

CITY OF BELLS, TEXAS  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2021

City of Bells, Texas  
Annual Financial Report  
For the Year Ended September 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the City of Bells, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the City of Bells, Texas, as of September 30, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Bells, Texas' basic financial statements. The General Fund Budgetary Comparison Schedule – Modified Cash Basis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Bonham, Texas  
March 10, 2022



**BASIC FINANCIAL STATEMENTS**

City of Bells, Texas  
Statement of Net Position – Modified Cash Basis  
September 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Bells 4A Economic Development Corporation	Bells 4B Economic Development Corporation
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 373,419	\$ 224,225	\$ 597,644	\$ 201,553	\$ 197,638
Investments - Certificates of Deposit	121,450	55,032	176,482	144,851	-
Restricted Cash	22,145	-	22,145	-	-
Deposits Held in Trust by GTUA	-	98,650	98,650	-	-
Internal Balances	96,167	(96,167)	-	-	-
Capital Assets not being Depreciated:					
Land	161,289	27,924	189,213	-	-
Construction in Progress	29,401	102,425	131,826	-	-
Depreciation:					
Buildings, Parks, and Improvements	407,867	-	407,867	-	-
Furniture, Equipment, and Vehicles	149,745	71,777	221,522	-	-
Streets and Other Infrastructure	360,058	-	360,058	-	-
Water and Sewer System	-	2,886,550	2,886,550	-	-
Total Assets	<u>1,721,541</u>	<u>3,370,416</u>	<u>5,091,957</u>	<u>346,404</u>	<u>197,638</u>
<b>LIABILITIES</b>					
State Fines Payable	4,484	-	4,484	-	-
Water Deposits Payable to Customers	-	68,899	68,899	-	-
Noncurrent Liabilities:					
Due Within One Year	32,152	48,073	80,225	-	-
Due in More Than One Year	74,082	426,392	500,474	-	-
Total Liabilities	<u>110,718</u>	<u>543,364</u>	<u>654,082</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,002,126	2,614,211	3,616,337	-	-
Restricted for:					
Economic Development	-	-	-	346,404	197,638
Court Security and Technology	17,636	-	17,636	-	-
Deposits Held in Trust by GTUA	-	98,650	98,650	-	-
Cemetery	121,450	-	121,450	-	-
Police Seizures	4,509	-	4,509	-	-
Unrestricted	465,102	114,191	579,293	-	-
Total Net Position	<u>\$ 1,610,823</u>	<u>\$ 2,827,052</u>	<u>\$ 4,437,875</u>	<u>\$ 346,404</u>	<u>\$ 197,638</u>

The notes to financial statements are an integral part of these financial statements.

City of Bells, Texas  
Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Business-Type Activities	4A Economic Development Corporation	4B Economic Development Corporation
					Governmental Activities	Total			
<b>Primary Government:</b>									
Governmental Activities:									
General Government	\$ 386,028	\$ 13,592	\$ -	\$ 25,000	\$ (347,436)	\$ -	\$ (347,436)		
Police	335,076	-	153,350	-	(181,726)	-	(181,726)		
Municipal Court	44,901	108,333	-	-	63,432	-	63,432		
Fire Protection	72,803	16,876	-	-	(55,927)	-	(55,927)		
Cemetery	13,241	-	-	-	(13,241)	-	(13,241)		
Parks and Recreation	18,351	-	-	57,300	38,949	-	38,949		
Sanitation	155,307	188,959	-	-	33,652	-	33,652		
Interest on Long-Term Debt	7,402	-	-	-	(7,402)	-	(7,402)		
Total Governmental Activities	1,033,109	327,760	153,350	82,300	(469,699)	-	(469,699)		
Business-Type Activities:									
Water and Sewer	611,942	648,012	30,000	187,697	-	253,767	253,767		
Total Business-Type Activities	611,942	648,012	30,000	187,697	-	253,767	253,767		
<b>Total Primary Government</b>	<b>\$ 1,645,051</b>	<b>\$ 975,772</b>	<b>\$ 183,350</b>	<b>\$ 269,997</b>	<b>(469,699)</b>	<b>253,767</b>	<b>(215,932)</b>		
<b>Component Units:</b>									
Bells 4A Economic Development Corporation	\$ 38,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (38,443)	\$ -
Bells 4B Economic Development Corporation	81,789	-	-	-	-	-	-	(38,443)	(81,789)
<b>Total Component Units</b>	<b>\$ 120,232</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(38,443)</b>	<b>(81,789)</b>
<b>General Revenues:</b>									
Property Taxes					473,984		473,984		
General Sales and Use Taxes					138,605		138,605	69,302	69,302
Franchise Taxes					50,730		50,730		
Miscellaneous					21,303		21,303		
Insurance Recoveries					69,759	10,156	79,915		
Investment Earnings					5,524	1,656	7,180	866	572
Transfers					(142,593)	142,593	-		
<b>Total General Revenues and Transfers</b>					617,312	154,405	771,717	70,168	69,874
Change in Net Position					147,613	408,172	555,785	31,725	(11,915)
Net Position - Beginning					1,463,210	2,418,880	3,882,090	314,679	209,553
Net Position - Ending					\$ 1,610,823	\$ 2,827,052	\$ 4,437,875	\$ 346,404	\$ 197,638

