



CITY OF HEATH, TEXAS

Comprehensive Financial Annual Report

For the year ended September 30, 2020

Prepared by the Finance Department

City of Heath, Texas

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September 30, 2020

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INTRODUCTORY SECTION



CITY OF HEATH

200 Laurence Drive, Heath, Texas 75032 | Phone (972) 771-6228 | Fax (972) 961-4932

February 2, 2021

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, 2020. 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, 2020.

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 unmodified opinion on the City of Heath's financial statements for the year ended September 30, 2020. 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.

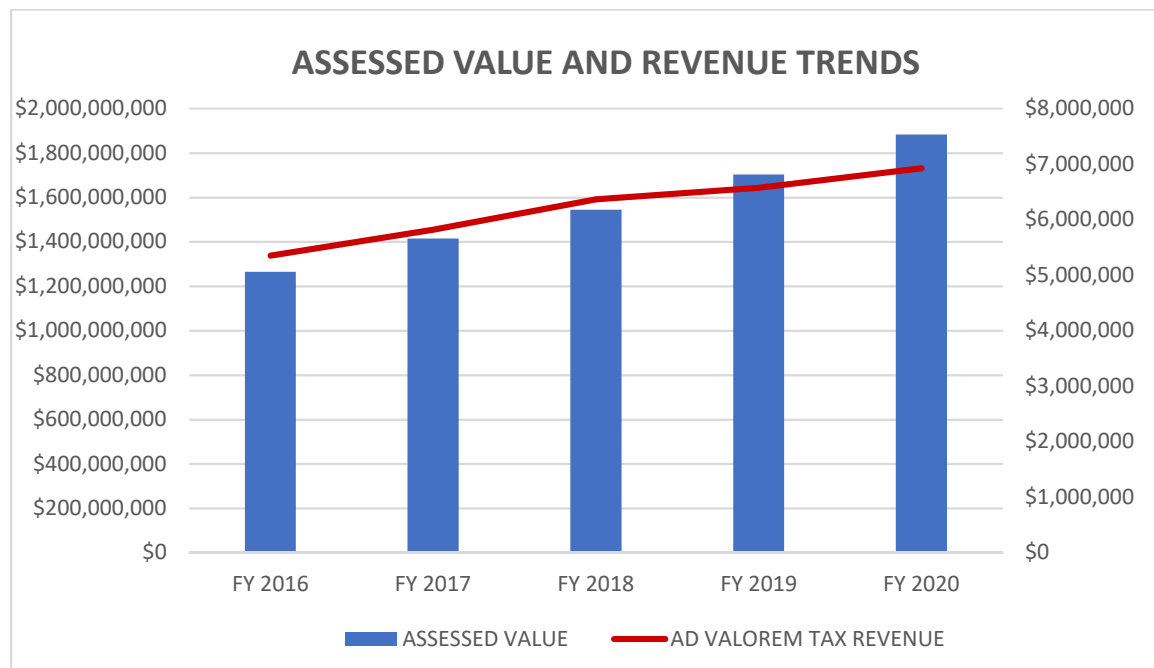
The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates under a Council-Manager form of government. As a Home Rule City, policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other at-large members. The term 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.

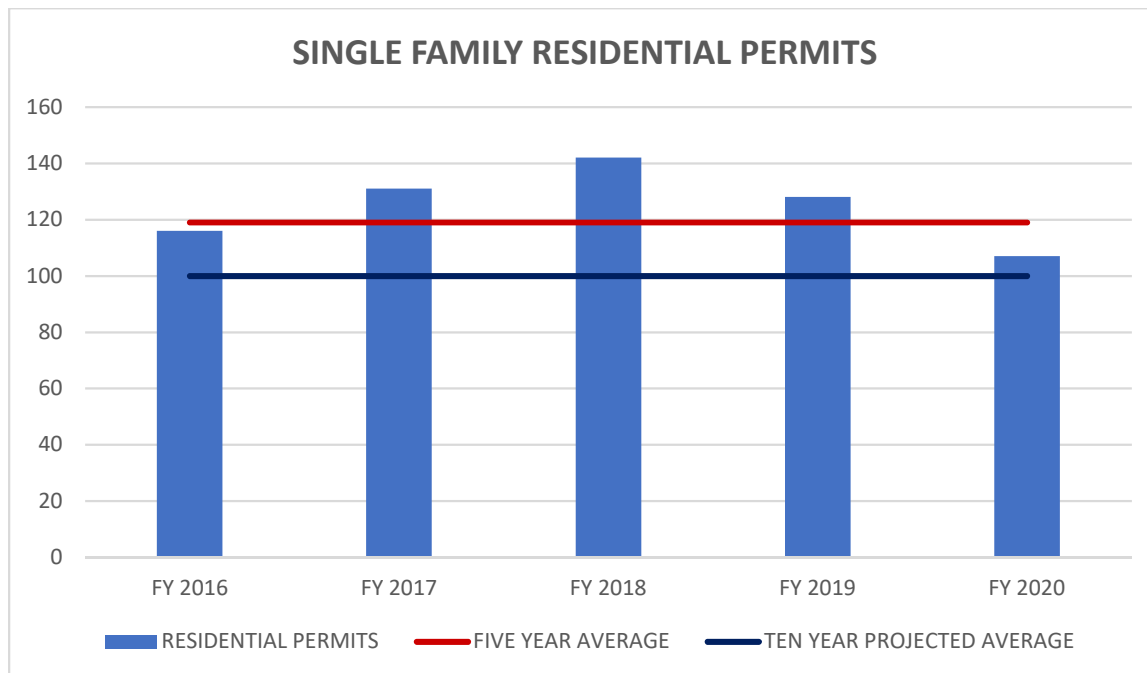
ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas' Dallas-Fort Worth Economic Indicators published December 31, 2020, "Dallas-Fort Worth economic recovery waned in November, following strong growth in October. Employment growth moderated, and movements in the Dallas and Fort Worth business-cycle indexes were mixed. Initial unemployment claims dipped in the second week of December after rising in the previous week. Low-wage workers appear to have been the hardest hit by the pandemic. Multifamily permits rose for the third straight month in November but were down year to date relative to 2019. Housing market indicators pointed to slight improvement in affordability in third quarter 2020.

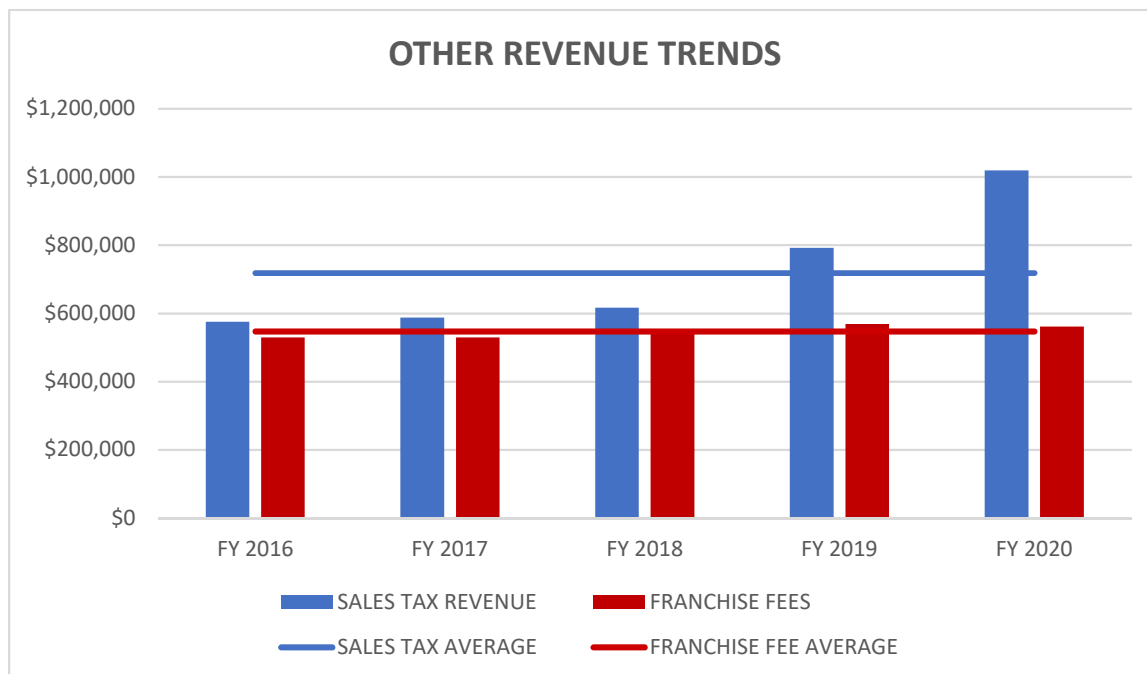
The City's Fiscal Year 2020 Assessed Value increased \$180M, or 10.6%, over the Fiscal Year 2019 Assessed Value. This is the seventh consecutive year Assessed Values have increased over the prior year.



The City issued 107 single family residential permits in FY 2020, a decrease of 21 permits or 16% from the prior year. This is the fewest number of residential permits issued since FY 2015. The downturn could be a reflection of the Covid 19 impact on the local economy. Despite the decrease, the number of permits issued is above the ten-year projected average of 100 residential units annually.



Sales Tax Revenue increased \$227,074 in Fiscal Year 2020. The increase in sales tax was spread across several economic categories with Service and Retail showing the most growth. Franchise revenue was down \$7,310 compared to the prior year, but above the five-year average.



While the number of residential permits issued is down from the prior year, in total, the economic indicators point to modest growth and a stable economy in the City of Heath.

Projections based on future residential and commercial development played a key role during the 2021 budget process. Council reduced the tax rate while maintaining services and adding a project engineer and

converting a part-time desktop support/production assistant position to full-time. Funding for additional street repairs and a citizens-on-patrol program are included in the budget. Utility rates remained unchanged from the prior year and may be adjusted, if needed, upon completion of the current rate study.

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 2020: Public Works equipment storage facility, installation of an emergency generator at city hall and Myers and Crisp roadway improvements. 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. 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 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 year-to-date expenditures 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 the property tax levy by purpose for Fiscal Year 2020 is \$0.245215 for maintenance and operations and \$0.13411 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 unmodified 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, 2019. This was the eleventh 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 received the GFOA’s Distinguished Budget Presentation Award for the period beginning October 1, 2019. 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 future-focused manner.

Sincerely,

A handwritten signature in blue ink, appearing to read 'A. Adams'.

Aretha L Adams, MPA
City Manager

A handwritten signature in black ink, appearing to read 'Laurie Mays'.

Laurie Mays
Director of Finance



Government Finance Officers Association

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

Presented to

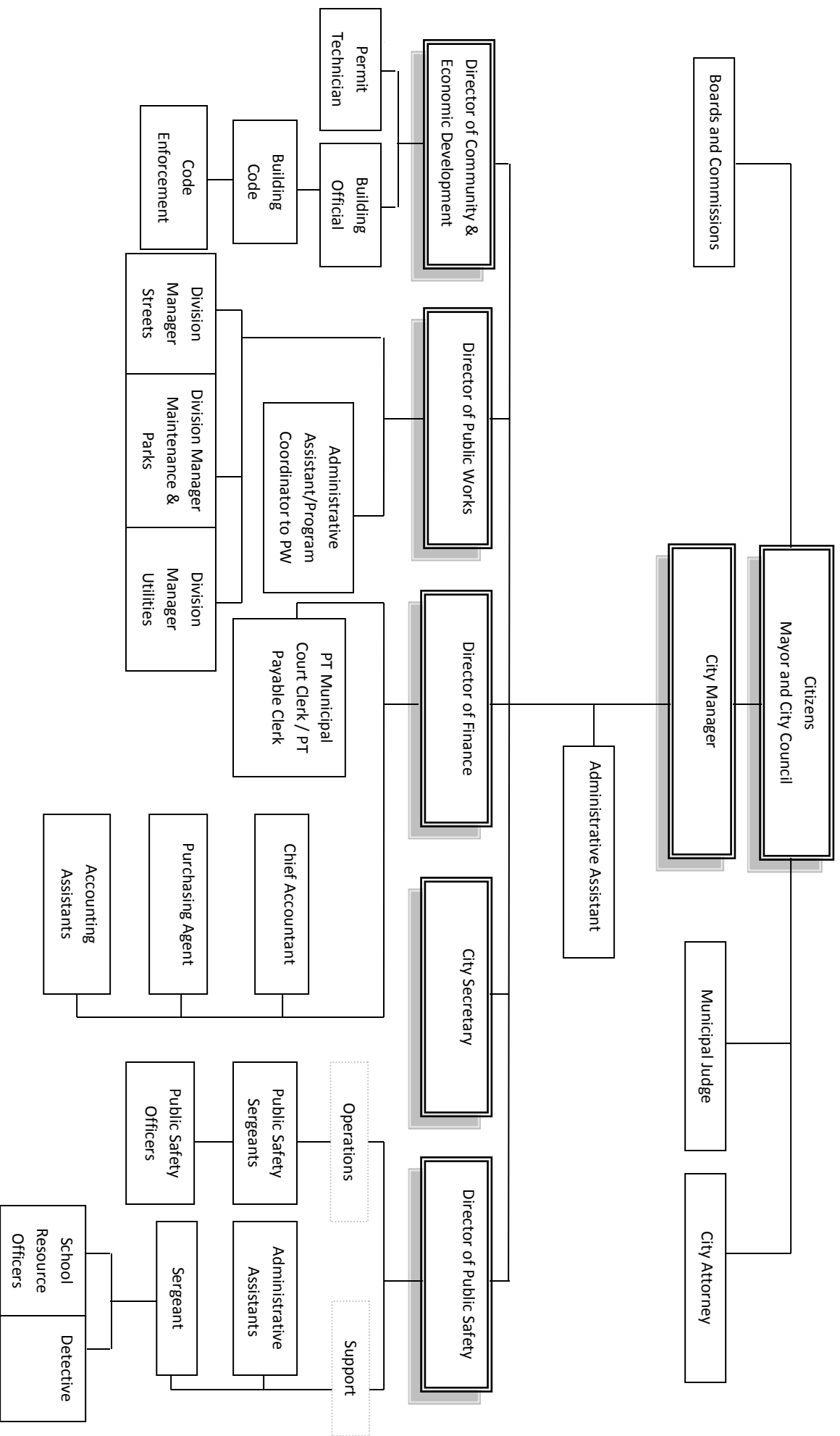
**City of Heath
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO



City of Heath, Texas

PRINCIPAL OFFICIALS

September 30, 2020

CITY COUNCIL

Kelson Elam, Mayor

Frank New, Mayor Pro Tem

Paul Ruufo, Council Member, Place 1

Brent Weaver, Council Member, Place 4

Donna Rolater, Council Member, Place 3

John Beaman, Council Member, Place 5

Rich Krause, Council Member, Place 6

CITY STAFF

Aretha Adams, City Manager

Andy Messer, City Attorney

Norma Duncan, City Secretary

Chuck Todd, Public Works

Brandon Seery, Department of Public Safety

Kevin Lasher Community Development

Roy Stacy, Municipal Court Judge

Laurie Mays, Finance

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, 2020, 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, 2020 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 2, 2021

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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, 2020

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, 2020. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2020 by \$79,176,613. Of this amount, \$58,469,315 (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 \$6,665,903. 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 contributions received and income from water and sewer operations.
- The City's governmental funds reported combined ending fund balances of \$21,518,158 at September 30, 2020, an increase of \$2,432,914 from the prior fiscal year; this includes an increase of \$544,507 in the capital improvement fund, an increase of \$51,531 in the debt service fund, an increase of \$1,021,307 in the general fund, and an increase of \$815,569 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$4,676,487 or 69% of total general fund expenditures.
- The City's outstanding long-term debt decreased by \$3,458,318 (including premiums). The total long-term debt at the close of the fiscal year was \$44,846,453 (excluding premiums), including self-supporting debt of the proprietary fund which was \$20,971,893 (excluding premiums).

