



**A Premier Outdoor  
Lifestyle Community**

# **CITY OF HEATH**

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Prepared by the Finance Department



# City of Heath, Texas

## TABLE OF CONTENTS

September 30, 2025

### INTRODUCTORY SECTION

Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	7
Organization Chart	8
List of Principal Officials	9

### FINANCIAL SECTION

Independent Auditor's Report	13
Management's Discussion and Analysis	17

#### Basic Financial Statements

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

Statement of Net Position	32
Statement of Activities	34

##### **Fund Financial Statements**

###### **Governmental Funds:**

Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	39
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	43

###### **Proprietary Funds:**

Statement of Net Position	44
Statement of Revenues, Expenses, and Changes in Fund Net Position	47
Statement of Cash Flows	48

###### **Fiduciary Funds:**

Statement of Fiduciary Net Position	50
Statement of Changes in Fiduciary Net Position	51

<b>Notes to Financial Statements</b>	<b>53</b>
--------------------------------------	-----------

# City of Heath, Texas

## TABLE OF CONTENTS

September 30, 2025

### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	96
Schedule of Changes in Net Pension Liability and Related Ratios	98
Schedule of Employer Contributions to Pension Plan	100
Schedule of Changes in OPEB Liability and Related Ratios	102

### COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	110
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual:	
Debt Service Fund	112
PATH Fund	113
Drainage Fund	114
Fire Station Building Fund	115
Equipment Replacement Fund	116
Heath Economic Development Corporation	117
Heath Municipal Benefits Corporation	118

### **Discretely Presented Component Units:**

Balance Sheet	119
Reconciliation of the Balance Sheet to the Statement of Net Position- Discretely Presented Component Units	120
Statement of Revenues, Expenditures, and Changes in Fund Balance- Discretely Presented Component Units	121
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Discretely Presented Component Units to the Statement of Activities	122
Combining Schedule of Net Position – Discretely Presented Component Units	123
Combining Schedule of of Activities - Discretely Presented Component Units	124

# City of Heath, Texas

## TABLE OF CONTENTS

September 30, 2025

### STATISTICAL SECTION

Net Position by Component	128
Changes in Net Position	132
Fund Balances, Government Funds	134
Changes in Fund Balance, Governmental Funds	136
Assessed Value and Estimated Actual Value of Taxable Property	139
Property Tax Rates – Direct and Overlapping Governments	140
Principal Property Taxpayers	143
Property Tax Levies and Collections	144
Ratios of Outstanding Debt by Type	146
Ratio of General Bonded Debt Outstanding	148
Direct and Overlapping Governmental Activities Debt	150
Demographic and Economic Statistics	151
Principal Employers	152
Full-Time Equivalent City Employees by Function/Program	153
Operating Indicators by Function/Program	154
Capital Asset Statistics by Function/Program	156



## *INTRODUCTORY SECTION*





March 18, 2026

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, 2025. 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**

In accordance with Section 103.001 of the Texas Local Government Code, the City of Heath is required to undergo an annual audit. This requirement has been satisfied, and the independent auditors' report is included in the Annual Comprehensive Financial Report for the fiscal year ended September 30, 2025.

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, 2025. The independent auditors' report is located at the front of the financial section of this report.

The financial section of the report includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements, and the related notes. The government-wide financial statements present an overview of the City's financial position and activities, while the fund financial statements provide information on the City's major funds and individual fund activity. Required supplementary information and combining statements are also included to provide additional detail and context.

## **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. The City is conveniently positioned just minutes from Interstate Highway 30 to the north and U.S. Highway 80 to the south, providing access to the Dallas-Fort Worth Metroplex. Heath is primarily a residential community characterized by premier neighborhoods, open green spaces, parks, and an extensive trail system. Consistent with the City's Comprehensive Plan, adopted in 2025, the City Council and the Heath Economic Development Corporation continue to pursue and promote development that preserves Heath's unique character, high quality of life, and long-term sustainability.