The notes to financial statements are an integral part of these financial statements.

City of Bells, Texas  
 Balance Sheet – Modified Cash Basis  
 Governmental Funds  
 September 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 377,319	\$ -	\$ 377,319
Investments – Certificates of Deposit	121,450	-	121,450
Restricted Cash	22,145	-	22,145
Due from Water and Sewer Fund	96,167	-	96,167
<b>Total Assets</b>	<b>\$ 617,081</b>	<b>\$ -</b>	<b>\$ 617,081</b>
<b>LIABILITIES</b>			
Bank Overdraft	\$ -	\$ 3,900	\$ 3,900
State Fines Payable	4,484	-	4,484
<b>Total Liabilities</b>	<b>4,484</b>	<b>3,900</b>	<b>8,384</b>
<b>FUND BALANCES</b>			
Restricted for Court Security	14,808	-	14,808
Restricted for Court Technology	2,828	-	2,828
Restricted for Cemetery	121,450	-	121,450
Restricted for Debt Service	-	-	-
Restricted for Police Seizures	4,509	-	4,509
Unassigned	469,002	(3,900)	465,102
<b>Total Fund Balances</b>	<b>612,597</b>	<b>(3,900)</b>	<b>608,697</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 617,081</b>	<b>\$ -</b>	<b>\$ 617,081</b>

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

<b>Fund Balance of the Governmental Funds</b>	<b>\$ 608,697</b>
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Capital assets used in governmental activities are not financial resources, therefore, they are not reported in the Governmental Fund. The cost of the assets is \$2,169,642 and the accumulated depreciation is \$1,061,282.	1,108,360
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund. Those liabilities consist of:

Notes Payable	<u>(106,234)</u>
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<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,610,823</u></b>
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City of Bells, Texas  
Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Modified Cash Basis  
Governmental Funds  
For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property	\$ 429,404	\$ 44,580	\$ 473,984
General Sales and Use	138,605	-	138,605
Franchise	50,730	-	50,730
Municipal Court	108,333	-	108,333
Sanitation	188,959	-	188,959
Intergovernmental	153,351	-	153,351
County Fire Fees	16,876	-	16,876
Other Revenue	21,303	-	21,303
Licenses and Permits	13,592	-	13,592
Interest Revenue	5,524	-	5,524
Total Revenues	1,126,677	44,580	1,171,257
<b>EXPENDITURES</b>			
Current:			
General Government	367,353	-	367,353
Police	300,971	-	300,971
Municipal Court	44,901	-	44,901
Fire Protection	35,768	-	35,768
Sanitation	155,307	-	155,307
Parks and Recreation	9,629	-	9,629
Cemetery	12,758	-	12,758
Capital Outlays	160,556	-	160,556
Debt Service:			
Principal	-	77,107	77,107
Interest	-	7,402	7,402
Total Expenditures	1,087,243	84,509	1,171,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,434	(39,929)	(495)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) from Other Funds	(182,980)	40,387	(142,593)
Capital Contributions	25,000	-	25,000
Insurance Recoveries	69,759	-	69,759
Total Other Financing Sources (Uses)	(88,221)	40,387	(47,834)
Net Change in Fund Balances	(48,787)	458	(48,329)
Fund Balance – Beginning	661,384	(4,358)	657,026
Fund Balance - Ending	\$ 612,597	\$ (3,900)	\$ 608,697

