

Annual Financial Report

City of Bells, Texas

Fiscal Year Ended September 30, 2025

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City of Bells, Texas
 Annual Financial Report
 For the Year Ended September 30, 2025

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bells, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10, budgetary comparison information on page 57, and the pension & OPEB schedules on pages 58-63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining and individual nonmajor fund financial statements on pages 66-69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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.

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

Vail + Park, P.C.

Tom Bean, Texas
March 16, 2026

City of Bells, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

Our discussion and analysis of City of Bells' (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY25 by \$7,714,241. This is an increase of \$576,015 from FY24 net position value of \$7,138,226. Unrestricted net position at the close of FY25 is \$4,507,263 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$576,015 or 8%, as a result of an overall increase in operating grants and charges for services of \$349,944.
- The City's General Fund on page 16 and 18 reported an ending fund balance of \$497,376, which is an increase of \$82,276, including an increase of \$90,926 from current year operations.
- The unassigned General Fund balance of \$497,376 (100%) is available for spending at the City's discretion. The remainder of the governmental fund balance is restricted for and assigned to court security and technology, debt service, police forfeitures and seizures, child safety, truancy prevention and the City's cemetery. For fiscal year 2025, the General Fund had approximately \$122,763 in monthly expenses, so the unassigned fund balance of \$497,376 represents just over 4 months of expense.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14-15). These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund financial statements report activity for the City's water, sewer, and sanitation operations.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 13. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

City of Bells, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

The Statement of Net Position includes all the City's assets, deferred inflow and outflows, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year.

Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities, as well as, the component units:

Governmental Activities – City services such as general government, police, fire protection, municipal court, cemetery, park & recreation, sanitation, and interest on long-term debt are reported here. City property taxes and charges for services finance most of these activities.

Business-Type Activities - The City uses proprietary (business-type) funds to account for its water and sewer operations. The services are supported by monthly charges to citizens.

Discretely Presented Component Units - The 4A Economic Development Corporation (EDC 4A) and 4B Community Development Corporation (CDC 4B) are reported in separate columns to emphasize that they are separate entities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16, with the reconciliations on pages 17 and 19, and provide detailed information about the most significant funds. The City's two kinds of funds-governmental and proprietary – use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides.

City of Bells, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 17 and 19.

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary type funds, which are found on pages 20-22.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position is \$7,714,241 at the close of fiscal year (FY) 25. Thirty-six (36%) of the City's net position is invested in capital assets; land, buildings, infrastructure, machinery and equipment, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending. The following is a summary of the Statement of Net Position and the Statement of activities as of and for the year ended September 30, 2025:

City of Bells - Condensed Statement of Net Position

	<u>FY25</u>	<u>FY24</u>
Current and other assets	\$ 7,846,001	\$ 9,092,593
Capital assets	7,938,255	6,261,229
Total assets	<u>15,784,256</u>	<u>15,353,822</u>
Deferred outflow of resources	<u>25,646</u>	<u>47,654</u>
Total deferred outflow of resources	<u>25,646</u>	<u>47,654</u>
Current liabilities	634,559	632,692
L-T liabilities	7,437,971	7,618,165
Total liabilities	<u>8,072,530</u>	<u>8,250,857</u>
Deferred inflow of resources	<u>23,131</u>	<u>12,393</u>
Total deferred inflow of resources	<u>23,131</u>	<u>12,393</u>
Net position		
Net investment in capital assets	2,772,964	2,373,934
Restricted	434,014	375,494
Unrestricted	4,507,263	4,388,798
Total net position	<u>\$ 7,714,241</u>	<u>\$ 7,138,226</u>

City of Bells, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

City of Bells - Condensed Statement of Activities

Revenues:	<u>FY25</u>	<u>FY24</u>
Charges for services	\$ 1,320,847	\$ 1,265,820
Operating grants and contributions	310,766	15,849
Capital grants and contributions	128,746	124,902
General revenues	<u>1,314,590</u>	<u>1,291,635</u>
Total revenues	<u>3,074,949</u>	<u>2,698,206</u>
Expenses:		
Water, sewer, and sanitation	1,321,140	1,218,809
General government	297,630	545,274
Police and municipal court	412,569	446,144
Sanitation	235,050	157,252
Fire protection	172,272	150,093
Parks and recreation	5,104	26,394
Cemetery	31,878	7,534
Interest	<u>23,291</u>	<u>19,030</u>
Total expenses	<u>2,498,934</u>	<u>2,570,530</u>
Increase in net position	576,015	127,676
Net position - beginning of year	<u>7,138,226</u>	<u>7,010,550</u>
Net position - end of year	<u>\$ 7,714,241</u>	<u>\$ 7,138,226</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the City's governmental activities increased from \$2,149,328 to \$2,565,302. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$569,282 for governmental activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's General Fund (as presented in the balance sheet on page 16) reported a fund balance of \$497,376 compared to \$415,100 in FY24. Revenues for the City's General Fund (as shown on page 18) were \$1,564,087 while total expenditures were \$1,473,161, and total other financing uses were \$8,650. This resulted in an excess of revenues over expenditures and other financing sources in the amount of \$82,276 from operating activities and other financing sources. Most of this increase in fund balance in FY25 was caused by increases in property taxes and sanitation income.

City of Bells, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

The City's Water and Sewer Funds (as presented in the Statement of Net Position on page 20) reported a net position of \$5,148,939 compared to the net position \$4,988,898 in FY24. This represents an increase of \$160,041. The increase is primarily due to revenue changing more than expenses.

Revenues for the City's Water and Sewer Fund (as shown on page 21) were \$1,107,619 while total operating expenses were \$1,028,746, total nonoperating items were \$(200,584) and net transfers in were \$281,752. These totals resulted in an increase in net position of \$160,041. Last year's result was a net increase of \$3,162,878. FY24 unrestricted net position of \$3,877,400 was increased to \$3,937,981 in FY25.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget for the General Fund was not amended. See General Fund Budgetary Comparison presented on page 57. A review of the actual expenditures compared to the appropriations in the General Fund budget yields several significant variances, as discussed below, as well as an excess of expenditures over appropriations, as disclosed in the Notes to the Financial Statements. The following is a summary discussion of General Fund budget variances for FY25:

Revenues were \$415,921 more than budgeted

- Donations were \$300,498 higher than expected due to contributions for special projects in FY25.
- Property tax revenues were \$44,200 more than budgeted because the City collected a higher percentage of current year levies than they did in FY24.

Expenditures were \$288,942 more than budgeted

- General government expenditures were \$204,914 less than budgeted due to the City not amending their budget during the year.
- Capital asset expenditures were \$451,604 higher than budgeted due to the City not budgeting for capital asset expenditures.
- Debt service was \$94,501 higher than budgeted due to the City not budgeting for principal and interest payments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation for all activities as of September 30, 2025 amounts to \$7,938,255, compared to \$6,261,229 at September 30, 2024. This investment in capital assets includes land, buildings and improvements, street improvements, city parks, machinery and equipment, and water and sewer facilities. Major capital asset purchases during the current fiscal year included in the business type activities ongoing construction in progress in the amount of \$1,496,645.

City of Bells, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Long-term Debt

At year-end, the City had total contractual obligations, bonds, notes and other debt outstanding of \$7,665,291.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the City and were considered in developing the 2025 – 2026 budget.

- The FY 2025-26 adopted overall property tax rate is \$0.665032. This is a decrease of 16% from the FY 2024-25 adopted rate of \$0.572879.
- The FY 2025-26 budgeted expenditures in the General Fund reflected an increase of 25% from the FY2024-25 actual expenditures, from \$1,363,578 actual expenditures in FY2024-25 to \$1,701,541 budgeted expenditures in FY2025-26.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at 203 South Broadway Street, Bells, Texas 75414 or call (903) 965-7744.

