



**THE CITY OF HEATH, TEXAS**  
**Annual Comprehensive Financial Report**  
**For the year ended September 30, 2021**

*Prepared by the Finance Department*



# City of Heath, Texas

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September 30, 2021

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## *INTRODUCTORY SECTION*







March 16, 2022

The Honorable Mayor and Members of the City Council:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Heath, Texas for the year ended September 30, 2021. 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, 2021.

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, 2021. 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.

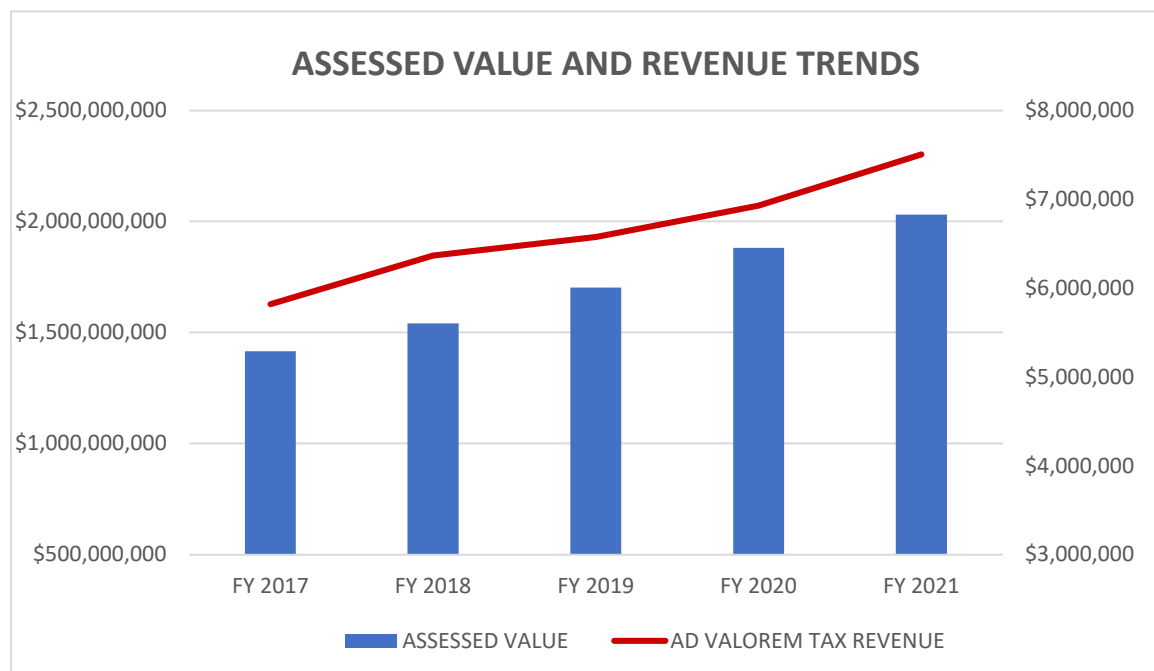
The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates under a Council-Manager form of government. As a Home Rule City, policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other at-large members. The term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

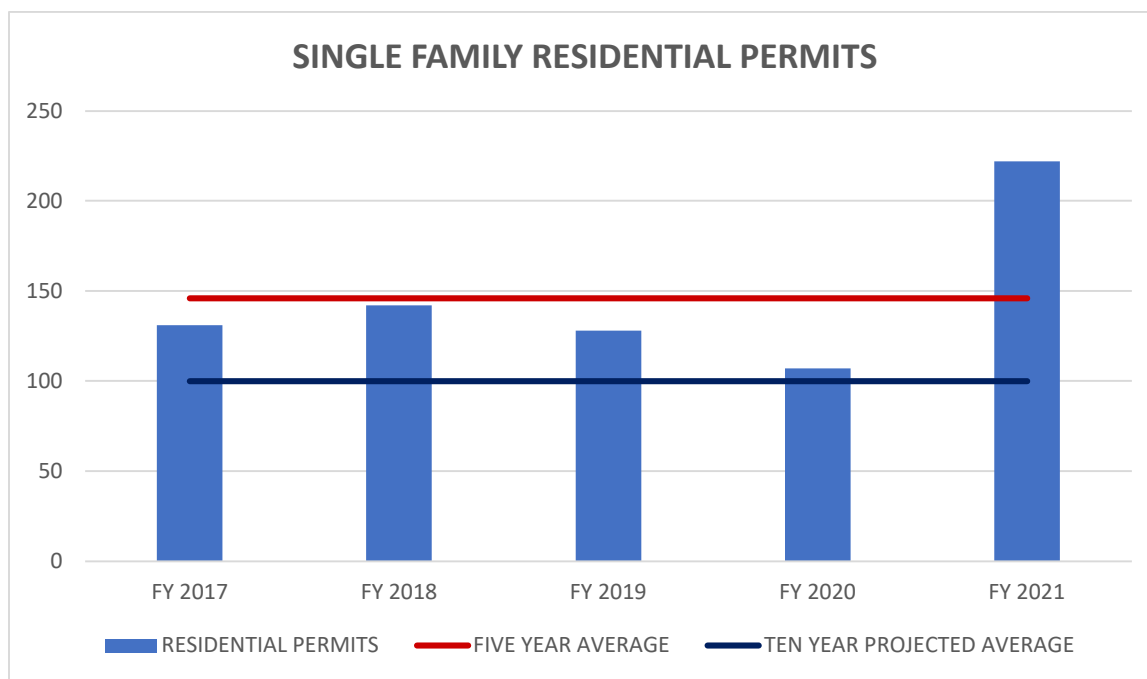
## ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas' Dallas-Fort Worth Economic Indicators published "Dallas-Fort Worth's economy ended 2021 on a healthy note. Payroll employment rose at a moderate clip, unemployment dipped, and the Dallas and Fort Worth business-cycle indexes advanced in December. Last year, the DFW economy recovered all jobs that were lost in spring 2020. However, COVID data took a turn for the worse as the omicron variant drove up case counts to new highs in mid-January. Dining out also fell below prepandemic levels in January. Demand for industrial space set a record last year, and office leasing activity improved in the fourth quarter, but overall demand remained subdued as tenants continued to downsize and/or reevaluate their space needs."

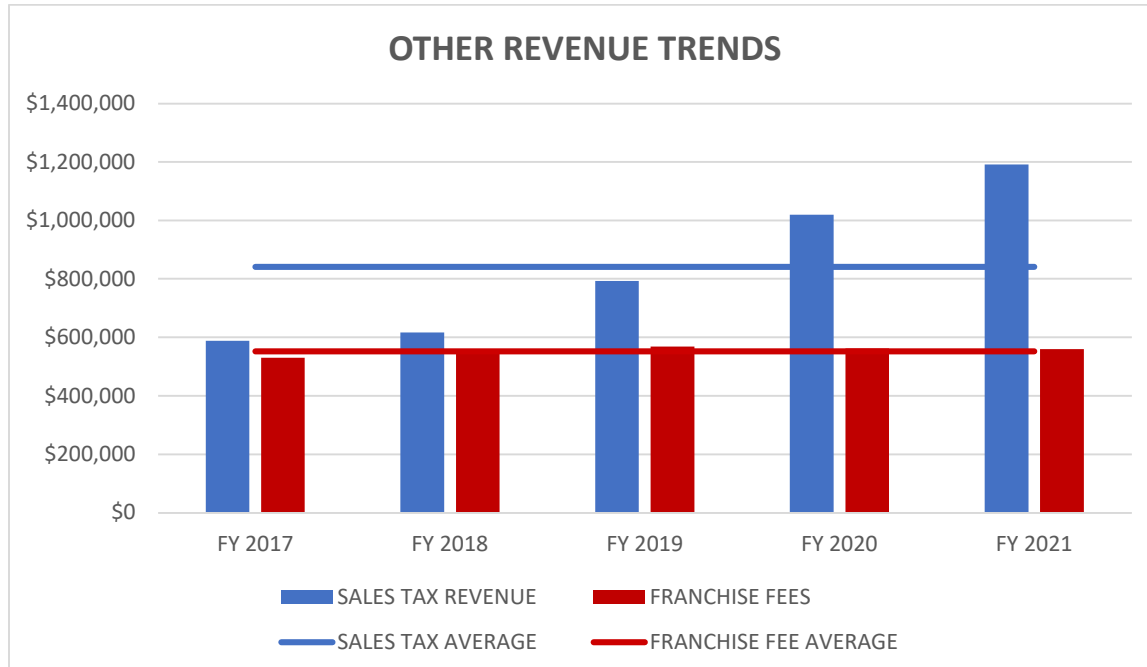
The City's Fiscal Year 2021 Assessed Value increased \$150M, or 8%, over the Fiscal Year 2020 Assessed Value. The single family residential average taxable value increased \$22,755 or 4.3%. This is the eighth consecutive year Assessed Values have increased over the prior year.



The City issued 222 single family residential permits in FY 2021, an increase of 115 permits or 107% over the prior year. This is the largest number of residential permits the City has issued in a single year. In part, the high number of permits issued represents a recovery from the negative impact of Covid on the number of permits issued in 2020.



Sales Tax Revenue increased \$171,622 in Fiscal Year 2021 which is a 16.8% increase over the prior year. The increase in sales tax was spread across several economic categories with Service and Retail showing the most growth. Franchise fees remained on trend.



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 2022 budget process. Council reduced the ad valorem tax rate 9.9% while maintaining services and adding one

utility maintenance position to ensure the needs of our growing population are met. Funding for additional street repairs; new employee on-boarding; special events and the Farmers' Market are included in the budget. Water rates remained unchanged from the prior year. Beginning in March 2022 sewer rates will be based on each residential customer's average winter consumption instead of a flat rate for all.

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 2021: McDonald Road Phase 2 reconstruction; Yankee Creek-Myers Road improvements; Hubbard Drive Trail and Haciendas del Lago street, sewer and water infrastructure were completed. The City is committed to completing the Capital Improvement Program projects in a timely manner.

## FINANCIAL INFORMATION

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

**Financial Policies** – The City's fund balance/operating position concept continues to be an important factor in policy decisions. The policy notes that the City's target unassigned fund balance is 25% of budgeted general fund expenditures. During times of economic uncertainty, the fund balance may exceed the target in anticipation of future revenue shortfalls. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for 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 2021 is \$0.247584 for maintenance and operations and \$0.128985 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 ACFR.

**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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2020. This was the twelfth 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 ACFR. 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 Annual Comprehensive 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, 2020. 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 ACFR 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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

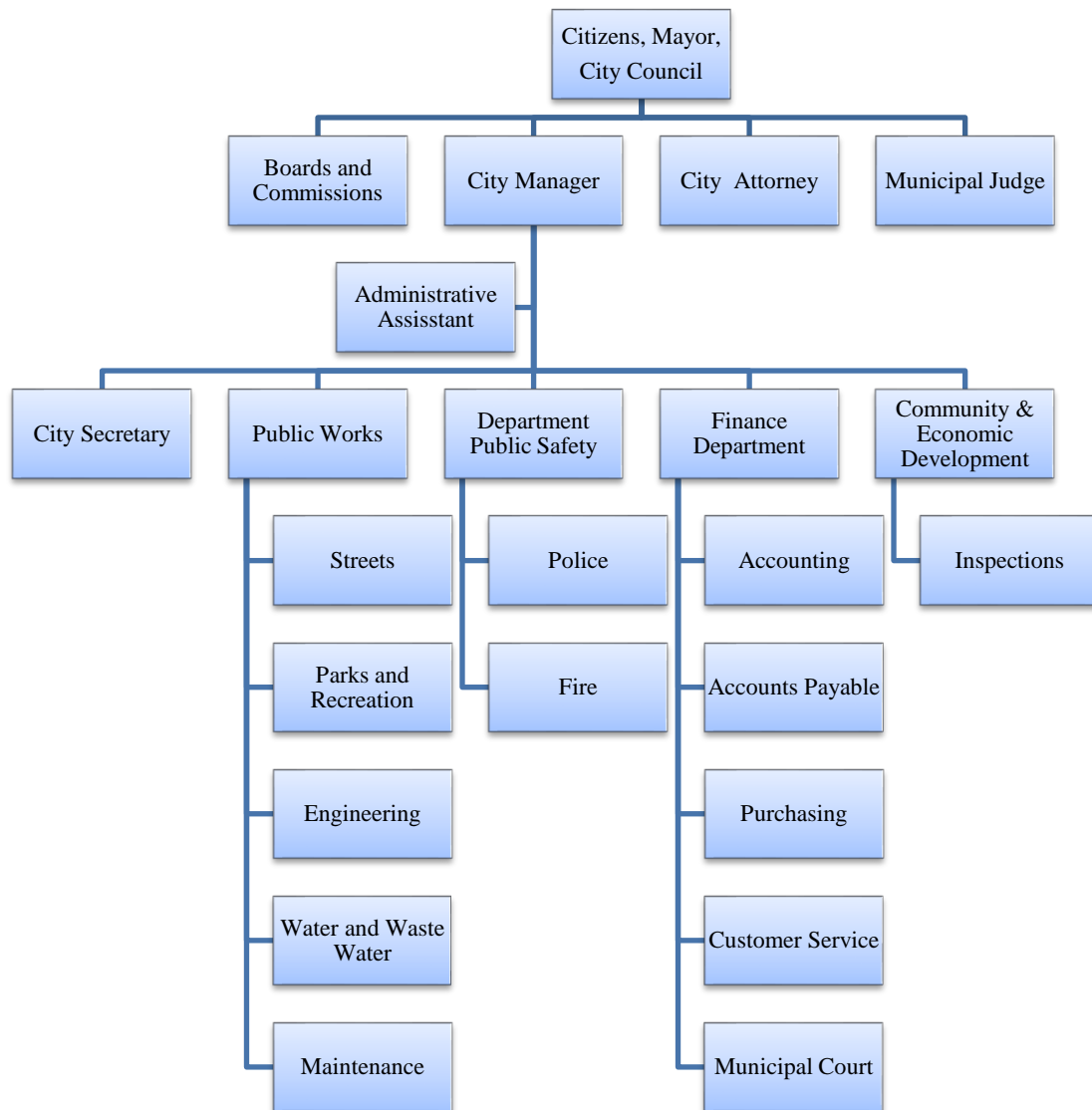
September 30, 2020

*Christopher P. Morill*

Executive Director/CEO



# CITY OF HEATH



# City of Heath, Texas

## *PRINCIPAL OFFICIALS*

September 30, 2021

### **CITY COUNCIL**

Kelson Elam, Mayor

Frank New, Mayor Pro Tem

Paul Ruffo, Council Member, Place 2

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

Kevin Lasher Community Development

Brandon Seery, Department of Public Safety

Laurie Mays, Finance

Roy Stacy, Municipal Court Judge



## ***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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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, 2021 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note V.I., the City has restated beginning net position/fund balance within governmental activities, business-type activities, component unit activities, the general fund, and the water/sewer fund due to various accounting corrections in the prior year. Our opinion is not modified with respect to this matter.