The notes to financial statements are an integral part of these financial statements.



City of Bells, Texas  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances – Modified Cash Basis  
 to the Statement of Activities – Modified Cash Basis  
 Governmental Funds  
 For the Year Ended September 30, 2021

Amounts reported for *Governmental Activities* in the Statement of Activities (page 4) are different because:

<b>Net Change in Fund Balance - Total Governmental Funds (Page 6)</b>	\$	(48,329)
<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 Outlay	\$ 160,556	
Depreciation Expense	<u>(99,021)</u>	61,535
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>		
Proceeds	-	
Retirements	<u>77,107</u>	77,107
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. This is the amount of current year capital asset donations received.</p>		
		<u>57,300</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>147,613</u></b>

The notes to financial statements are an integral part of these financial statements.

City of Bells, Texas  
Statement of Net Position – Modified Cash Basis  
Proprietary Fund  
September 30, 2021

	Business-Type Activities
	Water and Sewer Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 224,225
Investments	55,032
Restricted Deposits Held by GTUA	98,650
Total Current Assets	377,907
Noncurrent Assets:	
Capital Assets:	
Land	27,924
Construction in Progress	102,425
Furniture, Equipment, and Vehicles	446,494
Water and Sewer System	4,767,490
Less Accumulated Depreciation	(2,255,657)
Total Noncurrent Assets	3,088,676
<b>Total Assets</b>	3,466,583
<b>LIABILITIES</b>	
Current Liabilities:	
Water Deposits Payable to Customers	68,899
Due to General Fund	96,167
Contractual Obligation – Current Portion	40,000
Loan Payable – Current Portion	8,073
Total Current Liabilities	213,139
Noncurrent Liabilities:	
Contractual Obligation – Long-Term Portion	410,000
Loan Payable – Long-Term Portion	16,392
Total Noncurrent Liabilities	426,392
<b>Total Liabilities</b>	639,531
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,614,211
Restricted Deposits with GTUA	98,650
Unrestricted	114,191
<b>Total Net Position</b>	\$ 2,827,052

The notes to financial statements are an integral part of these financial statements.

City of Bells, Texas  
Statement of Revenues, Expenses, and Changes in Net Position –  
Modified Cash Basis  
Proprietary Fund  
For the Year Ended September 30, 2021

	Business-Type Activities
	Water and Sewer Fund
<b>Operating Revenues:</b>	
Water and Sewer	\$ 585,650
Late Charges, Connect Fees, and Other	62,362
Total Operating Revenues	648,012
<b>Operating Expenses:</b>	
Service Contract	40,201
Supplies, Maintenance, and Repairs	135,911
Depreciation	127,570
Salaries and Benefits	212,149
Utilities	46,657
Other Operating Expenses	15,936
Dues, Subscriptions, and Other Fees	6,815
Lab Fees and Other Contracted Services	5,007
Postage	3,363
Training	536
Total Operating Expenses	594,145
Operating Income (Loss)	53,867
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	1,656
Interest Expense	(17,797)
Intergovernmental	187,697
Insurance Recoveries	10,156
Total Nonoperating Revenues (Expenses)	181,712
Income (Loss) Before Contributions and Transfers	235,579
Contributions	30,000
Transfers In (Out)	142,593
Change in Net Position	408,172
Total Net Position - Beginning	2,418,880
Total Net Position - Ending	\$ 2,827,052

The notes to financial statements are an integral part of these financial statements.

