



THE CITY OF HEATH, TEXAS
Annual Comprehensive Financial Report
For the year ended September 30, 2022
Prepared by the Finance Department

City of Heath, Texas

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September 30, 2022

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INTRODUCTORY SECTION



May 31, 2023

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, 2022. 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, 2022.

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, 2022. 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.

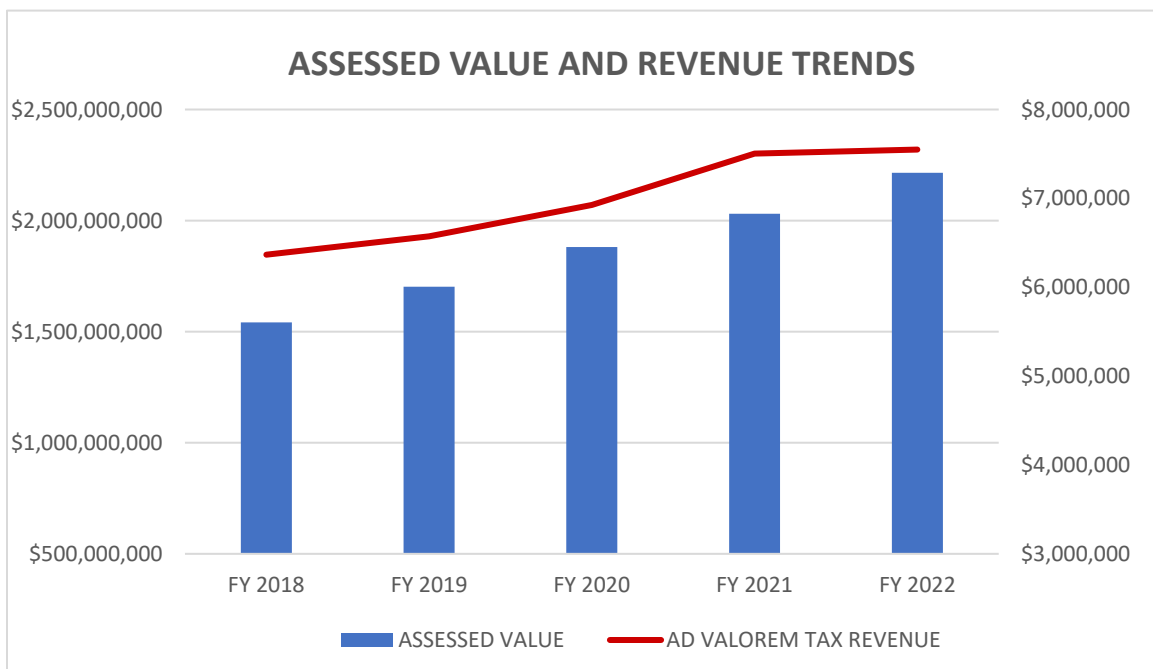
The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates under a Council-Manager form of government. As a Home Rule City, policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other at-large members. The term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

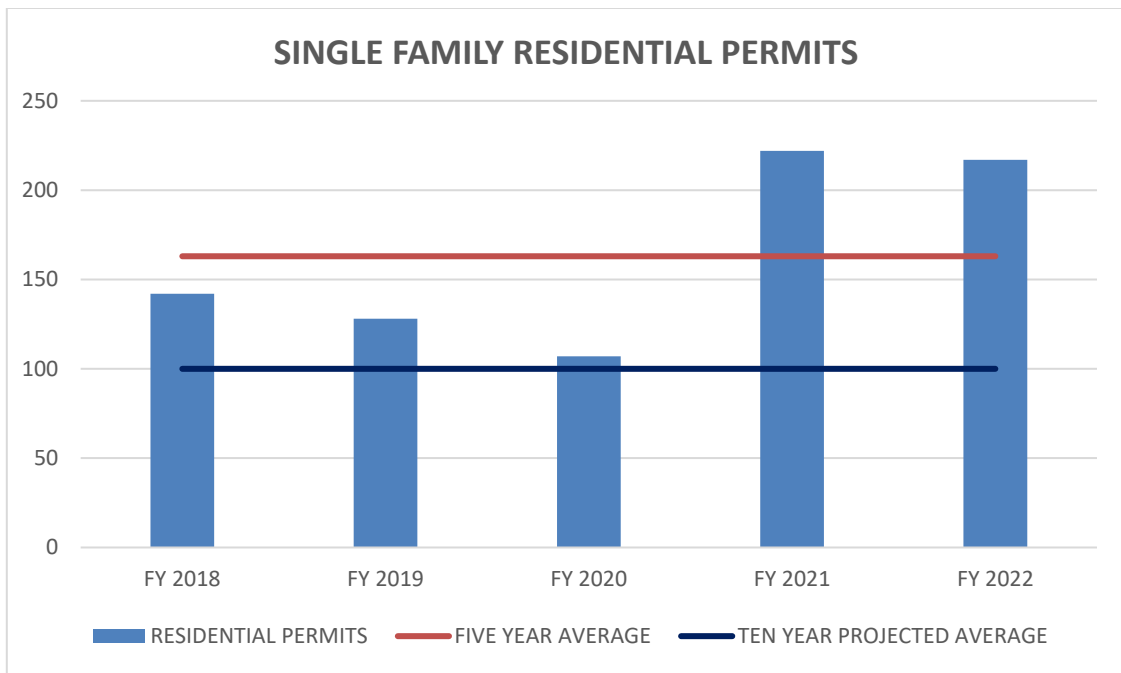
ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas' Dallas-Fort Worth Economic Indicators published "Dallas-Fort Worth's economy expanded in December as payroll employment grew and unemployment held steady. Home sales continued to slide, and inventories rose. Activity in the office market was tepid, while demand for industrial space remained heightened. Corporate relocations to DFW in 2022 dropped from the highs seen in 2021."

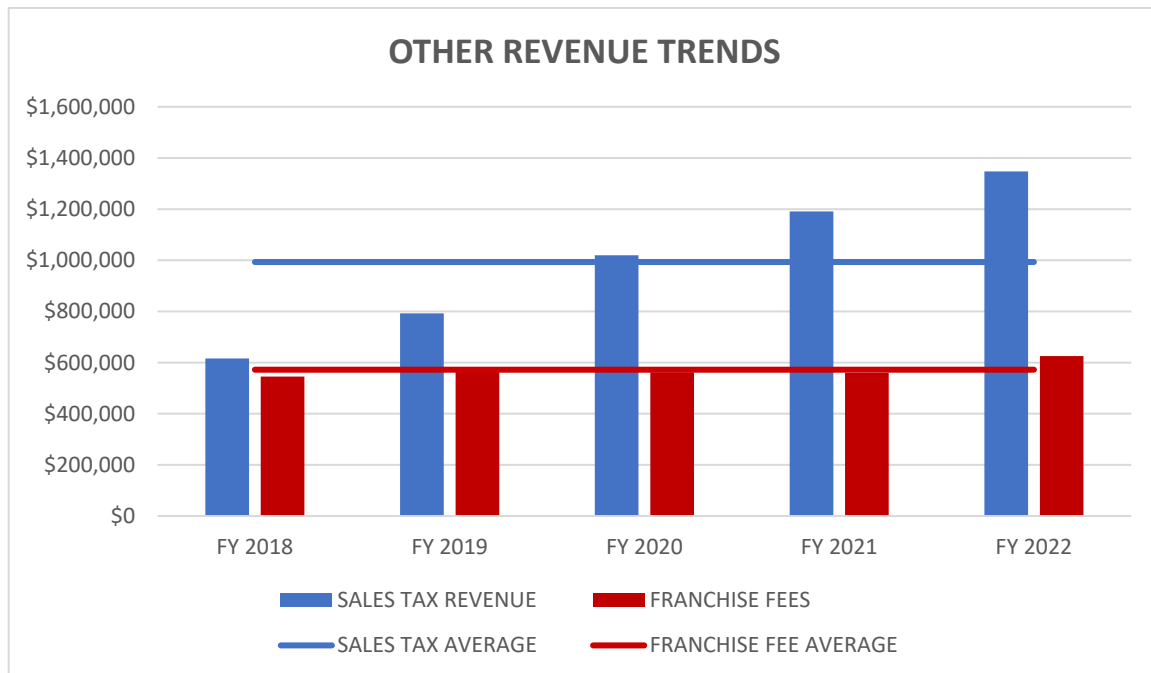
The City's Fiscal Year 2022 Assessed Value increased \$184M, or 10%, over the Fiscal Year 2021 Assessed Value. This is the ninth consecutive year Assessed Values have increased over the prior year. Single family residential taxable assessed valuations apportioned 85.24% of the total assessed valuation for the City before any calculated exemptions and reductions in fiscal year 2022.



The City issued 217 single family residential permits in FY 2022, a slight decrease from the previous year. This is the second largest number of residential permits the City has issued in a single year. The number of permits issued shows stabilized growth within the community and economy for a second year after the sequential events of the COVID-19 pandemic which created uncertainty about future conditions.



Sales Tax Revenue increased \$156,498 in Fiscal Year 2022 which is a 13.1% 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 increased 11.8% in comparison to FY 2021 franchise fee collections.



The economic indicators point towards consistent growth and a stable economy for 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 were calculated 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 2022: Safe Routes to School, Yankee/Myers mobility and drainage improvements, Skyline drainage improvements, Taps Grant Trials, Marsha's Happy Haven, Town Center Park, FM 740 Median, Meter Replacement program, Lift Station replacement, and Forney Lake connections. The City is committed to completing the Capital Improvement Program projects in a timely manner.

FINANCIAL INFORMATION

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

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

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

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

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

Under state law, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocation of the property tax levy by purpose for Fiscal Year 2022 is \$0.223714 for maintenance and operations and \$0.115593 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 auditor s 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,



Aretha L Adams, MPA
City Manager



Jay Ayers, MBA, MSA, CGFO
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

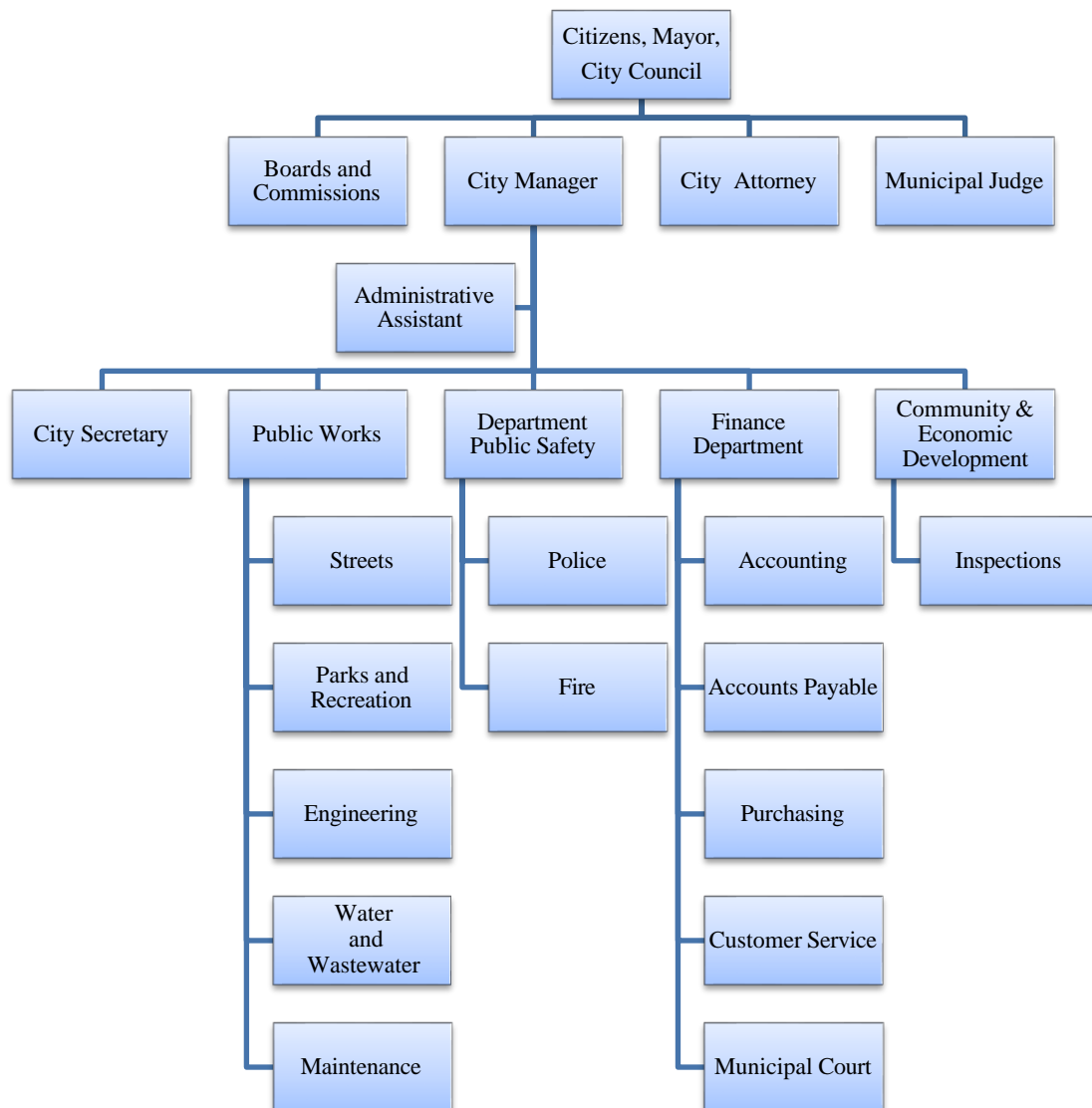
September 30, 2021

Christopher P. Morill

Executive Director/CEO



CITY OF HEATH



City of Heath, Texas

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2022

CITY COUNCIL

Kelson Elam, Mayor

Paul Ruffo, Mayor Pro Tem

Vacant, Council Member , Place 1

Jim Chester, Council Member, Place 5

Donna Rolater, Council Member, Place 3

Rich Krause, Council Member, Place 6

Brent Weaver, Council Member, Place 4

CITY STAFF

Aretha Adams, City Manager

Andy Messer, City Attorney

Norma Duncan, City Secretary

Roy Stacy, Municipal Court Judge

Matthew Holzapfel, Public Works

Jay Ayers, Finance

Brandon Seery, Department of Public Safety

Kevin Lasher, Community Development

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Heath, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Heath, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note V.I. to the financial statements, due to a correction of error in amortization schedule of debts the City has restated liabilities for governmental, business-type, and fiduciary activities. 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, schedules of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general fund 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.

This accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and 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.