## **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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying 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  
March 16, 2022

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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, 2021

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, 2021. 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, 2021 by \$91,268,592. Of this amount, \$66,665,859 (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 \$11,955,632. 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 \$21,115,666 at September 30, 2021, a decrease of \$404,016 from the prior fiscal year; this includes a decrease of \$1,389,479 in the capital improvement fund, an increase of \$15,772 in the debt service fund, an increase of \$638,532 in the general fund, and an increase of \$331,159 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5,327,713 or 70% of total general fund expenditures.
- The City's outstanding long-term debt decreased by \$3,389,260 (including premiums). The total long-term debt at the close of the fiscal year was \$41,647,809 (excluding premiums), including self-supporting debt of the proprietary fund which was \$19,652,331 (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, 2021

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, 2021

*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 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 capital improvements, 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, 2021

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 and deferred outflows exceeded liabilities and deferred inflows by \$91,268,592 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$66,665,859, 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 is 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, 2021**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 22,925,761	\$ 22,227,106	\$ 45,152,867	\$ 23,077,008	\$ 20,107,422	\$ 43,184,430
Capital assets, net	53,229,006	40,942,794	94,171,800	47,244,434	39,825,830	87,070,264
<b>Total Assets</b>	<b>76,154,767</b>	<b>63,169,900</b>	<b>139,324,667</b>	<b>70,321,442</b>	<b>59,933,252</b>	<b>130,254,694</b>
<b>Total</b>						
<b>Deferred Outflows</b>	<b>799,082</b>	<b>208,315</b>	<b>1,007,397</b>	<b>673,202</b>	<b>178,220</b>	<b>851,422</b>
Other liabilities	4,076,056	2,433,200	6,509,256	3,462,556	2,191,185	5,653,741
Long-term liabilities	22,314,164	19,899,449	42,213,613	24,411,944	21,366,283	45,778,227
<b>Total Liabilities</b>	<b>26,390,220</b>	<b>22,332,649</b>	<b>48,722,869</b>	<b>27,874,500</b>	<b>23,557,468</b>	<b>51,431,968</b>
<b>Total</b>						
<b>Deferred Inflows</b>	<b>274,508</b>	<b>66,095</b>	<b>340,603</b>	<b>291,099</b>	<b>70,089</b>	<b>361,188</b>
Net Position:						
Net investment in capital assets	37,811,732	28,854,127	66,665,859	32,049,289	26,420,026	58,469,315
Restricted	7,752,086	-	7,752,086	6,686,903	-	6,686,903
Unrestricted	4,725,303	12,125,344	16,850,647	4,092,853	10,063,889	14,156,742
<b>Total Net Position</b>	<b>\$ 50,289,121</b>	<b>\$ 40,979,471</b>	<b>\$ 91,268,592</b>	<b>\$ 42,829,045</b>	<b>\$ 36,483,915</b>	<b>\$ 79,312,960</b>

Capital assets for governmental activities increased due to road infrastructure investments made in the current year. 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. 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, 2021

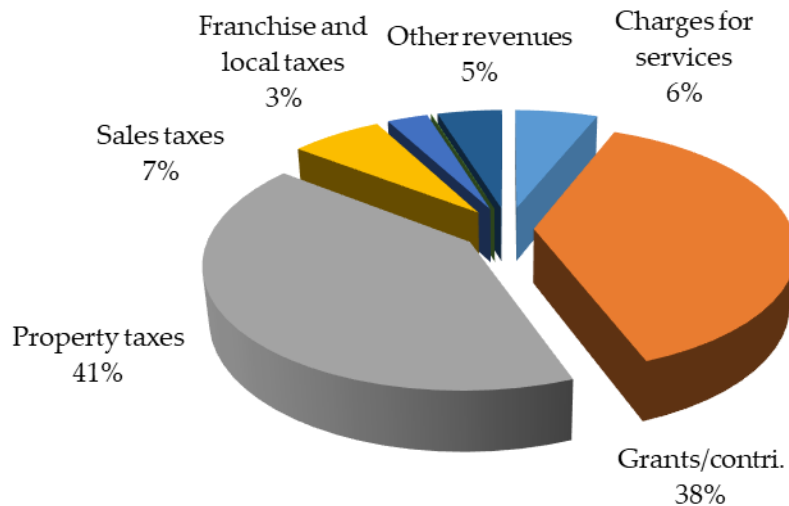
#### Statement of Activities:

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,123,724	\$ 11,765,739	\$ 12,889,463	\$ 1,083,247	\$ 10,791,614	\$ 11,874,861
Operating grants	630,819	-	630,819	1,057,251	-	1,057,251
Capital contributions	6,438,792	3,718,662	10,157,454	3,417,766	777,717	4,195,483
General revenues:						
Property taxes	7,591,621	-	7,591,621	7,026,134	-	7,026,134
Sales taxes	1,244,628	-	1,244,628	1,045,956	-	1,045,956
Franchise and local taxes	559,495	-	559,495	561,567	-	561,567
Investment income	9,489	11,749	21,238	153,923	156,404	310,327
Other revenues	989,328	87,606	1,076,934	272,463	243,469	515,932
<b>Total Revenues</b>	<b>18,587,896</b>	<b>15,583,756</b>	<b>34,171,652</b>	<b>14,618,307</b>	<b>11,969,204</b>	<b>26,587,511</b>
<b>Expenses</b>						
General government	1,691,608	-	1,691,608	1,467,595	-	1,467,595
Public safety	4,217,615	-	4,217,615	3,910,066	-	3,910,066
Public works	3,482,020	-	3,482,020	3,005,180	-	3,005,180
Culture and recreation	628,341	-	628,341	697,569	-	697,569
Community development	609,763	-	609,763	532,182	-	532,182
Interest and fiscal charges	769,473	723,886	1,493,359	821,970	761,320	1,583,290
Water, sewer, & solid waste	-	10,093,314	10,093,314	-	8,589,379	8,589,379
<b>Total Expenses</b>	<b>11,398,820</b>	<b>10,817,200</b>	<b>22,216,020</b>	<b>10,434,562</b>	<b>9,350,699</b>	<b>19,785,261</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	<b>7,189,076</b>	<b>4,766,556</b>	<b>11,955,632</b>	<b>4,183,745</b>	<b>2,618,505</b>	<b>6,802,250</b>
Transfers	271,000	(271,000)	-	271,000	(271,000)	-
<b>Total</b>	<b>271,000</b>	<b>(271,000)</b>	<b>-</b>	<b>271,000</b>	<b>(271,000)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>7,460,076</b>	<b>4,495,556</b>	<b>11,955,632</b>	<b>4,454,745</b>	<b>2,347,505</b>	<b>6,802,250</b>
Beginning Net Position	42,829,045	36,483,915	79,312,960	38,374,300	34,136,410	72,510,710
<b>Ending Net Position</b>	<b>\$ 50,289,121</b>	<b>\$ 40,979,471</b>	<b>\$ 91,268,592</b>	<b>\$ 42,829,045</b>	<b>\$ 36,483,915</b>	<b>\$ 79,312,960</b>

**City of Heath, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2021**

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

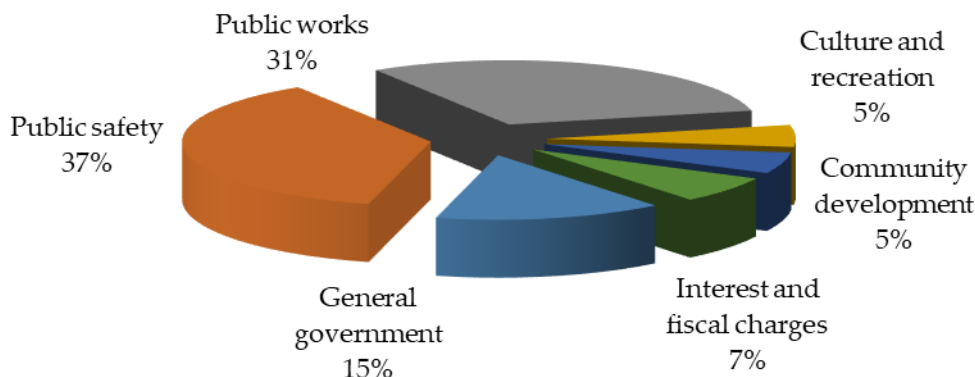
**Governmental Activities - Revenues**



For the year ended September 30, 2021, revenues from governmental activities totaled \$18,480,022. Total revenues increased by \$3,969,589 or 27%. Property tax and grants and contributions are the City's largest general revenue sources. Grants and capital contributions increased by \$2,594,594 or 58% primarily as a result of greater capital contributions received from developers for ongoing infrastructure development projects in the current year. Property taxes increased by \$565,487 or 8% due primarily to new properties added to the tax rolls. Sales taxes increased by \$198,672 or 19% due to increased economic growth within the City. Investment income decreased by \$144,434 or 94% primarily as a result of declining interest rates. Other revenues increased by \$716,865 primarily due to an increase in roadway impact fees in the current year.

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



# City of Heath, Texas

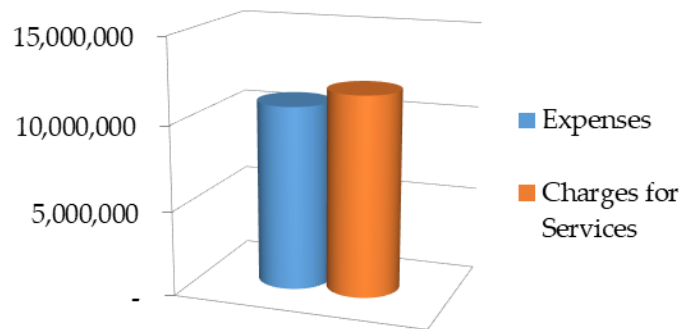
## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

### September 30, 2021

For the year ended September 30, 2021, expenses for governmental activities totaled \$11,398,820. This represents an increase of \$964,258 or 9%. This increase stems primarily from increases in public safety, general government, and public works expenses. General government expenses increased by \$224,013 or 15% as a result of greater personnel expenses, computer maintenance and vehicle related expenses in the current year. Public safety expenses increased by \$307,549 or 8% primarily due to personnel expense increases in the current year. Public works expenses increased by \$476,840 or 16% primarily due to greater street/drainage repairs, and annual depreciation expenses in the current year. Culture and recreation decreased by \$69,228 or 10% as a result of nonrecurring landscaping maintenance that occurred in the prior year. Community development increased by \$77,581 or 15% due to greater personnel expenses in the current year.

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

### Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$11,765,739. This is an increase of \$974,125 or 9% from the previous year. The increase is a result of a greater number of utility customers compared to the previous year. In addition, a greater amount of wastewater treatment was sold to Kaufman County MUD No. 5 due to increased customer demand.

Utility service expenses increased by \$1,503,935, to a total of \$10,093,314, or a change of 18%. The increase was primarily a result of greater water purchases and increased personnel expenses. In addition, nonrecurring meter and computer maintenance expenses were incurred in the current 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.

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 of Heath, Texas

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

### September 30, 2021

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, 2021, the City's governmental funds reported combined fund balances of \$21,115,666, a decrease of \$404,016 in comparison with the prior year. Approximately 25% of this amount, \$5,327,713, 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 \$9,530 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 \$677,836 in assigned funds at year end. Restricted fund balance represents funds that are restricted by law, debt agreements, or grantors for particular purposes. The City had \$15,100,587 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$5,337,243. Fund balance increased \$638,532 primarily due to greater than expected revenues and less than anticipated expenditures.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$5,327,713 is 70% of total general fund expenditures.

The debt service fund had an ending fund balance of \$441,781 at September 30, 2021 compared to the previous year's balance of \$426,009. This is an increase of \$15,772 and primarily due to greater than anticipated revenues.

The capital improvements fund experienced a net decrease in fund balance of \$1,389,479 due to capital outlay expenditures exceeding current year revenues. During the year, the City expended \$2,450,270 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 \$40,826,861. Unrestricted net position of the fund at the close of the fiscal year amounted to \$11,972,734. The capital assets of the water and sewer fund had a net book value of \$40,942,794.

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, 2021**

Other factors concerning the finances of the water and sewer enterprise fund have already been addressed in the discussion of the City's business-type activities; however, the following are additional comments regarding operations of the enterprise fund:

Net increases to capital assets were \$1,116,964. The increase in capital assets was a result of the sum of assets purchased/constructed by the City and contributed assets from developers exceeding depreciation and disposals. Operational expenses excluding depreciation and amortization in the water and sewer fund were \$7,529,510. Cash and cash equivalents in the water and sewer fund were \$19,462,157 at fiscal year end.

The City's nonmajor solid waste fund recorded a slight decrease of \$18,255 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 \$743,100, and in total was not amended during the year.

There was a positive variance of \$834,098 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$547,534 for budgeted expenditures. The City realized the biggest variance within highway and streets, parks, and engineering and construction.
- \$1,381,632 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 \$834,098. 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 \$1,381,632.

#### **CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$53,229,006 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$40,942,794 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.

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

- Contributed assets valued at \$5,951,866 consisting of street infrastructure.

# City of Heath, Texas

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

September 30, 2021

- Contributed assets valued at \$2,562,617 consisting of water and sewer infrastructure.
- Purchased TX Dot property adjacent to Tom Thumb retail center for \$229,314.
- McDonald paving improvements for \$832,105.
- Yankee Creek/Myers roadway improvements for \$584,495
- White Road improvements for \$390,287.
- Trail grant investments totaling \$483,003.

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 \$41,647,809. Of this amount, \$19,652,331 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 2022 Budget of 33.9307 cents per \$100 of assessed value - a reduction of 3.7262 cents per \$100. Assessed value increased \$162,612,477 or 9.9% over the prior year's value. FY 2022 marks the ninth 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, \$0.223714 or 65.9% is dedicated to maintenance and operations (M&O) in the General Fund, and \$0.115593 or 34.1% is dedicated to general obligation debt service.

The City realized an increase in ad valorem tax revenue of \$141,800 in the General Fund resulting from the addition of new properties on the tax rolls. The budget includes funding for additional street repairs; new employee on-boarding; special events and the Farmers' Market. City Council is committed to partially funding capital purchases on a pay-as-you-go basis. To accomplish this goal the budget includes transfers totaling \$1,398,600 to the following funds: Drainage Fund; Equipment Replacement Fund; and a Fire Station Building Fund.

**City of Heath, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2021**

Debt Service Fund revenue increased \$14,500 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 for the purchase of wholesale water remained unchanged from the prior year and the cost of both wastewater treatment and debt service for the Buffalo Creek Interceptor is less than the prior year. The budget includes the addition of one utility maintenance position to ensure service standards for the City's growing population are maintained. Additionally, \$1,674,800 was budgeted for capital purchases.

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, 2021**

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 22,338,991	\$ 10,700,857	\$ 33,039,848	\$ 5,184,958
Restricted cash	-	8,930,019	8,930,019	2,237,601
Receivables, net	577,240	2,047,412	2,624,652	413,590
Inventory	-	15,680	15,680	-
Prepays	9,530	533,138	542,668	3,179
<b>Total Current Assets</b>	<b>22,925,761</b>	<b>22,227,106</b>	<b>45,152,867</b>	<b>7,839,328</b>
Noncurrent assets:				
Assessment receivables, net	-	-	-	11,236,546
Capital assets:				
Non-depreciable	6,860,751	2,389,005	9,249,756	-
Net depreciable capital assets	46,368,255	38,553,789	84,922,044	-
<b>Total Noncurrent Assets</b>	<b>53,229,006</b>	<b>40,942,794</b>	<b>94,171,800</b>	<b>11,236,546</b>
<b>Total Assets</b>	<b>76,154,767</b>	<b>63,169,900</b>	<b>139,324,667</b>	<b>19,075,874</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension contributions	342,201	82,393	424,594	-
OPEB contributions	570	137	707	-
OPEB change in assumptions	31,473	7,578	39,051	-
Pension actual experience vs. assumption	253,727	61,091	314,818	-
Pension assumption changes	28,895	6,957	35,852	-
Deferred charge on refunding	142,216	50,159	192,375	-
<b>Total Deferred Outflows of Resources</b>	<b>799,082</b>	<b>208,315</b>	<b>1,007,397</b>	<b>-</b>

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2021**

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and				
accrued liabilities	\$ 1,211,540	\$ 453,881	\$ 1,665,421	\$ 232,149
Accrued interest payable	99,045	103,871	202,916	235,054
Customer deposits	290,500	420,352	710,852	-
Compensated absences, current	580,453	137,714	718,167	-
Long-term debt due within one year	1,894,518	1,317,382	3,211,900	209,900
<b>Total Current Liabilities</b>	<b>4,076,056</b>	<b>2,433,200</b>	<b>6,509,256</b>	<b>677,103</b>
Noncurrent liabilities:				
Long-term debt due in more than one year	20,922,782	19,565,315	40,488,097	11,652,810
Compensated absences, noncurrent	248,765	59,020	307,785	-
Net pension liability	993,418	239,191	1,232,609	-
OPEB liability	149,199	35,923	185,122	-
<b>Total Noncurrent Liabilities</b>	<b>22,314,164</b>	<b>19,899,449</b>	<b>42,213,613</b>	<b>11,652,810</b>
<b>Total Liabilities</b>	<b>26,390,220</b>	<b>22,332,649</b>	<b>48,722,869</b>	<b>12,329,913</b>
<b>Deferred Inflows of Resources</b>				
OPEB difference in experience	651	157	808	-
Pension investment earnings	273,857	65,938	339,795	-
<b>Total Deferred</b>				
<b>Inflows of Resources</b>	<b>274,508</b>	<b>66,095</b>	<b>340,603</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	37,811,732	28,854,127	66,665,859	-
Restricted for:				
Debt service	441,781	-	441,781	-
Capital improvement	6,099,644	-	6,099,644	-
Economic development	-	-	-	3,993,352
Economic opportunities	-	-	-	2,752,609
Public safety and other programs	1,210,661	-	1,210,661	-
Unrestricted	4,725,303	12,125,344	16,850,647	-
<b>Total Net Position</b>	<b>\$ 50,289,121</b>	<b>\$ 40,979,471</b>	<b>\$ 91,268,592</b>	<b>\$ 6,745,961</b>

See Notes to Financial Statements.