City of Bells, Texas  
Statement of Cash Flows – Modified Cash Basis  
Proprietary Fund  
For the Year Ended September 30, 2021

	Business-Type Activities
	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 653,062
Cash Paid to Employees for Salaries and Benefits	(212,149)
Cash Paid to Suppliers for Goods and Services	(254,426)
Net Cash Provided by (Used for) Operating Activities	186,487
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer (to) from General Fund	142,593
Contributions	30,000
Net Cash Provided by (Used for) Noncapital Financing Activities	172,593
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(254,619)
Net Cash Released From (Deposited With) GTUA	2,484
Capital Grants	187,697
Insurance Recoveries	10,156
Interest Paid on Capital Debt	(17,797)
Principal Paid on Capital Debt	(78,345)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(150,424)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	1,656
Net Cash Provided by (Used for) Investing Activities	1,656
Net Increase (Decrease) in Cash and Cash Equivalents	210,312
Cash and Cash Equivalents, October 1, 2020	13,913
Cash and Cash Equivalents, September 30, 2021	\$ 224,225
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 53,867
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities	
Depreciation Expense	127,570
Increase (Decrease) in Deposits Payable	5,050
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 186,487</b>

The notes to financial statements are an integral part of these financial statements.



**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Bells, Texas (City), was established in 1876 and incorporated in 1880. The City operates under a city council form of government. The general governmental functions include law enforcement, fire and other public safety activities, streets, public improvements, parks and recreation, sanitation, and general administrative services. Enterprise Funds are used to account for the operations of its water and sewer systems.

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 (4A) and the Bells 4B Economic Development Corporation (4B) are discretely presented component units of the City. The discrete presentation is required because governing boards are essentially the same as the City and a financial benefit or burden relationship exists between the 4A, 4B, and the City. The 4A and 4B are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the 4A and 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. The 4A and 4B do not issue separate financial statements.

Except for the use of the modified cash basis of accounting as discussed in Note 1.E., the City complies with accounting principles generally accepted in the United States of America as applicable to governments. Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

**B. 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial 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 to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**C. Basis of Presentation – Government-Wide Financial Statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 1: Summary of Significant Accounting Policies (continued)**

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The City reports the following major governmental fund:

*General Fund* – The General Fund is the City’s primary operating fund. It accounts for all financial resources, except those accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund accounts for the transactions relating to most City operations including police, fire, court, sanitation, and streets.

*Debt Service Fund* – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt of governmental funds.

The City reports the following major enterprise fund:

*Water and Sewer Fund* – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collections activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. Most costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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.

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

In the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Note 1: Summary of Significant Accounting Policies (continued)**

**E. Measurement Focus and Basis of Accounting (continued)**

2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund balance is classified as net position.

In the fund financial statements, the “current financial resources: measurement focus”, as applied to the modified cash basis of accounting is used.

The City of Bells prepares its financial statements on the modified cash basis. The modified cash basis recognizes revenue when collected rather than when it is earned, and expenses are generally recognized when paid rather than when the obligation is incurred. Therefore, the financial statements do not reflect receivables, payables, and accrued items, and no disclosures will be made for fair value measurements. However, payroll liabilities or other amounts that the City collects and distributes to third parties are shown as accruals. Depreciation of fixed assets is presented in the government-wide statements and the proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**F. Budgetary Information**

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting. Any capital projects funds are appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the council. The level of budgetary control is the department level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2021, the City’s expenditures exceeded appropriation at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Municipal Court	\$ 28,451
Parks and Recreation	969
Capital Outlays	151,756
Operating Transfers Out	227,595

The over-expenditures were funded by available fund balance.

**G. Assets, Liabilities, and Net Position/Fund Balance**

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand deposits, bank overdrafts, and short-term investments with original maturity of three months or less from the date of acquisition. Bank overdrafts are included in liabilities on the balance sheet.



City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 1: Summary of Significant Accounting Policies (continued)**

**G. Assets, Liabilities, and Net Position/Fund Balance (continued)**

*Investments*

The City's investment policy states that City investments will be with any of the following institutions or 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.