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
May 31, 2023

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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, 2022

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, 2022. 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, 2022 by \$97,487,555. Of this amount, \$61,940,382 (net investment in capital assets) has been invested in the City's infrastructure, buildings, and other assets.
- The City's total net position increased by \$6,205,963. 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 revenues exceeding current year expenses.
- The City's governmental funds reported combined ending fund balances of \$24,934,105 at September 30, 2022, an increase of \$3,818,439 from the prior fiscal year; this includes an increase of \$1,372,681 in the capital improvement fund, an increase of \$83,297 in the debt service fund, an increase of \$1,313,422 in the general fund, and an increase of \$1,049,039 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$6,645,102 or 89% of total general fund expenditures.
- The City's outstanding long-term debt decreased by \$3,391,397 (including premiums). The total long-term debt at the close of the fiscal year was \$38,402,509 (excluding premiums), including self-supporting debt of the proprietary fund which was \$18,327,834 (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, 2022

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, 2022

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 thirteen 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, 2022

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 \$97,487,555 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$61,940,382, 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, 2022

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2022			2021		
	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
Current and						
other assets	\$ 26,948,732	\$ 22,948,437	\$ 49,897,169	\$ 22,925,761	\$ 22,227,106	\$ 45,152,867
Capital assets, net	50,837,687	41,690,316	92,528,003	53,229,006	40,942,794	94,171,800
Total Assets	77,786,419	64,638,753	142,425,172	76,154,767	63,169,900	139,324,667
Deferred						
Outflows	730,337	190,727	921,064	799,082	208,315	1,007,397
Other liabilities	4,361,358	2,394,117	6,755,475	4,076,056	2,433,200	6,509,256
Long-term liabilities	19,710,533	18,511,416	38,221,949	22,305,844	19,894,769	42,200,613
Total Liabilities	24,071,891	20,905,533	44,977,424	26,381,900	22,327,969	48,709,869
Deferred						
Inflows	710,247	171,010	881,257	274,508	66,095	340,603
Net Position:						
Net investment						
in capital assets	37,107,169	24,833,213	61,940,382	38,750,011	24,985,034	63,735,045
Restricted	8,336,231	-	8,336,231	6,813,805	-	6,813,805
Unrestricted	8,291,218	18,919,724	27,210,942	4,733,625	15,999,117	20,732,742
Total Net Position	\$ 53,734,618	\$ 43,752,937	\$ 97,487,555	\$ 50,297,441	\$ 40,984,151	\$ 91,281,592

Current and other assets for governmental activities increased primarily due to greater cash on hand, resulting from current year operating surpluses. Capital assets for governmental activities decreased due to current year depreciation exceeding new capital investments. Other liabilities for governmental activities increased primarily due to timing of repayments to vendors subsequent to year end. Total long-term liabilities decreased as a result of principal payments made on outstanding long-term debt in the current year.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

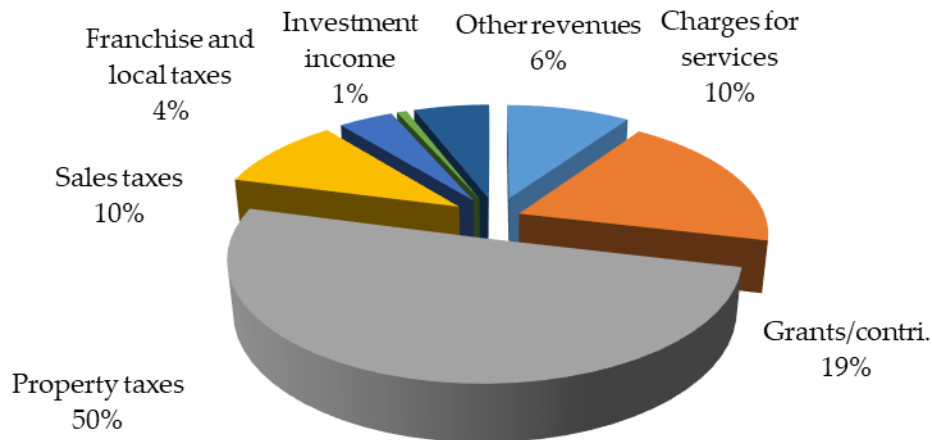
Statement of Activities:

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Primary Government	Governmental Activities	Business-Type Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,414,894	\$ 13,869,665	\$ 15,284,559	\$ 1,123,724	\$ 11,765,739	\$ 12,889,463
Operating grants	1,901,959	-	1,901,959	630,819	-	630,819
Capital contributions	918,211	-	918,211	6,438,792	3,718,662	10,157,454
General revenues:						
Property taxes	7,449,687	-	7,449,687	7,591,621	-	7,591,621
Sales taxes	1,485,769	-	1,485,769	1,244,628	-	1,244,628
Franchise and local taxes	625,609	-	625,609	559,495	-	559,495
Investment income	111,434	106,781	218,215	9,489	11,749	21,238
Other revenues	863,560	101,748	965,308	989,328	87,606	1,076,934
Total Revenues	14,771,123	14,078,194	28,849,317	18,587,896	15,583,756	34,171,652
Expenses						
General government	1,537,129	-	1,537,129	1,691,608	-	1,691,608
Public safety	4,506,989	-	4,506,989	4,217,615	-	4,217,615
Public works	3,535,819	-	3,535,819	3,482,020	-	3,482,020
Culture and recreation	662,172	-	662,172	628,341	-	628,341
Community development	655,723	-	655,723	609,763	-	609,763
Interest	707,114	714,019	1,421,133	761,153	719,206	1,480,359
Water, sewer, & solid waste	-	10,324,389	10,324,389	-	10,093,314	10,093,314
Total Expenses	11,604,946	11,038,408	22,643,354	11,390,500	10,812,520	22,203,020
Change in Net Position						
Before Transfers	3,166,177	3,039,786	6,205,963	7,197,396	4,771,236	11,968,632
Transfers	271,000	(271,000)	-	271,000	(271,000)	-
Total	271,000	(271,000)	-	271,000	(271,000)	-
Change in Net Position	3,437,177	2,768,786	6,205,963	7,468,396	4,500,236	11,968,632
Beginning Net Position	50,297,441	40,984,151	91,281,592	42,829,045	36,483,915	79,312,960
Ending Net Position	\$ 53,734,618	\$ 43,752,937	\$ 97,487,555	\$ 50,297,441	\$ 40,984,151	\$ 91,281,592

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

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



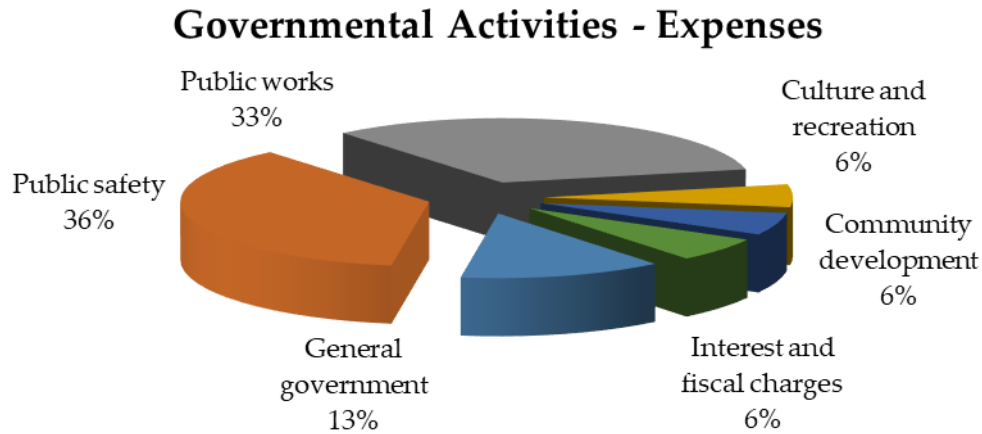
For the year ended September 30, 2022, revenues from governmental activities totaled \$14,771,123. Total revenues decreased by \$3,816,773 or 21%. Property tax and grants and contributions are the City's largest general revenue sources. Grants and capital contributions decreased by \$4,249,441 or 60% primarily as a result of nonrecurring capital contributions received from developers in the prior year. Charges for services increased by \$291,170 or 26% due to greater building permits and new development fees in the current year. Sales taxes and franchise taxes increased by \$241,141 or 19% and \$66,114 or 12%, respectively, due to increased economic growth fueled by local purchases. Investment income increased by \$101,945 as of result of greater interest-bearing accounts and realization of higher rates. Other revenues decreased by \$125,768 or 13% primarily due to nonrecurring COVID-19 relief funding received in the prior year. All other revenues remained relatively consistent with the prior year.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2022

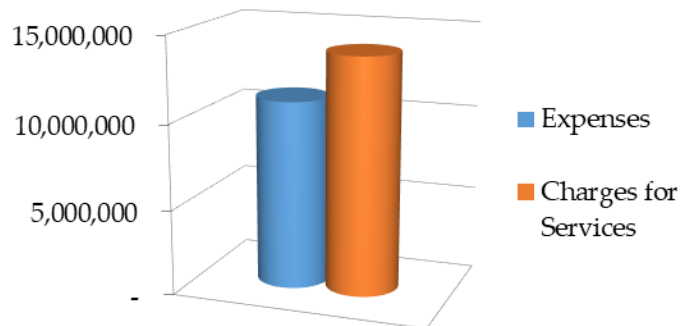
This graph shows the governmental function expenses of the City:



For the year ended September 30, 2022, expenses for governmental activities totaled \$11,604,946. This represents an increase of \$214,446 or 2%. This variance stems primarily from increases in public safety. General government decreased by \$154,479 or 9% primarily due to a decline in personnel/employee benefit costs, resulting from a significant decrease in the City's net pension liability over the course of the year. Public works increased by \$53,799 or 2% primarily due to greater asset depreciation expenses in the current year. Community development increased by \$45,960 or 8% primarily to due greater personnel costs in the current year. Interest and fiscal charges decreased by \$54,039 or 7% due to outstanding long-term debt approaching maturity. All other expenses remained relatively consistent with the prior year.

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2022, charges for services by business-type activities totaled \$13,869,665. This is an increase of \$2,103,926 or 18% from the previous year. The increase is a result of greater water consumption and a greater number of utility customers due to City growth.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

Utility service expenses increased by \$231,075, to a total of \$10,324,389, or a change of 2%. This is considered relatively consistent with the prior 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'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, 2022, the City's governmental funds reported combined fund balances of \$24,934,105, an increase of \$3,818,439 in comparison with the prior year. Approximately 27% of this amount, \$6,645,102, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, committed, assigned, or restricted*. Nonspendable fund balance indicates that it is not in spendable form. The City had \$5,563 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 \$2,960,989 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 \$15,322,451 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$6,650,665. The fund balance increased by \$1,313,422 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 \$6,645,102 is 89% of total general fund expenditures.

The debt service fund had an ending fund balance of \$525,078 at September 30, 2022 compared to the previous year's balance of \$441,781. This is an increase of \$83,297 and primarily due to transfers received from the general fund.

The capital improvements fund experienced an increase in fund balance of \$1,372,681 due to revenues and transfers in exceeding current year expenditures. During the year, the City expended \$737,773 on improving the City's infrastructure from this fund.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2022

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 \$43,528,357. Unrestricted net position of the fund at the close of the fiscal year amounted to \$16,820,673. The capital assets of the water and sewer fund had a net book value of \$41,690,316.

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

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

Net increases to capital assets were \$747,522. The increase in capital assets was a result of the sum of assets purchased/constructed by the City exceeding depreciation and disposals. Operational expenses excluding depreciation and amortization in the water and sewer fund were \$7,643,401. Cash and cash equivalents in the water and sewer fund were \$20,065,456 at fiscal year end.

The City's nonmajor solid waste fund recorded an increase of \$71,970 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 \$1,218,400, and in total was not amended during the year.

There was a positive variance of \$1,898,102 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$748,872 for budgeted expenditures. The City realized the biggest variance within highway and streets, city attorney, and engineering and construction.
- \$2,646,974 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 \$1,898,102. 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 \$2,531,822.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$50,837,687 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2022

funds had invested \$41,690,316 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:

- Purchased parcel of land on Hubbard Drive for \$138,763.
- Street improvements in governmental activities totaling \$326,141.
- New vehicles purchased for \$308,367.
- Water line and sewer infrastructure improvements totaling \$2,184,042.
- New pump equipment purchased for \$115,312.

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 \$38,402,509. Of this amount, \$18,327,834 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 Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Heath and improving services provided to their public citizens. The City is budgeting for growth in the upcoming fiscal year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

City of Heath, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2022

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 26,394,070	\$ 11,264,922	\$ 37,658,992	\$ 6,256,143
Restricted cash	-	8,998,505	8,998,505	2,398,265
Receivables, net	549,099	2,066,495	2,615,594	395,252
Inventory	-	43,154	43,154	-
Prepays	5,563	575,361	580,924	3,179
Total Current Assets	26,948,732	22,948,437	49,897,169	9,052,839
Noncurrent assets:				
Assessment receivables, net	-	-	-	20,065,446
Capital assets:				
Non-depreciable	5,621,388	4,404,346	10,025,734	-
Net depreciable capital assets	45,216,299	37,285,970	82,502,269	-
Total Noncurrent Assets	50,837,687	41,690,316	92,528,003	20,065,446
Total Assets	77,786,419	64,638,753	142,425,172	29,118,285
<u>Deferred Outflows of Resources</u>				
Pension contributions	346,959	83,539	430,498	-
OPEB contributions	1,408	339	1,747	-
OPEB change in assumptions	30,096	7,247	37,343	-
OPEB difference in experience	1,040	251	1,291	-
Pension actual experience vs. assumption	217,846	52,452	270,298	-
Pension assumption changes	18,897	4,550	23,447	-
Deferred charge on refunding	114,091	42,349	156,440	-
Total Deferred Outflows of Resources	730,337	190,727	921,064	-

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2022

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,333,502	\$ 548,474	\$ 1,881,976	\$ 36,479
Accrued interest payable	91,970	98,319	190,289	218,360
Customer deposits	388,500	467,228	855,728	-
Compensated absences, current	634,466	137,714	772,180	-
Long-term debt due within one year	1,912,920	1,142,382	3,055,302	460,000
Total Current Liabilities	4,361,358	2,394,117	6,755,475	714,839
Noncurrent liabilities:				
Long-term debt due in more than one year	18,917,908	18,322,390	37,240,298	19,991,479
Compensated absences, noncurrent	252,678	59,020	311,698	-
Net pension liability	371,149	89,364	460,513	-
OPEB liability	168,798	40,642	209,440	-
Total Noncurrent Liabilities	19,710,533	18,511,416	38,221,949	19,991,479
Total Liabilities	24,071,891	20,905,533	44,977,424	20,706,318
Deferred Inflows of Resources				
Pension investment earnings	710,247	171,010	881,257	-
Total Deferred Inflows of Resources	710,247	171,010	881,257	-
Net Position				
Net investment in capital assets	37,107,169	24,833,213	61,940,382	-
Restricted for:				
Debt service	525,078	-	525,078	-
Capital improvement	5,797,773	-	5,797,773	-
Economic development	-	-	-	5,061,697
Economic opportunities	-	-	-	3,350,270
Public safety and other programs	2,013,380	-	2,013,380	-
Unrestricted	8,291,218	18,919,724	27,210,942	-
Total Net Position	\$ 53,734,618	\$ 43,752,937	\$ 97,487,555	\$ 8,411,967