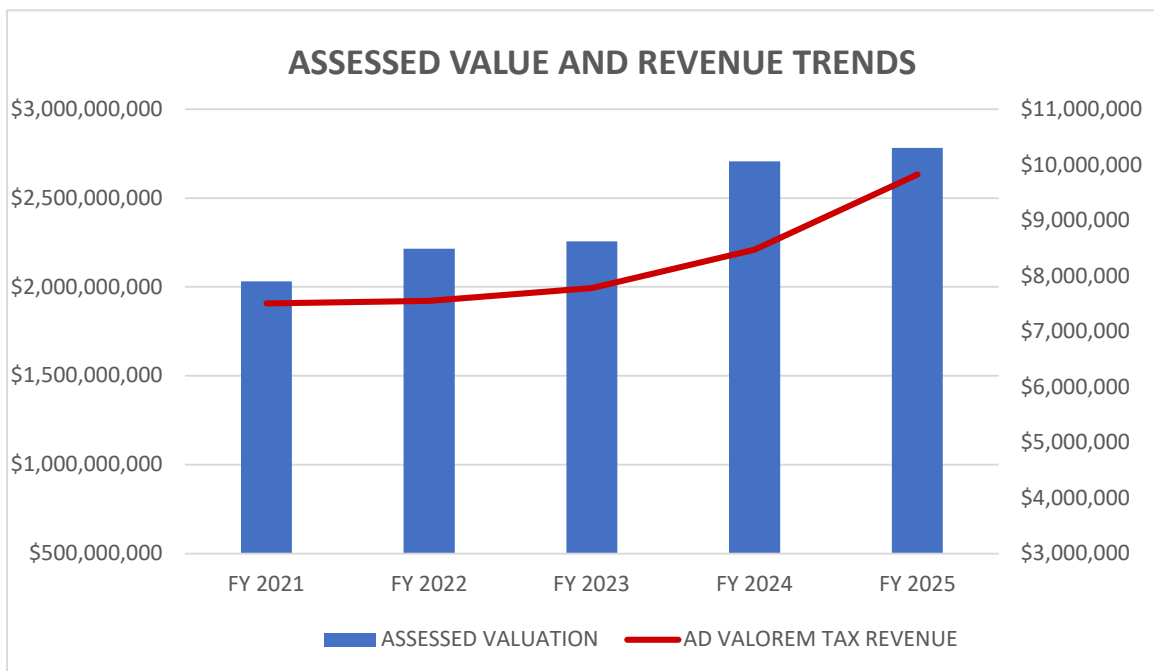
The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates under a Council-Manager form of government. As a Home Rule City, policy-making and legislative authorities are vested in a governing council consisting of the Mayor and six other at-large members. The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

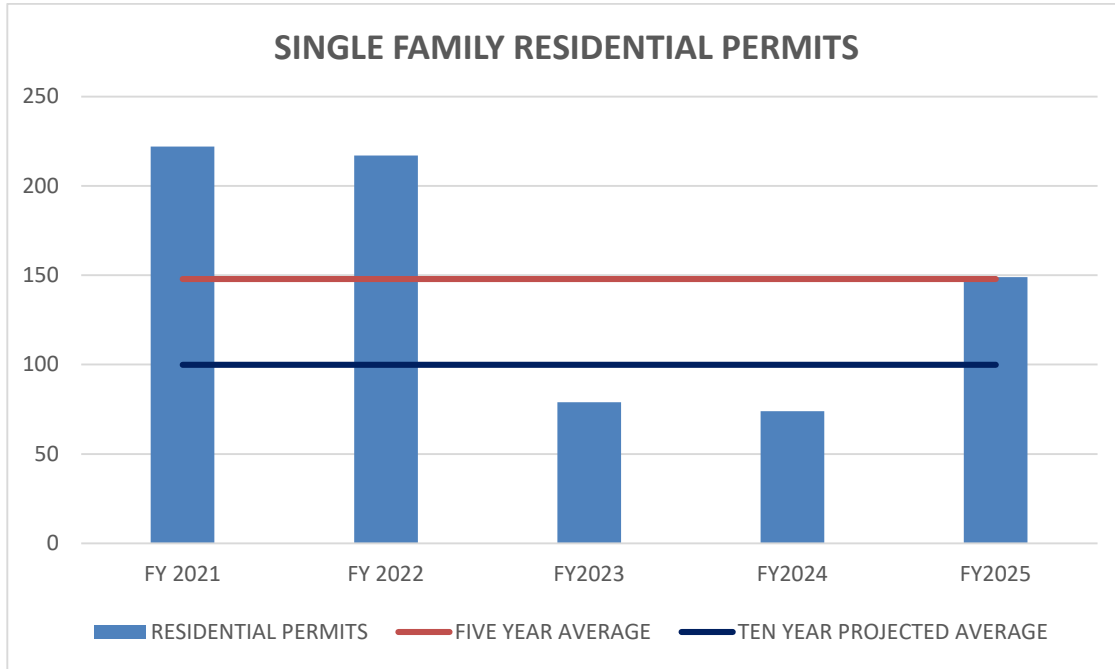
### ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas’ Dallas-Fort Worth Economic Indicators, the Dallas-Fort Worth regional economy continued to expand, supported by moderate payroll employment growth and relatively low unemployment levels. Home prices remained generally stable, with housing affordability holding steady. Office leasing activity remained subdued, while industrial demand showed continued improvement.