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

*Use of Estimates*

Management uses estimates and assumptions in preparing the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates used in preparation of the financial statements include the assumptions in recording depreciation.

*Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns 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 is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance 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 acquired 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 over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

*Net Position*

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 1: Summary of Significant Accounting Policies (continued)**

**G. Assets, Liabilities, and Net Position/Fund Balance (continued)**

*Net Position (continued)*

Net position represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets with unspent proceeds added back. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

*Fund Balances*

The City implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

*Non-spendable* – 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.

*Restricted* – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

*Assigned* – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City’s policy, only the City Council may assign amounts for specific purposes.

*Unassigned* – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, 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.

**H. 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 Financial Statements (continued)  
Year Ended September 30, 2021

**Note 1: Summary of Significant Accounting Policies (continued)**

**H. Revenues and Expenditures/Expenses (continued)**

*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. 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 \$453,285 a total of 97.66% of the tax levy was collected. Property ad valorem tax rates per \$100 valuation for the year 2021 levy was 0.546400 for maintenance and operations and 0.051891 for the interest and sinking fund.

*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 recognizes 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.

**Note 2: Cash and Cash Equivalents**

*Custodial Credit Risk Deposits*

Custodial credit risk for deposits is the risk that in the event of a 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 the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Allowable collateral includes certificates of indebtedness or Treasury Notes of the United States, obligations insured by the United States, or a bond of the State of Texas (or other political subdivision of Texas) with a nationally determined investment rating of "A" or above. Collateral agreements must be approved prior to deposit of funds as provided by law.

As of September 30, 2021, the City's carrying amount of deposits was \$796,271 and the bank's balances were \$871,318. The City was not exposed to custodial credit risk since all deposits were either insured by FDIC coverage or collateralized with securities held by pledging financial institution's trust department or agent in the name of the City. The City's Certificates of Deposit totaling \$176,482 are considered deposits for this footnote, but are classified as Investments – Certificates of Deposit on the face of the financial statements.

*Discretely Presented Component Units*

As of September 30, 2021, the Bells 4A Economic Development Corporation and Bells 4B Economic Development Corporation carrying amount of deposits were \$346,404 and \$197,638, respectively. Both Corporation deposit totals were fully insured by FDIC coverage. Therefore, neither corporation was exposed to custodial credit risk as of September 30, 2021. The Bells 4A Economic Corporation's Certificate of Deposit totaling \$144,851 is considered a deposit for this footnote, but is classified as Investments – Certificates of Deposit on the face of the financial statements.



City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 3: Capital Assets**

A summary of changes in fixed assets for the year ended September 30, 2021, follows:

	Balance October 1, 2020	Additions and Reclasses	Retirements	Balance September 30, 2021
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 161,289	\$ -	\$ -	\$ 161,289
Construction in Progress	-	29,401	-	29,401
Total Capital Assets, Not Being Depreciated	161,289	29,401	-	190,690
Capital Assets, Being Depreciated:				
Buildings, Parks, and Improvements	533,246	78,827	-	612,073
Furniture, Equipment, and Vehicles	883,244	45,023	-	928,267
Streets and Other Infrastructure	374,007	64,605	-	438,612
Total Capital Assets, Being Depreciated	1,790,497	188,455	-	1,978,952
Less Accumulated Depreciation for:				
Buildings, Parks, and Improvements	184,038	20,168	-	204,206
Furniture, Equipment, and Vehicles	708,570	69,952	-	778,522
Streets and Other Infrastructure	69,653	8,901	-	78,554
Total Accumulated Depreciation	962,261	99,021	-	1,061,282
Capital Assets, Being Depreciated, Net	828,236	89,434	-	917,670
Governmental Activities Capital Assets, Net	\$ 989,525	\$ 118,835	\$ -	\$ 1,108,360
	Balance October 1, 2020	Additions and Reclasses	Retirements	Balance September 30, 2021
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 27,924	\$ -	\$ -	\$ 27,924
Construction in Progress	37,219	182,425	(117,219)	102,425
Total Capital Assets, Not Being Depreciated	65,143	182,425	(117,219)	130,349
Capital Assets, Being Depreciated:				
Furniture, Equipment, and Vehicles	488,471	7,000	(48,977)	446,494
Water and Sewer System	4,585,077	182,413	-	4,767,490
Total Capital Assets, Being Depreciated	5,073,548	189,413	(48,977)	5,213,984
Less Accumulated Depreciation for:				
Furniture, Equipment, and Vehicles	385,875	37,819	(48,977)	374,717
Water and Sewer System	1,791,189	89,751	-	1,880,940
Total Accumulated Depreciation	2,177,064	127,570	(48,977)	2,255,657
Capital Assets, Being Depreciated, Net	2,896,484	61,843	-	2,958,327
Business-Type Activities Capital Assets, Net	\$ 2,961,627	\$ 244,268	\$ (117,219)	\$ 3,088,676

