



## **CITY OF HEATH, TEXAS**

**Comprehensive Financial Annual Report  
For the year ended September 30, 2018**

*Prepared by the Finance Department*



# City of Heath, Texas

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September 30, 2018

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## *INTRODUCTORY SECTION*





March 20, 2019

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, 2018. 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, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that 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 Watson and Company, PLLC issued an unqualified opinion on the City of Heath's financial statements for the year ended September 30, 2018. 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 to the Dallas/Fort Worth Metroplex. The City is primarily a residential community of premier neighborhoods with open green spaces, parks and trails. Within the guidelines set forth in the City's 2018 Comprehensive Master Plan, the City Council and the Economic Development Corporation continue to pursue and promote development in the City of Heath.

The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates

under a Council-Manager form of government. As a Home Rule City, 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. North Texas Municipal Water District (NTMWD) provides water to the City of Rockwall who, in turn, provides water to the City of Heath. Sewage treatment is provided by NTMWD and Progressive Waste Solutions of Texas, Inc. provides sanitation collection.

### **ECONOMIC CONDITION AND OUTLOOK**

According to the Federal Reserve Bank of Dallas’ Regional Economic Update published February 1, 2019, “The Texas economy experienced another downshift in growth over the last two months, although the level of activity remains strong. Job growth decelerated slightly in the fourth quarter, and the Dallas Fed’s Texas Business Outlook Surveys (TBOS) suggest a slowing in output growth in December and January....While Texas economic activity remains robust, a broadbased deceleration was seen in December and January across the manufacturing, services and retail sectors. The latest data from TBOS show notable declines in the production and revenue indexes. While these indexes are roughly in line with the postrecession averages, the recent declines point to slowing output growth from 2018 levels.... The housing market appears to be slowing from elevated levels in 2018. Texas home sales began to wane in the second half of 2018, and single-family housing permits fell off sharply in October. Construction and real estate contacts expect flat housing starts and home sales in 2019 and further deceleration in house price appreciation. Builders report several headwinds to affordability, including elevated land, labor and construction costs.”

The City’s Fiscal Year 2018 Assessed Value increased \$129M, or 9.08%, over the Fiscal Year 2017 Assessed Value. This is the fifth consecutive year Assessed Values increased over the prior year. The City realized 8.4% growth in the number of residential permits and 12.2% growth in the value of residential permits issued during 2018. Sales Tax Revenue increased, for the seventh consecutive year, \$28,764 in Fiscal Year 2018. The increase in sales tax was spread across several economic categories with Service and Retail showing the most growth. Franchise revenue was up \$12,966 compared to the prior year. All of these indicators point to growth and a healthy economy in the City of Heath.

Economic Indicators					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Assessed Value	\$1,132,098,307	\$1,206,213,463	\$1,265,527,171	\$1,415,482,474	\$1,544,010,760
Residential Permits	71	79	116	131	142
Sales Tax Revenue	\$497,230	\$528,323	\$575,556	\$587,609	\$616,373
Franchise Fees	\$525,783	\$561,488	\$553,374	\$549,402	\$562,368

Projections based on future residential development played a key role during the 2019 budget process. Council reduced the tax rate while maintaining services and adding public safety officers. Base water rates remained unchanged and volume rates were increased by 14 cents to offset the increase in the cost of purchased water. Rates for sewer treatment and sanitation remained unchanged. Healthy fund balances were maintained in both the General Fund and the Utility Fund.



The City completed the following capital improvement projects during Fiscal Year 2018: Heathland Crossing; Rabbit Ridge – Horizon Road; Craig - Drew Street and Sanitary Sewer Repair; 12” Water Line on Jeff Boyd; and the Purchase of Forney Lake Infrastructure. The City is committed to completing the Capital Improvement Program projects in a timely manner.

## **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 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](http://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. Allocation of property tax levy by purpose for Fiscal Year 2018 is \$.270086 for maintenance and operations and \$.147225 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 Watson 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, 2017. This was the ninth 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 period beginning October 1, 2017. 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. I would like to express sincere appreciation to all employees who contributed to its preparation.

I 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,



Bill Shipp  
Interim City Manager



Laurie Mays  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

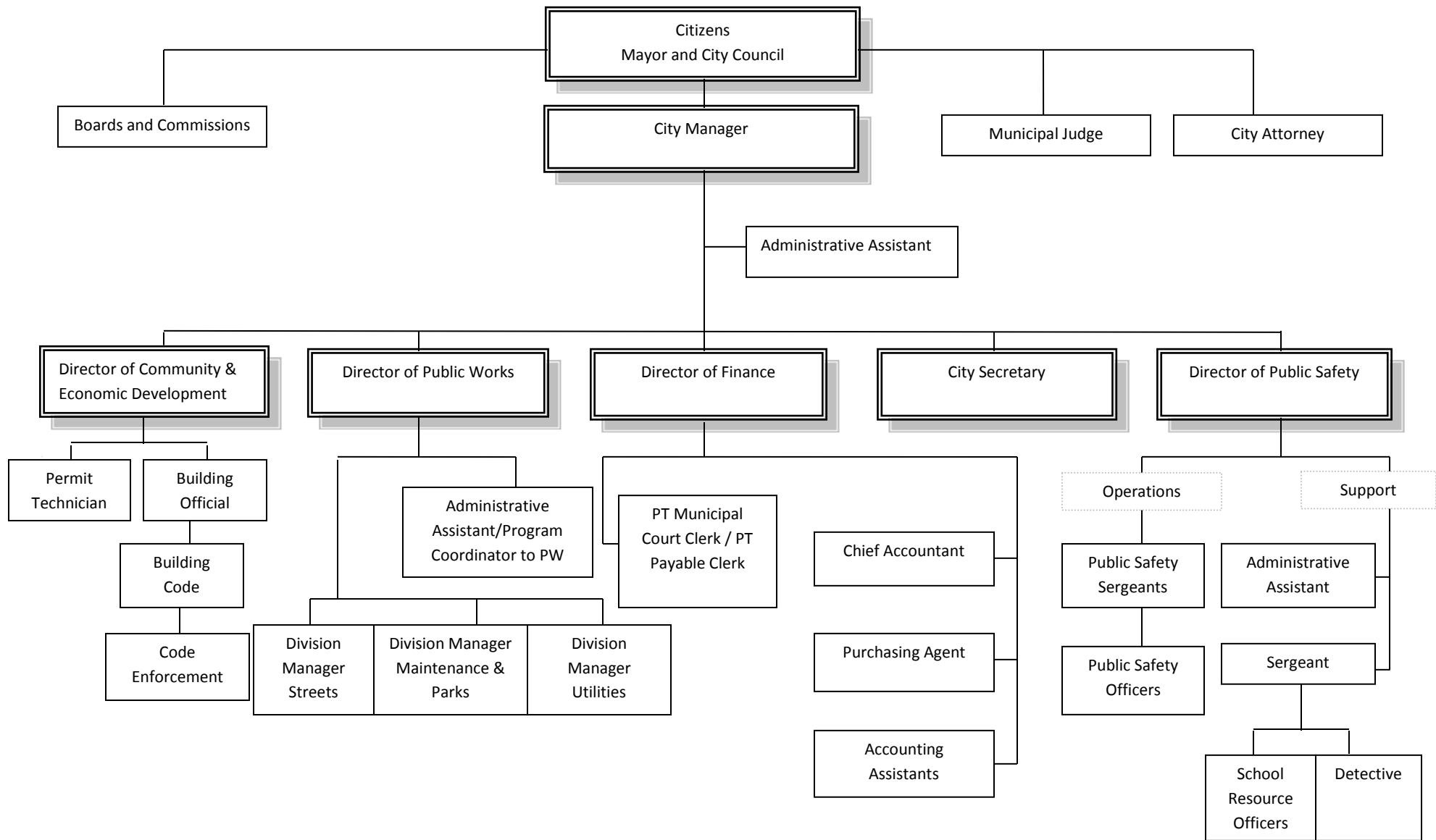
**City of Heath  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



Revised 10/01/2017

# City of Heath, Texas

## *PRINCIPAL OFFICIALS*

September 30, 2018

### **CITY COUNCIL**

Kelson Elam, Mayor

Rich Krause, Mayor Pro Tem

Frank New, Council Member, Place 1

Brent Weaver, Council Member, Place 4

Paul Ruffo, Council Member, Place 2

John Beaman, Council Member, Place 6

Donna Rolater, Council Member, Place 3

### **CITY STAFF**

Ed Thatcher, City Manager

Andy Messer, City Attorney

Norma Duncan, City Secretary

David Herbert, Public Works

Terry Garrett, Department of Public Safety

Kevin Lasher Community Development

Roy Stacy, Municipal Court Judge

Laurie Mays, Finance

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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:

### **Report on the Financial Statements**

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

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

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the City as of September 30, 2018 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note V.K. to the financial statements, the City has restated beginning fund balance/net position within governmental and business-type activities due to the implementation of GASB No. 75 and accounting errors.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The items listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in cursive script that reads "Brooks Watson & Co.".

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
March 20, 2019

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*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*

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# City of Heath, Texas

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

### September 30, 2018

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, 2018. 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 position) at September 30, 2018 by \$65,661,276. Of this amount, \$53,135,853 (net investment in capital assets) has been invested in the City's infrastructure, buildings, and other assets.
- The City's total net position increased by \$3,376,600. The majority of the City's net position is either invested in capital assets or restricted for specific purposes. The increase is primarily related to the City's current year investment in capital assets.
- The City's governmental funds reported combined ending fund balances of \$18,627,477 at September 30, 2018, a decrease of \$558,979 from the prior fiscal year; this includes a decrease of \$1,190,678 in the capital improvement fund, a decrease of \$86,936 in the debt service fund, and an increase of \$740,737 in the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$3,263,277 or 51% of total general fund expenditures.
- The City's outstanding bonds payable demonstrated a net decrease of \$2,243,328. The total bonds payable at the close of the fiscal year was \$49,853,390, including self-supporting debt of the proprietary fund which was \$23,598,390.

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

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

#### **Government-Wide Statements**

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

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve

# City of Heath, Texas

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

September 30, 2018

as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses 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 discretely presented component units Heath Economic Development Corporation (HEDC) and Health Municipal Benefits Corporation (HMBC), for which the City is also financially accountable. The government-wide financial statements also include the Club Municipal Management District (Club MMD), a discretely presented component unit, formed to facilitate the construction and continued maintenance of a quality mix-use residential and commercial development to benefit the city residence. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### **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, 2018

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 four 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 improvements fund, which are considered to be major funds. The City's public safety fund is 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 funds. *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.

### **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.

# City of Heath, Texas

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

September 30, 2018

### Component Units

The City maintains the accounting and financial statements for two component units, the Heath Economic Development Corporation (EDC) and the Heath Municipal Benefits Corporation (MBC). The EDC and MBC are reported as discretely presented component units. The Club Municipal Management District is also a discretely presented component unit, in which the City does not maintain financial statements. The City of Heath Municipal Management District is governed by a board of directors appointed, at will, by the City Council.

### 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 position may serve over time as a useful indicator of the City's financial position. For the City of Heath, assets exceed liabilities by \$65,661,276 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$53,135,853, 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, 2018**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 19,959,189	\$ 19,139,453	\$ 39,098,642	\$ 21,229,383	\$ 22,567,533	\$ 43,796,916
Capital assets, net	44,021,383	38,906,590	82,927,973	43,283,376	34,574,677	77,858,053
<b>Total Assets</b>	<b>63,980,572</b>	<b>58,046,043</b>	<b>122,026,615</b>	<b>64,512,759</b>	<b>57,142,210</b>	<b>121,654,969</b>
<b>Total</b>						
<b>Deferred Outflows</b>	561,343	87,114	648,457	960,490	110,254	1,070,744
Other liabilities	2,806,284	2,707,195	5,513,479	3,571,304	2,203,595	5,774,899
Long-term liabilities	27,184,214	24,047,197	51,231,411	29,223,862	25,442,276	54,666,138
<b>Total Liabilities</b>	<b>29,990,498</b>	<b>26,754,392</b>	<b>56,744,890</b>	<b>32,795,166</b>	<b>27,645,871</b>	<b>60,441,037</b>
<b>Total</b>						
<b>Deferred Inflows</b>	258,150	10,756	268,906	-	-	-
Net Position:						
Net investment in capital assets	29,968,936	23,166,917	53,135,853	27,408,643	23,267,682	50,676,325
Restricted	3,342,274	-	3,342,274	2,958,896	-	2,958,896
Unrestricted	982,057	8,201,092	9,183,149	2,310,544	6,338,911	8,649,455
<b>Total Net Position</b>	<b>\$ 34,293,267</b>	<b>\$ 31,368,009</b>	<b>\$ 65,661,276</b>	<b>\$ 32,678,083</b>	<b>\$ 29,606,593</b>	<b>\$ 62,284,676</b>

Total city-wide current assets decreased \$4,698,274. The decrease is a direct result of declining cash on hand, as the City is continuing to spend available funds on infrastructure investments and is paying off outstanding debt. Capital assets and long-term liabilities have increased and decreased, respectively, as a result of the City's use of monetary funds.