FINANCIAL STATEMENTS

City of Bells, Texas
STATEMENT OF NET POSITION
September 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
Assets					
Cash and cash equivalents	\$ 538,605	\$ 11,529	\$ 550,134	\$ 185,516	\$ 122,954
Certificates of deposit	-	56,557	56,557	-	-
Receivables, net	141,361	109,842	251,203	20,261	20,261
Interfund balances	372,815	(372,815)	-	-	-
Notes receivable	-	2,148,000	2,148,000	-	-
Net pension asset	67,119	35,527	102,646	-	-
Restricted assets:					
Restricted cash	11,265	-	11,265	-	-
Deposits held in trust by GTUA	-	4,726,196	4,726,196	-	-
Capital assets:					
Nondepreciable	479,072	3,412,632	3,891,704	-	-
Depreciable, net of accumulated depreciation	1,158,946	2,629,585	3,788,531	-	-
RTU lease assets, net of accumulated amortization	258,020	-	258,020	-	-
Total assets	3,027,203	12,757,053	15,784,256	205,777	143,215
Deferred Outflows of Resources					
Deferred outflows - pension	15,558	8,235	23,793	-	-
Deferred outflows - OPEB	1,212	641	1,853	-	-
Total deferred outflows of resources	16,770	8,876	25,646	-	-
Liabilities					
Accounts payable and accrued liabilities	69,493	179,845	249,338	-	-
Customer deposits	-	78,601	78,601	-	-
Due within one year:					
Long-term debt	22,017	176,743	198,760	50,000	35,500
Leases	87,405	-	87,405	-	-
Compensated absences	39,357	8,341	47,698	-	-
Due in more than one year:					
Long-term debt	88,180	7,154,516	7,242,696	820,000	1,242,500
Leases	136,430	-	136,430	-	-
Total OPEB liability	20,664	10,938	31,602	-	-
Total liabilities	463,546	7,608,984	8,072,530	870,000	1,278,000
Deferred Inflows of Resources					
Deferred inflows - pension	11,442	6,056	17,498	-	-
Deferred inflows - OPEB	3,683	1,950	5,633	-	-
Total deferred inflows of resources	15,125	8,006	23,131	-	-
Fund Balances					
Net investment in capital assets	1,562,006	1,210,958	2,772,964	-	-
Restricted for:					
Debt service	250,999	-	250,999	-	-
Court security and technology	9,307	-	9,307	-	-
Cemetery	163,839	-	163,839	-	-
Police seizures	685	-	685	-	-
Truancy prevention	5,733	-	5,733	-	-
Police forfeitures	2,656	-	2,656	-	-
Child safety	795	-	795	-	-
Unrestricted	569,282	3,937,981	4,507,263	(664,223)	(1,134,785)
Total net position	\$ 2,565,302	\$ 5,148,939	\$ 7,714,241	\$ (664,223)	\$ (1,134,785)

City of Bells, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 297,630	\$ 26,950	\$ 310,766	\$ -
Police department and municipal court	412,569	64,859	-	-
Sanitation	235,050	248,815	-	-
Fire protection	172,272	-	-	-
Parks and recreation	5,104	1,350	-	-
Cemetery	31,878	-	-	-
Interest	23,291	-	-	-
Total governmental activities	<u>1,177,794</u>	<u>341,974</u>	<u>310,766</u>	<u>-</u>
Business-type activities:				
Water, sewer, and sanitation	1,321,140	978,873	-	128,746
Total business-type activities	<u>1,321,140</u>	<u>978,873</u>	<u>-</u>	<u>128,746</u>
Total primary government	<u>\$ 2,498,934</u>	<u>\$ 1,320,847</u>	<u>\$ 310,766</u>	<u>\$ 128,746</u>
Component units:				
Economic Development Corporation	\$ 233,176	\$ -	\$ -	\$ -
Community Development Corporation	105,372	-	-	-
Total component units	<u>\$ 338,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes
General sales and use taxes
Franchise taxes
Miscellaneous
Investment earnings
Transfers in (out)
Total general revenues and transfers
Change in net position
Net position- beginning
Net position - ending

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
\$ 40,086		\$ 40,086		
(347,710)		(347,710)		
13,765		13,765		
(172,272)		(172,272)		
(3,754)		(3,754)		
(31,878)		(31,878)		
(23,291)		(23,291)		
<u>(525,054)</u>		<u>(525,054)</u>		
-	\$ (213,521)	(213,521)		
-	(213,521)	(213,521)		
(525,054)	(213,521)	(738,575)		
			\$ (233,176)	\$ -
			<u>-</u>	<u>(105,372)</u>
			<u>(233,176)</u>	<u>(105,372)</u>
778,427	-	778,427	-	-
228,359	-	228,359	113,819	113,819
62,116	-	62,116	-	-
135,040	-	135,040	-	-
18,838	91,810	110,648	11,035	3,874
(281,752)	281,752	-	-	-
<u>941,028</u>	<u>373,562</u>	<u>1,314,590</u>	<u>124,854</u>	<u>117,693</u>
415,974	160,041	576,015	(108,322)	12,321
2,149,328	4,988,898	7,138,226	(555,901)	(1,147,106)
<u>\$ 2,565,302</u>	<u>\$ 5,148,939</u>	<u>\$ 7,714,241</u>	<u>\$ (664,223)</u>	<u>\$ (1,134,785)</u>

City of Bells, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Debt Service Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 114,605	\$ 247,461	\$ 176,539	\$ 538,605
Receivables, net of allowances:				
Property taxes	29,230	13,426	-	42,656
Court	22,980	-	-	22,980
Sales taxes	40,521	-	-	40,521
Sanitation	19,921	-	-	19,921
Franchise taxes and other	15,283	-	-	15,283
Due from other funds	523,390	-	5,275	528,665
Restricted assets:				
Restricted cash	75	-	11,190	11,265
Total assets	766,005	260,887	193,004	1,219,896
Liabilities				
Accounts payable and accrued liabilities	68,134	-	1,359	69,493
Due to other funds	154,034	1,678	138	155,850
Total liabilities	222,168	1,678	1,497	225,343
Deferred Inflows of Resources				
Unavailable revenues:				
Property taxes	23,481	8,210	-	31,691
Court fines	22,980	-	-	22,980
Total deferred inflows of resources	46,461	8,210	-	54,671
Fund Balances				
Restricted for:				
Debt service	-	250,999	-	250,999
Cemetery	-	-	163,839	163,839
Court security and technology	-	-	9,307	9,307
Truancy prevention	-	-	5,733	5,733
Police forfeitures	-	-	2,656	2,656
Child safety	-	-	795	795
Police seizures	-	-	685	685
Assigned to:				
Fire department special projects	-	-	4,962	4,962
Municipal jury	-	-	115	115
Time payment reimbursement	-	-	3,415	3,415
Unassigned	497,376	-	-	497,376
Total fund balances	497,376	250,999	191,507	939,882
Total liabilities, deferred inflows of resources and fund balances	\$ 766,005	\$ 260,887	\$ 193,004	\$ 1,219,896

City of Bells, Texas

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET

TO THE STATEMENT OF NET POSITION

For the Year Ended September 30, 2025

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental fund	\$ 939,882
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	1,896,038
Delinquent property taxes and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	54,671
Long term liabilities, including notes payable, leases and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(373,389)
Net pension asset is not a current financial use; therefore, it is not reported in the governmental funds.	67,119
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.	(20,664)
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.	
Pension amounts	4,116
OPEB amounts	(2,471)
Net position of governmental activities	<u>\$ 2,565,302</u>

City of Bells, Texas

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

For the Year Ended September 30, 2025

	General Fund	Debt Service Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 524,200	\$ 258,715	\$ -	\$ 782,915
Sales	228,359	-	-	228,359
Franchise	62,116	-	-	62,116
Donations	303,998	-	6,768	310,766
Sanitation income	248,815	-	-	248,815
Miscellaneous	97,476	32,474	5,090	135,040
Police department and municipal court	56,352	-	1,900	58,252
Permits and fees	26,950	-	-	26,950
Interest	14,471	-	4,367	18,838
Rent income	1,350	-	-	1,350
Total revenues	1,564,087	291,189	18,125	1,873,401
Expenditures				
Current:				
General government	282,187	-	1,378	283,565
Police department and municipal court	330,778	-	1,868	332,646
Sanitation	210,124	-	-	210,124
Fire department	96,149	-	2,500	98,649
Cemetery	-	-	4,621	4,621
Parks and recreation	7,818	-	-	7,818
Debt service:				
Principal	81,449	66,579	-	148,028
Interest	13,052	10,239	-	23,291
Capital outlays	451,604	-	-	451,604
Total expenditures	1,473,161	76,818	10,367	1,560,346
Excess (deficiency) of revenues over (under) expenditures	90,926	214,371	7,758	313,055
Other Financing Sources (Uses)				
Transfers in (out)	(118,233)	(163,519)	-	(281,752)
Lease proceeds	109,583	-	-	109,583
Total other financing sources (uses)	(8,650)	(163,519)	-	(172,169)
Net change in fund balances	82,276	50,852	7,758	140,886
Fund balances - beginning	415,100	200,147	183,749	798,996
Fund balances - ending	\$ 497,376	\$ 250,999	\$ 191,507	\$ 939,882