City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 3: Capital Assets (continued)**

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

<b>Governmental Activities:</b>	
General Government	\$ 18,676
Police	34,105
Fire Protection	37,035
Cemetery	483
Parks and Recreation	8,722
Total	\$ 99,021
<b>Business-Type Activities:</b>	
Water and Sewer	\$ 127,570

**Note 4: Changes in Long-Term Debt**

A summary of the City's long-term debt transactions for the year ended September 30, 2021, follows:

Governmental Activities:

Description	Interest Rate Payable	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Note Payable - Pumper Truck	3.6%	\$ 26,814	\$ -	\$ (19,223)	\$ 7,591	\$ 7,591
Note Payable - Police Trucks	3.6%	12,731	-	(12,731)	-	-
Note Payable - Fire Dept	4.47%	24,489	-	(5,496)	18,993	6,411
Note Payable - Police Units	4.197%	35,807	-	(17,657)	18,150	18,150
Note Payable - Infrastructure Repairs	2.6%	83,500	-	(22,000)	61,500	-
<b>Total Notes Payable</b>		\$ 183,341	\$ -	\$ (77,107)	\$ 106,234	\$ 32,152

Proprietary Activities:

Description	Interest Rate Payable	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
GTUA Certificates of Obligation	2.79%	\$ 490,000	\$ -	\$ (40,000)	\$ 450,000	\$ 40,000
TIB Certificates of Obligation	4.48%	30,000	-	(30,000)	-	-
Note Payable - Ford F350	4.47%	32,810	-	(8,345)	24,465	8,073
<b>Total Long-Term Debt</b>		\$ 552,810	\$ -	\$ (78,345)	\$ 474,465	\$ 48,073

City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 5: Long-Term Debt – Governmental Activities**

Governmental-Type Activities Debt

\$30,840, note payable to Cendera Bank; issued April 2019, payable in annual installments of \$7,019. The note matures in March 2024, and bears an interest rate of 4.47%. The note is secured by a truck used in the fire department.	\$	18,993
\$60,000 note payable to North Dallas Bank and Trust; issued in November 2016, payable in monthly installments of \$809. The note matures in October 2023 and bears an interest rate of 3.57%. The note is secured by a pumper truck used in the fire department.		7,591
\$61,020 note payable to North Dallas Bank and Trust; issued in November 2016, payable in monthly installments of \$1,112. The note matures in October 2021 and bears an interest rate of 3.57%. The note is secured by a truck used in the police department. This note was paid off in 2021.		-
\$69,303 note payable to Citizen’s 1 <sup>st</sup> Bank; issued in April 2018, payable in annual installments of \$19,170. The note matures in April 2022 and bears an interest rate of 4.197%. The note is secured by ad valorem tax.		18,150
\$156,000 note payable to Southside Bank; issued in October 2017, payable in annual installments of \$21,000 to \$24,000, with semi-annual interest payments. The note matures in October 2024 and bears an interest rate of 2.6%. The note is secured by ad valorem tax.		61,500
Total Governmental Activities	<u>\$</u>	<u>106,234</u>

**Note 6: Long-Term Debt – Business-Type Activities**

*Contractual Obligations with Greater Texoma Utility Authority*

Under the terms of long-term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City’s water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA bonds.

