200,000	
10,048	4,982	111,875	109,001	105,110	101,156	
-	68,508	-	-	-	90,454	
<u>5,401,356</u>	<u>6,165,482</u>	<u>6,765,344</u>	<u>7,081,505</u>	<u>7,212,837</u>	<u>8,651,511</u>	
976,506	518,436	145,324	118,078	(520,523)	(1,168,739)	
-	4,000,000	-	-	-	1,995,000	
-	70,106	-	4,596	-	95,454	
-	-	-	-	-	-	
-	175,985	-	-	-	-	
150,164	304,675	314,610	90,017	94,038	-	
43,375	166,416	115,470	168,044	864,336	952,805	
(43,375)	(166,416)	(62,406)	(136,177)	(661,934)	(568,634)	
<u>150,164</u>	<u>4,550,766</u>	<u>367,674</u>	<u>126,480</u>	<u>296,440</u>	<u>2,474,625</u>	
<u>\$ 1,126,670</u>	<u>\$ 5,069,202</u>	<u>\$ 512,998</u>	<u>\$ 244,558</u>	<u>\$ (224,083)</u>	<u>\$ 1,305,886</u>	
5.7%	5.0%	4.8%	4.9%	4.4%	6.1%	

**City of Bellmead, Texas**  
**Assessed Value and Estimated Actual Value of Property**  
**Last Ten Years**

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2009	\$ 271,543,351	\$ 64,448,896	\$ 27,067,461	\$ 308,924,786	\$ 0.253304
2010	\$ 299,339,474	\$ 61,715,381	\$ 35,500,943	\$ 325,553,912	\$ 0.246965
2011	\$ 320,432,402	\$ 60,926,697	\$ 57,922,224	\$ 323,436,875	\$ 0.265560
2012	\$ 325,029,526	\$ 59,820,151	\$ 56,565,655	\$ 328,284,022	\$ 0.274498
2013	\$ 335,877,049	\$ 59,606,119	\$ 58,063,452	\$ 337,419,716	\$ 0.298608
2014	\$ 372,456,086	\$ 59,525,430	\$ 75,842,635	\$ 356,138,881	\$ 0.298608
2015	\$ 380,073,630	\$ 60,256,320	\$ 74,973,888	\$ 365,356,062	\$ 0.298608
2016	\$ 393,801,171	\$ 64,177,230	\$ 76,365,286	\$ 381,613,115	\$ 0.318608
2017	\$ 424,861,912	\$ 63,346,990	\$ 80,525,900	\$ 407,683,002	\$ 0.303761
2018	\$ 408,622,136	\$ 64,176,790	\$ 86,104,425	\$ 386,694,501	\$ 0.299990

Source: McLennan County Tax Appraisal District

Table 5

<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 335,992,247	91.94%
\$ 361,054,855	90.17%
\$ 381,359,099	84.81%
\$ 384,849,677	85.30%
\$ 395,483,168	85.32%
\$ 431,981,516	82.44%
\$ 440,329,950	82.97%
\$ 457,978,401	83.33%
\$ 488,208,902	83.51%
\$ 472,798,926	81.79%

# City of Bellmead, Texas

## Property Tax Rates

### Direct and Overlapping Governments

#### City of Bellmead

Fiscal Year	Tax Year	Operating Rate	Debt Service Rate	Total Direct Rate
2009	2008	\$ 0.188716	\$ 0.064588	\$ 0.253304
2010	2009	\$ 0.182078	\$ 0.064887	\$ 0.246965
2011	2010	\$ 0.196933	\$ 0.068627	\$ 0.265560
2012	2011	\$ 0.211140	\$ 0.063358	\$ 0.274498
2013	2012	\$ 0.211100	\$ 0.087508	\$ 0.298608
2014	2013	\$ 0.214186	\$ 0.084422	\$ 0.298608
2015	2014	\$ 0.214408	\$ 0.084200	\$ 0.298608
2016	2015	\$ 0.238997	\$ 0.079611	\$ 0.318608
2017	2016	\$ 0.227990	\$ 0.075771	\$ 0.303761
2018	2017	\$ 0.227641	\$ 0.072349	\$ 0.299990