# City of Heath, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,691,608	\$ 142,979	\$ 190,606	\$ -
Public safety	4,217,615	74,565	182,954	-
Public works	3,482,020	906,180	-	6,248,186
Culture and recreation	628,341	-	257,259	190,606
Community development	609,763	-	-	-
Interest and fiscal charges	769,473	-	-	-
<b>Total Governmental Activities</b>	<u>11,398,820</u>	<u>1,123,724</u>	<u>630,819</u>	<u>6,438,792</u>
<b>Business-Type Activities</b>				
Water & sewer	9,912,066	10,798,917	1,156,045	2,562,617
Solid waste	905,134	966,822	-	-
<b>Total Business-Type Activities</b>	<u>10,817,200</u>	<u>11,765,739</u>	<u>1,156,045</u>	<u>2,562,617</u>
<b>Total Primary Government</b>	<u>\$ 22,216,020</u>	<u>\$ 12,889,463</u>	<u>\$ 1,786,864</u>	<u>\$ 9,001,409</u>
<b>Component Units:</b>				
Heath Club MMD	972,946	-	-	-
Heath EDC	193,236	-	-	-
Heath MBC	200,661	-	-	-
<b>Total Component Units</b>	<u>\$ 1,366,843</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	
\$ (1,358,023)	\$ -	\$ (1,358,023)	\$ -
(3,960,096)	-	(3,960,096)	-
3,672,346	-	3,672,346	-
(180,476)	-	(180,476)	-
(609,763)	-	(609,763)	-
(769,473)	-	(769,473)	-
(3,205,485)	-	(3,205,485)	-
-	4,605,513	4,605,513	-
-	61,688	61,688	-
-	4,667,201	4,667,201	-
\$ (3,205,485)	\$ 4,667,201	\$ 1,461,716	\$ -
-	-	-	(972,946)
-	-	-	(193,236)
-	-	-	(200,661)
\$ -	\$ -	\$ -	\$ (1,366,843)
7,591,621	-	7,591,621	-
1,244,628	-	1,244,628	1,190,988
559,495	-	559,495	-
-	-	-	1,855,735
9,489	11,749	21,238	2,274
989,328	87,606	1,076,934	298,392
271,000	(271,000)	-	-
10,665,561	(171,645)	10,493,916	3,347,389
7,460,076	4,495,556	11,955,632	1,980,546
42,829,045	36,483,915	79,312,960	4,765,415
\$ 50,289,121	\$ 40,979,471	\$ 91,268,592	\$ 6,745,961

# City of Heath, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 6,165,874	\$ 433,178	\$ 13,755,792	\$ 1,984,147
Receivables, net	361,142	216,098	-	-
Prepays	9,530	-	-	-
<b>Total Assets</b>	<b>\$ 6,536,546</b>	<b>\$ 649,276</b>	<b>\$ 13,755,792</b>	<b>\$ 1,984,147</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 808,243	\$ -	\$ 307,647	\$ 95,650
Deposits payable	290,500	-	-	-
<b>Total Liabilities</b>	<b>1,098,743</b>	<b>-</b>	<b>307,647</b>	<b>95,650</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue -				
Property taxes	95,596	44,329	-	-
Fines receivable, net	1,464	-	-	-
Assessments receivable	-	163,166	-	-
Other	3,500	-	-	-
<b>Total Deferred Inflows</b>	<b>100,560</b>	<b>207,495</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Nonspendable for:				
Prepays	9,530	-	-	-
Assigned	-	-	-	677,836
Restricted	-	441,781	13,448,145	1,210,661
Unassigned	5,327,713	-	-	-
<b>Total Fund Balances</b>	<b>5,337,243</b>	<b>441,781</b>	<b>13,448,145</b>	<b>1,888,497</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,536,546</b>	<b>\$ 649,276</b>	<b>\$ 13,755,792</b>	<b>\$ 1,984,147</b>

See Notes to Financial Statements.

Total Governmental Funds	
<hr/>	
\$	22,338,991
	577,240
	9,530
<hr/>	
\$	22,925,761
<hr/>	

\$	1,211,540
	290,500
<hr/>	
	1,502,040
<hr/>	

	139,925
	1,464
	163,166
	3,500
<hr/>	
	308,055
<hr/>	

	9,530
	677,836
	15,100,587
	5,327,713
<hr/>	
	21,115,666
<hr/>	
\$	22,925,761
<hr/>	

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**City of Heath, Texas**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**September 30, 2021**

<b>Fund Balances - Total Governmental Funds</b>	\$ 21,115,666
---	---------------

**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	6,860,751
Capital assets - net depreciable	46,368,255

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

Property tax receivable	139,925
Fines receivable, net	1,464
Assessments receivable	163,166
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	342,201
OPEB contributions	570
OPEB change in assumptions	31,473
OPEB difference in experience	(651)
Pension investment earnings	(273,857)
Pension actual experience vs. assumption	253,727
Pension assumption changes	28,895
Deferred charge on refunding	142,216

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

Accrued interest	(99,045)
Bond premium	(821,822)
Non-current liabilities due in one year	(1,894,518)
Non-current liabilities due in more than one year	(20,100,960)
Compensated absences	(829,218)
Net pension liability	(993,418)
OPEB liability	(149,199)

<b>Net Position of Governmental Activities</b>	<b>\$ 50,289,121</b>
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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, 2021

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<b><u>Revenues</u></b>				
Taxes:				
Property tax	\$ 4,985,327	\$ 2,596,649	\$ -	\$ -
Sales and beverage tax	1,244,628	-	-	-
Franchise tax	559,495	-	-	-
Licenses and permits	906,180	-	-	-
Intergovernmental	373,560	-	190,606	198,000
Charges for services	142,979	-	-	-
Fines and forfeitures	74,565	-	-	-
Special assessments	-	81,859	-	-
Contributions and donations	-	-	-	59,259
Investment income	3,188	1,067	4,599	635
Other revenue	278,276	-	865,586	120,589
<b>Total Revenues</b>	<b>8,568,198</b>	<b>2,679,575</b>	<b>1,060,791</b>	<b>378,483</b>
<b><u>Expenditures</u></b>				
Administration	1,289,873	-	-	864
Highways and streets	812,403	-	-	-
Parks	423,057	-	-	-
Engineering and construction	211,231	-	-	-
Municipal court	51,082	-	-	-
Public safety	4,167,492	-	-	10,662
Community development	604,128	-	-	-
Debt Service:				
Principal	36,600	1,842,482	-	-
Interest and fiscal charges	-	821,321	-	-
Capital outlay	-	-	2,450,270	650,098
<b>Total Expenditures</b>	<b>7,595,866</b>	<b>2,663,803</b>	<b>2,450,270</b>	<b>661,624</b>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	<b>972,332</b>	<b>15,772</b>	<b>(1,389,479)</b>	<b>(283,141)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	271,000	-	-	604,800
Transfers (out)	(604,800)	-	-	-
Proceeds from sale of capital assets	-	-	-	9,500
<b>Total Other Financing Sources (Uses)</b>	<b>(333,800)</b>	<b>-</b>	<b>-</b>	<b>614,300</b>
<b>Net Change in Fund Balances</b>	<b>638,532</b>	<b>15,772</b>	<b>(1,389,479)</b>	<b>331,159</b>
Beginning fund balances	4,698,711	426,009	14,837,624	1,557,338
<b>Ending Fund Balances</b>	<b>\$ 5,337,243</b>	<b>\$ 441,781</b>	<b>\$ 13,448,145</b>	<b>\$ 1,888,497</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$	7,581,976
	1,244,628
	559,495
	906,180
	762,166
	142,979
	74,565
	81,859
	59,259
	9,489
	1,264,451
	<hr/> 12,687,047 <hr/>
	1,290,737
	812,403
	423,057
	211,231
	51,082
	4,178,154
	604,128
	1,879,082
	821,321
	3,100,368
	<hr/> 13,371,563 <hr/>
	(684,516)
	875,800
	(604,800)
	9,500
	<hr/> 280,500 <hr/>
	(404,016)
	21,519,682
\$	<hr/> 21,115,666 <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, 2021**

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

Net changes in fund balances - total governmental funds	\$	(404,016)
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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	2,936,618
Depreciation expense	(2,903,912)
Receipt of capital contributions	5,951,866

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(60,517)
--	----------

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	(4,116)
Accrued interest	7,536
Pension expense	31,345
OPEB expense	(18,122)

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

Amortization of deferred charges on refunding	(31,551)
Amortization of debt premium	75,863
Principal payments	1,879,082

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>7,460,076</b>
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See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2021**

	<b>Water &amp; Sewer</b>	<b>Nonmajor Solid Waste</b>	<b>Total Proprietary Funds</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 10,532,138	\$ 168,719	\$ 10,700,857
Restricted cash	8,930,019	-	8,930,019
Receivables, net	1,890,046	157,366	2,047,412
Inventory	15,680	-	15,680
Prepays	533,138	-	533,138
<b>Total Current Assets</b>	<b>21,901,021</b>	<b>326,085</b>	<b>22,227,106</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	2,389,005	-	2,389,005
Net depreciable capital assets	38,553,789	-	38,553,789
<b>Total Noncurrent Assets</b>	<b>40,942,794</b>	<b>-</b>	<b>40,942,794</b>
<b>Total Assets</b>	<b>62,843,815</b>	<b>326,085</b>	<b>63,169,900</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	82,393	-	82,393
Pension actual experience vs. assumption	61,091	-	61,091
Pension assumption changes	6,957	-	6,957
OPEB contributions	137	-	137
OPEB change in assumptions	7,578	-	7,578
Deferred charge on refunding	50,159	-	50,159
<b>Total Deferred Outflows</b>	<b>208,315</b>	<b>-</b>	<b>208,315</b>

See Notes to Financial Statements.

# City of Heath, Texas

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

### PROPRIETARY FUNDS

September 30, 2021

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued liabilities	442,108	11,773	453,881
Accrued interest	103,871	-	103,871
Customer deposits	258,650	161,702	420,352
Compensated absences, current	137,714	-	137,714
Long-term debt, current	1,317,382	-	1,317,382
<b>Total Current Liabilities</b>	<b>2,259,725</b>	<b>173,475</b>	<b>2,433,200</b>
<b><u>Noncurrent Liabilities</u></b>			
Compensated absences, noncurrent	59,020	-	59,020
Long-term debt, noncurrent	19,565,315	-	19,565,315
Net pension liability	239,191	-	239,191
OPEB liability	35,923	-	35,923
<b>Total Liabilities</b>	<b>22,159,174</b>	<b>173,475</b>	<b>22,332,649</b>
<b><u>Deferred Inflows of Resources</u></b>			
OPEB difference in experience	157	-	157
Pension investment earnings	65,938	-	65,938
<b>Total Deferred Inflows</b>	<b>66,095</b>	<b>-</b>	<b>66,095</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	28,854,127	-	28,854,127
Unrestricted	11,972,734	152,610	12,125,344
<b>Total Net Position</b>	<b>\$ 40,826,861</b>	<b>\$ 152,610</b>	<b>\$ 40,979,471</b>

See Notes to Financial Statements.

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# City of Heath, Texas

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

For the Year Ended September 30, 2021

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Operating Revenues</u></b>			
Water revenue	\$ 5,831,899	\$ -	\$ 5,831,899
Sewer revenue	3,374,115	-	3,374,115
Sanitation revenue	-	953,447	953,447
Connection and tap charges	1,606,278	-	1,606,278
Grant revenue	1,156,045	-	1,156,045
Other revenue	74,231	13,375	87,606
<b>Total Operating Revenues</b>	<b>12,042,568</b>	<b>966,822</b>	<b>13,009,390</b>
<b><u>Operating Expenses</u></b>			
Personnel	1,340,704	-	1,340,704
Supplies and services	357,744	905,134	1,262,878
Operating expenses	1,123,569	-	1,123,569
Materials and equipment	408,707	-	408,707
Cost of water	2,768,845	-	2,768,845
Cost of sewer	1,529,941	-	1,529,941
Depreciation	1,658,670	-	1,658,670
<b>Total Operating Expenses</b>	<b>9,188,180</b>	<b>905,134</b>	<b>10,093,314</b>
<b>Operating Income</b>	<b>2,854,388</b>	<b>61,688</b>	<b>2,916,076</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	11,692	57	11,749
Interest expense	(723,886)	-	(723,886)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(712,194)</b>	<b>57</b>	<b>(712,137)</b>
<b>Income Before Capital Contributions and Transfers</b>	<b>2,142,194</b>	<b>61,745</b>	<b>2,203,939</b>
Capital contributions	2,562,617	-	2,562,617
Transfers in	996,200	-	996,200
Transfers (out)	(1,187,200)	(80,000)	(1,267,200)
<b>Change in Net Position</b>	<b>4,513,811</b>	<b>(18,255)</b>	<b>4,495,556</b>
Beginning net position	36,313,050	170,865	36,483,915
<b>Ending Net Position</b>	<b>\$ 40,826,861</b>	<b>\$ 152,610</b>	<b>\$ 40,979,471</b>

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, 2021**

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 12,116,502	\$ 952,899	\$ 13,069,401
Payments to suppliers	(6,707,425)	(813,974)	(7,521,399)
Payments to employees	(1,319,033)	-	(1,319,033)
<b>Net Cash Provided by Operating Activities</b>	<b>4,090,044</b>	<b>138,925</b>	<b>4,228,969</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers in	996,200	-	996,200
Transfers (out)	(1,187,200)	(80,000)	(1,267,200)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(191,000)</b>	<b>(80,000)</b>	<b>(271,000)</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Capital purchases	(213,017)	-	(213,017)
Principal paid on debt	(1,319,562)	-	(1,319,562)
Interest paid on debt	(836,445)	-	(836,445)
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<b>(2,369,024)</b>	<b>-</b>	<b>(2,369,024)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	11,692	57	11,749
<b>Net Cash Provided by Investing Activities</b>	<b>11,692</b>	<b>57</b>	<b>11,749</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,541,712</b>	<b>58,982</b>	<b>1,600,694</b>
Beginning cash and cash equivalents	17,920,445	109,737	18,030,182
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 19,462,157</b>	<b>\$ 168,719</b>	<b>\$ 19,630,876</b>

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, 2021**

	<u>Water &amp; Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<b><u>Reconciliation of Operating Income</u></b>			
<b><u>to Net Cash Provided by Operating Activities</u></b>			
Operating Income	\$ 2,854,388	\$ 61,688	\$ 2,916,076
Adjustments to reconcile operating income to net cash provided:			
Depreciation	1,658,670	-	1,658,670
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	9,009	(13,923)	(4,914)
Inventory	8,083	-	8,083
Prepays	(522,159)	-	(522,159)
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	(4,543)	91,160	86,617
Compensated absences	42,249	-	42,249
Customer deposits	64,925	-	64,925
Unearned revenue	(17,395)	-	(17,395)
Deferred outflows - pension contributions	(5,867)	-	(5,867)
Deferred outflows - OPEB contributions	(57)	-	(57)
Deferred inflows - pension investment earnings	(4,049)	-	(4,049)
Deferred outflows - pension assumption changes	3,658	-	3,658
Deferred outflows - Pension actual experience vs. assumption	(31,962)	-	(31,962)
Deferred outflows - OPEB change in assumptions	(3,677)	-	(3,677)
Deferred inflows - OPEB difference in experience	55	-	55
Net pension liability	30,674	-	30,674
OPEB liability	8,042	-	8,042
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 4,090,044</u></u>	<u><u>\$ 138,925</u></u>	<u><u>\$ 4,228,969</u></u>

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

Capital assets contributed by developer	\$ 2,562,617	\$ -	\$ 2,562,617
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See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2021**

		<b>Custodial Fund</b>
		<b>Streets Escrow</b>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents		\$ 335,644
	<b>Total Assets</b>	<b>335,644</b>
<b><u>Liabilities</u></b>		
Accrued liabilities		335,644
	<b>Total Liabilities</b>	<b>\$ 335,644</b>

See Notes to Financial Statements.



**City of Heath, Texas**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**STREETS ESCROW FUND**  
**For the Year Ended September 30, 2021**

		<u>Custodial Fund</u> <u>Streets Escrow</u>
<b><u>Additions</u></b>		
Interest revenue		\$ 185
	<b>Total additions</b>	<u>185</u>
<b><u>Deductions</u></b>		
Expenses		-
	<b>Total deductions</b>	<u>\$ -</u>
	<b>Change in Net Position</b>	-
Beginning net position		-
	<b>Ending Net Position</b>	<u>\$ -</u>

See Notes to Financial Statements.