Overview of the Financial Statements

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

Government-Wide Statements

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

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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 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 Heath 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 residents. 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*

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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.

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 twelve 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, debt service fund, the capital improvements fund, the Marsha's Happy Haven fund, the Farmers' Market fund, the PATH fund, the Drainage fund, the Fire Station fund, the Equipment Replacement fund, the Heath EDC, and the Heath MBC. The City did not adopt a budget for the Public Safety Donations, the Parks CIP, or the Park in lieu funds. A budgetary comparison statement has been provided for each fund with an approved budget 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

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2020

resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Component Units

The City maintains the accounting and financial statements for two component units, the Heath Economic Development Corporation (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 Club 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 \$79,176,613 as of September 30, 2020, in the primary government.

The largest portion of the City's net position, \$58,469,315, 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, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 23,077,008	\$ 20,107,422	\$ 43,184,430	\$ 20,607,816	\$ 18,688,482	\$ 39,296,298
Capital assets, net	47,244,434	39,825,830	87,070,264	46,575,219	41,261,046	87,836,265
Total Assets	70,321,442	59,933,252	130,254,694	67,183,035	59,949,528	127,132,563
Total						
Deferred Outflows	673,202	178,220	851,422	968,661	272,012	1,240,673
Other liabilities	3,464,080	2,326,008	5,790,088	3,088,629	2,857,402	5,946,031
Long-term liabilities	24,411,944	21,366,283	45,778,227	26,687,522	23,227,391	49,914,913
Total Liabilities	27,876,024	23,692,291	51,568,315	29,776,151	26,084,793	55,860,944
Total						
Deferred Inflows	291,099	70,089	361,188	1,245	337	1,582
Net Position:						
Net investment						
in capital assets	32,049,289	26,420,026	58,469,315	30,950,857	26,221,080	57,171,937
Restricted	6,686,903	-	6,686,903	4,361,355	-	4,361,355
Unrestricted	4,091,329	9,929,066	14,020,395	3,062,088	7,915,330	10,977,418
Total Net Position	\$ 42,827,521	\$ 36,349,092	\$ 79,176,613	\$ 38,374,300	\$ 34,136,410	\$ 72,510,710

Total current and other assets increased directly as a result of greater cash on hand compared to the prior year. This increase in cash was driven by current year revenues exceeding expenses. Other liabilities for governmental activities increased primarily due to timing of repayments to vendors subsequent to year end. In addition, current portion of long-term debt increased as the City's debt obligations are approaching maturity. Other liabilities for business-type activities decreased directly as a result of repayments to vendors in the current year. Total long-term liabilities decreased as a result of principal payments on outstanding long-term debt in the current year.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Activities:

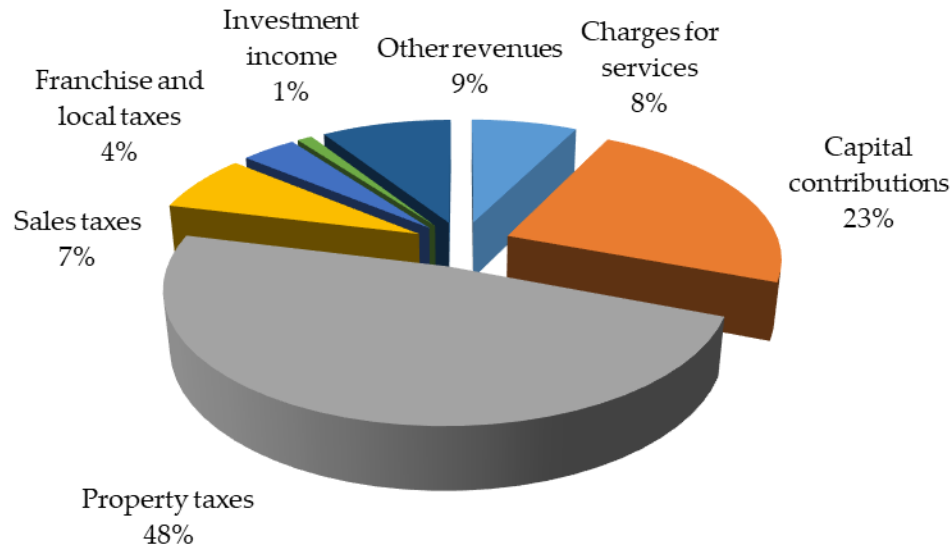
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
			Total			Total
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program revenues:						
Charges for services	\$ 1,083,247	\$ 10,656,791	\$ 11,740,038	\$ 1,084,532	\$ 10,250,206	\$ 11,334,738
Operating grants	1,057,251	-	1,057,251	453,822	-	453,822
Capital contributions	3,417,766	777,717	4,195,483	2,929,400	2,039,039	4,968,439
General revenues:						
Property taxes	7,026,134	-	7,026,134	6,726,636	-	6,726,636
Sales taxes	1,045,956	-	1,045,956	797,356	-	797,356
Franchise and local taxes	561,567	-	561,567	585,109	-	585,109
Investment income	153,923	156,404	310,327	401,793	371,444	773,237
Other revenues	272,463	243,469	515,932	801,278	17,493	818,771
Total Revenues	14,618,307	11,834,381	26,452,688	13,779,926	12,678,182	26,458,108
Expenses						
General government	1,469,119	-	1,469,119	1,605,288	-	1,605,288
Public safety	3,910,066	-	3,910,066	3,670,170	-	3,670,170
Public works	3,005,180	-	3,005,180	2,675,911	-	2,675,911
Culture and recreation	697,569	-	697,569	740,197	-	740,197
Community development	532,182	-	532,182	553,605	-	553,605
Interest and fiscal charges	821,970	761,320	1,583,290	885,363	845,670	1,731,033
Water, sewer, & solid waste	-	8,589,379	8,589,379	-	8,617,288	8,617,288
Total Expenses	10,436,086	9,350,699	19,786,785	10,130,534	9,462,958	19,593,492
Change in Net Position Before Transfers	4,182,221	2,483,682	6,665,903	3,649,392	3,215,224	6,864,616
Transfers	271,000	(271,000)	-	428,272	(428,272)	-
Total	271,000	(271,000)	-	428,272	(428,272)	-
Change in Net Position	4,453,221	2,212,682	6,665,903	4,077,664	2,786,952	6,864,616
Beginning Net Position	38,374,300	34,136,410	72,510,710	34,296,636	31,349,458	65,646,094
Ending Net Position	\$ 42,827,521	\$ 36,349,092	\$ 79,176,613	\$ 38,374,300	\$ 34,136,410	\$ 72,510,710

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

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

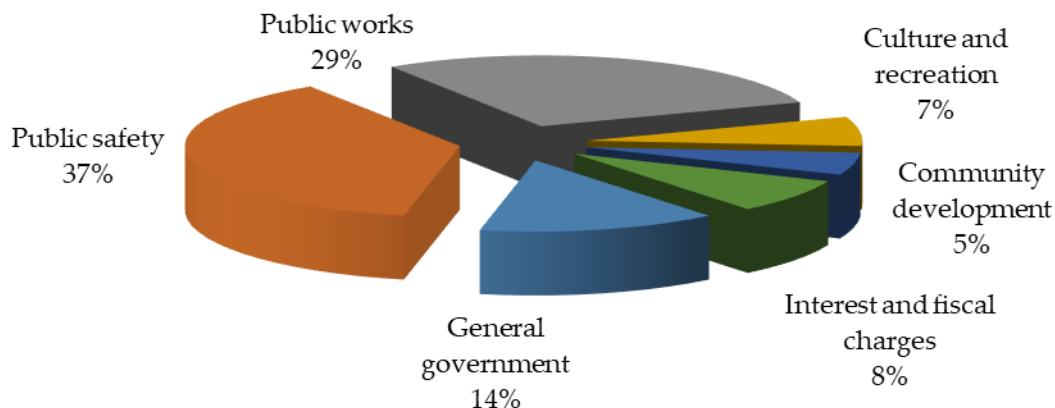
Governmental Activities - Revenues



For the year ended September 30, 2020, revenues from governmental activities totaled \$14,618,307. Total revenues increased by \$838,381 or 6%. Property tax, sales tax, charges for services, and grants and capital contributions are the City's largest general revenue sources. Grants and capital contributions increased by \$1,091,795 primarily as a result of more capital contributions received from developers for ongoing infrastructure development projects in the current year. Sales taxes increased by \$248,600 or 31% due to increased economic growth within the City. Investment income decreased by \$247,870 due to interest rate changes. Other revenues decreased by \$528,815 primarily due to reduced roadway impact fees in the current year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



City of Heath, Texas

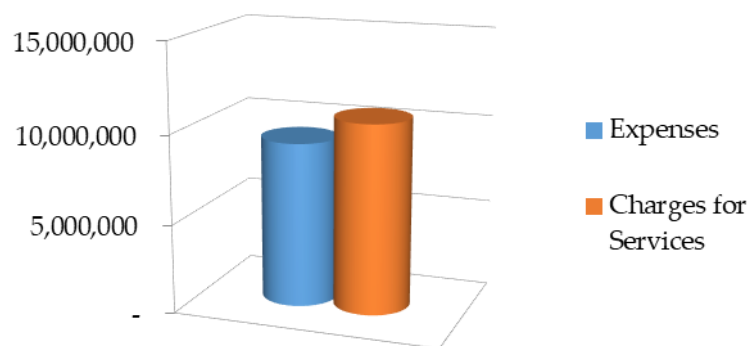
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

For the year ended September 30, 2020, expenses for governmental activities totaled \$10,436,086. This represents an increase of \$305,552 or 3%. This increase stems primarily from increases in public safety and public works expenses. General government expenses decreased by \$136,169 or 8% as a result of reduced personnel expenses due to vacancies and reallocation of salaries to other departments in the current year. Public safety expenses increased by \$239,896 or 7% due to greater salaries and benefits paid, which is a direct result of two fire captain positions being added in the current year and nonrecurring payout of accrued benefits to one employee. Public works expenses increased by \$329,269 or 12% primarily due to greater personnel costs, drainage repairs, and annual depreciation expenses in the current year. Interest and fiscal charges decreased \$63,393 or 7% primarily as a result of long-term debt obligation approaching maturity.

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, 2020, charges for services by business-type activities totaled \$10,656,791. This is an increase of \$406,585 or 4% from the previous year. The increase primarily relates to the increase in the number of utility customers and an increase in water consumption by the City's residents.

Utility service expenses decreased slightly by \$27,909, to a total of \$8,589,379, or a change of < 1%. This variance is considered minimal. Interest and fiscal charges decreased by \$84,350 or 10% due to paydowns of long-term debt obligations during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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, 2020, the City's governmental funds reported combined fund balances of \$21,518,158, an increase of \$2,432,914 in comparison with the prior year. Approximately 22% of this amount, \$4,676,487, 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 \$20,700 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 \$510,634 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 \$16,310,337 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$4,697,187. Fund balance increased \$1,021,307 due to current year revenues exceeding expenditures and other financing uses. In addition, actual fund revenues exceeded appropriations and actual fund expenditures were less than appropriations.

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 \$4,676,487 is 69% of total general fund expenditures.

The debt service fund had an ending fund balance of \$426,009 at September 30, 2020 compared to the previous year's balance of \$374,478. This is an increase of \$51,531, which is primarily due to property tax and special assessments revenues exceeding debt service expenditures.

The capital improvements fund experienced a net increase in fund balance of \$544,507 due to current year revenues exceeding capital outlay expenditures. During the year, the City expended \$1,035,920 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 totaled \$36,178,227. Unrestricted net position of the fund at the close of the fiscal year amounted to \$9,758,201. The capital assets of the water and sewer fund had a net book value of \$39,825,830.

The City operates and maintains a water and sewer distribution system with force mains and lift stations.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2020

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 decreases to capital assets were \$1,435,216. The decrease in capital assets was a result of annual depreciation plus dispositions exceeding the sum of assets purchased/constructed by the City and contributed assets from developers. Operational expenses excluding depreciation and amortization in the water and sewer fund were \$6,089,563. Cash and cash equivalents in the water and sewer fund were \$17,920,445 at fiscal year end.

The City's nonmajor solid waste fund recorded a slight decrease of \$847 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 indicated a deficit of \$511,050, and was amended during the year to a final budgeted deficit of \$525,350. The amendments increased total expenditures by \$20,300 and total revenues by \$6,000. The increases were primarily the result of unforeseen park department expenses needed during the year.

There was a positive variance of \$660,842 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$885,815 for budgeted expenditures. The City realized the biggest variance within administration, highways and streets, and public safety.
- \$1,546,657 is the variance surplus of revenues over expenditures before transfers. The positive variance was due to the aforementioned positive expenditure variance, and a positive revenue variance of \$660,842. Revenues were estimated conservatively based on prior year results and current year expectations. With a conservative outlook rather than aggressive, the actual results were expected to exceed estimates and did so for all categories.
- There was a net positive overall variance of \$1,546,657.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$47,244,434 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$39,825,830 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.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2020

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

- Contributed assets valued at \$2,151,322 consisting of street infrastructure.
- Contributed assets valued at \$777,717 consisting of water and sewer infrastructure.
- Investment in White Road and Hacienda Del Lagos projects totaling \$758,356.
- Purchased new generator for \$131,700.
- Purchased land to be used for ground storage tank for \$270,480.
- Investments in HDL sewer line totaling \$172,905.

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 and other debt obligations of \$44,846,453. Of this amount, \$20,971,893 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. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a tax rate for the FY 2021 Budget of 37.6569 cents per \$100 of assessed value - a reduction of 0.002756 cents per \$100. Assessed value increased \$93,716,378 or 5.0% over the prior year's value. FY 2021 marks the eighth consecutive year assessed values have increased. The City Council was able to maintain a low stable tax rate and prepare for the City's future obligations while adhering to the long and short-term operational plan as a result of taking a fiscally conservative approach to City services. The tax rate provides an anticipated revenue increase in the tax levy for both operations and debt service commitments. Of the new tax rate, \$0.247584 or 65.7% is dedicated to maintenance and operations (M&O) in the General Fund, and \$0.128985 or 34.3% is dedicated to general obligation debt service.

The City realized an increase in ad valorem tax revenue of \$212,000 in the General Fund resulting from the addition of new properties on the tax rolls. The City added a Project Engineer position and converted a part-time IT Support position to full-time. The budget includes funding for additional street repairs; traffic calming infrastructure; a Citizens on Patrol program; records management software; and server upgrades.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2020

The City Council is committed to funding capital purchases on a pay-as-you-go basis. To accomplish this goal the following Funds were established: a Drainage Fund; two Equipment Replacement Funds; and a Fire Station Building Fund. The FY 2021 Proposed Budget includes transfers to the Equipment Replacement Funds and the Fire Station Building Fund. The Drainage Fund will be funded on an as needed basis.

Debt Service Fund revenue increased \$67,200 due to the addition of new properties on the tax roll and planned spending of fund balance. The revenue allocated to this fund is used to pay the City's annual debt service obligations.

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.

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.