Source: McLennan County Tax Appraisal District

Table 6

Overlapping Rates			
McLennan County	LaVega ISD	McLennan Community College	Total Direct and Overlapping Rates
\$ 0.450500	\$ 1.182827	\$ 0.151134	\$ 2.03777
\$ 0.443100	\$ 1.238915	\$ 0.156332	\$ 2.08531
\$ 0.442710	\$ 1.365000	\$ 0.156306	\$ 2.22958
\$ 0.442710	\$ 1.365000	\$ 0.152823	\$ 2.23503
\$ 0.460573	\$ 1.420000	\$ 0.151530	\$ 2.33071
\$ 0.536293	\$ 1.420000	\$ 0.151530	\$ 2.40643
\$ 0.535293	\$ 1.465000	\$ 0.149530	\$ 2.44843
\$ 0.535293	\$ 1.459000	\$ 0.149724	\$ 2.46263
\$ 0.525293	\$ 1.422100	\$ 0.148898	\$ 2.40005
\$ 0.505293	\$ 1.413532	\$ 0.150346	\$ 2.36916



# City of Bellmead, Texas

## Principal Property Taxpayers Current Year and Nine Years Ago

Name of Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
	Butt H E Grocery Co	\$ 15,149,378	1	3.92%	\$ 11,814,584	1
Wal-Mart Real Estate Business Trust	11,778,810	2	3.05%	11,688,459	2	3.78%
Prem SAI Inc.	10,607,140	3	2.74%	-	n/a	n/a
Sams Club East Inc.	8,282,950	4	2.14%	7,827,844	4	2.53%
Wal-Mart Stores East LP	7,803,400	5	2.02%	8,135,820	3	2.63%
Bellmead McLennan NJ LTD	6,958,970	6	1.80%	-	n/a	n/a
Home Depot USA Inc.	6,638,203	7	1.72%	7,563,737	6	2.45%
Realty Income Properties 25 LLC	5,852,980	8	1.51%	-	n/a	n/a
TBA Associates LP	5,411,071	9	1.40%	-	n/a	n/a
Amercian Bank NA	5,330,060	10	1.38%	3,798,130	8	1.23%
Mogavero James E Trustee Etal	-	n/a	n/a	7,572,767	5	2.45%
Home Depot	-	n/a	n/a	5,769,069	7	1.87%
Southwestern Bell Telephone Co.	-	n/a	n/a	3,760,288	9	1.22%
Oncor Electric Delivery Co.	-	n/a	n/a	3,298,140	10	1.07%
Subtotal	83,812,962		21.68%	71,228,838		23.05%
All other taxpayers	302,881,539		78.32%	237,695,948		76.95%
	<u>\$386,694,501</u>		<u>100.00%</u>	<u>\$308,924,786</u>		<u>100.00%</u>

Source: McLennan County Tax Appraisal District

**City of Bellmead, Texas**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year September 30	Total Tax Levy for Year	Ad Valorem Rate			Tax Levy	Collected within the Fiscal Year of the Levy	
		Tax Rate	General Fund	Interest & Sinking Fund		Amount	Percentage of Levy
2009	2008	\$ 0.25330	\$ 0.18872	\$ 0.06459	\$ 778,490	\$ 751,554	96.54%
2010	2009	\$ 0.24697	\$ 0.18208	\$ 0.06489	\$ 809,763	\$ 758,667	93.69%
2011	2010	\$ 0.26556	\$ 0.19693	\$ 0.06863	\$ 806,616	\$ 774,513	96.02%
2012	2011	\$ 0.27450	\$ 0.21114	\$ 0.06336	\$ 867,934	\$ 832,002	95.86%
2013	2012	\$ 0.29861	\$ 0.21110	\$ 0.08751	\$ 903,305	\$ 873,044	96.65%
2014	2013	\$ 0.29861	\$ 0.21419	\$ 0.08442	\$ 1,006,643	\$ 979,363	97.29%
2015	2014	\$ 0.29861	\$ 0.21441	\$ 0.08420	\$ 1,060,718	\$ 1,004,076	94.66%
2016	2015	\$ 0.31861	\$ 0.23900	\$ 0.07961	\$ 1,086,718	\$ 1,053,030	96.90%
2017	2016	\$ 0.30376	\$ 0.22799	\$ 0.07577	\$ 1,159,210	\$ 1,119,449	96.57%
2018	2017	\$ 0.29999	\$ 0.22764	\$ 0.07235	\$ 1,262,193	\$ 1,227,111	97.22%