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# **City of Heath, Texas**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2021**

### **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, 2021**

which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Units**

Heath Economic Development Corporation

The Heath Economic Development Corporation is governed by a seven-member board of directors appointed, at will, by the City Council. The HEDC's main activities involve contributing to the City's construction of infrastructure within the City limits in order to improve economic development. The HEDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. The HEDC collects a half cent sales tax to support its activities. Separate financial statements have not been prepared. However, additional financial information for the HEDC may be obtained at the entity's administrative offices at the following address: Heath Economic Development Corporation, 200 Laurence Drive, Heath, Texas 75032.

Heath Municipal Benefits Corporation

The City of Heath Municipal Benefits Corporation is governed by a seven-member board of directors appointed, at will, by the City Council. The HMBC's goal is to improve the quality of life within the City and contributes to construction of items such as parks and recreational facilities. The HMBC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. The HMBC collects a half cent sales tax to support its activities. Separate financial statements have not been prepared. However, additional financial information for the HMBC may be obtained at the entity's administrative offices at the following address: Heath Municipal Benefit Corporation, 200 Laurence Drive, Heath, Texas 75032.

Club Municipal Management District Number 1

The Club Municipal Management District (the "Club MMD") is a special purpose district within the City limits. This district was created by an act of the 82<sup>nd</sup> Texas legislature in 2011. The primary purpose of the district is to facilitate the construction and continued maintenance of a quality mixed-use residential and commercial development to benefit city residents. The City of Heath Municipal Management District is governed by a board of directors appointed, at will, by the City Council. Club MMD does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. Club MMD issues separate financial statements that are available from the City of Heath Finance Department at 972-771-6228. 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, 2021**

**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, 2021**

**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, 2021**

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.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Custodial 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.

**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



# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

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."

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.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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.

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

**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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

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.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

#### **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).

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2021**

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-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.

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

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 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.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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 expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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, special revenue funds, 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 division level for the general fund. For all other fund budgets, the legal level of control is the fund level. 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, 2021**

**A. Expenditures Over Appropriations**

For the year ended September 30, 2021, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
Public safety	\$ 13,692
Farmer's Market Fund:	
General government	864
Drainage Fund:	
Capital outlay	6,188

**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, 2021**

The City had the following investments at year end:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Credit Rating</b>
External investment pools			
TexPool	\$ 18,381,408	0.10	AAAm
TexStar	17,182,403	0.11	AAAm
Total carrying value	<u>\$ 35,563,811</u>		
Portfolio weighted average maturity		0.10	

The Heath EDC had the following investments at year end:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Credit Rating</b>
External investment pools			
TexPool	\$ 1,070,252	0.10	AAAm
TexStar	1,297,283	0.11	AAAm
Total carrying value	<u>\$ 2,367,535</u>		
Portfolio weighted average maturity		0.10	

The Heath MBC had the following investments at year end:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Credit Rating</b>
External investment pools			
TexPool	\$ 1,242,230	0.10	AAAm
TexStar	1,570,453	0.11	AAAm
Total carrying value	<u>\$ 2,812,683</u>		
Portfolio weighted average maturity		0.10	

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

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2021, 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, 2021, 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, 2021, 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

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexStar and of other persons who do not have a business relationship with TexStar. The Advisory Board members review the investment policy and management fee structure. Standard & Poor's rates TexStar AAAm. At September 30, 2021, the fair value of the position in TexStar approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**B. Receivables**

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

	<b>General</b>	<b>Debt Service</b>	<b>Water &amp; Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
Property taxes	\$ 95,596	\$ 44,329	\$ -	\$ -	\$ 139,925
Special assessments	-	171,769	90,226	-	261,995
Sales tax	212,500	-	-	-	212,500
Fines	2,440	-	-	-	2,440
Other	12,804	-	903	-	13,707
Accounts	38,778	-	1,825,594	161,046	2,025,418
Allowance	(976)	-	(26,677)	(3,680)	(31,333)
	<u>\$ 361,142</u>	<u>\$ 216,098</u>	<u>\$ 1,890,046</u>	<u>\$ 157,366</u>	<u>\$ 2,624,652</u>

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

	<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
Sales tax	\$ -	\$ 106,251	\$ 106,251	\$ 212,502
Other	-	10,544	10,544	21,088
Assessments	11,416,546	-	-	11,416,546
	<u>\$ 11,416,546</u>	<u>\$ 116,795</u>	<u>\$ 116,795</u>	<u>\$ 11,650,136</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**C. Capital Assets**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 4,919,076	\$ 229,314	\$ -	\$ 5,148,390
Construction in progress	2,985,321	2,449,401	(3,722,361)	1,712,361
Total capital assets not being depreciated	<u>7,904,397</u>	<u>2,678,715</u>	<u>(3,722,361)</u>	<u>6,860,751</u>
Capital assets, being depreciated:				
Buildings	2,428,225	-	-	2,428,225
Improvements other than buildings	5,176,357	-	-	5,176,357
Infrastructure	62,959,968	5,951,866	3,722,361	72,634,195
Machinery and equipment	2,892,443	257,903	(79,970)	3,070,376
Total capital assets being depreciated	<u>73,456,993</u>	<u>6,209,769</u>	<u>3,642,391</u>	<u>83,309,153</u>
Less accumulated depreciation:				
Buildings	(1,649,252)	(112,825)	-	(1,762,077)
Improvements other than buildings	(1,929,995)	(214,826)	-	(2,144,821)
Infrastructure	(27,322,253)	(2,393,015)	-	(29,715,268)
Machinery and equipment	(3,215,456)	(183,246)	79,970	(3,318,732)
Total accumulated depreciation	<u>(34,116,956)</u>	<u>(2,903,912)</u>	<u>79,970</u>	<u>(36,940,898)</u>
Net capital assets being depreciated	39,340,037	3,305,857	3,722,361	46,368,255
<b>Total Capital Assets</b>	<u><u>\$ 47,244,434</u></u>	<u><u>\$ 5,984,572</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 53,229,006</u></u>

In the current year, the governmental activities of the City received \$5,951,866 in contributed capital assets from developers.

Depreciation was charged to governmental functions as follows:

General government	\$ 30,143
Public safety	216,439
Public works	2,450,434
Culture and recreation	201,261
Community Development	5,635
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 2,903,912</u></u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 993,216	\$ -	\$ -	\$ 993,216
Construction in progress	1,441,768	148,883	(194,862)	1,395,789
Total capital assets not being depreciated	<u>2,434,984</u>	<u>148,883</u>	<u>(194,862)</u>	<u>2,389,005</u>
Capital assets, being depreciated:				
Buildings	347,888	-	-	347,888
Improvements other than buildings	54,108,342	2,562,617	194,862	56,865,821
Machinery and equipment	760,201	64,134	-	824,335
Total capital assets being depreciated	<u>55,216,431</u>	<u>2,626,751</u>	<u>194,862</u>	<u>58,038,044</u>
Less accumulated depreciation:				
Buildings	(226,772)	(15,736)	-	(242,508)
Improvements other than buildings	(17,033,287)	(1,595,292)	-	(18,628,579)
Machinery and equipment	(565,526)	(47,642)	-	(613,168)
Total accumulated depreciation	<u>(17,825,585)</u>	<u>(1,658,670)</u>	<u>-</u>	<u>(19,484,255)</u>
Net capital assets being depreciated	<u>37,390,846</u>	<u>968,081</u>	<u>194,862</u>	<u>38,553,789</u>
<b>Total Capital Assets</b>	<u><u>\$ 39,825,830</u></u>	<u><u>\$ 1,116,964</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,942,794</u></u>

In the current year the business-type activities of the City received \$2,562,617 in contributed capital assets from developers.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 825,102	\$ 42,988	\$ (38,872)	\$ 829,218	\$ 580,453
<b>Total Governmental Activities</b>	<u>\$ 825,102</u>	<u>\$ 42,988</u>	<u>\$ (38,872)</u>	<u>\$ 829,218</u>	<u>\$ 580,453</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 248,765</u>	
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 154,485	\$ 123,685	\$ (81,436)	\$ 196,734	\$ 137,714
<b>Total Business-Type Activities</b>	<u>\$ 154,485</u>	<u>\$ 123,685</u>	<u>\$ (81,436)</u>	<u>\$ 196,734</u>	<u>\$ 137,714</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 59,020</u>	

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 4,850,000	\$ -	\$ (740,000)	\$ 4,110,000	\$ 770,000
Certificates of Obligation	18,915,250	-	(1,102,482)	17,812,768	1,069,618
Note payable to Texas Comptroller	109,310	-	(36,600)	72,710	54,900
Premiums	897,685	-	(75,863)	821,822	-
<b>Total Governmental Activities</b>	<b>\$ 24,772,245</b>	<b>\$ -</b>	<b>\$ (1,954,945)</b>	<b>\$ 22,817,300</b>	<b>\$ 1,894,518</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 20,922,782</b>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 3,540,000	\$ -	\$ (935,000)	\$ 2,605,000	\$ 675,000
Certificates of Obligation	17,431,893	-	(384,562)	17,047,331	642,382
Premium	1,345,119	-	(114,753)	1,230,366	-
<b>Total Business-Type Activities</b>	<b>\$ 22,317,012</b>	<b>\$ -</b>	<b>\$ (1,434,315)</b>	<b>\$ 20,882,697</b>	<b>\$ 1,317,382</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 19,565,315</b>	

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, 2021**

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

Description	Interest Rates	Original Balance	Current Balance
<b>Governmental Activities:</b>			
2017 General Obligation Refunding Bonds	2.00-4.00%	\$ 1,410,000	\$ 120,000
2015 General Obligation Refunding Bonds	2.03%	4,725,000	3,175,000
2013 General Obligation Refunding Bonds	2.00-4.00%	1,600,000	815,000
<b>Total General Obligation Bonds</b>		<b>7,735,000</b>	<b>4,110,000</b>
2017 Combination Tax & Revenue Certificates	3.00-5.00%	5,940,000	5,385,000
2014 Combination Tax & Revenue Certificates	3.00-4.00%	14,205,000	10,690,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	1,654,037	1,370,000
2019 Combination Tax & Revenue Certificates	3.70%	453,197	367,768
<b>Total Certificates of Obligation</b>		<b>22,252,234</b>	<b>17,812,768</b>
Note payable to Texas Comptroller	0.00%	220,850	72,710
<b>Total Notes Payable</b>		<b>220,850</b>	<b>72,710</b>
<b>Total Governmental Activities</b>		<b>\$ 30,208,084</b>	<b>\$ 21,995,478</b>
<b>Business-type Activities:</b>			
2017 General Obligation Refunding Bonds	2.00-4.00%	\$ 2,950,000	\$ 310,000
2015 General Obligation Refunding Bonds	2.03%	3,200,000	2,295,000
<b>Total General Obligation Bonds</b>		<b>6,150,000</b>	<b>2,605,000</b>
2019 Combination Tax & Revenue Certificates	3.70%	256,802	202,331
2017 Combination Tax & Revenue Certificates	3.00-5.00%	11,600,000	10,645,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	6,540,963	6,200,000
<b>Total Certificates of Obligation</b>		<b>18,397,765</b>	<b>17,047,331</b>
<b>Total Business-Type Activities</b>		<b>\$ 24,547,765</b>	<b>\$ 19,652,331</b>
<b>Total Long-Term Debt</b>			
General Obligation Refunding Bonds		\$ 13,885,000	\$ 6,715,000
Certificates of Obligation		40,649,999	34,860,099
<b>Total Primary Government</b>		<b>\$ 54,755,849</b>	<b>\$ 41,647,809</b>



**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

<b>Governmental Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 770,000	\$ 87,106	\$ 1,069,618	\$ 666,653
2023	800,000	67,612	1,115,682	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	-	-	1,340,748	97,291
2035	-	-	416,880	57,196
2036	-	-	438,800	36,202
2037	-	-	459,440	14,136
2038	-	-	30,720	2,297
2039	-	-	31,360	1,160
<b>Total</b>	<b>\$ 4,110,000</b>	<b>\$ 254,142</b>	<b>\$ 17,812,768</b>	<b>\$ 5,347,449</b>

**Note Payable to Texas State Comptroller**

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

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

<b>Year ending September 30,</b>	<b>Note Payable - Texas Comptroller</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 54,900	\$ -
2023	17,810	-
<b>Total</b>	<b>\$ 72,710</b>	<b>\$ -</b>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

<b>Business-Type Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 675,000	\$ 49,084	\$ 642,382	\$ 744,124
2023	370,000	35,424	778,620	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	-	-	880,049	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	-	-	17,640	653
<b>Total</b>	<b>\$ 2,605,000</b>	<b>\$ 148,554</b>	<b>\$ 17,047,331</b>	<b>\$ 6,618,625</b>

In 2005 the North Texas Municipal Water District issued debt on behalf of the Cities of Heath and Rockwall to construct a water storage facility. The City of Heath 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, 2021**

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>
<b>Club Municipal Management District</b>					
Special Assessment					
Revenue Bonds Series 2016	\$ 8,910,000	\$ -	\$ (410,000)	\$ 8,500,000	\$ -
Note payable to developer	3,125,000	-	-	3,125,000	100,000
<b>Total Club MMD</b>	<u>\$ 12,035,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	<u>\$ 11,625,000</u>	<u>\$ 100,000</u>
<b>Long-term liabilities due in more than one year</b>					<u>\$ 11,525,000</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Heath EDC</b>					
General Obligation Refunding Bonds	\$ 80,000	\$ -	\$ (20,000)	\$ 60,000	\$ 20,000
Note payable to Texas Comptroller	54,655	-	(18,300)	36,355	27,450
<b>Total Heath EDC</b>	<u>\$ 134,655</u>	<u>\$ -</u>	<u>\$ (38,300)</u>	<u>\$ 96,355</u>	<u>\$ 47,450</u>
<b>Long-term liabilities due in more than one year</b>					<u>\$ 48,905</u>
<b>Heath MBC</b>					
General Obligation Refunding Bonds	\$ 140,000	\$ -	\$ (35,000)	\$ 105,000	\$ 35,000
Note payable to Texas Comptroller	54,655	-	(18,300)	36,355	27,450
<b>Total Heath MBC</b>	<u>\$ 194,655</u>	<u>\$ -</u>	<u>\$ (53,300)</u>	<u>\$ 141,355</u>	<u>\$ 62,450</u>
<b>Long-term liabilities due in more than one year</b>					<u>\$ 78,905</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

**Club Municipal Management District**

<b>Year ending September 30,</b>	<b>Special Assessment Bond Series 16</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ -	\$ 556,600
2023	-	548,838
2024	150,000	540,500
2025	160,000	531,875
2026 - 2030	1,110,000	2,496,288
2031 - 2035	1,540,000	2,100,188
2036 - 2040	2,065,000	1,547,975
2041 - 2045	2,805,000	786,825
2046	670,000	43,550
<b>Total</b>	<b>\$ 8,500,000</b>	<b>\$ 9,152,639</b>

**Club Municipal Management District**

<b>Year ending September 30,</b>	<b>Note Payable to developer</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 100,000	\$ 194,937
2023	50,000	192,046
2024	50,000	189,175
2025	60,000	186,315
2026 - 2030	390,000	873,558
2031 - 2035	540,000	733,239
2036 - 2040	720,000	539,825
2041 - 2046	1,215,000	291,200
<b>Total</b>	<b>\$ 3,125,000</b>	<b>\$ 3,200,295</b>

**Heath EDC**

<b>Year ending September 30,</b>	<b>GO Refunding</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 20,000	\$ 1,700
2023	20,000	1,100
2024	20,000	400
<b>Total</b>	<b>\$ 60,000</b>	<b>\$ 3,200</b>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

<b>Heath EDC</b>		
<b>Year ending September 30,</b>	<b>Note Payable - Texas Comptroller</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 27,450	\$ -
2023	8,905	-
<b>Total</b>	<b>\$ 36,355</b>	<b>\$ -</b>

<b>Heath MBC</b>		
<b>Year ending September 30,</b>	<b>GO Refunding</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 35,000	\$ 2,975
2023	35,000	1,925
2024	35,000	700
<b>Total</b>	<b>\$ 105,000</b>	<b>\$ 5,600</b>

<b>Heath MBC</b>		
<b>Year ending September 30,</b>	<b>Note Payable - Texas Comptroller</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 27,450	\$ -
2022	8,905	-
<b>Total</b>	<b>\$ 36,355</b>	<b>\$ -</b>

**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 \$142,216 and \$50,159, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$31,551 and \$7,810, respectively.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**G. Intergovernmental Transfers**

Transfers between the primary government funds during the 2021 year were as follows:

<b>Transfers In</b>				
<b>Transfers Out</b>	<b>General</b>	<b>Nonmajor Governmental</b>	<b>Water &amp; Sewer</b>	<b>Total</b>
General	\$ -	\$ 604,800	\$ -	\$ 604,800
Water & sewer	231,000	-	956,200	1,187,200
Solid Waste	40,000	-	40,000	80,000
<b>Total</b>	<b>\$ 271,000</b>	<b>\$ 604,800</b>	<b>\$ 996,200</b>	<b>\$ 1,872,000</b>

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

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

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

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

	<b>Governmental Funds</b>
Restricted for:	
* Municipal court	\$ 17,599
Fire station	603,877
Debt service	441,781
Special programs	125,206
Parks	408,076
Streets	55,903
Capital improvements	13,448,145
Total Restricted	<b>\$ 15,100,587</b>
Assigned for:	
Equipment replacement	\$ 449,778
Tree mitigation	107,874
Police department	120,184
	<b>\$ 677,836</b>

\* Restricted by enabling legislation

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**C. Defined Benefit Pension Plans**

**1. Texas Municipal Retirement Systems**

**Plan Description**

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



**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	40
Active employees	57
Total	123

**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 12.00% and 11.55% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$566,320, and were equal to the required contributions.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**4. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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 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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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 2021 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%	

### 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%
\$ 3,373,948	\$ 1,232,609	\$ (522,198)

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Changes in the Net Pension Liability:**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/19</b>	\$ 12,964,494	\$ 11,889,954	\$ 1,074,540
Changes for the year:			
Service Cost	782,078	-	782,078
Interest	884,390	-	884,390
Difference between expected and actual experience	250,621	-	250,621
Changes of assumptions	-	-	-
Contributions – employer	-	536,083	(536,083)
Contributions – employee	-	324,899	(324,899)
Net investment income	-	904,105	(904,105)
Benefit payments, including refunds of emp. contributions	(506,923)	(506,923)	-
Administrative expense	-	(5,840)	5,840
Other changes	-	(227)	227
Net changes	1,410,166	1,252,097	158,069
<b>Balance at 12/31/20</b>	<b>\$ 14,374,660</b>	<b>\$ 13,142,051</b>	<b>\$ 1,232,609</b>

**Pension Plan Fiduciary Net Position:**

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

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

Pension expense for the year ended September 30, 2021 was \$527,429.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Contributions subsequent to the measurement date	\$ 424,594	\$ -
Difference in experience	314,818	-
Changes in actuarial assumptions	35,852	-
Pension investment earnings	-	(339,795)
<b>Total</b>	<b>\$ 775,264</b>	<b>\$ (339,795)</b>

The City reported \$424,594 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2021	\$ (18,325)
2022	118,470
2023	(106,288)
2024	17,018
2025	-
Thereafter	-
<b>Total</b>	<b>\$ 10,875</b>

**Other Post-Employment Benefits**

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

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.

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

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

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

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

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	9
Active employees	57
<b>Total</b>	<b>88</b>

The City's contributions to the TMRS SDBF for the years ended 2021, 2020 and 2019 were \$953, \$779 and \$407, respectively, which equaled the required contributions each year.

#### Three-Year Contribution Information: (Retiree Portion)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Annual Required Contribution (Rate)	0.05%	0.02%	0.01%
Actual Contributions Made	0.05%	0.02%	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, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

#### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 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	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

#### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

#### 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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 230,322	\$ 185,122	\$ 150,625

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/19</b>	<b>\$ 143,676</b>
Changes for the year:	
Service Cost	12,068
Interest	4,104
Difference between expected and actual experience	(450)
Changes of assumptions	26,652
Benefit payments	(928)
Net changes	41,446
<b>Balance at 12/31/20</b>	<b>\$ 185,122</b>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$23,709.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Contributions subsequent to the measurement date	\$ 707	\$ -
Difference in experience	-	(808)
Changes in actuarial assumptions	39,051	-
<b>Total</b>	<b>\$ 39,758</b>	<b>\$ (808)</b>

The City reported \$707 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, 2022.



# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2021

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

<b>Year ended December 31:</b>		
2021	\$	7,537
2022		7,537
2023		7,537
2024		6,288
2025		6,857
Thereafter		2,487
	\$	<u>38,243</u>

#### **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 Member Cities, and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

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

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

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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 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.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**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.

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. 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 five separate bank accounts totaling \$6,704,443 at ANB.

**I. Restatement**

Due to reversals of deferred PID assessments, and corrections to accounts payable, and immaterial client corrections in the prior year, the City restated its beginning net position within governmental activities, business-type activities, component unit activities, the general fund and the water/sewer fund.

The restatement of beginning fund balance/net position is as follows:

	<b>Governmental Activities</b>	<b>General</b>
Prior year ending net position/fund balance, as reported	\$ 42,827,521	\$ 4,697,187
Accounts payable adjustment	1,524	1,524
Restated beginning net position/fund balance	<u>\$ 42,829,045</u>	<u>\$ 4,698,711</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

	<b>Bus-Type Activities</b>	<b>Water &amp; Sewer</b>
Prior year ending net position/fund balance, as reported	\$ 36,349,092	\$ 36,178,227
Removed deferred PID assessments	134,823	134,823
Restated beginning net position/fund balance	<u>\$ 36,483,915</u>	<u>\$ 36,313,050</u>

	<b>Component Unit Activities</b>	<b>Heath Club MMD</b>
Prior year ending net position, as reported	\$ 4,841,071	\$ 716,709
Correction to accounts payable	(75,656)	(75,656)
Restated beginning net position	<u>\$ 4,765,415</u>	<u>\$ 641,053</u>

**J. Subsequent Events**

There were no material subsequent events through March 16, 2022, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Heath, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

### GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Taxes:				
Property tax	\$ 4,738,600	\$ 4,738,600	\$ 4,985,327	\$ 246,727
Sales & beverage tax	924,000	924,000	1,244,628	320,628
Franchise tax	568,000	568,000	559,495	(8,505)
Licenses and permits	812,700	812,700	906,180	93,480
Intergovernmental	412,500	412,500	373,560	(38,940)
Charges for services	133,800	133,800	142,979	9,179
Fines and forfeitures	50,100	50,100	74,565	24,465
Investment income	65,400	65,400	3,188	(62,212)
Other revenue	29,000	29,000	278,276	249,276
<b>Total Revenues</b>	<b>7,734,100</b>	<b>7,734,100</b>	<b>8,568,198</b>	<b>834,098</b>
<b><u>Expenditures</u></b>				
Current:				
City council	51,300	51,300	37,244	14,056
City secretary	218,300	218,300	190,690	27,610
City attorney	200,100	140,100	108,353	31,747
City manager	232,000	232,000	209,604	22,396
Finance	293,600	299,600	293,389	6,211
Non-divisional	480,400	480,400	450,593	29,807
Highways and streets	923,400	923,400	812,403	110,997
Parks	593,300	570,000	423,057	146,943
Engineering and construction	314,100	314,100	211,231	102,869
Municipal court	59,400	59,400	51,082	8,318
Public safety	4,076,500	4,153,800	4,167,492	(13,692) *
Communication and economic development	701,000	701,000	604,128	96,872
Debt service				
Principal	-	-	36,600	(36,600) <sup>2</sup>
<b>Total Expenditures</b>	<b>8,143,400</b>	<b>8,143,400</b>	<b>7,595,866</b>	<b>547,534</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(409,300)</b>	<b>(409,300)</b>	<b>972,332</b>	<b>1,381,632</b>

# City of Heath, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2) GENERAL FUND*

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	271,000	271,000	271,000	-
Transfers (out)	(604,800)	(604,800)	(604,800)	-
<b>Total Other Financing Sources</b>				
<b>(Uses)</b>	<u>(333,800)</u>	<u>(333,800)</u>	<u>(333,800)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (743,100)</u>	<u>\$ (743,100)</u>	638,532	<u>\$ 1,381,632</u>
Beginning fund balance			4,698,711	
<b>Ending Fund Balance</b>			<u>\$ 5,337,243</u>	

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
- \* Expenditures exceeded appropriations at the legal level of control.

# City of Heath, Texas

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

Years Ended December 31,

	2020	2019	2018
Total pension liability			
Service cost	\$ 782,078	\$ 685,576	\$ 642,835
Interest	884,390	799,111	719,174
Differences between expected and actual experience	250,621	128,465	155,824
Changes of assumptions	-	60,664	-
Benefit payments, including refunds of participant contributions	(506,923)	(410,419)	(299,493)
<b>Net change in total pension liability</b>	<b>1,410,166</b>	<b>1,263,397</b>	<b>1,218,340</b>
<b>Total pension liability - beginning</b>	<b>\$ 12,964,494</b>	<b>\$ 11,701,097</b>	<b>\$ 10,482,757</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 14,374,660</b>	<b>\$ 12,964,494</b>	<b>\$ 11,701,097</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 536,083	\$ 457,597	\$ 433,642
Contributions - members	324,899	287,539	271,894
Net investment income	904,105	1,550,733	(297,233)
Benefit payments, including refunds of participant contributions	(506,923)	(410,419)	(299,493)
Administrative expenses	(5,840)	(8,747)	(5,738)
Other	(227)	(264)	(298)
<b>Net change in plan fiduciary net position</b>	<b>1,252,097</b>	<b>1,876,439</b>	<b>102,774</b>
<b>Plan fiduciary net position - beginning</b>	<b>11,889,954</b>	<b>10,013,515</b>	<b>9,910,741</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 13,142,051</b>	<b>\$ 11,889,954</b>	<b>\$ 10,013,515</b>
<b>Fund's net pension liability - ending (a) - (b)</b>	<b>\$ 1,232,609</b>	<b>\$ 1,074,540</b>	<b>\$ 1,687,582</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.43%</b>	<b>91.71%</b>	<b>85.58%</b>
<b>Covered payroll</b>	<b>\$ 4,641,411</b>	<b>\$ 4,107,702</b>	<b>\$ 3,884,201</b>
<b>Fund's net pension liability as a percentage of covered payroll</b>	<b>26.56%</b>	<b>26.16%</b>	<b>43.45%</b>

### Notes to schedule:

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



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u> <sup>1</sup>
\$ 579,954	\$ 545,303	\$ 511,422	\$ 464,674
659,959	607,425	553,402	501,186
(73,547)	(70,104)	77,120	(54,710)
-	-	185,491	-
(341,591)	(301,756)	(200,712)	(176,432)
824,775	780,868	1,126,723	734,718
\$ 9,657,982	\$ 8,877,114	\$ 7,750,391	\$ 7,015,673
\$ 10,482,757	\$ 9,657,982	\$ 8,877,114	\$ 7,750,391
\$ 405,755	\$ 352,127	\$ 340,543	\$ 267,260
247,844	230,363	221,749	200,947
1,170,154	516,987	10,741	378,357
(341,591)	(301,756)	(200,712)	(176,432)
(6,059)	(5,834)	(6,541)	(3,949)
(306)	(314)	(324)	(325)
1,475,797	791,573	365,456	665,858
8,434,944	7,643,371	7,277,915	6,612,057
\$ 9,910,741	\$ 8,434,944	\$ 7,643,371	\$ 7,277,915
\$ 572,016	\$ 1,223,038	\$ 1,233,743	\$ 472,476
94.54%	87.34%	86.10%	93.90%
\$ 3,540,624	\$ 3,290,903	\$ 3,135,634	\$ 2,870,669
16.16%	37.16%	39.35%	16.46%

# City of Heath, Texas

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

Years Ended:

	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially determined employer contributions	\$ 566,320	\$ 501,630	\$ 454,243	\$ 429,534
Contributions in relation to the actuarially determined contribution	\$ 566,320	\$ 501,630	\$ 454,243	\$ 429,534
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,765,347	\$ 4,377,302	\$ 4,075,081	\$ 3,822,831
Employer contributions as a percentage of covered payroll	11.88%	11.46%	11.15%	11.24%

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	24 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 scale 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>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> <sup>1</sup>
\$ 392,931	\$ 363,477	\$ 312,836
<u>\$ 392,931</u>	<u>\$ 363,477</u>	<u>\$ 312,836</u>
\$ -	\$ -	\$ -
\$ 3,482,574	\$ 3,392,712	\$ 3,016,574
11.28%	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,***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u> <sup>1</sup>
Total OPEB liability				
Service cost	\$ 12,068	\$ 8,215	\$ 10,487	\$ 8,497
Interest	4,104	4,115	3,568	3,264
Differences between expected and actual experience	(450)	(186)	(513)	-
Changes of assumptions	26,652	24,932	(8,897)	9,071
Benefit payments, including refunds of participant contributions	(928)	(411)	(388)	(354)
<b>Net change in total OPEB liability</b>	<u>41,446</u>	<u>36,665</u>	<u>4,257</u>	<u>20,478</u>
<b>Total OPEB liability - beginning</b>	<u>\$ 143,676</u>	<u>\$ 107,011</u>	<u>\$ 102,754</u>	<u>\$ 82,276</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 185,122</u></u>	<u><u>\$ 143,676</u></u>	<u><u>\$ 107,011</u></u>	<u><u>\$ 102,754</u></u> <sup>2</sup>
<b>Covered-employee payroll</b>	\$ 4,641,411	\$ 4,107,702	\$ 3,884,201	\$ 3,540,624
<b>City's total OPEB liability as a percentage of covered-employee payroll</b>	3.99%	3.50%	2.76%	2.90%

### **Notes to schedule:**

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

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

***COMBINING AND INDIVIDUAL FUND  
FUND FINANCIAL STATEMENTS  
AND SCHEDULES***

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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	PATH
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 137,783	\$ 87,625	\$ 11,673	\$ 40,281	\$ 26,288
<b>Total Assets</b>	<b>\$ 137,783</b>	<b>\$ 87,625</b>	<b>\$ 11,673</b>	<b>\$ 40,281</b>	<b>\$ 26,288</b>
<b><u>Liabilities</u></b>					
Accounts payable	\$ -	\$ -	\$ 380	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>380</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>					
Restricted for:					
Public safety	17,599	-	-	-	-
Parks	-	-	-	40,281	-
Special programs	-	87,625	11,293	-	26,288
Streets	-	-	-	-	-
Assigned for:					
Police department	120,184	-	-	-	-
Equipment replacement	-	-	-	-	-
Tree mitigation	-	-	-	-	-
<b>Total Fund Balances</b>	<b>137,783</b>	<b>87,625</b>	<b>11,293</b>	<b>40,281</b>	<b>26,288</b>
<b>Total Liabilities</b>					
<b>and Fund Balances</b>	<b>\$ 137,783</b>	<b>\$ 87,625</b>	<b>\$ 11,673</b>	<b>\$ 40,281</b>	<b>\$ 26,288</b>

See Notes to Financial Statements.



<u>Drainage</u>	<u>Fire Station</u>	<u>Equipment Replacement</u>	<u>Tree Mitigation</u>	<u>Parks CIP</u>	<u>Total Nonmajor Governmental</u>
\$ 55,903	\$ 603,877	\$ 540,973	\$ 107,874	\$ 371,870	\$ 1,984,147
<u>\$ 55,903</u>	<u>\$ 603,877</u>	<u>\$ 540,973</u>	<u>\$ 107,874</u>	<u>\$ 371,870</u>	<u>\$ 1,984,147</u>
\$ -	\$ -	\$ 91,195	\$ -	\$ 4,075	\$ 95,650
<u>-</u>	<u>-</u>	<u>91,195</u>	<u>-</u>	<u>4,075</u>	<u>95,650</u>
-	603,877	-	-	-	621,476
-	-	-	-	367,795	408,076
-	-	-	-	-	125,206
55,903	-	-	-	-	55,903
-	-	-	-	-	120,184
-	-	449,778	-	-	449,778
-	-	-	107,874	-	107,874
<u>55,903</u>	<u>603,877</u>	<u>449,778</u>	<u>107,874</u>	<u>367,795</u>	<u>1,888,497</u>
<u>\$ 55,903</u>	<u>\$ 603,877</u>	<u>\$ 540,973</u>	<u>\$ 107,874</u>	<u>\$ 371,870</u>	<u>\$ 1,984,147</u>

# 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	PATH
<b><u>Revenues</u></b>					
Contributions and donations	\$ -	\$ 4,560	\$ 12,000	\$ -	\$ 17,105
Intergovernmental revenue	-	-	-	-	-
Other revenue	12,715	-	-	-	-
Interest income	76	47	-	22	13
<b>Total Revenues</b>	<b>12,791</b>	<b>4,607</b>	<b>12,000</b>	<b>22</b>	<b>17,118</b>
<b><u>Expenditures</u></b>					
General government	-	-	864	-	-
Public safety	10,087	-	-	-	-
Capital outlay	-	1,630	-	-	10,196
<b>Total Expenditures</b>	<b>10,087</b>	<b>1,630</b>	<b>864</b>	<b>-</b>	<b>10,196</b>
<b>Revenues Over (Under) Expenditures</b>	<b>2,704</b>	<b>2,977</b>	<b>11,136</b>	<b>22</b>	<b>6,922</b>
<b><u>Other Financing Sources (Uses)</u></b>					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,704</b>	<b>2,977</b>	<b>11,136</b>	<b>22</b>	<b>6,922</b>
Beginning fund balances	135,079	84,648	157	40,259	19,366
<b>Ending Fund Balances</b>	<b>\$ 137,783</b>	<b>\$ 87,625</b>	<b>\$ 11,293</b>	<b>\$ 40,281</b>	<b>\$ 26,288</b>
See Notes to Financial Statements.					