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,537,129	\$ 143,994	\$ 44,067	\$ -
Public safety	4,506,989	120,370	1,535,611	-
Public works	3,535,819	1,147,280	-	874,144
Culture and recreation	662,172	3,250	322,281	44,067
Community development	655,723	-	-	-
Interest	707,114	-	-	-
Total Governmental Activities	11,604,946	1,414,894	1,901,959	918,211
Business-Type Activities				
Water & sewer	10,141,412	12,821,447	-	-
Solid waste	896,996	1,048,218	-	-
Total Business-Type Activities	11,038,408	13,869,665	-	-
Total Primary Government	\$ 22,643,354	\$ 15,284,559	\$ 1,901,959	\$ 918,211
Component Units:				
Heath Club MMD	10,432,716	-	-	-
Heath EDC	183,574	-	-	-
Heath MBC	177,632	-	-	-
Total Component Units	\$ 10,793,922	\$ -	\$ -	\$ -

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	
\$ (1,349,068)	\$ -	\$ (1,349,068)	\$ -
(2,851,008)	-	(2,851,008)	-
(1,514,395)	-	(1,514,395)	-
(292,574)	-	(292,574)	-
(655,723)	-	(655,723)	-
(707,114)	-	(707,114)	-
(7,369,882)	-	(7,369,882)	-
-	2,680,035	2,680,035	-
-	151,222	151,222	-
-	2,831,257	2,831,257	-
\$ (7,369,882)	\$ 2,831,257	\$ (4,538,625)	\$ -
-	-	-	(10,432,716)
-	-	-	(183,574)
-	-	-	(177,632)
\$ -	\$ -	\$ -	\$ (10,793,922)
7,449,687	-	7,449,687	-
1,485,769	-	1,485,769	1,420,202
625,609	-	625,609	-
-	-	-	10,895,532
111,434	106,781	218,215	56,588
863,560	101,748	965,308	87,606
271,000	(271,000)	-	-
10,807,059	(62,471)	10,744,588	12,459,928
3,437,177	2,768,786	6,205,963	1,666,006
50,297,441	40,984,151	91,281,592	6,745,961
\$ 53,734,618	\$ 43,752,937	\$ 97,487,555	\$ 8,411,967

City of Heath, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 7,523,989	\$ 521,194	\$ 15,383,615	\$ 2,965,272
Receivables, net	342,878	206,221	-	-
Prepays	5,563	-	-	-
Total Assets	\$ 7,872,430	\$ 727,415	\$ 15,383,615	\$ 2,965,272
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 737,526	\$ 5,451	\$ 562,789	\$ 27,736
Deposits payable	388,500	-	-	-
Total Liabilities	1,126,026	5,451	562,789	27,736
<u>Deferred Inflows of Resources</u>				
Unavailable revenue -				
Property taxes	90,775	41,866	-	-
Fines receivable, net	1,464	-	-	-
Assessments receivable	-	155,020	-	-
Other	3,500	-	-	-
Total Deferred Inflows	95,739	196,886	-	-
<u>Fund Balances</u>				
Nonspendable for:				
Prepays	5,563	-	-	-
Assigned	-	-	2,036,833	924,156
Restricted	-	525,078	12,783,993	2,013,380
Unassigned	6,645,102	-	-	-
Total Fund Balances	6,650,665	525,078	14,820,826	2,937,536
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,872,430	\$ 727,415	\$ 15,383,615	\$ 2,965,272

See Notes to Financial Statements.

Total Governmental Funds	
\$	26,394,070
	549,099
	5,563
\$	26,948,732

\$	1,333,502
	388,500
	1,722,002

	132,641
	1,464
	155,020
	3,500
	292,625

	5,563
	2,960,989
	15,322,451
	6,645,102
	24,934,105
\$	26,948,732

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City of Heath, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2022

Fund Balances - Total Governmental Funds	\$ 24,934,105
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Adjustments for the Statement of Net Position:

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

Capital assets - non-depreciable	5,621,388
Capital assets - net depreciable	45,216,299

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

Property tax receivable	132,641
Fines receivable, net	1,464
Assessments receivable	155,020
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	346,959
OPEB contributions	1,408
OPEB change in assumptions	30,096
OPEB difference in experience	1,040
Pension investment earnings	(710,247)
Pension actual experience vs. assumption	217,846
Pension assumption changes	18,897
Deferred charge on refunding	114,091

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

Accrued interest	(91,970)
Bond premium	(756,153)
Non-current liabilities due in one year	(1,912,920)
Non-current liabilities due in more than one year	(18,161,755)
Compensated absences	(887,144)
Net pension liability	(371,149)
OPEB liability	(168,798)

Net Position of Governmental Activities	\$ 53,734,618
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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, 2022

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<u>Revenues</u>				
Taxes:				
Property tax	\$ 4,917,381	\$ 2,539,590	\$ -	\$ -
Sales and beverage tax	1,485,769	-	-	-
Franchise tax	625,609	-	-	-
Licenses and permits	1,147,280	-	-	-
Intergovernmental	1,579,678	-	44,067	254,000
Charges for services	147,244	-	-	-
Fines and forfeitures	120,370	-	-	-
Special assessments	-	18,991	-	-
Contributions and donations	-	-	-	68,281
Investment income	31,813	1,070	70,035	8,516
Other revenue	33,558	-	1,596,352	20,036
Total Revenues	10,088,702	2,559,651	1,710,454	350,833
<u>Expenditures</u>				
Administration	1,500,652	-	-	15,411
Highways and streets	325,266	-	-	-
Parks	478,407	-	-	-
Engineering and construction	185,179	-	-	-
Municipal court	81,420	-	-	-
Public safety	4,211,047	-	-	12,165
Community development	649,847	-	-	-
Debt Service:				
Principal	72,710	1,839,773	-	-
Interest and fiscal charges	-	751,733	-	-
Capital outlay	-	-	737,773	380,788
Total Expenditures	7,504,528	2,591,506	737,773	408,364
Excess of Revenue Over (Under)				
Expenditures	2,584,174	(31,855)	972,681	(57,531)
<u>Other Financing Sources (Uses)</u>				
Transfers in	271,000	115,152	400,000	1,026,600
Transfers (out)	(1,541,752)	-	-	-
Sale of capital assets	-	-	-	79,970
Total Other Financing Sources (Uses)	(1,270,752)	115,152	400,000	1,106,570
Net Change in Fund Balances	1,313,422	83,297	1,372,681	1,049,039
Beginning fund balances	5,337,243	441,781	13,448,145	1,888,497
Ending Fund Balances	\$ 6,650,665	\$ 525,078	\$ 14,820,826	\$ 2,937,536

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	7,456,971
	1,485,769
	625,609
	1,147,280
	1,877,745
	147,244
	120,370
	18,991
	68,281
	111,434
	1,649,946
	<hr/> 14,709,640 <hr/>
	1,516,063
	325,266
	478,407
	185,179
	81,420
	4,223,212
	649,847
	1,912,483
	751,733
	1,118,561
	<hr/> 11,242,171 <hr/>
	3,467,469
	1,812,752
	(1,541,752)
	79,970
	<hr/> 350,970 <hr/>
	3,818,439
	21,115,666
\$	<hr/> 24,934,105 <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, 2022

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

Net changes in fund balances - total governmental funds	\$ 3,818,439
---	--------------

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	816,095
Depreciation expense	(3,204,357)
Adjustment for disposal of assets	(3,057)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(15,430)
--	----------

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	(57,926)
Accrued interest	7,075
Pension expense	144,758
OPEB expense	(18,447)

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	(28,125)
Amortization of debt premium	65,669
Principal payments	1,912,483

Change in Net Position of Governmental Activities	\$ 3,437,177
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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, 2022

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 11,066,951	\$ 197,971	\$ 11,264,922
Restricted cash	8,998,505	-	8,998,505
Receivables, net	1,894,500	171,995	2,066,495
Inventory	43,154	-	43,154
Prepays	575,361	-	575,361
Total Current Assets	22,578,471	369,966	22,948,437
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	4,404,346	-	4,404,346
Net depreciable capital assets	37,285,970	-	37,285,970
Total Noncurrent Assets	41,690,316	-	41,690,316
Total Assets	64,268,787	369,966	64,638,753
<u>Deferred Outflows of Resources</u>			
Pension contributions	83,539	-	83,539
Pension actual experience vs. assumption	52,452	-	52,452
Pension assumption changes	4,550	-	4,550
OPEB contributions	339	-	339
OPEB change in assumptions	7,247	-	7,247
OPEB difference in experience	251	-	251
Deferred charge on refunding	42,349	-	42,349
Total Deferred Outflows	190,727	-	190,727

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2022

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	534,308	14,166	548,474
Accrued interest	98,319	-	98,319
Customer deposits	336,008	131,220	467,228
Compensated absences, current	137,714	-	137,714
Long-term debt, current	1,142,382	-	1,142,382
Total Current Liabilities	2,248,731	145,386	2,394,117
<u>Noncurrent Liabilities</u>			
Compensated absences, noncurrent	59,020	-	59,020
Long-term debt, noncurrent	18,322,390	-	18,322,390
Net pension liability	89,364	-	89,364
OPEB liability	40,642	-	40,642
Total Liabilities	20,760,147	145,386	20,905,533
<u>Deferred Inflows of Resources</u>			
Pension investment earnings	171,010	-	171,010
Total Deferred Inflows	171,010	-	171,010
<u>Net Position</u>			
Net investment in capital assets	24,833,213	-	24,833,213
Unrestricted	18,695,144	224,580	18,919,724
Total Net Position	\$ 43,528,357	\$ 224,580	\$ 43,752,937

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, 2022

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Operating Revenues</u>			
Water revenue	\$ 7,288,700	\$ -	\$ 7,288,700
Sewer revenue	3,718,932	-	3,718,932
Sanitation revenue	-	1,048,218	1,048,218
Connection and tap charges	1,813,815	-	1,813,815
Other revenue	101,748	-	101,748
Total Operating Revenues	12,923,195	1,048,218	13,971,413
<u>Operating Expenses</u>			
Personnel	1,254,343	-	1,254,343
Supplies and services	355,999	896,996	1,252,995
Operating expenses	1,299,091	-	1,299,091
Materials and equipment	328,508	-	328,508
Cost of water	2,858,070	-	2,858,070
Cost of sewer	1,547,390	-	1,547,390
Depreciation	1,783,992	-	1,783,992
Total Operating Expenses	9,427,393	896,996	10,324,389
Operating Income	3,495,802	151,222	3,647,024
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	106,033	748	106,781
Interest expense	(714,019)	-	(714,019)
Total Nonoperating Revenues (Expenses)	(607,986)	748	(607,238)
Income Before Transfers	2,887,816	151,970	3,039,786
Transfers in	40,000	-	40,000
Transfers (out)	(231,000)	(80,000)	(311,000)
Change in Net Position	2,696,816	71,970	2,768,786
Beginning net position	40,831,541	152,610	40,984,151
Ending Net Position	\$ 43,528,357	\$ 224,580	\$ 43,752,937

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, 2022

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 12,997,369	\$ 1,033,589	\$ 14,030,958
Payments to suppliers	(6,366,555)	(925,085)	(7,291,640)
Payments to employees	(1,284,758)	-	(1,284,758)
Net Cash Provided by Operating Activities	5,346,056	108,504	5,454,560
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	40,000	-	40,000
Transfers (out)	(231,000)	(80,000)	(311,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(191,000)	(80,000)	(271,000)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(2,532,784)	-	(2,532,784)
Principal paid on debt	(1,319,817)	-	(1,319,817)
Interest paid on debt	(805,189)	-	(805,189)
Net Cash (Used for) Capital and Related Financing Activities	(4,657,790)	-	(4,657,790)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	106,033	748	106,781
Net Cash Provided by Investing Activities	106,033	748	106,781
Net Increase (Decrease) in Cash and Cash Equivalents	603,299	29,252	632,551
Beginning cash and cash equivalents	19,462,157	168,719	19,630,876
Ending Cash and Cash Equivalents	\$ 20,065,456	\$ 197,971	\$ 20,263,427

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, 2022

	<u>Water & Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income	\$ 3,495,802	\$ 151,222	\$ 3,647,024
Adjustments to reconcile operating income to net cash provided:			
Depreciation	1,783,992	-	1,783,992
Loss on disposal of capital assets	1,270	-	1,270
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(4,454)	(14,629)	(19,083)
Inventory	(27,474)	-	(27,474)
Prepays	(42,223)	-	(42,223)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	92,200	(28,089)	64,111
Customer deposits	77,358	-	77,358
Deferred outflows - pension contributions	(1,146)	-	(1,146)
Deferred outflows - OPEB contributions	(202)	-	(202)
Deferred inflows - pension investment earnings	105,072	-	105,072
Deferred outflows - pension assumption changes	2,407	-	2,407
Deferred outflows - Pension actual experience vs. assumption	8,639	-	8,639
Deferred outflows - OPEB change in assumptions	331	-	331
Deferred inflows - OPEB difference in experience	(408)	-	(408)
Net pension liability	(149,827)	-	(149,827)
OPEB liability	4,719	-	4,719
Net Cash Provided by Operating Activities	<u>\$ 5,346,056</u>	<u>\$ 108,504</u>	<u>\$ 5,454,560</u>

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2022

		Custodial Fund
		Streets Escrow
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents		\$ 407,954
	Total Assets	<u>407,954</u>
<u>Liabilities</u>		
Accrued liabilities		296,390
	Total Liabilities	<u>\$ 296,390</u>
<u>Net Position</u>		
Restricted for street improvements		111,564
	Total Net Position	<u>\$ 111,564</u>

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, 2022

		<u>Custodial Fund</u> <u>Streets Escrow</u>
<u>Revenues</u>		
Capital contributions		\$ 70,520
	Total Additions	<u>70,520</u>
<u>Expenses</u>		
Expenses		-
	Total Deductions	<u>\$ -</u>
	Change in Net Position	70,520
Beginning net position		41,044
	Ending Net Position	<u>\$ 111,564</u>

See Notes to Financial Statements.