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

**Statement of Activities:**

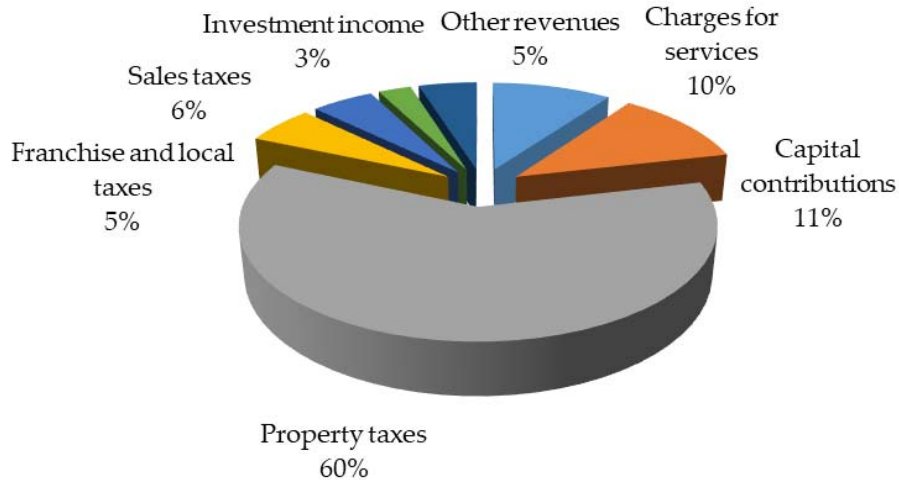
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,077,155	\$ 9,420,637	\$ 10,497,792	\$ 759,919	\$ 8,886,078	\$ 9,645,997
Operating grants	296,672	-	296,672	286,399	-	286,399
Capital contributions	1,244,094	347,540	1,591,634	2,493,945	1,129,806	3,623,751
General revenues:						
Property taxes	6,521,177	-	6,521,177	5,932,234	-	5,932,234
Sales taxes	623,483	-	623,483	594,959	-	594,959
Franchise and local taxes	562,368	-	562,368	546,606	-	546,606
Investment income	297,294	281,905	579,199	145,553	107,595	253,148
Other revenues	229,469	-	229,469	669,395	-	669,395
<b>Total Revenues</b>	<b>10,851,712</b>	<b>10,050,082</b>	<b>20,901,794</b>	<b>11,429,010</b>	<b>10,123,479</b>	<b>21,552,489</b>
<b>Expenses</b>						
General government	1,428,893	-	1,428,893	1,419,003	-	1,419,003
Public safety	3,431,047	-	3,431,047	3,418,938	-	3,418,938
Public works	2,471,864	-	2,471,864	2,537,936	-	2,537,936
Culture and recreation	861,720	-	861,720	521,392	-	521,392
Community development	506,854	-	506,854	526,038	-	526,038
Interest and fiscal charges	895,800	853,532	1,749,332	967,630	839,346	1,806,976
Water, sewer, & solid waste	-	7,075,484	7,075,484	-	6,773,589	6,773,589
<b>Total Expenses</b>	<b>9,596,178</b>	<b>7,929,016</b>	<b>17,525,194</b>	<b>9,390,937</b>	<b>7,612,935</b>	<b>17,003,872</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	1,255,534	2,121,066	3,376,600	2,038,073	2,510,544	4,548,617
Transfers	359,650	(359,650)	-	268,324	(268,324)	-
<b>Total</b>	<b>359,650</b>	<b>(359,650)</b>	<b>-</b>	<b>268,324</b>	<b>(268,324)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>1,615,184</b>	<b>1,761,416</b>	<b>3,376,600</b>	<b>2,306,397</b>	<b>2,242,220</b>	<b>4,548,617</b>
Beginning Net Position	32,678,083	29,606,593	62,284,676	30,371,686	27,364,373	57,736,059
<b>Ending Net Position</b>	<b>\$ 34,293,267</b>	<b>\$ 31,368,009</b>	<b>\$ 65,661,276</b>	<b>\$ 32,678,083</b>	<b>\$ 29,606,593</b>	<b>\$ 62,284,676</b>

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

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

**Governmental Activities - Revenues**



For the year ended September 30, 2018, revenues from governmental activities totaled \$10,851,712. Revenues decreased by \$577,298 or 5%. Property tax, sales tax, charges for services, and capital contributions are the City's largest general revenue sources. Capital contributions decreased by \$1,249,851 or 50% primarily as a result of less capital contributions received from developers for ongoing infrastructure development projects in the current year. Charges for services increased by \$317,236 or 42% primarily due to increases in building permits and new development fees in the current year. Property taxes increased by \$588,943 or 10% due to an increase in appraised property values. Investment income increased by \$151,741 due to an increase in interest-bearing cash accounts and interest rates realized. Other revenues decreased by \$439,926 or 66% primarily as a result of contributions received from the fiduciary fund in the prior year that were not received in the current year.

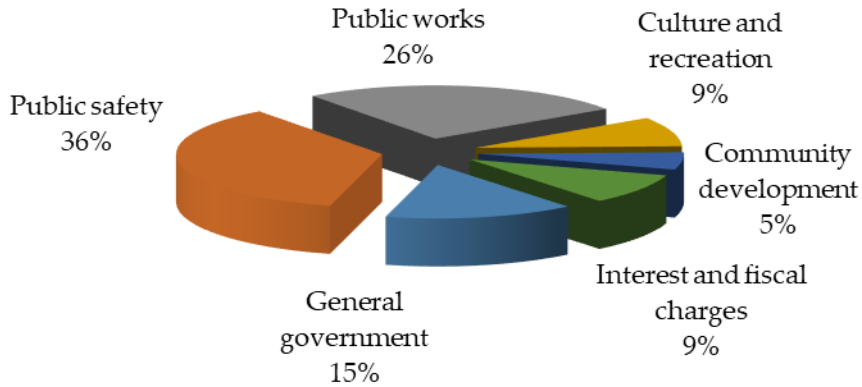
# City of Heath, Texas

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

### September 30, 2018

This graph shows the governmental function expenses of the City:

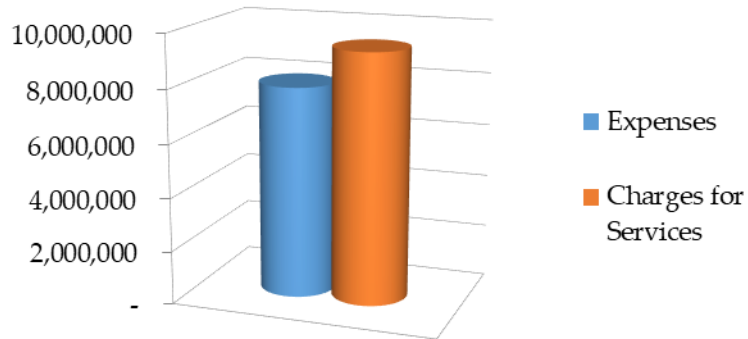
### Governmental Activities - Expenses



For the year ended September 30, 2018, expenses for governmental activities totaled \$9,596,178. This represents an increase of \$205,241 or 2%. This increase stems primarily from increases in culture and recreation expenses. Culture and recreation's increase was related to additional park maintenance expenses, consulting fees, and salaries and employee benefit expenses. Interest and fiscal charges decreased by \$71,830 or 7% primarily due to the recognition of nonrecurring bond issuance costs recognized in the prior year.

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, 2018, charges for services by business-type activities totaled \$9,420,637. This is an increase of \$534,559, or 6%, from the previous year. The increase primarily relates to the water service rate increases and the increase in the volume of water sold in the current year.

# City of Heath, Texas

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

### September 30, 2018

Total expenses increased \$316,081 to a total of \$7,929,016, a change of 4%. This increase is related to greater cost of providing utility services to meet the increased demand as well as an increase in personnel expenses.

#### 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, 2018, the City's governmental funds reported combined fund balances of \$18,627,477, a decrease of \$558,979 in comparison with the prior year. Approximately 18% of this amount, \$3,263,277, 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*. Nonspendable fund balance indicates that it is not in spendable form. The City had \$5,876 in nonspendable funds at year end. Committed fund balance can be used only for the specific purposes determined by the City Council. Assigned fund balance is limited for specific purposes intended by council or management. The City had \$101,489 in assigned funds at year end. Restricted fund balance represents funds that are restricted by law, debt agreements, or grantors for particular purposes. The City had \$15,256,835 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$3,269,153. Fund balance increased \$740,737 due to current year revenues and transfers in exceeding expenditures.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$3,263,277 is 51% of total general fund expenditures.

The debt service fund had an ending fund balance of \$263,863 at September 30, 2018 compared to the previous year's balance of \$350,799. This is a decrease of \$86,936 primarily due to debt service expenditures exceeding current year revenues.

The capital improvements fund experienced a net decrease in fund balance of \$1,190,678 due to current year capital outlay expenditures exceeding revenues. During the year, the City expended \$1,606,998 on improving the City's infrastructure from this fund.

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 position in the water and sewer fund

# City of Heath, Texas

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

September 30, 2018

totaled \$31,229,769. Unrestricted net position of the fund at the close of the fiscal year amounted to \$8,062,852. The capital assets of the water and sewer fund had a net book value of \$38,906,590. 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:

Net increases to capital assets were \$4,331,913. The increase in capital assets was a mixture of assets purchased/constructed by the City as well as contributed assets from developers. Operational expenses excluding depreciation and amortization were \$4,960,931. Cash and cash equivalents in the water and sewer fund were \$16,867,975 at fiscal year end.

The City's nonmajor solid waste fund recorded an increase of \$43,749 in net position. 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.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget surplus of \$6,850 was amended during the year to a final budgeted surplus of \$650. The amendment increased total expenditures by \$6,200.

There was a positive variance of \$277,875 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$472,212 for budgeted expenditures.
- \$750,087 is the variance surplus of revenues over expenditures before transfers.
- There was a net increase in fund balance of \$740,737.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$44,105,101 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$38,906,590 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 \$5,069,920 mainly due to developer capital contributions and increased investment in the City's infrastructure in the current year.

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

- Contributed assets valued at \$1,244,094 consisting of streets and storm drainage infrastructure.



# City of Heath, Texas

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

September 30, 2018

- Contributed assets valued at \$347,540 consisting of water and sewer infrastructure.
- Investment in Heathland Crossing project totaling \$1,599,744.
- Increased investment in the Rabbit Ridge paving project totaling \$2,413,826.
- City-wide street rehab investments of \$269,977.
- Other street improvements totaling \$689,130.

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 \$49,853,390. Of this amount, \$23,598,390 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.

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

The City Council approved a tax rate for the 2019 Budget of 38.9105 cents per \$100 of assessed value. The adopted rate is lower than the effective rate of 39.0761 cents per \$100 of assessed value and is a reduction of 2.8206 cents per \$100 of assessed value from the prior year's rate. Assessed value increased over the prior year's value for the sixth consecutive year. The City realized an increase of \$198,600 in General Fund ad valorem revenue and a decrease of \$20,200 in Debt Service Fund ad valorem revenue. The increase in General Fund ad valorem revenue results from the new properties on the tax rolls. The increase in value allowed the City to lower the tax rate while generating enough revenue to fund the annual debt service payments. The City added three public safety positions and two new public safety vehicles in fiscal year 2019.

The Utility Fund Budget includes an increase for the purchase of wholesale water; wastewater treatment and debt service for the Buffalo Creek Interceptor. North Texas Municipal Water District provides the aforementioned services and sets the fees charged to its customers. The City added one utility maintenance position and one new public works vehicle in fiscal year 2019.

Future operational and capital improvement 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 development within the guidelines of the current Comprehensive Master Plan.

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

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

**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.

## ***FINANCIAL STATEMENTS***

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

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 19,462,257	\$ 7,440,844	\$ 26,903,101	\$ 3,762,093
Restricted cash	-	9,493,797	9,493,797	1,080,090
Receivables, net	407,338	1,907,521	2,314,859	131,141
Inventory	-	8,947	8,947	-
Prepays	5,876	288,344	294,220	355
<b>Total Current Assets</b>	<b>19,875,471</b>	<b>19,139,453</b>	<b>39,014,924</b>	<b>4,973,679</b>
Noncurrent assets:				
Land held for sale	83,718	-	83,718	-
Capital assets:				
Non-depreciable	10,064,363	4,506,444	14,570,807	-
Net depreciable capital assets	33,957,020	34,400,146	68,357,166	-
<b>Total Noncurrent Assets</b>	<b>44,105,101</b>	<b>38,906,590</b>	<b>83,011,691</b>	<b>-</b>
<b>Total Assets</b>	<b>63,980,572</b>	<b>58,046,043</b>	<b>122,026,615</b>	<b>4,973,679</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension contributions	316,621	13,193	329,814	-
OPEB contributions	284	11	295	-
OPEB actual experience vs. assumption	7,483	298	7,781	-
Deferred charge on refunding	236,955	73,612	310,567	-
<b>Total Deferred Outflows of Resources</b>	<b>561,343</b>	<b>87,114</b>	<b>648,457</b>	<b>-</b>

See Notes to Financial Statements.

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 891,833	\$ 1,079,030	\$ 1,970,863	\$ 20,182
Accrued interest payable	117,635	123,238	240,873	369,086
Customer deposits	112,000	195,788	307,788	-
Long-term debt due within one year	1,684,816	1,309,139	2,993,955	299,900
<b>Total Current Liabilities</b>	<b>2,806,284</b>	<b>2,707,195</b>	<b>5,513,479</b>	<b>689,168</b>
Noncurrent liabilities:				
Long-term debt due in more than one year	26,536,254	24,020,387	50,556,641	12,606,760
Net pension liability	549,135	22,881	572,016	-
OPEB liability	98,825	3,929	102,754	-
<b>Total Noncurrent Liabilities</b>	<b>27,184,214</b>	<b>24,047,197</b>	<b>51,231,411</b>	<b>12,606,760</b>
<b>Total Liabilities</b>	<b>29,990,498</b>	<b>26,754,392</b>	<b>56,744,890</b>	<b>13,295,928</b>
<b><u>Deferred Inflows of Resources</u></b>				
Pension investment earnings	253,276	10,553	263,829	-
Pension actual experience vs. assumption	4,874	203	5,077	-
<b>Total Deferred Inflows of Resources</b>	<b>258,150</b>	<b>10,756</b>	<b>268,906</b>	<b>-</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	29,968,936	23,166,917	53,135,853	-
Restricted for:				
Debt service	263,863	-	263,863	-
Capital improvement	3,060,812	-	3,060,812	-
Economic development	-	-	-	1,700,557
Economic opportunities	-	-	-	1,605,195
Public safety	17,599	-	17,599	-
Unrestricted	982,057	8,201,092	9,183,149	(11,628,001)
<b>Total Net Position</b>	<b>\$ 34,293,267</b>	<b>\$ 31,368,009</b>	<b>\$ 65,661,276</b>	<b>\$ (8,322,249)</b>

See Notes to Financial Statements.

# City of Heath, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,428,893	\$ 44,625	\$ -	\$ -
Public safety	3,431,047	877,433	296,672	-
Public works	2,471,864	142,597	-	1,244,094
Culture and recreation	861,720	12,500	-	-
Community development	506,854	-	-	-
Interest and fiscal charges	895,800	-	-	-
<b>Total Governmental Activities</b>	<b>9,596,178</b>	<b>1,077,155</b>	<b>296,672</b>	<b>1,244,094</b>
<b>Business-Type Activities</b>				
Water & sewer	7,227,534	8,616,924	-	347,540
Solid waste	701,482	803,713	-	-
<b>Total Business-Type Activities</b>	<b>7,929,016</b>	<b>9,420,637</b>	<b>-</b>	<b>347,540</b>
<b>Total Primary Government</b>	<b>\$ 17,525,194</b>	<b>\$ 10,497,792</b>	<b>\$ 296,672</b>	<b>\$ 1,591,634</b>
<b>Component Units:</b>				
Heath Club MMD	870,639	-	-	-
Heath EDC	214,310	-	-	-
Heath MBC	175,209	-	-	-
<b>Total Component Units</b>	<b>\$ 1,260,158</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

### Transfers:

### Total General Revenues and Transfers

### Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (1,384,268)	\$ -	\$ (1,384,268)	\$ -
(2,256,942)	-	(2,256,942)	-
(1,085,173)	-	(1,085,173)	-
(849,220)	-	(849,220)	-
(506,854)	-	(506,854)	-
(895,800)	-	(895,800)	-
<u>(6,978,257)</u>	<u>-</u>	<u>(6,978,257)</u>	<u>-</u>
-	1,736,930	1,736,930	-
-	102,231	102,231	-
<u>-</u>	<u>1,839,161</u>	<u>1,839,161</u>	<u>-</u>
<u>\$ (6,978,257)</u>	<u>\$ 1,839,161</u>	<u>\$ (5,139,096)</u>	<u>\$ -</u>
-	-	-	(870,639)
-	-	-	(214,310)
-	-	-	(175,209)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,260,158)</u>
6,521,177	-	6,521,177	1,110,404
623,483	-	623,483	616,373
562,368	-	562,368	-
297,294	281,905	579,199	63,135
229,469	-	229,469	2,400
359,650	(359,650)	-	-
<u>8,593,441</u>	<u>(77,745)</u>	<u>8,515,696</u>	<u>1,792,312</u>
1,615,184	1,761,416	3,376,600	532,154
32,678,083	29,606,593	62,284,676	(8,854,403)
<u>\$ 34,293,267</u>	<u>\$ 31,368,009</u>	<u>\$ 65,661,276</u>	<u>\$ (8,322,249)</u>

# City of Heath, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Nonmajor Public Safety</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 3,842,140	\$ 253,002	\$ 15,242,958	\$ 124,157
Receivables, net	294,145	113,193	-	-
Prepays	5,876	-	-	-
<b>Total Assets</b>	<b>\$ 4,142,161</b>	<b>\$ 366,195</b>	<b>\$ 15,242,958</b>	<b>\$ 124,157</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 616,259	\$ 2,920	\$ 267,585	\$ 5,069
Deposits payable	112,000	-	-	-
<b>Total Liabilities</b>	<b>728,259</b>	<b>2,920</b>	<b>267,585</b>	<b>5,069</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue -				
Property taxes	139,785	66,608	-	-
Fines receivable, net	1,464	-	-	-
Assessments receivable	-	32,804	-	-
Other	3,500	-	-	-
<b>Total Deferred Inflows</b>	<b>144,749</b>	<b>99,412</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Nonspendable for:				
Prepays	5,876	-	-	-
Assigned	-	-	-	101,489
Restricted	-	263,863	14,975,373	17,599
Unassigned	3,263,277	-	-	-
<b>Total Fund Balances</b>	<b>3,269,153</b>	<b>263,863</b>	<b>14,975,373</b>	<b>119,088</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,142,161</b>	<b>\$ 366,195</b>	<b>\$ 15,242,958</b>	<b>\$ 124,157</b>

See Notes to Financial Statements.



