



City of Heath

Comprehensive Annual Financial Report
For the year ended September 30, 2012

Prepared by the Finance Department

City of Heath, Texas

TABLE OF CONTENTS

September 30, 2012

INTRODUCTORY SECTION

| | |
|--|---|
| Letter of Transmittal | 1 |
| Certificate of Achievement for Excellence in Financial Reporting | 5 |
| Organization Chart | 6 |
| List of Principal Officials | 7 |

FINANCIAL SECTION

| | |
|--------------------------------------|----|
| Independent Auditor's Report | 11 |
| Management's Discussion and Analysis | 13 |

Basic Financial Statements

Government-Wide Financial Statements

| | |
|-------------------------|----|
| Statement of Net Assets | 29 |
| Statement of Activities | 30 |

Fund Financial Statements

Governmental Funds:

| | |
|--|----|
| Balance Sheet | 32 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets- Governmental funds | 35 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds | 36 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 39 |

Proprietary Funds:

| | |
|---|----|
| Statement of Net Assets | 40 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 41 |
| Statement of Cash Flows | 42 |

Fiduciary Funds:

| | |
|-----------------------------------|----|
| Statement of Fiduciary Net Assets | 44 |
|-----------------------------------|----|

| | |
|--------------------------------------|-----------|
| Notes to Financial Statements | 45 |
|--------------------------------------|-----------|

City of Heath, Texas

TABLE OF CONTENTS

September 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund | 76 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 78 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 79 |
| Schedule of Funding Progress-Texas Municipal Retirement System | 81 |

OTHER SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: | |
| Debt Service Fund | 84 |
| Heath Economic Development Corporation | 85 |
| Heath Municipal Benefits Corporation | 86 |
| Statement of Changes in Assets and Liabilities – Streets Escrow Fund | 87 |

STATISTICAL SECTION

| | |
|---|-----|
| Net Assets by Component | 90 |
| Changes in Net Assets | 92 |
| Fund Balances, Government Funds | 96 |
| Changes in Fund Balance, Governmental Funds | 98 |
| Assessed Value and Estimated Actual Value of Taxable Property | 101 |
| Property Tax Rates – Direct and Overlapping Governments | 102 |
| Principal Property Taxpayers | 105 |
| Property Tax Levies and Collections | 106 |
| Ratios of Outstanding Debt by Type | 108 |
| Ratio of General Bonded Debt Outstanding | 110 |
| Direct and Overlapping Governmental Activities Debt | 112 |
| Demographic and Economic Statistics | 113 |
| Principal Employers | 114 |
| Full-Time Equivalent City Employees by Function/Program | 115 |
| Operating Indicators by Function/Program | 116 |
| Capital Asset Statistics by Function/Program | 118 |

INTRODUCTORY SECTION



March 6, 2013

The Honorable Mayor and Members of the City Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Heath, Texas for the year ended September 30, 2012. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

THE REPORT

The Texas Local Government Code (103.001) requires annual audits of municipalities. This requirement has been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

Brooks Cardiel and Company, PLLC. has issued an unqualified opinion on the City of Heath's financial statements for the year ended September 30, 2012. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Heath is located in southwestern Rockwall County and northern Kaufman County along the eastern shore of Lake Ray Hubbard. Heath is conveniently positioned just minutes from Interstate Highway 30 to the north and U. S. Highway 80 to the south providing easy access from the Dallas/Fort Worth Metroplex. The City is primarily residential but has seen growth in its commercial development over the past few years. The Comprehensive Master Plan was updated during 2008 and, within the guidelines set forth in the Comprehensive Master Plan, the City and the Economic Development Corporation are actively pursuing alternatives to realize growth in its commercial tax base.

The City of Heath was incorporated in 1959 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other at-large members. The term of office is two years, with the terms of the Mayor and two of the Council members expiring in even numbered

years and the terms of the other four Council members expiring in odd-numbered years. The City Manager is the chief administrative and executive officer of the City.

The City provides a full range of services including police and fire protection, construction and maintenance of streets and municipal buildings, parks and recreation, planning and zoning, economic development, and general administrative services. In addition to general governmental activities, the City provides water, sewer, and sanitation services. Sewage treatment is provided by the North Texas Municipal Water District (NTMWD) and Progressive Waste provides sanitation collection. NTMWD provides water to the City of Rockwall who, in turn, provides water to the City of Heath.

ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas' January 2013 *Regional Economic Update*, "The Texas economy continues to expand, with employment growing at a 2.6 percent annual rate in November. Texas existing-home sales increased in November, while single-family construction permits and housing starts declined. Texas exports ticked up slightly in October. Manufacturing activity edged up in December, according to the Texas Manufacturing Outlook Survey."

The City's Assessed Value peaked in fiscal year 2010 and experienced slight declines in both fiscal year 2011 and 2012. The 2012 assessed values are down 1.5% from fiscal year 2010. The addition of \$18.5 million in new taxable improvements helped minimize the overall decline in assessed value. New residential building permits issued in fiscal year 2012 increased by 17 over the prior year and marks a five year high. Sales tax revenue was down slightly from the record high set in fiscal year 2010 but exceeded fiscal year 2011 revenue by almost \$7,000. Franchise fees were up \$32,000 marking the second consecutive year of increased revenue.

| Economic Indicators | | | | | |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
| Assessed Value | 1,000,424,437 | 1,071,826,749 | 1,101,524,185 | 1,089,241,489 | 1,084,966,301 |
| Residential Permits | 42 | 23 | 35 | 31 | 48 |
| Sales Tax Revenue | \$365,713 | \$355,098 | \$379,788 | \$369,548 | \$376,400 |
| Franchise Fees | \$412,221 | \$427,411 | \$427,111 | \$466,218 | \$498,209 |

Projections based on future development played a key role during the 2013 budget process. The fiscal year 2013 budget assumed the cost of the City's immediate needs exceeded revenues. Based on anticipated development, revenues are expected to equal or exceed expenditures by fiscal year 2016. Future budgets will utilize excess fund balance through fiscal year 2015 to bridge this gap. Excess Fund Balance is defined as available funds above the target Fund Balance of 25% of budgeted expenditures. The 2013 budget also assumed various user fees would be adjusted to cover the cost of providing the related service. Water and sewer rates were increased, based on a rate study performed by Willis, Graves, and Associates, Inc., to cover the increasing cost of providing these services. Healthy fund balances were maintained in both the General Fund and the Utility Fund.

The City continued to move toward completion on several capital improvement projects during fiscal year 2012. The 1.5 million gallon elevated water storage tank went online in December of 2012 and Phase I of FM 740, the City's primary access road, opened in January 2013. The design phase of the Safe Routes to School project is nearing completion and the City will begin obtaining right of way. Several future

projects were identified including improvements to streets, parks and the trail system as well as upgrades to the water and sewer infrastructure.

FINANCIAL INFORMATION

Financial Planning - Users of this document, as well as others interested in the programs and services offered by the City of Heath, are encouraged to read the City's 2011-2012 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The document can be obtained from the City of Heath finance department by calling (972) 961-4896. The budget can also be accessed through the City's web site at www.heathtx.com. Use the department tab to select *Finance* where *Related Documents* offers a selection of annual operating budgets, as well as, annual financial reports.

Financial Policies – The City's fund balance/operating position concept continues to be an important factor in policy decisions. The policy notes that the City's target unassigned fund balance is 25% of budgeted general fund expenditures. During times of economic uncertainty, the fund balance may exceed the target in anticipation of future revenue shortfalls. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining a high grade, high quality investment rating.

Accounting System and Budgetary Control - In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal accounting controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, enterprise funds, and debt service fund are included in the annual budget. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is established at the divisional level. Examples of a Division include Streets, Engineering, and Parks. These Divisions are part of the Public Works Department. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The Finance Department generates monthly reports that detail expenditures and revenue on a division and line item level. The reports provide monthly expenditures with year-to-date totals along with a comparison to budget giving a budget balance and expended percentage. As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibilities for sound financial management.

Tax Rates – All eligible property within the City is subject to assessment, levy, and collection of an ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of maintenance and operation costs as approved by the City Council.

Under state law, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocations of property tax levy by purpose for fiscal year 2012 is \$.2636 for maintenance and operations and \$.0797 for debt service on each one hundred dollars of assessed value.

OTHER INFORMATION

Independent Audit – The City of Heath’s financial statements have been audited by Brooks Cardiel and Company, PLLC. Their responsibility is to express an opinion on the City’s financial statements. They conducted the audit in accordance with auditing standards generally accepted in the United States. Those standards require that they plan and perform the audit to obtain reasonable assurance that the City’s financial statements are free of material misstatements. The independent auditors issued an unqualified opinion concluding that the statements are presented fairly in accordance with generally accepted accounting principles. The independent auditors’ report is included in the CAFR.

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA’s Distinguished Budget Presentation Award for the third consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments – The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would like to express sincere appreciation to all employees who contributed to its preparation.

We would also like to thank the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



Ed Thatcher
City Manager



Laurie Mays
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The City of Heath Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

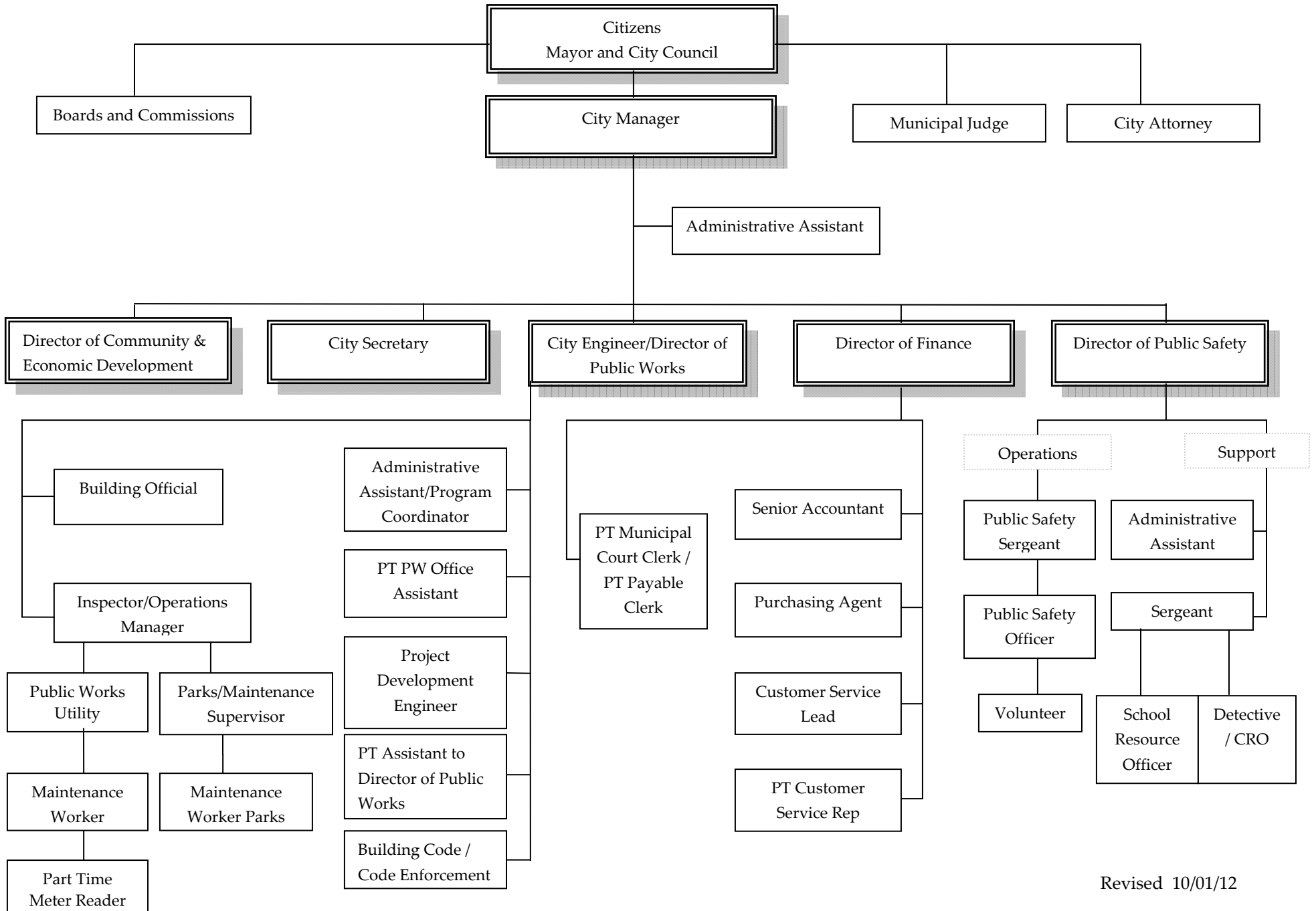


Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director



Revised 10/01/12

City of Heath, Texas

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

CITY COUNCIL

Lorne Liechty, Mayor

Barry Brooks, Mayor Pro Tem

Robert Hille, Council Member, Place 1

Brian Berry, Council Member, Place 5

Justin Holland, Council Member, Place 2

Rich Krause, Council Member, Place 6

Julie Zurek, Council Member, Place 3

CITY STAFF

Ed Thatcher, City Manager

Kim Dobbs, Director of Community and Economic Development

Stephanie Galanides, City Secretary

Laurie Mays, Finance

Pete Eckert, City Attorney

Roy Stacy, Municipal Court Judge

Terry Garrett, Department of Public Safety

Randel Dobbs, Public Works

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brooks Cardiel, PLLC

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
February 25, 2013

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2012

As management of the City of Heath, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City exceeded its liabilities (net assets) at September 30, 2012 by \$43,457,143. Of this amount, \$8,535,596 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$321,954. The majority of the City's net assets are invested in capital assets or restricted for specific purposes. The increase is primarily related to the recognition of grant revenue that was used in the construction of capital assets.
- The City's governmental funds reported combined ending fund balances of \$7,986,102 at September 30, 2012, a decrease of \$91,460 from the prior fiscal year; this includes a decrease of \$395,280 in the capital improvement fund, an increase of \$222,227 in the debt service fund, and a decrease of \$167,473 in the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,308,008 or 56% of total general fund expenditures.
- The City's outstanding bonds payable decreased by \$1,426,588 or 6.1% of the City's total debt outstanding at the beginning of the fiscal year. The total bonds payable at the close of the fiscal year was \$21,153,333 including self-supporting debt of the proprietary fund which was \$11,734,825.

Overview of the Financial Statements

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

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

The *statement of net assets* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include water and sewer and solid waste operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Heath Economic Development Corporation (HEDC) and Health Municipal Benefits Corporation (HMBC) for which the City is financially accountable. These component units, although also legally separate, function for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital improvement fund, which are considered to be major funds. The City's public safety fund, the Heath Economic Development Corporation, and Heath Municipal Benefit Corporation are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund and debt service fund, the Heath EDC, and the Heath MBC. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains two types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and its solid waste operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund. The *Streets Escrow fund* is used to report resources held in escrow prior to determination of usage or refunding to developers.

Component Units

The City maintains the accounting and financial statements for two component units. The Heath Economic Development Corporation and Heath Municipal Benefits Corporation are reported as blended component units and are nonmajor funds.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of the City's financial position. For the City of Heath, assets exceed liabilities by \$43,457,143 as of September 30, 2012, in the primary government.