<b>Drainage</b>	<b>Fire Station Building</b>	<b>Equipment Replacement</b>	<b>Tree Mitigation</b>	<b>Parks CIP</b>	<b>Total Nonmajor Governmental</b>
\$ 25,594	\$ -	\$ -	\$ -	\$ -	\$ 59,259
-	-	-	-	198,000	198,000
-	-	-	107,874	-	120,589
53	197	227	-	-	635
<u>25,647</u>	<u>197</u>	<u>227</u>	<u>107,874</u>	<u>198,000</u>	<u>378,483</u>
-	-	-	-	-	864
-	575	-	-	-	10,662
66,188	-	257,903	-	314,181	650,098
<u>66,188</u>	<u>575</u>	<u>257,903</u>	<u>-</u>	<u>314,181</u>	<u>661,624</u>
<u>(40,541)</u>	<u>(378)</u>	<u>(257,676)</u>	<u>107,874</u>	<u>(116,181)</u>	<u>(283,141)</u>
-	-	9,500	-	-	9,500
-	300,000	304,800	-	-	604,800
-	300,000	314,300	-	-	614,300
(40,541)	299,622	56,624	107,874	(116,181)	331,159
96,444	304,255	393,154	-	483,976	1,557,338
<u>\$ 55,903</u>	<u>\$ 603,877</u>	<u>\$ 449,778</u>	<u>\$ 107,874</u>	<u>\$ 367,795</u>	<u>\$ 1,888,497</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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>				
Property tax	\$ 2,532,500	\$ 2,532,500	\$ 2,596,649	\$ 64,149
Special assessments	20,300	80,800	81,859	1,059
Investment income	3,000	3,000	1,067	(1,933)
<b>Total Revenues</b>	<u>2,555,800</u>	<u>2,616,300</u>	<u>2,679,575</u>	<u>63,275</u>
<b><u>Expenditures</u></b>				
Debt service:				
Principal	1,782,200	1,842,500	1,842,482	18
Interest	823,200	823,400	821,321	2,079
<b>Total Expenditures</b>	<u>2,605,400</u>	<u>2,665,900</u>	<u>2,663,803</u>	<u>2,097</u>
<b>Revenues Over (Under)</b>	<u>(49,600)</u>	<u>(49,600)</u>	<u>15,772</u>	<u>65,372</u>
<b>Net Change in Fund Balance</b>	<u>\$ (49,600)</u>	<u>\$ (49,600)</u>	<u>15,772</u>	<u>\$ 65,372</u>
Beginning fund balance			<u>426,009</u>	
<b>Ending Fund Balance</b>			<u>\$ 441,781</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**  
**MARSHA'S HAPPY HAVEN FUND**  
**For the Year Ended September 30, 2021**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Contributions and donations	\$ 50,000	\$ 4,560	\$ (45,440)
Interest income	500	47	(453)
<b>Total Revenues</b>	<b>50,500</b>	<b>4,607</b>	<b>(45,893)</b>
<b><u>Expenditures</u></b>			
General government	80,500	-	80,500
Capital outlay	10,000	1,630	8,370
<b>Total Expenditures</b>	<b>90,500</b>	<b>1,630</b>	<b>88,870</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(40,000)</b>	<b>2,977</b>	<b>42,977</b>
<b>Net Change in Fund Balance</b>	<b>\$ (40,000)</b>	<b>2,977</b>	<b>\$ 42,977</b>
Beginning fund balance		84,648	
<b>Ending Fund Balance</b>		<b>\$ 87,625</b>	

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, 2021**

	Original & Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>			
Contributions and donations	\$ -	\$ 12,000	\$ 12,000
<b>Total Revenues</b>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
<b><u>Expenditures</u></b>			
General government	-	864	(864) *
<b>Total Expenditures</b>	<u>-</u>	<u>864</u>	<u>(864)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>11,136</u>	<u>11,136</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>11,136</u>	<u>\$ 11,136</u>
Beginning fund balance		157	
<b>Ending Fund Balance</b>		<u>\$ 11,293</u>	

Notes to Other Supplementary Information

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

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

**City of Heath, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**PATH FUND**  
**For the Year Ended September 30, 2021**

	Original & Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>			
Contributions and donations	\$ 20,000	\$ 17,105	\$ (2,895)
Investment income	100	13	(87)
<b>Total Revenues</b>	<u>20,100</u>	<u>17,118</u>	<u>(2,982)</u>
<b><u>Expenditures</u></b>			
Capital outlay	10,500	10,196	304
<b>Total Expenditures</b>	<u>10,500</u>	<u>10,196</u>	<u>304</u>
<b>Revenues Over (Under) Expenditures</b>	<u>9,600</u>	<u>6,922</u>	<u>(2,678)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 9,600</u>	<u>6,922</u>	<u>\$ (2,678)</u>
Beginning fund balance		19,366	
<b>Ending Fund Balance</b>		<u>\$ 26,288</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**  
**DRAINAGE FUND**  
**For the Year Ended September 30, 2021**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues</u></b>			
Contributions and donations	\$ -	\$ 25,594	\$ 25,594
Investment income	100	53	(47)
<b>Total Revenues</b>	<u>100</u>	<u>25,647</u>	<u>25,547</u>
<b><u>Expenditures</u></b>			
Capital outlay	60,000	66,188	(6,188) *
<b>Total Expenditures</b>	<u>60,000</u>	<u>66,188</u>	<u>(6,188)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(59,900)</u>	<u>(40,541)</u>	<u>19,359</u>
<b>Net Change in Fund Balance</b>	<u>\$ (59,900)</u>	<u>(40,541)</u>	<u>\$ 19,359</u>
Beginning fund balance		96,444	
<b>Ending Fund Balance</b>		<u>\$ 55,903</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \* Expenditures exceeded appropriations at the legal level of control.



**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, 2021**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Investment income	\$ 1,200	\$ 197	\$ (1,003)
<b>Total Revenues</b>	<b>1,200</b>	<b>197</b>	<b>(1,003)</b>
<b><u>Expenditures</u></b>			
Public safety	25,000	575	24,425
<b>Total Expenditures</b>	<b>25,000</b>	<b>575</b>	<b>24,425</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(23,800)</b>	<b>(378)</b>	<b>23,422</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	300,000	300,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>300,000</b>	<b>300,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ 276,200</b>	<b>299,622</b>	<b>\$ 23,422</b>
Beginning fund balance		304,255	
<b>Ending Fund Balance</b>		<b>\$ 603,877</b>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \* Expenditures exceeded appropriations at the legal level of control.

**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, 2021**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Investment income	\$ 1,000	\$ 227	\$ (773)
<b>Total Revenues</b>	<b>1,000</b>	<b>227</b>	<b>(773)</b>
<b><u>Expenditures</u></b>			
Capital outlay	398,000	257,903	140,097
<b>Total Expenditures</b>	<b>398,000</b>	<b>257,903</b>	<b>140,097</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(397,000)</b>	<b>(257,676)</b>	<b>139,324</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from sale of assets	-	9,500	9,500
Transfers in	304,800	304,800	-
<b>Total Other Financing Sources (Uses)</b>	<b>304,800</b>	<b>314,300</b>	<b>9,500</b>
<b>Net Change in Fund Balance</b>	<b>\$ (92,200)</b>	<b>56,624</b>	<b>\$ 148,824</b>
Beginning fund balance		393,154	
<b>Ending Fund Balance</b>		<b>\$ 449,778</b>	

Notes to Other Supplementary Information

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

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

**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, 2021**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues</u></b>			
Sales tax	\$ 450,000	\$ 595,494	\$ 145,494
Other revenue	24,300	41,628	17,328
Investment income	18,000	959	(17,041)
<b>Total Revenues</b>	<u>492,300</u>	<u>638,081</u>	<u>145,781</u>
<b><u>Expenditures</u></b>			
Current:			
Economic development	412,400	191,089	221,311
Debt service:			
Principal	20,000	38,300	(18,300) <sup>2</sup>
Interest and fiscal charges	2,300	2,223	77
<b>Total Expenditures</b>	<u>434,700</u>	<u>231,612</u>	<u>203,088</u>
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>57,600</u>	<u>406,469</u>	<u>348,869</u>
<b>Net Change in Fund Balance</b>	<u>\$ 57,600</u>	<u>406,469</u>	<u>\$ 348,869</u>
Beginning fund balance		<u>2,051,942</u>	
<b>Ending Fund Balance</b>		<u>\$ 2,458,411</u>	

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, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues</u></b>			
Sales tax	\$ 450,000	\$ 595,494	\$ 145,494
Investment income	21,000	1,112	(19,888)
Other income	24,300	149,257	124,957
<b>Total Revenues</b>	<u>495,300</u>	<u>745,863</u>	<u>250,563</u>
<b><u>Expenditures</u></b>			
Current:			
Economic opportunity	410,800	196,904	213,896
Debt service:			
Principal	35,000	53,300	(18,300) <sup>2</sup>
Interest and fiscal charges	4,100	3,891	209
<b>Total Expenditures</b>	<u>449,900</u>	<u>254,095</u>	<u>195,805</u>
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>45,400</u>	<u>491,768</u>	<u>446,368</u>
<b>Net Change in Fund Balance</b>	<u>\$ 45,400</u>	<u>491,768</u>	<u>\$ 446,368</u>
Beginning fund balance		2,402,643	
<b>Ending Fund Balance</b>		<u>\$ 2,894,411</u>	

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, 2021**

	<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 51,864	\$ 2,348,547	\$ 2,784,547	\$ 5,184,958
Restricted cash	2,237,601	-	-	2,237,601
Receivables, net	11,416,546	116,795	116,795	11,650,136
Prepays	3,179	-	-	3,179
<b>Total Assets</b>	<b>\$ 13,709,190</b>	<b>\$ 2,465,342</b>	<b>\$ 2,901,342</b>	<b>\$ 19,075,874</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 218,287	\$ 6,931	\$ 6,931	\$ 232,149
Accrued debt service payments owed	244,981	-	-	244,981
<b>Total Liabilities</b>	<b>463,268</b>	<b>6,931</b>	<b>6,931</b>	<b>477,130</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - Property assessments	11,416,546	-	-	11,416,546
<b><u>Fund Balances</u></b>				
Nonspendable	3,179	-	-	3,179
Restricted for:				
Debt service	1,791,326	-	-	1,791,326
Economic development	-	2,458,411	-	2,458,411
Economic opportunities	-	-	2,894,411	2,894,411
Unassigned	34,871	-	-	34,871
<b>Total Fund Balance</b>	<b>1,829,376</b>	<b>2,458,411</b>	<b>2,894,411</b>	<b>7,182,198</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>	<b>\$ 13,709,190</b>	<b>\$ 2,465,342</b>	<b>\$ 2,901,342</b>	<b>\$ 19,075,874</b>

See Notes to Financial Statements.

# City of Heath, Texas

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

September 30, 2021

<b>Fund Balance</b>	\$ 7,182,198
---------------------	--------------

### 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	11,416,546
--------------------------------	------------

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

Accrued interest	(40,073)
------------------	----------

Non-current liabilities due in one year	(209,900)
---	-----------

Non-current liabilities due in more than one year	(11,602,810)
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<b>Net Position of the Discretely Presented Component Unit</b>	<u><u>\$ 6,745,961</u></u>
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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, 2021

	Heath Club MMD	Heath EDC	Heath MBC	Total
<b><u>Revenues</u></b>				
Sales tax	\$ -	\$ 595,494	\$ 595,494	\$ 1,190,988
Property assessments	2,333,417	-	-	2,333,417
Investment income	203	959	1,112	2,274
Other revenue	107,507	41,628	149,257	298,392
<b>Total Revenues</b>	<b>2,441,127</b>	<b>638,081</b>	<b>745,863</b>	<b>3,825,071</b>
<b><u>Expenditures</u></b>				
Current:				
General government	245,462	191,089	196,904	633,455
Debt Service:				
Principal	460,000	38,300	53,300	551,600
Interest and fiscal charges	750,062	2,223	3,891	756,176
<b>Total Expenditures</b>	<b>1,455,524</b>	<b>231,612</b>	<b>254,095</b>	<b>1,941,231</b>
<b>Total Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>985,603</b>	<b>406,469</b>	<b>491,768</b>	<b>1,883,840</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>985,603</b>	<b>406,469</b>	<b>491,768</b>	<b>1,883,840</b>
Beginning fund balance	843,773	2,051,942	2,402,643	5,298,358
<b>Ending Fund Balance</b>	<b>\$ 1,829,376</b>	<b>\$ 2,458,411</b>	<b>\$ 2,894,411</b>	<b>\$ 7,182,198</b>

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, 2021

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

Net changes in fund balance	\$	1,883,840
-----------------------------	----	-----------

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		22,788
------------------	--	--------

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

		(477,682)
--	--	-----------

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		551,600
<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b>\$</b>	<b>1,980,546</b>

See Notes to Financial Statements.



**City of Heath, Texas**  
**COMBINING SCHEDULE OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2021**

	Heath Club MMD	Heath EDC	Heath MBC	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 51,864	\$ 2,348,547	\$ 2,784,547	\$ 5,184,958
Restricted assets - cash	2,237,601	-	-	2,237,601
Receivables, current	180,000	116,795	116,795	413,590
Prepays	3,179	-	-	3,179
<b>Total Current Assets</b>	<b>2,472,644</b>	<b>2,465,342</b>	<b>2,901,342</b>	<b>7,839,328</b>
Assessment receivables, net	11,236,546	-	-	11,236,546
<b>Total Noncurrent Assets</b>	<b>11,236,546</b>	<b>-</b>	<b>-</b>	<b>11,236,546</b>
<b>Total Assets</b>	<b>13,709,190</b>	<b>2,465,342</b>	<b>2,901,342</b>	<b>19,075,874</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	218,287	6,931	6,931	232,149
Accrued interest payable	234,351	256	447	235,054
Debt due within one year	100,000	47,450	62,450	209,900
<b>Total Current Liabilities</b>	<b>552,638</b>	<b>54,637</b>	<b>69,828</b>	<b>677,103</b>
Noncurrent liabilities:				
Debt due in more than one year	11,525,000	48,905	78,905	11,652,810
	11,525,000	48,905	78,905	11,652,810
<b>Total Liabilities</b>	<b>12,077,638</b>	<b>103,542</b>	<b>148,733</b>	<b>12,329,913</b>
<b><u>Net Position</u></b>				
Economic development	1,631,552	2,361,800	-	3,993,352
Economic opportunities	-	-	2,752,609	2,752,609
<b>Total Net Position</b>	<b>\$ 1,631,552</b>	<b>\$ 2,361,800</b>	<b>\$ 2,752,609</b>	<b>\$ 6,745,961</b>

**City of Heath, Texas**  
**COMBINING SCHEDULE OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended September 30, 2021**

Functions/Programs	Expenses
<b>Component Units</b>	
<b>Governmental Activities</b>	
Heath EDC	\$ 193,236
Heath MBC	200,661
Heath Club MMD	972,946
<b>Total Governmental Activities</b>	<u>1,366,843</u>
<b>Total Component Units</b>	<u><u>\$ 1,366,843</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**