**Total  
Governmental  
Funds**

---

\$	19,462,257
	407,338
	5,876
\$	<u>19,875,471</u>

\$	891,833
	112,000
	<u>1,003,833</u>

	206,393
	1,464
	32,804
	3,500
	<u>244,161</u>

	5,876
	101,489
	15,256,835
	3,263,277
	<u>18,627,477</u>

\$	<u>19,875,471</u>
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**City of Heath, Texas**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**September 30, 2018**

<b>Fund Balances - Total Governmental Funds</b>	\$ 18,627,477
 <b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	10,064,363
Capital assets - net depreciable	33,957,020
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	206,393
Fines receivable, net	1,464
Assessments receivable	32,804
Other	3,500
Land held for sale	83,718
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Pension contributions	316,621
OPEB contributions	284
OPEB actual experience vs. assumption	7,483
Pension investment earnings	(253,276)
Pension actual experience vs. assumption	(4,874)
Deferred charge on refunding	236,955
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(117,635)
Bond premium	(1,049,619)
Non-current liabilities due in one year	(1,684,816)
Non-current liabilities due in more than one year	(25,486,635)
Net pension liability	(549,135)
OPEB liability	(98,825)
<b>Net Position of Governmental Activities</b>	\$ 34,293,267

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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Nonmajor Public Safety</u>
<b><u>Revenues</u></b>				
Taxes:				
Property tax	\$ 4,180,657	\$ 2,277,973	\$ -	\$ -
Sales and beverage tax	623,483	-	-	-
Franchise tax	562,368	-	-	-
Licenses and permits	881,462	-	-	-
Intergovernmental	296,672	-	-	-
Charges for services	139,951	-	-	-
Fines and forfeitures	55,742	-	-	-
Special assessments	-	34,396	-	-
Investment income	72,642	3,262	219,293	2,097
Other revenue	19,598	-	197,027	9,707
<b>Total Revenues</b>	<b>6,832,575</b>	<b>2,315,631</b>	<b>416,320</b>	<b>11,804</b>
<b><u>Expenditures</u></b>				
Administration	1,359,764	-	-	-
Highways and streets	581,183	-	-	-
Parks	619,490	-	-	-
Engineering and construction	187,946	-	-	-
Municipal court	62,069	-	-	-
Public safety	3,085,371	-	-	33,906
Community development	526,475	-	-	-
Debt Service:				
Principal	29,190	1,316,895	-	-
Interest and fiscal charges	-	1,085,672	-	-
Capital outlay	-	-	1,606,998	-
<b>Total Expenditures</b>	<b>6,451,488</b>	<b>2,402,567</b>	<b>1,606,998</b>	<b>33,906</b>
<b>Excess of Rev. Over (Under)</b>				
<b>    Expenditures</b>	<b>381,087</b>	<b>(86,936)</b>	<b>(1,190,678)</b>	<b>(22,102)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	359,650	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>359,650</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>740,737</b>	<b>(86,936)</b>	<b>(1,190,678)</b>	<b>(22,102)</b>
Beginning fund balances	2,528,416	350,799	16,166,051	141,190
<b>Ending Fund Balances</b>	<b>\$ 3,269,153</b>	<b>\$ 263,863</b>	<b>\$ 14,975,373</b>	<b>\$ 119,088</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 6,458,630  
623,483  
562,368  
881,462  
296,672  
139,951  
55,742  
34,396  
297,294  
226,332  

---

9,576,330

1,359,764  
581,183  
619,490  
187,946  
62,069  
3,119,277  
526,475

1,346,085  
1,085,672  
1,606,998  

---

10,494,959

(918,629)

359,650

---

359,650

(558,979)

19,186,456

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\$ 18,627,477

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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, 2018**

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

Net changes in fund balances - total governmental funds	\$	(558,979)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,718,167
Depreciation expense		(2,224,254)
Receipt of capital contributions		1,244,094

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		31,288
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(110,629)
Accrued interest		143,959
Pension expense		(8,275)
OPEB expense		(12,185)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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 deferred charges on refunding		(31,551)
Amortization of debt premium		77,464
Principal payments		1,346,085

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,615,184</b>
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See Notes to Financial Statements.

# City of Heath, Texas

## STATEMENT OF NET POSITION (Page 1 of 2)

### PROPRIETARY FUNDS

September 30, 2018

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 7,374,178	\$ 66,666	\$ 7,440,844
Restricted cash	9,493,797	-	9,493,797
Receivables, net	1,763,581	143,940	1,907,521
Inventory	8,947	-	8,947
Prepays	288,344	-	288,344
<b>Total Current Assets</b>	18,928,847	210,606	19,139,453
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	4,506,444	-	4,506,444
Net depreciable capital assets	34,400,146	-	34,400,146
<b>Total Noncurrent Assets</b>	38,906,590	-	38,906,590
<b>Total Assets</b>	57,835,437	210,606	58,046,043
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	13,193	-	13,193
OPEB contributions	11	-	11
OPEB actual experience vs. assumption	298	-	298
Deferred charge on refunding	73,612	-	73,612
<b>Total Deferred Outflows</b>	87,114	-	87,114

See Notes to Financial Statements.



# City of Heath, Texas

## STATEMENT OF NET POSITION (Page 2 of 2)

### PROPRIETARY FUNDS

September 30, 2018

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued liabilities	1,006,664	72,366	1,079,030
Accrued interest	123,238	-	123,238
Customer deposits	195,788	-	195,788
Compensated absences - current	62,478	-	62,478
Bonds payable - current	1,246,661	-	1,246,661
<b>Total Current Liabilities</b>	<b>2,634,829</b>	<b>72,366</b>	<b>2,707,195</b>
<b><u>Noncurrent Liabilities</u></b>			
Compensated absences	93,717	-	93,717
Bonds payable	23,926,670	-	23,926,670
Net pension liability	22,881	-	22,881
OPEB liability	3,929	-	3,929
<b>Total Liabilities</b>	<b>26,682,026</b>	<b>72,366</b>	<b>26,754,392</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension investment earnings	10,553	-	10,553
Pension actual experience vs. assumption	203	-	203
<b>Total Deferred Inflows</b>	<b>10,756</b>	<b>-</b>	<b>10,756</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	23,166,917	-	23,166,917
Unrestricted	8,062,852	138,240	8,201,092
<b>Total Net Position</b>	<b>\$ 31,229,769</b>	<b>\$ 138,240</b>	<b>\$ 31,368,009</b>

See Notes to Financial Statements.

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# City of Heath, Texas

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

For the Year Ended September 30, 2018

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Operating Revenues</u></b>			
Water revenue	\$ 5,233,140	\$ -	\$ 5,233,140
Sewer revenue	2,601,667	-	2,601,667
Sanitation revenue	-	803,713	803,713
Connection and tap charges	782,117	-	782,117
<b>Total Operating Revenues</b>	8,616,924	803,713	9,420,637
<b><u>Operating Expenses</u></b>			
Personnel	1,240,776	-	1,240,776
Supplies and services	293,020	701,482	994,502
Operating expenses	976,064	-	976,064
Materials and equipment	67,733	-	67,733
Cost of water	1,543,179	-	1,543,179
Cost of sewer	840,159	-	840,159
Depreciation	1,413,071	-	1,413,071
<b>Total Operating Expenses</b>	6,374,002	701,482	7,075,484
<b>Operating Income</b>	2,242,922	102,231	2,345,153
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	280,387	1,518	281,905
Interest expense	(853,532)	-	(853,532)
<b>Total Nonoperating Revenues (Expenses)</b>	(573,145)	1,518	(571,627)
<b>Income Before Capital Contributions and Transfers</b>	1,669,777	103,749	1,773,526
Capital contributions	347,540	-	347,540
Transfers in	30,000	-	30,000
Transfers (out)	(329,650)	(60,000)	(389,650)
<b>Change in Net Position</b>	1,717,667	43,749	1,761,416
Beginning net position	29,512,102	94,491	29,606,593
<b>Ending Net Position</b>	\$ 31,229,769	\$ 138,240	\$ 31,368,009

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, 2018**

	<u>Water &amp; Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 8,219,465	\$ 795,820	\$ 9,015,285
Payments to suppliers	(3,466,080)	(748,272)	(4,214,352)
Payments to employees	(1,254,336)	-	(1,254,336)
<b>Net Cash Provided by Operating Activities</b>	<u>3,499,049</u>	<u>47,548</u>	<u>3,546,597</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers in	30,000	-	30,000
Transfers (out)	(329,650)	(60,000)	(389,650)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<u>(299,650)</u>	<u>(60,000)</u>	<u>(359,650)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Capital purchases	(5,397,444)	-	(5,397,444)
Principal paid on debt	(958,328)	-	(958,328)
Interest paid on debt	(1,237,193)	-	(1,237,193)
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<u>(7,592,965)</u>	<u>-</u>	<u>(7,592,965)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	280,387	1,518	281,905
<b>Net Cash Provided by Investing Activities</b>	<u>280,387</u>	<u>1,518</u>	<u>281,905</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(4,113,179)	(10,934)	(4,124,113)
Beginning cash and cash equivalents	<u>20,981,154</u>	<u>77,600</u>	<u>21,058,754</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 16,867,975</u>	<u>\$ 66,666</u>	<u>\$ 16,934,641</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, 2018**

	<u>Water &amp; Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<b><u>Reconciliation of Operating Income</u></b>			
<b><u>to Net Cash Provided by Operating Activities</u></b>			
Operating Income	\$ 2,242,922	\$ 102,231	\$ 2,345,153
Adjustments to reconcile operating income to net cash provided:			
Depreciation	1,413,071	-	1,413,071
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	(398,422)	(7,893)	(406,315)
Inventory	(1,931)	-	(1,931)
Prepays	(287,787)	-	(287,787)
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	543,793	(46,790)	497,003
Compensated absences	(14,388)	-	(14,388)
Customer deposits	963	-	963
Deferred outflows - pension contributions	(952)	-	(952)
Deferred outflows - OPEB contributions	(1)	-	(1)
Deferred outflows - OPEB actual experience vs. assumption	(298)	-	(298)
Deferred outflows - investment earnings	23,883	-	23,883
Deferred inflows- pension (gains) losses	3,454	-	3,454
Net pension liability	(26,041)	-	(26,041)
OPEB liability	783	-	783
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,499,049</b>	<b>\$ 47,548</b>	<b>\$ 3,546,597</b>
<b><u>Schedule of Non-Cash Capital and Related Financing</u></b>			
Capital assets contributed by developer	\$ 347,540	\$ -	\$ 347,540

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2018**

		<u>Agency Fund</u> <u>Streets</u> <u>Escrow</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents		\$ 203,857
	<b>Total Assets</b>	<u>203,857</u>
<b><u>Liabilities</u></b>		
Accrued liabilities		203,857
	<b>Total Liabilities</b>	<u>\$ 203,857</u>

See Notes to Financial Statements.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**B. 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, streets, parks and recreation, 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"), Heath Municipal Benefits Corporation (the "HMBC"), and the Club Municipal Management District Number 1 (the "Club MMD") are legally separate and presented as discretely presented component units. 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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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.

### **Discretely Presented 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. The HEDC's main activities involve contributing to the City's construction of infrastructure within the City limits in order to improve economic development. The HEDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. The HEDC collects a half cent sales tax to support its 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. The HMBC's goal is to improve the quality of life within the City and contributes to construction of items such as parks and recreational facilities. The HMBC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. The HMBC collects a half cent sales tax to support its 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.

#### Club Municipal Management District Number 1

The Club Municipal Management District (the "Club MMD") is a special purpose district within the City limits. This district was created by an act of the 82<sup>nd</sup> Texas legislature in 2011. The primary purpose of the district is to facilitate the construction and continued maintenance of a quality mixed-use residential and commercial development to benefit city residents. The City of Heath Municipal Management District is governed by a board of directors appointed, at will, by the City Council. Club MMD does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. Club MMD issues separate financial statements that are available from their administrative office.



# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### C. Basis of Presentation - Government-Wide 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.

### D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and 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 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, community development, 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.

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

**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.

Additionally, the City reports for the following fund types:

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

**Fiduciary Fund**

The fiduciary fund accounts for street escrow funds in which the City holds in a custodial capacity.

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

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

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

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.

**E. 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 year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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*

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

*accounting.* Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, Heath Economic Development Corporation, and Heath Municipal Benefits Corporation. The capital improvements fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and function. At any time during the fiscal year, the Finance Director may transfer up to \$5,000 of the unencumbered appropriated balance between classifications of expenditure within a division (Division is a specific functional area within a City department. Streets is a division of the Public Works department). Transfers, within a division, exceeding \$5,000 must be approved by the City Manager. A transfer may not be made from the unencumbered appropriated balance in the Personnel Services classification of expenditure. Any revision that alters total expenditures of any division must be approved by the City Council. The legal level of budgetary control is at the divisional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

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

**G. Assets, Liabilities, and Fund Equity or Net Position**

**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. Concentrations of Credit Risk**

The component unit, Club MMD maintains its cash balances at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). As of year-end, no additional collateral was pledged for the funds held with the financial institutions. As such, the uncollateralized funds totaled \$1,010,196 as of September 30, 2018.