The largest portion of the City's net assets, \$29,366,022, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

| | 2012 | | | 2011 | | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | Total | Governmental | Business-Type | Total |
| | Activities | Activities | | Activities | Activities | |
| Current and | | | | | | |
| other assets | \$ 8,532,920 | \$ 7,417,787 | \$ 15,950,707 | \$ 8,711,423 | \$ 8,094,047 | \$ 16,805,470 |
| Capital assets, net | 24,842,144 | 26,244,786 | 51,086,930 | 26,347,497 | 24,715,995 | 51,063,492 |
| Total Assets | 33,375,064 | 33,662,573 | 67,037,637 | 35,058,920 | 32,810,042 | 67,868,962 |
| Other liabilities | 233,556 | 947,210 | 1,180,766 | 330,648 | 546,136 | 876,784 |
| Long-term liabilities | 10,447,165 | 11,952,563 | 22,399,728 | 11,171,788 | 12,685,201 | 23,856,989 |
| Total Liabilities | 10,680,721 | 12,899,773 | 23,580,494 | 11,502,436 | 13,231,337 | 24,733,773 |
| Net Assets: | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | 14,959,471 | 14,406,551 | 29,366,022 | 17,130,797 | 15,719,404 | 32,850,201 |
| Restricted | 5,555,525 | - | 5,555,525 | 3,416,119 | - | 3,416,119 |
| Unrestricted | 2,179,347 | 6,356,249 | 8,535,596 | 3,009,568 | 3,859,301 | 6,868,869 |
| Total Net Assets | \$ 22,694,343 | \$ 20,762,800 | \$ 43,457,143 | \$ 23,556,484 | \$ 19,578,705 | \$ 43,135,189 |

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Statement of Activities:

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

| | For the Year Ended September 30, 2012 | | | For the Year Ended September 30, 2011 | | |
|-----------------------------|---------------------------------------|-----------------------------|-----------------------|---------------------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| | | | Primary Government | | | Primary Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 403,450 | \$ 5,804,984 | \$ 6,208,434 | \$ 535,127 | \$ 6,216,069 | \$ 6,751,196 |
| Grants and contributions | 223,971 | 503,138 | 727,109 | 295,002 | - | 295,002 |
| General revenues: | | | | | | |
| Property taxes | 3,764,144 | - | 3,764,144 | 3,762,727 | - | 3,762,727 |
| Sales taxes | 752,800 | - | 752,800 | 739,093 | - | 739,093 |
| Franchise and local taxes | 501,307 | - | 501,307 | 483,349 | - | 483,349 |
| Investment income | 11,577 | 7,677 | 19,254 | 37,129 | 33,578 | 70,707 |
| Other revenues | 145,622 | - | 145,622 | 68,337 | 9,166 | 77,503 |
| Total Revenues | 5,802,871 | 6,315,799 | 12,118,670 | 5,920,764 | 6,258,813 | 12,179,577 |
| Expenses | | | | | | |
| General government | 972,109 | - | 972,109 | 972,529 | - | 972,529 |
| Public safety | 2,561,106 | - | 2,561,106 | 2,892,734 | - | 2,892,734 |
| Public works | 2,400,169 | - | 2,400,169 | 1,603,281 | - | 1,603,281 |
| Culture and recreation | 244,264 | - | 244,264 | 243,985 | - | 243,985 |
| Economic development | 74,363 | - | 74,363 | 6,620 | - | 6,620 |
| Economic opportunity | 9,876 | - | 9,876 | 3,809 | - | 3,809 |
| Interest and fiscal charges | 443,125 | 959,627 | 1,402,752 | 518,723 | 853,225 | 1,371,948 |
| Water, sewer, & solid waste | - | 4,132,077 | 4,132,077 | - | 4,091,531 | 4,091,531 |
| Total Expenses | 6,705,012 | 5,091,704 | 11,796,716 | 6,241,681 | 4,944,756 | 11,186,437 |
| Change in Net Assets | | | | | | |
| Before Transfers | (902,141) | 1,224,095 | 321,954 | (320,917) | 1,314,057 | 993,140 |
| Special/extraordinary item | - | - | - | 1,601,389 | (1,706,810) | (105,421) |
| Transfers | 40,000 | (40,000) | - | (1,659,610) | 1,659,610 | - |
| Total | 40,000 | (40,000) | - | (58,221) | (47,200) | (105,421) |
| Change in Net Assets | (862,141) | 1,184,095 | 321,954 | (379,138) | 1,266,857 | 887,719 |
| Beginning Net Assets | 23,556,484 | 19,578,705 | 43,135,189 | 23,935,622 | 18,311,848 | 42,247,470 |
| Ending Net Assets | \$ 22,694,343 | \$ 20,762,800 | \$ 43,457,143 | \$ 23,556,484 | \$ 19,578,705 | \$ 43,135,189 |

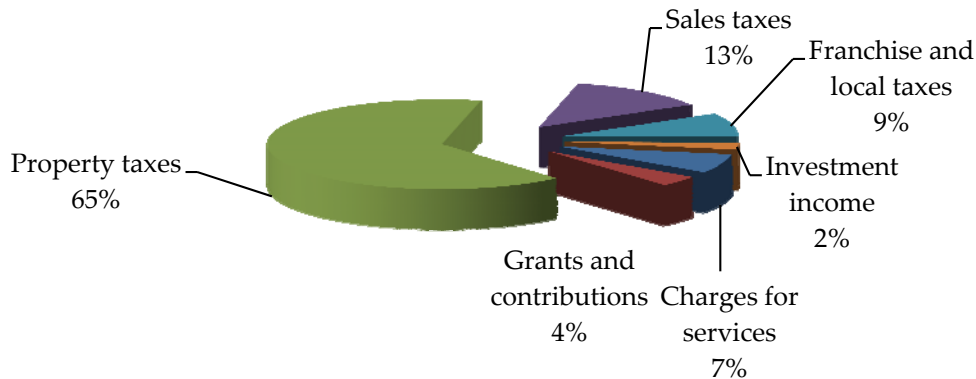
City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

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

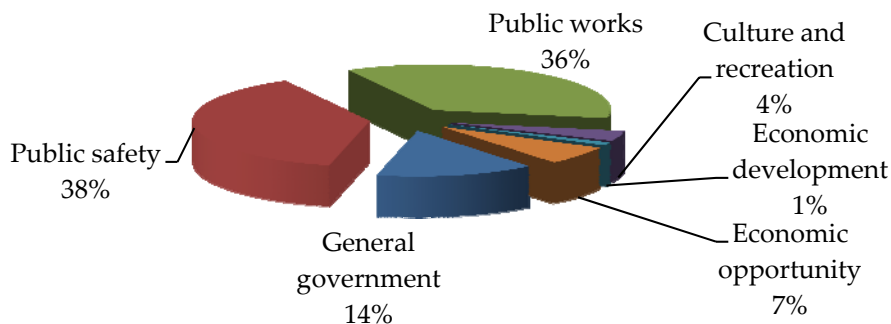
Governmental Activities - Revenues



For the year ended September 30, 2012, revenues from governmental activities totaled \$5,802,871. Property tax, franchise tax and sales tax are the City's largest general revenue sources. Sales tax increased \$13,707 or 2% due to inflation. Grants and contributions decreased by \$71,031 due to non-recurring grants received in the prior year. Investment income decreased by \$25,552 or 31% due to continued low interest rates and a decrease in investments held during the year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2012, expenses for governmental activities totaled \$6,705,012. This represents an increase of \$463,331. This increase stems from increased spending on public works which demonstrated an increase of \$796,888, or 50% compared to last year due to construction projects within the City. The City's largest functional expense is public safety of \$2,561,106. All remaining expenditures categories remained relatively consistent with the previous year.

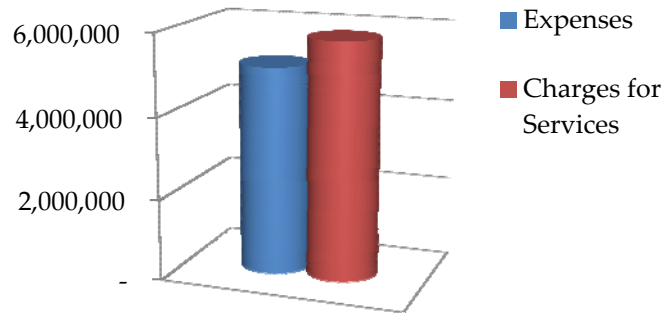
City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2012, charges for services by business-type activities totaled \$5,804,984. This is a decrease of \$411,085, or 7%, from the previous year. This decrease directly relates to the cooler weather that occurred during the year and the reduced need for watering.

Total expenses decreased \$146,948 to a total of \$5,091,704, due primarily to reduced water usage.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2012, the City's governmental funds reported combined fund balances of \$7,986,102, a decrease of \$91,460 in comparison with the prior year. Approximately 29% of this amount (\$2,308,008) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *committed*, *assigned*, or *restricted* to indicate that it is 1) not in spendable form (\$6,720), 2) can be used only for the specific purposes determined by the City Council (\$11,000), 3) limited for specific purposes intended by council or management (\$104,849), or 4) restricted for particular purposes (\$5,555,525).

As of the end of the year the general fund reflected a total fund balance of \$2,325,728. Of this, \$6,720 is considered nonspendable, \$11,000 is committed, and \$2,308,008 is unassigned. This represents a 5%

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

decrease or \$121,531 less than last year's unassigned general fund balance. This decrease in fund balance is attributable to transfers out of the general fund.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of the general fund is 57% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$2,308,008 is 56% of total general fund expenditures.

The debt service fund had an ending fund balance of \$885,855 at September 30, 2012 compared to the previous year's balance of \$663,628.

The capital improvements fund had a net decrease in fund balance of \$395,280 due to the continued funding of ongoing projects. During the year, the City expended \$500,852 on improving the City's infrastructure in cooperation with the Texas Department of Transportation.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets in the water and sewer fund totaled \$20,644,347. Unrestricted net assets of the enterprise fund at the close of the fiscal year amounted to \$6,237,796, an increase of \$2,496,948 or 39% over the previous year. The capital assets of the water and sewer fund totaled \$34,395,795 at original cost, and after depreciation, the value is \$26,244,786. The City operates and maintains a water and sewer distribution system with force mains and lift stations. Other factors concerning the finances of the water and sewer enterprise fund have already been addressed in the discussion of the City's business-type activities; however, the following are additional comments regarding operations of the enterprise fund:

Increases to capital assets were \$2,470,675, the majority of which is classified as construction in progress at September 30, 2012. Operational expenses excluding depreciation and amortization were \$2,735,039. Cash and cash equivalents in the water and sewer fund were \$6,062,223 at fiscal year end.

The City's nonmajor solid waste fund recorded an increase of \$6,396 in net assets. This fund does not hold any capital assets and consists of contracting solid waste pick up and disposal; as well as collecting payment for this service from the City's residents.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

There were two budget amendments approved during the fiscal year, with a net increase of \$0 in total expenditures. There was a positive variance of \$193,490 over budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$273,034 in budgeted appropriations .
- \$287,949 is the surplus of revenues over expenditures before transfers.
- There was a net decrease in fund balance of \$167,473 due to the large amounts of transfers out.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$24,842,144 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$26,244,786 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. The City's total investment in capital assets increased by \$23,438 a negligible change to prior year, net of depreciation.

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

- Continuation of the construction of a water tower for the City's water and sewer system
- The acquisition of a generator
- The purchase of a Chevrolet Tahoe for the police department

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

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonded debt obligations of \$21,153,333. Of this amount, \$11,734,825 is self-supporting through revenues collected from the rates of the City's water and sewer fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/water and sewer system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a tax rate for the fiscal year 2013 budget which was unchanged from the fiscal year 2012 rate of \$.3433 per \$100 of assessed value. For the second consecutive year assessed values decreased slightly: resulting in an \$8,000 decrease in ad valorem taxes. Increased revenue generated from building permits and development inspection fees contributed to the slight increase in total General Fund revenue. The fiscal year 2013 budget included funding for two new positions and raises for employees. Also included was funding for vehicle and equipment replacement.

Several capital improvement projects for the water and sewer utility systems are scheduled to begin in fiscal year 2013. Upgrading and adding to existing infrastructure will improve the systems' efficiency and increase its capacity. The budget also includes increased expenses for wholesale water costs and wastewater treatment services due to rate increases from North Texas Municipal Water District.

Future operational and capital budgets and rate planning will be of utmost importance as the City continues to grow. The City will continue to work toward diversifying its revenue base with emphasis on increasing commercial development within the guidelines of the Comprehensive Master Plan. Commercial retailers and businesses have shown increased interest in the City of Heath according to the City's economic development leaders.

The City continues to maintain fund balances equal to or greater than 25% of budgeted expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department at 200 Laurence Drive, Heath Texas 75032 or call (972) 961-4896.

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FINANCIAL STATEMENTS

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City of Heath, Texas

STATEMENT OF NET ASSETS

September 30, 2012

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 7,845,185 | \$ 5,893,619 | \$ 13,738,804 |
| Restricted cash | - | 275,574 | 275,574 |
| Receivables, net | 546,965 | 1,115,178 | 1,662,143 |
| Inventory | - | 14,177 | 14,177 |
| Prepays | 6,720 | - | 6,720 |
| Total Current Assets | 8,398,870 | 7,298,548 | 15,697,418 |
| Deferred charges | 134,050 | 119,239 | 253,289 |
| Capital assets: | | | |
| Non-depreciable | 3,154,504 | 3,697,037 | 6,851,541 |
| Net depreciable capital assets | 21,687,640 | 22,547,749 | 44,235,389 |
| | 24,976,194 | 26,364,025 | 51,340,219 |
| Total Assets | 33,375,064 | 33,662,573 | 67,037,637 |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 171,920 | 785,644 | 957,564 |
| Accrued interest payable | 61,636 | 60,241 | 121,877 |
| Customer deposits | - | 101,325 | 101,325 |
| | 233,556 | 947,210 | 1,180,766 |
| Noncurrent liabilities: | | | |
| Due within one year | 948,739 | 798,109 | 1,746,848 |
| Due in more than one year | 9,498,426 | 11,154,454 | 20,652,880 |
| | 10,447,165 | 11,952,563 | 22,399,728 |
| Total Liabilities | 10,680,721 | 12,899,773 | 23,580,494 |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 14,959,471 | 14,406,551 | 29,366,022 |
| Restricted | 5,555,525 | - | 5,555,525 |
| Unrestricted | 2,179,347 | 6,356,249 | 8,535,596 |
| Total Net Assets | \$ 22,694,343 | \$ 20,762,800 | \$ 43,457,143 |

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 972,109 | \$ 35,030 | \$ 28,575 | \$ - |
| Public safety | 2,561,106 | 339,991 | 195,396 | - |
| Public works | 2,400,169 | 20,572 | - | - |
| Culture and recreation | 244,264 | 7,857 | - | - |
| Economic development | 74,363 | - | - | - |
| Economic opportunity | 9,876 | - | - | - |
| Interest and fiscal charges | 443,125 | - | - | - |
| Total Governmental Activities | 6,705,012 | 403,450 | 223,971 | - |
| Business-Type Activities | | | | |
| Water & sewer | 4,636,550 | 5,263,550 | - | 503,138 |
| Solid waste | 455,154 | 541,434 | - | - |
| Total Business-Type Activities | 5,091,704 | 5,804,984 | - | 503,138 |
| Total Primary Government | \$ 11,796,716 | \$ 6,208,434 | \$ 223,971 | \$ 503,138 |