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, 2020

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 22,424,606	\$ 9,104,506	\$ 31,529,112	\$ 4,259,189
Restricted cash	-	8,925,676	8,925,676	1,120,076
Receivables, net	631,702	2,042,498	2,674,200	396,908
Inventory	-	23,763	23,763	-
Prepays	20,700	10,979	31,679	3,179
Total Current Assets	23,077,008	20,107,422	43,184,430	5,779,352
Noncurrent assets:				
Assessment receivables, net	-	-	-	11,714,228
Capital assets:				
Non-depreciable	7,904,397	2,434,984	10,339,381	-
Net depreciable capital assets	39,340,037	37,390,846	76,730,883	-
Total Noncurrent Assets	47,244,434	39,825,830	87,070,264	11,714,228
Total Assets	70,321,442	59,933,252	130,254,694	17,493,580
<u>Deferred Outflows of Resources</u>				
Pension contributions	317,832	76,526	394,358	-
OPEB contributions	331	80	411	-
OPEB change in assumptions	16,203	3,901	20,104	-
Pension actual experience vs. assumption	120,980	29,129	150,109	-
Pension assumption changes	44,089	10,615	54,704	-
Deferred charge on refunding	173,767	57,969	231,736	-
Total Deferred Outflows of Resources	673,202	178,220	851,422	-

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2020

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 992,278	\$ 455,037	\$ 1,447,315	\$ 117,831
Accrued interest payable	106,581	109,486	216,067	170,368
Customer deposits	198,000	267,655	465,655	-
Deferred revenue	-	152,218	152,218	-
Compensated absences, current	330,041	61,794	391,835	-
Long-term debt due within one year	1,837,180	1,279,818	3,116,998	289,900
Total Current Liabilities	3,464,080	2,326,008	5,790,088	578,099
Noncurrent liabilities:				
Long-term debt due in more than one year	22,935,065	21,037,194	43,972,259	12,074,410
Compensated absences, noncurrent	495,061	92,691	587,752	-
Net pension liability	866,023	208,517	1,074,540	-
OPEB liability	115,795	27,881	143,676	-
Total Noncurrent Liabilities	24,411,944	21,366,283	45,778,227	12,074,410
Total Liabilities	27,876,024	23,692,291	51,568,315	12,652,509
Deferred Inflows of Resources				
OPEB difference in experience	424	102	526	-
Pension investment earnings	290,675	69,987	360,662	-
Total Deferred Inflows of Resources	291,099	70,089	361,188	-
Net Position				
Net investment in capital assets	32,049,289	26,420,026	58,469,315	-
Restricted for:				
Debt service	426,009	-	426,009	-
Capital improvement	5,214,190	-	5,214,190	-
Economic development	-	-	-	2,633,664
Economic opportunities	-	-	-	2,207,407
Public safety and other programs	1,046,704	-	1,046,704	-
Unrestricted	4,091,329	9,929,066	14,020,395	-
Total Net Position	\$ 42,827,521	\$ 36,349,092	\$ 79,176,613	\$ 4,841,071

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,469,119	\$ 133,934	\$ -	\$ -
Public safety	3,910,066	45,353	450,061	-
Public works	3,005,180	901,025	-	3,417,766
Culture and recreation	697,569	2,935	607,190	-
Community development	532,182	-	-	-
Interest and fiscal charges	821,970	-	-	-
Total Governmental Activities	<u>10,436,086</u>	<u>1,083,247</u>	<u>1,057,251</u>	<u>3,417,766</u>
Business-Type Activities				
Water & sewer	8,539,475	9,767,995	-	777,717
Solid waste	811,224	888,796	-	-
Total Business-Type Activities	<u>9,350,699</u>	<u>10,656,791</u>	<u>-</u>	<u>777,717</u>
Total Primary Government	<u>\$ 19,786,785</u>	<u>\$ 11,740,038</u>	<u>\$ 1,057,251</u>	<u>\$ 4,195,483</u>
Component Units:				
Heath Club MMD	965,851	-	-	-
Heath EDC	427,685	-	-	-
Heath MBC	765,017	-	-	-
Total Component Units	<u>\$ 2,158,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Property taxes				
Sales taxes				
Franchise and local taxes				
Property assessments				
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			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (1,335,185)	\$ -	\$ (1,335,185)	\$ -
(3,414,652)	-	(3,414,652)	-
1,313,611	-	1,313,611	-
(87,444)	-	(87,444)	-
(532,182)	-	(532,182)	-
(821,970)	-	(821,970)	-
(4,877,822)	-	(4,877,822)	-
-	2,006,237	2,006,237	-
-	77,572	77,572	-
-	2,083,809	2,083,809	-
\$ (4,877,822)	\$ 2,083,809	\$ (2,794,013)	\$ -
-	-	-	(965,851)
-	-	-	(427,685)
-	-	-	(765,017)
\$ -	\$ -	\$ -	\$ (2,158,553)
7,026,134	-	7,026,134	-
1,045,956	-	1,045,956	1,019,366
561,567	-	561,567	-
-	-	-	930,254
153,923	156,404	310,327	49,708
272,463	243,469	515,932	670,312
271,000	(271,000)	-	-
9,331,043	128,873	9,459,916	2,669,640
4,453,221	2,212,682	6,665,903	511,087
38,374,300	34,136,410	72,510,710	4,329,984
\$ 42,827,521	\$ 36,349,092	\$ 79,176,613	\$ 4,841,071

City of Heath, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2020

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 5,157,046	\$ 411,041	\$ 15,299,181	\$ 1,557,338
Receivables, net	341,971	289,731	-	-
Prepays	20,700	-	-	-
Total Assets	\$ 5,519,717	\$ 700,772	\$ 15,299,181	\$ 1,557,338
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 530,220	\$ 501	\$ 461,557	\$ -
Deposits payable	198,000	-	-	-
Total Liabilities	728,220	501	461,557	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue -				
Property taxes	89,346	40,934	-	-
Fines receivable, net	1,464	-	-	-
Assessments receivable	-	233,328	-	-
Other	3,500	-	-	-
Total Deferred Inflows	94,310	274,262	-	-
<u>Fund Balances</u>				
Nonspendable for:				
Prepays	20,700	-	-	-
Assigned	-	-	-	510,634
Restricted	-	426,009	14,837,624	1,046,704
Unassigned	4,676,487	-	-	-
Total Fund Balances	4,697,187	426,009	14,837,624	1,557,338
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,519,717	\$ 700,772	\$ 15,299,181	\$ 1,557,338

See Notes to Financial Statements.

Total Governmental Funds	
<hr/>	
\$	22,424,606
	631,702
	20,700
<hr/>	
\$	23,077,008
<hr/>	

\$	992,278
	198,000
<hr/>	
	1,190,278
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	130,280
	1,464
	233,328
	3,500
<hr/>	
	368,572
<hr/>	

	20,700
	510,634
	16,310,337
	4,676,487
<hr/>	
	21,518,158
<hr/>	
\$	23,077,008
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City of Heath, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2020

Fund Balances - Total Governmental Funds	\$ 21,518,158
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Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	7,904,397
Capital assets - net depreciable	39,340,037

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

Property tax receivable	130,280
Fines receivable, net	1,464
Assessments receivable	233,328
Other	3,500

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

Pension contributions	317,832
OPEB contributions	331
OPEB change in assumptions	16,203
OPEB difference in experience	(424)
Pension investment earnings	(290,675)
Pension actual experience vs. assumption	120,980
Pension assumption changes	44,089
Deferred charge on refunding	173,767

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(106,581)
Bond premium	(897,685)
Non-current liabilities due in one year	(1,837,180)
Non-current liabilities due in more than one year	(22,037,380)
Compensated absences	(825,102)
Net pension liability	(866,023)
OPEB liability	(115,795)

Net Position of Governmental Activities	\$ 42,827,521
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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, 2020

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<u>Revenues</u>				
Taxes:				
Property tax	\$ 4,560,447	\$ 2,493,399	\$ -	\$ -
Sales and beverage tax	1,045,956	-	-	-
Franchise tax	561,567	-	-	-
Licenses and permits	901,025	-	-	-
Intergovernmental	450,061	-	-	483,976
Charges for services	136,869	-	-	-
Fines and forfeitures	45,353	-	-	-
Special assessments	-	39,109	-	-
Contributions and donations	-	-	-	123,214
Investment income	53,045	4,377	91,449	5,052
Other revenue	122,519	-	1,488,978	9,294
Total Revenues	7,876,842	2,536,885	1,580,427	621,536
<u>Expenditures</u>				
Administration	1,181,042	-	-	30,842
Highways and streets	568,920	-	-	-
Parks	492,752	-	-	-
Engineering and construction	204,646	-	-	-
Municipal court	48,841	-	-	-
Public safety	3,746,872	-	-	3,171
Community development	531,712	-	-	-
Debt Service:				
Principal	27,450	1,603,091	-	-
Interest and fiscal charges	-	882,263	-	-
Capital outlay	-	-	1,035,920	96,254
Total Expenditures	6,802,235	2,485,354	1,035,920	130,267
Excess of Revenue Over (Under)				
Expenditures	1,074,607	51,531	544,507	491,269
<u>Other Financing Sources (Uses)</u>				
Transfers in	271,000	-	-	324,300
Transfers (out)	(324,300)	-	-	-
Total Other Financing Sources (Uses)	(53,300)	-	-	324,300
Net Change in Fund Balances	1,021,307	51,531	544,507	815,569
Beginning fund balances	3,675,880	374,478	14,293,117	741,769
Ending Fund Balances	\$ 4,697,187	\$ 426,009	\$ 14,837,624	\$ 1,557,338

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	7,053,846
	1,045,956
	561,567
	901,025
	934,037
	136,869
	45,353
	39,109
	123,214
	153,923
	1,620,791
	<hr/> 12,615,690 <hr/>
	1,211,884
	568,920
	492,752
	204,646
	48,841
	3,750,043
	531,712
	1,630,541
	882,263
	1,132,174
	<hr/> 10,453,776 <hr/>
	2,161,914
	595,300
	(324,300)
	<hr/> 271,000 <hr/>
	2,432,914
	19,085,244
\$	<hr/> 21,518,158 <hr/>

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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, 2020

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

Net changes in fund balances - total governmental funds	\$ 2,432,914
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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	1,184,387
Depreciation expense	(2,666,494)
Receipt of capital contributions	2,151,322
Adjustment for sale of land held for sale	(83,718)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(64,987)
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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	(68,418)
Accrued interest	15,859
Pension expense	(108,180)
OPEB expense	(14,439)

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	(31,637)
Amortization of debt premium	76,071
Principal payments	1,630,541

Change in Net Position of Governmental Activities	\$ 4,453,221
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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, 2020

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 8,994,769	\$ 109,737	\$ 9,104,506
Restricted cash	8,925,676	-	8,925,676
Receivables, net	1,899,055	143,443	2,042,498
Inventory	23,763	-	23,763
Prepays	10,979	-	10,979
Total Current Assets	19,854,242	253,180	20,107,422
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	2,434,984	-	2,434,984
Net depreciable capital assets	37,390,846	-	37,390,846
Total Noncurrent Assets	39,825,830	-	39,825,830
Total Assets	59,680,072	253,180	59,933,252
<u>Deferred Outflows of Resources</u>			
Pension contributions	76,526	-	76,526
OPEB contributions	80	-	80
OPEB change in assumptions	3,901	-	3,901
Pension actual experience vs. assumption	29,129	-	29,129
Pension assumption changes	10,615	-	10,615
Deferred charge on refunding	57,969	-	57,969
Total Deferred Outflows	178,220	-	178,220

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2020

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	446,652	8,385	455,037
Accrued interest	109,486	-	109,486
Customer deposits	193,725	73,930	267,655
Deferred revenue	152,218	-	152,218
Compensated absences, current	61,794	-	61,794
Long-term debt, current	1,279,818	-	1,279,818
Total Current Liabilities	2,243,693	82,315	2,326,008
<u>Noncurrent Liabilities</u>			
Compensated absences, noncurrent	92,691	-	92,691
Long-term debt, noncurrent	21,037,194	-	21,037,194
Net pension liability	208,517	-	208,517
OPEB liability	27,881	-	27,881
Total Liabilities	23,609,976	82,315	23,692,291
<u>Deferred Inflows of Resources</u>			
OPEB difference in experience	102	-	102
Pension investment earnings	69,987	-	69,987
Total Deferred Inflows	70,089	-	70,089
<u>Net Position</u>			
Net investment in capital assets	26,420,026	-	26,420,026
Unrestricted	9,758,201	170,865	9,929,066
Total Net Position	\$ 36,178,227	\$ 170,865	\$ 36,349,092

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, 2020

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Operating Revenues</u>			
Water revenue	\$ 5,912,751	\$ -	\$ 5,912,751
Sewer revenue	2,769,288	-	2,769,288
Sanitation revenue	-	888,796	888,796
Connection and tap charges	1,085,956	-	1,085,956
Other revenue	243,469	-	243,469
Total Operating Revenues	10,011,464	888,796	10,900,260
<u>Operating Expenses</u>			
Personnel	1,230,199	-	1,230,199
Supplies and services	330,727	811,224	1,141,951
Operating expenses	1,000,434	-	1,000,434
Materials and equipment	133,694	-	133,694
Cost of water	2,104,533	-	2,104,533
Cost of sewer	1,289,976	-	1,289,976
Depreciation	1,688,592	-	1,688,592
Total Operating Expenses	7,778,155	811,224	8,589,379
Operating Income	2,233,309	77,572	2,310,881
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	154,823	1,581	156,404
Interest expense	(761,320)	-	(761,320)
Total Nonoperating Revenues (Expenses)	(606,497)	1,581	(604,916)
Income Before Capital Contributions and Transfers	1,626,812	79,153	1,705,965
Capital contributions	777,717	-	777,717
Transfers in	40,000	-	40,000
Transfers (out)	(231,000)	(80,000)	(311,000)
Change in Net Position	2,213,529	(847)	2,212,682
Beginning net position	33,964,698	171,712	34,136,410
Ending Net Position	\$ 36,178,227	\$ 170,865	\$ 36,349,092

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, 2020

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 10,460,879	\$ 889,074	\$ 11,349,953
Payments to suppliers	(5,061,996)	(864,171)	(5,926,167)
Payments to employees	(1,184,703)	-	(1,184,703)
Net Cash Provided by Operating Activities	4,214,180	24,903	4,239,083
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	40,000	-	40,000
Transfers (out)	(231,000)	(80,000)	(311,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(191,000)	(80,000)	(271,000)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(220,504)	-	(220,504)
Proceeds from sale of capital assets	531,438	-	531,438
Principal paid on debt	(1,234,909)	-	(1,234,909)
Interest paid on debt	(882,277)	-	(882,277)
Net Cash (Used for) Capital and Related Financing Activities	(1,806,252)	-	(1,806,252)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	154,823	1,581	156,404
Net Cash Provided by Investing Activities	154,823	1,581	156,404
Net Increase (Decrease) in Cash and Cash Equivalents	2,371,751	(53,516)	2,318,235
Beginning cash and cash equivalents	15,548,694	163,253	15,711,947
Ending Cash and Cash Equivalents	\$ 17,920,445	\$ 109,737	\$ 18,030,182

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, 2020

	<u>Water & Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<u>Reconciliation of Operating Income</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income	\$ 2,233,309	\$ 77,572	\$ 2,310,881
Adjustments to reconcile operating income to net cash provided:			
Depreciation	1,688,592	-	1,688,592
Gain on sale of capital assets	(188,322)	-	(188,322)
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	667,144	278	667,422
Inventory	(1,390)	-	(1,390)
Prepays	233,263	-	233,263
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(434,505)	(52,947)	(487,452)
Compensated absences	35,104	-	35,104
Customer deposits	(41,225)	-	(41,225)
Deferred revenue	11,818	-	11,818
Deferred outflows - pension contributions	(2,010)	-	(2,010)
Deferred outflows - OPEB contributions	(13)	-	(13)
Deferred inflows - pension investment earnings	178,851	-	178,851
Deferred outflows - pension assumption changes	(1,627)	-	(1,627)
Deferred outflows - Pension actual experience vs. assumption	(15,353)	-	(15,353)
Deferred outflows - OPEB change in assumptions	(4,144)	-	(4,144)
Deferred inflows - OPEB difference in experience	8	-	8
Net pension liability	(150,439)	-	(150,439)
OPEB liability	5,119	-	5,119
Net Cash Provided by Operating Activities	\$ 4,214,180	\$ 24,903	\$ 4,239,083

**Schedule of Non-Cash Capital and Related Financing
Activities**

Capital assets contributed by developer	\$ 777,717	\$ -	\$ 777,717
Debt relieved with transfer of capital assets to City of Rockwall	401,729	-	401,729

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2020

		Agency Fund
		Streets
		Escrow
<hr/>		
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents		\$ 335,459
	Total Assets	<hr/> 335,459 <hr/>
<u>Liabilities</u>		
Accrued liabilities		335,459
	Total Liabilities	<hr/> \$ 335,459 <hr/>

See Notes to Financial Statements.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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 government is financially accountable, and considerations pertaining to organizations for

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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 82nd 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. The City has the ability to impose its will over the district, and therefore it is considered a component unit of the City.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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 sewer 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, 2020

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 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 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, 2020

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, 2020

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, 2020

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. 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.