**3. Fair Value Measurement**

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

**4. 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"

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

(i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a 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.

### **5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). Inventories of supplies to be used internally are valued at cost using the first-in/first-out method. Inventories to be resold are valued at the lower of cost or market, and removed 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.

### **6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$10,000 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, donated works of art, and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on 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, 2018**

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

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

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Net Position Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 9. Fund Balance Flow Assumptions

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

### 10. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the 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 removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### 11. Long-Term Obligations

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



# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 straightline method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

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.

### **12. 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.

### **13. Pensions**

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 14. Other Postemployment Benefits (“OPEB”)

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

## H. 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.

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 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.

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

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

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

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

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

### 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, i.e. streets, parks, or public safety. The Finance Director may transfer up to \$5,000 within a division. Transfers within a division exceeding \$5,000 must be approved by the City Manager. Any revision that alters total expenditures of any division must be approved by the City Council.

For the current year ended, actual expenditures exceeded appropriations in the general fund for debt service principal payments by \$29,190.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As stated in I.G.1., 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. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool and TexStar are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required.

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

The City had the following investments at year end:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 18,851,990	0.08	AAAm
TexStar	16,179,075	0.12	AAAm
Total carrying value	<u>\$ 35,031,065</u>		
Portfolio weighted average maturity		0.10	

The Heath EDC had the following investments at year end:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 825,019	0.08	AAAm
TexStar	1,036,273	0.12	AAAm
Total carrying value	<u>\$ 1,861,292</u>		
Portfolio weighted average maturity		0.10	

The Heath MBC had the following investments at year end:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 803,802	0.08	AAAm
TexStar	1,051,139	0.12	AAAm
Total carrying value	<u>\$ 1,854,941</u>		
Portfolio weighted average maturity		0.10	

*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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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, 2018, the City's investments in TexPool and TexStar were 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, 2018, the market values of pledged securities and FDIC insurance exceeded bank balances.

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

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's 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. At September 30, 2018, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

### **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

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

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. At September 30, 2018, the fair value of the position in TexStar approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**B. Receivables**

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

	<b>General</b>	<b>Debt Service</b>	<b>Water &amp; Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
Property taxes	\$ 139,785	\$ 66,608	\$ -	\$ -	\$ 206,393
Special assessments	-	46,585	-	-	46,585
Sales tax	117,586	-	-	-	117,586
Fines	2,441	-	-	-	2,441
Other	35,344	-	499,263	-	534,607
Accounts	-	-	1,331,168	161,475	1,492,643
Allowance	(1,011)	-	(66,850)	(17,535)	(85,396)
	<u>\$ 294,145</u>	<u>\$ 113,193</u>	<u>\$ 1,763,581</u>	<u>\$ 143,940</u>	<u>\$ 2,314,859</u>

The following comprise receivables balances of the City's discretely presented component units at year end:

	<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
Sales tax	\$ -	\$ 58,793	\$ 58,793	\$ 117,586
Assessments	13,555	-	-	13,555
	<u>\$ 13,555</u>	<u>\$ 58,793</u>	<u>\$ 58,793</u>	<u>\$ 131,141</u>

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

**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	\$ 4,737,112	\$ 3,798	\$ 80,704	\$ 4,821,614
Construction in progress	6,908,436	1,693,847	(3,359,534)	5,242,749
Total capital assets not being depreciated	<u>11,645,548</u>	<u>1,697,645</u>	<u>(3,278,830)</u>	<u>10,064,363</u>
Capital assets, being depreciated:				
Buildings	2,162,395	-	-	2,162,395
Improvements other than buildings	4,665,800	-	-	4,665,800
Infrastructure	49,000,327	1,242,766	3,278,830	53,521,923
Machinery and equipment	2,699,346	21,850	-	2,721,196
Total capital assets being depreciated	<u>58,527,868</u>	<u>1,264,616</u>	<u>3,278,830</u>	<u>63,071,314</u>
Less accumulated depreciation:				
Buildings	(1,373,440)	(88,415)	-	(1,461,855)
Improvements other than buildings	(1,330,446)	(191,633)	-	(1,522,079)
Infrastructure	(21,502,692)	(1,756,715)	-	(23,259,407)
Machinery and equipment	(2,683,462)	(187,491)	-	(2,870,953)
Total accumulated depreciation	<u>(26,890,040)</u>	<u>(2,224,254)</u>	<u>-</u>	<u>(29,114,294)</u>
Net capital assets being depreciated	31,637,828	(959,638)	3,278,830	33,957,020
<b>Total Capital Assets</b>	<u><u>\$ 43,283,376</u></u>	<u><u>\$ 738,007</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,021,383</u></u>

In the current year the City received \$1,244,094 in contributed capital assets from developers.

Depreciation was charged to governmental functions as follows:

General government	\$ 28,526
Public safety	205,193
Public works	1,809,617
Culture and recreation	180,918
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 2,224,254</u></u>



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

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 722,736	\$ -	\$ -	\$ 722,736
Construction in progress	996,692	5,348,894	(2,561,878)	3,783,708
Total capital assets not being depreciated	<u>1,719,428</u>	<u>5,348,894</u>	<u>(2,561,878)</u>	<u>4,506,444</u>
Capital assets, being depreciated:				
Buildings	309,639	-	-	309,639
Improvements other than buildings	45,377,139	347,539	2,561,878	48,286,556
Machinery and equipment	701,729	48,551	-	750,280
Total capital assets being depreciated	<u>46,388,507</u>	<u>396,090</u>	<u>2,561,878</u>	<u>49,346,475</u>
Less accumulated depreciation:				
Buildings	(182,496)	(14,206)	-	(196,702)
Improvements other than buildings	(12,970,337)	(1,337,110)	-	(14,307,447)
Machinery and equipment	(380,425)	(61,755)	-	(442,180)
Total accumulated depreciation	<u>(13,533,258)</u>	<u>(1,413,071)</u>	<u>-</u>	<u>(14,946,329)</u>
Net capital assets being depreciated	32,855,249	(1,016,981)	2,561,878	34,400,146
<b>Total Capital Assets</b>	<u>\$ 34,574,677</u>	<u>\$ 4,331,913</u>	<u>\$ -</u>	<u>\$ 38,906,590</u>

In the current year the City received \$347,540 in contributed assets, recorded at fair market value, from developers.

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

**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</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 6,950,000	\$ -	\$ (675,000)	\$ 6,275,000	\$ 705,000
Certificates of Obligation	20,590,000	-	(610,000)	19,980,000	635,000
Notes payable	31,895	-	(31,895)	-	-
Note payable to Texas Comptroller	220,850	-	(29,190)	191,660	54,900
Premiums	1,127,083	-	(77,464)	1,049,619	-
Other liabilities:					
Compensated Absences	614,162	326,986	(216,357)	724,791	289,916
<b>Total Governmental Activities</b>	<u>\$ 29,533,990</u>	<u>\$ 326,986</u>	<u>\$ (1,639,906)</u>	<u>\$ 28,221,070</u>	<u>\$ 1,684,816</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 26,536,254</u>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 6,140,000	\$ -	\$ (830,000)	\$ 5,310,000	\$ 870,000
Certificates of Obligation	17,905,000	-	(75,000)	17,830,000	320,000
Premium	1,689,695	-	(114,754)	1,574,941	-
Contract Revenue Bonds	511,718	-	(53,328)	458,390	56,661
Other liabilities:					
Compensated Absences	170,583	95,829	(110,217)	156,195	62,478
<b>Total Business-Type Activities</b>	<u>\$ 26,416,996</u>	<u>\$ 95,829</u>	<u>\$ (1,183,299)</u>	<u>\$ 25,329,526</u>	<u>\$ 1,309,139</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 24,020,387</u>	

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

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

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
<b>Governmental Activities:</b>			
2017 General Obligation Refunding Bonds	2.00-4.00%	\$ 1,410,000	\$ 785,000
2015 General Obligation Refunding Bonds	2.03%	4,725,000	4,540,000
2013 General Obligation Refunding Bonds	2.00-4.00%	1,600,000	950,000
<b>Total General Obligation Bonds</b>		<u>7,735,000</u>	<u>6,275,000</u>
2017 Combination Tax & Revenue Certificates	3.00-5.00%	5,940,000	5,940,000
2014 Combination Tax & Revenue Certificates	3.00-4.00%	14,205,000	12,550,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	1,654,037	1,490,000
<b>Total Certificates of Obligation</b>		<u>21,799,037</u>	<u>19,980,000</u>
<b>Total Governmental Activities</b>		<u>\$ 29,831,390</u>	<u>\$ 26,255,000</u>
<b>Business-type Activities:</b>			
2017 General Obligation Refunding Bonds	2.00-4.00%	\$ 2,950,000	\$ 2,130,000
2015 General Obligation Refunding Bonds	2.03%	3,200,000	3,180,000
<b>Total General Obligation Bonds</b>		<u>6,150,000</u>	<u>5,310,000</u>
2017 Combination Tax & Revenue Certificates	3.00-5.00%	11,600,000	11,560,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	6,540,963	6,270,000
<b>Total Certificates of Obligation</b>		<u>18,140,963</u>	<u>17,830,000</u>
2005 Contract Revenue Bonds	3.75-4.625%	1,006,566	458,390
<b>Total Contract Revenue Bonds</b>		<u>1,006,566</u>	<u>458,390</u>
<b>Total Business-Type Activities</b>		<u>\$ 25,297,529</u>	<u>\$ 23,598,390</u>
<b>Total Long-Term Debt</b>			
General Obligation Refunding Bonds		\$ 13,885,000	\$ 11,585,000
Certificates of Obligation		39,940,000	37,810,000
Contract Revenue Bonds		1,006,566	458,390
<b>Total Primary Government</b>		<u>\$ 55,128,919</u>	<u>\$ 49,853,390</u>

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

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

<b>Year ending September 30,</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 705,000	\$ 145,820	\$ 635,000	\$ 752,813
2020	720,000	126,635	875,000	724,625
2021	740,000	106,947	1,025,000	690,338
2022	770,000	87,106	1,055,000	650,788
2023	800,000	67,612	1,095,000	609,763
2024	815,000	46,491	1,135,000	568,688
2025	565,000	29,283	1,110,000	527,938
2026	575,000	17,712	1,145,000	487,788
2027	585,000	5,938	1,190,000	446,138
2028	-	-	1,235,000	403,225
2029	-	-	1,280,000	360,088
2030	-	-	1,315,000	316,000
2031	-	-	1,370,000	266,075
2032	-	-	1,425,000	209,750
2033	-	-	1,485,000	150,469
2034	-	-	1,375,000	90,850
2035	-	-	390,000	51,750
2036	-	-	410,000	31,750
2037	-	-	430,000	10,750
<b>Total</b>	<b>\$ 6,275,000</b>	<b>\$ 633,544</b>	<b>\$ 19,980,000</b>	<b>\$ 7,349,586</b>

**Note Payable to Texas State Comptroller**

The City has an obligation for sales tax overpayments to the Texas State Comptroller.

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

<b>Year ending September 30,</b>	<b>Note Payable - Texas Comptroller</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 54,900	\$ -
2020	54,900	-
2021	54,900	-
2022	26,960	-
<b>Total</b>	<b>\$ 191,660</b>	<b>\$ -</b>

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

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

<b>Year ending September 30,</b>	<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 870,000	\$ 135,211	\$ 320,000	\$ 770,225
2020	900,000	105,573	330,000	761,238
2021	935,000	74,734	335,000	752,025
2022	675,000	49,084	635,000	735,200
2023	370,000	35,424	765,000	706,075
2024	380,000	27,811	795,000	669,825
2025	385,000	20,046	820,000	631,375
2026	395,000	12,129	855,000	591,500
2027	400,000	4,060	885,000	550,100
2028	-	-	1,235,000	504,350
2029	-	-	1,290,000	456,350
2030	-	-	1,335,000	408,925
2031	-	-	1,390,000	354,325
2032	-	-	1,450,000	292,050
2033	-	-	1,515,000	227,000
2034	-	-	905,000	171,125
2035	-	-	945,000	124,875
2036	-	-	990,000	76,500
2037	-	-	1,035,000	25,875
<b>Total</b>	<b>\$ 5,310,000</b>	<b>\$ 464,072</b>	<b>\$ 17,830,000</b>	<b>\$ 8,808,938</b>

In 2005 the North Texas Municipal Water District issued debt on behalf of the Cities of Heath and Rockwall to construct a water storage facility. The City of Heath owns 33% of the water storage facility and has recorded the debt as contract revenue bonds.

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

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

Year ending September 30,	Contract Revenue Bonds	
	Principal	Interest
2019	\$ 56,661	\$ 18,927
2020	60,000	16,661
2021	61,667	14,261
2022	65,000	11,732
2023	68,380	9,068
2024	71,672	6,197
2025	75,000	3,187
	\$ 458,380	\$ 80,033

The following is a summary of changes in the City's discretely presented component units' total long-term liabilities for the year ended.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Club Municipal Mangement District</b>					
Special Assessment					
Revenue Bonds Series 2016	\$ 9,255,000	\$ -	\$ (110,000)	\$ 9,145,000	\$ 115,000
Note payable to developer	3,245,000	-	-	3,245,000	80,000
<b>Total Component Units</b>	\$ 12,500,000	\$ -	\$ (110,000)	\$ 12,390,000	\$ 195,000
<b>Long-term liabilities due in more than one year</b>					\$ 12,195,000
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Heath EDC</b>					
General Obligation Refunding Bonds	\$ 140,000	\$ -	\$ (20,000)	\$ 120,000	\$ 20,000
Note payable to Texas Comptroller	110,425	-	(14,595)	95,830	27,450
<b>Total Heath EDC</b>	\$ 250,425	\$ -	\$ (34,595)	\$ 215,830	\$ 47,450
<b>Long-term liabilities due in more than one year</b>					\$ 168,380
<b>Heath MBC</b>					
General Obligation Refunding Bonds	\$ 235,000	\$ -	\$ (30,000)	\$ 205,000	\$ 30,000
Note payable to Texas Comptroller	110,425	-	(14,595)	95,830	27,450
<b>Total Heath MBC</b>	\$ 345,425	\$ -	\$ (44,595)	300,830	57,450
<b>Long-term liabilities due in more than one year</b>					\$ 243,380

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

The annual requirements to amortize discretely presented component units debt outstanding at year ending were as follows:

<b>Club Municipal Management District</b>		
<b>Year ending September 30,</b>	<b>Special Assessment Revenue</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 115,000	\$ 156,670
2020	120,000	135,610
2021	130,000	113,872
2022-2026	760,000	91,981
2027-2031	1,215,000	70,637
2032-2036	1,630,000	47,591
2037-2041	2,195,000	29,283
2042-2046	2,980,000	17,712
<b>Total</b>	\$ 9,145,000	\$ 663,356

<b>Club Municipal Management District</b>		
<b>Year ending September 30,</b>	<b>Note Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 80,000	\$ 202,424
2020	40,000	200,126
2021	40,000	197,838
2022-2026	320,000	945,314
2027-2031	430,000	850,246
2032-2036	570,000	699,485
2037-2041	760,000	493,025
2042-2046	1,005,000	212,225
<b>Total</b>	\$ 3,245,000	\$ 3,800,683

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

**Heath EDC**

<b>Year ending September 30,</b>	<b>GO Refunding</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 20,000	\$ 3,500
2020	20,000	2,900
2021	20,000	2,300
2022	20,000	1,700
2023	20,000	1,100
2024	20,000	400
<b>Total</b>	<b>\$ 120,000</b>	<b>\$ 11,900</b>

**Heath EDC**

<b>Year ending September 30,</b>	<b>Note Payable - Texas Comptroller</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 27,450	\$ -
2020	27,450	-
2021	27,450	-
2022	13,480	-
<b>Total</b>	<b>\$ 95,830</b>	<b>\$ -</b>

**Heath MBC**

<b>Year ending September 30,</b>	<b>GO Refunding</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 30,000	\$ 6,050
2020	35,000	5,075
2021	35,000	4,025
2022	35,000	2,975
2023	35,000	1,925
2024	35,000	700
<b>Total</b>	<b>\$ 205,000</b>	<b>\$ 20,750</b>

**Heath MBC**

<b>Year ending September 30,</b>	<b>Note Payable - Texas Comptroller</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 27,450	\$ -
2020	27,450	-
2021	27,450	-
2022	13,480	-
<b>Total</b>	<b>\$ 95,830</b>	<b>\$ -</b>



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

**E. Deferred Charge on Refunding**

Deferred charges resulting from the issuance of the 2015 general obligation refunding bonds and 2017 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities and business-type activity totaled \$236,955 and \$73,612, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$31,551 and \$7,810, respectively.