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City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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, 2022

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

Discretely Presented Component Units

Heath Economic Development Corporation

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

Heath Municipal Benefits Corporation

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

Club Municipal Management District Number 1

The Club Municipal Management District (the "Club MMD") is a special purpose district within the City limits. This district was created by an act of the 82nd Texas legislature in 2011. The primary purpose of the district is to facilitate the construction and continued maintenance of a quality mixed-use residential and commercial development to benefit city residents. The City of Heath Municipal Management District is governed by a board of directors appointed, at will, by the City Council. Club MMD does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City resources. Club MMD issues separate financial statements that are available from 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, 2022

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, 2022

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, 2022

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 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, 2022

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 use the economic resources focus, and 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, 2022

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, 2022

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.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 10 years
Machinery and equipment	3 to 7 years
Infrastructure	5 to 50 years
Buildings and improvements	10 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 assets 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022

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 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, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022

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, 2022

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, 2022

A. Expenditures Over Appropriations

For the year ended September 30, 2022, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
Non-divisional	\$ 150,972
Transfers (out)	115,152
Equipment Replacement Fund:	
Capital outlay	174,586

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, 2022

The City had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
External investment pools			
TexPool	\$ 16,911,261	0.07	AAAm
TexStar	15,615,857	0.03	AAAm
Total carrying value	<u>\$ 32,527,118</u>		
Portfolio weighted average maturity		0.05	

The Heath EDC had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
External investment pools			
TexPool	\$ 1,283,389	0.07	AAAm
TexStar	1,552,888	0.03	AAAm
Total carrying value	<u>\$ 2,836,277</u>		
Portfolio weighted average maturity		0.05	

The Heath MBC had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
External investment pools			
TexPool	\$ 1,453,689	0.07	AAAm
TexStar	1,821,143	0.03	AAAm
Total carrying value	<u>\$ 3,274,832</u>		
Portfolio weighted average maturity		0.05	

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, 2022

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, 2022, 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, 2022, 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, 2022, 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, 2022

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, 2022, the fair value of the position in TexStar approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Receivables

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

	General	Debt Service	Water & Sewer	Solid Waste	Total
Property taxes	\$ 90,774	\$ 41,866	\$ -	\$ -	\$ 132,640
Special assessments	-	164,355	86,551	-	250,906
Sales tax	194,834	-	-	-	194,834
Fines	2,440	-	-	-	2,440
Other	5,361	-	903	-	6,264
Accounts	50,445	-	1,838,270	177,123	2,065,838
Allowance	(976)	-	(31,224)	(5,128)	(37,328)
	<u>\$ 342,878</u>	<u>\$ 206,221</u>	<u>\$ 1,894,500</u>	<u>\$ 171,995</u>	<u>\$ 2,615,594</u>

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

	Heath Club MMD	Heath EDC	Heath MBC	Total
Sales tax	\$ -	\$ 97,417	\$ 97,417	\$ 194,834
Other	-	10,209	10,209	20,418
Assessments	20,245,446	-	-	20,245,446
	<u>\$ 20,245,446</u>	<u>\$ 107,626</u>	<u>\$ 107,626</u>	<u>\$ 20,460,698</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 5,148,390	\$ 138,763	\$ -	\$ 5,287,153
Construction in progress	1,712,361	326,140	(1,704,266)	334,235
Total capital assets not being depreciated	<u>6,860,751</u>	<u>464,903</u>	<u>(1,704,266)</u>	<u>5,621,388</u>
Capital assets, being depreciated:				
Buildings	2,428,225	-	-	2,428,225
Improvements other than buildings	5,176,357	-	-	5,176,357
Infrastructure	72,634,195	-	1,701,209	74,335,404
Machinery and equipment	3,070,376	351,192	-	3,421,568
Total capital assets being depreciated	<u>83,309,153</u>	<u>351,192</u>	<u>1,701,209</u>	<u>85,361,554</u>
Less accumulated depreciation:				
Buildings	(1,762,077)	(113,590)	-	(1,875,667)
Improvements other than buildings	(2,144,821)	(209,034)	-	(2,353,855)
Infrastructure	(30,719,409)	(2,686,280)	-	(33,405,689)
Machinery and equipment	(2,314,591)	(195,453)	-	(2,510,044)
Total accumulated depreciation	<u>(36,940,898)</u>	<u>(3,204,357)</u>	<u>-</u>	<u>(40,145,255)</u>
Net capital assets being depreciated	46,368,255	(2,853,165)	1,701,209	45,216,299
Total Capital Assets	<u><u>\$ 53,229,006</u></u>	<u><u>\$ (2,388,262)</u></u>	<u><u>\$ (3,057)</u></u>	<u><u>\$ 50,837,687</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 31,030
Public safety	223,432
Public works	2,741,684
Culture and recreation	202,335
Community Development	5,876
Total Governmental Activities Depreciation Expense	<u><u>\$ 3,204,357</u></u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 993,216	\$ -	\$ -	\$ 993,216
Construction in progress	1,395,789	2,184,041	(168,700)	3,411,130
Total capital assets not being depreciated	<u>2,389,005</u>	<u>2,184,041</u>	<u>(168,700)</u>	<u>4,404,346</u>
Capital assets, being depreciated:				
Buildings	347,888	22,924	-	370,812
Improvements other than buildings	56,865,821	115,312	167,430	57,148,563
Machinery and equipment	824,335	210,507	-	1,034,842
Total capital assets being depreciated	<u>58,038,044</u>	<u>348,743</u>	<u>167,430</u>	<u>58,554,217</u>
Less accumulated depreciation:				
Buildings	(242,508)	(15,736)	-	(258,244)
Improvements other than buildings	(18,628,579)	(1,708,418)	-	(20,336,997)
Machinery and equipment	(613,168)	(59,838)	-	(673,006)
Total accumulated depreciation	<u>(19,484,255)</u>	<u>(1,783,992)</u>	<u>-</u>	<u>(21,268,247)</u>
Net capital assets being depreciated	<u>38,553,789</u>	<u>(1,435,249)</u>	<u>167,430</u>	<u>37,285,970</u>
Total Capital Assets	<u><u>\$ 40,942,794</u></u>	<u><u>\$ 748,792</u></u>	<u><u>\$ (1,270)</u></u>	<u><u>\$ 41,690,316</u></u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 829,218	\$ 100,412	\$ (42,486)	\$ 887,144	\$ 634,466
Total Governmental Activities	<u>\$ 829,218</u>	<u>\$ 100,412</u>	<u>\$ (42,486)</u>	<u>\$ 887,144</u>	<u>\$ 634,466</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 252,678</u>	
Business-Type Activities:					
Compensated Absences	\$ 196,734	\$ -	\$ -	\$ 196,734	\$ 137,714
Total Business-Type Activities	<u>\$ 196,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,734</u>	<u>\$ 137,714</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 59,020</u>	

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

E. Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 4,110,000	\$ -	\$ (770,000)	\$ 3,340,000	\$ 800,000
Certificates of Obligation	17,804,448	-	(1,069,773)	16,734,675	1,112,920
Note payable to Texas Comptroller	72,710	-	(72,710)	-	-
Premiums	821,822	-	(65,669)	756,153	-
Total Governmental Activities	<u>\$ 22,808,980</u>	<u>\$ -</u>	<u>\$ (1,978,152)</u>	<u>\$ 20,830,828</u>	<u>\$ 1,912,920</u>

Long-term liabilities due in more than one year \$ 18,917,908

Business-Type Activities:

Bonds, notes and other payables:					
General Obligation Bonds	\$ 2,605,000	\$ -	\$ (675,000)	\$ 1,930,000	\$ 370,000
Certificates of Obligation	17,042,651	-	(644,817)	16,397,834	772,382
Premium	1,230,366	-	(93,428)	1,136,938	-
Total Business-Type Activities	<u>\$ 20,878,017</u>	<u>\$ -</u>	<u>\$ (1,413,245)</u>	<u>\$ 19,464,772</u>	<u>\$ 1,142,382</u>

Long-term liabilities due in more than one year \$ 18,322,390

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, 2022

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

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2015 General Obligation Refunding Bonds	2.03%	\$ 4,725,000	\$ 2,700,000
2013 General Obligation Refunding Bonds	2.00-4.00%	1,600,000	640,000
Total General Obligation Bonds		6,325,000	3,340,000
2017 Combination Tax & Revenue Certificates	3.00-5.00%	5,940,000	5,035,000
2014 Combination Tax & Revenue Certificates	3.00-4.00%	14,205,000	10,015,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	1,654,037	1,340,000
2019 Combination Tax & Revenue Certificates	3.70%	453,197	344,675
Total Certificates of Obligation		22,252,234	16,734,675
Note payable to Texas Comptroller	0.00%	220,850	-
Total Notes Payable		220,850	-
Total Governmental Activities		\$ 28,798,084	\$ 20,074,675
Business-type Activities:			
2015 General Obligation Refunding Bonds	2.03%	\$ 3,200,000	\$ 1,930,000
Total General Obligation Bonds		3,200,000	1,930,000
2019 Combination Tax & Revenue Certificates	3.70%	256,802	187,834
2017 Combination Tax & Revenue Certificates	3.00-5.00%	11,600,000	10,190,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	6,540,963	6,020,000
Total Certificates of Obligation		18,397,765	16,397,834
Total Business-Type Activities		\$ 21,597,765	\$ 18,327,834
Total Long-Term Debt			
General Obligation Refunding Bonds		\$ 9,525,000	\$ 5,270,000
Certificates of Obligation		40,649,999	33,132,509
Total Primary Government		\$ 50,395,849	\$ 38,402,509

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

Governmental Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2023	\$ 800,000	\$ 67,612	\$ 1,112,920	\$ 622,431
2024	815,000	46,491	1,149,435	580,812
2025	565,000	29,283	1,126,640	539,493
2026	575,000	17,712	1,161,640	498,728
2027	585,000	5,938	1,207,280	456,462
2028	-	-	1,252,920	412,910
2029	-	-	1,298,560	369,110
2030	-	-	1,333,560	324,335
2031	-	-	1,389,200	273,724
2032	-	-	1,444,840	216,688
2033	-	-	1,506,120	156,673
2034	-	-	1,397,400	96,273
2035	-	-	412,400	56,344
2036	-	-	434,320	35,515
2037	-	-	454,960	13,615
2038	-	-	26,240	1,942
2039	-	-	26,240	971
Total	\$ 3,340,000	\$ 167,036	\$ 16,734,675	\$ 4,656,026

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

Business-Type Activities					
Year ending September 30,	General Obligation Bonds		Certificates of Obligation		
	Principal	Interest	Principal	Interest	
2023	\$ 370,000	\$ 35,424	\$ 772,382	\$ 713,201	
2024	380,000	27,811	803,640	676,645	
2025	385,000	20,046	829,360	637,875	
2026	395,000	12,129	864,360	597,654	
2027	400,000	4,060	894,720	555,908	
2028	-	-	1,245,080	509,798	
2029	-	-	1,300,440	461,425	
2030	-	-	1,345,440	413,614	
2031	-	-	1,400,800	358,627	
2032	-	-	1,461,160	295,953	
2033	-	-	1,526,880	230,490	
2034	-	-	917,600	174,175	
2035	-	-	957,600	127,459	
2036	-	-	1,003,680	78,618	
2037	-	-	1,044,371	27,487	
2038	-	-	14,760	1,092	
2039	-	-	15,561	546	
Total	\$ 1,930,000	\$ 99,470	\$ 16,397,834	\$ 5,860,567	

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Club Municipal Management District					
Special Assessment					
Revenue Bonds Series 2016	\$ 8,500,000	\$ -	\$ (335,000)	\$ 8,165,000	\$ 140,000
Revenue Bonds Series 2021	-	9,230,000	(160,000)	9,070,000	215,000
Note payable to developer	3,125,000	-	(168,834)	2,956,166	50,000
Premium	-	154,677	(4,364)	150,313	-
Total Club MMD	\$ 11,625,000	\$ 9,384,677	\$ (668,198)	\$ 20,341,479	\$ 405,000
Long-term liabilities due in more than one year					\$ 19,936,479

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Heath EDC					
General Obligation Refunding Bonds	\$ 60,000	\$ -	\$ (20,000)	\$ 40,000	\$ 20,000
Note payable to Texas Comptroller	36,355	-	(36,355)	-	-
Total Heath EDC	\$ 96,355	\$ -	\$ (56,355)	\$ 40,000	\$ 20,000
Long-term liabilities due in more than one year					\$ 20,000
Heath MBC					
General Obligation Refunding Bonds	\$ 105,000	\$ -	\$ (35,000)	\$ 70,000	\$ 35,000
Note payable to Texas Comptroller	36,355	-	(36,355)	-	-
Total Heath MBC	\$ 141,355	\$ -	\$ (71,355)	70,000	35,000
Long-term liabilities due in more than one year					\$ 35,000

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

Club Municipal Management District		
Year ending	Special Assessment Bonds	
September 30,	Principal	Interest
2023	\$ 355,000	\$ 1,047,218
2024	360,000	1,038,793
2025	375,000	1,030,243
2026	390,000	1,020,993
2027	435,000	773,399
2028-2032	2,490,000	3,644,588
2033-2037	3,111,000	3,029,705
2038-2042	3,923,000	2,217,505
2043-2047	4,367,000	1,109,355
2048-2052	1,429,000	115,800
Total	\$ 17,235,000	\$ 15,027,599

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Club Municipal Management District		
Year ending September 30,	Note payable to developer	
	Principal	Interest
2023	\$ 50,000	\$ 192,046
2024	50,000	189,175
2025	60,000	186,315
2026	60,000	182,841
2027	70,000	179,387
2028-2032	460,000	824,130
2033-2037	610,000	663,539
2038-2042	800,000	443,625
2043-2046	796,166	75,466
Total	\$ 2,956,166	\$ 2,936,524

Heath EDC		
Year ending September 30,	GO Refunding	
	Principal	Interest
2023	\$ 20,000	\$ 1,100
2024	20,000	400
Total	\$ 40,000	\$ 1,500

Heath MBC		
Year ending September 30,	GO Refunding	
	Principal	Interest
2023	\$ 35,000	\$ 1,925
2024	35,000	700
Total	\$ 70,000	\$ 2,625

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 \$114,091 and \$42,349, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$28,125 and \$7,810, respectively.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

G. Interfund Transfers

Transfers between the primary government funds during the 2022 year were as follows:

Transfers Out	Transfers In					Total
	General	Debt Service	Capital Improvement	Nonmajor Governmental	Water & Sewer	
General	\$ -	\$ 115,152	\$ 400,000	\$ 1,026,600	\$ -	\$ 1,541,752
Water & sewer	231,000	-	-	-	-	231,000
Solid Waste	40,000	-	-	-	40,000	80,000
Total	\$ 271,000	\$ 115,152	\$ 400,000	\$ 1,026,600	\$ 40,000	\$ 1,852,752

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:

	Gov. Funds
Restricted for:	
* Municipal court	\$ 17,599
Fire station	1,104,974
Debt service	525,078
Special programs	150,581
Parks	650,752
Streets	89,474
Capital improvements	12,783,993
Total Restricted	<u>\$ 15,322,451</u>
Assigned for:	
Equipment replacement	\$ 688,044
Tree mitigation	107,874
Police department	128,238
Capital improvements	2,036,833
	<u>\$ 2,960,989</u>

* Restricted by enabling legislation

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022

C. Defined Benefit Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Heath participates as one of 920 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.

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, 2022

Plan provisions for the City were as follows:

	<u>Plan Year 2021</u>	<u>Plan Year 2020</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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	42
Active employees	58
Total	131

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 12.32% and 12.00% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$588,516, and were \$258 less than the required contributions.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 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, 2022

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 2022 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%
\$ 2,747,733	\$ 460,513	\$ (1,412,313)

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/20	\$ 14,374,660	\$ 13,142,051	\$ 1,232,609
Changes for the year:			
Service Cost	820,876	-	820,876
Interest	979,233	-	979,233
Difference between expected and actual experience	59,450	-	59,450
Changes of assumptions	-	-	-
Contributions – employer	-	582,870	(582,870)
Contributions – employee	-	340,008	(340,008)
Net investment income	-	1,716,650	(1,716,650)
Benefit payments, including refunds of emp. contributions	(555,887)	(555,887)	-
Administrative expense	-	(7,927)	7,927
Other changes	-	54	(54)
Net changes	1,303,672	2,075,768	(772,096)
Balance at 12/31/21	\$ 15,678,332	\$ 15,217,819	\$ 460,513

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.tmrs.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, 2022 was \$409,164.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 430,499	\$ -
Difference in experience	270,298	-
Changes in actuarial assumptions	23,446	-
Pension investment earnings	-	(881,257)
Total	\$ 724,243	\$ (881,257)

The City reported \$430,499 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ (34,927)
2023	(259,685)
2024	(136,377)
2025	(156,524)
2026	-
Thereafter	-
Total	\$ (587,513)

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, 2022

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	9
Active employees	58
Total	94

The City's contributions to the TMRS SDBF for the years ended 2022, 2021 and 2020 were \$2,011, \$953, and \$779, respectively, which equaled the required contributions each year.