City of Bells, Texas

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2025

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

Net change in fund balances - total governmental funds	\$ 140,886
<p>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.</p>	
Capital outlays	451,604
Depreciation expense	(190,479)
<p>Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.</p>	
Long-term debt principal repaid in current year	148,028
<p>Governmental funds report some prior year tax and court revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.</p>	
	2,119
<p>Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.</p>	
	(31,764)
<p>Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.</p>	
	8,597
<p>Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.</p>	
	(3,434)
Change in net position of governmental activities	<u>\$ 415,974</u>

City of Bells, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2025

	Water and Sewer Fund
Assets	
Cash and cash equivalents	\$ 11,529
Certificates of deposit	56,557
Accounts receivable, net of allowances	109,842
Notes receivable	2,148,000
Net pension asset	35,527
Due from other funds	19,747
Restricted assets:	
Restricted deposits held by GTUA	4,726,196
Capital assets:	
Nondepreciable	3,412,632
Depreciable assets, net of accumulated depreciation	2,629,585
Total assets	13,149,615
 Deferred Outflows of Resources	
Deferred outflows - pension	8,235
Deferred outflows - OPEB	641
Total deferred outflows of resources	8,876
 Liabilities	
Accounts payable and accrued liabilities	179,845
Due to other funds	392,562
Customer deposits payable	78,601
Accrued compensated absences	8,341
Due within one year:	
Notes payable	21,743
Bonds payable	155,000
Due in more than one year:	
Notes payable	34,516
Bonds payable	7,120,000
Total OPEB liability	10,938
Total liabilities	8,001,546
 Deferred Inflows of Resources	
Deferred inflows - pension	6,056
Deferred inflows - OPEB	1,950
Total deferred inflows of resources	8,006
 Net Position	
Net investment in capital assets	1,210,958
Unrestricted	3,937,981
Total net position	\$ 5,148,939

City of Bells, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE PROPRIETARY FUNDS

For the Year Ended September 30, 2025

	Water & Sewer Fund
Operating Revenues	
Water	\$ 519,959
Sewer	302,526
Grants	128,746
Donations	57,204
Other services and fees	44,983
Miscellaneous	31,682
Rent	22,519
Total operating revenues	<u>1,107,619</u>
Operating Expenses	
Salaries and benefits	310,335
Maintenance and repairs	172,492
Other operating costs	186,073
Depreciation	167,997
Utilities	84,985
Contractual services	106,864
Total operating expenses	<u>1,028,746</u>
Operating income	<u>78,873</u>
Nonoperating Revenues (Expenses)	
Interest income	91,810
Interest expense	(292,394)
Total nonoperating revenue (expenses)	<u>(200,584)</u>
Income before transfers	<u>(121,711)</u>
Transfers in (out)	<u>281,752</u>
Change in net position	160,041
Net position - beginning	4,988,898
Net position - ending	<u>\$ 5,148,939</u>

City of Bells, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2025

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	\$ 1,080,733
Cash paid to employees	(308,342)
Cash paid to suppliers	(475,792)
Net cash provided by operating activities	296,599
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash transferred from other funds	281,752
Net cash provided by noncapital financing activities	281,752
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(1,583,898)
Net cash from GTUA restricted deposits	1,145,849
Interest paid on long-term debt	(292,394)
Principal payments on debt	(170,409)
Net cash provided by (used for) capital and related financing activities	(900,852)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	91,810
Net cash provided by investing activities	91,810
Net increase (decrease) in cash and cash equivalents	(230,691)
Cash and cash equivalents, October 1, 2024	298,777
Cash and cash equivalents, September 30, 2025	\$ 68,086
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	78,873
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	167,997
(Increase) decrease in accounts receivable	5,585
(Increase) decrease in notes receivable	85,500
(Increase) decrease in compensated absences	(3,333)
(Increase) decrease in deferred outflows - pension balances	10,886
(Increase) decrease in deferred outflows - OPEB balances	177
(Increase) decrease in net pension asset	(6,339)
Increase (decrease) in accounts payable	104,622
Increase (decrease) in customer deposits	10,775
Increase (decrease) in unearned revenue	(128,746)
Increase (decrease) in due to other funds	(30,000)
Increase (decrease) in deferred inflows - pension balances	2,798
Increase (decrease) in deferred inflows - OPEB balances	16
Increase (decrease) in total OPEB liability	(2,212)
Net cash provided by operating activities	\$ 296,599

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Note 1: 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *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 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 Bells, Texas (City), was established in 1876 and incorporated in 1880. The City operates under a city council-city administrator form of government and provides the following general government functions: general administrative services, law enforcement services, fire and other public safety activities, streets, public improvements, parks and recreation, and sanitation. Enterprise Funds are used to account for the operations of the City's water and sewer systems.

The financial statements of the City of Bells are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publications entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable.) The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

The Bells 4A Economic Development Corporation (EDC 4A) and the Bells 4B Community Development Corporation (CDC 4B) are discretely presented component units of the City.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The discrete presentation is required because the EDC 4A and CDC 4B have independent corporate powers, are governed by boards appointed by the City Council but not substantially the same as the Council, and are expected to pay their own debts, rather than depend upon the City for such.

The EDC 4A and CDC 4B are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of EDC 4A and CDC 4B are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above.

C. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 101, Compensated Absences, that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that are attributable to services already rendered, accumulate, and are more likely than not to be used for time off or otherwise paid or settled in cash or noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City implemented GASB 101 and determined no restatement of the prior year balances is required.

GASB issued Statement No. 102, Certain Risk Disclosures, that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City has determined that there is no impact from implementing this Statement.

GASB issued Statement No. 103, Financial Reporting Model Improvements, that attempts to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

GASB issued Statement No. 104, Disclosure of Certain Capital Assets, to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

D. Basis of Presentation – Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary (business-type activity) fund. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the 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 when eligibility requirements imposed by the provider have been met.

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

E. Basis of Presentation – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as current assets. Reimbursement basis grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Gross receipts and sales taxes are considered measurable and recognizable when in the control of the intermediary collecting government that presents information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of fund's assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenses, as appropriate. Government resources are allocated to and for individual funds based on the purposes and functions for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

The City reports the following governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This fund is considered a major fund.

Debt Service Fund – The Debt Service Fund is used to account the accumulation of resources for, and the payment of, general obligation debt of governmental funds. This fund is considered a major fund.

Nonmajor Special Revenue Funds – The City maintains special revenue funds, aggregated as nonmajor special revenue funds in the governmental fund financial statements, to account for the accumulation of resources for, and the payment of, governmental expenditures on certain specific purposes. These purposes include fire department projects, police forfeitures, truancy prevention, the municipal jury, time payment reimbursement fees, child safety, and funds restricted for court, police seizures, and the City cemetery.

The City reports the following major enterprise funds:

Water and Sewer Fund – This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to recover costs (expenses, including depreciation) of providing goods or services to the general public through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

The Water and Sewer Fund is accounted for under this proprietary fund type. Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities, deferred inflows and outflows are included on the Statement of Net Position.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

During the course of operations, the City 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 the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between funds included in the business-type activities 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 the 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 funds included in the business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued, unless those pronouncements conflict with or contradict GASB pronouncements.

F. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

The City considers all cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Investments

The City's investment policy states that City investments will be with any of the following institutions of groups consistent with federal, state law, and City Code provisions:

1. Depository bank(s) of the City;
2. Other state, savings and loan, or national banks domiciled in Texas with offices in surrounding cities that are insured by the FDIC;
3. Investment Pools with a rating of AAA or AAAM;
4. Treasury Securities issued by the Federal Government.