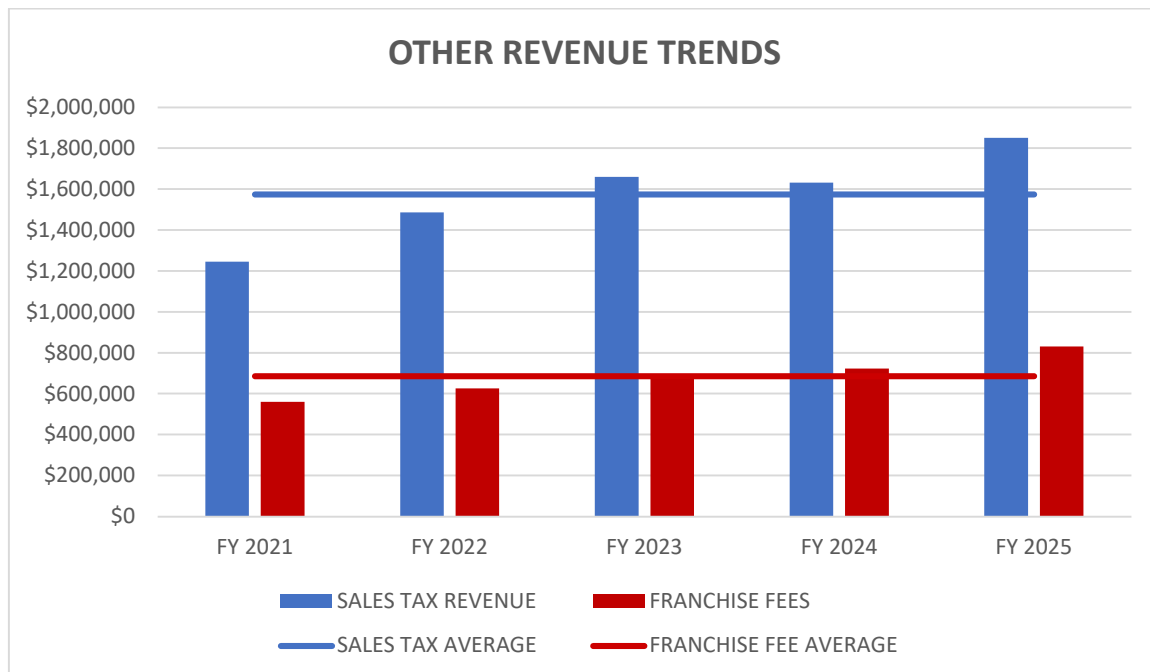
The City’s Fiscal Year 2025 Assessed Value increased \$76M, or 4%, over the Fiscal Year 2024 Assessed Value. This is the ninth consecutive year Assessed Values have increased over the prior year. Single family residential taxable assessed valuations apportioned roughly 85% to 90% of the total assessed valuation for the City before any calculated exemptions and reductions in fiscal year 2025.



The City issued 149 single-family residential permits in FY2025, representing a significant increase compared to FY2024 (74 permits) and a partial rebound from the recent low point experienced in FY2023 and FY2024. While permit activity in FY2025 remains below the five-year historical average of 148 permits and well below peak levels observed in FY2021 and FY2022, the increase reflects early signs of recovery in residential development activity.