Source: McLennan County Tax Assessor & Collector

Table 8

Collection in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 22,200	\$ 773,754	99.39%
\$ 45,383	\$ 804,050	99.29%
\$ 26,155	\$ 800,667	99.26%
\$ 29,513	\$ 861,515	99.26%
\$ 23,998	\$ 897,042	99.31%
\$ 17,862	\$ 997,225	99.06%
\$ 45,299	\$ 1,049,374	98.93%
\$ 21,380	\$ 1,074,410	98.87%
\$ 21,039	\$ 1,140,488	98.38%
\$ -	\$ 1,227,111	97.22%

**City of Bellmead, Texas**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Business-Type Activities	
	General Obligation Bonds	Certificates of Obligation	Tax Anticipation Notes	Unamortized bond premiums/ discounts	Total Governmental Activities (1)	General Obligation Bonds	Certificates of Obligation
2009	\$ -	\$ 1,185,000	\$ -	\$ -	\$ 1,185,000	\$ -	\$ 1,252,871
2010	\$ -	\$ 970,000	\$ -	\$ -	\$ 970,000	\$ -	\$ 1,119,303
2011	\$ -	\$ 745,000	\$ -	\$ -	\$ 745,000	\$ -	\$ 979,724
2012	\$ 495,000	\$ -	\$ 230,000	\$ -	\$ 725,000	\$ 870,000	\$ -
2013	\$ 250,000	\$ -	\$ 185,000	\$ -	\$ 435,000	\$ 690,000	\$ -
2014	\$ -	\$ 4,000,000	\$ 140,000	\$ 70,106	\$ 4,210,106	\$ 510,000	\$ 4,500,000
2015	\$ -	\$ 3,860,000	\$ 95,000	\$ 66,601	\$ 4,021,601	\$ 345,000	\$ 4,500,000
2016	\$ -	\$ 3,710,000	\$ 50,000	\$ 63,095	\$ 3,823,095	\$ 175,000	\$ 6,870,000
2017	\$ -	\$ 3,560,000	\$ -	\$ 59,589	\$ 3,619,589	\$ -	\$ 6,745,000
2018	\$ -	\$ 5,355,000	\$ -	\$ 151,539	\$ 5,506,539	\$ -	\$ 6,440,000

N/A Not available

(1) Presented net of original issuance discounts and premiums

(2) Personal income is disclosed on Table 14

(3) Source: U. S. Census Bureau, Greater Bellmead Chamber of Commerce

Table 9

Business-Type Activities			Total Primary Government (1)	Percentage of Personal Income (2)	Population (3)	Per Capita
Notes Payable	Unamortized bond premiums/ discounts	Total Business-Type Activities (1)				
\$ 208,958	\$ -	\$ 1,461,829	\$ 2,646,829	0.04%	9,901	\$ 267
\$ 171,736	\$ -	\$ 1,291,039	\$ 2,261,039	0.03%	9,901	\$ 228
\$ 171,736	\$ -	\$ 1,151,460	\$ 1,896,460	0.02%	9,982	\$ 190
\$ 152,134	\$ -	\$ 1,022,134	\$ 1,747,134	0.02%	10,052	\$ 174
\$ 141,758	\$ -	\$ 831,758	\$ 1,266,758	0.01%	10,127	\$ 125
\$ 131,054	\$ 78,869	\$ 5,219,923	\$ 9,430,029	0.10%	10,235	\$ 921
\$ 120,107	\$ 74,926	\$ 5,040,033	\$ 9,061,634	0.09%	10,303	\$ 880
\$ 108,765	\$ 153,899	\$ 7,307,664	\$ 11,130,759	0.11%	10,387	\$ 1,072
\$ 96,720	\$ 145,808	\$ 6,987,528	\$ 10,607,117	0.10%	10,503	\$ 1,010
\$ 84,304	\$ 137,719	\$ 6,662,023	\$ 12,168,562	N/A	10,620	\$ 1,146