The City is empowered by statute to invest in certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association and is secured by obligations guaranteed or insured by the Federal Deposit Insurance Corporation or its successor. The City's investments consist of Certificates of Deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The City did not engage in repurchase or reverse repurchase agreement transactions during the current year.

Inter-fund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is recorded as “Amounts Due To” and “Amounts Due From” other funds appropriately.

Receivables

The City uses the allowance method of valuing water, court and tax receivables. The City has established an allowance for doubtful accounts for delinquent receivables to the extent that their collection is doubtful.

The Water & Sewer Fund holds a note receivable from the EDC and CDC for a portion of the GTUA bonds payable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Repair and maintenance costs are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment. The city elected not to report major general infrastructure assets retroactively. Therefore, infrastructure assets acquire after October 1, 2003, will be recorded at cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets capitalized have an original cost of \$5,000 or more and an estimated useful life over three year. Land and construction in progress are not depreciated. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives by classification are as follows:

Building, Parks, and Improvements	10 – 39 Years
Furniture, Equipment, and Vehicles	3 – 10 Years
Streets and Other Infrastructure	20 – 50 Years
Water & Sewer System	40 – 75 Years

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Pension and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability (asset) and total OPEB liability, pension/OPEB related deferred outflows and inflows of resources, and pension/OPEB expense, City specific information about the Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's net pension liability (asset) and total OPEB liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes and experiences.

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from court fines and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Also, the City reports deferred inflows of resources for pension and OPEB amounts that relate to the differences in expected and actual economic experience and assumption changes.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Long-Term Debt

All long-term debts to be repaid from the governmental and business-type resources are reported as liabilities in the government-wide financial statements. Presently, the City's long-term debt consists of notes payable, bonds payable, and contractual obligations. Long-term debt arising from cash transactions for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest as expenditures.

As the proprietary funds are accounted for using the accrual method, the amounts are reported the same in the fund and government-wide financial statements.

Leases

The City is a lessee for noncancellable leases of vehicles. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of earned but unused vacation leave, sick leave, and compensatory time that are more likely than not to be paid, measured using employees' pay rates in effect at September 30, 2025. In the government-wide financial statements, vacation leave, sick leave, and compensatory time are recognized as an expense and liability as the leave is attributable to services already rendered, accumulates, and becomes more likely than not to be used or settled. The City liquidates compensated absences with future revenues; accordingly, governmental funds recognize a liability only when amounts are due and payable.

City employees begin earning hours of vacation leave from the day they start. Regular full-time employees earn 120 to 160 hours of paid vacation leave based on years of service. City policy establishes a maximum annual vacation accrual of 480 to 672 hours depending on department. It is the City's policy to not carryover any unused employee vacation time beyond this maximum as of each fiscal year-end. Accrued compensated absences were \$39,357 for governmental activities and \$8,341 for business-type activities at September 30, 2025.

Net Position

Net position invested in net capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At September 30, 2025, the debt service fund, court security and technology funds, cemetery fund, police seizures, truancy prevention, police forfeitures, and child safety funds had restricted net position of \$250,999, \$9,307, \$163,839, \$685, \$5,733, \$2,656, and \$795 respectively.

At September 30, 2025, the EDC 4A, and CDC 4B had net deficiencies in the amount of \$664,223, and \$1,134,785, respectively. These net deficiencies amounts are reported as unrestricted as GASB rules do not permit classification of net deficiencies as restricted. The deficiencies are caused notes payable entered into by the EDC 4A and CDC 4B to pay to the Water & Sewer Fund amounts that the Water & Sewer Fund is required to use for payment of the GTUA bonds. See Note 5 for details.

Fund Balances

The City has adopted the Governmental Accounting Standards Board's (GASB) *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes in the fund financial statements for governmental type funds. It does not apply for the government-wide financial statements.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact, such fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitutional provisions, charter requirements, external resource providers, or through enabling legislation,

Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the Council (the City’s highest level of decision-making authority),

Assigned – fund balance classification is intended to be used by the City’s General Fund for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned – fund balance is the residual classification for the City’s General Fund and includes amounts not contained in the other classifications, and other fund’s that have total negative fund balances.

For the classification of Governmental Fund balances, the City considers expenditures to be made from the most restrictive first when more than one classification is available, unless the City Council has provided otherwise in its commitment or assignment actions.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

G. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions. All taxes, including those dedicated for a specific purpose, are reported as general revenues.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
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Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation. For the current year's tax levy of \$770,467 a total of 97.3% of the tax levy was collected. Property ad valorem tax rates per \$100 valuation for the tax year 2024 levy was 0.572879.

Sales Taxes

The City levies a two percent (2%) sales tax on taxable sales within the City. Fifty percent (50%) of the sales tax is allocated to the General Fund, twenty-five percent (25%) is allocated to EDC 4A, and twenty-five percent (25%) is allocated to CDC 4B.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

I. Budget and Budgetary Accounting

Prior to September 1, the City Council submits a proposed budget for the ensuing fiscal year for the General Fund, the Debt Service Fund, and the Water and Sewer Fund. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council.

For the year ended September 30, 2025, General Fund expenditures exceeded appropriations at the legal level of control by the net amount of \$288,942 as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual – General Fund.

In accordance with state law, the City adopts an annual budget before September 30 for the subsequent year. The budget is prepared on the same basis of accounting as applied to the governmental funds in the basic financial statements.

J. Bells Economic Development Corporation – EDC 4A

The Bells Economic Development Corporation (EDC 4A) was established on March 10, 2016 for the exclusive purpose of benefiting and accomplishing public purposes of the City by promoting, assisting, and enhancing economic development activities for the City as provided by the Development Corporation Act. The EDC 4A may issue debt instruments and acquire, maintain, lease and sell property on behalf of the City. The EDC 4A is managed by a board of directors that is comprised of three persons appointed by the City Council. The EDC 4A is funded by twenty-five percent (25%) of City sales taxes.

K. Bells Community Development Corporation – CDC 4B

The Bells Community Development Corporation (CDC 4B) was established on March 8, 2016 for the exclusive purpose of benefiting and accomplishing public purposes of the City authorized in the Development Corporation Act by promoting, assisting, and enhancing community development. The CDC 4B is managed by a board of directors that is comprised of six persons appointed by the City Council. The CDC 4B is funded by twenty-five percent (25%) of City sales taxes.

Note 2: Cash and Cash Equivalents

Primary Government

The City has not adopted formal deposit and investment policies other than that of the State of Texas.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less than the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposits in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to deposit of funds as provided by the law.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. Certificates of Deposit do not receive a credit rating.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment balance consists of only Certificates of Deposit as described above.

Custodial credit risk for investments 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 Public Funds Investment Act requires the City to have independent auditors perform test procedures related to investment practices as prescribed by that legislation. The Act also requires a designated investment officer to complete training on topics pertaining to the Act and for the investment policy to be reviewed annually. The investment policy failed to be reviewed; therefore, the City lacks the requirements to be in compliance with the Texas Public Funds Investment Act.

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political debt obligations, surety bonds, or certain letters of credit. At September 30, 2025, the carrying amount of deposits was \$561,399 and the bank balance was \$572,342. At September 30, 2025, the City was not exposed to custodial credit risk since \$250,000 was insured by FDIC and \$378,899 was collateralized with securities held by the pledging financial institution. The City also maintains a pledged FHLB Custodial Standby Letter of Credit, but none of it was necessary to cover deposits.

The City's Certificates of Deposit totaling \$56,557 are considered deposits for this footnote but are classified as investments on the face of the financial statements.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Discretely Presented Component Units

At September 30, 2025, the Bells Economic Development Corporation (EDC 4A) and Bells Community Development Corporation (CDC 4B) carrying amounts of deposits were \$185,516 and \$122,954, respectively. The bank balances were \$185,516 and \$122,954, respectively. At September 30, 2025, both Corporations were insured up to \$250,000 by FDIC. Therefore, there were no deposits that were exposed to custodial credit risk because they were uninsured and uncollateralized.