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
 - Alcoholic beverage taxes
- Investment income
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-------------------------------------|----------------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| \$ (908,504) | \$ - | \$ (908,504) |
| (2,025,719) | - | (2,025,719) |
| (2,379,597) | - | (2,379,597) |
| (236,407) | - | (236,407) |
| (74,363) | - | (74,363) |
| (9,876) | - | (9,876) |
| (443,125) | - | (443,125) |
| <u>(6,077,591)</u> | <u>-</u> | <u>(6,077,591)</u> |
| - | 1,130,138 | 1,130,138 |
| - | 86,280 | 86,280 |
| - | 1,216,418 | 1,216,418 |
| <u>(6,077,591)</u> | <u>1,216,418</u> | <u>(4,861,173)</u> |
| 3,764,144 | - | 3,764,144 |
| 752,800 | - | 752,800 |
| 498,209 | - | 498,209 |
| 3,098 | - | 3,098 |
| 11,577 | 7,677 | 19,254 |
| 145,622 | - | 145,622 |
| 40,000 | (40,000) | - |
| <u>5,215,450</u> | <u>(32,323)</u> | <u>5,183,127</u> |
| (862,141) | 1,184,095 | 321,954 |
| 23,556,484 | 19,578,705 | 43,135,189 |
| <u>\$ 22,694,343</u> | <u>\$ 20,762,800</u> | <u>\$ 43,457,143</u> |

City of Heath, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2012

| | General | Debt Service | Capital Improvements | Other Governmental Funds |
|---|---------------------|---------------------|-------------------------|--------------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 2,289,403 | \$ 885,855 | \$ 2,344,640 | \$ 2,325,287 |
| Receivables, net | 299,451 | 141,640 | 30,368 | 75,506 |
| Prepays | 6,720 | - | - | - |
| Total Assets | \$ 2,595,574 | \$ 1,027,495 | \$ 2,375,008 | \$ 2,400,793 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 170,638 | \$ - | \$ - | \$ 1,282 |
| Deferred revenue | 99,208 | 141,640 | - | - |
| Total Liabilities | 269,846 | 141,640 | - | 1,282 |
| <u>Fund Balances</u> | | | | |
| Nonspendable for: | | | | |
| Prepays | 6,720 | - | - | - |
| Committed | 11,000 | - | - | - |
| Restricted | - | 885,855 | 2,375,008 | 2,294,662 |
| Assigned | - | - | - | 104,849 |
| Unassigned reported in: | | | | |
| General fund | 2,308,008 | - | - | - |
| Total Fund Balances | 2,325,728 | 885,855 | 2,375,008 | 2,399,511 |
| Total Liabilities and Fund Balances | \$ 2,595,574 | \$ 1,027,495 | \$ 2,375,008 | \$ 2,400,793 |

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 7,845,185
546,965
6,720
\$ 8,398,870

\$ 171,920
240,848
412,768

6,720
11,000
5,555,525
104,849
2,308,008
7,986,102
\$ 8,398,870

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City of Heath, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
September 30, 2012

| | |
|---|----------------------|
| Fund Balances - Total Governmental Funds | \$ 7,986,102 |
| Adjustments for the Statement of Net Assets: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | |
| Capital assets - non-depreciable | 3,154,504 |
| Capital assets - net depreciable | 21,687,640 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | |
| Property tax receivable | 109,411 |
| Fines receivable, net | 1,464 |
| Assessments receivable | 119,070 |
| Code enforcement receivable | 10,903 |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | |
| Accrued interest | (61,636) |
| Deferred charges: | |
| On refunding | 74,415 |
| Issuance costs | 134,050 |
| Bond premium | (257,718) |
| Bond discount | 110,080 |
| Non-current liabilities due in one year | (948,739) |
| Non-current liabilities due in more than one year | (9,399,783) |
| Net Assets of Governmental Activities | \$ 22,719,763 |

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

| | General | Debt Service | Capital Improvements | Other Governmental Funds |
|---|---------------------|-------------------|-------------------------|--------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Property tax | \$ 2,875,365 | \$ 867,776 | \$ - | \$ - |
| Sales tax | 376,400 | - | - | 376,400 |
| Franchise tax | 498,209 | - | - | - |
| Alcoholic beverage tax | 3,098 | - | - | - |
| Licenses and permits | 247,002 | - | - | - |
| Intergovernmental | 223,971 | - | - | - |
| Charges for services | 105,415 | - | - | - |
| Fines and forfeitures | 39,016 | - | - | - |
| Special assessments | - | 11,284 | - | - |
| Investment income | 3,334 | 4,737 | - | 3,506 |
| Other revenue | 29,930 | 21 | 92,373 | 18,326 |
| Total Revenues | 4,401,740 | 883,818 | 92,373 | 398,232 |
| Expenditures | | | | |
| Current: | | | | |
| Administration | 940,173 | - | - | - |
| Highways and streets | 307,928 | - | - | - |
| Parks | 133,073 | - | - | - |
| Engineering and building inspection | 399,720 | - | - | - |
| Municipal court | 61,577 | - | - | - |
| Public safety | 2,243,123 | - | - | 4,015 |
| Economic development | - | - | - | 67,345 |
| Economic opportunity | - | - | - | 2,857 |
| Debt Service: | | | | |
| Principal | - | 801,272 | - | 14,000 |
| Interest and fiscal charges | - | 410,319 | - | 21,369 |
| Capital outlay | - | - | 500,852 | - |
| Total Expenditures | 4,085,594 | 1,211,591 | 500,852 | 109,586 |
| Excess of Revenues Over (Under) Expenditures | 316,146 | (327,773) | (408,479) | 288,646 |
| Other Financing Sources (Uses) | | | | |
| Transfers in (out) | (483,619) | 550,000 | 13,199 | (39,580) |
| Total Other Financing Sources (Uses) | (483,619) | 550,000 | 13,199 | (39,580) |
| Net Change in Fund Balances | (167,473) | 222,227 | (395,280) | 249,066 |
| Beginning fund balances | 2,493,201 | 663,628 | 2,770,288 | 2,150,445 |
| Ending Fund Balances | \$ 2,325,728 | \$ 885,855 | \$ 2,375,008 | \$ 2,399,511 |

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 3,743,141
752,800
498,209
3,098
247,002
223,971
105,415
39,016
11,284
11,577
140,650

5,776,163

940,173
307,928
133,073

399,720
61,577
2,247,138
67,345
2,857

815,272
431,688
500,852

5,907,623

(131,460)

40,000

40,000

(91,460)

8,077,562

\$ 7,986,102

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City of Heath, Texas

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

For the Year Ended September 30, 2012

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

| | | |
|---|----|----------|
| Net changes in fund balances - total governmental funds | \$ | (91,460) |
|---|----|----------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|----------------------|--|-------------|
| Capital outlay | | 119,194 |
| Depreciation expense | | (1,624,547) |

| | | |
|--|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 26,707 |
|--|--|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|----------------------|--|----------|
| Compensated absences | | (70,454) |
| Accrued interest | | (3,243) |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|---|--|----------|
| Amortization of bond issuance costs | | (13,414) |
| Amortization of deferred charges on refunding | | (9,665) |
| Amortization of debt premium | | 23,050 |
| Amortization of debt discount | | (8,161) |
| Principal payments | | 815,272 |

| | | |
|--|-----------|------------------|
| Change in Net Assets of Governmental Activities | \$ | (836,721) |
|--|-----------|------------------|

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2012

| | Water & Sewer | Nonmajor Solid Waste | Total Proprietary Funds |
|---|----------------------|----------------------------|-------------------------------|
| <u>Assets</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ 5,786,649 | \$ 106,970 | \$ 5,893,619 |
| Restricted cash | 275,574 | - | 275,574 |
| Receivables, net | 1,025,727 | 89,451 | 1,115,178 |
| Inventory | 14,177 | - | 14,177 |
| Total Current Assets | 7,102,127 | 196,421 | 7,298,548 |
| <u>Noncurrent Assets</u> | | | |
| Deferred charges | 119,239 | - | 119,239 |
| Capital assets: | | | |
| Non-depreciable | 3,697,037 | - | 3,697,037 |
| Net depreciable capital assets | 22,547,749 | - | 22,547,749 |
| Total Noncurrent Assets | 26,364,025 | - | 26,364,025 |
| Total Assets | 33,466,152 | 196,421 | 33,662,573 |
| <u>Liabilities</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts payable and accrued liabilities | 707,676 | 77,968 | 785,644 |
| Accrued interest | 60,241 | - | 60,241 |
| Customer deposits | 101,325 | - | 101,325 |
| Compensated absences - current | 39,365 | - | 39,365 |
| Bonds payable - current | 758,744 | - | 758,744 |
| Total Current Liabilities | 1,667,351 | 77,968 | 1,745,319 |
| <u>Noncurrent Liabilities</u> | | | |
| Compensated absences | 74,963 | - | 74,963 |
| Bonds payable | 11,079,491 | - | 11,079,491 |
| Total Liabilities | 12,821,805 | 77,968 | 12,899,773 |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 14,406,551 | - | 14,406,551 |
| Unrestricted | 6,237,796 | 118,453 | 6,356,249 |
| Total Net Assets | \$ 20,644,347 | \$ 118,453 | \$ 20,762,800 |

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended September 30, 2012

| | Water & Sewer | Nonmajor Solid Waste | Total Proprietary Funds |
|--|------------------|----------------------------|-------------------------------|
| <u>Operating Revenues</u> | | | |
| Water revenue | \$ 2,855,587 | \$ - | \$ 2,855,587 |
| Sewer revenue | 1,663,124 | - | 1,663,124 |
| Sanitation revenue | - | 541,434 | 541,434 |
| Connection and tap charges | 729,689 | - | 729,689 |
| Other revenue | 15,150 | - | 15,150 |
| Total Operating Revenues | 5,263,550 | 541,434 | 5,804,984 |
| <u>Operating Expenses</u> | | | |
| Personnel | 800,368 | - | 800,368 |
| Supplies and services | 237,210 | 455,154 | 692,364 |
| Operating expenses | 224,210 | - | 224,210 |
| Materials and equipment | 91,026 | - | 91,026 |
| Cost of water | 860,198 | - | 860,198 |
| Cost of sewer | 522,027 | - | 522,027 |
| Depreciation | 941,884 | - | 941,884 |
| Total Operating Expenses | 3,676,923 | 455,154 | 4,132,077 |
| Operating Income | 1,586,627 | 86,280 | 1,672,907 |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Intergovernmental | 503,138 | - | 503,138 |
| Investment income | 7,561 | 116 | 7,677 |
| Interest expense | (959,627) | - | (959,627) |
| Total Nonoperating Revenues (Expenses) | (448,928) | 116 | (448,812) |
| Income Before Transfers | 1,137,699 | 86,396 | 1,224,095 |
| Transfers in (out) | 40,000 | (80,000) | (40,000) |
| Change in Net Assets | 1,177,699 | 6,396 | 1,184,095 |
| Beginning net assets | 19,466,648 | 112,057 | 19,578,705 |
| Ending Net Assets | \$ 20,644,347 | \$ 118,453 | \$ 20,762,800 |

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2012

| | <u>Water & Sewer</u> | <u>Nonmajor Solid Waste</u> | <u>Total Proprietary Funds</u> |
|--|------------------------------|-------------------------------------|--|
| <u>Cash Flows from Operating Activities</u> | | | |
| Receipts from customers | \$ 5,811,369 | \$ 544,119 | \$ 6,355,488 |
| Payments to suppliers | (1,554,911) | (421,396) | (1,976,307) |
| Payments to employees | (808,851) | - | (808,851) |
| Net Cash Provided by Operating Activities | <u>3,447,607</u> | <u>122,723</u> | <u>3,570,330</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | |
| Operating transfers in (out) | 40,000 | (80,000) | (40,000) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | <u>40,000</u> | <u>(80,000)</u> | <u>(40,000)</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | |
| Capital purchases | (2,470,675) | - | (2,470,675) |
| Capital grant | 503,138 | - | 503,138 |
| Principal paid on debt | (713,638) | - | (713,638) |
| Interest paid on debt | (967,410) | - | (967,410) |
| Net Cash (Used for) Capital and Related Financing Activities | <u>(3,648,585)</u> | <u>-</u> | <u>(3,648,585)</u> |
| <u>Cash Flows from Investing Activities</u> | | | |
| Interest on investments | 7,561 | 116 | 7,677 |
| Net Cash Provided by Investing Activities | <u>7,561</u> | <u>116</u> | <u>7,677</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (153,417) | 42,839 | (110,578) |
| Beginning cash and cash equivalents | 6,215,640 | 64,131 | 6,279,771 |
| Ending Cash and Cash Equivalents | <u>\$ 6,062,223</u> | <u>\$ 106,970</u> | <u>\$ 6,169,193</u> |

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2012

| | <u>Water & Sewer</u> | <u>Nonmajor Solid Waste</u> | <u>Total Proprietary Funds</u> |
|--|------------------------------|-------------------------------------|--|
| <u>Reconciliation of Operating Income</u> | | | |
| <u>to Net Cash Provided by Operating Activities</u> | | | |
| Operating Income | \$ 1,586,627 | \$ 86,280 | \$ 1,672,907 |
| Adjustments to reconcile operating income to net cash provided: | | | |
| Depreciation | 941,884 | - | 941,884 |
| Changes in Operating Assets and Liabilities: | | | |
| (Increase) Decrease in: | | | |
| Accounts receivable | 547,819 | 2,685 | 550,504 |
| Inventory | 1,937 | - | 1,937 |
| Increase (Decrease) in: | | | |
| Accounts payable and accrued liabilities | 377,523 | 33,758 | 411,281 |
| Compensated absences | (8,483) | - | (8,483) |
| Customer deposits | 300 | - | 300 |
| Net Cash Provided by Operating Activities | \$ 3,447,607 | \$ 122,723 | \$ 3,570,330 |

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
September 30, 2012

| | | <u>Agency Fund</u> <u>Streets</u> <u>Escrow</u> |
|------------------------------|--------------------------|---|
| <u>Assets</u> | | |
| <u>Current Assets</u> | | |
| Cash and cash equivalents | | \$ 113,487 |
| | Total Assets | <u>113,487</u> |
| <u>Liabilities</u> | | |
| Accrued liabilities | | 113,487 |
| | Total Liabilities | <u>\$ 113,487</u> |

See Notes to Financial Statements.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Heath, Texas (the "City") was incorporated in 1959 and is governed by an elected mayor and six city councilmen which comprise the city council. The City provides a full range of municipal services including public safety, highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service, and sanitation service as an enterprise function of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Heath Economic Development Corporation (the "HEDC") and the Heath Municipal Benefits Corporation (the "HMBC"), although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Blended Component Units

Heath Economic Development Corporation

The Heath Economic Development Corporation is governed by a seven member board of directors appointed, at will, by the City Council. Although it is legally separate from the City, it is reported as if it was part of the City (blended) since its sole purpose is to act on behalf of the City. The HEDC collects a half cent sales tax to support its activities. The City is the primary beneficiary of the HEDC's activities. Separate financial statements have not been prepared. However, additional financial information for the HEDC may be obtained at the entity's administrative offices at the following address: Heath Economic Development Corporation, 200 Laurence Drive, Heath, Texas 75032.