Three-Year Contribution Information: (Retiree Portion)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Annual Required Contribution (Rate)	0.05%	0.05%	0.02%
Actual Contributions Made	0.05%	0.05%	0.02%
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, 2021, 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, 2022

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	1.84%
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 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

1% Decrease (0.84%)	Current Single Rate Assumption 1.84%	1% Increase (2.81%)
\$ 261,503	\$ 209,440	\$ 170,037

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/20	\$ 185,122
Changes for the year:	
Service Cost	13,600
Interest	3,814
Difference between expected and actual experience	2,274
Changes of assumptions	7,059
Benefit payments	(2,429)
Net changes	24,318
Balance at 12/31/21	\$ 209,440

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$26,358.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources
Contributions subsequent to the measurement date	\$ 1,747
Difference in experience	1,291
Changes in actuarial assumptions	37,343
Total	\$ 40,381

The City reported \$1,747 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, 2023.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

Year ended December 31:		
2022	\$	8,944
2023		8,944
2024		7,695
2025		8,264
2026		3,897
Thereafter		890
	\$	<u>38,634</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, 2022

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, 2022

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 \$14,073,712 at ANB.

I. Restatement

Due to adjustments to the payment amortization schedules for outstanding debts, the City restated its beginning net position within governmental activities, business-type activities, and the water/sewer fund.

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

	Governmental Activities
Prior year ending net position/fund balance, as reported	\$ 50,289,121
Adjustment to debt payment amortization schedule	8,320
Restated beginning net position/fund balance	<u>\$ 50,297,441</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

	Bus-Type Activities	Water & Sewer
Prior year ending net position/fund balance, as reported	\$ 40,979,471	\$ 40,826,861
Adjustment to debt payment amortization schedule	4,680	4,680
Restated beginning net position/fund balance	<u>\$ 40,984,151</u>	<u>\$ 40,831,541</u>

	Fiduciary Activities
Prior year ending net position, as reported	\$ -
Adjustment to reduce liabilities not yet owed	41,044
Restated beginning net position	<u>\$ 41,044</u>

J. Subsequent Events

There were no material subsequent events were noted through May 31, 2023, the date the financial statements were available to be issued.

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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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property tax	\$ 4,880,400	\$ 4,880,400	\$ 4,917,381	\$ 36,981
Sales & beverage tax	1,200,000	1,200,000	1,485,769	285,769
Franchise tax	568,000	568,000	625,609	57,609
Licenses and permits	871,700	871,700	1,147,280	275,580
Intergovernmental	412,500	412,500	1,579,678	1,167,178
Charges for services	156,800	156,800	147,244	(9,556)
Fines and forfeitures	69,200	69,200	120,370	51,170
Investment income	3,000	3,000	31,813	28,813
Other revenue	29,000	29,000	33,558	4,558
Total Revenues	8,190,600	8,190,600	10,088,702	1,898,102
<u>Expenditures</u>				
Current:				
City council	52,200	52,200	37,244	14,956
City secretary	202,400	185,400	190,690	(5,290)
City attorney	200,100	230,100	108,353	121,747
City manager	249,300	249,300	209,604	39,696
Finance	307,100	309,500	293,389	16,111
Non-divisional	520,400	510,400	661,372	(150,972) *
Highways and streets	830,500	804,100	325,266	478,834
Parks	587,300	525,300	478,407	46,893
Engineering and construction	314,200	314,200	185,179	129,021
Municipal court	69,100	83,100	81,420	1,680
Public safety	4,235,000	4,304,000	4,211,047	92,953
Communication and economic development	685,800	685,800	649,847	35,953
Debt service				
Principal	-	-	72,710	(72,710) ²
Total Expenditures	8,253,400	8,253,400	7,504,528	748,872
Revenues Over (Under)				
Expenditures	(62,800)	(62,800)	2,584,174	2,646,974

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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Other Financing Sources (Uses)</u>				
Transfers in	271,000	271,000	271,000	-
Transfers (out)	(1,426,600)	(1,426,600)	(1,541,752)	(115,152) *
Total Other Financing Sources				
(Uses)	(1,155,600)	(1,155,600)	(1,270,752)	(115,152)
Net Change in Fund Balance	\$ (1,218,400)	\$ (1,218,400)	1,313,422	\$ 2,531,822
Beginning fund balance			5,337,243	
Ending Fund Balance			\$ 6,650,665	

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,

	2021	2020	2019
Total pension liability			
Service cost	\$ 820,876	\$ 782,078	\$ 685,576
Interest	979,233	884,390	799,111
Differences between expected and actual experience	59,450	250,621	128,465
Changes of assumptions	-	-	60,664
Benefit payments, including refunds of participant contributions	(555,887)	(506,923)	(410,419)
Net change in total pension liability	1,303,672	1,410,166	1,263,397
Total pension liability - beginning	\$ 14,374,660	\$ 12,964,494	\$ 11,701,097
Total pension liability - ending (a)	\$ 15,678,332	\$ 14,374,660	\$ 12,964,494
Plan fiduciary net position			
Contributions - employer	\$ 582,870	\$ 536,083	\$ 457,597
Contributions - members	340,008	324,899	287,539
Net investment income	1,716,650	904,105	1,550,733
Benefit payments, including refunds of participant contributions	(555,887)	(506,923)	(410,419)
Administrative expenses	(7,927)	(5,840)	(8,747)
Other	54	(227)	(264)
Net change in plan fiduciary net position	2,075,768	1,252,097	1,876,439
Plan fiduciary net position - beginning	13,142,051	11,889,954	10,013,515
Plan fiduciary net position - ending (b)	\$ 15,217,819	\$ 13,142,051	\$ 11,889,954
Fund's net pension liability - ending (a) - (b)	\$ 460,513	\$ 1,232,609	\$ 1,074,540
 Plan fiduciary net position as a percentage of the total pension liability	 97.06%	 91.43%	 91.71%
Covered payroll	\$ 4,857,253	\$ 4,641,411	\$ 4,107,702
Fund's net pension liability as a percentage of covered payroll	9.48%	26.56%	26.16%

Notes to schedule:

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

	2018	2017	2016	2015	2014 ¹
\$	642,835	\$ 579,954	\$ 545,303	\$ 511,422	\$ 464,674
	719,174	659,959	607,425	553,402	501,186
	155,824	(73,547)	(70,104)	77,120	(54,710)
	-	-	-	185,491	-
	(299,493)	(341,591)	(301,756)	(200,712)	(176,432)
	1,218,340	824,775	780,868	1,126,723	734,718
\$	10,482,757	\$ 9,657,982	\$ 8,877,114	\$ 7,750,391	\$ 7,015,673
\$	11,701,097	\$ 10,482,757	\$ 9,657,982	\$ 8,877,114	\$ 7,750,391
\$	433,642	\$ 405,755	\$ 352,127	\$ 340,543	\$ 267,260
	271,894	247,844	230,363	221,749	200,947
	(297,233)	1,170,154	516,987	10,741	378,357
	(299,493)	(341,591)	(301,756)	(200,712)	(176,432)
	(5,738)	(6,059)	(5,834)	(6,541)	(3,949)
	(298)	(306)	(314)	(324)	(325)
	102,774	1,475,797	791,573	365,456	665,858
	9,910,741	8,434,944	7,643,371	7,277,915	6,612,057
\$	10,013,515	\$ 9,910,741	\$ 8,434,944	\$ 7,643,371	\$ 7,277,915
\$	1,687,582	\$ 572,016	\$ 1,223,038	\$ 1,233,743	\$ 472,476
	85.58%	94.54%	87.34%	86.10%	93.90%
\$	3,884,201	\$ 3,540,624	\$ 3,290,903	\$ 3,135,634	\$ 2,870,669
	43.45%	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:

	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Actuarially determined employer contributions	\$ 588,517	\$ 566,320	\$ 501,630	\$ 454,243
Contributions in relation to the actuarially determined contribution	\$ 588,517	\$ 566,320	\$ 501,630	\$ 454,243
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,765,347	\$ 4,765,347	\$ 4,377,302	\$ 4,075,081
Employer contributions as a percentage of covered payroll	12.35%	11.88%	11.46%	11.15%

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	23 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 UMP.

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>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 429,534	\$ 392,931	\$ 363,477	\$ 312,836
<u>\$ 429,534</u>	<u>\$ 392,931</u>	<u>\$ 363,477</u>	<u>\$ 312,836</u>
\$ -	\$ -	\$ -	\$ -
\$ 3,822,831	\$ 3,482,574	\$ 3,392,712	\$ 3,016,574
11.24%	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,

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 13,600	\$ 12,068	\$ 8,215	\$ 10,487
Interest	3,814	4,104	4,115	3,568
Differences between expected and actual experience	2,274	(450)	(186)	(513)
Changes of assumptions	7,059	26,652	24,932	(8,897)
Benefit payments, including refunds of participant contributions	(2,429)	(928)	(411)	(388)
Net change in total OPEB liability	24,318	41,446	36,665	4,257
Total OPEB liability - beginning	\$ 185,122	\$ 143,676	\$ 107,011	\$ 102,754
Total OPEB liability - ending	\$ 209,440	\$ 185,122	\$ 143,676	\$ 107,011
 Covered-employee payroll	 \$ 4,857,253	 \$ 4,641,411	 \$ 4,107,702	 \$ 3,884,201
City's total OPEB liability as a percentage of covered-employee payroll	 4.31%	 3.99%	 3.50%	 2.76%

Notes to schedule:

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

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

<u>2017</u>	¹
\$ 8,497	
3,264	
-	
9,071	
(354)	
<u>20,478</u>	
\$ 82,276	
<u>\$ 102,754</u>	²
\$ 3,540,624	
2.90%	

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***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, 2022

	Public Safety Donations	Marsha's Happy Haven	Farmers' Market	Park in Lieu	PATH
<u>Assets</u>					
Cash and cash equivalents	\$ 145,837	\$ 86,663	\$ 19,774	\$ 40,457	\$ 44,564
Total Assets	\$ 145,837	\$ 86,663	\$ 19,774	\$ 40,457	\$ 44,564
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 420	\$ -	\$ -
Total Liabilities	-	-	420	-	-
<u>Fund Balances</u>					
Restricted for:					
Public safety	17,599	-	-	-	-
Parks	-	-	-	40,457	-
Special programs	-	86,663	19,354	-	44,564
Streets	-	-	-	-	-
Assigned for:					
Police department	128,238	-	-	-	-
Equipment replacement	-	-	-	-	-
Tree mitigation	-	-	-	-	-
Total Fund Balances	145,837	86,663	19,354	40,457	44,564
Total Liabilities					
and Fund Balances	\$ 145,837	\$ 86,663	\$ 19,774	\$ 40,457	\$ 44,564

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>
\$ 89,474	\$ 1,104,974	\$ 715,360	\$ 107,874	\$ 610,295	\$ 2,965,272
<u>\$ 89,474</u>	<u>\$ 1,104,974</u>	<u>\$ 715,360</u>	<u>\$ 107,874</u>	<u>\$ 610,295</u>	<u>\$ 2,965,272</u>
\$ -	\$ -	\$ 27,316	\$ -	\$ -	\$ 27,736
<u>-</u>	<u>-</u>	<u>27,316</u>	<u>-</u>	<u>-</u>	<u>27,736</u>
-	1,104,974	-	-	-	1,122,573
-	-	-	-	610,295	650,752
-	-	-	-	-	150,581
89,474	-	-	-	-	89,474
-	-	-	-	-	128,238
-	-	688,044	-	-	688,044
-	-	-	107,874	-	107,874
<u>89,474</u>	<u>1,104,974</u>	<u>688,044</u>	<u>107,874</u>	<u>610,295</u>	<u>2,937,536</u>
<u>\$ 89,474</u>	<u>\$ 1,104,974</u>	<u>\$ 715,360</u>	<u>\$ 107,874</u>	<u>\$ 610,295</u>	<u>\$ 2,965,272</u>

City of Heath, Texas

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

For the Year Ended September 30, 2022

	Public Safety Donations	Marsha's Happy Haven	Farmers' Market	Park in Lieu	PATH
<u>Revenues</u>					
Contributions & donations	\$ -	\$ 2,200	\$ 12,015	\$ -	\$ 19,566
Intergovernmental revenue	-	-	-	-	-
Other revenue	16,616	-	3,420	-	-
Investment income	628	376	37	176	185
Total Revenues	17,244	2,576	15,472	176	19,751
<u>Expenditures</u>					
General government	-	-	15,411	-	-
Public safety	9,190	-	-	-	-
Capital outlay	-	3,538	-	-	1,475
Total Expenditures	9,190	3,538	15,411	-	1,475
Revenues Over (Under) Expenditures	8,054	(962)	61	176	18,276
<u>Other Financing Sources (Uses)</u>					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	8,000	-	-
Total Other Financing Sources (Uses)	-	-	8,000	-	-
Net Change in Fund Balances	8,054	(962)	8,061	176	18,276
Beginning fund balances	137,783	87,625	11,293	40,281	26,288
Ending Fund Balances	\$ 145,837	\$ 86,663	\$ 19,354	\$ 40,457	\$ 44,564

See Notes to Financial Statements.