Restricted Assets

Restricted cash balances of \$11,265 for governmental activities represent cash restricted by the State of Texas for court security and technology expenditures and police seizures, respectively.

Restricted cash balances of \$ 4,726,196 for business-type activities represent cash held in trust by the Greater Texoma Utility Authority (GTUA) for use in constructing water & sewer system assets on the City’s behalf.

Note 3: Receivables

Receivables at September 30, 2025, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Total	EDC	CDC
Municipal court	\$ 486,872	\$ -	\$ -	\$ 486,872	\$ -	\$ -
Customer accounts	-	-	161,920	161,920	-	-
Property taxes	29,230	13,426	-	42,656	-	-
Franchise & other	15,283	-	-	15,283	-	-
Sales taxes	40,521	-	-	40,521	20,261	20,261
Notes receivable	-	-	2,148,000	2,148,000	-	-
Sanitation	33,382	-	-	33,382	-	-
	<u>605,288</u>	<u>13,426</u>	<u>2,309,920</u>	<u>2,928,634</u>	<u>20,261</u>	<u>20,261</u>
Less: allowance for doubtful accounts	(477,353)	-	(52,078)	(529,431)	-	-
Net	<u>\$ 127,935</u>	<u>\$ 13,426</u>	<u>\$ 2,257,842</u>	<u>\$ 2,399,203</u>	<u>\$ 20,261</u>	<u>\$ 20,261</u>

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Note 4: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2025:

	Beginning Balance 9/30/2024	Additions	Retirements & Reclasses	Ending Balance 9/30/2025
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 161,289	\$ -	\$ -	\$ 161,289
Construction in Progress	-	317,783	-	317,783
Total Capital Assets, Not Being Depreciated	161,289	317,783	-	479,072
Capital Assets, Being Depreciated:				
Buildings, Parks, and Improvements	723,893	9,238	-	733,131
Streets and Other Infrastructure	623,783	-	-	623,783
Furniture, Equipment, and Vehicles	1,103,627	15,000	-	1,118,627
Right to use lease assets	286,787	109,583	-	396,370
Total Capital Assets, Being Depreciated	2,520,305	133,821	-	2,871,911
Less Accumulated Depreciation for:				
Buildings, Parks, and Improvements	267,292	27,942	-	295,234
Streets and Other Infrastructure	112,991	12,765	-	125,756
Furniture, Equipment, and Vehicles	847,530	48,075	-	895,605
Accumulated amortization on lease assets	36,653	101,697	-	138,350
Total Accumulated Depreciation & Amortization	1,173,901	190,479	-	1,454,945
Capital Assets, Being Depreciated, Net of Depreciation & Amortization	1,346,404	(56,658)	-	1,416,966
Governmental Activities Capital Assets, Net of Depreciation & Amortization	\$ 1,507,693	\$ 261,125	\$ -	\$ 1,896,038

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

	Beginning Balance 9/30/2024	Additions	Retirements & Reclasses	Ending Balance 9/30/2025
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 27,924	\$ -	\$ -	\$ 27,924
Construction in progress	1,888,063	1,496,645	-	3,384,708
Total Capital Assets, Not Being Depreciated	<u>27,924</u>	<u>1,496,645</u>	<u>-</u>	<u>3,412,632</u>
Capital Assets, Being Depreciated:				
Furniture, Equipment, and Vehicles	507,224	57,203	-	564,427
Water & Sewer System	5,214,006	30,049	-	5,244,055
Total Capital Assets, Being Depreciated	<u>5,721,230</u>	<u>87,252</u>	<u>-</u>	<u>5,808,482</u>
Less Accumulated Depreciation for:				
Furniture, Equipment, and Vehicles	361,369	37,405	-	398,774
Water & Sewer System	2,649,531	130,592	-	2,780,123
Total Accumulated Depreciation	<u>3,010,900</u>	<u>167,997</u>	<u>-</u>	<u>3,178,897</u>
Capital Assets, Being Depreciated, Net	<u>2,710,330</u>	<u>(80,745)</u>	<u>-</u>	<u>2,629,585</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 2,738,254</u>	<u>\$ 1,415,900</u>	<u>\$ -</u>	<u>\$ 6,042,217</u>

Depreciation expense for the year ended September 30, 2025 was charged to functions of the governmental and business-type activities as follows:

Governmental Activities:

General Government	\$ 23,003
Police & Court	69,310
Fire Protection	73,623
Cemetery	483
Parks and Recreation	24,060
Total	<u>\$ 190,479</u>

Business-type Activities:

Water and Sewer	\$ 167,997
	<u>\$ 167,997</u>

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Note 5: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the primary government for the year ended September 30, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025	Due within one year
Governmental Activities					
Notes Payable:					
Street Loan	\$ 15,469	\$ -	\$ (15,469)	\$ -	\$ -
Fire Truck Loan	130,896	-	(20,699)	110,197	22,017
Police Loan	30,411	-	(30,411)	-	-
Total Notes Payable:	<u>176,776</u>	<u>-</u>	<u>(66,579)</u>	<u>110,197</u>	<u>22,017</u>
Other liabilities:					
Lease liabilities	195,701	109,583	(81,449)	223,835	87,405
Compensated Absences	7,593	31,764	-	39,357	39,357
Total OPEB Liability	<u>18,159</u>	<u>2,505</u>	<u>-</u>	<u>20,664</u>	<u>-</u>
Total Other Liabilities:	<u>221,453</u>	<u>143,852</u>	<u>(81,449)</u>	<u>283,856</u>	<u>126,762</u>
Total Long Term Liabilities:	<u>\$ 398,229</u>	<u>\$ 143,852</u>	<u>\$ (148,028)</u>	<u>\$ 394,053</u>	<u>\$ 148,779</u>
Business-type Activities					
Bonds and Notes Payable:					
Equipment Loan	\$ 76,668	\$ -	\$ (20,409)	\$ 56,259	\$ 21,743
GTUA Series 2022	7,105,000	-	(100,000)	7,005,000	105,000
GTUA Series 2005	320,000	-	(50,000)	270,000	50,000
Total Notes Payable:	<u>7,501,668</u>	<u>-</u>	<u>(170,409)</u>	<u>7,331,259</u>	<u>176,743</u>
Other liabilities:					
Compensated Absences	5,008	3,333	-	8,341	8,341
Total OPEB Liability	<u>13,150</u>	<u>-</u>	<u>(2,212)</u>	<u>10,938</u>	<u>-</u>
Total Other Liabilities:	<u>18,158</u>	<u>3,333</u>	<u>(2,212)</u>	<u>19,279</u>	<u>8,341</u>
Total Long Term Liabilities:	<u>\$ 7,519,826</u>	<u>\$ 3,333</u>	<u>\$ (172,621)</u>	<u>\$ 7,350,538</u>	<u>\$ 185,084</u>

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The following is a summary of the changes in long-term liabilities for the discretely presented component units for the year ended September 30, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025	Due within one year
Economic Development Corporation:					
Notes Payable:					
Bells Water Fund - GTUA 2005	\$ 180,000	\$ -	\$ (30,000)	\$ 150,000	\$ 30,000
Bells Water Fund - GTUA 2022	740,000	-	(20,000)	720,000	20,000
Total Notes Payable:	<u>920,000</u>	<u>-</u>	<u>(50,000)</u>	<u>870,000</u>	<u>50,000</u>
Total Long Term Liabilities:	<u>\$ 920,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 870,000</u>	<u>\$ 50,000</u>
Community Development Corporation:					
Notes Payable:					
Bells Water Fund - GTUA 2022	\$ 1,313,500	\$ -	\$ (35,500)	\$ 1,278,000	\$ 35,500
Total Notes Payable:	<u>1,313,500</u>	<u>-</u>	<u>(35,500)</u>	<u>1,278,000</u>	<u>35,500</u>
Total Long Term Liabilities:	<u>\$ 1,313,500</u>	<u>\$ -</u>	<u>\$ (35,500)</u>	<u>\$ 1,278,000</u>	<u>\$ 35,500</u>

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Long-term liabilities for the primary government are comprised of the following at September 30, 2025:

	Governmental Activities	Business-type Activities
\$160,000 note payable to First United Bank; issued in March 2023, payable in quarterly installments of \$7,110. The note matures in March 2030 and bears an interest rate of 6.2%. The note is secured by a truck used in the fire department.	\$ 110,197	\$ -
\$105,591 note payable to First United Bank, issued March 2023, due in quarterly installments of \$6,157. The note matures in March 2028 and bears an interest rate of 5.95%. The note is secured by equipment used in the water department.	-	56,259
\$915,000 GTUA Contract Revenue Bonds, Series 2005, (City of Bells Project) due in annual installments of \$25,000 to \$60,000 through April 2030, bearing an interest rate of 2.79% to 4.78%	-	270,000
\$7,200,000 GTUA Contract Revenue Bonds, Series 2022, (City of Bells Project) due in annual installments of \$95,000 to \$295,000 through October 2062, bearing an interest rate of 2.41% to 4.21%	-	7,005,000
	\$ 110,197	\$ 7,331,259

Long-term liabilities for the discretely presented component units are comprised of the following at September 30, 2025:

	Discretely Presented Component Units
\$752,000 Note related to GTUA Contract Revenue Bonds, Series 2005, (City of Bells Project) due from the EDC 4A to the water fund in annual installments of \$30,000 through April 2030.	150,000
\$800,000 Note related to GTUA Contract Revenue Bonds, Series 2022, (City of Bells Project) due from the EDC 4A to the water fund in annual installments of \$20,000 through October 2062.	720,000
\$1,420,000 Note related to GTUA Contract Revenue Bonds, Series 2022, (City of Bells Project) due from the CDC 4B to the water fund in annual installments of \$35,500 through October 2062.	1,278,000
	\$ 2,148,000

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The principal and interest requirements related to the notes payable for the governmental activities at September 30, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 22,017	6,423	28,440
2027	23,434	5,006	28,440
2028	24,931	3,508	28,439
2029	26,546	1,893	28,439
2030	13,269	312	13,581
	\$ 110,197	\$ 17,142	\$ 127,339

The principal and interest requirements related to the contractual obligations and notes payable for the business-type activities at September 30, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 176,743	\$ 286,769	\$ 463,512
2027	183,066	281,100	464,166
2028	176,450	276,628	453,078
2029	170,000	270,126	440,126
2030	180,000	270,126	450,126
2031-2035	650,000	1,269,974	1,919,974
2036-2040	750,000	1,142,459	1,892,459
2041-2045	875,000	982,749	1,857,749
2046-2050	1,000,000	793,847	1,793,847
2051-2055	1,150,000	574,770	1,724,770
2056-2060	1,330,000	321,539	1,651,539
2061-2064	690,000	55,256	745,256
	\$ 7,331,259	\$ 6,525,342	\$ 13,856,601

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The principal requirements related to the contractual obligations and notes payable from the EDC 4A and CDC 4B to the business-type activities at September 30, 2025 are as follows:

	EDC 4A Payout Schedule		CDC 4B Payout Schedule	
	Principal	Total	Principal	Total
2026	\$ 50,000	\$ 50,000	\$ 35,500	\$ 35,500
2027	50,000	50,000	35,500	35,500
2028	50,000	50,000	35,500	35,500
2029	50,000	50,000	35,500	35,500
2030	50,000	50,000	35,500	35,500
2031-2035	100,000	100,000	177,500	177,500
2036-2040	100,000	100,000	177,500	177,500
2041-2045	100,000	100,000	177,500	177,500
2046-2050	100,000	100,000	177,500	177,500
2051-2055	100,000	100,000	177,500	177,500
2056-2060	100,000	100,000	177,500	177,500
2061-2064	20,000	20,000	35,500	35,500
	\$ 870,000	\$ 870,000	\$ 1,278,000	\$ 1,278,000

Contractual Service Agreement with Greater Texoma Utility Authority

The City entered into long-term water supply and sewer service contracts with Greater Texoma Utility Authority (GTUA) in 2005 and 2022. The City has an obligation to make payments specified by the contracts to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, and pay the administrative and overhead expenses by GTUA in connection with the bonds.

Under terms of the contracts, the City’s obligation to make payments to GTUA and GTUA’s ownership interest in the facilities will terminate when all of GTUA’s bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding. The City is obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. The structure of the transaction has the qualities of a capital lease therefore the amounts are included in long-term liabilities and capital assets with the associated accumulated depreciation.

Concurrent with the GTUA bonds, the City entered into agreements with its discretely presented component units to pay for certain portions of each bond’s principal. The EDC 4A agreed to pay the Water & Sewer Fund \$30,000 per year of the 2005 bond’s principal and \$20,000 per year of the 2022 bond’s principal. The CDC 4B agreed to pay the Water & Sewer Fund \$35,500 per year of the 2022 bond’s principal. These amounts are disclosed as notes payable from the EDC 4A and CDC 4B to the Water & Sewer Fund.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Right-to-Use Lease Liability

The City has entered into multiple lease agreements as the lessee. The leases allow the right-to-use equipment and vehicles for the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The lease rate, term, and ending lease liability are as follows:

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities				
Leased vehicles	5%	\$ 331,550	2 - 4	\$ 223,835
Total Governmental Activities				\$ 223,835

The future principal and interest lease payments, as of fiscal year-end, are as follows:

Year	Governmental Activities	
	Principal	Interest
2026	\$ 87,405	\$ 9,205
2027	83,769	4,805
2028	50,403	1,140
2029	2,258	-
Total	223,835	15,150

The value of the right to use assets for governmental activities at September 30, 2025 was \$396,370 and had accumulated amortization of \$138,350.

Note 6: Interfund Due To/From and Transfers

The due to and due from transactions during FY25 were in relation to payroll and other transactions between the Water Fund, Debt Service Fund, certain special revenue funds, and General Fund. The transfers between funds during the year were primarily for debt payments.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Interfund balances at September 30, 2025 were:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Internal Balances</u>
Governmental Funds:			
General	\$ 523,390	\$ 154,034	
Debt Service	-	1,678	
Special Revenue	<u>5,275</u>	<u>138</u>	
	<u>\$ 528,665</u>	<u>\$ 155,850</u>	<u>\$ 372,815</u>
Proprietary Funds:			
Water and Wastewater	<u>\$ -</u>	<u>\$ 372,815</u>	
	<u>\$ -</u>	<u>\$ 372,815</u>	<u>\$ (372,815)</u>
Total	<u>\$ 528,665</u>	<u>\$ 528,665</u>	<u>\$ -</u>

Interfund transfers for the year ended September 30, 2025 were:

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>	<u>Net Transfers</u>
Governmental Funds:			
General	\$ 148,233	\$ 30,000	\$ (118,233)
Debt Service	467,803	304,284	\$ (163,519)
Special Revenue	<u>-</u>	<u>-</u>	
	<u>\$ 616,036</u>	<u>\$ 334,284</u>	<u>\$ (281,752)</u>
Proprietary Funds:			
Water and Wastewater	<u>\$ 303,844</u>	<u>\$ 585,596</u>	
	<u>\$ 303,844</u>	<u>\$ 585,596</u>	<u>\$ 281,752</u>
Total	<u>\$ 919,880</u>	<u>\$ 919,880</u>	<u>\$ -</u>

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Note 7: Insurance Coverage and Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disaster. The City purchases commercial insurance through Texas Municipal League. The City retains no risk of loss for these coverages. The City accounts for risk management issues in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2024 to September 30, 2025 the City maintained insurance coverage as follows:

Types of Coverage

General Liability	Automobile Liability
Errors & Omissions Liability	Auto Physical Damage
Law Enforcement Liability	Workers' Compensation
Real & Personal Property	Flood and Earthquake
Boiler and Machinery	Mobile Equipment
Auto Physical Damage	

Note 8: Pension Plan

Plan Description

The City of Bells participates as one of 938 plans in the defined benefit cash-balance 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2025

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.

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:

Employee deposit rate	7%
Matching ratio (City to employee)	1.5-to-1 to 2-to-1
Years required for vesting	5
Service retirement eligibility	Vested and age 60 or 20 years and any age
Updated service credit	Last adopted 1992 – Auto Readoption – 100% - Transfers

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	16
<u>Active employees</u>	<u>13</u>
	37

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.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.81% and 6.33% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025, were \$32,016 and were equal to the required contributions.