Heath Municipal Benefits Corporation

The City of Heath Municipal Benefits Corporation is governed by a seven member board of directors appointed, at will, by the City Council. Although it is legally separate from the City, it is reported as if it was part of the City (blended) since its sole purpose is to act on behalf of the City. The HMBC collects a half cent sales tax to support its activities. The City is the primary beneficiary of the HMBC's activities. Separate financial statements have not been prepared. However, additional financial information for the HMBC may be obtained at the entity's administrative offices at the following address: Heath Municipal Benefit Corporation, 200 Laurence Drive, Heath, Texas 75032.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

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

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

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, highways and streets, engineering and building inspection, parks, and municipal court.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Improvements Fund

The capital improvements fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

The government reports the following major enterprise fund:

Water & Sewer Fund

This 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 production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

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

C. Measurement focus and basis of accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

D. Assets, Liabilities, and Fund Equity or Net Assets

1. Deposits and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

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

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

2. Receivables and Interfund Transactions

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

3. Inventories and Prepaid Items

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

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

| <u>Asset Description</u> | <u>Estimated Useful Life</u> |
|----------------------------|------------------------------|
| Vehicles | 5 to 10 years |
| Machinery and equipment | 3 to 7 years |
| Infrastructure | 5 to 50 years |
| Buildings and improvements | 10-22 years |

5. Fund Balance Flow Assumptions

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

6. Fund Balance Policies

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

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

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

7. Long-Term Obligations

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

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

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

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

8. Estimates

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

E. Revenues and Expenditures/Expenses

1. 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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation leave and sick leave. The City liquidates compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. 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 producing and delivering goods 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 fund includes 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.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, HEDC, HMBC, water and sewer, and sanitation funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the divisional level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2012, the primary government had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|-------------------------------------|-------------------|--|
| External investment pools | \$ 4,968,534 | 0.0 |
| Portfolio weighted average maturity | | 0.0 |

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity to meet liquidity demands; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2012, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2012, the market values of pledged securities and FDIC exceeded bank balances.

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexStar

The TexStar Participant Services Local Government Investment Pool ("TexStar") is an external investment pool operated by First Southwest Asset Management, Inc. and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexStar and of other persons who do not have a business relationship with TexStar. The Advisory Board members review the investment policy and management fee structure. Standard & Poor's rates TexStar AAAM.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

B. Receivables

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

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvements</u> | <u>Other Governmental Funds</u> | <u>Water & Sewer</u> | <u>Solid Waste</u> | <u>Total</u> |
|---------------------|-------------------|---------------------|---------------------------------|---|------------------------------|------------------------|---------------------|
| Property taxes | \$ 86,841 | \$ 22,570 | \$ - | \$ - | \$ - | \$ - | \$ 109,411 |
| Special assessments | - | 119,070 | - | - | - | - | 119,070 |
| Sales tax | 68,385 | - | - | 68,386 | - | - | 136,771 |
| Franchise tax | 52,662 | - | - | - | - | - | 52,662 |
| Fines | 2,440 | - | - | - | - | - | 2,440 |
| Code enforcement | 10,903 | - | - | - | - | - | 10,903 |
| Other | 71,434 | - | 30,368 | 7,120 | 88,919 | 95,678 | 293,519 |
| Accounts | 7,762 | - | - | - | 963,805 | - | 971,567 |
| Allowance | (976) | - | - | - | (26,997) | (6,227) | (34,200) |
| | <u>\$ 299,451</u> | <u>\$ 141,640</u> | <u>\$ 30,368</u> | <u>\$ 75,506</u> | <u>\$ 1,025,727</u> | <u>\$ 89,451</u> | <u>\$ 1,662,143</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

C. Capital Assets

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases/ Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|-----------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,036,088 | \$ - | \$ - | \$ 3,036,088 |
| Construction in progress | 33,277 | 85,139 | - | 118,416 |
| Total capital assets not being depreciated | <u>3,069,365</u> | <u>85,139</u> | <u>-</u> | <u>3,154,504</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,162,395 | - | - | 2,162,395 |
| Improvements other than buildings | 2,935,163 | - | - | 2,935,163 |
| Infrastructure | 33,322,007 | - | - | 33,322,007 |
| Machinery and equipment | 1,981,563 | 34,055 | - | 2,015,618 |
| Total capital assets being depreciated | <u>40,401,128</u> | <u>34,055</u> | <u>-</u> | <u>40,435,183</u> |
| Less accumulated depreciation | | | | |
| Buildings | (837,771) | (89,278) | - | (927,049) |
| Improvements other than buildings | (449,780) | (104,490) | - | (554,270) |
| Infrastructure | (14,765,665) | (213,319) | - | (14,978,984) |
| Machinery and equipment | (1,069,780) | (1,217,460) | - | (2,287,240) |
| Total accumulated depreciation | <u>(17,122,996)</u> | <u>(1,624,547)</u> | <u>-</u> | <u>(18,747,543)</u> |
| Net capital assets being depreciated | 23,278,132 | (1,590,492) | - | 21,687,640 |
| Total Capital Assets | <u>\$ 26,347,497</u> | <u>\$ (1,505,353)</u> | <u>\$ -</u> | <u>\$ 24,842,144</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|---------------------|
| General government | \$ 32,336 |
| Public safety | 220,975 |
| Public works | 1,261,479 |
| Culture and recreation | 109,757 |
| Total Governmental Activities Depreciation Expense | <u>\$ 1,624,547</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases/ Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|---------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 203,438 | \$ - | \$ - | \$ 203,438 |
| Construction in progress | 1,056,467 | 2,437,132 | - | 3,493,599 |
| Total capital assets not being depreciated | <u>1,259,905</u> | <u>2,437,132</u> | <u>-</u> | <u>3,697,037</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 309,639 | - | - | 309,639 |
| Improvements other than buildings | 30,124,811 | - | - | 30,124,811 |
| Machinery and equipment | 230,765 | 33,543 | - | 264,308 |
| Total capital assets being depreciated | <u>30,665,215</u> | <u>33,543</u> | <u>-</u> | <u>30,698,758</u> |
| Less accumulated depreciation | | | | |
| Buildings | (97,259) | (14,206) | - | (111,465) |
| Improvements other than buildings | (6,973,402) | (889,802) | - | (7,863,204) |
| Machinery and equipment | (138,464) | (37,876) | - | (176,340) |
| Total accumulated depreciation | <u>(7,209,125)</u> | <u>(941,884)</u> | <u>-</u> | <u>(8,151,009)</u> |
| Net capital assets being depreciated | 23,456,090 | (908,341) | - | 22,547,749 |
| Total Capital Assets | <u>\$ 24,715,995</u> | <u>\$ 1,528,791</u> | <u>\$ -</u> | <u>\$ 26,244,786</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

D. Long-term Debt

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | \$ 2,955,000 | \$ - | \$ (425,000) | \$ 2,530,000 | \$ 215,000 |
| Certificates of Obligation | 7,176,458 | - | (287,950) | 6,888,508 | 289,589 |
| Notes Payable | 216,581 | - | (28,323) | 188,258 | 29,173 |
| Premium | 280,768 | - | (23,050) | 257,718 | - |
| Discount | (118,241) | - | 8,161 | (110,080) | - |
| Deferred charge on refunding | (84,080) | - | 9,665 | (74,415) | - |
| Other liabilities: | | | | | |
| Capital Lease | 251,263 | - | (48,579) | 202,684 | 48,057 |
| Compensated Absences | 494,038 | 222,726 | (152,272) | 564,492 | 366,920 |
| Total Governmental Activities | <u>\$ 11,171,787</u> | <u>\$ 222,726</u> | <u>\$ (947,348)</u> | <u>\$ 10,447,165</u> | <u>\$ 948,739</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 9,498,426</u> | |
| Business-Type Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | \$ 4,840,000 | \$ - | \$ (275,000) | \$ 4,565,000 | \$ 290,000 |
| Certificates of Obligation | 6,818,542 | - | (397,050) | 6,421,492 | 425,411 |
| Premium | 411,241 | - | (37,261) | 373,980 | - |
| Discount | (94,415) | - | 7,156 | (87,259) | - |
| Deferred charge on refunding | (202,899) | - | 19,589 | (183,310) | - |
| Contract Revenue Bonds | 789,921 | - | (41,588) | 748,333 | 43,333 |
| Other liabilities: | | | | | |
| Compensated Absences | 122,811 | 59,500 | (67,984) | 114,327 | 39,365 |
| Total Business-Type Activities | <u>\$ 12,685,201</u> | <u>\$ 59,500</u> | <u>\$ (792,138)</u> | <u>\$ 11,952,563</u> | <u>\$ 798,109</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 11,154,454</u> | |

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

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

| Description | Interest Rates | Original Balance | Current Balance |
|---|----------------|----------------------|----------------------|
| Governmental Activities: | | | |
| 2010 General Obligation Refunding Bonds | 3.00-4.00% | \$ 2,230,000 | \$ 2,010,000 |
| 2004 General Obligation Bonds | 3.68% | 1,835,000 | 520,000 |
| Total General Obligation Bonds | | <u>4,065,000</u> | <u>2,530,000</u> |
| 2007 Combination Tax & Revenue Certificates | 4.00-5.00% | 2,000,000 | 5,248,508 |
| 2004 Combination Tax & Revenue Certificates | 3.68% | 2,190,000 | 1,640,000 |
| Total Certificates of Obligation | | <u>4,190,000</u> | <u>6,888,508</u> |
| Total Governmental Activities | | <u>\$ 8,255,000</u> | <u>\$ 9,418,508</u> |
| Business-type Activities: | | | |
| 2010 General Obligation Refunding Bonds | 3.00-4.00% | \$ 4,840,000 | \$ 4,565,000 |
| Total General Obligation Bonds | | <u>4,840,000</u> | <u>4,565,000</u> |
| 2007 Combination Tax & Revenue Certificates | 4.00-5.00% | 11,445,000 | 5,791,492 |
| 2004 Combination Tax & Revenue Certificates | 3.68% | 1,640,000 | 630,000 |
| Total Certificates of Obligation | | <u>13,085,000</u> | <u>6,421,492</u> |
| 2005 Contract Revenue Bonds | 3.75-4.625% | 1,006,566 | 748,333 |
| Total Certificates of Obligation | | <u>1,006,566</u> | <u>748,333</u> |
| Total Business-Type Activities | | <u>\$ 18,931,566</u> | <u>\$ 11,734,825</u> |
| Total Long-Term Debt | | | |
| General Obligation Refunding Bonds | | \$ 8,905,000 | \$ 7,095,000 |
| Certificates of Obligation | | 17,275,000 | 13,310,000 |
| Contract Revenue Bonds | | 1,006,566 | 748,333 |
| Total Primary Government | | <u>\$ 27,186,566</u> | <u>\$ 21,153,333</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

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

| Governmental Activities | | | | |
|--------------------------------------|---------------------------------|-------------------|-----------------------------------|---------------------|
| Year ending September 30, | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 215,000 | \$ 102,008 | \$ 289,589 | \$ 287,492 |
| 2014 | 380,000 | 91,014 | 286,475 | 373,849 |
| 2015 | 385,000 | 80,865 | 300,737 | 357,919 |
| 2016 | 235,000 | 68,319 | 422,622 | 335,835 |
| 2017 | 285,000 | 57,300 | 334,261 | 312,788 |
| 2018 | 210,000 | 46,900 | 353,524 | 295,561 |
| 2019 | 220,000 | 37,000 | 375,409 | 278,582 |
| 2020 | 230,000 | 28,400 | 409,671 | 259,365 |
| 2021 | 240,000 | 19,400 | 448,933 | 237,058 |
| 2022 | 130,000 | 10,000 | 725,573 | 199,160 |
| 2023 | - | 2,600 | 772,212 | 145,875 |
| 2024 | - | - | 828,851 | 88,597 |
| 2025 | - | - | 427,867 | 49,294 |
| 2026 | - | - | 446,884 | 30,159 |
| 2027 | - | - | 465,900 | 10,192 |
| Total | \$ 2,530,000 | \$ 543,806 | \$ 6,888,508 | \$ 3,261,726 |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

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

| Year ending September 30, | Business-Type Activities | | | |
|--------------------------------------|---------------------------------|---------------------|-----------------------------------|---------------------|
| | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 290,000 | \$ 168,850 | \$ 425,411 | \$ 274,635 |
| 2014 | 320,000 | 159,700 | 443,525 | 255,016 |
| 2015 | 330,000 | 149,950 | 464,263 | 234,492 |
| 2016 | 340,000 | 138,200 | 482,378 | 213,063 |
| 2017 | 485,000 | 121,700 | 335,739 | 190,664 |
| 2018 | 570,000 | 100,600 | 351,476 | 175,240 |
| 2019 | 605,000 | 77,100 | 364,591 | 160,919 |
| 2020 | 630,000 | 52,400 | 380,329 | 145,783 |
| 2021 | 660,000 | 26,600 | 396,067 | 217,120 |
| 2022 | 335,000 | 6,700 | 414,427 | 112,177 |
| 2023 | - | - | 432,788 | 93,656 |
| 2024 | - | - | 451,149 | 74,590 |
| 2025 | - | - | 472,133 | 54,394 |
| 2026 | - | - | 493,116 | 33,279 |
| 2027 | - | - | 514,100 | 11,246 |
| Total | \$ 4,565,000 | \$ 1,001,800 | \$ 6,421,492 | \$ 2,246,274 |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

The annual requirements to amortize contract revenue bonds outstanding at year end were as follows:

| <u>Year ending September 30,</u> | <u>Contract Revenue Bonds</u> | |
|--------------------------------------|-------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 43,333 | \$ 31,057 |
| 2014 | 45,000 | 29,053 |
| 2015 | 46,667 | 26,972 |
| 2016 | 50,000 | 24,872 |
| 2017 | 51,667 | 22,997 |
| 2018 | 53,333 | 21,008 |
| 2019 | 56,667 | 18,927 |
| 2020 | 60,000 | 16,661 |
| 2021 | 61,667 | 14,261 |
| 2022 | 65,000 | 11,732 |
| 2023 | 68,333 | 9,068 |
| 2024 | 71,666 | 6,197 |
| 2025 | 75,000 | 3,187 |
| Total | \$ 748,333 | \$ 235,992 |

Note Payable

The City has an obligation to the City of Rockwall, Texas for a partial interest in an animal shelter that is recorded as a note payable. The note is payable in annual installments of \$35,037, including interest at 3.10%.