3. Receivables and Interfund Transactions

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

4. 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.

5. 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.

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.

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

6. 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.

7. 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.

8. 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.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

9. 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.

10. Long-Term Obligations

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

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

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

line 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.

11. 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.

12. 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.

13. 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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.”

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.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2020

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, 2020

The City had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
External investment pools			
TexPool	\$ 19,732,605	0.10	AAAm
TexStar	18,481,338	0.12	AAAm
Total carrying value	<u>\$ 38,213,943</u>		
Portfolio weighted average maturity		0.11	

The Heath EDC had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
External investment pools			
TexPool	\$ 955,723	0.10	AAAm
TexStar	1,264,566	0.12	AAAm
Total carrying value	<u>\$ 2,220,289</u>		
Portfolio weighted average maturity		0.11	

The Heath MBC had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
External investment pools			
TexPool	\$ 1,233,708	0.10	AAAm
TexStar	1,267,557	0.12	AAAm
Total carrying value	<u>\$ 2,501,265</u>		
Portfolio weighted average maturity		0.11	

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, 2020

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, 2020, 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 fair value of not less than the principal amount of the deposits. As of September 30, 2020, the fair 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, 2020, 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, 2020

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, 2020, 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:

	General	Debt Service	Water & Sewer	Solid Waste	Total
Property taxes	\$ 89,346	\$ 40,934	\$ -	\$ -	\$ 130,280
Special assessments	-	248,797	152,218	-	401,015
Sales tax	189,596	-	-	-	189,596
Fines	2,440	-	-	-	2,440
Other	22,787	-	903	-	23,690
Accounts	38,778	-	1,767,713	145,870	1,952,361
Allowance	(976)	-	(21,779)	(2,427)	(25,182)
	<u>\$ 341,971</u>	<u>\$ 289,731</u>	<u>\$ 1,899,055</u>	<u>\$ 143,443</u>	<u>\$ 2,674,200</u>

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

	Heath Club MMD	Heath EDC	Heath MBC	Total
Sales tax	\$ -	\$ 94,798	\$ 94,798	\$ 189,596
Other	-	13,656	13,656	27,312
Assessments	11,894,228	-	-	11,894,228
	<u>\$ 11,894,228</u>	<u>\$ 108,454</u>	<u>\$ 108,454</u>	<u>\$ 12,111,136</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 4,919,076	\$ -	\$ -	\$ 4,919,076
Construction in progress	4,812,815	962,613	(2,790,107)	2,985,321
Total capital assets not being depreciated	<u>9,731,891</u>	<u>962,613</u>	<u>(2,790,107)</u>	<u>7,904,397</u>
Capital assets, being depreciated:				
Buildings	2,296,525	131,700	-	2,428,225
Improvements other than buildings	5,176,357	-	-	5,176,357
Infrastructure	58,018,539	2,151,322	2,790,107	62,959,968
Machinery and equipment	2,802,369	90,074	-	2,892,443
Total capital assets being depreciated	<u>68,293,790</u>	<u>2,373,096</u>	<u>2,790,107</u>	<u>73,456,993</u>
Less accumulated depreciation:				
Buildings	(1,544,109)	(105,143)	-	(1,649,252)
Improvements other than buildings	(1,715,169)	(214,826)	-	(1,929,995)
Infrastructure	(25,156,352)	(2,165,901)	-	(27,322,253)
Machinery and equipment	(3,034,832)	(180,624)	-	(3,215,456)
Total accumulated depreciation	<u>(31,450,462)</u>	<u>(2,666,494)</u>	<u>-</u>	<u>(34,116,956)</u>
Net capital assets being depreciated	<u>36,843,328</u>	<u>(293,398)</u>	<u>2,790,107</u>	<u>39,340,037</u>
Total Capital Assets	<u><u>\$ 46,575,219</u></u>	<u><u>\$ 669,215</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 47,244,434</u></u>

In the current year, the governmental activities of the City received \$2,151,322 in contributed capital assets from developers.

Depreciation was charged to governmental functions as follows:

General government	\$ 19,433
Public safety	216,550
Public works	2,227,122
Culture and recreation	202,919
Community Development	470
Total Governmental Activities Depreciation Expense	<u><u>\$ 2,666,494</u></u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 722,736	\$ -	\$ 270,480	\$ 993,216
Construction in progress	5,525,297	220,504	(4,304,033)	1,441,768
Total capital assets not being depreciated	<u>6,248,033</u>	<u>220,504</u>	<u>(4,033,553)</u>	<u>2,434,984</u>
Capital assets, being depreciated:				
Buildings	347,888	-	-	347,888
Improvements other than buildings	50,361,136	777,717	2,969,489	54,108,342
Machinery and equipment	760,201	-	-	760,201
Total capital assets being depreciated	<u>51,469,225</u>	<u>777,717</u>	<u>2,969,489</u>	<u>55,216,431</u>
Less accumulated depreciation:				
Buildings	(211,036)	(15,736)	-	(226,772)
Improvements other than buildings	(15,737,880)	(1,614,626)	319,219	(17,033,287)
Machinery and equipment	(507,296)	(58,230)	-	(565,526)
Total accumulated depreciation	<u>(16,456,212)</u>	<u>(1,688,592)</u>	<u>319,219</u>	<u>(17,825,585)</u>
Net capital assets being depreciated	<u>35,013,013</u>	<u>(910,875)</u>	<u>3,288,708</u>	<u>37,390,846</u>
Total Capital Assets	<u><u>\$ 41,261,046</u></u>	<u><u>\$ (690,371)</u></u>	<u><u>\$ (744,845)</u></u>	<u><u>\$ 39,825,830</u></u>

In the current year the business-type activities of the City received \$777,717 in contributed assets, recorded at fair market value, from developers.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

D. Compensated Absences

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general and water and sewer funds to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 756,684	\$ 81,660	\$ (13,242)	\$ 825,102	\$ 330,041
Total Governmental Activities	<u>\$ 756,684</u>	<u>\$ 81,660</u>	<u>\$ (13,242)</u>	<u>\$ 825,102</u>	<u>\$ 330,041</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 495,061</u>	
Business-Type Activities:					
Compensated Absences	\$ 119,381	\$ 35,104	\$ -	\$ 154,485	\$ 61,794
Total Business-Type Activities	<u>\$ 119,381</u>	<u>\$ 35,104</u>	<u>\$ -</u>	<u>\$ 154,485</u>	<u>\$ 61,794</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 92,691</u>	

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

E. Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 5,570,000	\$ -	\$ (720,000)	\$ 4,850,000	\$ 740,000
Certificates of Obligation	19,798,341	-	(883,091)	18,915,250	1,042,280
Note payable to Texas Comptroller	136,760	-	(27,450)	109,310	54,900
Premiums	973,756	-	(76,071)	897,685	-
Total Governmental Activities	<u>\$ 26,478,857</u>	<u>\$ -</u>	<u>\$ (1,706,612)</u>	<u>\$ 24,772,245</u>	<u>\$ 1,837,180</u>
Long-term liabilities due in more than one year				<u>\$ 22,935,065</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 4,440,000	\$ -	\$ (900,000)	\$ 3,540,000	\$ 935,000
Certificates of Obligation	17,766,802	-	(334,909)	17,431,893	344,818
Premium	1,460,187	-	(115,068)	1,345,119	-
Contract Revenue Bonds	401,729	-	(401,729)	-	-
Total Business-Type Activities	<u>\$ 24,068,718</u>	<u>\$ -</u>	<u>\$ (1,751,706)</u>	<u>\$ 22,317,012</u>	<u>\$ 1,279,818</u>
Long-term liabilities due in more than one year				<u>\$ 21,037,194</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 sewer fund.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2017 General Obligation Refunding Bonds	2.00-4.00%	\$ 1,410,000	\$ 350,000
2015 General Obligation Refunding Bonds	2.03%	4,725,000	3,640,000
2013 General Obligation Refunding Bonds	2.00-4.00%	1,600,000	860,000
Total General Obligation Bonds		<u>7,735,000</u>	<u>4,850,000</u>
2019 Combination Tax & Revenue Certificates	3.70%	453,341	445,250
2017 Combination Tax & Revenue Certificates	3.00-5.00%	5,940,000	5,725,000
2014 Combination Tax & Revenue Certificates	3.00-4.00%	14,205,000	11,335,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	1,654,037	1,410,000
Total Certificates of Obligation		<u>22,252,378</u>	<u>18,915,250</u>
Note payable to Texas Comptroller	0.00%	220,850	109,310
Total Notes Payable		<u>220,850</u>	<u>109,310</u>
Total Governmental Activities		<u>\$ 30,208,228</u>	<u>\$ 23,874,560</u>
Business-type Activities:			
2017 General Obligation Refunding Bonds	2.00-4.00%	\$ 2,950,000	\$ 945,000
2015 General Obligation Refunding Bonds	2.03%	3,200,000	2,595,000
Total General Obligation Bonds		<u>6,150,000</u>	<u>3,540,000</u>
2019 Combination Tax & Revenue Certificates	3.70%	256,802	251,893
2017 Combination Tax & Revenue Certificates	3.00-5.00%	11,600,000	10,960,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	6,540,963	6,220,000
Total Certificates of Obligation		<u>18,397,765</u>	<u>17,431,893</u>
Total Business-Type Activities		<u>\$ 24,547,765</u>	<u>\$ 20,971,893</u>
Total Long-Term Debt			
General Obligation Refunding Bonds		\$ 13,885,000	\$ 8,390,000
Certificates of Obligation		40,650,143	36,347,143
Total Primary Government		<u>\$ 54,755,993</u>	<u>\$ 44,846,453</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Governmental Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2021	\$ 740,000	\$ 106,947	\$ 1,042,280	\$ 706,842
2022	770,000	87,106	1,072,280	666,653
2023	800,000	67,612	1,112,920	624,989
2024	815,000	46,491	1,153,560	583,251
2025	565,000	29,283	1,129,840	541,814
2026	575,000	17,712	1,164,840	500,930
2027	585,000	5,938	1,210,480	458,546
2028	-	-	1,256,120	414,876
2029	-	-	1,303,040	370,957
2030	-	-	1,338,040	326,017
2031	-	-	1,393,680	275,239
2032	-	-	1,449,320	218,038
2033	-	-	1,510,600	157,857
2034	-	-	1,401,880	97,291
2035	-	-	416,880	57,196
2036	-	-	438,800	36,202
2037	-	-	459,440	14,136
2038	-	-	30,720	2,297
2039	-	-	30,300	1,160
Total	\$ 4,850,000	\$ 361,089	\$ 18,915,020	\$ 6,054,291

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:

Year ending September 30,	Note Payable - Texas Comptroller	
	Principal	Interest
2021	\$ 54,900	\$ -
2022	54,410	-
Total	\$ 109,310	\$ -

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Business-Type Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2021	\$ 935,000	\$ 74,734	\$ 344,818	\$ 761,309
2022	675,000	49,084	644,720	744,124
2023	370,000	35,424	775,080	714,640
2024	380,000	27,811	805,440	678,017
2025	385,000	20,046	831,160	639,181
2026	395,000	12,129	866,160	598,893
2027	400,000	4,060	896,520	557,080
2028	-	-	1,246,880	510,903
2029	-	-	1,302,960	462,464
2030	-	-	1,347,960	414,559
2031	-	-	1,403,320	359,480
2032	-	-	1,463,680	296,712
2033	-	-	1,529,400	231,156
2034	-	-	920,120	174,748
2035	-	-	960,120	127,939
2036	-	-	1,006,200	79,004
2037	-	-	1,051,560	27,780
2038	-	-	17,280	1,292
2039	-	-	18,515	653
Total	\$ 3,540,000	\$ 223,288	\$ 17,431,893	\$ 7,379,934

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 owned 33% of the water storage facility and recorded the debt as contract revenue bonds. During the current year, the City of Rockwall paid to buy out the City's ownership of the water storage facility. The contract revenue bonds were written off in full as a result of the buy out.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Club Municipal Management District					
Special Assessment					
Revenue Bonds Series 2016	\$ 9,030,000	\$ -	\$ (120,000)	\$ 8,910,000	\$ 130,000
Note payable to developer	3,205,000	-	(80,000)	3,125,000	50,000
Total Club MMD	<u>\$ 12,235,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 12,035,000</u>	<u>\$ 180,000</u>
Long-term liabilities due in more than one year					<u>\$ 11,855,000</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Heath EDC					
General Obligation Refunding Bonds	\$ 100,000	\$ -	\$ (20,000)	\$ 80,000	\$ 20,000
Note payable to Texas Comptroller	68,380	-	(13,725)	54,655	27,450
Total Heath EDC	<u>\$ 168,380</u>	<u>\$ -</u>	<u>\$ (33,725)</u>	<u>\$ 134,655</u>	<u>\$ 47,450</u>
Long-term liabilities due in more than one year					<u>\$ 87,205</u>

Heath MBC					
General Obligation Refunding Bonds	\$ 175,000	\$ -	\$ (35,000)	\$ 140,000	\$ 35,000
Note payable to Texas Comptroller	68,380	-	(13,725)	54,655	27,450
Total Heath MBC	<u>\$ 243,380</u>	<u>\$ -</u>	<u>\$ (48,725)</u>	<u>\$ 194,655</u>	<u>\$ 62,450</u>
Long-term liabilities due in more than one year					<u>\$ 132,205</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Club Municipal Management District		
Year ending September 30,	Special Assessment Bond Series 16	
	Principal	Interest
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
Total	\$ 8,910,000	\$ 371,076

Club Municipal Management District		
Year ending September 30,	Note Payable to developer	
	Principal	Interest
2021	\$ 50,000	\$ 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	995,000	212,225
Total	\$ 3,125,000	\$ 3,398,133

Heath EDC		
Year ending September 30,	GO Refunding	
	Principal	Interest
2021	\$ 20,000	\$ 2,300
2022	20,000	1,700
2023	20,000	1,100
2024	20,000	400
Total	\$ 80,000	\$ 5,500

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Heath EDC		
Year ending September 30,	Note Payable - Texas Comptroller	
	Principal	Interest
2021	\$ 27,450	\$ -
2022	27,205	-
Total	\$ 54,655	\$ -

Heath MBC		
Year ending September 30,	GO Refunding	
	Principal	Interest
2021	\$ 35,000	\$ 4,025
2022	35,000	2,975
2023	35,000	1,925
2024	35,000	700
Total	\$ 140,000	\$ 9,625

Heath MBC		
Year ending September 30,	Note Payable - Texas Comptroller	
	Principal	Interest
2021	\$ 27,450	\$ -
2022	27,205	-
Total	\$ 54,655	\$ -

F. 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 \$173,767 and \$57,969, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$31,637 and \$7,832, respectively.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

G. Intergovernmental Transfers

Transfers between the primary government funds during the 2020 year were as follows:

Transfers In				
Transfers Out	General	Nonmajor Governmental	Water & Sewer	Total
General	\$ -	\$ 324,300	\$ -	\$ 324,300
Water & sewer	231,000	-	-	231,000
Solid Waste	40,000	-	40,000	80,000
Total	\$ 271,000	\$ 324,300	\$ 40,000	\$ 635,300

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:

	Governmental Funds
Restricted for:	
* Municipal court	\$ 17,599
Fire station	304,255
Debt service	426,009
Special programs	104,171
Parks	524,235
Streets	96,444
Capital improvements	14,837,624
Total Restricted	\$ 16,310,337
Assigned for:	
Equipment replacement	\$ 393,154
Police Department	117,480
	\$ 510,634

* Restricted by enabling legislation

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

During the year, the City was sued by a technology consulting services provider for breach of contract. The City has filed an answer and plea to the jurisdiction asserting that the contract was not properly executed by City Council and is an unconstitutional debt, and therefore is void as a matter of law. The trial court denied the City's plea, which the City has appealed to the Dallas Court of Appeals. The City is confident in its position and believes that it should prevail in its appeal to the Dallas Court of Appeals. However, in the unlikely event that the court affirms the judgment of the trial court and holds that the trial court has jurisdiction over the Plaintiff's claims, a maximum principal adverse judgment against the City could be approximately \$100,000, plus attorney's fees.