**F. Intergovernmental Transfers**

Transfers between the primary government funds during the 2018 year were as follows:

Transfer Out	Transfer In	Amount
Solid Waste Fund	General Fund	\$ 30,000
Water & Sewer	General Fund	329,650
Solid Waste Fund	Water & Sewer	30,000
	<b>Total</b>	<b>\$ 389,650</b>

The City uses fund accounting so that it may track the City's activities in specific detail. Transfers are made between funds to support operations as budgeted.

**H. Restricted Net Position / Fund Balance**

The City records restricted net position / fund balance to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted, committed, and assigned fund balance of the City:

	<b>Governmental Funds</b>
Restricted for:	
* Municipal court	\$ 17,599
Debt service	263,863
Capital improvements	14,975,373
Total Restricted	\$ 15,256,835
Assigned for:	
Police Department	\$ 101,489

\* Restricted by enabling legislation

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

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

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

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

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

**C. Construction Commitments**

The government has several active construction projects as of September 30, 2018. The projects include street improvements and upgrades. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent/Accrued-to-Date</u>	<u>Remaining Commitment</u>
<b>Governmental Activities</b>		
Ground Storage	\$ 2,543,199	\$ 416,178
<b>Business-Type Activities</b>		
Craig Drew	\$ 249,734	\$ 59,661
Crisp Myers	99,851	1,375,698
Rabbit Ridge/Horizon	1,291,487	5,005
Town Centre Park	45,149	1,011
<b>Total</b>	<u>\$ 4,229,420</u>	<u>\$ 1,857,553</u>

**D. Defined Benefit Pension Plans**

**1. Texas Municipal Retirement Systems**

**Plan Description**

The City of Heath participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**2. Benefits Provided**

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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

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

	<u>Plan Year 2017</u>	<u>Plan Year 2016</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)	0% of CPI	0% of CPI

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

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

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	32
Active employees	49
<b>Total</b>	<b>99</b>

### **3. Contributions**

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

Employees for the City of Heath were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Heath were 11.17% and 11.46% in calendar years 2017 and 2016, respectively. The City's contributions to TMRS for

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

the year ended September 30, 2018, were \$429,534, and were equal to the required contributions.

**4. Net Pension Liability**

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

**Actuarial assumptions:**

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by Scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	380%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
<b>Total</b>	<b>100.0%</b>	

### Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<u>1% Decrease 5.75%</u>	<u>Current Single Rate Assumption 6.75%</u>	<u>1% Increase 7.75%</u>
<u>\$ 2,112,774</u>	<u>\$ 572,016</u>	<u>\$ (689,323)</u>

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

**Changes in the Net Pension Liability:**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/16</b>	\$ 9,657,982	\$ 8,434,944	\$ 1,223,038
Changes for the year:			
Service Cost	579,954	-	579,954
Interest	659,959	-	659,959
Difference between expected and actual experience	(73,547)	-	(73,547)
Changes of assumptions	-	-	-
Contributions – employer	-	405,755	(405,755)
Contributions – employee	-	247,844	(247,844)
Net investment income	-	1,170,154	(1,170,154)
Benefit payments, including refunds of emp. contributions	(341,591)	(341,591)	-
Administrative expense	-	(6,059)	6,059
Other changes	-	(306)	306
Net changes	824,775	1,475,797	(651,022)
<b>Balance at 12/31/17</b>	<b>\$ 10,482,757</b>	<b>\$ 9,910,741</b>	<b>\$ 572,016</b>

**Pension Plan Fiduciary Net Position:**

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

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

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

Pension expense for the year ended September 30, 2018 was \$438,154.

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

	<b>Deferred Outflows of Resources</b>		<b>Deferred (Inflows) of Resources</b>
Differences between expected and actual economic experience	\$ -	\$	5,077
Difference between projected and investment earnings	-		263,829
Contributions subsequent to the measurement date	329,814		-
<b>Total</b>	<b>\$ 329,814</b>	<b>\$</b>	<b>268,906</b>

The City reported \$329,814 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>		
2018	\$	9,080
2019		1,111
2020		(138,525)
2021		(139,214)
2022		(1,358)
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>(268,906)</b>

**Other Post-Employment Benefits**

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected 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.



# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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

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

### Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	7
Active employees	49
Total	71

The City's contributions to the TMRS SDBF for the years ended 2018, 2017 and 2016 were \$382, \$348 and \$339, respectively, which equaled the required contributions each year.

### Three-Year Contribution Information

	<u>2018</u>	<u>2017</u>	<u>2016</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%

### Total OPEB Liability

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

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

**Actuarial assumptions:**

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**Discount Rate:**

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

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

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

<b>1% Decrease (2.31%)</b>	<b>Current Single Rate Assumption 3.31%</b>	<b>1% Increase (4.31%)</b>
\$ 125,941	\$ 102,754	\$ 84,725

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

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/16</b>	<b>\$ 82,276</b>
Changes for the year:	
Service Cost	8,497
Interest	3,264
Changes of assumptions	9,071
Benefit payments	(354)
Net changes	20,478
<b>Balance at 12/31/17</b>	<b>\$ 102,754</b>

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$13,051.

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

	<b>Deferred Outflows of Resources</b>
Difference between expected and actual experience	\$ 7,781
Contributions subsequent to measurement date	295
<b>Total</b>	<b>\$ 8,076</b>

The City reported \$295 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

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

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

<b>Year ended December 31:</b>	
2018	\$ 1,290
2019	1,290
2020	1,290
2021	1,290
2022	1,290
Thereafter	1,331
	<u>\$ 7,781</u>

**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.

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.

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

In the fiscal year ended September 30, 2016, 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.

### **F. 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.

### **G. 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,

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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.

### **H. Animal Adoption Center Interlocal Agreement**

In 2007 the City agreed to jointly construct an Animal Adoption Center (the "Center") with the City of Rockwall. The Center is located in Rockwall. The City of Rockwall issued debt for the construction of the Center and the City of Heath agreed to pay 17.4% for an equal interest in the Center.

The City of Rockwall is solely responsible for providing maintenance and personnel to operate the Center. The Center's annual budget is approved by the City of Rockwall and the City of Heath and is jointly paid by the two cities based on population.

The City of Heath can relinquish ownership of its portion of the Center with a ninety day written notice to the City of Rockwall. If the City were to relinquish its ownership the debt related to the construction of the Center will be due within ninety days. The debt related to the Center is recorded as a note payable within the governmental activities.

### **I. Lease Agreement with Great Eventures, Inc.**

On September 2<sup>nd</sup>, 2014 the Heath Municipal Benefits Corporation (Lessor) and Great Eventures, Inc. (Lessee) entered into a lease agreement for 4.786 acres of land. The term of the lease is for thirty years. The lease agreement includes an option to purchase the land within five years for the price of \$625,000. After the first five years the Lessee will have the option to purchase the land at fair market value. Under the terms of the agreement the Heath Municipal Benefits Corporation will receive rent in the amount of \$2,400 per year. The City has classified the land related to this agreement as Land Held for Sale.

### **J. Related Party Transactions**

During the prior year, the City expanded Rabbit Ridge Road. The expansion required the purchase of residential property, as well as reimbursement to the residents for the costs of repairs, as necessary. As a result, a total of \$128,000 was paid to a board member of the Heath Economic Development Corporation for the purchase of the property off Rabbit Ridge Road, in addition to the reimbursement of damaged property.

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

**K. Restatement**

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities. In addition, the City restated beginning net position within business-type activities and component unit activities due to prior year accounting errors relating to sales tax overpayment, notes payable, accrued interest, and franchise taxes.

These tables below summarize the changes to net position as a result of the implementation of GASB No, 75 and the corrections for the accounting errors mentioned above.

	<b>Governmental Activities</b>
Prior year ending net position, as reported	\$ 33,191,210
Impact of implementation of GASB 75	(78,873)
Corrections of errors:	
To correct reporting of deferred franchise revenue	(114,186)
To correct reporting of accrued interest	(99,218)
To correct reporting of sales tax overpayment liability	(220,850)
Restated beginning net position	\$ 32,678,083

	<b>Business-Type Activities</b>	<b>Water &amp; Sewer</b>
Prior year ending net position, as reported	\$ 29,810,176	\$ 29,715,685
Correction of error:		
To correct reporting of accrued interest	(200,447)	(200,447)
Impact of implementation of GASB 68	(3,136)	(3,136)
Restated beginning net position	\$ 29,606,593	\$ 29,512,102

	<b>Component Unit Activities</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Heath Club MMD</b>
Prior year ending net assets as reported	\$ (5,148,619)	\$ 1,689,019	\$ 1,552,471	\$ (8,390,109)
Corrections of errors:				
To correct reporting of note payable to developer	(3,484,934)	-	-	(3,484,934)
To correct reporting of sales tax overpayment liability	(220,850)	(110,425)	(110,425)	-
Restated beginning net assets	\$ (8,854,403)	\$ 1,578,594	\$ 1,442,046	\$ (11,875,043)

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

**L. Subsequent Events**

Subsequent to September 30, 2018, the City issued a \$710,000 Combination Tax and Revenue Certificate of Obligation. The Certificate bears interest at 3.7% and will be repaid bi-annually through September of 2039.

There were no other material subsequent events through March 20, 2019, the date the financial statements were issued.



***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Heath, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual
<b><u>Revenues</u></b>			
Taxes:			
Property tax	\$ 4,150,500	\$ 4,150,500	\$ 4,180,657
Sales & beverage tax	611,500	611,500	623,483
Franchise tax	568,500	568,500	562,368
Licenses and permits	683,800	683,800	881,462
Intergovernmental	285,750	285,750	296,672
Charges for services	116,450	116,450	139,951
Fines and forfeitures	40,200	40,200	55,742
Investment income	30,000	30,000	72,642
Other revenue	68,000	68,000	19,598
<b>Total Revenues</b>	6,554,700	6,554,700	6,832,575
<b><u>Expenditures</u></b>			
Current:			
Administration	1,430,400	1,425,400	1,359,764
Highways and streets	682,600	631,600	581,183
Parks	606,900	635,900	619,490
Engineering and construction	204,600	196,100	187,946
Municipal court	65,700	65,700	62,069
Public safety	3,398,300	3,389,300	3,085,371
Communication and economic development	529,000	579,700	526,475
Debt service			
Principal	-	-	29,190
<b>Total Expenditures</b>	6,917,500	6,923,700	6,451,488
<b>Revenues Over (Under) Expenditures</b>	(362,800)	(369,000)	381,087
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	369,650	369,650	359,650
<b>Total Other Financing Sources (Uses)</b>	369,650	369,650	359,650
<b>Net Change in Fund Balance</b>	\$ 6,850	\$ 650	740,737
Beginning fund balance			2,528,416
<b>Ending Fund Balance</b>			<b>\$ 3,269,153</b>

Notes to Required Supplementary Information

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

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

**Variance with  
Final Budget  
Positive  
(Negative)**

---

\$	30,157
	11,983
	(6,132)
	197,662
	10,922
	23,501
	15,542
	42,642
	(48,402)
	<hr/>
	277,875
	<hr/>

	65,636
	50,417
	16,410
	8,154
	3,631
	303,929

	53,225
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	(29,190) *
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	<hr/>
	472,212

	<hr/>
	750,087
	<hr/>

	(10,000)
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	<hr/>
	(10,000)
	<hr/>

\$	740,087
	<hr/>
	<hr/>

# City of Heath, Texas

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

Years Ended December 31,

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 579,954	\$ 545,303	\$ 511,422	\$ 464,674
Interest	659,959	607,425	553,402	501,186
Differences between expected and actual experience	(73,547)	(70,104)	77,120	(54,710)
Changes of assumptions	-	-	185,491	-
Benefit payments, including refunds of participant contributions	(341,591)	(301,756)	(200,712)	(176,432)
<b>Net change in total pension liability</b>	<b>824,775</b>	<b>780,868</b>	<b>1,126,723</b>	<b>734,718</b>
<b>Total pension liability - beginning</b>	<b>\$ 9,657,982</b>	<b>\$ 8,877,114</b>	<b>\$ 7,750,391</b>	<b>\$ 7,015,673</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 10,482,757</b>	<b>\$ 9,657,982</b>	<b>\$ 8,877,114</b>	<b>\$ 7,750,391</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 405,755	\$ 352,127	\$ 340,543	\$ 267,260
Contributions - members	247,844	230,363	221,749	200,947
Net investment income	1,170,154	516,987	10,741	378,357
Benefit payments, including refunds of participant contributions	(341,591)	(301,756)	(200,712)	(176,432)
Administrative expenses	(6,059)	(5,834)	(6,541)	(3,949)
Other	(306)	(314)	(324)	(325)
<b>Net change in plan fiduciary net position</b>	<b>1,475,797</b>	<b>791,573</b>	<b>365,456</b>	<b>665,858</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,434,944</b>	<b>7,643,371</b>	<b>7,277,915</b>	<b>6,612,057</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 9,910,741</b>	<b>\$ 8,434,944</b>	<b>\$ 7,643,371</b>	<b>\$ 7,277,915</b>
<b>Fund's net pension liability - ending (a) - (b)</b>	<b>\$ 572,016</b>	<b>\$ 1,223,038</b>	<b>\$ 1,233,743</b>	<b>\$ 472,476</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 94.54%	 87.34%	 86.10%	 93.90%
<b>Covered payroll</b>	<b>\$ 3,540,624</b>	<b>\$ 3,290,903</b>	<b>\$ 3,135,634</b>	<b>\$ 2,870,669</b>
<b>Fund's net pension liability as a percentage of covered payroll</b>	<b>16.16%</b>	<b>37.16%</b>	<b>39.35%</b>	<b>16.46%</b>

**Notes to schedule:**

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

# City of Heath, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	9/30/2018	9/30/2017	9/30/2016	9/30/2015 <sup>1</sup>
Actuarially determined employer contributions	\$ 429,534	\$ 392,931	\$ 363,477	\$ 312,836
Contributions in relation to the actuarially determined	\$ 429,534	\$ 392,931	\$ 363,477	\$ 312,836
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 3,822,831	\$ 3,482,574	\$ 3,392,712	\$ 3,016,574
Employer contributions as a percentage of covered payroll	11.24%	11.28%	10.71%	10.37%

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

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

**Valuation Date:**

Notes

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes

There were no benefit changes during the year.