Sales tax and franchise fees both exceeded their five-year averages in FY2025. Sales tax increased 3.9% year-over-year to \$1.85 million, while franchise fees reached \$830,160, reflecting sustained growth in economic activity and utility consumption.



Economic Indicators continue to reflect consistent growth and a stable local economy for the City of Heath. Improving revenue trends, including growth in sales tax and franchise fee collections, reflect sustained residential and commercial activity and support the City's long-term financial outlook. These trends have enabled the City to maintain service levels, invest in infrastructure, and preserve financial stability amid ongoing economic pressures.

Projections associated with future residential and commercial development were a key component of the Fiscal Year 2025 budget process. City Council emphasized cost containment, operational efficiency, infrastructure and asset management planning, and the maintenance of low and stable tax rates, while balancing fiscal impacts of inflation, statutory revenue limitations, and continued population growth.

As part of the Fiscal 2025 budget adoption, City Council approved a property tax rate of \$0.290311 per \$100 of assessed valuation, compared to the prior-year rate of \$0.277493. The rate increase reflects the City's strategic decision to support ongoing service demands and advance critical capital investments necessary to address aging infrastructure, public safety needs, facility improvements, and long-term utility system capacity. The adopted rate allows the City to responsibly fund these priorities while maintaining a tax rate that remains competitive relative to peer communities.

The Fiscal Year 2025 budget continues the City's commitment to maintaining strong financial reserves in setting an ideal fund balance of 35% in both the General Fund and Utility Fund. Budget appropriations are aligned with the City's long-range planning goals and focus on enhancing service delivery while ensuring financial sustainability.

Significant capital investments were incorporated into the budget to support both current and future needs. These include improvements to City Hall and other municipal facilities, citywide street improvements, park and trail connectivity projects, and major public safety and public works initiatives. In addition, substantial investments continue in the City's water and sewer system, including advanced meter infrastructure, fire flow improvements, water well development, and planning and design of additional storage capacity to support long-term growth and system reliability.

Utility rates were evaluated using the Willdan Rate Study to ensure the long-term sustainability of the water and sewer systems. Water rates increased modestly from the prior year, and sewer charges continue to be calculated using a winter-average consumption methodology for residential customers, providing a more equitable and usage-based structure.

Through disciplined financial planning, conservative budgeting practices, and ongoing monitoring of economic conditions, the City maintained healthy fund balances in both the General Fund and the Utility Fund. These reserves provide financial flexibility to address operational needs, capital priorities, and future obligations, while positioning the City of Heath to continue delivering high-quality public services and responsibly managing growth.

## **FINANCIAL INFORMATION**

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

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

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

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

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

Under state law, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocation of the property tax levy by purpose for Fiscal Year 2025 is \$0.191375 for maintenance and operations and \$0.098936 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, 2024. This was the sixteenth 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.

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

I would also like to thank the Mayor and City Council Members for their interest and support in planning and conducting the financial operations of the City in a responsible and future-focused manner.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Alexander". The signature is fluid and cursive, with a large loop at the end.

Steven Alexander, CGFO  
City Manager

A handwritten signature in blue ink, appearing to read "Jay Ayers". The signature is cursive and somewhat stylized.