<u>Drainage</u>	<u>Fire Station Building</u>	<u>Equipment Replacement</u>	<u>Tree Mitigation</u>	<u>Parks CIP</u>	<u>Total Nonmajor Governmental</u>
\$ 34,500	\$ -	\$ -	\$ -	\$ -	\$ 68,281
-	-	-	-	254,000	254,000
-	-	-	-	-	20,036
260	4,072	2,782	-	-	8,516
<u>34,760</u>	<u>4,072</u>	<u>2,782</u>	<u>-</u>	<u>254,000</u>	<u>350,833</u>
-	-	-	-	-	15,411
-	2,975	-	-	-	12,165
21,189	-	343,086	-	11,500	380,788
<u>21,189</u>	<u>2,975</u>	<u>343,086</u>	<u>-</u>	<u>11,500</u>	<u>408,364</u>
13,571	1,097	(340,304)	-	242,500	(57,531)
-	-	79,970	-	-	79,970
20,000	500,000	498,600	-	-	1,026,600
<u>20,000</u>	<u>500,000</u>	<u>578,570</u>	<u>-</u>	<u>-</u>	<u>1,106,570</u>
33,571	501,097	238,266	-	242,500	1,049,039
55,903	603,877	449,778	107,874	367,795	1,888,497
<u>\$ 89,474</u>	<u>\$ 1,104,974</u>	<u>\$ 688,044</u>	<u>\$ 107,874</u>	<u>\$ 610,295</u>	<u>\$ 2,937,536</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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>				
Property tax	\$ 2,547,000	\$ 2,547,000	\$ 2,539,590	\$ (7,410)
Special assessments	15,000	15,000	18,991	3,991
Investment income	1,000	1,000	1,070	70
Total Revenues	<u>2,563,000</u>	<u>2,563,000</u>	<u>2,559,651</u>	<u>(3,349)</u>
<u>Expenditures</u>				
Debt service:				
Principal	1,839,800	1,839,800	1,839,773	27
Interest	760,200	760,200	751,733	8,467
Total Expenditures	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,591,506</u>	<u>8,494</u>
Revenues Over (Under) Expenditures	<u>(37,000)</u>	<u>(37,000)</u>	<u>(31,855)</u>	<u>5,145</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	115,152	115,152
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>115,152</u>	<u>115,152</u>
Net Change in Fund Balance	<u>\$ (37,000)</u>	<u>\$ (37,000)</u>	83,297	<u>\$ 120,297</u>
Beginning fund balance			441,781	
Ending Fund Balance			<u>\$ 525,078</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, 2022

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Contributions and donations	\$ 5,000	\$ 2,200	\$ (2,800)
Interest income	100	376	276
Total Revenues	5,100	2,576	(2,524)
<u>Expenditures</u>			
General government	15,500	-	15,500
Capital outlay	10,000	3,538	6,462
Total Expenditures	25,500	3,538	21,962
Revenues Over (Under) Expenditures	(20,400)	(962)	19,438
Net Change in Fund Balance	\$ (20,400)	(962)	\$ 19,438
Beginning fund balance		87,625	
Ending Fund Balance		\$ 86,663	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Contributions and donations	\$ 12,000	\$ 12,015	\$ 15
Total Revenues	12,000	15,472	3,472
<u>Expenditures</u>			
General government	20,000	15,411	4,589
Total Expenditures	20,000	15,411	4,589
Revenues Over (Under) Expenditures	(8,000)	61	8,061
<u>Other Financing Sources (Uses)</u>			
Transfers in	8,000	8,000	-
Total Other Financing Sources (Uses)	8,000	8,000	-
Net Change in Fund Balance	\$ -	8,061	\$ 8,061
Beginning fund balance		11,293	
Ending Fund Balance		\$ 19,354	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PATH FUND
For the Year Ended September 30, 2022

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Contributions and donations	\$ 20,000	\$ 19,566	\$ (434)
Investment income	-	185	185
Total Revenues	20,000	19,751	(249)
<u>Expenditures</u>			
General government	3,500	-	3,500
Capital outlay	10,500	1,475	9,025
Total Expenditures	14,000	1,475	12,525
Revenues Over (Under) Expenditures	6,000	18,276	12,276
Net Change in Fund Balance	\$ 6,000	18,276	\$ 12,276
Beginning fund balance		26,288	
Ending Fund Balance		\$ 44,564	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Contributions & donations	\$ -	\$ 34,500	\$ 34,500
Investment income	100	260	160
Total Revenues	100	34,760	34,660
<u>Expenditures</u>			
Capital outlay	60,000	21,189	38,811
Total Expenditures	60,000	21,189	38,811
Revenues Over (Under) Expenditures	(59,900)	13,571	73,471
<u>Other Financing Sources (Uses)</u>			
Transfers in	20,000	20,000	-
Total Other Financing Sources (Uses)	20,000	20,000	-
Net Change in Fund Balance	\$ (39,900)	33,571	\$ 73,471
Beginning fund balance		55,903	
Ending Fund Balance		\$ 89,474	

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
FIRE STATION BUILDING FUND
For the Year Ended September 30, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>			
Investment income	\$ 300	\$ 4,072	\$ 3,772
Total Revenues	<u>300</u>	<u>4,072</u>	<u>3,772</u>
<u>Expenditures</u>			
Public safety	25,000	2,975	22,025
Total Expenditures	<u>25,000</u>	<u>2,975</u>	<u>22,025</u>
Revenues Over (Under) Expenditures	<u>(24,700)</u>	<u>1,097</u>	<u>25,797</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	500,000	500,000	-
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 475,300</u>	501,097	<u>\$ 25,797</u>
Beginning fund balance		603,877	
Ending Fund Balance		<u>\$ 1,104,974</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 EQUIPMENT REPLACEMENT FUND For the Year Ended September 30, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>			
Investment income	\$ 200	\$ 2,782	\$ 2,582
Total Revenues	<u>200</u>	<u>2,782</u>	<u>2,582</u>
<u>Expenditures</u>			
Capital outlay	168,500	343,086	(174,586)
Total Expenditures	<u>168,500</u>	<u>343,086</u>	<u>(174,586) *</u>
Revenues Over (Under) Expenditures	<u>(168,300)</u>	<u>(340,304)</u>	<u>(172,004)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from sale of assets	-	79,970	79,970
Transfers in	498,526	498,600	74
Total Other Financing Sources (Uses)	<u>498,526</u>	<u>578,570</u>	<u>80,044</u>
Net Change in Fund Balance	<u>\$ 330,226</u>	<u>238,266</u>	<u>\$ (91,960)</u>
Beginning fund balance		449,778	
Ending Fund Balance		<u>\$ 688,044</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
TREE MITIGATION FUND
For the Year Ended September 30, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>			
Contributions	\$ 40,600	\$ -	\$ (40,600)
Total Revenues	<u>40,600</u>	<u>-</u>	<u>(40,600)</u>
<u>Expenditures</u>			
Capital outlay	20,800	-	20,800
Total Expenditures	<u>20,800</u>	<u>-</u>	<u>20,800</u>
Revenues Over (Under) Expenditures	<u>19,800</u>	<u>-</u>	<u>(19,800)</u>
Net Change in Fund Balance	<u>\$ 19,800</u>	<u>-</u>	<u>\$ (19,800)</u>
Beginning fund balance		107,874	
Ending Fund Balance		<u>\$ 107,874</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, EXPENSES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HEATH ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended September 30, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>			
Sales tax	\$ 566,500	\$ 710,101	\$ 143,601
Other revenue	29,000	43,803	14,803
Investment income	1,000	18,460	17,460
Total Revenues	<u>596,500</u>	<u>772,364</u>	<u>175,864</u>
<u>Expenditures</u>			
Current:			
Economic development	443,700	181,874	261,826
Debt service:			
Principal	20,000	56,355	(36,355) ²
Interest and fiscal charges	1,700	1,700	-
Total Expenditures	<u>465,400</u>	<u>239,929</u>	<u>225,471</u>
Revenues Over (Under)			
Expenditures	<u>131,100</u>	<u>532,435</u>	<u>401,335</u>
Net Change in Fund Balance	<u>\$ 131,100</u>	<u>532,435</u>	<u>\$ 401,335</u>
Beginning fund balance		2,458,411	
Ending Fund Balance		<u>\$ 2,990,846</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, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>			
Sales tax	\$ 566,500	\$ 710,101	\$ 143,601
Investment income	1,000	21,389	20,389
Other income	29,000	43,803	14,803
Total Revenues	<u>596,500</u>	<u>775,293</u>	<u>178,793</u>
<u>Expenditures</u>			
Current:			
Economic opportunity	470,100	174,657	295,443
Debt service:			
Principal	35,000	71,355	(36,355) ²
Interest and fiscal charges	3,000	2,975	25
Total Expenditures	<u>508,100</u>	<u>248,987</u>	<u>259,113</u>
Revenues Over (Under)			
Expenditures	<u>88,400</u>	<u>526,306</u>	<u>437,906</u>
Net Change in Fund Balance	<u>\$ 88,400</u>	<u>526,306</u>	<u>\$ 437,906</u>
Beginning fund balance		2,894,411	
Ending Fund Balance		<u>\$ 3,420,717</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, 2022

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 59,457	\$ 2,883,595	\$ 3,313,091	\$ 6,256,143
Restricted cash	2,398,265	-	-	2,398,265
Receivables, net	20,245,446	107,626	107,626	20,460,698
Prepays	3,179	-	-	3,179
Total Assets	\$ 22,706,347	\$ 2,991,221	\$ 3,420,717	\$ 29,118,285
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 36,104	\$ 375	\$ -	\$ 36,479
Total Liabilities	36,104	375	-	36,479
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property assessments	20,245,446	-	-	20,245,446
<u>Fund Balances</u>				
Nonspendable	3,179	-	-	3,179
Restricted for:				
Debt service	2,392,765	-	-	2,392,765
Economic development	-	2,990,846	-	2,990,846
Economic opportunities	-	-	3,420,717	3,420,717
Unassigned	28,853	-	-	28,853
Total Fund Balance	2,424,797	2,990,846	3,420,717	8,836,360
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 22,706,347	\$ 2,991,221	\$ 3,420,717	\$ 29,118,285

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, 2022

Fund Balance	\$ 8,836,360
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Adjustments for the Statement of Net Position:

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

Property assessment receivable	20,245,446
--------------------------------	------------

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

Accrued interest	(218,360)
------------------	-----------

Non-current liabilities due in one year	(460,000)
---	-----------

Non-current liabilities due in more than one year	(19,991,479)
---	--------------

Net Position of the Discretely Presented Component Unit	\$ 8,411,967
--	---------------------

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, 2022

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Revenues</u>				
Sales tax	\$ -	\$ 710,101	\$ 710,101	\$ 1,420,202
Property assessments	2,066,632	-	-	2,066,632
Investment income	16,739	18,460	21,389	56,588
Other revenue	-	43,803	43,803	87,606
Total Revenues	2,083,371	772,364	775,293	3,631,028
<u>Expenditures</u>				
Current:				
General government	8,658,943	181,874	174,657	9,015,474
Debt Service:				
Principal	613,834	56,355	71,355	741,544
Interest and fiscal charges	761,009	1,700	2,975	765,684
Debt issuance costs	838,841	-	-	838,841
Total Expenditures	10,872,627	239,929	248,987	11,361,543
Total Revenues				
Over (Under) Expenditures	(8,789,256)	532,435	526,306	(7,730,515)
<u>Other Financing Sources (Uses)</u>				
Debt issuance	9,230,000	-	-	9,230,000
Premium on debt issuance	154,677	-	-	154,677
Total Other Financing Sources				
(Uses)	9,384,677	-	-	9,384,677
Net Change in Fund Balance	595,421	532,435	526,306	1,654,162
Beginning fund balance	1,829,376	2,458,411	2,894,411	7,182,198
Ending Fund Balance	\$ 2,424,797	\$ 2,990,846	\$ 3,420,717	\$ 8,836,360

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, 2022

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

Net changes in fund balance	\$ 1,654,162
-----------------------------	--------------

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	(178,287)
------------------	-----------

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

Property assessments	8,828,900
----------------------	-----------

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.

Issuance of debt	(9,230,000)
Premium on current year issuance	(154,677)
Amortization of premium	4,364
Principal payments expensed	741,544
Change in Net Position of the Discretely Presented Component Unit	\$ 1,666,006

See Notes to Financial Statements.

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City of Heath, Texas
COMBINING SCHEDULE OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2022

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 59,457	\$ 2,883,595	\$ 3,313,091	\$ 6,256,143
Restricted assets - cash	2,398,265	-	-	2,398,265
Receivables, current	180,000	107,626	107,626	395,252
Prepays	3,179	-	-	3,179
Total Current Assets	2,640,901	2,991,221	3,420,717	9,052,839
Assessment receivables, net	20,065,446	-	-	20,065,446
Total Noncurrent Assets	20,065,446	-	-	20,065,446
Total Assets	22,706,347	2,991,221	3,420,717	29,118,285
<u>Liabilities</u>				
Accounts payable and accrued liabilities	36,104	375	-	36,479
Accrued interest payable	217,657	256	447	218,360
Debt due within one year	405,000	20,000	35,000	460,000
Total Current Liabilities	658,761	20,631	35,447	714,839
Noncurrent liabilities:				
Debt due in more than one year	19,936,479	20,000	35,000	19,991,479
	19,936,479	20,000	35,000	19,991,479
Total Liabilities	20,595,240	40,631	70,447	20,706,318
<u>Net Position</u>				
Economic development	2,111,107	2,950,590	-	5,061,697
Economic opportunities	-	-	3,350,270	3,350,270
Total Net Position	\$ 2,111,107	\$ 2,950,590	\$ 3,350,270	\$ 8,411,967

City of Heath, Texas
COMBINING SCHEDULE OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2022

Functions/Programs	Expenses
Component Units	
Governmental Activities	
Heath EDC	\$ 183,574
Heath MBC	177,632
Heath Club MMD	10,432,716
Total Governmental Activities	10,793,922
Total Component Units	\$ 10,793,922

General Revenues:

Property assessments

Sales taxes

Investment income

Other revenues

Total General Revenues

Change in Net Position

Beginning Net Position

Ending Net Position

Net (Expense) Revenue and Changes in Net Position

Heath Club MMD	Heath EDC	Heath MBC	Total
\$ -	\$ (183,574)	\$ -	\$ (183,574)
-	-	(177,632)	(177,632)
(10,432,716)	-	-	(10,432,716)
(10,432,716)	(183,574)	(177,632)	(10,793,922)
<u>\$ (10,432,716)</u>	<u>\$ (183,574)</u>	<u>\$ (177,632)</u>	<u>\$ (10,793,922)</u>
10,895,532	-	-	10,895,532
-	710,101	710,101	1,420,202
16,739	18,460	21,389	56,588
-	43,803	43,803	87,606
<u>10,912,271</u>	<u>772,364</u>	<u>775,293</u>	<u>12,459,928</u>
479,555	588,790	597,661	1,666,006
1,631,552	2,361,800	2,752,609	6,745,961
<u>\$ 2,111,107</u>	<u>\$ 2,950,590</u>	<u>\$ 3,350,270</u>	<u>\$ 8,411,967</u>

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STATISTICAL SECTION

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

Contents	Pages
Financial Trends	130-138
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	141-147
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	148-152
<i>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.</i>	
Demographic and Economic Information	153-154
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	155-159
<i>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.</i>	