The annual requirements to amortize the note payable outstanding at year end were as follows:

| <u>Year ending September 30,</u> | <u>Note Payable</u> | |
|--------------------------------------|---------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 29,173 | \$ 5,864 |
| 2014 | 30,077 | 4,960 |
| 2015 | 31,009 | 4,028 |
| 2016 | 31,971 | 3,066 |
| 2017 | 31,895 | 3,142 |
| 2018 | 34,133 | 904 |
| Total | \$ 188,258 | \$ 21,964 |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

Capital Lease

The City entered into a capital lease to acquire a fire truck for \$306,500. The lease is payable in annual installments of \$55,236 with interest imputed at 3.47%. The annual requirements to amortize the note payable outstanding at year end were as follows:

| Year ending September 30, | Capital Lease | |
|------------------------------|-------------------|------------------|
| | Principal | Interest |
| 2013 | \$ 48,057 | \$ 7,179 |
| 2014 | 49,759 | 5,477 |
| 2015 | 51,521 | 3,715 |
| 2016 | 53,347 | 1,889 |
| Total | \$ 202,684 | \$ 18,260 |

E. Intergovernmental Transfers

Transfers between the primary government funds during the 2012 year were as follows:

| Transfer Out | Transfer In | Amount |
|--------------------------|---------------------------|-------------------|
| General | Debt Service | \$ 550,000 |
| | Capital Improvements Fund | 13,199 |
| Other Governmental Funds | General | 39,580 |
| Solid Waste Fund | General | 40,000 |
| | Water & Sewer | 40,000 |
| | Total | \$ 682,779 |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

E. Restricted Net Assets

The City records restricted net assets to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net assets of the City:

| | Governmental Activities |
|----------------------|------------------------------------|
| Restricted for: | |
| * Municipal court | 19,961 |
| Debt service | 885,855 |
| Capital improvements | 2,375,008 |
| Economic development | 980,469 |
| Economic opportunity | 1,294,232 |
| Total Restricted | 5,555,525 |
| Committed for: | |
| Park Donations | 11,000 |
| Assigned for: | |
| Police Department | 104,849 |

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

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

C. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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 2011</u> | <u>Plan Year 2012</u> |
|---|--------------------------|--------------------------|
| Employee deposit rate | 7.0% | 7.0% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees) | 70% of CPI | 70% of CPI |
| <u>Contributions</u> | | |

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Three-Year Contribution Information

| | 2012 | 2011 | 2010 |
|---------------------------------|-------------|-------------|-------------|
| Annual Pension Cost (ARC) | \$ 239,276 | \$ 287,934 | \$ 275,918 |
| Actual Contributions Made | \$ 239,276 | \$ 287,934 | \$ 275,918 |
| Percentage of APC Contributed | 100% | 100% | 100% |
| Net Pension Obligation/Asset | - | - | - |
| NPO at the End of Period | \$ - | \$ - | \$ - |

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

| | <u>12/31/2009</u> | <u>12/31/2010</u> | <u>12/31/2011</u> |
|------------------------------|--------------------|--------------------|--------------------|
| Valuation Date | Projected Unit | Projected Unit | Projected Unit |
| Actuarial Cost Method | Credit | Credit | Credit |
| Amortization Method | Level Percent of | Level Percent of | Level Percent of |
| | Payroll | Payroll | Payroll |
| GASB 25 Equivalent Single | 22.8 years; closed | 22.0 years; closed | 20.9 years; closed |
| Amortization Period | period | period | period |
| Amortization Period for new | 25 years | 25 years | 25 years |
| Gains/Losses | | | |
| Asset Valuation Method | 10-year Smoothed | 10-year Smoothed | 10-year Smoothed |
| | Market | Market | Market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return * | 7.5% | 7.0% | 7.0% |
| Projected Salary Increases * | Varies by age and | Varies by age and | Varies by age and |
| | service | service | service |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

| | | | |
|----------------------------|-------|-------|-------|
| * Includes Inflation at | 3.00% | 3.00% | 3.00% |
| Cost-of-Living Adjustments | 0.0% | 0.0% | 0.0% |

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

| Fiscal Year | 2012 |
|--|---------------------------|
| Actuarial Valuation Date | 12/31/2011 |
| Actuarial Value of Assets | \$ 4,868,868 |
| Actuarial Accrued Liability | \$ 6,013,506 |
| Percentage Funded | 81% |
| Annual Covered Payroll | \$ 2,597,274 |
| Unfunded Actuarial Accrued Liability (UAAL) % of Covered Payroll | \$ (1,114,638) (44.1)% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Other Post Employment Benefits

1. TMRS Supplemental Death Benefit Fund

Plan Description

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 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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

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 provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from www.TMRS.com.

Contributions

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

Three-Year Contribution Information

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-------------------------------------|-------------|-------------|-------------|
| Annual Required Contribution (Rate) | 0.01% | 0.01% | 0.01% |
| Actual Contributions Made | 0.01% | 0.01% | 0.01% |
| Percentage of APC Contributed | 100% | 100% | 100% |

E. North Texas Municipal Water District (the District)

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its Member Cities, and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has a long-term contract with the City to provide sewer treatment. The City contracted with the District to build sewage treatment plants and provide treatment services to the City. Under the terms of the contract, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the ensuing fiscal year, as shown in the annual budget. The contract further provides that the debt service payments would be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and registrar.

In the fiscal year ended September 30, 2005, the City entered into a contract with the District to construct a water storage facility. Under the terms of the contract, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the ensuing fiscal year, as shown in the Annual Budget. The contract further provides that the debt service payments would be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and registrar. These contractual obligations have been included as installment sales contract revenue bonds and the related water storage facilities have been capitalized by the City and are being depreciated over the estimated life of the facilities.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Buffalo Creek Wastewater Interceptor System

In January 2004, the Cities of Rockwall and Heath in Rockwall County, and the City of Forney in Kaufman County entered into a contract with the District to provide for the acquisition, construction, improvement, operation, and maintenance of the Regional Buffalo Creek Wastewater Interceptor System (System) for the purpose of providing facilities to adequately receive, transport, treat, and dispose of wastewater. The District will own the System with Rockwall, Heath and Forney as the initial participants. The District issued approximately \$17 million in bonds to construct this new facility in April 2004. Budget calculations for operating costs and debt service for the System on the service commencement date is based on the following estimated flow ratio: City of Rockwall - 78%, the City of Heath - 14%, and the City of Forney - 8%. "Service Commencement Date" means the first date upon which the System is available to treat wastewater from the participants. Heath's long-term commitment to the System's debt service component is approximately \$2 million.

The District will send each participant a letter detailing the annual requirement necessary to operate the System each year. The annual requirement budget will include an operation and maintenance component and a bond service component. The budgeting ratio described earlier is only valid for the first year of System operations. In subsequent years, budgets and year-end audits will be based on actual flow ratios. For example, if the flow measurements indicate that 80% of the flow is produced by Rockwall, 15% by Heath and 5% by Forney, then the next year's operating and debt service components would be allocated using a 80/15/5 split. If in the future, additional participants are added, then the flow ratios will be adjusted using the above method.

F. Rockwall Emergency Services Corporation (the Corporation)

The Corporation was created pursuant to Subchapter D of Chapter 431, Texas Transportation Code, to provide emergency services and public safety services on behalf of the City of Fate, the City of Heath, the City of McLendon Chisholm, the City of Mobile City, the City of Rockwall, the City of Rowlett, the City of Royse City, and Rockwall County, Texas. This Corporation was created to construct, manage, and operate a law enforcement training facility, a firearms training center.

The Corporation issued debt to construct the facility. Each participant government is required to pay a portion of the debt service and operation and maintenance cost based on the number of personnel authorized to use the facility on April 1 each year.

The agreement, dated August 23, 2006 was for a ten year term. However, the agreement states that a participant can withdraw with a twelve month notice. During the current year, the City paid a total of \$28,197 under this agreement.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

G. Restatement

The City has restated beginning fund balance/net assets within governmental and business-type activities, the general fund, and the capital improvements fund, due to a change in the reporting of franchise taxes receivable and impact fees payable. The restatement of beginning net assets/fund balance is as follows:

| | <u>Governmental Activities</u> | <u>General Fund</u> | <u>Capital Improvements</u> | <u>Water & Sewer</u> |
|--|------------------------------------|-------------------------|---------------------------------|------------------------------|
| Prior year ending net assets fund balance as reported | \$ 23,468,258 | \$ 2,440,539 | \$ 2,610,179 | \$ 19,208,662 |
| Change in reporting of franchise tax accrual | (71,883) | 52,662 | - | - |
| Record impact fees as earned revenue | 160,109 | - | 160,109 | 258,026 |
| Restated beginning net assets/fund balance | <u>\$ 23,556,484</u> | <u>\$ 2,493,201</u> | <u>\$ 2,770,288</u> | <u>\$ 19,466,688</u> |

H. Subsequent Events

There were no material subsequent events through February 25, 2013, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Page 1 of 2) For the Year Ended September 30, 2012

| | Original Budget | Final Budget | 2012 Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------|--------------------|--------------|----------------|---|
| <u>Revenues</u> | | | | |
| Taxes: | | | | |
| Property tax | \$ 2,893,300 | \$ 2,893,300 | \$ 2,875,365 | \$ (17,935) |
| Sales tax | 370,000 | 370,000 | 376,400 | 6,400 |
| Franchise tax | 427,000 | 427,000 | 498,209 | 71,209 |
| Alcoholic beverage tax | 3,600 | 3,600 | 3,098 | (502) |
| Licenses and permits | 108,100 | 108,100 | 247,002 | 138,902 |
| Intergovernmental | 192,000 | 220,500 | 223,971 | 3,471 |
| Charges for services | 87,350 | 87,350 | 105,415 | 18,065 |
| Fines and forfeitures | 50,200 | 50,200 | 39,016 | (11,184) |
| Investment income | 3,500 | 3,500 | 3,334 | (166) |
| Other revenue | 44,700 | 44,700 | 29,930 | (14,770) |
| Total Revenues | 4,179,750 | 4,208,250 | 4,401,740 | 193,490 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Administration | 988,900 | 1,023,100 | 940,173 | 82,927 |
| Highways and streets | 358,725 | 353,025 | 307,928 | 45,097 |
| Parks | 226,000 | 164,000 | 133,073 | 30,927 |
| Engineering and building inspection | 351,050 | 413,050 | 399,720 | 13,330 |
| Municipal court | 69,700 | 69,700 | 61,577 | 8,123 |
| Public safety | 2,363,950 | 2,363,950 | 2,243,123 | 120,827 |
| Total Expenditures | 4,358,325 | 4,386,825 | 4,085,594 | 301,231 |
| Revenues Over (Under) | (178,575) | (178,575) | 316,146 | 494,721 |

City of Heath, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2012*

| | Original Budget | Final Budget | 2012 Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------|----------------|---|
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in (out) | (469,000) | (469,000) | (483,619) | (14,619) |
| Total Other Financing Sources | | | | |
| (Uses) | (469,000) | (469,000) | (483,619) | (14,619) |
| Net Change in Fund Balance | \$ (647,575) | \$ (647,575) | (167,473) | \$ 480,102 |
| Beginning fund balance | | | 2,493,201 | |
| Ending Fund Balance | | | \$ 2,325,728 | |

Notes to Required Supplementary Information

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

City of Heath, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

| | <u>Public Safety</u> | <u>Heath EDC</u> | <u>Heath MBC</u> | <u>Total Nonmajor Governmental</u> |
|---|--------------------------|----------------------|----------------------|--|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 117,690 | \$ 946,611 | \$ 1,260,986 | \$ 2,325,287 |
| Receivables, net | 7,120 | 34,193 | 34,193 | 75,506 |
| Total Assets | \$ 124,810 | \$ 980,804 | \$ 1,295,179 | \$ 2,400,793 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 335 | \$ 947 | \$ 1,282 |
| Total Liabilities | - | 335 | 947 | 1,282 |
| Fund Balances: | | | | |
| Restricted | 19,961 | 980,469 | 1,294,232 | 2,294,662 |
| Assigned | 104,849 | - | - | 104,849 |
| Total Fund Balances | 124,810 | 980,469 | 1,294,232 | 2,399,511 |
| Total Liabilities and Fund Balances | \$ 124,810 | \$ 980,804 | \$ 1,295,179 | \$ 2,400,793 |

See Notes to Financial Statements.

City of Heath, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

| | <u>Public Safety</u> | <u>Heath EDC</u> | <u>Heath MBC</u> | <u>Total Nonmajor Governmental</u> |
|--|--------------------------|----------------------|----------------------|--|
| <u>Revenues</u> | | | | |
| Taxes: | | | | |
| Sales tax | \$ - | \$ 188,200 | \$ 188,200 | \$ 376,400 |
| Investment income | 141 | 1,441 | 1,924 | 3,506 |
| Other revenue | 18,326 | - | - | 18,326 |
| Total Revenues | <u>18,467</u> | <u>189,641</u> | <u>190,124</u> | <u>398,232</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Public safety | 4,015 | - | - | 4,015 |
| Economic development | - | 67,345 | - | 67,345 |
| Economic opportunity | - | - | 2,857 | 2,857 |
| Debt service: | | | | |
| Principal | - | 5,200 | 8,800 | 14,000 |
| Interest and fiscal charges | - | 7,937 | 13,432 | 21,369 |
| Total Expenditures | <u>4,015</u> | <u>80,482</u> | <u>25,089</u> | <u>109,586</u> |
| Excess (Deficiency) of Revenues over Expenditures | 14,452 | 109,159 | 165,035 | 288,646 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers (out) | - | (17,290) | (22,290) | (39,580) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(17,290)</u> | <u>(22,290)</u> | <u>(39,580)</u> |
| Net Change in Fund Balances | 14,452 | 91,869 | 142,745 | 249,066 |
| Beginning fund balances | <u>110,358</u> | <u>888,600</u> | <u>1,151,487</u> | <u>2,150,445</u> |
| Ending Fund Balances | <u>\$ 124,810</u> | <u>\$ 980,469</u> | <u>\$ 1,294,232</u> | <u>\$ 2,399,511</u> |

See Notes to Financial Statements.