# City of Heath, Texas

**SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN  
PENSIONS (OPEB) LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SUPPLEMENTAL DEATH BENEFITS PLAN  
Year Ended December 31,**

	<b>2017</b>	<sup>1</sup>
Total OPEB liability		
Service cost	\$ 8,497	
Interest	3,264	
Differences between expected and actual experience	-	
Changes in benefit terms	-	
Changes of assumptions	9,071	
Benefit payments, including refunds of participant contributions	(354)	
<b>Net change in total OPEB liability</b>	<b>20,478</b>	
<b>Total OPEB liability - beginning</b>	<b>\$ 82,276</b>	
<b>Total OPEB liability - ending (a)</b>	<b>\$ 102,754</b>	<sup>2</sup>
 <b>Covered payroll</b>	 <b>\$ 3,540,624</b>	
<b>City's total OPEB liability as a percentage of covered payroll</b>	<b>2.90%</b>	

**Notes to schedule:**

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

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

***OTHER SUPPLEMENTARY INFORMATION***

**City of Heath, Texas**  
**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2018**

	<u>Heath Club MMD</u>	<u>Heath EDC</u>	<u>Heath MBC</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 54,848	\$ 1,858,165	\$ 1,849,080	\$ 3,762,093
Restricted cash	1,080,090	-	-	1,080,090
Receivables, net	13,555	58,793	58,793	131,141
Prepays	-	355	-	355
<b>Total Assets</b>	<b><u>\$ 1,148,493</u></b>	<b><u>\$ 1,917,313</u></b>	<b><u>\$ 1,907,873</u></b>	<b><u>\$ 4,973,679</u></b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 18,916	\$ 364	\$ 902	\$ 20,182
Accrued debt sevice payments owed	344,180	-	-	344,180
<b>Total Liabilities</b>	<b><u>363,096</u></b>	<b><u>364</u></b>	<b><u>902</u></b>	<b><u>364,362</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - Property taxes	2,207	-	-	2,207
<b><u>Fund Balances</u></b>				
Restricted for:				
Economic development	-	1,916,949	-	1,916,949
Economic opportunities	-	-	1,906,971	1,906,971
Unrestricted	783,190	-	-	783,190
<b>Total Fund Balance</b>	<b><u>783,190</u></b>	<b><u>1,916,949</u></b>	<b><u>1,906,971</u></b>	<b><u>4,607,110</u></b>
<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>	<b><u>\$ 1,146,286</u></b>	<b><u>\$ 1,917,313</u></b>	<b><u>\$ 1,907,873</u></b>	<b><u>\$ 4,971,472</u></b>

See Notes to Financial Statements.



# City of Heath, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2018

<b>Fund Balance</b>	\$ 4,607,110
<b>Adjustments for the Statement of Net Position:</b>	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	2,207
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(64,906)
Non-current liabilities due in one year	(259,900)
Non-current liabilities due in more than one year	(12,606,760)
<b>Net Position of the Discretely Presented Component Unit</b>	<u><u>\$ (8,322,249)</u></u>

See Notes to Financial Statements.

# City of Heath, Texas

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

For the Year Ended September 30, 2018

	Heath Club MMD	Heath EDC	Heath MBC	Total
<b><u>Revenues</u></b>				
Sales tax	\$ -	\$ 308,187	\$ 308,186	\$ 616,373
Property tax	1,108,197	-	-	1,108,197
Investment income	7,277	28,086	27,772	63,135
Other revenue	-	-	2,400	2,400
<b>Total Revenues</b>	1,115,474	336,273	338,358	1,790,105
<b><u>Expenditures</u></b>				
Current:				
General government	82,693	210,211	168,258	461,162
Debt Service:				
Principal	150,000	34,595	44,595	229,190
Interest and fiscal charges	788,646	4,100	6,950	799,696
<b>Total Expenditures</b>	1,021,339	248,906	219,803	1,490,048
<b>Total Revenues</b>				
<b>Over (Under) Expenditures</b>	94,135	87,367	118,555	300,057
<b>Net Change in Fund Balance</b>	94,135	87,367	118,555	300,057
Beginning fund balance	689,055	1,829,582	1,788,416	4,307,053
<b>Ending Fund Balance</b>	\$ 783,190	\$ 1,916,949	\$ 1,906,971	\$ 4,607,110

See Notes to Financial Statements.

# City of Heath, Texas

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

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

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

Net changes in fund balance	\$	300,057
-----------------------------	----	---------

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.

Accrued interest		700
------------------	--	-----

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

		2,207
--	--	-------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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.

Principal payments expensed		229,190
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<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b>\$</b>	<b>532,154</b>
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See Notes to Financial Statements.

**City of Heath, Texas**  
**COMBINING SCHEDULE OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2018**

	<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 54,848	\$ 1,858,165	\$ 1,849,080
Restricted assets - cash	1,080,090	-	-
Receivables, net	13,555	58,793	58,793
Prepays	-	355	-
<b>Total Assets</b>	<b>1,148,493</b>	<b>1,917,313</b>	<b>1,907,873</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	18,916	364	902
Accrued interest payable	367,578	562	946
Debt due within one year	195,000	47,450	57,450
	<b>581,494</b>	<b>48,376</b>	<b>59,298</b>
Noncurrent liabilities:			
Debt due in more than one year	12,195,000	168,380	243,380
	<b>12,195,000</b>	<b>168,380</b>	<b>243,380</b>
<b>Total Liabilities</b>	<b>12,776,494</b>	<b>216,756</b>	<b>302,678</b>
<b><u>Net Position</u></b>			
Economic development	-	1,700,557	-
Economic opportunities	-	-	1,605,195
Unrestricted	(11,628,001)	-	-
<b>Total Net Position</b>	<b>\$ (11,628,001)</b>	<b>\$ 1,700,557</b>	<b>\$ 1,605,195</b>

**Total**

\$	3,762,093
	1,080,090
	131,141
	355
	<u>4,973,679</u>

20,182
369,086
299,900
<u>689,168</u>

<u>12,606,760</u>
<u>12,606,760</u>
<u>13,295,928</u>

1,700,557
1,605,195
(11,628,001)
<u>\$ (8,322,249)</u>

**City of Heath, Texas**  
**COMBINING SCHEDULE OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended September 30, 2018**

Functions/Programs	Expenses
<b>Component Units</b>	
<b>Governmental Activities</b>	
Heath EDC	\$ 214,310
Heath MBC	175,209
<b>Total Governmental Activities</b>	389,519
<b>Business-Type Activities</b>	
Heath Club MMD	870,639
<b>Total Business-Type Activities</b>	870,639
<b>Total Component Units</b>	\$ 1,260,158

**General Revenues:**

Property taxes  
Sales taxes  
Investment income  
Other revenues

**Total General Revenues**

**Change in Net Position**

Beginning Net Position (Deficit)

**Ending Net Position**

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

<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
\$ -	\$ (214,310)	\$ -	\$ (214,310)
-	-	(175,209)	(175,209)
-	(214,310)	(175,209)	(389,519)
(870,639)	-	-	(870,639)
(870,639)	-	-	(870,639)
<u>\$ (870,639)</u>	<u>\$ (214,310)</u>	<u>\$ (175,209)</u>	<u>\$ (1,260,158)</u>
1,110,404	-	-	1,110,404
-	308,187	308,186	616,373
7,277	28,086	27,772	63,135
-	-	2,400	2,400
<u>1,117,681</u>	<u>336,273</u>	<u>338,358</u>	<u>1,792,312</u>
247,042	121,963	163,149	532,154
(11,875,043)	1,578,594	1,442,046	(8,854,403)
<u>\$ (11,628,001)</u>	<u>\$ 1,700,557</u>	<u>\$ 1,605,195</u>	<u>\$ (8,322,249)</u>

# 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, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property tax	\$ 2,263,800	\$ 2,277,973	\$ 14,173
Special assessments	800	34,396	33,596
Investment income	2,000	3,262	1,262
<b>Total Revenues</b>	2,266,600	2,315,631	49,031
<b><u>Expenditures</u></b>			
Debt service:			
Principal	1,316,900	1,316,895	5
Interest	1,095,050	1,085,672	9,378
<b>Total Expenditures</b>	2,411,950	2,402,567	9,383
<b>Revenues Over (Under) Expenditures</b>	(145,350)	(86,936)	58,414
<b>Net Change in Fund Balance</b>	\$ (145,350)	(86,936)	\$ 58,414
Beginning fund balance		350,799	
<b>Ending Fund Balance</b>		\$ 263,863	

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 FUND BALANCE - BUDGET AND ACTUAL**  
**HEATH ECONOMIC DEVELOPMENT CORPORATION**  
**For the Year Ended September 30, 2018**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Sales tax	\$ 302,000	\$ 308,187	\$ 6,187
Investment income	9,500	28,086	18,586
<b>Total Revenues</b>	311,500	336,273	24,773
<b><u>Expenditures</u></b>			
Current:			
Economic development	388,600	210,211	178,389
Debt service:			
Principal	20,000	34,595	(14,595)
Interest and fiscal charges	4,100	4,100	-
<b>Total Expenditures</b>	412,700	248,906	163,794
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	(101,200)	87,367	188,567
<b>Net Change in Fund Balance</b>	\$ (101,200)	87,367	\$ 188,567
Beginning fund balance		1,829,582	
<b>Ending Fund Balance</b>		\$ 1,916,949	

Notes to 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 FUND BALANCE - BUDGET AND ACTUAL**  
**HEATH MUNICIPAL BENEFITS CORPORATION**  
**For the Year Ended September 30, 2018**

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Sales tax	\$ 302,000	\$ 308,186	\$ 6,186
Investment income	9,700	27,772	18,072
Other income	2,400	2,400	-
<b>Total Revenues</b>	314,100	338,358	24,258
<b><u>Expenditures</u></b>			
Current:			
Economic opportunity	397,350	168,258	229,092
Debt service:			
Principal	30,000	44,595	(14,595)
Interest and fiscal charges	6,950	6,950	-
<b>Total Expenditures</b>	434,300	219,803	214,497
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	(120,200)	118,555	238,755
<b>Net Change in Fund Balance</b>	\$ (120,200)	118,555	\$ 238,755
Beginning fund balance		1,788,416	
<b>Ending Fund Balance</b>		\$ 1,906,971	

Notes to 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, 2018**

	<u>Balance</u> <u>October 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2018</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 199,369	\$ -	\$ 4,488	\$ 203,857
<b>Total Assets</b>	<u>199,369</u>	<u>-</u>	<u>4,488</u>	<u>203,857</u>
<b><u>Liabilities</u></b>				
Accrued liabilities	199,369	-	4,488	203,857
<b>Total Liabilities</b>	<u>\$ 199,369</u>	<u>\$ -</u>	<u>\$ 4,488</u>	<u>\$ 203,857</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.

<b>Contents</b>	<b>Pages</b>
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Financial Trends	112-121
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*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	123-129
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*These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.*

Debt Capacity	130-134
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*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	135-137
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*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	138-141
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*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 POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental Activities</b>				
Net investment in				
capital assets	\$ 19,089,641	\$ 17,895,266	\$ 17,130,797	\$ 14,959,471
Restricted	2,104,386	5,438,453	3,416,119	5,555,525
Unrestricted	3,197,493	513,677	2,117,843	2,117,843
<b>Total Governmental</b>				
<b>Net Position</b>	<u>\$ 24,391,520</u>	<u>\$ 23,847,396</u>	<u>\$ 22,664,759</u>	<u>\$ 22,632,839</u>
<b>Business-type Activities</b>				
Net investment in				
capital assets	\$ 16,063,136	\$ 15,935,522	\$ 14,406,551	\$ 14,406,551
Unrestricted	1,600,713	2,118,300	6,135,299	6,135,299
<b>Total Business-type Activities Net</b>				
<b>Position</b>	<u>\$ 17,663,849</u>	<u>\$ 18,053,822</u>	<u>\$ 20,541,850</u>	<u>\$ 20,541,850</u>
<b>Primary Government</b>				
Net investment in				
capital assets	\$ 35,152,777	\$ 33,830,788	\$ 29,366,022	\$ 29,366,022
Restricted	2,104,386	5,438,453	3,416,119	5,555,525
Unrestricted	4,798,206	2,631,977	8,253,142	8,253,142
<b>Total Primary Government Net</b>				
<b>Position</b>	<u>\$ 42,055,369</u>	<u>\$ 41,901,218</u>	<u>\$ 41,035,283</u>	<u>\$ 43,174,689</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 13,894,049	\$ 17,139,345	\$ 17,619,628	\$ 21,393,254	\$ 27,408,643	\$ 29,968,936
6,690,500	4,069,297	5,851,912	5,928,193	2,958,896	3,342,274
2,244,000	1,905,131	2,393,926	3,385,275	2,310,544	982,057
<u>\$ 22,828,549</u>	<u>\$ 23,113,773</u>	<u>\$ 25,865,466</u>	<u>\$ 30,706,722</u>	<u>\$ 32,678,083</u>	<u>\$ 34,293,267</u>
\$ 14,592,909	\$ 18,020,897	\$ 17,729,466	\$ 19,149,289	\$ 23,267,682	\$ 23,166,917
7,066,450	3,654,631	5,271,577	8,215,084	6,338,911	8,201,092
<u>\$ 21,659,359</u>	<u>\$ 21,675,528</u>	<u>\$ 23,001,043</u>	<u>\$ 27,364,373</u>	<u>\$ 29,606,593</u>	<u>\$ 31,368,009</u>
\$ 28,486,958	\$ 35,160,242	\$ 35,349,094	\$ 40,542,543	\$ 50,676,325	\$ 53,135,853
6,690,500	4,069,297	5,851,912	5,928,193	2,958,896	3,342,274
9,310,450	5,559,762	7,665,503	11,600,359	8,649,455	9,183,149
<u>\$ 44,487,908</u>	<u>\$ 44,789,301</u>	<u>\$ 48,866,509</u>	<u>\$ 58,071,095</u>	<u>\$ 62,284,676</u>	<u>\$ 65,661,276</u>