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) (NPA) was measured as of December 31, 2024, 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 (Asset) in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary Increases	3.6%-11.85% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements.

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100%	

Discount Rate:

The discount rate used to measure the Total Pension Liability (Asset) 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 Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/2023	\$ 566,202	\$ 635,972	\$ (69,770)
Changes for the year:			
Service cost	82,027	-	82,027
Interest	40,150	-	40,150
Change of benefit terms	-	-	-
Difference between expected and actual experience	(8,127)	-	(8,127)
Changes of assumptions	-	-	-
Contributions - employer	-	39,115	(39,115)
Contributions - employee	-	42,189	(42,189)
Net investment income	-	66,055	(66,055)
Benefit payments, including refunds of employee contributions	(24,790)	(24,790)	-
Administrative expense	-	(424)	424
Other changes	-	(9)	9
Net changes	89,260	122,136	(32,876)
Balance at 12/31/2024	<u>\$ 655,462</u>	<u>\$ 758,108</u>	<u>\$ (102,646)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability (asset) 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:

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
(\$9,544)	(\$102,646)	(\$180,440)

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.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

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

For the year ended September 30, 2025, the City recognized pension expense of \$30,764. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	(7,967)
Changes in actuarial assumptions	-	(1,636)
Difference between projected and actual investment earnings	-	(7,895)
Contributions subsequent to the measurement date	23,793	-
Total	\$ 23,793	\$ (17,498)

\$23,793 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the year ended September 30, 2026.

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

Year Ended September 30:	Net Deferred (Inflows) Outflows of Resources
2026	\$ (4,217)
2027	2,886
2028	(11,544)
2029	(4,623)
2030	-
Thereafter	-
Total	\$ (17,498)

Note 9: Other Post-Employment Benefits (OPEB) Plan

Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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). The death benefit for retirees is considered another post-employment benefit (“OPEB”) and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	6
Active employees	11
<hr/>	
	21

Contributions

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2025

The City’s contributions to the SDBF for the year ended September 30, 2025 were \$1,303, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2025	0.23%	0.13%
2024	0.32%	0.14%

Total OPEB Liability

The City’s Total OPEB Liability (TOL) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounting for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set- forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to

The actuarial assumptions used in the December 31, 2023, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal actuarial cost method. Salary increases were based on a service-related table.

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Discount Rate:

A single discount rate of 4.08% was used to measure the Total OPEB Liability and was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2024.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	\$ 31,309
Changes for the year:	
Service cost	1,266
Interest on Total OPEB Liability	1,188
Change of benefit terms	-
Difference between expected and actual experience	663
Changes of assumptions or other inputs	(1,980)
Benefit payments	(844)
Net changes	293
Balance at 12/31/2024	\$ 31,602

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 4.08%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.08%) or 1 percentage-point higher (5.08%) than the current rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease	Current Discount Rate	1% Increase
3.08%	4.08%	5.08%
\$38,671	\$31,602	\$26,289

City of Bells, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$1,835. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in expected and actual experience	\$ 550	\$ -
Difference in assumption changes	-	(5,633)
Contributions made subsequent to measurement date	1,303	-
	\$ 1,853	\$ (5,633)

The \$1,303 contributions made after the measurement date of the total OPEB liability but before the end of the City’s reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Net Deferred Outflows (Inflows) of Resources
2026	\$ (1,440)
2027	(1,841)
2028	(2,350)
2029	448
2030	169
Thereafter	(69)
Total	\$ (5,083)

Note 10: Related Party Transaction

During the year, the CDC 4B entered into a contract for construction services with a firm owned by a member of the CDC 4B Board. The contract was approved by the CDC 4B Board on October 29, 2024.

Note 11: Subsequent Events

Management has evaluated that there were no subsequent events that occurred through the date of the financial statements, which is the date they were available for issuance.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Bells, Texas
GENERAL FUND BUDGETARY COMPARISON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2025

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Taxes:			
Property	\$ 480,000	\$ 524,200	\$ 44,200
Sales	196,400	228,359	31,959
Franchise	64,625	62,116	(2,509)
Sanitation income	249,200	248,815	(385)
Miscellaneous	65,211	97,476	32,265
Permits and fees	22,450	26,950	4,500
Police department and municipal court	52,880	56,352	3,472
Interest	8,500	14,471	5,971
Donations	3,500	303,998	300,498
Rent income	5,400	1,350	(4,050)
Total revenues	<u>1,148,166</u>	<u>1,564,087</u>	<u>415,921</u>
Expenditures			
Current:			
General government	487,161	282,187	204,974
Police department and municipal court	356,753	330,778	25,975
Sanitation	197,243	210,124	(12,881)
Fire department	127,525	96,149	31,376
Parks and recreation	15,597	7,818	7,779
Debt service:			
Principal	-	81,449	(81,449)
Interest	-	13,052	(13,052)
Capital outlays	-	451,604	(451,604)
Total expenditures	<u>1,184,279</u>	<u>1,473,161</u>	<u>(288,882)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,113)</u>	<u>90,926</u>	<u>704,804</u>
Other Financing Sources (Uses)			
Transfers in (out)	(10,440)	(118,233)	107,793
Lease proceeds	-	109,583	109,583
Total other financing sources (uses)	<u>(10,440)</u>	<u>(8,650)</u>	<u>217,376</u>
Net change in fund balances	(46,553)	82,276	922,180
Fund balances - beginning	415,100	415,100	-
Fund balances - ending	<u>\$ 368,547</u>	<u>\$ 497,376</u>	<u>\$ 922,180</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP)

City of Bells, Texas

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years

	2024	2023	2022	2021
Total Pension Liability				
Service Cost	\$ 82,027	\$ 83,676	\$ 56,545	\$ 50,037
Interest (on the Total Pension Liability)	40,150	34,187	29,365	25,920
Changes of benefit terms	-	12,778	-	-
Difference between expected and actual experience	(8,127)	(3,101)	(8,255)	1,502
Change of assumptions	-	(3,620)	-	-
Benefit payments, including refunds of employee contributions	(24,790)	(19,143)	(45,979)	(13,369)
Net Change in Total Pension Liability	89,260	104,777	31,676	64,090
Total Pension Liability - Beginning	566,202	461,425	429,749	365,659
Total Pension Liability - Ending (a)	<u>\$ 655,462</u>	<u>\$ 566,202</u>	<u>\$ 461,425</u>	<u>\$ 429,749</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 39,115	\$ 21,865	\$ 17,263	\$ 15,078
Contributions - Employee	42,189	41,365	34,329	30,806
Net Investment Income	66,055	61,311	(41,267)	61,508
Benefit payments, including refunds of employee contributions	(24,790)	(19,143)	(45,979)	(13,369)
Administrative Expense	(424)	(391)	(358)	(285)
Other	(9)	(3)	426	3
Net Change in Plan Fiduciary Net Position	122,136	105,004	(35,586)	93,741
Plan Fiduciary Net Position - Beginning	635,972	530,968	566,554	472,813
Plan Fiduciary Net Position - Ending (b)	<u>\$ 758,108</u>	<u>\$ 635,972</u>	<u>\$ 530,968</u>	<u>\$ 566,554</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (102,646)</u>	<u>\$ (69,770)</u>	<u>\$ (69,543)</u>	<u>\$ (136,805)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	115.66%	112.32%	115.07%	131.83%
Covered Payroll	\$ 602,700	\$ 590,933	\$ 490,413	\$ 440,084
Net Pension Liability as a Percentage of Covered Payroll	-17.03%	-11.81%	-14.18%	-31.09%