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds. Under terms of the contracts the City’s obligation to make payments to GTUA, as well as GTUA’s ownership interest in the facilities terminates, 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.



City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 6: Long-Term Debt – Business-Type Activities (continued)**

Business-Type Activities

\$40,428 note payable to Cendera Bank, issued November 2018, due in annual installments of \$9,202 through November 2023, with interest at 4.473%. The note was secured by a truck used in the water department. \$ 24,465

\$915,000, Series 2005, Greater Texoma Utility Authority (GTUA) Certificates of Obligation, has principal payments due every April 1<sup>st</sup> in amounts ranging from \$25,000 to \$60,000 through 2030. Interest is paid every April 1<sup>st</sup> and October 1<sup>st</sup>. Interest rates are variable and are determined every April 1<sup>st</sup>. The latest available reset of interest is 2.79% as determined on April 1, 2017. 450,000

\$300,000, Series 2005, Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$10,000 to \$30,000 through 2021, with interest at 4.48%. These certificates of obligation were paid off in 2021. -

Total Business-Type Activities \$ 474,465

The annual requirements at September 30, 2021, to retire debt obligations are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 32,152	\$ 1,912	\$ 48,073	\$ 11,705	\$ 93,842
2023	29,439	2,102	53,434	10,402	95,377
2024	29,552	1,216	52,958	9,767	93,493
2025	15,091	472	50,000	7,520	73,083
2026	-	-	50,000	6,344	56,344
2027-2030	-	-	220,000	13,277	233,277
	<u>\$ 106,234</u>	<u>\$ 5,702</u>	<u>\$ 474,465</u>	<u>\$ 59,015</u>	<u>\$ 645,416</u>

City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 7: Interfund Receivables, Payables, and Transfers**

Interfund balances at September 30, 2021 are as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Water and Sewer	\$96,167	For services earned/paid on behalf of other fund.

The composition of interfund transfers for the year ended September 30, 2021 are as follows:

	Transfer In		
	Water and Sewer	Debt Service	Total
Transfer Out:			
General	\$ 143,595	\$ 39,385	\$ 182,980
Water and Sewer	-	1,002	1,002
Total	\$ 143,595	\$ 40,387	\$ 183,982

The transfers to the Debt Service Fund were to assist in current year debt payments. The transfers to the Water and Sewer Fund were for regular operations of the City.

**Note 8: Stewardship, Compliance, and Accountability**

*Budget and Budgetary Accounting*

The City Council adopts an annual budget for the General Fund, the Debt Service Fund, and the Water and Sewer Fund. The annual budget for these funds are prepared on a modified cash basis. Note 1.F.2., on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended September 30, 2021. It also explains the provision that was used to remedy the violation.

*Deficit Fund Balance*

At September 30, 2021, the Debt Service Fund had a deficit fund balance of \$3,900. The deficit is due to an additional principal payment that was made on a Note Payable near year-end, and will be eliminated as resources are obtained in the next fiscal year.

**Note 9: Other Information**

*Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City purchases insurance coverage through the Texas Municipal League (TML) Intergovernmental Risk Pool to limit the risk of loss in these areas. There were no reductions in coverage in the past fiscal year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

*Contingent Liabilities*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor is indeterminable. The City expects disallowed amounts, if any, to be insignificant.



City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 9: Other Information (continued)**

Restricted Assets

Restricted Fund Balances of \$17,636 and \$4,509 for the General Fund represent cash restricted by the State of Texas for court security and technology expenditures and police seizures, respectively.

General Fund balances related to certain bank cash and certificate of deposit accounts totaling \$121,450 are restricted for on-going cemetery maintenance and improvements.