City of Heath, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities				
Net investment in				
capital assets	\$ 13,894,049	\$ 17,139,345	\$ 17,619,628	\$ 21,393,254
Restricted	6,690,500	4,069,297	5,851,912	5,928,193
Unrestricted	2,244,000	1,905,131	2,393,926	3,385,275
Total Governmental				
Net Position	<u>\$ 22,828,549</u>	<u>\$ 23,113,773</u>	<u>\$ 25,865,466</u>	<u>\$ 30,706,722</u>
 Business-type Activities				
Net investment in				
capital assets	\$ 14,592,909	\$ 18,020,897	\$ 17,729,466	\$ 19,149,289
Unrestricted	7,066,450	3,654,631	5,271,577	8,215,084
 Total Business-type Activities Net Position	<u>\$ 21,659,359</u>	<u>\$ 21,675,528</u>	<u>\$ 23,001,043</u>	<u>\$ 27,364,373</u>
 Primary Government				
Net investment in				
capital assets	\$ 28,486,958	\$ 35,160,242	\$ 35,349,094	\$ 40,542,543
Restricted	6,690,500	4,069,297	5,851,912	5,928,193
Unrestricted	9,310,450	5,559,762	7,665,503	11,600,359
 Total Primary Government Net Position	<u>\$ 44,487,908</u>	<u>\$ 44,789,301</u>	<u>\$ 48,866,509</u>	<u>\$ 58,071,095</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 27,408,643	\$ 29,968,936	\$ 30,950,857	\$ 32,049,289	\$ 38,750,011	\$ 37,107,169
2,958,896	3,345,643	4,361,355	6,686,903	6,813,805	8,336,231
2,310,544	982,057	3,062,088	4,092,853	4,733,625	8,291,218
<u>\$ 32,678,083</u>	<u>\$ 34,296,636</u>	<u>\$ 38,374,300</u>	<u>\$ 42,829,045</u>	<u>\$ 50,297,441</u>	<u>\$ 53,734,618</u>
\$ 23,267,682	\$ 23,148,366	\$ 26,221,080	\$ 26,420,026	\$ 24,985,034	\$ 24,833,213
6,338,911	8,201,092	7,915,330	10,063,889	15,999,117	18,919,724
<u>\$ 29,606,593</u>	<u>\$ 31,349,458</u>	<u>\$ 34,136,410</u>	<u>\$ 36,483,915</u>	<u>\$ 40,984,151</u>	<u>\$ 43,752,937</u>
\$ 50,676,325	\$ 53,117,302	\$ 57,171,937	\$ 58,469,315	\$ 63,735,045	\$ 61,940,382
2,958,896	3,345,643	4,361,355	6,686,903	6,813,805	8,336,231
8,649,455	9,183,149	10,977,418	14,156,742	20,732,742	27,210,942
<u>\$ 62,284,676</u>	<u>\$ 65,646,094</u>	<u>\$ 72,510,710</u>	<u>\$ 79,312,960</u>	<u>\$ 91,281,592</u>	<u>\$ 97,487,555</u>

City of Heath, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$ 1,130,893	\$ 1,037,325	\$ 1,188,977	\$ 1,128,310
Public safety	2,594,015	2,924,001	3,024,089	3,112,772
Public works	2,010,404	2,064,771	2,336,387	2,686,868
Culture and recreation	232,883	250,703	392,967	452,702
Community development	-	-	-	65,353
Economic development	45,149	121,733	145,785	-
Economic opportunity	46,407	29,413	172,992	-
Interest and fiscal charges	487,552	697,067	887,976	888,139
Total governmental activities	6,547,303	7,125,013	8,149,173	8,334,144
Business-type activities:				
Water and sewer	4,696,947	4,779,334	5,300,822	5,923,354
Solid waste	459,156	477,945	489,701	476,804
Total business-type activities	5,156,103	5,257,279	5,790,523	6,400,158
Total primary government	\$ 11,703,406	\$ 12,382,292	\$ 13,939,696	\$ 14,734,302
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 28,000	\$ 45,070	\$ 39,260	\$ 38,365
Public safety	374,837	437,582	484,400	641,126
Public works	33,163	60,684	84,226	133,966
Culture and recreation	9,830	6,190	5,215	5,960
Operating grants and contributions	205,204	206,313	239,646	247,454
Capital grants and contributions	801,848	1,004,919	2,721,107	7,053,743
Total governmental activities	1,452,882	1,760,758	3,573,854	8,120,614
Business-type activities:				
Charges for services:				
Water and sewer	5,445,750	4,973,658	5,759,498	6,307,932
Solid waste	540,592	541,124	549,198	567,173
Operating grants and contributions	-	-	-	-
Capital grants and contributions	317,567	-	1,030,273	4,112,483
Total business-type activities	6,303,909	5,514,782	7,338,969	10,987,588
Total primary government	\$ 7,756,791	\$ 7,275,540	\$ 10,912,823	\$ 19,108,202
Net (Expense)/Revenue				
Governmental activities	\$ (5,094,421)	\$ (5,364,255)	\$ (4,575,319)	\$ (213,530)
Business-type activities	1,147,806	257,503	1,548,446	4,587,430
Total primary government	\$ (3,946,615)	\$ (5,106,752)	\$ (3,026,873)	\$ 4,373,900

2017	2018	2019	2020	2021	2022
\$ 1,419,003	\$ 1,428,893	\$ 1,605,288	\$ 1,467,595	\$ 1,691,608	\$ 1,727,848
3,418,938	3,431,047	3,670,170	3,910,066	4,217,615	4,428,016
2,537,936	2,471,864	2,679,280	3,005,180	3,482,020	3,424,073
521,392	861,720	740,197	697,569	628,341	662,172
526,038	506,854	553,605	532,182	609,763	655,723
-	-	-	-	-	-
-	-	-	-	-	-
967,630	895,800	885,363	821,970	769,473	707,114
9,390,937	9,596,178	10,133,903	10,434,562	11,398,820	11,604,946
7,003,444	7,246,085	8,722,426	8,539,475	9,912,066	10,141,412
609,491	701,482	740,532	811,224	905,134	896,996
7,612,935	7,947,567	9,462,958	9,350,699	10,817,200	11,038,408
\$ 17,003,872	\$ 17,543,745	\$ 19,596,861	\$ 19,785,261	\$ 22,216,020	\$ 22,643,354
\$ 43,575	\$ 44,625	\$ 123,039	\$ 133,934	\$ 142,979	\$ 143,994
604,905	877,433	59,485	45,353	74,565	120,370
99,999	142,597	892,860	901,025	906,180	1,147,280
11,440	12,500	9,148	2,935	-	3,250
286,399	296,672	457,191	1,057,251	630,819	1,901,959
2,493,945	1,244,094	2,929,400	3,417,766	6,438,792	918,211
3,540,263	2,617,921	4,471,123	5,558,264	8,193,335	4,235,064
8,175,863	8,616,924	9,416,981	9,902,818	10,798,917	12,821,447
710,215	803,713	850,718	888,796	966,822	1,048,218
-	-	-	-	1,156,045	-
1,129,806	347,540	2,039,039	777,717	2,562,617	-
10,015,884	9,768,177	12,306,738	11,569,331	15,484,401	13,869,665
\$ 13,556,147	\$ 12,386,098	\$ 16,777,861	\$ 17,127,595	\$ 23,677,736	\$ 18,104,729
\$ (5,850,674)	\$ (6,978,257)	\$ (5,662,780)	\$ (4,876,298)	\$ (3,205,485)	\$ (7,369,882)
2,402,949	1,820,610	2,843,780	2,218,632	4,667,201	2,831,257
\$ (3,447,725)	\$ (5,157,647)	\$ (2,819,000)	\$ (2,657,666)	\$ 1,461,716	\$ (4,538,625)

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,770,807	\$ 3,894,536	\$ 5,239,879	\$ 5,456,333
Sales and other taxes	870,171	1,000,205	1,063,151	582,830
Franchise taxes	496,413	525,783	561,488	553,374
Investment earnings	10,280	8,187	8,850	46,097
Other income	102,460	180,712	227,744	525,162
Transfers, net	40,000	204,000	225,900	239,850
Total governmental activities	<u>5,290,131</u>	<u>5,813,423</u>	<u>7,327,012</u>	<u>7,403,646</u>
Business-type activities:				
Investment earnings	9,703	7,037	2,969	15,750
Other income	-	-	-	-
Transfers, net	(40,000)	(204,000)	(225,900)	(239,850)
Total business-type activities	<u>(30,297)</u>	<u>(196,963)</u>	<u>(222,931)</u>	<u>(224,100)</u>
Total primary government	<u><u>\$ 5,259,834</u></u>	<u><u>\$ 5,616,460</u></u>	<u><u>\$ 7,104,081</u></u>	<u><u>\$ 7,179,546</u></u>
 Change in Net Position				
Governmental activities	\$ 195,710	\$ 449,168	\$ 2,751,693	\$ 7,190,116
Business-type activities	1,117,509	60,540	1,325,515	4,363,330
Total primary government	<u><u>\$ 1,313,219</u></u>	<u><u>\$ 509,708</u></u>	<u><u>\$ 4,077,208</u></u>	<u><u>\$ 11,553,446</u></u>

2017	2018	2019	2020	2021	2022
\$ 5,932,234	\$ 6,521,177	\$ 6,726,636	\$ 7,026,134	\$ 7,591,621	\$ 7,449,687
594,959	623,483	797,356	1,045,956	1,244,628	1,485,769
432,420	562,368	585,109	561,567	559,495	625,609
145,553	297,294	401,793	153,923	9,489	111,434
669,395	229,469	801,278	272,463	989,328	863,560
268,324	359,650	428,272	271,000	271,000	271,000
8,042,885	8,593,441	9,740,444	9,331,043	10,665,561	10,807,059
107,595	281,905	371,444	156,404	11,749	106,781
106,781	-	-	243,469	87,606	101,748
(268,324)	(359,650)	(428,272)	(271,000)	(271,000)	(271,000)
(53,948)	(77,745)	(56,828)	128,873	(171,645)	(62,471)
\$ 7,988,937	\$ 8,515,696	\$ 9,683,616	\$ 9,459,916	\$ 10,493,916	\$ 10,744,588
\$ 2,192,211	\$ 1,615,184	\$ 4,077,664	\$ 4,454,745	\$ 7,460,076	\$ 3,437,177
2,349,001	1,742,865	2,786,952	2,347,505	4,495,556	2,768,786
\$ 4,541,212	\$ 3,358,049	\$ 6,864,616	\$ 6,802,250	\$ 11,955,632	\$ 6,205,963

City of Heath, Texas

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund:				
Nonspendable	\$ 13,410	\$ 19,013	\$ 26,332	\$ 27,139
Committed	11,000	11,000	11,000	-
Unassigned	2,545,423	2,534,965	2,664,300	2,769,135
Total general fund	<u>\$ 2,569,833</u>	<u>\$ 2,564,978</u>	<u>\$ 2,701,632</u>	<u>\$ 2,796,274</u>
 All other governmental funds:				
Restricted	\$ 6,690,500	\$ 19,981,226	\$ 19,366,246	\$ 13,953,548
Assigned	<u>107,915</u>	<u>131,558</u>	<u>114,434</u>	<u>115,797</u>
Total all other governmental funds	<u>\$ 6,798,415</u>	<u>\$ 20,112,784</u>	<u>\$ 19,480,680</u>	<u>\$ 14,069,345</u>

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

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 13,063	\$ 5,876	\$ 5,850	\$ 20,700	\$ 9,530	\$ 5,563
-	-	-	-	-	-
2,515,353	3,263,277	3,670,030	4,678,011	5,327,713	6,645,102
<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>	<u>\$ 6,650,665</u>
\$ 16,545,608	\$ 15,260,204	\$ 14,965,280	\$ 16,310,337	\$ 15,100,587	\$ 15,322,451
112,432	101,489	444,084	510,634	677,386	2,960,989
<u>\$ 31,980,491</u>	<u>\$ 15,361,693</u>	<u>\$ 15,409,364</u>	<u>\$ 16,820,971</u>	<u>\$ 15,777,973</u>	<u>\$ 18,283,440</u>

City of Heath, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2013	2014	2015	2016
Revenues				
Taxes	\$ 5,146,045	\$ 5,441,572	\$ 6,873,071	\$ 6,445,957
Licenses and permits	293,488	394,519	401,364	638,651
Intergovernmental	205,204	1,211,232	239,646	247,454
Charges for services	103,513	117,496	170,445	139,238
Fines and forfeitures	48,829	37,511	41,292	41,528
Special assessments	15,504	20,651	14,641	2,710
Investment income	10,280	8,187	8,850	46,097
Contributions and donations	-	-	-	-
Other revenue	92,316	189,889	1,224,304	405,162
Total Revenues	5,915,179	7,421,057	8,973,613	7,966,797
Expenditures				
Administration	956,640	1,030,082	1,257,621	1,325,467
Highways and streets	361,169	410,568	653,586	650,513
Parks	133,338	150,219	246,842	258,840
Engineering and building inspection	495,373	409,396	427,916	597,175
Municipal court	51,263	50,923	54,875	54,685
Public safety	2,415,348	2,643,877	2,813,878	2,902,410
Community development	-	-	-	65,353
Economic development	44,850	121,007	133,823	40,011
Economic opportunity	46,108	28,687	161,030	-
Debt service				
Principal	606,244	822,747	878,533	1,482,295
Interest	396,836	430,307	1,081,188	822,766
Bond issuance costs	25,017	87,555	-	46,474
Capital outlay	806,680	3,772,108	1,985,671	2,782,084
Total Expenditures	6,338,866	9,957,476	9,694,963	11,028,073
Revenues over (under) expenditures	(423,687)	(2,536,419)	(721,350)	(3,061,276)
Other Financing Sources (Uses)				
Transfers in	40,000	1,339,657	225,900	239,850
Transfers (out)	-	-	-	-
Proceeds from sale of assets	-	-	-	120,000
Discount on bonds issued	-	-	-	-
Premium on bonds issued	89,116	301,276	-	-
Debt issued	3,254,037	14,205,000	-	4,725,000
Payment to refunded bond escrow agent	(1,649,866)	-	-	(4,621,080)
Total other financing sources	1,733,287	15,845,933	225,900	463,770
Special items	-	-	-	-
Net Change in Fund Balances	\$ 1,309,600	\$ 13,309,514	\$ (495,450)	\$ (2,597,506)
Ratio of total debt service expenditures to noncapital expenditures	18%	20%	25%	28%

	2017	2018	2019	2020	2021	2022
\$	7,033,503	\$ 7,644,481	\$ 8,157,502	\$ 8,661,369	\$ 9,386,099	\$ 9,568,349
	595,622	881,462	892,860	899,025	906,180	1,147,280
	286,399	296,672	368,384	934,037	762,166	1,877,745
	122,402	139,951	132,187	138,869	142,979	147,244
	41,895	55,742	59,485	45,353	74,565	120,370
	17,487	34,396	12,878	39,109	81,859	18,991
	145,553	297,294	401,793	153,923	9,489	111,434
	-	-	85,438	123,214	59,259	68,281
	659,954	226,332	588,710	1,620,791	1,264,451	1,649,946
	8,902,815	9,576,330	10,699,237	12,615,690	12,687,047	14,709,640
	1,301,454	1,359,764	1,465,327	1,211,884	1,290,737	1,516,063
	631,336	511,485	545,822	568,920	812,403	627,732
	325,128	619,490	550,035	492,752	423,057	478,407
	221,648	187,946	181,227	204,646	211,231	185,179
	58,080	62,069	47,748	48,841	51,082	81,420
	2,987,087	3,097,427	3,404,836	3,750,043	4,341,904	4,223,212
	458,584	506,854	553,605	531,712	604,128	649,847
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,332,531	1,346,085	1,394,900	1,630,541	1,879,082	1,912,483
	713,797	1,085,672	875,137	882,263	821,321	751,733
	125,638	-	-	-	-	-
	5,417,356	1,718,167	2,019,543	1,132,174	2,936,618	816,095
	13,572,639	10,494,959	11,038,180	10,453,776	13,371,563	11,242,171
	(4,669,824)	(918,629)	(338,943)	2,161,914	(684,516)	3,467,469
	868,324	359,650	880,900	595,300	875,800	1,812,752
	(600,000)	-	(540,900)	(324,300)	(604,800)	(1,541,752)
	1,173	-	-	-	9,500	79,970
	-	-	-	-	-	-
	860,072	-	-	-	-	-
	7,350,000	-	453,341	-	-	-
	(1,488,908)	-	-	-	-	-
	6,990,661	359,650	793,341	271,000	280,500	350,970
	-					
\$	2,320,837	\$ (558,979)	\$ 454,398	\$ 2,432,914	\$ (404,016)	\$ 3,818,439
	25%	28%	25%	27%	26%	26%