**City of Bellmead, Texas**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ended September 30	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2009	\$ -	\$ 248,984	\$ (248,984)	-0.07%	\$ (2)
2010	\$ -	\$ 253,583	\$ (253,583)	-0.07%	\$ (2)
2011	\$ -	\$ 212,116	\$ (212,116)	-0.06%	\$ (2)
2012	\$ 1,365,000	\$ 158,423	\$ 1,206,577	0.31%	\$ 9
2013	\$ 940,000	\$ 155,626	\$ 784,374	0.20%	\$ 6
2014	\$ 510,000	\$ 156,183	\$ 353,817	0.08%	\$ 3
2015	\$ 345,000	\$ 221,763	\$ 123,237	0.03%	\$ 12
2016	\$ 175,000	\$ 259,622	\$ (84,622)	-0.02%	\$ (8)
2017	\$ -	\$ 265,929	\$ (265,929)	-0.05%	\$ (25)
2018	\$ -	\$ 276,916	\$ (276,916)	-0.06%	\$ (26)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments.
- (3) See the Schedule of Assessed and Estimated Actual Value of Property for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics.

**City of Bellmead, Texas**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Amount Applicable to Primary Government</u>
Connally ISD	\$ 14,530,000	80.00%	\$ 116,240
LaVega ISD	\$ 39,980,668	45.37%	\$ 17,685,529
McLennan County	\$ 23,250,000	2.32%	\$ 539,400
McLennan Community College	\$ 61,495,000	2.32%	\$ 1,426,684
Subtotal, overlapping debt			19,767,853
City of Bellmead, net debt payable from ad valorem taxes			<u>5,506,539</u> <sup>(1)</sup>
Total direct and overlapping net funded debt			<u><u>\$ 25,274,392</u></u>
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			6.54% <sup>(1)</sup>
Per Capita Direct and Overlapping Net Funded Debt			\$ 2,406 <sup>(1)</sup>

Sources: Outstanding debt provided by each governmental unit.

(1) Excludes self-supporting debt.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entities' taxable assessed value that is within the City's boundaries and dividing by the entities' total taxable assessed value.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.



**City of Bellmead, Texas**  
**Legal Debt Margin Information**  
**September 30, 2018**

Fiscal Year	Assessed Value, Tax Roll	Legal Debt Limit Percentage	Legal Debt Limit	Actual Amount Expended for General Obligation Debt Service During the Year
2009	\$ 308,924,786	1.50%	\$ 4,633,872	\$ 200,000
2010	\$ 325,553,912	1.50%	\$ 4,883,309	\$ 271,490
2011	\$ 323,436,875	1.50%	\$ 4,851,553	\$ 265,810
2012	\$ 328,284,022	1.50%	\$ 4,924,260	\$ 278,977
2013	\$ 337,419,716	1.50%	\$ 5,061,296	\$ 300,048
2014	\$ 356,138,881	1.50%	\$ 5,342,083	\$ 299,982
2015	\$ 365,356,062	1.50%	\$ 5,480,341	\$ 296,875
2016	\$ 381,613,115	1.50%	\$ 5,724,197	\$ 304,001
2017	\$ 407,683,002	1.50%	\$ 6,115,245	\$ 305,110
2018	\$ 386,694,501	1.50%	\$ 5,800,418	\$ 300,656

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities such as the City to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections.