C. Defined Benefit Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Heath participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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

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

2. Benefits Provided

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

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

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 2019</u>	<u>Plan Year 2018</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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	36
Active employees	51
Total	110

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 11.55% and 11.14% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$501,630, and were equal to the required contributions.

4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. 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 (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 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 2,998,114</u>	<u>\$ 1,074,540</u>	<u>\$ (502,035)</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/18	\$ 11,701,097	\$ 10,013,515	\$ 1,687,582
Changes for the year:			
Service Cost	685,576	-	685,576
Interest	799,111	-	799,111
Difference between expected and actual experience	128,465	-	128,465
Changes of assumptions	60,664	-	60,664
Contributions – employer	-	457,597	(457,597)
Contributions – employee	-	287,539	(287,539)
Net investment income	-	1,550,733	(1,550,733)
Benefit payments, including refunds of emp. contributions	(410,419)	(410,419)	-
Administrative expense	-	(8,747)	8,747
Other changes	-	(264)	264
Net changes	1,263,397	1,876,439	(613,042)
Balance at 12/31/19	\$ 12,964,494	\$ 11,889,954	\$ 1,074,540

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.

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

Pension expense for the year ended September 30, 2020 was \$619,229.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 394,358	\$ -
Difference in experience	150,109	-
Changes in actuarial assumptions	54,704	-
Pension investment earnings	-	(360,662)
Total	\$ 599,171	\$ (360,662)

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

The City reported \$394,358 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
December 31:	
2020	\$ (50,653)
2021	(51,342)
2022	85,453
2023	(139,307)
2024	-
Thereafter	-
Total	\$ (155,849)

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.

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.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	8
Active employees	51
Total	78

The City's contributions to the TMRS SDBF for the years ended 2020, 2019 and 2018 were \$779, \$407 and \$382, respectively, which equaled the required contributions each year.

Three-Year Contribution Information: (Retiree Portion)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Required Contribution (Rate)	0.02%	0.01%	0.01%
Actual Contributions Made	0.02%	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, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 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	2.75%
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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease (1.75%)	Current Single Rate Assumption 2.75%	1% Increase (3.75%)
\$ 176,594	\$ 143,676	\$ 118,319

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/18	\$ 107,011
Changes for the year:	
Service Cost	8,215
Interest	4,115
Difference between expected and actual experience	(186)
Changes of assumptions	24,932
Benefit payments	(411)
Net changes	36,665
Balance at 12/31/19	\$ 143,676

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$15,915.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 411	\$ -
Difference in experience	-	(526)
Changes in actuarial assumptions	20,104	-
Total	\$ 20,515	\$ (526)

The City reported \$411 as deferred outflows of resources related to OPEB 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, 2021.

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

Year ended December 31:	
2020	\$ 3,585
2021	3,585
2022	3,585
2023	3,585
2024	2,336
Thereafter	2,902
	\$ 19,578

D. 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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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.

In the fiscal year ended September 30, 2005, the City entered into a contract with the District to construct a water storage facility. Under the terms of the contract, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the ensuing fiscal year, as shown in the Annual Budget. The contract further provides that the debt service payments would be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and registrar. These contractual obligations have been included as installment sales contract revenue bonds and the related water storage facilities have been capitalized by the City and are being depreciated over the estimated life of the facilities. During the current year the City's interest in the facility was sold to the City of Rockwall. The carrying value of the system disposed of was \$744,845. The City received \$531,438 cash and debt relief of \$401,729, resulting in a gain of \$188,322.

E. 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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

calculations for operating costs and debt service for the System on the service commencement date is based on the following estimated flow ratio: City of Rockwall - 78%, the City of Heath - 14%, and the City of Forney - 8%. "Service Commencement Date" means the first date upon which the System is available to treat wastewater from the participants. Heath's long-term commitment to the System's debt service component is approximately \$2 million.

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

F. Rockwall Emergency Services Corporation (the Corporation)

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

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

The agreement for these payments, dated August 23, 2006 was for a ten-year term. There is also an ongoing monthly operating agreement that is still in effect today.

G. 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.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

H. Lease Agreement with Great Eventures, Inc.

On September 2nd, 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 previously classified the land related to this agreement as Land Held for Sale. During the current year the land was sold and is no longer owned by the City.

I. Related Party Transactions

Tom Johnson, a board member of the Heath EDC and MBC has disclosed a related party relationship with American National Bank of Texas ("ANB"), a banking institution used by the City in the current year. As of the end of the current year, the City maintained six separate bank accounts totaling \$2,118,055 at ANB.

J. Subsequent Events

There were no material subsequent events through February 2, 2021, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Heath, Texas

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

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property tax	\$ 4,515,600	\$ 4,515,600	\$ 4,560,447	\$ 44,847
Sales & beverage tax	733,500	733,500	1,045,956	312,456
Franchise tax	543,500	543,500	561,567	18,067
Licenses and permits	710,700	710,700	901,025	190,325
Intergovernmental	402,550	402,550	450,061	47,511
Charges for services	117,050	117,050	136,869	19,819
Fines and forfeitures	58,100	58,100	45,353	(12,747)
Investment income	100,000	100,000	53,045	(46,955)
Other revenue	29,000	35,000	122,519	87,519
Total Revenues	7,210,000	7,216,000	7,876,842	660,842
<u>Expenditures</u>				
Current:				
Administration	1,380,100	1,386,100	1,181,042	205,058
Highways and streets	737,400	737,400	568,920	168,480
Parks	584,800	599,100	492,752	106,348
Engineering and construction	256,200	256,200	204,646	51,554
Municipal court	58,100	58,100	48,841	9,259
Public safety	3,935,150	3,935,150	3,746,872	188,278
Communication and economic development	716,000	716,000	531,712	184,288
Debt service				
Principal	-	-	27,450	(27,450) ²
Total Expenditures	7,667,750	7,688,050	6,802,235	885,815
Revenues Over (Under)				
Expenditures	(457,750)	(472,050)	1,074,607	1,546,657
<u>Other Financing Sources (Uses)</u>				
Transfers in	271,000	271,000	271,000	-
Transfers (out)	(324,300)	(324,300)	(324,300)	-
Total Other Financing Sources				
(Uses)	(53,300)	(53,300)	(53,300)	-
Net Change in Fund Balance	\$ (511,050)	\$ (525,350)	1,021,307	\$ 1,546,657
Beginning fund balance			3,675,880	
Ending Fund Balance			\$ 4,697,187	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The City budgets sales tax revenue net of principal payments to the comptroller

City of Heath, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 685,576	\$ 642,835	\$ 579,954	\$ 545,303
Interest	799,111	719,174	659,959	607,425
Differences between expected and actual experience	128,465	155,824	(73,547)	(70,104)
Changes of assumptions	60,664	-	-	-
Benefit payments, including refunds of participant contributions	(410,419)	(299,493)	(341,591)	(301,756)
Net change in total pension liability	1,263,397	1,218,340	824,775	780,868
Total pension liability - beginning	\$ 11,701,097	\$ 10,482,757	\$ 9,657,982	\$ 8,877,114
Total pension liability - ending (a)	\$ 12,964,494	\$ 11,701,097	\$ 10,482,757	\$ 9,657,982
Plan fiduciary net position				
Contributions - employer	\$ 457,597	\$ 433,642	\$ 405,755	\$ 352,127
Contributions - members	287,539	271,894	247,844	230,363
Net investment income	1,550,733	(297,233)	1,170,154	516,987
Benefit payments, including refunds of participant contributions	(410,419)	(299,493)	(341,591)	(301,756)
Administrative expenses	(8,747)	(5,738)	(6,059)	(5,834)
Other	(264)	(298)	(306)	(314)
Net change in plan fiduciary net position	1,876,439	102,774	1,475,797	791,573
Plan fiduciary net position - beginning	10,013,515	9,910,741	8,434,944	7,643,371
Plan fiduciary net position - ending (b)	\$ 11,889,954	\$ 10,013,515	\$ 9,910,741	\$ 8,434,944
Fund's net pension liability - ending (a) - (b)	\$ 1,074,540	\$ 1,687,582	\$ 572,016	\$ 1,223,038
Plan fiduciary net position as a percentage of the total pension liability	91.71%	85.58%	94.54%	87.34%
Covered payroll	\$ 4,107,702	\$ 3,884,201	\$ 3,540,624	\$ 3,290,903
Fund's net pension liability as a percentage of covered payroll	26.16%	43.45%	16.16%	37.16%

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.

<u>2015</u>	<u>2014</u>	¹
\$ 511,422	\$ 464,674	
553,402	501,186	
77,120	(54,710)	
185,491	-	
(200,712)	(176,432)	
<u>1,126,723</u>	<u>734,718</u>	
\$ 7,750,391	\$ 7,015,673	
\$ 8,877,114	\$ 7,750,391	
\$ 340,543	\$ 267,260	
221,749	200,947	
10,741	378,357	
(200,712)	(176,432)	
(6,541)	(3,949)	
(324)	(325)	
<u>365,456</u>	<u>665,858</u>	
<u>7,277,915</u>	<u>6,612,057</u>	
\$ 7,643,371	\$ 7,277,915	
<u>\$ 1,233,743</u>	<u>\$ 472,476</u>	
86.10%	93.90%	
\$ 3,135,634	\$ 2,870,669	
39.35%	16.46%	

City of Heath, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Actuarially determined employer contributions	\$ 501,630	\$ 454,243	\$ 429,534	\$ 392,931
Contributions in relation to the actuarially determined	\$ 501,630	\$ 454,243	\$ 429,534	\$ 392,931
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,377,302	\$ 4,075,081	\$ 3,822,831	\$ 3,482,574
Employer contributions as a percentage of covered payroll	11.46%	11.15%	11.24%	11.28%

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	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$	363,477	\$ 312,836
\$	<u>363,477</u>	<u>\$ 312,836</u>
\$	-	\$ -
\$	3,392,712	\$ 3,016,574
	10.71%	10.37%

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,

	2019	2018	2017 ¹
Total OPEB liability			
Service cost	\$ 8,215	\$ 10,487	\$ 8,497
Interest	4,115	3,568	3,264
Differences between expected and actual experience	(186)	(513)	-
Changes of assumptions	24,932	(8,897)	9,071
Benefit payments, including refunds of participant contributions	(411)	(388)	(354)
Net change in total OPEB liability	36,665	4,257	20,478
Total OPEB liability - beginning	\$ 107,011	\$ 102,754	\$ 82,276
Total OPEB liability - ending	\$ 143,676	\$ 107,011	\$ 102,754 ²
 Covered payroll	 \$ 4,107,702	 \$ 3,884,201	 \$ 3,540,624
City's total OPEB liability as a percentage of covered	3.50%	2.76%	2.90%

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.

² 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

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NONMAJOR GOVERNMENTAL FUNDS

PUBLIC SAFETY DONATIONS

This fund has been established for donations from various organizations and individuals received for the benefit of the Heath Municipal Department of Public Safety.

MARSHA'S HAPPY HAVEN

The Marsha's Happy Haven fund was established to promote the creation of a special park in a unique area that incorporates the beauty, serenity, and wonders of nature, with an educational and sensory experience that children with special needs can enjoy along with all ability children. Marsha's Happy Haven park is funded with private donations.

FARMERS' MARKET

An invitation-only local market that showcases the bounties of the fall growing season. The market will showcase locally sourced fresh foods, handmade goods and live entertainment. The vision for this new quality of life amenity is to provide a family friendly venue where citizens can gather each week throughout the fall season. The Farmers' Market is funded with private donations.

PARK IN LIEU

The Park in Lieu Fund was established for the deposit of all sums paid in lieu of land dedication. The money dedicated may only be used for the acquisition or development/improvement of a community park or neighborhood park located within the same general area of the development the funds were dedicated for.

PATH

The P.A.T.H fund was established to engage Heath citizens, local organizations and businesses in creating a high-quality park and trails system. This program supports the Parks, Trails and Recreation Plan adopted by the City in 2018. P.A.T.H. is funded with private donations.

DRAINAGE

The Drainage fund is part of the pay as you go program implemented in Fiscal Year 2020. The purpose of the program is to reduce the amount of debt incurred by the City for capital purchases. This fund was established to support a drainage repair participation program.

FIRE STATION BUILDING

The Fire Station Building fund is part of the pay as you go program implemented in Fiscal Year 2020. The purpose of the program is to reduce the amount of debt incurred by the City for capital purchases. This fund was established specifically for the construction of a future fire station.

EQUIPMENT REPLACEMENT

The Equipment Replacement fund is part of the pay as you go program implemented in Fiscal Year 2020. The purpose of the program is to reduce the amount of debt incurred by the City for capital purchases. This fund was established specifically for the purchase of vehicles and equipment essential to the operation of the City.

City of Heath, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	Public Safety Donations	Marsha's Happy Haven	Farmers' Market	Park in Lieu
<u>Assets</u>				
Cash and cash equivalents	\$ 135,079	\$ 84,648	\$ 157	\$ 40,259
Total Assets	\$ 135,079	\$ 84,648	\$ 157	\$ 40,259
<u>Fund Balances</u>				
Restricted for:				
Public safety	17,599	-	-	-
Parks	-	-	-	40,259
Special programs	-	84,648	157	-
Streets	-	-	-	-
Assigned for:				
Police department	117,480	-	-	-
Equipment replacement	-	-	-	-
Total Fund Balances	135,079	84,648	157	40,259
Total Liabilities				
and Fund Balances	\$ 135,079	\$ 84,648	\$ 157	\$ 40,259

See Notes to Financial Statements.