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City of Heath, Texas
SCHEDULE OF FUNDING PROGRESS-
TEXAS MUNICIPAL RETIREMENT SYSTEM

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

| Actuarial Valuation Date | <u>12/31/2011</u> | <u>12/31/2010</u> | <u>12/31/2009</u> |
|--------------------------------------|--------------------|--------------------|--------------------|
| Actuarial Value of Assets | \$ 4,868,868 | \$ 4,190,126 | \$ 3,148,532 |
| Actuarial Accrued Liability | \$ 6,013,506 | \$ 5,432,513 | \$ 4,411,540 |
| Percentage Funded | 81.0% | 77.1% | 71.4% |
| Unfunded Actuarial | | | |
| Accrued Liability | \$ 1,144,638 | \$ 1,242,387 | \$ 1,263,008 |
| Annual Covered Payroll | \$ 2,597,274 | \$ 2,594,628 | \$ 2,694,187 |
| Unfunded Actuarial Accrued Liability | | | |
| (UAAL) % of Covered Payroll | 44.1% | 47.9% | 46.9% |
| Net Pension Obligation (NPO) | | | |
| at the Beginning of Period | \$ - | \$ - | \$ - |
| Annual Req. Contrib. (ARC) | \$ 248,848 | \$ 287,934 | \$ 273,754 |
| Contributions Made | \$ 248,848 | \$ 287,934 | \$ 273,754 |
| NPO at the End of Period | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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OTHER SUPPLEMENTARY INFORMATION

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended September 30, 2012

| | Original & Final Budget | 2012 Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|----------------|---|
| <u>Revenues</u> | | | |
| Property tax | \$ 871,900 | \$ 867,776 | \$ (4,124) |
| Special assessments | 9,750 | 11,284 | 1,534 |
| Investment income | 7,000 | 4,737 | (2,263) |
| Other revenue | - | 21 | 21 |
| Total Revenues | 888,650 | 883,818 | (4,832) |
| <u>Expenditures</u> | | | |
| Debt service: | | | |
| Principal | 801,251 | 801,272 | (21) |
| Interest | 412,057 | 410,319 | 1,738 |
| Total Expenditures | 1,213,308 | 1,211,591 | 1,717 |
| Revenues Over (Under) Expenditures | (324,658) | (327,773) | (3,115) |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in (out) | 550,000 | 550,000 | - |
| Total Other Financing Sources | 550,000 | 550,000 | - |
| Net Change in Fund Balance | \$ 225,342 | 222,227 | \$ (3,115) |
| Beginning fund balance | | 663,628 | |
| Ending Fund Balance | | \$ 885,855 | |

Notes to Required Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
HEATH ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended September 30, 2012

| | Original Budget | Final Budget | 2012 Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|---------------------|------------------------|---|
| <u>Revenues</u> | | | | |
| Sales tax | \$ 185,000 | \$ 185,000 | \$ 188,200 | \$ 3,200 |
| Investment income | 1,200 | 1,200 | 1,441 | 241 |
| Total Revenues | 186,200 | 186,200 | 189,641 | 3,441 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Economic development | 62,450 | 142,950 | 67,345 | 75,605 |
| Debt service: | | | | |
| Principal | 5,200 | 5,200 | 5,200 | - |
| Interest and fiscal charges | 13,439 | 7,942 | 7,937 | 5 |
| Total Expenditures | 81,089 | 156,092 | 80,482 | 75,610 |
| Revenues Over (Under) Expenditures | 105,111 | 30,108 | 109,159 | 79,051 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers (out) | (19,000) | (19,000) | (17,290) | 1,710 |
| Change in Net Assets | \$ 86,111 | \$ 11,108 | 91,869 | \$ 80,761 |
| Beginning net assets | | | 888,600 | |
| Ending Net Assets | | | \$ 980,469 | |

Notes to Required Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
HEATH MUNICIPAL BENEFITS CORPORATION
For the Year Ended September 30, 2012

| | Original & Final Budget | 2012 Actual | Variance with Final Budget Positive (Negative) |
|--|--|------------------------|---|
| <u>Revenues</u> | | | |
| Sales tax | \$ 185,000 | \$ 188,200 | \$ 3,200 |
| Investment income | 1,800 | 1,924 | 124 |
| Total Revenues | 186,800 | 190,124 | 3,324 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Economic opportunity | 140,250 | 2,857 | 137,393 |
| Debt service: | | | |
| Principal | 8,800 | 8,800 | - |
| Interest and fiscal charges | 13,439 | 13,432 | 7 |
| Total Expenditures | 162,489 | 25,089 | 137,400 |
| Revenues Over (Under) | | | |
| Expenditures | 24,311 | 165,035 | 140,724 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers (out) | (24,000) | (22,290) | 1,710 |
| Change in Net Assets | \$ 311 | 142,745 | \$ 142,434 |
| Beginning net assets | 1,151,487 | | |
| Ending Net Assets | \$ 1,294,232 | | |

Notes to Required Supplementary Information

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

City of Heath, Texas
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
STREETS ESCROW FUND
For the Year Ended September 30, 2012

| | <u>Balance</u> <u>October 1, 2011</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>September 30, 2012</u> |
|---------------------------|--|------------------|-------------------|---|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 113,357 | \$ 4,333 | \$ - | \$ 117,690 |
| Total Assets | <u>113,357</u> | <u>4,333</u> | <u>-</u> | <u>117,690</u> |
| <u>Liabilities</u> | | | | |
| Accrued liabilities | 113,357 | 4,333 | - | 117,690 |
| Total Liabilities | <u>\$ 113,357</u> | <u>\$ 4,333</u> | <u>\$ -</u> | <u>\$ 117,690</u> |

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STATISTICAL SECTION

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

| Contents | Pages |
|-----------------|--------------|
|-----------------|--------------|

| | |
|------------------|-------|
| Financial Trends | 90-99 |
|------------------|-------|

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

| | |
|------------------|---------|
| Revenue Capacity | 101-107 |
|------------------|---------|

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

| | |
|---------------|---------|
| Debt Capacity | 108-112 |
|---------------|---------|

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

| | |
|--------------------------------------|---------|
| Demographic and Economic Information | 113-114 |
|--------------------------------------|---------|

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

| | |
|-----------------------|---------|
| Operating Information | 115-119 |
|-----------------------|---------|

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Heath, Texas

NET ASSETS BY COMPONENT

Last Nine Fiscal Years (1)
(accrual basis of accounting)

| | 2004 | 2005 | 2006 | 2007 |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | |
| Invested in capital assets, net of related debt | \$ 10,004,583 | \$ 10,468,375 | \$ 18,837,137 | \$ 18,540,309 |
| Restricted | 1,884,760 | 1,807,568 | 1,358,534 | 146,285 |
| Unrestricted | 1,802,067 | 2,792,442 | 3,408,712 | 4,200,838 |
| Total Governmental Activities Net Assets | \$ 13,691,410 | \$ 15,068,385 | \$ 23,604,383 | \$ 22,887,432 |
| Business-type Activities | | | | |
| Invested in capital assets, net of related debt | \$ 10,026,885 | \$ 11,724,391 | \$ 14,611,160 | \$ 14,951,597 |
| Restricted | 416,005 | 1,566,904 | - | - |
| Unrestricted | 575,926 | 964,550 | 3,498,273 | 2,094,056 |
| Total Business-type Activities Net Assets | \$ 11,018,816 | \$ 14,255,845 | \$ 18,109,433 | \$ 17,045,653 |
| Primary Government | | | | |
| Invested in capital assets, net of related debt | \$ 20,031,468 | \$ 22,192,766 | \$ 33,448,297 | \$ 33,491,906 |
| Restricted | 2,300,765 | 3,374,472 | 1,358,534 | 146,285 |
| Unrestricted | 2,377,993 | 3,756,992 | 6,906,985 | 6,294,894 |
| Total Primary Government Net Assets | \$ 24,710,226 | \$ 29,324,230 | \$ 41,713,816 | \$ 39,933,085 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

(1) The requirement for statistical data is ten years; only nine years are available at this time.

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 17,984,906 | \$ 19,089,641 | \$ 17,895,266 | \$ 17,130,797 | \$ 14,959,471 |
| 1,117,725 | 2,104,386 | 5,438,453 | 3,416,119 | 5,555,525 |
| 4,158,988 | 3,197,493 | 513,677 | 3,009,568 | 2,179,347 |
| <u>\$ 23,261,619</u> | <u>\$ 24,391,520</u> | <u>\$ 23,847,396</u> | <u>\$ 23,556,484</u> | <u>\$ 22,694,343</u> |
| | | | | |
| \$ 15,211,002 | \$ 16,063,136 | \$ 15,935,522 | \$ 15,719,404 | \$ 14,406,551 |
| - | - | - | - | - |
| 1,886,366 | 1,600,713 | 2,118,300 | 3,859,301 | 6,356,249 |
| <u>\$ 17,097,368</u> | <u>\$ 17,663,849</u> | <u>\$ 18,053,822</u> | <u>\$ 19,578,705</u> | <u>\$ 20,762,800</u> |
| | | | | |
| \$ 33,195,908 | \$ 35,152,777 | \$ 33,830,788 | \$ 32,850,201 | \$ 29,366,022 |
| 1,117,725 | 2,104,386 | 5,438,453 | 3,416,119 | 5,555,525 |
| 6,045,354 | 4,798,206 | 2,631,977 | 6,868,869 | 8,535,596 |
| <u>\$ 40,358,987</u> | <u>\$ 42,055,369</u> | <u>\$ 41,901,218</u> | <u>\$ 43,135,189</u> | <u>\$ 43,457,143</u> |

City of Heath, Texas

CHANGES IN NET ASSETS

Last Nine Fiscal Years (1)

(accrual basis of accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|------------------------------------|-----------------------|---------------------|----------------------|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 749,019 | 806,768 | 1,101,712 | 1,152,697 |
| Public safety | 1,475,941 | 1,640,083 | 1,705,415 | 2,141,045 |
| Public works | 862,532 | 1,031,079 | 1,508,117 | 2,206,035 |
| Culture and recreation | 210,688 | 192,694 | 190,621 | 129,028 |
| Economic development and | 126,508 | 2,698 | 227 | 0 |
| Economic opportunity | 126,500 | 2,998 | 127 | 5,000 |
| Interest and fiscal charges | 238,048 | 278,350 | 276,431 | 272,184 |
| Total governmental activities | <u>3,789,236</u> | <u>3,954,670</u> | <u>4,782,650</u> | <u>5,905,989</u> |
| Business-type activities: | | | | |
| Water and sewer | 2,657,435 | 2,771,907 | 3,264,137 | 3,386,289 |
| Solid waste | - | - | - | 408,575 |
| Total business-type activities | <u>2,657,435</u> | <u>2,771,907</u> | <u>3,264,137</u> | <u>3,794,864</u> |
| Total primary government | <u>\$ 6,446,671</u> | <u>\$ 6,726,577</u> | <u>\$ 8,046,787</u> | <u>\$ 9,700,853</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 30,280 | \$ 75,595 | \$ 21,512 | \$ 25,820 |
| Public safety | 200,722 | 170,908 | 225,418 | 273,430 |
| Public works | 157,605 | 267,816 | 303,319 | 311,495 |
| Culture and recreation | 3,784 | 4,275 | 4,463 | 6,515 |
| Operating grants and contributions | 76,949 | 30,631 | 13,926 | 222,927 |
| Capital grants and contributions | 16,182 | 1,155,398 | 8,687,378 | 41,938 |
| Total governmental activities | <u>485,522</u> | <u>1,704,623</u> | <u>9,256,016</u> | <u>882,125</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 2,025,421 | 2,712,152 | 3,288,982 | 2,283,472 |
| Solid waste | - | - | - | 407,953 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | 794,542 | 3,087,794 | 3,746,562 | 646,231 |
| Total business-type activities | <u>2,819,963</u> | <u>5,799,946</u> | <u>7,035,544</u> | <u>3,337,656</u> |
| Total primary government | <u>\$ 3,305,485</u> | <u>\$ 7,504,569</u> | <u>\$ 16,291,560</u> | <u>\$ 4,219,781</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (3,303,714) | \$ (2,250,047) | \$ 4,473,366 | \$ (5,023,864) |
| Business-type activities | 162,528 | 3,028,039 | 3,771,407 | (457,208) |
| Total primary government | <u>\$ (3,141,186)</u> | <u>\$ 777,992</u> | <u>\$ 8,244,773</u> | <u>\$ (5,481,072)</u> |

(1) The requirement for statistical data is ten years; only nine years are available at this time.

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1,173,682 | 1,045,672 | 928,201 | 972,529 | \$ 972,108 |
| 2,335,528 | 2,335,201 | 2,320,231 | 2,892,734 | 2,563,884 |
| 2,006,940 | 1,890,939 | 2,081,969 | 1,603,281 | 2,400,169 |
| 147,672 | 135,669 | 229,222 | 243,985 | 244,264 |
| 13,183 | 355,286 | 5,146 | 6,620 | 74,363 |
| 6,003 | 8,119 | 4,258 | 3,809 | 9,876 |
| 627,347 | 677,118 | 522,894 | 518,723 | 440,348 |
| <u>6,310,355</u> | <u>6,448,004</u> | <u>6,091,921</u> | <u>6,241,681</u> | <u>6,705,012</u> |
| 4,129,623 | 4,288,635 | 4,207,851 | 4,486,947 | 4,636,550 |
| 444,502 | 435,416 | 459,086 | 457,809 | 455,154 |
| <u>4,574,125</u> | <u>4,724,051</u> | <u>4,666,937</u> | <u>4,944,756</u> | <u>5,091,704</u> |
| <u>\$ 10,884,480</u> | <u>\$ 11,172,055</u> | <u>\$ 10,758,858</u> | <u>\$ 11,186,437</u> | <u>\$ 11,796,716</u> |
| \$ 17,374 | \$ 27,772 | \$ 61,063 | \$ 70,017 | \$ 35,030 |
| 275,953 | 323,136 | 309,515 | 325,953 | 339,991 |
| 370,217 | 126,626 | 154,797 | 122,527 | 20,572 |
| 5,445 | 17,124 | 14,280 | 16,630 | 7,857 |
| 62,087 | 30,949 | 20,865 | 32,744 | 223,971 |
| 963,491 | 2,013,667 | 1,000 | 262,258 | - |
| <u>1,694,567</u> | <u>2,539,274</u> | <u>561,520</u> | <u>830,129</u> | <u>627,421</u> |
| 3,153,315 | 3,836,944 | 4,432,549 | 5,657,062 | 5,263,550 |
| 494,465 | 510,248 | 557,623 | 559,007 | 541,434 |
| - | - | - | - | 503,138 |
| 881,966 | 974,396 | 94,075 | - | - |
| <u>4,529,746</u> | <u>5,321,588</u> | <u>5,084,247</u> | <u>6,216,069</u> | <u>6,308,122</u> |
| <u>\$ 6,224,313</u> | <u>\$ 7,860,862</u> | <u>\$ 5,645,767</u> | <u>\$ 7,046,198</u> | <u>\$ 6,935,543</u> |
| \$ (4,615,788) | \$ (3,908,730) | \$ (5,530,401) | \$ (5,411,552) | \$ (6,077,591) |
| (44,379) | 597,537 | 417,310 | 1,271,313 | 1,216,418 |
| <u>\$ (4,660,167)</u> | <u>\$ (3,311,193)</u> | <u>\$ (5,113,091)</u> | <u>\$ (4,140,239)</u> | <u>\$ (4,861,173)</u> |

City of Heath, Texas
CHANGES IN NET ASSETS (Continued)
Last Nine Fiscal Years (1)
(accrual basis of accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--------------------------------|---------------------|---------------------|----------------------|---------------------|
| General Revenues | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 2,343,186 | \$ 2,552,545 | \$ 2,750,401 | \$ 3,163,746 |
| Sales and other taxes | 454,065 | 553,424 | 651,212 | 678,808 |
| Franchise taxes | 277,621 | 293,995 | 508,640 | 259,663 |
| Alcoholic beverage taxes | 3,447 | 3,533 | 3,147 | 2,798 |
| Investment earnings | 12,832 | 53,469 | 248,428 | 278,568 |
| Other income | 15,686 | 274,792 | 14,984 | 27,552 |
| Gain (loss) on sale of assets | - | 64,034 | 1,141 | - |
| Special items | - | - | - | - |
| Transfers, net | - | - | - | - |
| Total governmental activities | <u>3,106,837</u> | <u>3,795,792</u> | <u>4,177,953</u> | <u>4,411,135</u> |
| Business-type activities: | | | | |
| Investment earnings | 67,941 | 167,088 | 39,961 | 110,018 |
| Other Income | 17,330 | 41,902 | 42,220 | 4,700 |
| Gain (loss) on sale of assets | - | - | - | - |
| Special items | - | - | - | - |
| Transfers, net | - | - | - | - |
| Total business-type activities | <u>85,271</u> | <u>208,990</u> | <u>82,181</u> | <u>114,718</u> |
| Total primary government | <u>\$ 3,192,108</u> | <u>\$ 4,004,782</u> | <u>\$ 4,260,134</u> | <u>\$ 4,525,853</u> |
| Change in Net Assets | | | | |
| Governmental activities | \$ (196,877) | \$ 1,545,745 | \$ 8,651,319 | \$ (612,729) |
| Business-type activities | 247,799 | 3,237,029 | 3,853,588 | (342,490) |
| Total primary government | <u>\$ 50,922</u> | <u>\$ 4,782,774</u> | <u>\$ 12,504,907</u> | <u>\$ (955,219)</u> |

Note: The City implemented GASB Statement 34 in fiscal year 2004.