Source: McLennan County Appraisal District and Finance Department, City of Bellmead

**City of Bellmead, Texas**  
**Revenue Bond Coverage - Water and Sewer Fund**  
**Last Ten Fiscal Years**

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements	
				Principal	Interest
2009	\$ 2,611,295	\$ 2,411,298	\$ 199,997	\$ 163,989	\$ 68,064
2010	\$ 2,417,557	\$ 1,566,533	\$ 851,024	\$ 133,568	\$ 56,379
2011	\$ 2,591,099	\$ 1,479,491	\$ 1,111,608	\$ 139,579	\$ 47,295
2012	\$ 2,678,041	\$ 1,339,988	\$ 1,338,053	\$ 979,724	\$ 1,298
2013	\$ 2,672,771	\$ 1,528,841	\$ 1,143,930	\$ 180,000	\$ 13,693
2014	\$ 2,747,642	\$ 1,523,105	\$ 1,224,537	\$ 180,000	\$ 10,593
2015	\$ 2,643,494	\$ 1,667,878	\$ 975,616	\$ 165,000	\$ 137,401
2016	\$ 2,758,010	\$ 1,615,584	\$ 1,142,426	\$ 208,089	\$ 242,514
2017	\$ 3,446,800	\$ 3,113,204	\$ 333,596	\$ 300,000	\$ 188,881
2018	\$ 3,379,038	\$ 3,112,992	\$ 266,046	\$ 317,416	\$ 188,881

Source: Finance Department, City of Bellmead

\* Total operating expenses less depreciation

Table 13

Debt Service Requirements		
	Total	Coverage
\$	232,053	0.86
\$	189,947	4.48
\$	186,874	5.95
\$	981,022	1.36
\$	193,693	5.91
\$	190,593	6.42
\$	302,401	3.23
\$	450,603	2.54
\$	488,881	0.68
\$	506,297	0.53

**City of Bellmead, Texas**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Waco Metropolitan Statistical Area (MSA) Population	Waco MSA Per Capita Income	Waco MSA Personal Income (thousands of dollars)	Unemployment Rate
2009	9,901	249,441	\$ 30,144	\$ 7,519,261	6.7%
2010	9,901	253,819	\$ 31,077	\$ 7,887,821	7.2%
2011	9,982	255,615	\$ 32,239	\$ 8,240,751	7.4%
2012	10,052	256,939	\$ 33,483	\$ 8,603,174	6.5%
2013	10,127	258,633	\$ 33,940	\$ 8,778,110	6.1%
2014	10,235	260,155	\$ 35,472	\$ 9,228,315	5.1%
2015	10,303	262,361	\$ 37,023	\$ 9,713,471	4.1%
2016	10,387	265,207	\$ 37,755	\$ 10,012,971	4.0%
2017	10,503	268,696	\$ 39,263	\$ 10,549,900	3.3%
2018	10,620	N/A	N/A	N/A	3.2%

N/A Not available

Sources: Estimated population and personal income information provided by the Bureau of Economic Analysis' Interactive Data application. Personal income information not available at the City level. Unemployment rates provided by the Bureau of Labor Statistics. 2018 rate is as of October.

**City of Bellmead, Texas**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Name of Employer	Business Category	2018			2009		
		Employees	Rank	% of Total	Employees	Rank	% of Total
La Vega ISD	Education	533	1	27.12%	NC	-	-
HEB Grocery	Grocery Store	350	2	17.81%	NC	-	-
Wal-Mart Supercenter	Retail Store	350	3	17.81%	NC	-	-
Sam's Club	Retail Store	250	4	12.72%	NC	-	-
Home Depot	Retail Store	140	5	7.12%	NC	-	-
The Atrium	Nursing Care	101	6	5.14%	NC	-	-
City of Bellmead	Government	80	7	4.07%	NC	-	-
Scott & White Clinic	Health Care	68	8	3.46%	NC	-	-
Holiday Inn	Hotel/Motel	47	9	2.39%	NC	-	-
American Bank	Financial/Banking	46	10	2.34%	NC	-	-
<b>Total</b>		<b>1,965</b>		<b>100.00%</b>	<b>-</b>		<b>-</b>