<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
\$ -	\$ (193,236)	\$ -	\$ (193,236)
-	-	(200,661)	(200,661)
(972,946)	-	-	(972,946)
(972,946)	(193,236)	(200,661)	(1,366,843)
<u>\$ (972,946)</u>	<u>\$ (193,236)</u>	<u>\$ (200,661)</u>	<u>\$ (1,366,843)</u>
1,855,735	-	-	1,855,735
-	595,494	595,494	1,190,988
203	959	1,112	2,274
107,507	41,628	149,257	298,392
<u>1,963,445</u>	<u>638,081</u>	<u>745,863</u>	<u>3,347,389</u>
990,499	444,845	545,202	1,980,546
641,053	1,916,955	2,207,407	4,765,415
<u>\$ 1,631,552</u>	<u>\$ 2,361,800</u>	<u>\$ 2,752,609</u>	<u>\$ 6,745,961</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	126-136
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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	137-143
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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	144-148
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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	149-150
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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	151-155
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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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Governmental Activities</b>				
Net investment in				
capital assets	\$ 14,959,471	\$ 13,894,049	\$ 17,139,345	\$ 17,619,628
Restricted	5,555,525	6,690,500	4,069,297	5,851,912
Unrestricted	2,117,843	2,244,000	1,905,131	2,393,926
<b>Total Governmental</b>				
<b>Net Position</b>	<u>\$ 22,632,839</u>	<u>\$ 22,828,549</u>	<u>\$ 23,113,773</u>	<u>\$ 25,865,466</u>
<b>Business-type Activities</b>				
Net investment in				
capital assets	\$ 14,406,551	\$ 14,592,909	\$ 18,020,897	\$ 17,729,466
Unrestricted	6,135,299	7,066,450	3,654,631	5,271,577
<b>Total Business-type Activities Net</b>				
<b>Position</b>	<u>\$ 20,541,850</u>	<u>\$ 21,659,359</u>	<u>\$ 21,675,528</u>	<u>\$ 23,001,043</u>
<b>Primary Government</b>				
Net investment in				
capital assets	\$ 29,366,022	\$ 28,486,958	\$ 35,160,242	\$ 35,349,094
Restricted	5,555,525	6,690,500	4,069,297	5,851,912
Unrestricted	8,253,142	9,310,450	5,559,762	7,665,503
<b>Total Primary Government Net</b>				
<b>Position</b>	<u>\$ 43,174,689</u>	<u>\$ 44,487,908</u>	<u>\$ 44,789,301</u>	<u>\$ 48,866,509</u>

2016	2017	2018	2019	2020	2021
\$ 21,393,254	\$ 27,408,643	\$ 29,968,936	\$ 30,950,857	\$ 32,049,289	\$ 37,811,732
5,928,193	2,958,896	3,345,643	4,361,355	6,686,903	7,752,086
3,385,275	2,310,544	982,057	3,062,088	4,092,853	4,725,503
<u>\$ 30,706,722</u>	<u>\$ 32,678,083</u>	<u>\$ 34,296,636</u>	<u>\$ 38,374,300</u>	<u>\$ 42,829,045</u>	<u>\$ 50,289,321</u>
\$ 19,149,289	\$ 23,267,682	\$ 23,148,366	\$ 26,221,080	\$ 26,420,026	\$ 28,854,127
8,215,084	6,338,911	8,201,092	7,915,330	10,063,889	12,125,344
<u>\$ 27,364,373</u>	<u>\$ 29,606,593</u>	<u>\$ 31,349,458</u>	<u>\$ 34,136,410</u>	<u>\$ 36,483,915</u>	<u>\$ 40,979,471</u>
\$ 40,542,543	\$ 50,676,325	\$ 53,117,302	\$ 57,171,937	\$ 58,469,315	\$ 66,665,859
5,928,193	2,958,896	3,345,643	4,361,355	6,686,903	7,752,086
11,600,359	8,649,455	9,183,149	10,977,418	14,156,742	16,850,847
<u>\$ 58,071,095</u>	<u>\$ 62,284,676</u>	<u>\$ 65,646,094</u>	<u>\$ 72,510,710</u>	<u>\$ 79,312,960</u>	<u>\$ 91,268,792</u>

# City of Heath, Texas

## CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2012	2013	2014	2015
<b>Expenses</b>				
Governmental activities:				
General government	\$ 972,108	\$ 1,130,893	\$ 1,037,325	\$ 1,188,977
Public safety	2,563,884	2,594,015	2,924,001	3,024,089
Public works	2,400,169	2,010,404	2,064,771	2,336,387
Culture and recreation	244,264	232,883	250,703	392,967
Community development	-	-	-	-
Economic development	74,363	45,149	121,733	145,785
Economic opportunity	9,876	46,407	29,413	172,992
Interest and fiscal charges	440,348	487,552	697,067	887,976
Total governmental activities	6,705,012	6,547,303	7,125,013	8,149,173
Business-type activities:				
Water and sewer	4,636,550	4,696,947	4,779,334	5,300,822
Solid waste	455,154	459,156	477,945	489,701
Total business-type activities	5,091,704	5,156,103	5,257,279	5,790,523
Total primary government	\$ 11,796,716	\$ 11,703,406	\$ 12,382,292	\$ 13,939,696
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 35,030	\$ 28,000	\$ 45,070	\$ 39,260
Public safety	339,991	374,837	437,582	484,400
Public works	20,572	33,163	60,684	84,226
Culture and recreation	7,857	9,830	6,190	5,215
Operating grants and contributions	223,971	205,204	206,313	239,646
Capital grants and contributions	-	801,848	1,004,919	2,721,107
Total governmental activities	627,421	1,452,882	1,760,758	3,573,854
Business-type activities:				
Charges for services:				
Water and sewer	5,263,550	5,445,750	4,973,658	5,759,498
Solid waste	541,434	540,592	541,124	549,198
Operating grants and contributions	503,138	-	-	-
Capital grants and contributions	-	317,567	-	1,030,273
Total business-type activities	6,308,122	6,303,909	5,514,782	7,338,969
Total primary government	\$ 6,935,543	\$ 7,756,791	\$ 7,275,540	\$ 10,912,823
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (6,077,591)	\$ (5,094,421)	\$ (5,364,255)	\$ (4,575,319)
Business-type activities	1,216,418	1,147,806	257,503	1,548,446
Total primary government	\$ (4,861,173)	\$ (3,946,615)	\$ (5,106,752)	\$ (3,026,873)



2016	2017	2018	2019	2020	2021
\$ 1,128,310	\$ 1,419,003	\$ 1,428,893	\$ 1,605,288	\$ 1,467,595	\$ 1,691,608
3,112,772	3,418,938	3,431,047	3,670,170	3,910,066	4,217,615
2,686,868	2,537,936	2,471,864	2,679,280	3,005,180	3,482,020
452,702	521,392	861,720	740,197	697,569	628,341
65,353	526,038	506,854	553,605	532,182	609,763
-	-	-	-	-	-
-	-	-	-	-	-
888,139	967,630	895,800	885,363	821,970	769,473
8,334,144	9,390,937	9,596,178	10,133,903	10,434,562	11,398,820
5,923,354	7,003,444	7,246,085	8,722,426	8,539,475	9,912,066
476,804	609,491	701,482	740,532	811,224	905,134
6,400,158	7,612,935	7,947,567	9,462,958	9,350,699	10,817,200
\$ 14,734,302	\$ 17,003,872	\$ 17,543,745	\$ 19,596,861	\$ 19,785,261	\$ 22,216,020
\$ 38,365	\$ 43,575	\$ 44,625	\$ 123,039	\$ 133,934	\$ 142,979
641,126	604,905	877,433	59,485	45,353	74,565
133,966	99,999	142,597	892,860	901,025	906,180
5,960	11,440	12,500	9,148	2,935	-
247,454	286,399	296,672	457,191	1,057,251	630,819
7,053,743	2,493,945	1,244,094	2,929,400	3,417,766	6,438,792
8,120,614	3,540,263	2,617,921	4,471,123	5,558,264	8,193,335
6,307,932	8,175,863	8,616,924	9,416,981	9,902,818	10,798,917
567,173	710,215	803,713	850,718	888,796	966,822
-	1,156,045	-	-	-	1,156,045
4,112,483	1,129,806	347,540	2,039,039	777,717	2,562,617
10,987,588	11,171,929	9,768,177	12,306,738	11,569,331	15,484,401
\$ 19,108,202	\$ 14,712,192	\$ 12,386,098	\$ 16,777,861	\$ 17,127,595	\$ 23,677,736
\$ (213,530)	\$ (5,850,674)	\$ (6,978,257)	\$ (5,662,780)	\$ (4,876,298)	\$ (3,205,485)
4,587,430	3,558,994	1,820,610	2,843,780	2,218,632	4,667,201
\$ 4,373,900	\$ (2,291,680)	\$ (5,157,647)	\$ (2,819,000)	\$ (2,657,666)	\$ 1,461,716

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Revenues</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,764,144	\$ 3,770,807	\$ 3,894,536	\$ 5,239,879
Sales and other taxes	764,377	870,171	1,000,205	1,063,151
Franchise taxes	570,755	496,413	525,783	561,488
Investment earnings	11,577	10,280	8,187	8,850
Other income	145,622	102,460	180,712	227,744
Transfers, net	40,000	40,000	204,000	225,900
Total governmental activities	<u>5,296,475</u>	<u>5,290,131</u>	<u>5,813,423</u>	<u>7,327,012</u>
Business-type activities:				
Investment earnings	7,677	9,703	7,037	2,969
Other Income	-	-	-	-
Transfers, net	(40,000)	(40,000)	(204,000)	(225,900)
Total business-type activities	<u>(32,323)</u>	<u>(30,297)</u>	<u>(196,963)</u>	<u>(222,931)</u>
Total primary government	<u>\$ 5,264,152</u>	<u>\$ 5,259,834</u>	<u>\$ 5,616,460</u>	<u>\$ 7,104,081</u>
 <b>Change in Net Position</b>				
Governmental activities	\$ (781,116)	\$ 195,710	\$ 449,168	\$ 2,751,693
Business-type activities	1,184,095	1,117,509	60,540	1,325,515
Total primary government	<u>\$ 402,979</u>	<u>\$ 1,313,219</u>	<u>\$ 509,708</u>	<u>\$ 4,077,208</u>

2016	2017	2018	2019	2020	2021
\$ 5,456,333	\$ 5,932,234	\$ 6,521,177	\$ 6,726,636	\$ 7,026,134	\$ 7,591,621
582,830	594,959	623,483	797,356	1,045,956	1,244,628
553,374	432,420	562,368	585,109	561,567	559,495
46,097	145,553	297,294	401,793	153,923	9,489
525,162	669,395	229,469	801,278	272,463	989,328
239,850	268,324	359,650	428,272	271,000	271,000
7,403,646	8,042,885	8,593,441	9,740,444	9,331,043	10,665,561
15,750	107,595	281,905	371,444	156,404	11,749
-	11,749	-	-	243,469	87,606
(239,850)	(268,324)	(359,650)	(428,272)	(271,000)	(271,000)
(224,100)	(148,980)	(77,745)	(56,828)	128,873	(171,645)
\$ 7,179,546	\$ 7,893,905	\$ 8,515,696	\$ 9,683,616	\$ 9,459,916	\$ 10,493,916
\$ 7,190,116	\$ 2,192,211	\$ 1,615,184	\$ 4,077,664	\$ 4,454,745	\$ 7,460,076
4,363,330	3,410,014	1,742,865	2,786,952	2,347,505	4,495,556
\$ 11,553,446	\$ 5,602,225	\$ 3,358,049	\$ 6,864,616	\$ 6,802,250	\$ 11,955,632

# City of Heath, Texas

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund:				
Nonspendable	\$ 6,720	\$ 13,410	\$ 19,013	\$ 26,332
Committed	11,000	11,000	11,000	11,000
Unreserved	-	-	-	-
Unassigned	2,380,554	2,545,423	2,534,965	2,664,300
Total general fund	<u>\$ 2,398,274</u>	<u>\$ 2,569,833</u>	<u>\$ 2,564,978</u>	<u>\$ 2,701,632</u>
 All other governmental funds:				
Restricted	\$ 5,555,525	\$ 6,690,500	\$ 19,981,226	\$ 19,366,246
Assigned	104,849	107,915	131,558	114,434
Total all other governmental funds	<u>\$ 5,660,374</u>	<u>\$ 6,798,415</u>	<u>\$ 20,112,784</u>	<u>\$ 19,480,680</u>

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

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 27,139	\$ 13,063	\$ 5,876	\$ 5,850	\$ 20,700	\$ 9,530
-	-	-	-	-	-
-	-	-	-	-	-
2,769,135	2,515,353	3,263,277	3,670,030	4,678,011	5,327,713
<u>\$ 2,796,274</u>	<u>\$ 2,528,416</u>	<u>\$ 3,269,153</u>	<u>\$ 3,675,880</u>	<u>\$ 4,698,711</u>	<u>\$ 5,337,243</u>
\$ 13,953,548	\$ 16,545,608	\$ 15,260,204	\$ 14,965,280	\$ 16,310,337	\$ 15,100,587
115,797	112,432	101,489	444,084	510,634	677,386
<u>\$ 14,069,345</u>	<u>\$ 31,758,627</u>	<u>\$ 15,361,693</u>	<u>\$ 15,409,364</u>	<u>\$ 16,820,971</u>	<u>\$ 15,777,973</u>

# City of Heath, Texas

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2012	2013	2014	2015
<b>Revenues</b>				
Taxes	\$ 4,997,248	\$ 5,146,045	\$ 5,441,572	\$ 6,873,071
Licenses and permits	247,002	293,488	394,519	401,364
Intergovernmental	223,971	205,204	1,211,232	239,646
Charges for services	105,415	103,513	117,496	170,445
Fines and forfeitures	39,016	48,829	37,511	41,292
Special assessments	11,284	15,504	20,651	14,641
Investment income	11,577	10,280	8,187	8,850
Contributions and donations	-	-	-	-
Other revenue	140,650	92,316	189,889	1,224,304
<b>Total Revenues</b>	<b>5,776,163</b>	<b>5,915,179</b>	<b>7,421,057</b>	<b>8,973,613</b>
<b>Expenditures</b>				
Administration	940,172	956,640	1,030,082	1,257,621
Highways and streets	307,928	361,169	410,568	653,586
Parks	133,073	133,338	150,219	246,842
Engineering and building inspection	399,720	495,373	409,396	427,916
Municipal court	61,577	51,263	50,923	54,875
Public safety	2,275,336	2,415,348	2,643,877	2,813,878
Community development	-	-	-	-
Economic development	67,345	44,850	121,007	133,823
Economic opportunity	2,857	46,108	28,687	161,030
Debt service				
Principal	789,852	606,244	822,747	878,533
Interest	428,911	396,836	430,307	1,081,188
Bond issuance costs	-	25,017	87,555	-
Capital outlay	500,582	806,680	3,772,108	1,985,671
<b>Total Expenditures</b>	<b>5,907,353</b>	<b>6,338,866</b>	<b>9,957,476</b>	<b>9,694,963</b>
<b>Revenues over (under) expenditures</b>	<b>(131,190)</b>	<b>(423,687)</b>	<b>(2,536,419)</b>	<b>(721,350)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	40,000	40,000	1,339,657	225,900
Transfers (out)	-	-	-	-
Sale of capital assets	-	-	-	-
Discount on bonds issued	-	-	-	-
Premium on bonds issued	-	89,116	301,276	-
Debt issued	-	3,254,037	14,205,000	-
Payment to refunded bond escrow agent	-	(1,649,866)	-	-
<b>Total other financing sources</b>	<b>40,000</b>	<b>1,733,287</b>	<b>15,845,933</b>	<b>225,900</b>
Special items	(105,421)	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ (196,611)</b>	<b>\$ 1,309,600</b>	<b>\$ 13,309,514</b>	<b>\$ (495,450)</b>
Ratio of total debt service expenditures to noncapital expenditures	23%	18%	20%	25%