# City of Heath, Texas

## CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2009	2010	2011	2012
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,045,672	\$ 928,201	\$ 972,529	\$ 972,108
Public safety	2,335,201	2,320,231	2,892,734	2,563,884
Public works	1,890,939	2,081,969	1,603,281	2,400,169
Culture and recreation	135,669	229,222	243,985	244,264
Community development	-	-	-	-
Economic development	355,286	5,146	6,620	74,363
Economic opportunity	8,119	4,258	3,809	9,876
Interest and fiscal charges	677,118	522,894	518,723	440,348
Total governmental activities	<u>6,448,004</u>	<u>6,091,921</u>	<u>6,241,681</u>	<u>6,705,012</u>
Business-type activities:				
Water and sewer	4,288,635	4,207,851	4,486,947	4,636,550
Solid waste	435,416	459,086	457,809	455,154
Total business-type activities	<u>4,724,051</u>	<u>4,666,937</u>	<u>4,944,756</u>	<u>5,091,704</u>
Total primary government	<u>\$ 11,172,055</u>	<u>\$ 10,758,858</u>	<u>\$ 11,186,437</u>	<u>\$ 11,796,716</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 27,772	\$ 61,063	\$ 70,017	\$ 35,030
Public safety	323,136	309,515	325,953	339,991
Public works	126,626	154,797	122,527	20,572
Culture and recreation	17,124	14,280	16,630	7,857
Operating grants and contributions	30,949	20,865	32,744	223,971
Capital grants and contributions	2,013,667	1,000	262,258	-
Total governmental activities	<u>2,539,274</u>	<u>561,520</u>	<u>830,129</u>	<u>627,421</u>
Business-type activities:				
Charges for services:				
Water and sewer	3,836,944	4,432,549	5,657,062	5,263,550
Solid waste	510,248	557,623	559,007	541,434
Operating grants and contributions	-	-	-	503,138
Capital grants and contributions	974,396	94,075	-	-
Total business-type activities	<u>5,321,588</u>	<u>5,084,247</u>	<u>6,216,069</u>	<u>6,308,122</u>
Total primary government	<u>\$ 7,860,862</u>	<u>\$ 5,645,767</u>	<u>\$ 7,046,198</u>	<u>\$ 6,935,543</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (3,908,730)	\$ (5,530,401)	\$ (5,411,552)	\$ (6,077,591)
Business-type activities	597,537	417,310	1,271,313	1,216,418
Total primary government	<u>\$ (3,311,193)</u>	<u>\$ (5,113,091)</u>	<u>\$ (4,140,239)</u>	<u>\$ (4,861,173)</u>



	2013	2014	2015	2016	2017	2018
\$	1,130,893	\$ 1,037,325	\$ 1,188,977	\$ 1,128,310	\$ 1,419,003	\$ 1,428,893
	2,594,015	2,924,001	3,024,089	3,112,772	3,418,938	3,431,047
	2,010,404	2,064,771	2,336,387	2,686,868	2,537,936	2,471,864
	232,883	250,703	392,967	452,702	521,392	861,720
	-	-	-	65,353	526,038	506,854
	45,149	121,733	145,785	-	-	-
	46,407	29,413	172,992	-	-	-
	487,552	697,067	887,976	888,139	967,630	895,800
	<u>6,547,303</u>	<u>7,125,013</u>	<u>8,149,173</u>	<u>8,334,144</u>	<u>9,390,937</u>	<u>9,596,178</u>
	4,696,947	4,779,334	5,300,822	5,923,354	7,003,444	7,227,534
	459,156	477,945	489,701	476,804	609,491	701,482
	<u>5,156,103</u>	<u>5,257,279</u>	<u>5,790,523</u>	<u>6,400,158</u>	<u>7,612,935</u>	<u>7,929,016</u>
\$	<u><u>11,703,406</u></u>	<u><u>12,382,292</u></u>	<u><u>13,939,696</u></u>	<u><u>14,734,302</u></u>	<u><u>17,003,872</u></u>	<u><u>17,525,194</u></u>
\$	28,000	\$ 45,070	\$ 39,260	\$ 38,365	\$ 43,575	\$ 44,625
	374,837	437,582	484,400	641,126	604,905	877,433
	33,163	60,684	84,226	133,966	99,999	142,597
	9,830	6,190	5,215	5,960	11,440	12,500
	205,204	206,313	239,646	247,454	286,399	296,672
	801,848	1,004,919	2,721,107	7,053,743	2,493,945	1,244,094
	<u>1,452,882</u>	<u>1,760,758</u>	<u>3,573,854</u>	<u>8,120,614</u>	<u>3,540,263</u>	<u>2,617,921</u>
	5,445,750	4,973,658	5,759,498	6,307,932	8,175,863	8,616,924
	540,592	541,124	549,198	567,173	710,215	803,713
	-	-	-	-	-	-
	317,567	-	1,030,273	4,112,483	1,129,806	347,540
	<u>6,303,909</u>	<u>5,514,782</u>	<u>7,338,969</u>	<u>10,987,588</u>	<u>10,015,884</u>	<u>9,768,177</u>
\$	<u><u>7,756,791</u></u>	<u><u>7,275,540</u></u>	<u><u>10,912,823</u></u>	<u><u>19,108,202</u></u>	<u><u>13,556,147</u></u>	<u><u>12,386,098</u></u>
\$	(5,094,421)	\$ (5,364,255)	\$ (4,575,319)	\$ (213,530)	\$ (5,850,674)	\$ (6,978,257)
	1,147,806	257,503	1,548,446	4,587,430	2,402,949	1,839,161
\$	<u><u>(3,946,615)</u></u>	<u><u>(5,106,752)</u></u>	<u><u>(3,026,873)</u></u>	<u><u>4,373,900</u></u>	<u><u>(3,447,725)</u></u>	<u><u>(5,139,096)</u></u>

**City of Heath, Texas**  
**CHANGES IN NET POSITION (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Revenues</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,726,270	\$ 3,797,959	\$ 3,762,727	\$ 3,764,144
Sales and other taxes	713,804	763,036	742,285	764,377
Franchise taxes	444,648	406,495	483,349	570,755
Investment earnings	112,500	35,500	37,129	11,577
Other income	42,642	19,839	6,791	145,622
Gain (loss) on sale of assets	-	2,461	58,354	-
Special items	-	-	1,601,389	-
Transfers, net	85,494	47,200	(1,659,610)	40,000
Total governmental activities	<u>5,125,358</u>	<u>5,072,490</u>	<u>5,032,414</u>	<u>5,296,475</u>
Business-type activities:				
Investment earnings	51,708	16,259	33,578	7,677
Other Income	2,730	2,223	9,166	-
Gain (loss) on sale of assets	-	1,381	-	-
Special items	-	-	(1,706,810)	-
Transfers, net	(85,494)	(47,200)	1,659,610	(40,000)
Total business-type activities	<u>(31,056)</u>	<u>(27,337)</u>	<u>(4,456)</u>	<u>(32,323)</u>
Total primary government	<u>\$ 5,094,302</u>	<u>\$ 5,045,153</u>	<u>\$ 5,027,958</u>	<u>\$ 5,264,152</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,216,628	\$ (457,911)	\$ (379,138)	\$ (781,116)
Business-type activities	566,481	389,973	1,266,857	1,184,095
Total primary government	<u>\$ 1,783,109</u>	<u>\$ (67,938)</u>	<u>\$ 887,719</u>	<u>\$ 402,979</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 3,770,807	\$ 3,894,536	\$ 5,239,879	\$ 5,456,333	\$ 5,932,234	\$ 6,521,177
870,171	1,000,205	1,063,151	582,830	594,959	623,483
496,413	525,783	561,488	553,374	432,420	562,368
10,280	8,187	8,850	46,097	145,553	297,294
102,460	180,712	227,744	525,162	669,395	229,469
-	-	-	-	-	-
-	-	-	-	-	-
40,000	204,000	225,900	239,850	268,324	359,650
<u>5,290,131</u>	<u>5,813,423</u>	<u>7,327,012</u>	<u>7,403,646</u>	<u>8,042,885</u>	<u>8,593,441</u>
9,703	7,037	2,969	15,750	107,595	281,905
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(40,000)	(204,000)	(225,900)	(239,850)	(268,324)	(359,650)
<u>(30,297)</u>	<u>(196,963)</u>	<u>(222,931)</u>	<u>(224,100)</u>	<u>(160,729)</u>	<u>(77,745)</u>
<u>\$ 5,259,834</u>	<u>\$ 5,616,460</u>	<u>\$ 7,104,081</u>	<u>\$ 7,179,546</u>	<u>\$ 7,882,156</u>	<u>\$ 8,515,696</u>
\$ 195,710	\$ 449,168	\$ 2,751,693	\$ 7,190,116	\$ 2,192,211	\$ 1,615,184
1,117,509	60,540	1,325,515	4,363,330	2,242,220	1,761,416
<u>\$ 1,313,219</u>	<u>\$ 509,708</u>	<u>\$ 4,077,208</u>	<u>\$ 11,553,446</u>	<u>\$ 4,434,431</u>	<u>\$ 3,376,600</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund:				
Reserved	\$ 9,132	\$ 12,007	\$ -	\$ -
Nonspendable	-	-	-	6,720
Committed	-	-	11,000	11,000
Unreserved	1,760,597	2,038,657	-	-
Unassigned	-	-	2,482,201	2,380,554
Total general fund	<u>\$ 1,769,729</u>	<u>\$ 2,050,664</u>	<u>\$ 2,493,201</u>	<u>\$ 2,398,274</u>
All other governmental funds:				
Reserved	\$ 1,492,263	\$ 1,224,566	\$ -	\$ -
Restricted	-	-	5,491,603	5,555,525
Unreserved, reported in:				
Special revenue funds	1,653,512	1,948,523	-	-
Capital projects funds	4,359,876	4,077,618	-	-
Assigned	-	-	92,758	104,849
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 7,505,651</u>	<u>\$ 7,250,707</u>	<u>\$ 5,584,361</u>	<u>\$ 5,660,374</u>

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,410	19,013	26,332	27,139	13,063	5,876
11,000	11,000	11,000	-	-	-
-	-	-	-	-	-
2,545,423	2,534,965	2,664,300	2,769,135	2,515,353	3,263,277
<u>\$ 2,569,833</u>	<u>\$ 2,564,978</u>	<u>\$ 2,701,632</u>	<u>\$ 2,796,274</u>	<u>\$ 2,528,416</u>	<u>\$ 3,269,153</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,690,500	19,981,226	19,366,246	13,953,548	16,545,608	15,256,835
-	-	-	-	-	-
-	-	-	-	-	-
107,915	131,558	114,434	115,797	112,432	101,489
-	-	-	-	-	-
<u>\$ 6,798,415</u>	<u>\$ 20,112,784</u>	<u>\$ 19,480,680</u>	<u>\$ 14,069,345</u>	<u>\$ 16,658,040</u>	<u>\$ 15,358,324</u>

# City of Heath, Texas

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2009	2010	2011	2012
<b>Revenues</b>				
Taxes	\$ 4,847,760	\$ 5,015,072	\$ 4,946,164	\$ 4,997,248
Licenses and permits	129,832	160,568	133,627	247,002
Intergovernmental	735,123	240,290	246,703	223,971
Charges for services	69,779	94,694	98,495	105,415
Fines and forfeitures	56,907	43,467	52,107	39,016
Special assessments	25,267	19,219	13,611	11,284
Investment income	121,090	50,204	48,356	11,577
Other revenue	637,078	43,171	300,225	140,650
<b>Total Revenues</b>	<b>6,622,836</b>	<b>5,666,685</b>	<b>5,839,288</b>	<b>5,776,163</b>
<b>Expenditures</b>				
Administration	965,693	868,210	925,233	940,172
Highways and streets	257,256	592,398	310,584	307,928
Parks	78,711	133,050	189,515	133,073
Engineering and building inspection	404,487	429,663	354,838	399,720
Municipal court	89,384	84,535	86,400	61,577
Public safety	2,544,061	2,215,536	2,648,686	2,275,336
Community development	-	-	-	-
Economic development	355,286	5,146	6,620	67,345
Economic opportunity	8,119	4,258	3,809	2,857
Debt service				
Principal	608,947	617,745	533,864	789,852
Interest	712,808	739,814	798,546	428,911
Bond issuance costs	-	-	32,230	-
Capital outlay	3,151,084	-	-	500,582
<b>Total Expenditures</b>	<b>9,175,836</b>	<b>5,690,355</b>	<b>5,890,325</b>	<b>5,907,353</b>
<b>Revenues over (under) expenditures</b>	<b>(2,553,000)</b>	<b>(23,670)</b>	<b>(51,037)</b>	<b>(131,190)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,379,045	334,052	93,083	40,000
Transfers (out)	(1,370,138)	(286,852)	(1,752,693)	-
Sale of capital assets	-	2,461	58,883	-
Discount on bonds issued	-	-	(15,723)	-
Premium on bonds issued	-	-	163,962	-
Debt issued	297,353	-	2,536,500	-
Payment to refunded bond escrow agent	-	-	(2,343,654)	-
<b>Total other financing sources</b>	<b>306,260</b>	<b>49,661</b>	<b>(1,259,642)</b>	<b>40,000</b>
Special items	-	-	-	(105,421)
<b>Net Change in Fund Balances</b>	<b>\$ (2,246,740)</b>	<b>\$ 25,991</b>	<b>\$ (1,310,679)</b>	<b>\$ (196,611)</b>
Ratio of total debt service expenditures to noncapital expenditures	22%	24%	23%	23%

	2012	2014	2015	2016	2017	2018
\$	5,146,045	\$ 5,441,572	\$ 6,873,071	\$ 6,445,957	\$ 7,033,503	\$ 7,644,481
	293,488	394,519	401,364	638,651	595,622	881,462
	205,204	1,211,232	239,646	247,454	286,399	296,672
	103,513	117,496	170,445	139,238	122,402	139,951
	48,829	37,511	41,292	41,528	41,895	55,742
	15,504	20,651	14,641	2,710	17,487	34,396
	10,280	8,187	8,850	46,097	145,553	297,294
	92,316	189,889	1,224,304	405,162	659,954	226,332
	<u>5,915,179</u>	<u>7,421,057</u>	<u>8,973,613</u>	<u>7,966,797</u>	<u>8,902,815</u>	<u>9,576,330</u>
	956,640	1,030,082	1,257,621	1,325,467	1,301,454	1,359,764
	361,169	410,568	653,586	650,513	631,336	511,485
	133,338	150,219	246,842	258,840	325,128	619,490
	495,373	409,396	427,916	597,175	221,648	187,946
	51,263	50,923	54,875	54,685	58,080	62,069
	2,415,348	2,643,877	2,813,878	2,902,410	2,987,087	3,097,427
	-	-	-	65,353	458,584	506,854
	44,850	121,007	133,823	40,011	-	-
	46,108	28,687	161,030	-	-	-
	606,244	822,747	878,533	1,482,295	1,332,531	1,346,085
	396,836	430,307	1,081,188	822,766	713,797	1,085,672
	25,017	87,555	-	46,474	125,638	-
	806,680	3,772,108	1,985,671	2,782,084	5,417,356	1,718,167
	<u>6,338,866</u>	<u>9,957,476</u>	<u>9,694,963</u>	<u>11,028,073</u>	<u>13,572,639</u>	<u>10,494,959</u>
	(423,687)	(2,536,419)	(721,350)	(3,061,276)	(4,669,824)	(918,629)
	40,000	1,339,657	225,900	239,850	868,324	359,650
	-	-	-	-	(600,000)	-
	-	-	-	120,000	1,173	-
	-	-	-	-	-	-
	89,116	301,276	-	-	860,072	-
	3,254,037	14,205,000	-	4,725,000	7,350,000	-
	(1,649,866)	-	-	(4,621,080)	(1,488,908)	-
	<u>1,733,287</u>	<u>15,845,933</u>	<u>225,900</u>	<u>463,770</u>	<u>6,990,661</u>	<u>359,650</u>
	-	-	-	-	-	-
\$	<u>1,309,600</u>	<u>\$ 13,309,514</u>	<u>\$ (495,450)</u>	<u>\$ (2,597,506)</u>	<u>\$ 2,320,837</u>	<u>\$ (558,979)</u>
	18%	20%	25%	28%	25%	28%