(1) The requirement for statistical data is ten years; only nine years are available at this time.

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----|------------------|------------------|------------------|------------------|------------------|
| \$ | 3,514,859 | \$ 3,726,270 | \$ 3,797,959 | \$ 3,762,727 | \$ 3,764,144 |
| | 731,427 | 710,195 | 759,577 | 739,093 | 752,800 |
| | 387,143 | 444,648 | 406,495 | 483,349 | 498,209 |
| | 3,311 | 3,609 | 3,459 | 3,192 | 3,098 |
| | 394,001 | 112,500 | 35,500 | 37,129 | 11,577 |
| | 45,596 | 42,642 | 19,839 | 6,791 | 145,622 |
| | - | - | 2,461 | 58,354 | - |
| | - | - | - | 1,601,389 | - |
| | - | 85,494 | 47,200 | (1,659,610) | 40,000 |
| | <u>5,076,337</u> | <u>5,125,358</u> | <u>5,072,490</u> | <u>5,032,414</u> | <u>5,215,450</u> |
| | 157,476 | 51,708 | 16,259 | 33,578 | 7,677 |
| | 9,668 | 2,730 | 2,223 | 9,166 | - |
| | 7,060 | - | 1,381 | - | - |
| | - | - | - | (1,706,810) | - |
| | - | (85,494) | (47,200) | 1,659,610 | (40,000) |
| | <u>174,204</u> | <u>(31,056)</u> | <u>(27,337)</u> | <u>(4,456)</u> | <u>(32,323)</u> |
| \$ | <u>5,250,541</u> | <u>5,094,302</u> | <u>5,045,153</u> | <u>5,027,958</u> | <u>5,183,127</u> |
| \$ | 460,549 | \$ 1,216,628 | \$ (457,911) | \$ (379,138) | \$ (862,141) |
| | 129,825 | 566,481 | 389,973 | 1,266,857 | 1,184,095 |
| \$ | <u>590,374</u> | <u>1,783,109</u> | <u>(67,938)</u> | <u>887,719</u> | <u>321,954</u> |

City of Heath, Texas
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| General fund: | | | | |
| Reserved | \$ 22,578 | \$ 22,578 | \$ - | \$ 7,630 |
| Nonspendable | - | - | - | - |
| Committed | - | - | - | - |
| Unreserved | 1,771,908 | 1,819,613 | 2,410,935 | 2,715,760 |
| Unassigned | - | - | - | - |
| Total general fund | <u>\$ 1,794,486</u> | <u>\$ 1,842,191</u> | <u>\$ 2,410,935</u> | <u>\$ 2,723,390</u> |
| | | | | |
| All other governmental funds: | | | | |
| Reserved | \$ 863,021 | \$ 892,295 | \$ 884,251 | \$ 1,101,406 |
| Restricted | - | - | - | - |
| Unreserved, reported in: | | | | |
| Special revenue funds | 490,979 | 465,626 | 699,011 | 992,696 |
| Capital projects funds | 114,121 | 574,929 | 537,392 | 11,033 |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total all other governmental funds | <u>\$ 1,468,121</u> | <u>\$ 1,932,850</u> | <u>\$ 2,120,654</u> | <u>\$ 2,105,135</u> |

Note: The City implemented GASB Statement 54 in fiscal year 2011.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 9,816 | \$ 230,000 | \$ 9,132 | \$ 12,007 | \$ - | \$ - |
| - | - | - | - | - | 6,720 |
| - | - | - | - | 11,000 | 11,000 |
| 2,630,293 | 2,453,094 | 1,760,597 | 2,038,657 | - | - |
| - | - | - | - | 2,482,201 | 2,308,008 |
| <u>\$ 2,640,109</u> | <u>\$ 2,683,094</u> | <u>\$ 1,769,729</u> | <u>\$ 2,050,664</u> | <u>\$ 2,493,201</u> | <u>\$ 2,325,728</u> |

| | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,210,352 | \$ 919,619 | \$ 1,492,263 | \$ 1,224,566 | \$ - | \$ - |
| - | - | - | - | 5,491,603 | 5,555,525 |
| 1,333,917 | 1,725,133 | 1,653,512 | 1,948,523 | - | - |
| (1,272,997) | 6,194,274 | 4,359,876 | 4,077,618 | - | - |
| - | - | - | - | 92,758 | 104,849 |
| - | - | - | - | - | - |
| <u>\$ 1,271,272</u> | <u>\$ 8,839,026</u> | <u>\$ 7,505,651</u> | <u>\$ 7,250,707</u> | <u>\$ 5,584,361</u> | <u>\$ 5,660,374</u> |

City of Heath, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 |
|--|---------------------|--------------------|-------------------|-------------------|
| Revenues | | | | |
| Taxes | \$ 2,775,416 | \$ 3,083,909 | \$ 3,379,276 | \$ 3,863,094 |
| Licenses and permits | 107,406 | 176,691 | 277,728 | 287,814 |
| Intergovernmental | 80,625 | 143,001 | 103,344 | 119,913 |
| Charges for services | 11,091 | 25,034 | 80,168 | 49,073 |
| Fines and forfeitures | 42,273 | 107,945 | 69,256 | 97,706 |
| Special assessments | 171,113 | 99,501 | 57,329 | 112,192 |
| Investment income | 110,479 | 38,131 | 61,054 | 276,374 |
| Other revenue | 68,940 | 30,801 | 351,840 | 183,052 |
| Total Revenues | 3,367,343 | 3,705,013 | 4,379,995 | 4,989,218 |
| Expenditures | | | | |
| Administration | 735,625 | 742,783 | 814,557 | 1,074,008 |
| Highways and streets | 166,556 | 298,689 | 189,084 | 273,730 |
| Parks | 98,803 | 211,830 | 175,002 | 149,324 |
| Engineering and building inspection | 91,320 | 96,980 | 176,990 | 300,154 |
| Municipal court | 73,265 | 143,435 | 104,567 | 112,883 |
| Public safety | 1,081,659 | 1,822,866 | 1,613,067 | 1,674,692 |
| Economic development | 18,734 | 126,508 | 2,698 | 227 |
| Economic opportunity | 18,042 | 126,500 | 2,998 | 127 |
| Debt service | | | | |
| Principal | 266,365 | 290,074 | 296,959 | 277,783 |
| Interest | 193,964 | 161,250 | 238,750 | 271,250 |
| Bond issuance costs | - | - | - | - |
| Capital outlay | 1,372,784 | 1,690,017 | 72,809 | 559,245 |
| Total Expenditures | 4,117,117 | 5,710,932 | 3,687,481 | 4,693,423 |
| Revenues over (under) expenditures | (749,774) | (2,005,919) | 692,514 | 295,795 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| Sale of capital assets | - | - | - | - |
| Discount on bonds issued | - | - | - | - |
| Premium on bonds issued | - | - | - | - |
| Debt issued | - | 4,025,000 | - | - |
| Payment to refunded bond escrow agent | - | (1,881,087) | - | - |
| Total other financing sources | - | 2,143,913 | - | - |
| Special items | - | - | - | - |
| Net Change in Fund Balances | \$ (749,774) | \$ 137,994 | \$ 692,514 | \$ 295,795 |
| Ratio of total debt service expenditures to noncapital expenditures | 20.15% | 12.64% | 17.40% | 15.31% |

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----|------------------|---------------------|-----------------------|------------------|-----------------------|--------------------|
| \$ | 4,194,544 | \$ 4,665,869 | \$ 4,847,760 | \$ 5,015,072 | \$ 4,946,164 | \$ 4,997,248 |
| | 242,760 | 376,404 | 129,832 | 160,568 | 133,627 | 247,002 |
| | 183,249 | 237,935 | 735,123 | 240,290 | 246,703 | 223,971 |
| | 111,828 | 25,776 | 69,779 | 94,694 | 98,495 | 105,415 |
| | 63,711 | 47,842 | 56,907 | 43,467 | 52,107 | 39,016 |
| | 42,455 | 15,499 | 25,267 | 19,219 | 13,611 | 11,284 |
| | 288,311 | 397,653 | 121,090 | 50,204 | 48,356 | 11,577 |
| | 295,332 | 220,193 | 637,078 | 43,171 | 300,225 | 140,650 |
| | <u>5,422,190</u> | <u>5,987,171</u> | <u>6,622,836</u> | <u>5,666,685</u> | <u>5,839,288</u> | <u>5,776,163</u> |
| | 1,110,994 | 1,112,099 | 965,693 | 868,210 | 925,233 | 940,172 |
| | 753,069 | 385,222 | 257,256 | 592,398 | 310,584 | 307,928 |
| | 241,029 | 174,385 | 78,711 | 133,050 | 189,515 | 133,073 |
| | 330,352 | 464,099 | 404,487 | 429,663 | 354,838 | 399,720 |
| | 98,849 | 82,268 | 89,384 | 84,535 | 86,400 | 61,577 |
| | 1,884,376 | 2,140,221 | 2,544,061 | 2,215,536 | 2,648,686 | 2,275,336 |
| | - | 12,984 | 355,286 | 5,146 | 6,620 | 67,345 |
| | 5,000 | 6,202 | 8,119 | 4,258 | 3,809 | 2,857 |
| | 355,060 | 577,938 | 608,947 | 617,745 | 533,864 | 789,852 |
| | 271,074 | 704,191 | 712,808 | 739,814 | 798,546 | 428,911 |
| | - | 102,771 | - | - | 32,230 | - |
| | 1,289,531 | 1,038,444 | 3,151,084 | - | - | 500,852 |
| | <u>6,339,334</u> | <u>6,800,824</u> | <u>9,175,836</u> | <u>5,690,355</u> | <u>5,890,325</u> | <u>5,907,623</u> |
| | (917,144) | (813,653) | (2,553,000) | (23,670) | (51,037) | (131,460) |
| | - | 263,278 | 1,379,045 | 334,052 | 93,083 | 40,000 |
| | - | (263,278) | (1,370,138) | (286,852) | (1,752,693) | - |
| | - | - | - | 2,461 | 58,883 | - |
| | - | (130,093) | - | - | (15,723) | - |
| | - | 162,116 | - | - | 163,962 | - |
| | - | 8,392,369 | 297,353 | - | 2,536,500 | - |
| | - | - | - | - | (2,343,654) | - |
| | - | <u>8,424,392</u> | <u>306,260</u> | <u>49,661</u> | <u>(1,259,642)</u> | <u>40,000</u> |
| | - | - | - | - | (105,421) | - |
| \$ | <u>(917,144)</u> | <u>\$ 7,610,739</u> | <u>\$ (2,246,740)</u> | <u>\$ 25,991</u> | <u>\$ (1,416,100)</u> | <u>\$ (91,460)</u> |
| | 14.15% | 31.64% | 28.10% | 31.33% | 30.15% | 29.10% |

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City of Heath, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Less: Tax Exempt Property</u> | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|--------------------|----------------------|--------------------------|----------------------------------|-------------------------------------|------------------------------|
| 2003 | \$ 609,878,388 | \$ 36,071,160 | \$ 27,015,200 | \$ 618,934,348 | \$ 0.34330 |
| 2004 | 670,218,413 | 28,322,693 | 28,379,577 | 670,161,529 | 0.34330 |
| 2005 | 744,970,755 | 34,460,535 | 47,628,791 | 731,802,499 | 0.34330 |
| 2006 | 799,418,375 | 32,284,758 | 41,044,841 | 790,658,292 | 0.34330 |
| 2007 | 909,186,855 | 44,590,348 | 48,309,901 | 905,467,302 | 0.34330 |
| 2008 | 1,038,154,247 | 17,273,990 | 55,003,800 | 1,000,424,437 | 0.34330 |
| 2009 | 1,114,604,499 | 19,412,750 | 62,190,500 | 1,071,826,749 | 0.34330 |
| 2010 | 1,144,155,185 | 22,176,080 | 64,807,080 | 1,101,524,185 | 0.34330 |
| 2011 | 1,174,590,968 | 18,462,161 | 103,811,640 | 1,089,241,489 | 0.34330 |
| 2012 | 1,175,437,703 | 18,660,011 | 106,808,230 | 1,087,289,484 | 0.34330 |

Note: Tax rates per \$100 of assessed valuation.

Source: City of Heath Budget Document.

Rockwall Central Appraisal Districts.

City of Heath, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|----------------|----------------|----------------|----------------|
| Direct Rates: | | | | |
| City of Heath - Operating | 0.28360 | 0.29110 | 0.28640 | 0.27280 |
| City of Heath - Debt Service | 0.05970 | 0.05220 | 0.05690 | 0.07050 |
| Total Direct Rate | <u>0.34330</u> | <u>0.34330</u> | <u>0.34330</u> | <u>0.34330</u> |
| Overlapping Rates: | | | | |
| Rockwall Independent School District | 1.83720 | 1.88000 | 1.88000 | 1.71000 |
| Rockwall County | 0.35340 | 0.35340 | 0.35070 | 0.35070 |
| Kaufman County | 0.55559 | 0.58930 | 0.54270 | 0.53770 |
| Total Direct and Overlapping Rates | <u>3.0895</u> | <u>3.1660</u> | <u>3.1167</u> | <u>2.9417</u> |

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 0.27860 | 0.27860 | 0.27860 | 0.27860 | 0.27860 | 0.26360 |
| 0.06470 | 0.06470 | 0.06470 | 0.06470 | 0.06470 | 0.07970 |
| <u>0.34330</u> | <u>0.34330</u> | <u>0.34330</u> | <u>0.34330</u> | <u>0.34330</u> | <u>0.34330</u> |
| 1.47000 | 1.47000 | 1.47000 | 1.47000 | 1.47000 | 1.47000 |
| 0.35070 | 0.35000 | 0.37500 | 0.37500 | 0.38640 | 0.38640 |
| 0.56220 | 0.56150 | 0.55650 | 0.55650 | 0.55650 | 0.55650 |
| <u>2.7262</u> | <u>2.7248</u> | <u>2.7448</u> | <u>2.7448</u> | <u>2.7562</u> | <u>2.7562</u> |

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City of Heath, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

| Property Tax Payer | 2012 | | | 2003 | | |
|---------------------------------|-------------------------|------|-----------------------------|------------------------|------|-----------------------------|
| | Taxable Assessed Value | Rank | % of Taxable Assessed Value | Taxable Assessed Value | Rank | % of Taxable Assessed Value |
| Rainer Baylor Medical | \$ 6,032,450 | 1 | 0.555% | \$ - | N/A | - |
| Oncor Electric Delivery Co | 5,523,300 | 2 | 0.508% | 4,292,410 | 2 | - |
| BC Golf LTD | 4,165,376 | 3 | 0.383% | 3,319,720 | 3 | - |
| Paolucci, Raymond J | 3,323,840 | 4 | 0.306% | - | N/A | - |
| Whittle Development Inc | 3,208,400 | 5 | 0.295% | 11,426,690 | 1 | - |
| TR Heath Partners Ltd | 2,771,630 | 6 | 0.255% | - | N/A | - |
| Kirwan, David & Patricia | 2,540,140 | 7 | 0.234% | 1,470,770 | 10 | - |
| Corona Resources Ltd | 2,424,140 | 8 | 0.223% | - | N/A | - |
| Knowlton, Larry & Tricia | 2,313,300 | 9 | 0.213% | - | N/A | - |
| Kelldorf, Mark S | 2,139,000 | 10 | 0.197% | - | N/A | - |
| United Texas Bank | - | n/a | - | 2,769,870 | 4 | 0.448% |
| Cross, Diana I & David Alan | - | n/a | - | 2,376,350 | 5 | 0.384% |
| Whittle, Robert S Etux | - | n/a | - | 2,351,270 | 6 | 0.380% |
| Lighthouse Private School | - | n/a | - | 2,189,008 | 7 | 0.354% |
| Syvruud, James P & Mary Jean | - | n/a | - | 1,866,100 | 8 | 0.302% |
| Muns, Gregg & Laurie | - | n/a | - | 1,499,060 | 9 | 0.242% |
| Total | \$ 34,441,576 | | 3.17% | \$ 33,561,248 | | 2.11% |
| Total Assessed Valuation | \$ 1,087,289,484 | | 100% | \$ 618,934,348 | | 100% |

Source: Tax Office.