Source: Bellmead Finance Department

NC: Not Collected

**City of Bellmead, Texas**  
**Full-time Equivalent Employees by Function**  
**Last Ten Fiscal Years**

	Fiscal Year					
	2009	2010	2011	2012	2013	2014
<b>General Fund</b>						
Administration	1.0	2.0	2.0	2.0	2.0	3.0
Finance	4.5	4.5	6.0	6.0	6.0	6.0
Police	25.5	27.5	28.0	28.0	28.0	28.0
Municipal Court	2.0	2.0	3.0	3.0	3.0	3.0
Fire	12.0	10.0	11.0	11.0	13.0	14.0
Streets	9.0	8.0	6.0	6.0	6.0	5.0
City Garage	1.0	1.0	1.0	1.0	1.0	1.0
Parks and Recreation	3.0	3.0	2.0	2.0	1.0	1.0
Planning and Inspections	1.0	1.0	1.0	1.0	-	-
<b>Total General Fund</b>	<u>59.0</u>	<u>59.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>61.0</u>
<b>Water/Sewer Fund</b>						
Public Works	7.0	10.0	7.0	7.0	7.0	7.0
<b>Total Water/Sewer Fund</b>	<u>7.0</u>	<u>10.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
<b>Special Revenue Funds</b>						
Grants Fund	-	-	-	-	-	2.0
Civic Center	-	-	3.0	3.0	3.0	4.0
Street Maintenance Fund	-	-	1.0	1.0	1.0	1.0
<b>Total Special Revenue Fund</b>	<u>-</u>	<u>-</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>7.0</u>
<b>Total Personnel</b>	<u>66.0</u>	<u>69.0</u>	<u>71.0</u>	<u>71.0</u>	<u>71.0</u>	<u>75.0</u>

Table 16

Fiscal Year			
2015	2016	2017	2018
3.0	3.0	3.0	3.0
6.0	6.0	6.0	6.0
32.0	33.0	33.0	33.0
3.0	3.0	3.0	3.0
14.0	14.0	14.0	14.0
5.0	5.0	5.0	5.0
1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0
-	-	-	-
<u>65.0</u>	<u>66.0</u>	<u>66.0</u>	<u>66.0</u>
7.0	7.0	7.0	7.0
<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
2.0	2.0	2.0	2.0
4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0
<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
<u>79.0</u>	<u>80.0</u>	<u>80.0</u>	<u>80.0</u>

# City of Bellmead, Texas

## Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
<b>Governmental</b>				
Refuse Accounts	2,930	2,993	2,991	2,988
<b>Municipal Court</b>				
Oustanding Warrants	NC	NC	NC	NC
Warrants Issued	3,933	440	19	306
<b>Public Safety</b>				
<b>Police</b>				
Calls for Service	11,414	13,520	13,010	17,615
911 Calls	7,359	8,799	8,391	9,276
Citations	3,584	3,902	3,408	3,362
Traffic Accidents	543	369	510	533
Arrests	1,910	2,595	1,728	1,570
Reports	NC	NC	3,641	4,167
<b>Police-Code Enforcement</b>				
Calls for Service	NC	NC	NC	NC
Reports	NC	NC	NC	NC
<b>Police-Animal Control</b>				
Calls for Service	NC	NC	NC	NC
Citations	NC	NC	NC	NC
Taken to Shelter	NC	NC	NC	NC
TNR	NC	NC	NC	NC
Reports	NC	NC	NC	NC
<b>Fire</b>				
Fire Emergency Responses	1,132	1,193	1,319	1,554
Fire Inspections	67	107	97	58
Fire Investigations	21	14	9	15
Plans Reviewed	NC	NC	NC	NC
<b>Fire-Building Inspections</b>				
Buliding Permits Issued	814	779	823	890
Building Inspections	725	478	143	620
<b>Civic Center</b>				
Room Rentals	NC	NC	NC	NC
<b>Public Works</b>				
Service Orders Completed	1,217	1,934	344	42
<b>Streets</b>				
Service Orders Completed	1,184	1,758	65	111
<b>Water</b>				
Metered Accounts	3,353	3,397	3,419	3,421
Avg. Daily Demand (MGD)	1.279	1.153	1.204	1.328
Avg. Monthly Demand/Cust (gal)	38,912,000	35,070,000	35,924,000	33,835,000
Peak Demand (MGD)	1.609	1.350	1.479	1.390
Service Orders Completed	2,784	2,584	2,929	3,438
<b>Sewer</b>				
Service Connections	3,214	3,259	3,274	3,277
Service Orders Completed	28	31	10	30