PATH	Drainage	Fire Station	Equipment Replacement	Parks CIP	Total Nonmajor Governmental
\$ 19,366	\$ 96,444	\$ 304,255	\$ 393,154	\$ 483,976	\$ 1,557,338
\$ 19,366	\$ 96,444	\$ 304,255	\$ 393,154	\$ 483,976	\$ 1,557,338
-	-	304,255	-	-	321,854
-	-	-	-	483,976	524,235
19,366	-	-	-	-	104,171
-	96,444	-	-	-	96,444
-	-	-	-	-	117,480
-	-	-	393,154	-	393,154
19,366	96,444	304,255	393,154	483,976	1,557,338
\$ 19,366	\$ 96,444	\$ 304,255	\$ 393,154	\$ 483,976	\$ 1,557,338

City of Heath, Texas

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

For the Year Ended September 30, 2020

	Public Safety Donations	Marsha's Happy Haven	Farmers' Market	Park in Lieu
<u>Revenues</u>				
Contributions and donations	\$ -	\$ 84,295	\$ -	\$ -
Intergovernmental revenue	-	-	-	-
Other revenue	6,994	-	2,300	-
Interest income	1,373	649	68	410
Total Revenues	8,367	84,944	2,368	410
<u>Expenditures</u>				
General government	-	2,457	25,007	-
Public safety	3,171	-	-	-
Capital outlay	-	6,180	-	-
Total Expenditures	3,171	8,637	25,007	-
Revenues Over (Under) Expenditures	5,196	76,307	(22,639)	410
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	5,196	76,307	(22,639)	410
Beginning fund balances	129,883	8,341	22,796	39,849
Ending Fund Balances	\$ 135,079	\$ 84,648	\$ 157	\$ 40,259
See Notes to Financial Statements.				

<u>PATH</u>	<u>Drainage</u>	<u>Fire Station Building</u>	<u>Equipment Replacement</u>	<u>Parks CIP</u>	<u>Total Nonmajor Governmental</u>
\$ 22,690	\$ 16,229	\$ -	\$ -	\$ -	\$ 123,214
-	-	-	-	483,976	483,976
-	-	-	-	-	9,294
54	215	855	1,428	-	5,052
<u>22,744</u>	<u>16,444</u>	<u>855</u>	<u>1,428</u>	<u>483,976</u>	<u>621,536</u>
3,378	-	-	-	-	30,842
-	-	-	-	-	3,171
-	-	-	90,074	-	96,254
<u>3,378</u>	<u>-</u>	<u>-</u>	<u>90,074</u>	<u>-</u>	<u>130,267</u>
19,366	16,444	855	(88,646)	483,976	491,269
<u>-</u>	<u>40,000</u>	<u>134,300</u>	<u>150,000</u>	<u>-</u>	<u>324,300</u>
<u>-</u>	<u>40,000</u>	<u>134,300</u>	<u>150,000</u>	<u>-</u>	<u>324,300</u>
19,366	56,444	135,155	61,354	483,976	815,569
-	40,000	169,100	331,800	-	741,769
<u>\$ 19,366</u>	<u>\$ 96,444</u>	<u>\$ 304,255</u>	<u>\$ 393,154</u>	<u>\$ 483,976</u>	<u>\$ 1,557,338</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, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 2,465,300	\$ 2,493,399	\$ 28,099
Special assessments	20,700	39,109	18,409
Investment income	3,100	4,377	1,277
Total Revenues	2,489,100	2,536,885	47,785
<u>Expenditures</u>			
Debt service:			
Principal	1,603,100	1,603,091	9
Interest	886,000	882,263	3,737
Total Expenditures	2,489,100	2,485,354	3,746
Revenues Over (Under) Expenditures	-	51,531	51,531
Net Change in Fund Balance	\$ -	51,531	\$ 51,531
Beginning fund balance		374,478	
Ending Fund Balance		\$ 426,009	

Notes to Other Supplementary Information

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

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL IMPROVEMENTS FUND For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other revenue	\$ -	\$ -	\$ 1,488,978	\$ 1,488,978
Investment income	-	-	91,449	91,449
Total Revenues	-	-	1,580,427	1,580,427
<u>Expenditures</u>				
Capital outlay	-	1,664,250	1,035,920	628,330
Total Expenditures	-	1,664,250	1,035,920	628,330
Revenues Over (Under)	-	(1,664,250)	544,507	2,208,757
Net Change in Fund Balance	\$ -	\$ (1,664,250)	544,507	\$ 2,208,757
Beginning fund balance			14,293,117	
Ending Fund Balance			\$ 14,837,624	

Notes to Other Supplementary Information

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

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MARSHA'S HAPPY HAVEN FUND For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Contributions and donations	\$ -	\$ 80,000	\$ 84,295	\$ 4,295
Interest income	100	100	649	549
Total Revenues	100	80,100	84,944	4,844
<u>Expenditures</u>				
General government	-	80,000	2,457	77,543
Capital outlay	10,000	10,000	6,180	3,820
Total Expenditures	10,000	90,000	8,637	81,363
Revenues Over (Under) Expenditures	(9,900)	(9,900)	76,307	86,207
Net Change in Fund Balance	\$ (9,900)	\$ (9,900)	76,307	\$ 86,207
Beginning fund balance			8,341	
Ending Fund Balance			\$ 84,648	

Notes to Other Supplementary Information

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

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FARMERS' MARKET FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other revenue	\$ -	\$ 2,300	\$ 2,300	\$ -
Investment income	100	100	68	(32)
Total Revenues	<u>100</u>	<u>2,400</u>	<u>2,368</u>	<u>(32)</u>
<u>Expenditures</u>				
General government	30,000	25,200	25,007	193
Total Expenditures	<u>30,000</u>	<u>25,200</u>	<u>25,007</u>	<u>193</u>
Revenues Over (Under)				
Expenditures	<u>(29,900)</u>	<u>(22,800)</u>	<u>(22,639)</u>	<u>161</u>
Net Change in Fund Balance	<u>\$ (29,900)</u>	<u>\$ (22,800)</u>	<u>(22,639)</u>	<u>\$ 161</u>
Beginning fund balance			22,796	
Ending Fund Balance			<u>\$ 157</u>	

Notes to Other Supplementary Information

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

City of Heath, Texas

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

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Contributions and donations	\$ -	\$ 18,000	\$ 22,690	\$ 4,690
Investment income	-	-	54	54
Total Revenues	-	18,000	22,744	4,744
<u>Expenditures</u>				
General government	-	3,000	3,378	(378)
Capital outlay	-	15,000	-	15,000
Total Expenditures	-	18,000	3,378	14,622
Revenues Over (Under) Expenditures	-	-	19,366	19,366
Net Change in Fund Balance	\$ -	\$ -	19,366	\$ 19,366
Beginning fund balance			-	
Ending Fund Balance			\$ 19,366	

Notes to Other Supplementary Information

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

City of Heath, Texas

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

For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Contributions and donations	\$ -	\$ 16,229	\$ 16,229
Investment income	1,600	215	(1,385)
Total Revenues	1,600	16,444	14,844
Revenues Over (Under) Expenditures	1,600	16,444	14,844
<u>Other Financing Sources (Uses)</u>			
Transfers in	40,000	40,000	-
Total Other Financing Sources (Uses)	40,000	40,000	-
Net Change in Fund Balance	\$ 41,600	56,444	\$ 14,844
Beginning fund balance		40,000	
Ending Fund Balance		\$ 96,444	

Notes to Other Supplementary Information

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

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FIRE STATION BUILDING FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Investment income	\$ 6,000	\$ 855	\$ (5,145)
Total Revenues	<u>6,000</u>	<u>855</u>	<u>(5,145)</u>
Revenues Over (Under)	<u>6,000</u>	<u>855</u>	<u>(5,145)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	134,300	134,300	-
Total Other Financing Sources	<u>134,300</u>	<u>134,300</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 140,300</u>	135,155	<u>\$ (5,145)</u>
Beginning fund balance		169,100	
Ending Fund Balance		<u>\$ 304,255</u>	

Notes to Other Supplementary Information

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

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL EQUIPMENT REPLACEMENT FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Investment income	\$ 9,000	\$ 1,428	\$ (7,572)
Total Revenues	9,000	1,428	(7,572)
<u>Expenditures</u>			
Capital outlay	100,950	90,074	10,876
Total Expenditures	100,950	90,074	10,876
Revenues Over (Under) Expenditures	(91,950)	(88,646)	3,304
<u>Other Financing Sources (Uses)</u>			
Transfers in	150,000	150,000	-
Total Other Financing Sources (Uses)	150,000	150,000	-
Net Change in Fund Balance	\$ 58,050	61,354	\$ 3,304
Beginning fund balance		331,800	
Ending Fund Balance		\$ 393,154	

Notes to Other Supplementary Information

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

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales tax	\$ 363,000	\$ 363,000	\$ 509,683	\$ 146,683
Other revenue	22,000	22,000	19,673	(2,327)
Investment income	35,000	35,000	17,694	(17,306)
Total Revenues	420,000	420,000	547,050	127,050
<u>Expenditures</u>				
Current:				
Economic development	380,750	595,750	424,939	170,811
Debt service:				
Principal	20,000	20,000	33,725	(13,725) ²
Interest and fiscal charges	2,900	2,900	2,823	77
Total Expenditures	403,650	618,650	461,487	157,163
Revenues Over (Under)				
Expenditures	16,350	(198,650)	85,563	284,213
Net Change in Fund Balance	\$ 16,350	\$ (198,650)	85,563	\$ 284,213
Beginning fund balance			1,966,379	
Ending Fund Balance			\$ 2,051,942	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The City budgets sales tax revenue net of principal payments to the comptroller

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales tax	\$ 363,000	\$ 363,000	\$ 509,683	\$ 146,683
Investment income	35,000	35,000	22,865	(12,135)
Other income	22,000	22,000	19,688	(2,312)
Total Revenues	420,000	420,000	552,236	132,236
<u>Expenditures</u>				
Current:				
Economic opportunity	237,850	300,350	736,486	(436,136)
Debt service:				
Principal	35,000	35,000	48,725	(13,725) ²
Interest and fiscal charges	5,075	5,075	4,941	134
Capital outlay	96,250	748,750	23,725	725,025
Total Expenditures	374,175	1,089,175	813,877	275,298
Revenues Over (Under)				
Expenditures	45,825	(669,175)	(261,641)	407,534
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of assets	-	-	630,951	630,951
Total Other Financing Sources (Uses)	-	-	630,951	630,951
Net Change in Fund Balance	\$ 45,825	\$ (669,175)	369,310	\$ 1,038,485
Beginning fund balance			2,033,333	
Ending Fund Balance			\$ 2,402,643	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The City budgets sales tax revenue net of principal payments to the comptroller

City of Heath, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2020

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,818	\$ 1,952,835	\$ 2,303,536	\$ 4,259,189
Restricted cash	1,120,076	-	-	1,120,076
Receivables, net	11,894,228	108,454	108,454	12,111,136
Prepays	3,179	-	-	3,179
Total Assets	\$ 13,020,301	\$ 2,061,289	\$ 2,411,990	\$ 17,493,580
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 99,137	\$ 9,347	\$ 9,347	\$ 117,831
Accrued debt service payments owed	107,507	-	-	107,507
Total Liabilities	206,644	9,347	9,347	225,338
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property assessments	11,894,228	-	-	11,894,228
<u>Fund Balances</u>				
Nonspendable	3,179	-	-	3,179
Restricted for:				
Debt service	1,110,614	-	-	1,110,614
Economic development	-	2,051,942	-	2,051,942
Economic opportunities	-	-	2,402,643	2,402,643
Unassigned	(194,364)	-	-	(194,364)
Total Fund Balance	919,429	2,051,942	2,402,643	5,374,014
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 13,020,301	\$ 2,061,289	\$ 2,411,990	\$ 17,493,580

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, 2020

Fund Balance	\$ 5,374,014
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Adjustments for the Statement of Net Position:

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

Property assessment receivable	11,894,228
--------------------------------	------------

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(62,861)
------------------	----------

Non-current liabilities due in one year	(289,900)
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Non-current liabilities due in more than one year	(12,074,410)
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Net Position of the Discretely Presented Component Unit	\$ 4,841,071
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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, 2020

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Revenues</u>				
Sales tax	\$ -	\$ 509,683	\$ 509,683	\$ 1,019,366
Property assessments	1,206,295	-	-	1,206,295
Investment income	9,149	17,694	22,865	49,708
Other revenue	-	19,673	19,688	39,361
Total Revenues	1,215,444	547,050	552,236	2,314,730
<u>Expenditures</u>				
Current:				
General government	194,093	424,939	736,486	1,355,518
Debt Service:				
Principal	160,000	33,725	48,725	242,450
Interest and fiscal charges	772,483	2,823	4,941	780,247
Capital outlay	-	-	23,725	23,725
Total Expenditures	1,126,576	461,487	813,877	2,401,940
Total Revenues				
Over (Under) Expenditures	88,868	85,563	(261,641)	(87,210)
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of assets	-	-	630,951	630,951
Total Other Financing Sources (Uses)	-	-	630,951	630,951
Net Change in Fund Balance	88,868	85,563	369,310	543,741
Beginning fund balance	830,561	1,966,379	2,033,333	4,830,273
Ending Fund Balance	\$ 919,429	\$ 2,051,942	\$ 2,402,643	\$ 5,374,014

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 UNITS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

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

Net changes in fund balance	\$	543,741
-----------------------------	----	---------

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		937
------------------	--	-----

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(276,041)
--	--	-----------

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		242,450
Change in Net Position of the Discretely Presented Component Unit	\$	511,087

See Notes to Financial Statements.

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City of Heath, Texas
COMBINING SCHEDULE OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2020

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,818	\$ 1,952,835	\$ 2,303,536	\$ 4,259,189
Restricted assets - cash	1,120,076	-	-	1,120,076
Receivables, current	180,000	108,454	108,454	396,908
Prepays	3,179	-	-	3,179
Total Current Assets	1,306,073	2,061,289	2,411,990	5,779,352
Assessment receivables, net	11,714,228	-	-	11,714,228
Total Noncurrent Assets	11,714,228	-	-	11,714,228
Total Assets	13,020,301	2,061,289	2,411,990	17,493,580
<u>Liabilities</u>				
Accounts payable and accrued liabilities	99,137	9,347	9,347	117,831
Accrued interest payable	169,455	332	581	170,368
Debt due within one year	180,000	47,450	62,450	289,900
	448,592	57,129	72,378	578,099
Noncurrent liabilities:				
Debt due in more than one year	11,855,000	87,205	132,205	12,074,410
	11,855,000	87,205	132,205	12,074,410
Total Liabilities	12,303,592	144,334	204,583	12,652,509
<u>Net Position</u>				
Economic development	716,709	1,916,955	-	2,633,664
Economic opportunities	-	-	2,207,407	2,207,407
Total Net Position	\$ 716,709	\$ 1,916,955	\$ 2,207,407	\$ 4,841,071

City of Heath, Texas
COMBINING SCHEDULE OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2020

Functions/Programs	Expenses
Component Units	
Governmental Activities	
Heath EDC	\$ 427,685
Heath MBC	765,017
Heath Club MMD	965,851
Total Governmental Activities	<u>2,158,553</u>
Total Component Units	<u><u>\$ 2,158,553</u></u>

General Revenues:

Property assessments

Sales taxes

Investment income

Other revenues

Total General Revenues

Change in Net Position

Beginning Net Position

Ending Net Position

Net (Expense) Revenue and Changes in Net Position

Heath Club MMD	Heath EDC	Heath MBC	Total
\$ -	\$ (427,685)	\$ -	\$ (427,685)
-	-	(765,017)	(765,017)
(965,851)	-	-	(965,851)
(965,851)	(427,685)	(765,017)	(2,158,553)
<u>\$ (965,851)</u>	<u>\$ (427,685)</u>	<u>\$ (765,017)</u>	<u>\$ (2,158,553)</u>
930,254	-	-	930,254
-	509,683	509,683	1,019,366
9,149	17,694	22,865	49,708
-	19,673	650,639	670,312
<u>939,403</u>	<u>547,050</u>	<u>1,183,187</u>	<u>2,669,640</u>
(26,448)	119,365	418,170	511,087
<u>743,157</u>	<u>1,797,590</u>	<u>1,789,237</u>	<u>4,329,984</u>
<u>\$ 716,709</u>	<u>\$ 1,916,955</u>	<u>\$ 2,207,407</u>	<u>\$ 4,841,071</u>