Note: Property is assessed as of January 1 and certified to the City by July 25 for taxable values.

City of Heath, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|--------------|--------------|--------------|--------------|
| Tax levy | \$ 2,134,989 | \$ 2,306,058 | \$ 2,517,346 | \$ 2,728,576 |
| Current tax collected | \$ 2,101,209 | \$ 2,294,190 | \$ 2,498,756 | \$ 2,688,666 |
| Percent of current tax collections | 98.42% | 99.49% | 99.26% | 98.54% |
| Delinquent tax collections | \$ 33,142 | \$ 11,132 | \$ 15,295 | \$ 39,080 |
| Total tax collections | \$ 2,134,351 | \$ 2,305,322 | \$ 2,514,051 | \$ 2,727,746 |
| Total collections as a percentage of levy | 100% | 100% | 100% | 100% |

Source: Rockwall Central Appraisal District

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 3,113,532 | \$ 3,436,291 | \$ 3,687,280 | \$ 3,773,230 | \$ 3,738,632 | \$ 3,732,665 |
| \$ 3,021,159 | \$ 3,373,108 | \$ 3,603,302 | \$ 3,709,041 | \$ 3,673,075 | \$ 3,678,479 |
| 97.03% | 98.16% | 97.72% | 98.30% | 98.25% | 98.5% |
| \$ 92,019 | \$ 62,460 | \$ 51,713 | \$ 24,270 | \$ 26,220 | \$ - |
| \$ 3,113,178 | \$ 3,435,568 | \$ 3,655,015 | \$ 3,733,311 | \$ 3,699,295 | \$ 3,678,479 |
| 100% | 100% | 99.1% | 98.9% | 98.9% | 98.5% |

City of Heath, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Years

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|-----------------------------------|----------------------|-------------------|-------------------|-------------------|
| Governmental activities: | | | | |
| General Obligation Bonds | \$ 730,000 | \$ 2,565,000 | \$ 2,495,000 | \$ 2,340,000 |
| Certificates of Obligation | 4,203,750 | 4,427,500 | 4,258,750 | 4,142,500 |
| Capital Leases | - | - | - | - |
| Notes Payable | - | - | - | - |
| Business-type activities: | | | | |
| General Obligation Bonds | 1,960,000 | - | 1,006,566 | 973,236 |
| Certificates of Obligation | 6,641,250 | 8,112,500 | 7,831,250 | 7,532,500 |
| Total primary government | <u>\$ 13,535,000</u> | <u>15,105,000</u> | <u>15,591,566</u> | <u>14,988,236</u> |
| Percentage of personal income (1) | 5.10% | 5.53% | 5.41% | 4.75% |
| Per capita (1) | \$ 1,326 | \$ 1,307 | \$ 1,374 | \$ 1,207 |

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

(1) Personal income and population data is disclosed on page 108.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 2,175,000 | \$ 2,005,000 | \$ 1,830,000 | \$ 1,625,000 | \$ 2,955,000 | \$ 2,530,000 |
| 4,004,750 | 11,915,285 | 11,457,516 | 10,987,884 | 7,176,457 | 6,888,508 |
| - | - | - | - | 251,263 | 202,684 |
| - | - | 271,534 | 244,052 | 216,607 | 188,258 |
| 939,906 | 904,910 | 868,246 | 829,917 | 789,921 | 748,333 |
| 7,221,250 | 11,754,715 | 11,252,484 | 10,732,116 | 11,658,542 | 10,986,492 |
| <u>14,340,906</u> | <u>26,579,910</u> | <u>25,679,780</u> | <u>24,418,969</u> | <u>23,047,790</u> | <u>21,544,275</u> |
| 4.42% | 7.57% | 7.04% | 6.46% | 5.51% | 4.79% |
| \$ 1,121 | \$ 2,156 | \$ 2,094 | \$ 1,978 | \$ 1,641 | \$ 1,495 |

City of Heath, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

| | 2003 | 2004 | 2005 | 2006 |
|---|----------------|----------------|----------------|----------------|
| NET TAXABLE ASSESSED VALUE | | | | |
| All property | \$ 618,934,348 | \$ 670,161,529 | \$ 731,802,499 | \$ 790,658,292 |
| NET BONDED DEBT (1) | | | | |
| Gross bonded debt | 6,893,750 | 6,992,500 | 7,760,316 | 7,455,736 |
| Less debt service funds | - | - | - | - |
| Net Bonded Debt | \$ 6,893,750 | \$ 6,992,500 | \$ 7,760,316 | \$ 7,455,736 |
| RATIO OF NET BONDED DEBT TO ASSESSED VALUE | 1.11% | 1.04% | 1.06% | 0.94% |
| POPULATION | 5,200 | 5,350 | 5,650 | 6,177 |
| NET BONDED DEBT PER CAPITA | \$ 1,326 | \$ 1,307 | \$ 1,374 | \$ 1,207 |

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

(1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 905,467,302 | \$ 1,000,424,437 | \$ 1,071,826,749 | \$ 1,101,524,185 | \$ 1,089,241,489 | \$ 1,087,289,484 |
| 7,119,656 | 14,825,195 | 14,155,762 | 13,442,801 | 10,921,378 | 10,166,841 |
| - | - | - | - | - | - |
| <u>\$ 7,119,656</u> | <u>\$ 14,825,195</u> | <u>\$ 14,155,762</u> | <u>\$ 13,442,801</u> | <u>\$ 10,921,378</u> | <u>\$ 10,166,841</u> |
| 0.79% | 1.48% | 1.32% | 1.22% | 1.00% | 0.94% |
| 6,350 | 6,875 | 6,890 | 6,921 | 6,940 | 7,060 |
| \$ 1,121 | \$ 2,156 | \$ 2,055 | \$ 1,942 | \$ 1,574 | 1,440 |

City of Heath, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2012

| <u>Governmental Unit</u> | <u>Net Bonded Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|--|--|--|
| Debt repaid with property taxes | | | |
| Rockwall Independent School District | \$ 411,797,589 | 16.28% | \$ 67,040,647 |
| Rockwall County | 69,920,000 | 17.28% | 12,082,176 |
| Kaufman County | 15,500,000 | 20.50% | 3,177,500 |
| Subtotal, overlapping debt | | | 82,300,323 |
| City direct debt | | | <u>21,544,275</u> |
| Total direct and overlapping debt | | | <u><u>\$ 103,844,598</u></u> |

Sources: Rockwall ISD, Rockwall County, Kaufman County

City of Heath, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| <u>Year</u> | <u>Estimated Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income</u> | <u>School Enrollment</u> | <u>Unemployment Rate</u> |
|-------------|---------------------------------|----------------------------|---|------------------------------|------------------------------|
| | | | | Rockwall ISD | Rockwall County |
| 2003 | 5,200 | 265,454,800 | 25,530 | 1,985 | 5.9% |
| 2004 | 5,350 | 273,112,150 | 25,530 | 2,117 | 5.3% |
| 2005 | 5,650 | 288,426,850 | 25,530 | 2,083 | 3.8% |
| 2006 | 6,177 | 315,329,673 | 25,530 | 3,116 | 4.5% |
| 2007 | 6,350 | 324,161,150 | 25,530 | 3,696 | 4.0% |
| 2008 | 6,875 | 350,961,875 | 25,530 | 4,163 | 4.0% |
| 2009 | 6,890 | 364,997,750 | 25,530 | 4,271 | 4.8% |
| 2010 | 6,921 | 377,762,022 | 25,530 | 4,313 | 6.7% |
| 2011 | 6,940 | 418,044,780 | 25,530 | 4,235 | 7.2% |
| 2012 | 7,060 | 449,778,480 | 25,530 | 4,294 | 5.5% |

Sources: Estimated population provided by the State Department of Planning.
Per Capita Income provided by the State Department of Commerce and Labor.
Rockwall Independent School District
Unemployment information provided by the data.bls.gov

City of Heath, Texas
PRINCIPAL EMPLOYERS
Current Fiscal Year and Nine Years Ago

| Employer | 2012 | | | 2003 | | |
|---------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Rockwall ISD | 1,365 | 1 | 7.31% | 1,100 | 1 | 7.53% |
| Lake Pointe Medical Center | 700 | 2 | 3.75% | n/a | n/a | n/a |
| Texas Star Express | 484 | 3 | 2.59% | 200 | 6 | 1.37% |
| Wal-Mart Superstore | 450 | 4 | 2.41% | 450 | 2 | 3.08% |
| County of Rockwall | 253 | 5 | 1.35% | n/a | n/a | n/a |
| City of Rockwall | 205 | 6 | 1.10% | 182 | 8 | 0.00% |
| Special Products & Manufacturir | 205 | 7 | 1.10% | n/a | n/a | n/a |
| Target | 200 | 8 | 1.07% | n/a | n/a | n/a |
| Rockwall Nursing Home | 160 | 9 | 0.86% | 150 | 9 | 1.03% |
| Kohl's Department Store | 140 | 10 | 0.75% | n/a | n/a | n/a |
| Continental Express | - | n/a | - | 225 | 3 | 1.54% |
| Amphenol PCM | - | n/a | - | 200 | 4 | 1.37% |
| James Helwig & Son | - | n/a | - | 200 | 5 | 1.37% |
| GE Digital Energy | - | n/a | - | 200 | 7 | 1.37% |
| Target | - | n/a | - | 150 | 10 | 1.03% |
| Total | 4,162 | | 22% | 3,057 | | 20% |

Source: Top ten employers and employee count provided by Rockwall Economic Development Corporation.

City of Heath, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

| <u>Function/Program</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government and administration | 7 | 7 | 7 | 6 | 6.5 | 7.5 | 7.5 | 5.5 | 5.5 | 5.5 |
| Public safety | 14 | 14 | 15 | 14 | 16 | 20 | 21 | 19 | 19 | 19 |
| Public works | 4 | 4 | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 4 |
| Culture and recreation | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water and sewer | 1 | 1 | 1 | 10 | 11 | 11 | 11 | 9 | 9 | 9 |
| Total | <u>27</u> | <u>27</u> | <u>28</u> | <u>37</u> | <u>40</u> | <u>46</u> | <u>47</u> | <u>40</u> | <u>41</u> | <u>39</u> |

Sources: Various City departments.

City of Heath, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

| Function/Program | 2003 | 2004 | 2005 | 2006 |
|--|------|------|------|--------|
| General government | | | | |
| Building permits issued | - | - | - | 106 |
| Building inspections conducted | - | - | - | 905 |
| Public safety | | | | |
| Police | | | | |
| Physical arrests | - | - | - | 80 |
| Burglary | - | - | - | 23 |
| Robbery | - | - | - | 1 |
| Theft | - | - | - | 82 |
| Traffic violations | - | - | - | 112 |
| Fire | | | | |
| Emergency responses | - | - | - | 151 |
| Fires extinguished | - | - | - | 6 |
| Inspections | - | - | - | 24 |
| Public works | | | | |
| Streets (feet) | - | - | - | 57,200 |
| Potholes repaired | - | - | - | 750 |
| Water | | | | |
| New connections | - | - | - | 198 |
| Average annual consumption (thousands of gallons) | - | - | - | 575 |
| Wastewater | | | | |
| Average daily sewage treatment (thousands of gallons) | - | - | - | - |

Sources: Various City departments.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 142 | 99 | 40 | 35 | 31 | 47 |
| 597 | 698 | 800 | 721 | 721 | 921 |
| 84 | 53 | 58 | 43 | 22 | 168 |
| 23 | 38 | 14 | 32 | 16 | 24 |
| - | - | - | - | - | 1 |
| 82 | 54 | 48 | 50 | 31 | 82 |
| 170 | 189 | 147 | 185 | 303 | 330 |
| 253 | 316 | 149 | 210 | 225 | 173 |
| 9 | 9 | 7 | 10 | 25 | 11 |
| 30 | 48 | 52 | 60 | 60 | 52 |
| 6,936 | 103,400 | 88,000 | 270,000 | - | - |
| 770 | 800 | 800 | 800 | 800 | 800 |
| 171 | 174 | 126 | 90 | 94 | 103 |
| 402 | 460 | 460 | 440 | 491 | 487 |
| 317 | 317 | 350 | 390 | 312 | 377 |

City of Heath, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

| Function/Program | 2003 | 2004 | 2005 | 2006 |
|---------------------------|------|------|------|------|
| Public safety | | | | |
| Police stations | - | - | - | 1 |
| Police patrol units | - | - | - | 12 |
| Fire engines | - | - | - | 3 |
| Public works | | | | |
| Streets (miles) | - | - | - | 146 |
| Cultural and recreational | | | | |
| Acreage | - | - | - | 71 |
| Playgrounds (1) | - | - | - | 1 |
| Baseball/Softball fields | - | - | - | 1 |
| Soccer/Football fields | | | | 3 |
| Community centers | - | - | - | 1 |
| Water and sewer | | | | |
| Water mains (miles) | - | - | - | 50 |
| Fire hydrants | - | - | - | 143 |
| Wastewater | | | | |
| Sanitary sewers (miles) | - | - | - | 61 |
| Storm sewers (miles) | - | - | - | 12 |

Sources: Various City departments.

(1) Does not include HOA playgrounds.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 12 | 12 | 12 | 12 | 12 | 12 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 146 | 146 | 175 | 175 | 175 | 175 |
| 71 | 71 | 71 | 94 | 94 | 94 |
| 1 | 1 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 50 | 50 | 52 | 52 | 54 | 54 |
| 163 | 183 | 199 | 199 | 223 | 223 |
| 61 | 61 | 61 | 61 | 61 | 61 |
| 12 | 12 | 12 | 12 | 14 | 14 |

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