NC: Not Collected

Table 17

Fiscal Year					
2013	2014	2015	2016	2017	2018
3,007	3,046	3,082	3,256	3,341	3,405
10,981	12,999	14,772	14,742	15,788	15,680
183	821	382	560	333	181
16,236	17,749	17,963	16,172	15,558	16,121
9,869	10,831	10,617	9,525	8,270	10,515
2,233	2,368	2,786	1,066	1,184	1,351
589	483	326	360	296	298
2,180	1,809	1,673	756	1,063	917
3,930	4,473	4,158	3,490	4,985	5,913
NC	NC	467	530	441	507
NC	NC	347	300	213	116
NC	1,507	1,389	1,188	1,090	1,201
NC	34	51	174	59	51
NC	370	301	202	209	260
NC	225	240	174	-	-
NC	NC	484	300	241	264
1,902	1,821	1,612	1,317	1,567	1,637
54	36	55	98	174	217
16	9	16	9	17	14
NC	1	3	9	23	34
837	855	791	805	779	759
230	926	762	765	799	901
114	136	211	226	216	209
52	42	51	105	126	202
138	163	262	213	182	206
3,416	3,501	3,490	3,566	3,573	3,577
1.164	1.003	1.174	1.215	1.163	1.186
33,332,000	30,836,000	35,205,000	37,073,000	35,073,000	36,115,000
1.426	1.291	1.583	1.699	1.400	1.515
3,372	3,105	3,398	3,380	2,843	2,957
3,275	3,343	3,340	3,407	3,402	3,419
124	125	153	130	150	155

**City of Bellmead, Texas**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>General Government</b>					
Area of City (square miles)	NC	NC	6.21	6.21	6.21
<b>Public Safety</b>					
<b>Police</b>					
Police Stations	1	1	1	1	1
Firing Ranges	1	1	1	1	1
Patrol Vehicles	NC	NC	12	12	12
Other Police Vehicles	NC	NC	NC	6	6
Animal Control Vehicles	NC	NC	1	1	1
<b>Fire</b>					
Fire Stations	1	1	1	1	1
Fire Apparatus	7	7	7	7	7
Other Vehicles	2	2	2	2	2
<b>Public Works</b>					
Buildings	2	2	2	2	2
Paved Streets (miles)	62.63	62.63	62.63	62.63	62.63
Unpaved Streets (miles)	1	1	1	1	1
Curb and Gutter (miles)	30	30	30	30	30
Vehicles	20	20	20	20	20
<b>Parks and Recreation</b>					
Civic Center	1	1	1	1	1
Parks	4	4	4	4	4
Pavilions	6	6	6	6	6
Playgrounds	3	3	3	3	3
Jogging/Walking Trails	1	1	1	1	1
Senior Centers	1	1	1	1	1
Splash Pad	1	1	1	1	1
<b>Water</b>					
Rated Daily Capacity (gpd)	3,067,200	3,067,200	3,067,200	3,067,200	3,067,200
Storage Capacity (gallons)	4,856,000	4,856,000	4,856,000	4,856,000	4,856,000
Water Mains (miles)	60	60	60	60	60
Water Wells	5	5	5	5	5
Fire Hydrants	321	321	322	322	322
<b>Sewer</b>					
Sanitary Sewers (miles)	43.80	43.80	43.80	43.80	43.80
Manholes	568	568	568	568	568