Commitments

The City has active construction contracts related to improvements of the City's water and sewer system and streets as of September 30, 2021. At year end, the City's commitment with the contractors is as follows:

Project Name	Contract Amount	Amount Spent as of September 30, 2021	Remaining Commitment
Water Improvement Project	\$ 150,000	\$ 50,669	\$ 99,331
Wastewater Improvement Project	489,000	32,614	456,386
Rockhill Infrastructure Project	15,000	13,890	1,110
TxCDBG – Street Grant	55,000	-	55,000
Total	<u>\$ 709,000</u>	<u>\$ 97,173</u>	<u>\$ 611,827</u>

**Note 10: Pension Plan**

Plan Description

The City of Bells participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 10: Pension Plan (continued)**

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

	<u>Plan Year 2021</u>
Employee deposit rate	7%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5 years of service
Service retirement eligibility	Minimum age 60 with 5 years of service Any age with 20 years of service
Updated service credits	0%
Annuity increase (to retirees)	0% of CPI

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	5
Inactive Employees Entitled to but not yet Receiving Benefits	18
Active Employees	10
	33

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.60% and 2.99% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$14,798 and were equal to the required contributions.

The funded status as of December 31, 2020, the most recent actuarial date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2020	\$ 456,649	\$ 365,659	124.9%	\$(90,990)	\$422,708	(21.5) %

City of Bells, Texas  
Notes to Financial Statements (continued)  
Year Ended September 30, 2021

**Note 10: Pension Plan (continued)**

*Supplemental Death Benefits Fund*

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

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

The City of Bells offers supplemental death to:	<u>Plan Year 2020</u>	<u>Plan Year 2021</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

*Contributions*

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure 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 employee's entire careers. The City's contributions to the TMRS SDBF for the years ended 2021, 2020, and 2019 were \$743, \$486, and \$280, respectively, which equaled the required contributions each year.

**Note 11: Subsequent Events**

The City has evaluated subsequent events through March 10, 2022, which is the date the financial statements were available to be issued.

On November 9, 2021, the Council approved the purchase of a new police vehicle and a lease to purchase machinery and equipment.

On December 14, 2021, the Council approved a request from Bells 4A Economic Development Corporation, a component unit of the City, to expend up to \$15,000 for digital signage.

On February 8, 2022, the Council approved the purchase of a tilt trailer for the Utilities Department.

On March 1, 2022, the Board of Bells 4B Economic Development Corporation, a component unit of the City, approved payment of up to \$7,500 for digital signage.



**OTHER INFORMATION**

City of Bells, Texas  
 General Fund Budgetary Comparison Schedule – Modified Cash Basis  
 For the Year Ended September 30, 2021

	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 400,114	\$ 429,404	\$ 29,290
General Sales and Use	160,000	138,605	(21,395)
Franchise	55,200	50,730	(4,470)
Municipal Court	76,157	108,333	32,176
Sanitation	185,000	188,959	3,959
Intergovernmental	1,000	153,351	152,351
County Fire Fees	16,875	16,876	1
Other Revenue	23,922	21,303	(2,619)
Licenses and Permits	13,185	13,592	407
Interest Revenue	4,340	5,524	1,184
Total Revenues	<u>935,793</u>	<u>1,126,677</u>	<u>190,884</u>
<b>EXPENDITURES</b>			
Current:			
General Government	422,030	367,353	54,677
Police	307,906	300,971	6,935
Municipal Court	16,450	44,901	(28,451) *
Fire Protection	46,200	35,768	10,432
Sanitation	155,600	155,307	293
Parks and Recreation	8,660	9,629	(969) *
Cemetery	14,762	12,758	2,004
Capital Outlays	8,800	160,556	(151,756) *
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>980,408</u>	<u>1,087,243</u>	<u>(106,835)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(44,615)</u>	<u>39,434</u>	<u>84,049</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) from Other Funds	44,615	(182,980)	(227,595) *
Capital Contributions	-	25,000	25,000
Insurance Recoveries	-	69,759	69,759
Total Other Financing Sources (Uses)	<u>44,615</u>	<u>(88,221)</u>	<u>(132,836)</u>
Net Change in Fund Balance	-	(48,787)	(48,787)
Fund Balance - Beginning	<u>661,384</u>	<u>661,384</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 661,384</u>	<u>\$ 612,597</u>	<u>\$ (48,787)</u>

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