	2016	2017	2018	2019	2020	2021
\$	6,445,957	\$ 7,033,503	\$ 7,644,481	\$ 8,157,502	\$ 8,661,369	\$ 9,386,099
	638,651	595,622	881,462	892,860	899,025	906,180
	247,454	286,399	296,672	368,384	934,037	762,166
	139,238	122,402	139,951	132,187	138,869	142,979
	41,528	41,895	55,742	59,485	45,353	74,565
	2,710	17,487	34,396	12,878	39,109	81,859
	46,097	145,553	297,294	401,793	153,923	9,489
	-	-	-	85,438	123,214	59,259
	405,162	659,954	226,332	588,710	1,620,791	1,264,451
	<u>7,966,797</u>	<u>8,902,815</u>	<u>9,576,330</u>	<u>10,699,237</u>	<u>12,615,690</u>	<u>12,687,047</u>
	1,325,467	1,301,454	1,359,764	1,465,327	1,211,884	1,290,737
	650,513	631,336	511,485	545,822	568,920	812,403
	258,840	325,128	619,490	550,035	492,752	423,057
	597,175	221,648	187,946	181,227	204,646	211,231
	54,685	58,080	62,069	47,748	48,841	51,082
	2,902,410	2,987,087	3,097,427	3,404,836	3,750,043	4,341,904
	65,353	458,584	506,854	553,605	531,712	604,128
	40,011	-	-	-	-	-
	-	-	-	-	-	-
	1,482,295	1,332,531	1,346,085	1,394,900	1,630,541	1,879,082
	822,766	713,797	1,085,672	875,137	882,263	821,321
	46,474	125,638	-	-	-	-
	2,782,084	5,417,356	1,718,167	2,019,543	1,132,174	2,936,618
	<u>11,028,073</u>	<u>13,572,639</u>	<u>10,494,959</u>	<u>11,038,180</u>	<u>10,453,776</u>	<u>13,371,563</u>
	(3,061,276)	(4,669,824)	(918,629)	(338,943)	2,161,914	(684,516)
	239,850	868,324	359,650	880,900	595,300	875,800
	-	(600,000)	-	(540,900)	(324,300)	(604,800)
	120,000	1,173	-	-	-	9,500
	-	-	-	-	-	-
	-	860,072	-	-	-	-
	4,725,000	7,350,000	-	453,341	-	-
	(4,621,080)	(1,488,908)	-	-	-	-
	<u>463,770</u>	<u>6,990,661</u>	<u>359,650</u>	<u>793,341</u>	<u>271,000</u>	<u>280,500</u>
	-	-	-	-	-	-
\$	<u>(2,597,506)</u>	<u>\$ 2,320,837</u>	<u>\$ (558,979)</u>	<u>\$ 454,398</u>	<u>\$ 2,432,914</u>	<u>\$ (404,016)</u>
	28%	25%	28%	25%	27%	26%

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# City of Heath, Texas

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
<b>2012</b>	\$ 1,175,437,703	\$ 18,660,011	\$ 106,808,230	\$ 1,087,289,484	\$ 0.34330
<b>2013</b>	1,174,084,201	18,668,100	107,786,000	1,084,966,301	0.34330
<b>2014</b>	1,222,944,691	19,788,280	110,634,664	1,132,098,307	0.34330
<b>2015</b>	1,303,855,443	20,525,510	118,167,490	1,206,213,463	0.42660
<b>2016</b>	1,363,145,688	21,756,470	119,374,987	1,265,527,171	0.42660
<b>2017</b>	1,506,628,525	21,403,513	120,337,169	1,407,694,869	0.41731
<b>2018</b>	1,647,230,153	22,981,067	126,200,460	1,544,010,760	0.41731
<b>2019</b>	1,840,975,263	24,819,064	163,568,845	1,702,225,482	0.38911
<b>2020</b>	1,991,368,312	29,936,255	140,147,181	1,881,157,386	0.37933
<b>2021</b>	2,136,828,540	40,988,125	146,916,232	2,030,900,433	0.37657

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

	2012	2013	2014	2015
<b>Direct Rates:</b>				
City of Heath - Operating	0.26360	0.26360	0.26360	0.27360
City of Heath - Debt Service	0.07970	0.07970	0.07970	0.15300
<b>Total Direct Rate</b>	<b>0.34330</b>	<b>0.34330</b>	<b>0.34330</b>	<b>0.42660</b>
<b>Overlapping Rates:</b>				
Rockwall Independent School District	1.47000	1.47000	1.46000	1.44000
Rockwall County	0.38640	0.38640	0.39590	0.39590
Kaufman County	0.49910	0.50200	0.48250	0.50220
<b>Total Direct and Overlapping Rates</b>	<b>2.6988</b>	<b>2.7017</b>	<b>2.6817</b>	<b>2.7647</b>

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

2016	2017	2018	2019	2020	2021
0.27360	0.27009	0.27009	0.25651	0.24522	0.24758
0.15300	0.14722	0.14722	0.13260	0.13411	0.12899
0.42660	0.41731	0.41731	0.38911	0.37933	0.37657
1.44000	1.46500	1.44000	1.43000	1.35000	1.31000
0.39590	0.37590	0.34980	0.32840	0.32500	0.31310
0.48950	0.49670	0.48870	0.47870	0.43912	0.50496
2.7520	2.7549	2.6958	2.6262	2.4935	2.5046

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

Property Tax Payer	2021			2012		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Heath Crossing LTD	\$ 14,434,720.00	1	0.711%	\$ -	n/a	-
HGYC LLC	14,062,590.00	2	0.692%	-	n/a	-
Oncor Electric Delivery Co	10,290,310	3	0.507%	5,523,300	2	0.508%
SNH Medical Office Properties	6,663,700	4	0.328%	-	n/a	-
Heath Renaissance LLC	4,713,330	5	0.232%	-	n/a	-
Heath Hub Office LLC	4,596,430	6	0.226%	-	n/a	-
Impact Selector International LLC	4,149,790	7	0.204%	-	n/a	-
Reid B J Living Trust	4,141,060	8	0.204%	-	n/a	-
ES Holdings Trust	4,008,410	9	0.197%	-	n/a	-
Randall's Food & Drug	4,002,810	10	0.197%	-	n/a	-
Whittle Development Co	-	n/a	-	3,208,400	5	0.295%
Rainer Baylor Medical	-	n/a	-	6,032,450	1	0.555%
BC Golf LTD	-	n/a	-	4,165,376	3	0.383%
TR Heath Partners LTD	-	n/a	-	2,771,630	6	0.255%
Paolucci, Raymond J	-	n/a	-	3,323,840	4	0.306%
Kirwan, David & Patricia	-	n/a	-	2,540,140	7	0.234%
Corona Resources Ltd	-	n/a	-	2,424,140	8	0.223%
Knowlton, Larry & Tricia	-	n/a	-	2,313,300	9	0.213%
Kelldor, Mark S	-	n/a	-	2,139,000	10	0.197%
<b>Total</b>	<b>\$ 71,063,150</b>		<b>3.50%</b>	<b>\$ 34,441,576</b>		<b>3.17%</b>
<b>Total Assessed Valuation</b>	<b>\$ 2,030,900,433</b>		<b>100%</b>	<b>\$ 1,087,289,484</b>		<b>100%</b>

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Tax levy	\$ 3,742,951	\$ 3,741,709	\$ 3,908,072	\$ 5,188,753
Current tax collected	\$ 3,684,359	\$ 3,684,359	\$ 3,844,606	\$ 5,125,661
Percent of current tax collections	98.4%	98.5%	98.4%	98.8%
Delinquent tax collections	\$ 55,430	\$ 54,194	\$ 60,320	\$ 58,138
Total tax collections	\$ 3,739,789	\$ 3,738,553	\$ 3,904,926	\$ 5,183,799
Total collections as a percentage of levy	99.9%	99.9%	99.9%	99.9%

Source: Rockwall Central Appraisal District

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 5,428,420	\$ 5,901,467	\$ 6,441,938	\$ 6,632,131	\$ 6,977,697	\$ 7,557,688
\$ 5,353,707	\$ 5,819,243	\$ 6,366,282	\$ 6,587,644	\$ 6,926,222	\$ 7,510,780
98.6%	98.6%	98.8%	99.3%	99.3%	99.4%
\$ 68,941	\$ 75,513	\$ 67,480	\$ 32,735	\$ 26,356	\$ -
\$ 5,422,648	\$ 5,894,756	\$ 6,433,762	\$ 6,620,379	\$ 6,952,578	\$ 7,510,780
99.9%	99.9%	99.9%	99.8%	99.6%	99.4%

# City of Heath, Texas

## RATIOS OF OUTSTANDING DEBT BY TYPE

### Last Ten Years

	2012	2013	2014	2015
<b>Governmental activities:</b>				
General Obligation Bonds	\$ 2,530,000	\$ 3,915,000	\$ 3,490,000	\$ 3,060,000
Certificates of Obligation	6,888,508	6,652,956	21,693,106	21,353,734
Premiums	257,718	323,021	587,351	541,830
Discounts	(110,080)	(101,942)	(93,804)	(85,666)
Capital Leases	202,684	154,627	104,868	53,346
Note Payable to Texas Comptroller	-	-	-	-
Notes Payable	188,258	159,057	128,017	96,977
<b>Business-type activities:</b>				
General Obligation Bonds	748,333	705,000	3,955,000	3,625,000
Certificates of Obligation	10,986,492	12,537,044	10,921,894	10,441,266
Premium	373,980	437,663	395,304	352,944
Discounts	(87,259)	(80,123)	(72,987)	(65,851)
Contract Revenue Bonds	748,333	705,001	660,000	613,380
Total primary government	<u>\$ 22,726,967</u>	<u>\$ 25,407,304</u>	<u>\$ 41,768,749</u>	<u>\$ 39,986,960</u>
Percentage of personal income (1)	4.41%	4.76%	8.92%	7.97%
Per capita (1)	\$ 1,377	\$ 1,457	\$ 3,551	\$ 3,277

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

(1) Personal income and population data is disclosed on page 135.



	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	7,335,000	\$ 6,950,000	\$ 6,275,000	\$ 5,570,000	\$ 4,850,000	\$ 4,110,000
	16,006,681	20,590,000	19,980,000	19,798,341	18,915,250	17,812,768
	427,686	1,127,083	1,049,619	973,756	897,685	821,822
	(22,537)	-	-	-	-	-
	-	-	-	-	-	-
	-	220,850	191,660	136,760	109,310	72,710
	64,975	31,895	-	-	-	-
	6,485,000	6,140,000	5,310,000	4,440,000	3,540,000	2,605,000
	6,933,312	17,905,000	17,830,000	17,766,802	17,431,893	17,047,331
	269,229	1,689,695	1,574,941	1,460,187	1,345,119	1,230,366
	(25,602)	-	-	-	-	-
	563,380	511,718	458,390	401,729	-	-
	<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>	<u>\$ 43,699,997</u>
	8.14%	10.13%	9.50%	8.12%	6.80%	5.68%
\$	3,833	\$ 4,141	\$ 3,803	3,626	3,036	2,580

# City of Heath, Texas

## RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2012	2013	2014	2015
<b>NET TAXABLE ASSESSED VALUE</b>				
All property	\$ 1,087,289,484	\$ 1,084,966,301	\$ 1,132,098,307	\$ 1,206,213,463
<b>NET BONDED DEBT (1)</b>				
Gross bonded debt	22,336,025	25,093,620	41,535,864	39,836,637
Less debt service funds	-	829,597	569,257	552,757
<b>Net Bonded Debt</b>	<u>\$ 22,336,025</u>	<u>\$ 24,264,023</u>	<u>\$ 40,966,607</u>	<u>\$ 39,283,880</u>
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>	2.05%	2.24%	3.62%	3.26%
<b>POPULATION</b>	7,051	7,314	7,606	7,910
<b>NET BONDED DEBT PER CAPITA</b>	\$ 3,168	\$ 3,317	\$ 5,386	\$ 4,966

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 1,265,527,171	\$ 1,407,694,869	\$ 1,544,010,760	\$ 1,702,225,482	\$ 1,881,157,386	\$ 2,030,900,433
37,972,149	54,913,496	52,477,950	50,410,815	46,979,947	43,627,287
301,248	350,799	263,863	374,478	426,009	441,781
<u>\$ 37,670,901</u>	<u>\$ 54,562,697</u>	<u>\$ 52,214,087</u>	<u>\$ 50,036,337</u>	<u>\$ 46,553,938</u>	<u>\$ 43,185,506</u>
2.98%	3.88%	3.38%	2.94%	2.47%	2.13%
8,114	8,275	8,425	9,041	9,769	10,311
\$ 4,643	\$ 6,594	\$ 6,198	\$ 5,534	\$ 4,765	\$ 4,188

# City of Heath, Texas

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2021

<u>Governmental Unit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> *	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Rockwall Independent School District	\$ 514,758,573	15.57%	\$ 80,166,745
Rockwall County	137,433,849	16.26%	22,348,182
Kaufman County	109,578,850	0.19%	211,722
Subtotal, overlapping debt			<u>102,726,649</u>
<b>City direct debt</b>			<u>22,817,300</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 125,543,949</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
2012	7,051	\$ 438,766,308	62,228	4,294	5.5%
2013	7,314	488,449,236	66,783	4,283	6.1%
2014	7,606	506,669,724	66,614	4,539	4.5%
2015	7,910	451,571,787	57,089	4,650	3.7%
2016	8,114	467,300,719	57,592	4,677	3.5%
2017	8,275	495,841,034	59,920	4,895	3.4%
2018	8,425	514,550,787	61,074	5,076	3.2%
2019	9,041	622,395,896	68,841	5,270	2.8%
2020	9,769	692,703,696	70,908	5,170	6.1%
2021	10,331	769,184,274	74,454	5,880	4.1%

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	2021			2012		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rockwall ISD	1,885	1	8.97%	1,365	1	7.31%
L-3 Harris Technologies	700	2	3.33%	-	n/a	n/a
Texas Health Presbyterian Hospital	600	3	2.85%	-	n/a	0.00%
Pegasus Foods	450	4	2.14%	-	n/a	0.00%
Wal-Mart Superstore	450	4	2.14%	450	4	2.41%
Channell Commercial	380	6	1.81%	-	n/a	0.00%
County of Rockwall	315	7	1.50%	253	5	1.35%
City of Rockwall	295	8	1.40%	205	6	1.10%
Texas Star Express/Epes Transport	275	9	1.31%	484	3	2.59%
Whitmore Manufacturing Co	225	10	1.07%	-	n/a	n/a
Lake Pint Medical Center	-	n/a	n/a	700	2	3.75%
Special Products & Manufacturing	-	n/a	n/a	205	7	1.10%
Target	-	n/a	n/a	200	8	1.07%
Rockwall Nursing Home	-	n/a	n/a	160	9	0.86%
Kohl's Department Store	-	n/a	n/a	140	10	0.75%
Total	5,575		26.52%	4,162		22.29%

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**

<b>Function/Program</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
General government and administration	5.50	6.00	5.00	5.00	6.00	6.00	6.00	5.50	5.25	5.25
Public safety	18.50	19.00	19.0	21.5	23.0	23.0	23.0	24.0	26.0	28.5
Public works	4.42	5.00	5.0	5.4	7.0	7.2	3.5	2.5	3.0	3.5
Community development	-	-	-	-	-	-	3.5	3.5	4.5	4.5
Culture and recreation	1.0	1.0	1.0	1.0	1.0	1.0	4.0	3.5	3.5	3.5
Water and sewer	9.1	9.5	9.0	9.0	10.3	12.3	12.0	13.0	13.8	13.8
<b>Total</b>	<b>39</b>	<b>41</b>	<b>39</b>	<b>42</b>	<b>47</b>	<b>49</b>	<b>52</b>	<b>52</b>	<b>56</b>	<b>59</b>

Sources: Various City departments.

# City of Heath, Texas

## OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015
General government				
Building permits issued	47	64	71	79
Building inspections conducted	921	911	1,224	1,352
Public safety				
Police				
Physical arrests	168	137	71	58
Burglary	24	16	5	8
Robbery	1	-	-	-
Theft	82	86	35	38
Traffic violations	330	331	309	242
Fire				
Emergency responses	173	169	143	145
Fires extinguished	11	5	3	7
Inspections	52	69	4	2
Public works				
Streets (feet)	-	-	16,440	25,200
Potholes repaired	800	100	200	125
Water				
New connections	103	115	100	92
Average monthly consumption (thousands of gallons)	17	19	18	19
Wastewater				
Average daily sewage treatment (thousands of gallons)	377,121	255,415	288,200	410,772

Sources: Various City departments.



<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
116	131	142	128	108	222
4,949	6,944	6,894	8,148	6,739	8,379
79	45	46	40	27	146
5	10	6	8	3	3
-	2	1	1	-	-
37	30	34	23	31	3
347	293	632	813	693	917
172	257	271	238	174	482
9	16	2	4	3	13
49	179	242	301	338	131
52,380	38,016	28,840	106,281	16,683	69,120
-	82	100	70	75	83
143	176	147	213	173	197
17	16	19	19	17	15
525,694	428,364	685,706	625,907	611,070	700,201

# City of Heath, Texas

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2012	2013	2014	2015
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	402,181
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	523,040	523,040
Fire hydrants	655	655	663	663
Wastewater				
Sanitary sewers (linear feet)	372,400	372,400	376,679	376,679
Storm sewers (miles)	14	14	14	15

Sources: Various City departments.

(1) Does not include HOA playgrounds.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1	1
12	13	13	12	15	16
3	3	3	3	3	3
402,181	406,804	409,102	430,760	433,064	433,064
94	100	100	100	100	100
2	2	2	2	3	3
1	1	1	1	1	1
3	3	3	3	5	5
1	1	1	1	1	1
527,874	536,639	556,525	556,525	556,586	556,586
669	680	705	705	705	705
388,316	400,842	413,368	413,368	413,439	413,439
15	16	16	17	17	18

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