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City of Heath, Texas
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
STREETS ESCROW FUND
For the Year Ended September 30, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
<u>Assets</u>				
Cash and cash equivalents	\$ 300,509	\$ 34,950	\$ -	\$ 335,459
Total Assets	<u>300,509</u>	<u>34,950</u>	<u>-</u>	<u>335,459</u>
<u>Liabilities</u>				
Accrued liabilities	300,509	34,950	-	335,459
Total Liabilities	<u>\$ 300,509</u>	<u>\$ 34,950</u>	<u>\$ -</u>	<u>\$ 335,459</u>

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STATISTICAL SECTION

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

Contents	Pages
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Financial Trends	128-138
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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	139-145
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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	146-150
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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	151-152
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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	153-157
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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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities				
Net investment in				
capital assets	\$ 17,130,797	\$ 14,959,471	\$ 13,894,049	\$ 17,139,345
Restricted	3,416,119	5,555,525	6,690,500	4,069,297
Unrestricted	2,117,843	2,117,843	2,244,000	1,905,131
Total Governmental				
Net Position	<u>\$ 22,664,759</u>	<u>\$ 22,632,839</u>	<u>\$ 22,828,549</u>	<u>\$ 23,113,773</u>
Business-type Activities				
Net investment in				
capital assets	\$ 14,406,551	\$ 14,406,551	\$ 14,592,909	\$ 18,020,897
Unrestricted	6,135,299	6,135,299	7,066,450	3,654,631
Total Business-type Activities Net				
Position	<u>\$ 20,541,850</u>	<u>\$ 20,541,850</u>	<u>\$ 21,659,359</u>	<u>\$ 21,675,528</u>
Primary Government				
Net investment in				
capital assets	\$ 29,366,022	\$ 29,366,022	\$ 28,486,958	\$ 35,160,242
Restricted	3,416,119	5,555,525	6,690,500	4,069,297
Unrestricted	8,253,142	8,253,142	9,310,450	5,559,762
Total Primary Government Net				
Position	<u>\$ 41,035,283</u>	<u>\$ 43,174,689</u>	<u>\$ 44,487,908</u>	<u>\$ 44,789,301</u>

2015	2016	2017	2018	2019	2020
\$ 17,619,628	\$ 21,393,254	\$ 27,408,643	\$ 29,968,936	\$ 30,950,857	\$ 32,049,289
5,851,912	5,928,193	2,958,896	3,345,643	4,361,355	6,686,903
2,393,926	3,385,275	2,310,544	982,057	3,062,088	4,091,329
<u>\$ 25,865,466</u>	<u>\$ 30,706,722</u>	<u>\$ 32,678,083</u>	<u>\$ 34,296,636</u>	<u>\$ 38,374,300</u>	<u>\$ 42,827,521</u>
\$ 17,729,466	\$ 19,149,289	\$ 23,267,682	\$ 23,148,366	\$ 26,221,080	\$ 26,420,026
5,271,577	8,215,084	6,338,911	8,201,092	7,915,330	9,929,066
<u>\$ 23,001,043</u>	<u>\$ 27,364,373</u>	<u>\$ 29,606,593</u>	<u>\$ 31,349,458</u>	<u>\$ 34,136,410</u>	<u>\$ 36,349,092</u>
\$ 35,349,094	\$ 40,542,543	\$ 50,676,325	\$ 53,117,302	\$ 57,171,937	\$ 58,469,315
5,851,912	5,928,193	2,958,896	3,345,643	4,361,355	6,686,903
7,665,503	11,600,359	8,649,455	9,183,149	10,977,418	14,020,395
<u>\$ 48,866,509</u>	<u>\$ 58,071,095</u>	<u>\$ 62,284,676</u>	<u>\$ 65,646,094</u>	<u>\$ 72,510,710</u>	<u>\$ 79,176,613</u>

City of Heath, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 972,529	\$ 972,108	\$ 1,130,893	\$ 1,037,325
Public safety	2,892,734	2,563,884	2,594,015	2,924,001
Public works	1,603,281	2,400,169	2,010,404	2,064,771
Culture and recreation	243,985	244,264	232,883	250,703
Community development	-	-	-	-
Economic development	6,620	74,363	45,149	121,733
Economic opportunity	3,809	9,876	46,407	29,413
Interest and fiscal charges	518,723	440,348	487,552	697,067
Total governmental activities	6,241,681	6,705,012	6,547,303	7,125,013
Business-type activities:				
Water and sewer	4,486,947	4,636,550	4,696,947	4,779,334
Solid waste	457,809	455,154	459,156	477,945
Total business-type activities	4,944,756	5,091,704	5,156,103	5,257,279
Total primary government	\$ 11,186,437	\$ 11,796,716	\$ 11,703,406	\$ 12,382,292
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 70,017	\$ 35,030	\$ 28,000	\$ 45,070
Public safety	325,953	339,991	374,837	437,582
Public works	122,527	20,572	33,163	60,684
Culture and recreation	16,630	7,857	9,830	6,190
Operating grants and contributions	32,744	223,971	205,204	206,313
Capital grants and contributions	262,258	-	801,848	1,004,919
Total governmental activities	830,129	627,421	1,452,882	1,760,758
Business-type activities:				
Charges for services:				
Water and sewer	5,657,062	5,263,550	5,445,750	4,973,658
Solid waste	559,007	541,434	540,592	541,124
Operating grants and contributions	-	503,138	-	-
Capital grants and contributions	-	-	317,567	-
Total business-type activities	6,216,069	6,308,122	6,303,909	5,514,782
Total primary government	\$ 7,046,198	\$ 6,935,543	\$ 7,756,791	\$ 7,275,540
Net (Expense)/Revenue				
Governmental activities	\$ (5,411,552)	\$ (6,077,591)	\$ (5,094,421)	\$ (5,364,255)
Business-type activities	1,271,313	1,216,418	1,147,806	257,503
Total primary government	\$ (4,140,239)	\$ (4,861,173)	\$ (3,946,615)	\$ (5,106,752)

2015	2016	2017	2018	2019	2020
\$ 1,188,977	\$ 1,128,310	\$ 1,419,003	\$ 1,428,893	\$ 1,605,288	\$ 1,469,119
3,024,089	3,112,772	3,418,938	3,431,047	3,670,170	3,910,066
2,336,387	2,686,868	2,537,936	2,471,864	2,679,280	3,005,180
392,967	452,702	521,392	861,720	740,197	697,569
-	65,353	526,038	506,854	553,605	532,182
145,785	-	-	-	-	-
172,992	-	-	-	-	-
887,976	888,139	967,630	895,800	885,363	821,970
8,149,173	8,334,144	9,390,937	9,596,178	10,133,903	10,436,086
5,300,822	5,923,354	7,003,444	7,246,085	8,722,426	8,539,475
489,701	476,804	609,491	701,482	740,532	811,224
5,790,523	6,400,158	7,612,935	7,947,567	9,462,958	9,350,699
\$ 13,939,696	\$ 14,734,302	\$ 17,003,872	\$ 17,543,745	\$ 19,596,861	\$ 19,786,785
\$ 39,260	\$ 38,365	\$ 43,575	\$ 44,625	\$ 123,039	\$ 133,934
484,400	641,126	604,905	877,433	59,485	45,353
84,226	133,966	99,999	142,597	892,860	901,025
5,215	5,960	11,440	12,500	9,148	2,935
239,646	247,454	286,399	296,672	457,191	1,057,251
2,721,107	7,053,743	2,493,945	1,244,094	2,929,400	3,417,766
3,573,854	8,120,614	3,540,263	2,617,921	4,471,123	5,558,264
5,759,498	6,307,932	8,175,863	8,616,924	9,416,981	9,767,995
549,198	567,173	710,215	803,713	850,718	888,796
-	-	-	-	-	-
1,030,273	4,112,483	1,129,806	347,540	2,039,039	777,717
7,338,969	10,987,588	10,015,884	9,768,177	12,306,738	11,434,508
\$ 10,912,823	\$ 19,108,202	\$ 13,556,147	\$ 12,386,098	\$ 16,777,861	\$ 16,992,772
\$ (4,575,319)	\$ (213,530)	\$ (5,850,674)	\$ (6,978,257)	\$ (5,662,780)	\$ (4,877,822)
1,548,446	4,587,430	2,402,949	1,820,610	2,843,780	2,083,809
\$ (3,026,873)	\$ 4,373,900	\$ (3,447,725)	\$ (5,157,647)	\$ (2,819,000)	\$ (2,794,013)

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,762,727	\$ 3,764,144	\$ 3,770,807	\$ 3,894,536
Sales and other taxes	742,285	764,377	870,171	1,000,205
Franchise taxes	483,349	570,755	496,413	525,783
Investment earnings	37,129	11,577	10,280	8,187
Other income	6,791	145,622	102,460	180,712
Gain (loss) on sale of assets	58,354	-	-	-
Special items	1,601,389	-	-	-
Transfers, net	(1,659,610)	40,000	40,000	204,000
Total governmental activities	<u>5,032,414</u>	<u>5,296,475</u>	<u>5,290,131</u>	<u>5,813,423</u>
Business-type activities:				
Investment earnings	33,578	7,677	9,703	7,037
Other Income	9,166	-	-	-
Gain (loss) on sale of assets	-	-	-	-
Special items	(1,706,810)	-	-	-
Transfers, net	1,659,610	(40,000)	(40,000)	(204,000)
Total business-type activities	<u>(4,456)</u>	<u>(32,323)</u>	<u>(30,297)</u>	<u>(196,963)</u>
Total primary government	<u>\$ 5,027,958</u>	<u>\$ 5,264,152</u>	<u>\$ 5,259,834</u>	<u>\$ 5,616,460</u>
 Change in Net Position				
Governmental activities	\$ (379,138)	\$ (781,116)	\$ 195,710	\$ 449,168
Business-type activities	1,266,857	1,184,095	1,117,509	60,540
Total primary government	<u>\$ 887,719</u>	<u>\$ 402,979</u>	<u>\$ 1,313,219</u>	<u>\$ 509,708</u>

2015	2016	2017	2018	2019	2020
\$ 5,239,879	\$ 5,456,333	\$ 5,932,234	\$ 6,521,177	\$ 6,726,636	\$ 7,026,134
1,063,151	582,830	594,959	623,483	797,356	1,045,956
561,488	553,374	432,420	562,368	585,109	561,567
8,850	46,097	145,553	297,294	401,793	153,923
227,744	525,162	669,395	229,469	801,278	272,463
-	-	-	-	-	-
-	-	-	-	-	-
225,900	239,850	268,324	359,650	428,272	271,000
7,327,012	7,403,646	8,042,885	8,593,441	9,740,444	9,331,043
2,969	15,750	107,595	281,905	371,444	156,404
-	-	156,404	-	-	243,469
-	-	-	-	-	-
-	-	-	-	-	-
(225,900)	(239,850)	(268,324)	(359,650)	(428,272)	(271,000)
(222,931)	(224,100)	(4,325)	(77,745)	(56,828)	128,873
\$ 7,104,081	\$ 7,179,546	\$ 8,038,560	\$ 8,515,696	\$ 9,683,616	\$ 9,459,916
\$ 2,751,693	\$ 7,190,116	\$ 2,192,211	\$ 1,615,184	\$ 4,077,664	\$ 4,453,221
1,325,515	4,363,330	2,398,624	1,742,865	2,786,952	2,212,682
\$ 4,077,208	\$ 11,553,446	\$ 4,590,835	\$ 3,358,049	\$ 6,864,616	\$ 6,665,903

City of Heath, Texas

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2011	2012	2013	2014
General fund:				
Nonspendable	\$ -	\$ 6,720	\$ 13,410	\$ 19,013
Committed	11,000	11,000	11,000	11,000
Unreserved	-	-	-	-
Unassigned	2,482,201	2,380,554	2,545,423	2,534,965
Total general fund	<u>\$ 2,493,201</u>	<u>\$ 2,398,274</u>	<u>\$ 2,569,833</u>	<u>\$ 2,564,978</u>
All other governmental funds:				
Restricted	\$ 5,491,603	\$ 5,555,525	\$ 6,690,500	\$ 19,981,226
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Assigned	92,758	104,849	107,915	131,558
Total all other governmental funds	<u>\$ 5,584,361</u>	<u>\$ 5,660,374</u>	<u>\$ 6,798,415</u>	<u>\$ 20,112,784</u>

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

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 26,332	\$ 27,139	\$ 13,063	\$ 5,876	\$ 5,850	\$ 20,700
11,000	-	-	-	-	-
-	-	-	-	-	-
2,664,300	2,769,135	2,515,353	3,263,277	3,670,030	4,676,487
<u>\$ 2,701,632</u>	<u>\$ 2,796,274</u>	<u>\$ 2,528,416</u>	<u>\$ 3,269,153</u>	<u>\$ 3,675,880</u>	<u>\$ 4,697,187</u>
\$ 19,366,246	\$ 13,953,548	\$ 16,545,608	\$ 15,260,204	\$ 14,965,280	\$ 16,310,337
-	-	-	-	-	-
-	-	-	-	-	-
114,434	115,797	112,432	101,489	444,084	510,634
<u>\$ 19,480,680</u>	<u>\$ 14,069,345</u>	<u>\$ 16,658,040</u>	<u>\$ 15,361,693</u>	<u>\$ 15,409,364</u>	<u>\$ 16,820,971</u>

City of Heath, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2011	2012	2013	2014
Revenues				
Taxes	\$ 4,946,164	\$ 4,997,248	\$ 5,146,045	\$ 5,441,572
Licenses and permits	133,627	247,002	293,488	394,519
Intergovernmental	246,703	223,971	205,204	1,211,232
Charges for services	98,495	105,415	103,513	117,496
Fines and forfeitures	52,107	39,016	48,829	37,511
Special assessments	13,611	11,284	15,504	20,651
Investment income	48,356	11,577	10,280	8,187
Contributions and donations	-	-	-	-
Other revenue	300,225	140,650	92,316	189,889
Total Revenues	5,839,288	5,776,163	5,915,179	7,421,057
Expenditures				
Administration	925,233	940,172	956,640	1,030,082
Highways and streets	310,584	307,928	361,169	410,568
Parks	189,515	133,073	133,338	150,219
Engineering and building inspection	354,838	399,720	495,373	409,396
Municipal court	86,400	61,577	51,263	50,923
Public safety	2,648,686	2,275,336	2,415,348	2,643,877
Community development	-	-	-	-
Economic development	6,620	67,345	44,850	121,007
Economic opportunity	3,809	2,857	46,108	28,687
Debt service				
Principal	533,864	789,852	606,244	822,747
Interest	798,546	428,911	396,836	430,307
Bond issuance costs	32,230	-	25,017	87,555
Capital outlay	-	500,582	806,680	3,772,108
Total Expenditures	5,890,325	5,907,353	6,338,866	9,957,476
Revenues over (under) expenditures	(51,037)	(131,190)	(423,687)	(2,536,419)
Other Financing Sources (Uses)				
Transfers in	93,083	40,000	40,000	1,339,657
Transfers (out)	(1,752,693)	-	-	-
Sale of capital assets	58,883	-	-	-
Discount on bonds issued	(15,723)	-	-	-
Premium on bonds issued	163,962	-	89,116	301,276
Debt issued	2,536,500	-	3,254,037	14,205,000
Payment to refunded bond escrow agent	(2,343,654)	-	(1,649,866)	-
Total other financing sources	(1,259,642)	40,000	1,733,287	15,845,933
Special items	-	(105,421)	-	-
Net Change in Fund Balances	\$ (1,310,679)	\$ (196,611)	\$ 1,309,600	\$ 13,309,514
Ratio of total debt service expenditures to noncapital expenditures	23%	23%	18%	20%