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City of Heath, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2012	\$ 1,175,437,703	\$ 18,660,011	\$ 106,808,230	\$ 1,087,289,484	\$ 0.34330
2013	1,174,084,201	18,668,100	107,786,000	1,084,966,301	0.34330
2014	1,222,944,691	19,788,280	110,634,664	1,132,098,307	0.34330
2015	1,303,855,443	20,525,510	118,167,490	1,206,213,463	0.42660
2016	1,363,145,688	21,756,470	119,374,987	1,265,527,171	0.42660
2017	1,506,628,525	21,403,513	120,337,169	1,407,694,869	0.41731
2018	1,647,230,153	22,981,067	126,200,460	1,544,010,760	0.41731
2019	1,840,975,263	24,819,064	163,568,845	1,702,225,482	0.38911
2020	1,991,368,312	29,936,255	140,147,181	1,881,157,386	0.37933
2021	2,136,828,540	40,988,125	146,916,232	2,030,900,433	0.37657
2022	2,327,968,823	42,496,583	156,446,616	2,214,018,790	0.33931

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

	2013	2014	2015	2016
Direct Rates:				
City of Heath - Operating	0.26360	0.26360	0.27360	0.27360
City of Heath - Debt Service	0.07970	0.07970	0.15300	0.15300
Total Direct Rate	0.34330	0.34330	0.42660	0.42660
Overlapping Rates:				
Rockwall Independent School District	1.47000	1.46000	1.44000	1.44000
Rockwall County	0.38640	0.39590	0.39590	0.39590
Kaufman County	0.50200	0.48250	0.50220	0.48950
Total Direct and Overlapping Rates	2.7017	2.6817	2.7647	2.7520

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

2017	2018	2019	2020	2021	2022
0.27009	0.27009	0.25651	0.24522	0.24758	0.22371
0.14722	0.14722	0.13260	0.13411	0.12899	0.11559
0.41731	0.41731	0.38911	0.37933	0.37657	0.33931
1.46500	1.44000	1.43000	1.35000	1.31000	1.27360
0.37590	0.34980	0.32840	0.32500	0.31310	0.31310
0.49670	0.48870	0.47870	0.43912	0.50496	0.37999
2.7549	2.6958	2.6262	2.4935	2.5046	2.3060

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

Property Tax Payer	2022			2013		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
HGYC LLC	\$ 12,114,494	1	0.547%	\$ 5,755,280	2	0.530%
Oncor Electric Delivery Co	12,209,680	2	0.551%	-	n/a	-
Heath Younger LLC	11,011,891	3	0.497%	-	n/a	-
Scooby Doo Trust	7,500,000	4	0.339%	-	n/a	-
SNH Medical Office Properties	6,800,000	5	0.307%	5,957,600	1	0.549%
TR Heath Partners LTD	4,846,460	6	0.219%	-	n/a	-
Heath Hub Office LLC	4,596,430	7	0.207%	-	n/a	-
Reid B J Living Trust	4,250,630	8	0.192%	-	n/a	-
Atmos Energy/Mid-TexDistributor	3,889,550	9	0.176%	-	n/a	-
Impact Selector International LLC	3,875,070	10	0.175%	-	n/a	-
BC Golf LTD	-	n/a	-	5,084,870	3	0.469%
Paolucci, Raymond J	-	n/a	-	3,291,810	4	0.303%
Whittle Development Co	-	n/a	-	2,799,890	5	0.258%
Kirwan, David & Patricia	-	n/a	-	2,522,000	6	0.232%
Rosenburg, James	-	n/a	-	2,548,350	7	0.235%
TR Heath Partners LTD	-	n/a	-	2,471,630	8	0.228%
Corona Resources Ltd	-	n/a	-	2,424,140	9	0.223%
Knowlton, Larry & Tricia	-	n/a	-	2,291,220	10	0.211%
Total	\$ 71,094,205		3.21%	\$ 35,146,790		3.24%
 Total Assessed Valuation	 \$ 2,215,490,826		 100%	 \$ 1,084,966,301		 100%

Source: Tax Office.

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

City of Heath, Texas

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tax levy	\$ 3,741,709	\$ 3,908,072	\$ 5,188,753	\$ 5,428,420
Current tax collected	\$ 3,684,359	\$ 3,844,606	\$ 5,125,661	\$ 5,353,707
Percent of current tax collections	98.5%	98.4%	98.8%	98.6%
Delinquent tax collections	\$ 54,194	\$ 60,320	\$ 58,138	\$ 68,941
Total tax collections	\$ 3,738,553	\$ 3,904,926	\$ 5,183,799	\$ 5,422,648
Total collections as a percentage of levy	99.9%	99.9%	99.9%	99.9%

Source: Rockwall Central Appraisal District

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	5,901,467	\$ 6,441,938	\$ 6,632,131	\$ 6,977,697	\$ 7,557,688	\$ 7,387,714
\$	5,819,243	\$ 6,366,282	\$ 6,587,644	\$ 6,926,222	\$ 7,510,780	\$ 7,353,167
	98.6%	98.8%	99.3%	99.3%	99.4%	99.5%
\$	75,688	\$ 68,214	\$ 33,889	\$ 36,265	\$ 24,297	\$ -
\$	5,894,931	\$ 6,434,496	\$ 6,621,533	\$ 6,962,487	\$ 7,535,077	\$ 7,353,167
	99.9%	99.9%	99.8%	99.8%	99.7%	99.5%

City of Heath, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	2013	2014	2015	2016
Governmental activities:				
General Obligation Bonds	\$ 3,915,000	\$ 3,490,000	\$ 3,060,000	\$ 7,335,000
Certificates of Obligation	6,652,956	21,693,106	21,353,734	16,006,681
Premiums	323,021	587,351	541,830	427,686
Discounts	(101,942)	(93,804)	(85,666)	(22,537)
Leases	154,627	104,868	53,346	-
Note Payable to Texas Comptroller	-	-	-	-
Notes Payable	159,057	128,017	96,977	64,975
Business-type activities:				
General Obligation Bonds	705,000	3,955,000	3,625,000	6,485,000
Certificates of Obligation	12,537,044	10,921,894	10,441,266	6,933,312
Premium	437,663	395,304	352,944	269,229
Discounts	(80,123)	(72,987)	(65,851)	(25,602)
Contract Revenue Bonds	705,001	660,000	613,380	563,380
Total primary government	<u>\$ 25,407,304</u>	<u>\$ 41,768,749</u>	<u>\$ 39,986,960</u>	<u>\$ 38,037,124</u>
Percentage of personal income (1)	4.76%	8.92%	7.97%	8.14%
Per capita (1)	\$ 1,457	\$ 3,551	\$ 3,277	\$ 3,833

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.

2017	2018	2019	2020	2021	2022
\$ 6,950,000	\$ 6,275,000	\$ 5,570,000	\$ 4,850,000	\$ 4,110,000	\$ 3,340,000
20,590,000	19,980,000	19,798,341	18,915,250	17,804,448	16,734,675
1,127,083	1,049,619	973,756	897,685	821,822	756,153
-	-	-	-	-	-
-	-	-	-	-	-
220,850	191,660	136,760	109,310	72,710	-
31,895	-	-	-	-	-
6,140,000	5,310,000	4,440,000	3,540,000	2,605,000	1,930,000
17,905,000	17,830,000	17,766,802	17,431,893	17,042,651	16,397,834
1,689,695	1,574,941	1,460,187	1,345,119	1,230,366	1,136,938
-	-	-	-	-	-
511,718	458,390	401,729	-	-	-
<u>\$ 55,166,241</u>	<u>\$ 52,669,610</u>	<u>\$ 50,547,575</u>	<u>\$ 47,089,257</u>	<u>\$ 43,686,997</u>	<u>\$ 40,295,600</u>
10.13%	9.50%	8.12%	6.80%	5.68%	4.83%
\$ 4,141	\$ 3,803	\$ 3,626	\$ 3,036	\$ 2,579	\$ 2,134

City of Heath, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 1,084,966,301	\$ 1,132,098,307	\$ 1,206,213,463	\$ 1,265,527,171
NET BONDED DEBT (1)				
Gross bonded debt	25,093,620	41,535,864	39,836,637	37,972,149
Less debt service funds	829,597	569,257	552,757	301,248
Net Bonded Debt	<u><u>\$ 24,264,023</u></u>	<u><u>\$ 40,966,607</u></u>	<u><u>\$ 39,283,880</u></u>	<u><u>\$ 37,670,901</u></u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.24%	3.62%	3.26%	2.98%
POPULATION	7,314	7,606	7,910	8,114
NET BONDED DEBT PER CAPITA	\$ 3,317	\$ 5,386	\$ 4,966	\$ 4,643

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 1,407,694,869	\$ 1,544,010,760	\$ 1,702,225,482	\$ 1,881,157,386	\$ 2,030,900,433	\$ 2,214,018,790
54,913,496	52,477,950	50,410,815	46,979,947	43,614,287	40,295,600
350,799	263,863	374,478	426,009	441,781	521,194
<u>\$ 54,562,697</u>	<u>\$ 52,214,087</u>	<u>\$ 50,036,337</u>	<u>\$ 46,553,938</u>	<u>\$ 43,172,506</u>	<u>\$ 39,774,406</u>
3.88%	3.38%	2.94%	2.47%	2.13%	1.80%
8,275	8,425	9,041	9,769	10,311	11,196
\$ 6,594	\$ 6,198	\$ 5,534	\$ 4,765	\$ 4,187	\$ 3,553

City of Heath, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2022

<u>Governmental Unit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> *	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Rockwall Independent School District	\$ 514,758,573	15.57%	\$ 109,294,917
Rockwall County	137,433,849	16.26%	29,121,997
Kaufman County	109,578,850	0.19%	347,883
Subtotal, overlapping debt			<u>138,764,797</u>
City direct debt			<u>22,808,980</u>
Total direct and overlapping debt			<u><u>\$ 161,573,777</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
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%
2022	11,196	833,586,984	74,454	5,963	3.3%

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	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rockwall ISD	1,985	1	9.44%	1,365	1	7.31%
L-3 Harris Technologies	700	2	3.33%	-	n/a	n/a
Texas Health Presbyterian Hospital	611	3	2.91%	592	3	3.17%
Pegasus Foods	480	4	2.28%	-	n/a	0.00%
Channell Commercial	460	4	2.19%	-	n/a	0.00%
County of Rockwall	358	6	1.70%	253	6	1.35%
City of Rockwall	353	7	1.68%	205	7	1.10%
Wal-Mart Superstore	350	8	1.66%	450	5	2.41%
Texas Star Express/Epes Transport	275	9	1.31%	484	4	2.59%
Karat by Lollicup USA	260	10	1.24%	-	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	9	1.07%
Rockwall Nursing Home	-	n/a	n/a	160	10	0.86%
Kohl's Department Store	-	n/a	n/a	140	11	0.75%
Total	5,832		27.74%	4,754		25.46%

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

City of Heath, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government and administration	6.00	5.00	5.00	6.00	6.00	6.00	5.50	5.25	5.25	5.25
Public safety	19.00	19.0	21.5	23.0	23.0	23.0	24.0	26.0	28.5	34.0
Public works	5.00	5.0	5.4	7.0	7.2	3.5	2.5	3.0	3.5	7.0
Community development	-	-	-	-	-	3.5	3.5	4.5	4.5	4.5
Culture and recreation	1.0	1.0	1.0	1.0	1.0	4.0	3.5	3.5	3.5	5.0
Water and sewer	9.5	9.0	9.0	10.3	12.3	12.0	13.0	13.8	13.8	12.3
Total	41	39	42	47	49	52	52	56	59	68

Sources: Various City departments.

City of Heath, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016
General government				
Building permits issued	64	71	79	116
Building inspections conducted	911	1,224	1,352	4,949
Public safety				
Police				
Physical arrests	137	71	58	79
Burglary	16	5	8	5
Robbery	-	-	-	-
Theft	86	35	38	37
Traffic violations	331	309	242	347
Fire				
Emergency responses	169	143	145	172
Fires extinguished	5	3	7	9
Inspections	69	4	2	49
Public works				
Streets (feet)	-	16,440	25,200	52,380
Water				
New connections	115	100	92	143
Average monthly consumption (thousands of gallons)	19	18	19	17
Wastewater				
Average daily sewage treatment (thousands of gallons)	255,415	288,200	410,772	525,694

Sources: Various City departments.

2017	2018	2019	2020	2021	2022
131	142	128	108	222	217
6,944	6,894	8,148	6,739	8,379	24,057
45	46	40	27	146	277
10	6	8	3	3	5
2	1	1	-	-	-
30	34	23	31	3	51
293	632	813	693	917	1,370
257	271	238	174	482	570
16	2	4	3	13	14
179	242	301	338	131	212
38,016	28,840	106,281	16,683	69,120	81,126
176	147	213	173	197	306
16	19	19	17	15	18
428,364	685,706	625,907	611,070	700,201	391,088

City of Heath, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2012	2013	2014	2015	2016
Public safety					
Police stations	1	1	1	1	1
Police patrol units	12	12	12	12	12
Fire engines	3	3	3	3	3
Public works					
Streets (linear feet)	399,883	399,883	399,883	402,181	402,181
Cultural and recreational					
Acreage	94	94	94	94	94
Playgrounds (1)	2	2	2	2	2
Baseball/Softball fields	1	1	1	1	1
Soccer/Football fields	3	3	3	3	3
Community centers	1	1	1	1	1
Water and sewer					
Water mains (linear feet)	517,228	517,228	523,040	523,040	527,874
Fire hydrants	655	655	663	663	669
Wastewater					
Sanitary sewers (linear feet)	372,400	372,400	376,679	376,679	388,316
Storm sewers (miles)	14	14	14	15	15

Sources: Various City departments.

(1) Does not include HOA playgrounds.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1	1	1	1	1	1
13	13	12	15	16	16
3	3	3	3	3	3
406,804	409,102	430,760	433,064	433,064	674,460
100	100	100	100	100	100
2	2	2	3	3	3
1	1	1	1	1	1
3	3	3	5	5	5
1	1	1	1	1	1
536,639	556,525	556,525	556,586	556,586	575,494
680	705	705	705	705	787
400,842	413,368	413,368	413,439	413,439	405,844
16	16	17	17	18	21

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