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# City of Heath, Texas

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2013	1,174,084,201	18,668,100	107,786,000	1,084,966,301	0.34330
2014	1,222,944,691	19,788,280	110,634,664	1,132,098,307	0.34330
2015	1,303,855,443	20,525,510	118,167,490	1,206,213,463	0.42660
2016	1,363,145,688	21,756,470	119,374,987	1,265,527,171	0.42660
2017	1,506,628,525	21,403,513	120,337,169	1,407,694,869	0.41731
2018	1,647,230,153	22,981,067	126,200,460	1,544,010,760	0.41731

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Direct Rates:</b>				
City of Heath - Operating	0.27860	0.27860	0.27860	0.26360
City of Heath - Debt Service	0.06470	0.06470	0.06470	0.07970
<b>Total Direct Rate</b>	<u>0.34330</u>	<u>0.34330</u>	<u>0.34330</u>	<u>0.34330</u>
<b>Overlapping Rates:</b>				
Rockwall Independent School District	1.47000	1.47000	1.47000	1.47000
Rockwall County	0.37500	0.37500	0.38640	0.38640
Kaufman County	0.55650	0.55650	0.55650	0.49910
<b>Total Direct and Overlapping Rates</b>	<u>2.7448</u>	<u>2.7448</u>	<u>2.7562</u>	<u>2.6988</u>

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
0.26360	0.26360	0.27360	0.27360	0.27009	0.27009
0.07970	0.07970	0.15300	0.15300	0.14722	0.14722
0.34330	0.34330	0.42660	0.42660	0.41731	0.41731
1.47000	1.46000	1.44000	1.44000	1.46500	1.44000
0.38640	0.39590	0.39590	0.39590	0.37590	0.34980
0.50200	0.48250	0.50220	0.48950	0.49670	0.48870
2.7017	2.6817	2.7647	2.7520	2.7549	2.6958

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

Property Tax Payer	2018			2009		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
HGYC, LLC	\$ 8,919,214	1	0.578%	\$ -	n/a	-
Oncor Electric Delivery Co	7,366,780	2	0.477%	5,768,230	3	0.538%
SNH Medical Office Properties	6,446,120	3	0.417%	-	n/a	-
RLHT Development LLC	4,658,699	4	0.302%	-	n/a	-
TR Heath Partners Ltd.	4,358,210	5	0.282%	5,434,020	4	0.507%
Marion Shawn	3,665,380	6	0.237%	-	n/a	-
BC Golf Ltd	3,299,720	7	0.214%	4,592,740	5	0.428%
Heath JMU LLC	2,743,830	8	0.178%	-	n/a	-
HMH Lifestyles L P	2,718,880	9	0.176%	-	n/a	-
Ford, Rick & Brandi L.	2,506,000	10	0.162%	-	n/a	-
Whittle Development Inc	-	n/a	-	10,392,510	1	0.970%
Rainer Baylor Medical	-	n/a	-	6,314,540	2	0.589%
Daedelus Corporation	-	n/a	-	4,412,070	6	0.412%
Tri Terra Developments LP	-	n/a	-	2,961,270	7	0.276%
Vickers & Vasatano Construction	-	n/a	-	2,566,600	8	0.239%
Linehan Stephen D & Rhonda	-	n/a	-	2,256,130	9	0.210%
Kelldorf Mark S	-	n/a	-	2,203,510	10	0.206%
<b>Total</b>	<b>\$ 46,682,833</b>		<b>3.02%</b>	<b>\$ 46,901,620</b>		<b>4.38%</b>
Total Assessed Valuation	\$ 1,544,010,760		100%	\$ 1,071,826,749		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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax levy	\$ 3,660,894	\$ 3,746,608	\$ 3,742,908	\$ 3,742,951
Current tax collected	\$ 3,603,302	\$ 3,709,041	\$ 3,673,075	\$ 3,684,359
Percent of current tax collections	98.4%	99.0%	98.1%	98.4%
Delinquent tax collections	\$ 57,592	\$ 34,382	\$ 66,491	\$ 54,352
Total tax collections	\$ 3,660,894	\$ 3,743,423	\$ 3,739,566	\$ 3,721,779
Total collections as a percentage of levy	100.0%	99.9%	99.9%	99.4%

Source: Rockwall Central Appraisal District

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$	3,741,709	\$ 3,908,154	\$ 5,175,096	\$ 5,414,744	\$ 5,890,005	\$ 6,429,468
\$	3,684,359	\$ 3,844,606	\$ 5,125,661	\$ 5,353,707	\$ 5,819,243	\$ 6,366,282
	98.5%	98.4%	99.0%	98.9%	98.8%	99.0%
\$	53,079	\$ 46,575	\$ 29,029	\$ 31,392	\$ 23,968	\$ -
\$	3,737,438	\$ 3,891,181	\$ 5,154,690	\$ 5,385,099	\$ 5,843,211	\$ 6,366,282
	99.9%	99.6%	99.6%	99.5%	99.2%	99.0%

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities:</b>				
General Obligation Bonds	\$ 1,830,000	\$ 1,625,000	\$ 2,955,000	\$ 2,530,000
Certificates of Obligation	11,457,516	10,987,884	7,176,457	6,888,508
Capital Leases	-	-	251,263	202,684
Note Payable to Texas Comptroller	-	-	-	-
Notes Payable	271,534	244,052	216,607	188,258
<b>Business-type activities:</b>				
General Obligation Bonds	868,246	829,917	789,921	748,333
Certificates of Obligation	11,252,484	10,732,116	11,658,542	10,986,492
Contract Revenue Bonds	868,246	829,917	789,921	748,333
Total primary government	<u>\$ 26,548,026</u>	<u>\$ 25,248,886</u>	<u>\$ 23,837,711</u>	<u>\$ 22,292,608</u>
Percentage of personal income (1)	7.04%	6.46%	5.25%	4.41%
Per capita (1)	\$ 2,094	\$ 1,978	\$ 1,564	\$ 1,377

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 135.



	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	3,915,000	\$ 3,490,000	\$ 3,060,000	\$ 7,335,000	\$ 6,950,000	\$ 6,275,000
	6,652,956	21,693,106	21,353,734	16,006,681	20,590,000	19,980,000
	154,627	104,868	53,346	-	-	-
	-	-	-	-	220,850	191,660
	159,057	128,017	96,977	64,975	31,895	-
	705,000	3,955,000	3,625,000	6,485,000	6,140,000	5,310,000
	12,537,044	10,921,894	10,441,266	6,933,312	17,905,000	17,830,000
	705,001	660,000	613,380	563,380	511,718	458,390
	<u>\$ 24,828,685</u>	<u>\$ 40,952,885</u>	<u>\$ 39,243,703</u>	<u>\$ 37,388,348</u>	<u>\$ 52,349,463</u>	<u>\$ 50,045,050</u>
	4.76%	8.92%	7.97%	7.36%	9.61%	9.03%
\$	1,457	\$ 3,551	\$ 3,277	\$ 3,452	\$ 3,828	\$ 3,516

# City of Heath, Texas

## RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2009	2010	2011	2012
<b>NET TAXABLE ASSESSED VALUE</b>				
All property	\$ 1,071,826,749	\$ 1,101,524,185	\$ 1,089,241,489	\$ 1,087,289,484
<b>NET BONDED DEBT (1)</b>				
Gross bonded debt	14,155,762	13,442,801	10,921,378	10,166,841
Less debt service funds	-	-	-	-
<b>Net Bonded Debt</b>	<b>\$ 14,155,762</b>	<b>\$ 13,442,801</b>	<b>\$ 10,921,378</b>	<b>\$ 10,166,841</b>
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>				
	1.32%	1.22%	1.00%	0.94%
<b>POPULATION</b>				
	6,890	6,921	7,284	7,667
<b>NET BONDED DEBT PER CAPITA</b>				
	\$ 2,055	\$ 1,942	\$ 1,499	\$ 1,326

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.

2013	2014	2015	2016	2017	2018
\$ 1,084,966,301	\$ 1,132,098,307	\$ 1,206,213,463	\$ 1,265,527,171	\$ 1,407,694,869	\$ 1,544,010,760
11,272,956	29,138,106	28,038,734	29,826,681	33,680,000	31,565,000
-	-	-	-		
<u>\$ 11,272,956</u>	<u>\$ 29,138,106</u>	<u>\$ 28,038,734</u>	<u>\$ 29,826,681</u>	<u>\$ 33,680,000</u>	<u>\$ 31,565,000</u>
1.04%	2.57%	2.32%	2.36%	2.39%	2.04%
7,953	8,271	8,602	8,823	8,998	9,162
\$ 1,417	\$ 3,523	\$ 3,260	\$ 3,381	\$ 3,743	\$ 3,445

# City of Heath, Texas

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Rockwall Independent School District	\$ 480,596,636	17.47%	\$ 83,937,665
Rockwall County	99,520,000	14.51%	14,445,169
Kaufman County	62,134,016	0.07%	42,101
Subtotal, overlapping debt			98,424,935
<b>City direct debt</b>			26,255,000
<b>Total direct and overlapping debt</b>			\$ 124,679,935

Sources: Rockwall ISD, Rockwall County, Kaufman County

\* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

Year	Estimated Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
				Rockwall ISD	Rockwall County
2009	6,890	\$ 364,997,750	52,975	4,271	4.8%
2010	6,921	\$ 377,762,022	54,582	4,313	6.7%
2011	7,284	\$ 438,766,308	60,237	4,235	7.2%
2012	7,667	\$ 488,449,236	63,708	4,294	5.5%
2013	7,953	\$ 506,669,724	63,708	4,283	6.1%
2014	8,271	\$ 451,571,787	54,597	4,539	5.5%
2015	8,602	\$ 508,128,742	59,071	4,650	3.9%
2016	8,823	\$ 508,151,862	57,594	4,677	3.7%
2017	8,998	\$ 544,459,982	60,509	4,895	3.8%
2018	9,162	\$ 554,383,458	60,509	5,076	3.8%

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	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rockwall ISD	1,816	1	8.84%	1,365	1	6.87%
Texas Health Presbyterian Hospital	600	2	2.92%	n/a	n/a	n/a
Texas Star Express	484	3	2.36%	484	3	2.44%
Wal-Mart Superstore	450	4	2.19%	450	4	2.27%
County of Rockwall	315	5	1.53%	253	5	1.27%
City of Rockwall	277	6	1.35%	205	6	1.03%
Special Products & Manufacturing	168	7	0.82%	205	7	1.03%
L-3 Communications	150	8	0.73%	n/a	n/a	n/a
Home Depot	140	9	0.68%	n/a	n/a	n/a
Bimbo Bakeries	134	10	0.65%	n/a	n/a	n/a
Lake Point Medical Center	n/a	n/a	n/a	700	2	3.53%
Target	n/a	n/a	n/a	200	8	1.01%
Rockwall Nursing Home	n/a	n/a	n/a	160	9	0.81%
Kohl's Department Store	n/a	n/a	n/a	140	10	0.71%
<b>Total</b>	<b>4,534</b>		<b>22.07%</b>	<b>4,162</b>		<b>20.96%</b>

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government and administration	7.5	5.5	5.5	5.5	6	5	5	6	6	6
Public safety	21	19	19	19	19	19	22	23	23	23
Public works	6	6	6	4	5	5	5	7	7	7
Culture and recreation	1	1	1	1	1	1	1	1	1	4
Water and sewer	11	9	9	9	10	9	9	10	12	12
<b>Total</b>	<u>47</u>	<u>40</u>	<u>41</u>	<u>39</u>	<u>41</u>	<u>39</u>	<u>42</u>	<u>47</u>	<u>49</u>	<u>52</u>

Sources: Various City departments.

# City of Heath, Texas

## OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012
General government				
Building permits issued	40	35	31	47
Building inspections conducted	800	721	721	921
Public safety				
Police				
Physical arrests	58	43	22	168
Burglary	14	32	16	24
Robbery	-	-	-	1
Theft	48	50	31	82
Traffic violations	147	185	303	330
Fire				
Emergency responses	149	210	225	173
Fires extinguished	7	10	25	11
Inspections	52	60	60	52
Public works				
Streets (feet)	88,000	270,000	-	-
Potholes repaired	800	800	800	800
Water				
New connections	126	90	94	103
Average annual consumption (thousands of gallons)	460	440	491	487
Wastewater				
Average daily sewage treatment (thousands of gallons)	310	390	312	377

Sources: Various City departments.



<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
64	71	79	116	131	142
911	1,224	1,352	4,949	6,944	6,894
137	71	58	79	45	46
16	5	8	5	10	6
-	-	-	-	2	1
86	35	38	37	30	34
331	309	242	347	293	632
169	143	145	172	257	271
5	3	7	9	16	2
69	4	2	49	179	242
-	16,440	25,200	52,380	38,016	28,840
100	200	125	-	82	100
115	100	92	143	176	147
474	371	445	496	470	478
255	284	411	526	428	423

**City of Heath, Texas**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Ten Years**

Function/Program	2009	2010	2011	2012
Public safety				
Police stations	1	1	1	1
Police patrol units	12	12	12	12
Fire engines	3	3	3	3
Public works				
Streets (miles)	175	175	175	175
Cultural and recreational				
Acreage	71	94	94	94
Playgrounds (1)	2	2	2	2
Baseball/Softball fields	1	1	1	1
Soccer/Football fields	3	3	3	3
Community centers	1	1	1	1
Water and sewer				
Water mains (miles)	52	52	54	54
Fire hydrants	199	199	223	223
Wastewater				
Sanitary sewers (miles)	61	61	61	61
Storm sewers (miles)	12	12	14	14

Sources: Various City departments.

(1) Does not include HOA playgrounds.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
12	12	12	12	13	13
3	3	3	3	3	3
175	176	176	178	179	188
94	94	94	94	100	100
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	3	3
1	1	1	1	1	1
55	55	55	56	58	58
229	229	254	282	305	305
62	62	64	66	68	68
14	14	15	15	16	16

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