2015	2016	2017	2018	2019	2020
\$ 6,873,071	\$ 6,445,957	\$ 7,033,503	\$ 7,644,481	\$ 8,157,502	\$ 8,661,369
401,364	638,651	595,622	881,462	892,860	899,025
239,646	247,454	286,399	296,672	368,384	934,037
170,445	139,238	122,402	139,951	132,187	138,869
41,292	41,528	41,895	55,742	59,485	45,353
14,641	2,710	17,487	34,396	12,878	39,109
8,850	46,097	145,553	297,294	401,793	153,923
-	-	-	-	85,438	123,214
1,224,304	405,162	659,954	226,332	588,710	1,620,791
8,973,613	7,966,797	8,902,815	9,576,330	10,699,237	12,615,690
1,257,621	1,325,467	1,301,454	1,359,764	1,465,327	1,211,884
653,586	650,513	631,336	511,485	545,822	568,920
246,842	258,840	325,128	619,490	550,035	492,752
427,916	597,175	221,648	187,946	181,227	204,646
54,875	54,685	58,080	62,069	47,748	48,841
2,813,878	2,902,410	2,987,087	3,097,427	3,404,836	3,750,043
-	65,353	458,584	506,854	553,605	531,712
133,823	40,011	-	-	-	-
161,030	-	-	-	-	-
878,533	1,482,295	1,332,531	1,346,085	1,394,900	1,630,541
1,081,188	822,766	713,797	1,085,672	875,137	882,263
-	46,474	125,638	-	-	-
1,985,671	2,782,084	5,417,356	1,718,167	2,019,543	1,132,174
9,694,963	11,028,073	13,572,639	10,494,959	11,038,180	10,453,776
(721,350)	(3,061,276)	(4,669,824)	(918,629)	(338,943)	2,161,914
225,900	239,850	868,324	359,650	880,900	595,300
-	-	(600,000)	-	(540,900)	(324,300)
-	120,000	1,173	-	-	-
-	-	-	-	-	-
-	-	860,072	-	-	-
-	4,725,000	7,350,000	-	453,341	-
-	(4,621,080)	(1,488,908)	-	-	-
225,900	463,770	6,990,661	359,650	793,341	271,000
-	-	-	-	-	-
\$ (495,450)	\$ (2,597,506)	\$ 2,320,837	\$ (558,979)	\$ 454,398	\$ 2,432,914

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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
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
2019	1,840,975,263	24,819,064	163,568,845	1,702,225,482	0.38911
2020	1,986,673,452	29,871,355	140,766,275	1,875,778,532	0.37933

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

	2011	2012	2013	2014
Direct Rates:				
City of Heath - Operating	0.27860	0.26360	0.26360	0.26360
City of Heath - Debt Service	0.06470	0.07970	0.07970	0.07970
Total Direct Rate	0.34330	0.34330	0.34330	0.34330
Overlapping Rates:				
Rockwall Independent School District	1.47000	1.47000	1.47000	1.46000
Rockwall County	0.38640	0.38640	0.38640	0.39590
Kaufman County	0.55650	0.49910	0.50200	0.48250
Total Direct and Overlapping Rates	2.7562	2.6988	2.7017	2.6817

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

2015	2016	2017	2018	2019	2020
0.27360	0.27360	0.27009	0.27009	0.25651	0.24522
0.15300	0.15300	0.14722	0.14722	0.13260	0.13411
0.42660	0.42660	0.41731	0.41731	0.38911	0.37933
1.44000	1.44000	1.46500	1.44000	1.43000	1.35000
0.39590	0.39590	0.37590	0.34980	0.32840	0.32500
0.50220	0.48950	0.49670	0.48870	0.47870	0.43912
2.7647	2.7520	2.7549	2.6958	2.6262	2.4935

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

Property Tax Payer	2020			2011		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Oncor Electric Delivery Co	\$ 8,716,710	1	0.465%	\$ 5,509,430	3	0.506%
SNH Medical Office Properties	6,387,060	2	0.341%	-	n/a	-
Heath Renaissance LLC	5,535,282	3	0.295%	-	n/a	-
Scooby Doo Trust	5,238,720	4	0.279%	-	n/a	-
Heath Hub Office LLC	4,370,120	5	0.233%	-	n/a	-
HGYC LLC	3,966,681	6	0.211%	-	n/a	-
Atmos Energy/Mid-Tex Distribution	3,266,060	7	0.174%	-	n/a	-
BC Golf Ltd	3,209,470	8	0.171%	4,000,000	4	0.367%
Heath Senior Living LLC	3,054,600	9	0.163%	-	n/a	-
Heath JMU LLC	2,939,810	10	0.157%	-	n/a	-
Whittle Development Co	-	n/a	-	5,816,510	1	0.534%
Rainer Baylor Medical	-	n/a	-	5,712,920	2	0.524%
TR Heath Partners LTD	-	n/a	-	3,737,440	5	0.343%
Pittman, Clinton Ray	-	n/a	-	2,669,360	6	0.245%
Paolucci, Raymond J	-	n/a	-	2,576,461	7	0.237%
Kirwan, David & Patricia	-	n/a	-	2,576,430	8	0.237%
Corona Resources Ltd	-	n/a	-	2,459,250	9	0.226%
Whittle Development Inc	-	n/a	-	2,402,660	10	0.221%
Total	\$ 46,684,513		2.49%	\$ 37,460,461		3.44%
Total Assessed Valuation	\$ 1,875,778,532		100%	\$ 1,089,241,489		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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Tax levy	\$ 3,742,908	\$ 3,742,951	\$ 3,741,709	\$ 3,908,072
Current tax collected	\$ 3,673,075	\$ 3,684,359	\$ 3,684,359	\$ 3,844,606
Percent of current tax collections	98.1%	98.4%	98.5%	98.4%
Delinquent tax collections	\$ 66,491	\$ 54,352	\$ 53,079	\$ 58,711
Total tax collections	\$ 3,739,566	\$ 3,721,779	\$ 3,737,438	\$ 3,903,317
Total collections as a percentage of levy	99.9%	99.4%	99.9%	99.9%

Source: Rockwall Central Appraisal District

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 5,188,753	\$ 5,428,420	\$ 5,901,467	\$ 6,441,938	\$ 6,632,131	\$ 6,977,697
\$ 5,125,661	\$ 5,353,707	\$ 5,819,243	\$ 6,366,282	\$ 6,587,644	\$ 6,926,222
98.8%	98.6%	98.6%	98.8%	99.3%	99.3%
\$ 56,809	\$ 67,809	\$ 75,168	\$ 66,858	\$ 28,336	\$ -
\$ 5,182,470	\$ 5,421,516	\$ 5,894,411	\$ 6,433,140	\$ 6,615,980	\$ 6,926,222
99.9%	99.9%	99.9%	99.9%	99.8%	99.3%

City of Heath, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	2011	2012	2013	2014
Governmental activities:				
General Obligation Bonds	\$ 2,955,000	\$ 2,530,000	\$ 3,915,000	\$ 3,490,000
Certificates of Obligation	7,176,457	6,888,508	6,652,956	21,693,106
Premiums	280,768	257,718	323,021	587,351
Discounts	(118,241)	(110,080)	(101,942)	(93,804)
Capital Leases	251,263	202,684	154,627	104,868
Note Payable to Texas Comptroller	-	-	-	-
Notes Payable	216,607	188,258	159,057	128,017
Business-type activities:				
General Obligation Bonds	789,921	748,333	705,000	3,955,000
Certificates of Obligation	11,658,542	10,986,492	12,537,044	10,921,894
Premium	411,241	373,980	437,663	395,304
Discounts	(94,415)	(87,259)	(80,123)	(72,987)
Contract Revenue Bonds	789,921	748,333	705,001	660,000
Total primary government	<u>\$ 24,317,064</u>	<u>\$ 22,726,967</u>	<u>\$ 25,407,304</u>	<u>\$ 41,768,749</u>
Percentage of personal income (1)	5.25%	4.41%	4.76%	8.92%
Per capita (1)	\$ 1,564	\$ 1,377	\$ 1,457	\$ 3,551

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.

	2015	2016	2017	2018	2019	2020
\$	3,060,000	\$ 7,335,000	\$ 6,950,000	\$ 6,275,000	\$ 5,570,000	\$ 4,850,000
	21,353,734	16,006,681	20,590,000	19,980,000	19,798,341	18,915,250
	541,830	427,686	1,127,083	1,049,619	973,756	897,685
	(85,666)	(22,537)	-	-	-	-
	53,346	-	-	-	-	-
	-	-	220,850	191,660	136,760	109,310
	96,977	64,975	31,895	-	-	-
	3,625,000	6,485,000	6,140,000	5,310,000	4,440,000	3,540,000
	10,441,266	6,933,312	17,905,000	17,830,000	17,766,802	17,431,893
	352,944	269,229	1,689,695	1,574,941	1,460,187	1,345,119
	(65,851)	(25,602)	-	-	-	-
	613,380	563,380	511,718	458,390	401,729	-
	<u>\$ 39,986,960</u>	<u>\$ 38,037,124</u>	<u>\$ 55,166,241</u>	<u>\$ 52,669,610</u>	<u>\$ 50,547,575</u>	<u>\$ 47,089,257</u>
	7.97%	7.49%	10.13%	9.50%	8.69%	6.91%
\$	3,277	\$ 3,525	\$ 4,141	\$ 3,803	3,334	2,792

City of Heath, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 1,089,241,489	\$ 1,087,289,484	\$ 1,084,966,301	\$ 1,132,098,307
NET BONDED DEBT (1)				
Gross bonded debt	23,849,194	22,336,025	25,093,620	41,535,864
Less debt service funds	-	-	-	-
Net Bonded Debt	<u><u>\$ 23,849,194</u></u>	<u><u>\$ 22,336,025</u></u>	<u><u>\$ 25,093,620</u></u>	<u><u>\$ 41,535,864</u></u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.19%	2.05%	2.31%	3.67%
POPULATION	7,284	7,667	7,953	8,271
NET BONDED DEBT PER CAPITA	\$ 3,274	\$ 2,913	\$ 3,155	\$ 5,022

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

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 1,206,213,463	\$ 1,265,527,171	\$ 1,407,694,869	\$ 1,544,010,760	\$ 1,702,225,482	\$ 1,875,778,532
39,836,637	37,972,149	54,913,496	52,477,950	50,410,815	46,979,947
-	-	-	-	-	-
<u>\$ 39,836,637</u>	<u>\$ 37,972,149</u>	<u>\$ 54,913,496</u>	<u>\$ 52,477,950</u>	<u>\$ 50,410,815</u>	<u>\$ 46,979,947</u>
3.30%	3.00%	3.90%	3.40%	2.96%	2.50%
8,602	8,823	8,998	9,162	9,831	10,623
\$ 4,631	\$ 4,304	\$ 6,103	\$ 5,728	\$ 5,128	\$ 4,422

City of Heath, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2020

<u>Governmental Unit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> *	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Rockwall Independent School District	\$ 507,655,857	14.72%	\$ 74,714,558
Rockwall County	144,815,000	13.86%	20,072,417
Kaufman County	88,073,934	0.08%	70,432
Subtotal, overlapping debt			<u>94,857,408</u>
City direct debt			<u>24,772,245</u>
Total direct and overlapping debt			<u><u>\$ 119,629,653</u></u>

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
2011	7,284	\$ 377,762,022	51,862	4,235	7.2%
2012	7,667	\$ 438,766,308	57,228	4,294	5.5%
2013	7,953	\$ 488,449,236	61,417	4,283	6.1%
2014	8,271	\$ 506,669,724	61,259	4,539	4.5%
2015	8,602	\$ 451,571,787	52,496	4,650	3.7%
2016	8,823	\$ 508,151,862	57,594	4,677	3.5%
2017	8,998	\$ 539,187,154	59,923	4,895	3.4%
2018	9,162	\$ 559,532,502	61,071	5,076	3.2%
2019	9,831	\$ 581,434,833	59,143	5,270	2.8%
2020	10,623	\$ 681,476,073	64,151	5,170	6.1%

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	2020			2011		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rockwall ISD	1,885	1	8.97%	1,896	1	10.89%
L-3 Harris Technologies	700	2	3.33%	-	n/a	n/a
Texas Health Presbyterian Hospital	600	3	2.85%	419	4	2.41%
Pegasus Foods	450	4	2.14%	-	n/a	0.00%
Wal-Mart Superstore	450	4	2.14%	450	3	2.59%
Channell Commercial	380	6	1.81%	-	n/a	0.00%
County of Rockwall	315	7	1.50%	298	5	1.71%
City of Rockwall	295	8	1.40%	256	6	1.47%
Texas Star Express/Epes Transport	275	9	1.31%	484	2	2.78%
Whitmore Manufacturing Co	225	10	1.07%		n/a	n/a
Special Products & Manufacturing	-	n/a	n/a	205	7	1.18%
Target	-	n/a	n/a	200	8	1.15%
Rockwall Nursing Home	-	n/a	n/a	160	9	0.92%
Kohl's Department Store	-	n/a	n/a	140	10	0.80%
Total	5,575		26.52%	4,508		25.90%

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government and administration	5.5	5.5	6	5	5	6	6	6	6	5
Public safety	19	19	19	19	22	23	23	23	24	26
Public works	6	4	5	5	5	7	7	4	3	3
Community development	-	-	-	-	-	-	-	4	4	5
Culture and recreation	1	1	1	1	1	1	1	4	4	4
Water and sewer	9	9	10	9	9	10	12	12	13	14
Total	41	39	41	39	42	47	49	52	52	56

Sources: Various City departments.

City of Heath, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014
General government				
Building permits issued	31	47	64	71
Building inspections conducted	721	921	911	1,224
Public safety				
Police				
Physical arrests	22	168	137	71
Burglary	16	24	16	5
Robbery	-	1	-	-
Theft	31	82	86	35
Traffic violations	303	330	331	309
Fire				
Emergency responses	225	173	169	143
Fires extinguished	25	11	5	3
Inspections	60	52	69	4
Public works				
Streets (feet)	-	-	-	16,440
Potholes repaired	800	800	100	200
Water				
New connections	94	103	115	100
Average monthly consumption (thousands of gallons)	17	17	19	18
Wastewater				
Average daily sewage treatment (thousands of gallons)	312	377	255	284

Sources: Various City departments.

2015	2016	2017	2018	2019	2020
79	116	131	142	128	108
1,352	4,949	6,944	6,894	8,148	6,739
58	79	45	46	40	27
8	5	10	6	8	3
-	-	2	1	1	-
38	37	30	34	23	31
242	347	293	632	813	693
145	172	257	271	238	174
7	9	16	2	4	3
2	49	179	242	301	338
25,200	52,380	38,016	28,840	106,281	16,683
125	-	82	100	70	75
92	143	176	147	213	173
19	17	16	19	19	17
411	526	428	423	686	681

City of Heath, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2011	2012	2013	2014
Public safety				
Police stations	1	1	1	1
Police patrol units	12	12	12	12
Fire engines	3	3	3	3
Public works				
Streets (linear feet)	399,883	399,883	399,883	399,883
Cultural and recreational				
Acreage	94	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 (linear feet)	517,228	517,228	517,228	523,040
Fire hydrants	223	223	229	229
Wastewater				
Sanitary sewers (linear feet)	372,400	372,400	372,400	376,679
Storm sewers (miles)	14	14	14	14

Sources: Various City departments.

(1) Does not include HOA playgrounds.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1	1
12	12	13	13	12	15
3	3	3	3	3	3
402,181	402,181	406,804	409,102	430,760	433,064
94	94	100	100	100	100
2	2	2	2	2	3
1	1	1	1	1	1
3	3	3	3	3	5
1	1	1	1	1	1
523,040	527,874	536,639	556,525	556,525	556,586
254	282	305	305	350	368
376,679	388,316	400,842	413,368	413,368	413,439
15	15	16	16	17	17

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