NC: Not Collected

Table 18

Fiscal Year					
2014	2015	2016	2017	2018	
6.21	0.21	6.21	6.21	6.21	
1	1	1	1	1	1
1	1	1	1	1	1
12	15	15	15	15	15
6	6	8	9	9	9
1	1	1	1	1	1
1	1	1	1	1	1
7	7	7	7	7	7
2	2	2	2	2	2
2	2	2	2	2	2
62.63	63.10	63.10	63.10	63.10	63.10
1	1	1	1	1	1
30	30	30	30	30	30
20	20	20	20	20	20
1	1	1	1	1	1
4	4	4	4	4	4
6	6	6	6	6	6
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3,067,200	3,067,200	3,067,200	3,067,200	3,067,200	3,067,200
4,856,000	4,856,000	4,856,000	4,856,000	4,856,000	4,856,000
60	60	60	60	60	60
5	5	5	5	5	5
322	326	326	326	326	326
43.80	43.80	43.80	43.80	43.80	43.80
568	573	573	573	573	573



**City of Bellmead, Texas**  
**Waterworks and Sewer System Revenue Bond Tables**  
**Monthly Water and Wastewater Rates (Effective 10/1/2016)**

**Water Rates**

<u>Water Consumption (gals)</u>	<u>Residential</u>	<u>Sprinkler</u>	<u>Commercial</u>	<u>Outside City Limits</u>
0 - 2,000	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00
>2,000	\$ 3.50/1,000	\$ 4.50/1,000	\$ 3.71/1,000	\$ 5.20/1,000

**Wastewater Rates**

<u>Water Consumption (gals)</u>	<u>Residential</u>	<u>Commercial</u>
0-1,000	\$ 9.50	\$ 9.50
1,001-5,750	\$ 2.00/1,000	\$ 2.50/1,000
>5,751	-	\$ 2.50/1,000

All multiple units will be charged a minimum bill for Water and Wastewater for each unit, as well as a residential rate on water and wastewater, regardless of the number of water and wastewater taps they have.

# City of Bellmead, Texas

## Waterworks and Sewer System Revenue Bond Tables

### Waterworks and Sewer System Condensed Statement of Operations

	Fiscal Year			
	2013	2014	2015	2016
Revenues: (1)	\$ 2,681,105	\$ 2,760,460	\$ 2,653,876	\$ 2,758,010
Expenditures: (2)	\$ 1,528,841	\$ 1,523,105	\$ 1,667,878 <sup>(3)</sup>	\$ 2,079,183
Net Available for Debt Service	\$ 1,152,264	\$ 1,237,355	\$ 985,998	\$ 678,827
 Customer Count:				
Water	3,389	3,454	3,455	3,506
Sewer	3,276	3,356	3,357	3,408

(1) Revenues do not include developer contributions for donated water and sewer lines.

(2) Expenditures do not include depreciation.

(3) During Fiscal Year 2015, two of the City's water wells failed and were replaced at a one-time cost of \$350,000.

Table 20

<u>2017</u>	<u>2018</u>
<u>\$ 2,771,776</u>	<u>\$ 3,472,778</u>
<u>\$ 2,425,847</u>	<u>\$ 2,539,107</u>
<u>\$ 345,929</u>	<u>\$ 933,671</u>

3,517

3,577

3,419

3,419



***OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION***





**BROOKSWATSON & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bellmead, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given

these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated March 25, 2019.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
March 25, 2019

**City of Bellmead, Texas**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended September 30, 2018**

**I. SUMMARY OF AUDITOR'S RESULTS:**

*Financial Statements*

Type of auditor's report issued:

The auditor's report on the basic financial statements of the City expresses an unmodified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**II. FINANCIAL STATEMENT FINDINGS:**

**None.**

**City of Bellmead, Texas**  
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***  
**For the Year Ended September 30, 2018**

**I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:**

**None.**

# **City of Bellmead, Texas**

## ***CORRECTIVE ACTION PLAN***

**For the Year Ended September 30, 2018**

### **I. CORRECTIVE ACTION PLAN:**

**Not applicable.**