Notes to Schedule of Net Pension Liability

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

2020	2019	2018	2017	2016	2015
\$ 47,977	\$ 44,706	\$ 24,825	\$ 20,448	\$ 20,481	\$ 22,718
21,882	19,475	17,921	17,312	16,437	15,723
-	8,194	-	(528)	-	-
2,299	(15,986)	(13,801)	(2,988)	(4,760)	(4,896)
-	(281)	-	-	-	7,262
<u>(13,369)</u>	<u>(14,421)</u>	<u>(33,702)</u>	<u>(22,156)</u>	<u>(15,149)</u>	<u>(26,436)</u>
58,789	41,687	(4,757)	12,088	17,009	14,371
306,870	265,183	269,940	257,852	240,843	226,472
<u>\$ 365,659</u>	<u>\$ 306,870</u>	<u>\$ 265,183</u>	<u>\$ 269,940</u>	<u>\$ 257,852</u>	<u>\$ 240,843</u>
\$ 12,171	\$ 3	\$ -	\$ 714	\$ 110	\$ 1,468
29,590	19,505	19,008	15,657	15,423	17,476
31,296	54,586	(11,381)	46,995	21,478	480
(13,369)	(14,421)	(33,702)	(22,156)	(15,149)	(26,436)
(204)	(309)	(220)	(244)	(243)	(292)
(8)	(9)	(11)	(11)	(13)	(15)
<u>59,476</u>	<u>59,355</u>	<u>(26,306)</u>	<u>40,955</u>	<u>21,606</u>	<u>(7,319)</u>
413,337	353,982	380,288	339,333	317,727	325,046
<u>\$ 472,813</u>	<u>\$ 413,337</u>	<u>\$ 353,982</u>	<u>\$ 380,288</u>	<u>\$ 339,333</u>	<u>\$ 317,727</u>
<u>\$ (107,154)</u>	<u>\$ (106,467)</u>	<u>\$ (88,799)</u>	<u>\$ (110,348)</u>	<u>\$ (81,481)</u>	<u>\$ (76,884)</u>
129.30%	134.69%	133.49%	140.88%	131.60%	131.92%
\$ 422,708	\$ 390,102	\$ 380,166	\$ 313,135	\$ 308,451	\$ 349,512
-25.35%	-27.29%	-23.36%	-35.24%	-26.42%	-22.00%

<u>2021</u>	<u>2020</u>	<u>2019¹</u>	<u>2018¹</u>	<u>2017¹</u>	<u>2016¹</u>
\$ 14,307	\$ 9,319	\$ -	\$ -	\$ -	\$ -
<u>14,307</u>	<u>9,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 433,483	\$ 435,531	\$ 385,233	\$ 273,072	\$ 313,135	\$ 308,451
3.30%	2.14%	0.00%	0.00%	0.00%	0.00%

City of Bells, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years

	2024	2023	2022
Total OPEB Liability			
Service Cost	\$ 1,266	\$ 1,773	\$ 2,599
Interest (on the Total OPEB Liability)	1,188	1,000	745
Differences between expected and actual experience	663	3,423	(3,657)
Changes in assumptions or other inputs	(1,980)	1,760	(14,356)
Benefit payments	(844)	(886)	(588)
Net Change in Total OPEB Liability	293	7,070	(15,257)
Total OPEB Liability - Beginning	31,309	24,239	39,496
Total OPEB Liability - Ending (a)	\$ 31,602	\$ 31,309	\$ 24,239
Covered Payroll	\$ 602,700	\$ 590,933	\$ 490,413
Total OPEB Liability as a Percentage of Covered Payroll	5.24%	5.30%	4.94%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

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.

2021	2020	2019	2018	2017
\$ 2,068	\$ 1,606	\$ 1,092	\$ 798	\$ 564
747	811	810	757	733
(987)	(718)	(381)	(536)	-
1,580	6,281	6,040	(2,010)	2,229
(484)	(169)	(195)	(190)	(94)
<u>2,924</u>	<u>7,811</u>	<u>7,366</u>	<u>(1,181)</u>	<u>3,432</u>
<u>36,572</u>	<u>28,761</u>	<u>21,395</u>	<u>22,576</u>	<u>19,144</u>
<u>\$ 39,496</u>	<u>\$ 36,572</u>	<u>\$ 28,761</u>	<u>\$ 21,395</u>	<u>\$ 22,576</u>
\$ 440,084	\$ 422,708	\$ 390,102	\$ 380,166	\$ 313,135
8.97%	8.65%	7.37%	5.63%	7.21%

**OTHER SUPPLEMENTARY
INFORMATION**

City of Bells, Texas

BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2025

	Fire Department Special Fund	Court Building Security Fund	Court Child Safety Fund	Court Technology Fund	Police Department Forfeiture Fund
Assets					
Cash and cash equivalents	\$ 4,962	\$ -	\$ 795	\$ -	\$ 2,656
Due from other funds	-	-	-	-	-
Restricted assets:					
Restricted cash	-	6,638	-	3,867	-
Total assets	4,962	6,638	795	3,867	2,656
Liabilities					
Accounts payable and accrued liabilities	-	-	-	1,198	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	1,198	-
Fund Balances					
Restricted for:					
Cemetery	-	-	-	-	-
Court security and technology	-	6,638	-	2,669	-
Truancy prevention	-	-	-	-	-
Police forfeitures	-	-	-	-	2,656
Child safety	-	-	795	-	-
Police seizures	-	-	-	-	-
Assigned to:					
Fire department special projects	4,962	-	-	-	-
Municipal jury	-	-	-	-	-
Time payment reimbursement	-	-	-	-	-
Total fund balances	4,962	6,638	795	2,669	2,656
Total liabilities, deferred inflows of resources and fund balances	\$ 4,962	\$ 6,638	\$ 795	\$ 3,867	\$ 2,656

Seizure Fund	Local Truancy Prevention Fund	Municipal Jury Fund	Time Payment Reimbursement Fee Fund	Cemetery Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 5,733	\$ 115	\$ 3,415	\$ 158,863	\$ 176,539
-	-	-	-	5,275	5,275
685	-	-	-	-	11,190
<u>685</u>	<u>5,733</u>	<u>115</u>	<u>3,415</u>	<u>164,138</u>	<u>193,004</u>
-	-	-	-	161	1,359
-	-	-	-	138	138
-	-	-	-	299	1,497
-	-	-	-	163,839	163,839
-	-	-	-	-	9,307
-	5,733	-	-	-	5,733
-	-	-	-	-	2,656
-	-	-	-	-	795
685	-	-	-	-	685
-	-	-	-	-	4,962
-	-	115	-	-	115
-	-	-	3,415	-	3,415
<u>685</u>	<u>5,733</u>	<u>115</u>	<u>3,415</u>	<u>163,839</u>	<u>191,507</u>
<u>\$ 685</u>	<u>\$ 5,733</u>	<u>\$ 115</u>	<u>\$ 3,415</u>	<u>\$ 164,138</u>	<u>\$ 193,004</u>

City of Bells, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2025

	Fire Department Special Fund	Court Building Security Fund	Child Safety Fund	Court Technology Fund	Police Department Forfeiture Fund
Revenues					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-
Police department and municipal court	-	1,297	-	1,094	-
Donations	1,900	-	-	-	-
Total revenues	1,900	1,297	-	1,094	-
Expenditures					
Current:					
Cemetery	-	-	-	-	-
General government	-	1,378	-	-	-
Police department and municipal court	-	-	-	1,868	-
Fire department	2,500	-	-	-	-
Total expenditures	2,500	1,378	-	1,868	-
Excess (deficiency) of revenues over (under) expenditures	(600)	(81)	-	(774)	-
Net change in fund balances	(600)	(81)	-	(774)	-
Fund balances - beginning	5,562	6,719	795	3,443	2,656
Fund balances - ending	\$ 4,962	\$ 6,638	\$ 795	\$ 2,669	\$ 2,656

Seizure Fund	Local Truancy Prevention Fund	Municipal Jury Fund	Time Payment Reimbursement Fee Fund	Cemetery Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 6,768	\$ 6,768
-	-	-	-	5,090	5,090
-	1,286	26	664	-	4,367
-	-	-	-	-	1,900
-	1,286	26	664	11,858	18,125
-	-	-	-	4,621	4,621
-	-	-	-	-	1,378
-	-	-	-	-	1,868
-	-	-	-	-	2,500
-	-	-	-	4,621	10,367
-	1,286	26	664	7,237	7,758
-	1,286	26	664	7,237	7,758
685	4,447	89	2,751	156,602	183,749
<u>\$ 685</u>	<u>\$ 5,733</u>	<u>\$ 115</u>	<u>\$ 3,415</u>	<u>\$ 163,839</u>	<u>\$ 191,507</u>