Jay Ayers, 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, 2024

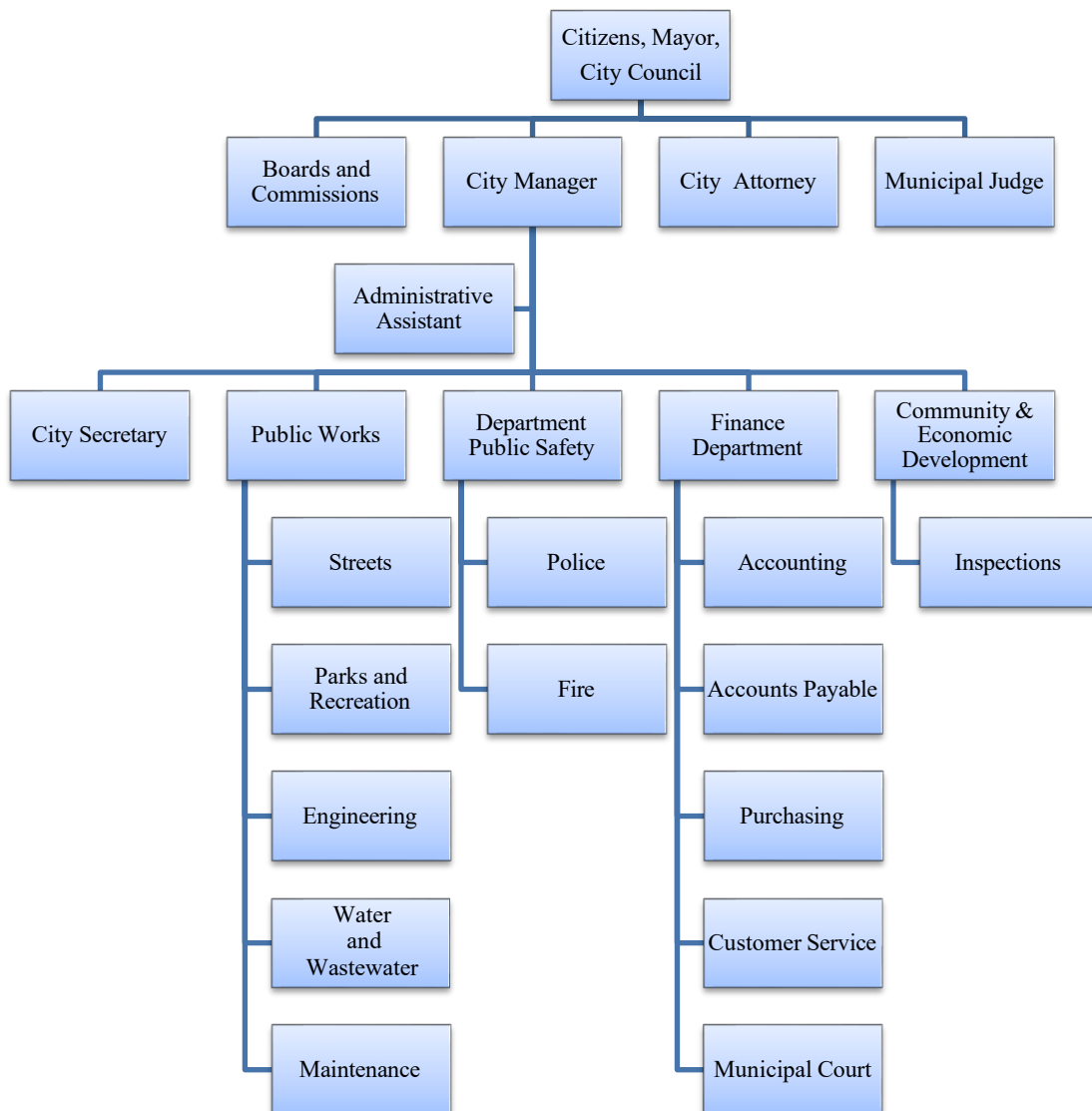
*Christopher P. Morill*

Executive Director/CEO



# CITY OF HEATH

as of September 30, 2025



## **Principal Officials**

### **Mayor & City Council**

Jeremiah McClure, Mayor

Scott Dodson, Mayor Pro Tem

Cindy Horne, Council Member Place 1

Johnny Myers, Council Member Place 2

Ryan Moorman, Council Member Place 3

Michelle Thurgood, Council Member Place 4

Mitch Ownby, Council Member Place 6

### **City Staff**

Steven Alexander, City Manager

Chelsey Gordon, Assistant City Manager

Jay Ayers, CGFO, Director of Finance

Bryan Creed, Director of Public Works

Brandon Seery, Director of Public Safety

David Gonzalez, AICP, Director of Community Development

Norma Duncan, TRMC, City Secretary

Richard Dormier, P.E., City Engineer

Suzanne Brooke, Chief Communications Officer/Events Coordinator

Andy Messer, City Attorney

(This page intentionally left blank.)

***FINANCIAL SECTION***

(This page intentionally left blank.)



***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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.H. to the financial statements, due to the implementation of GASB 101, *Compensated Absences*, the City restated its beginning net position/fund balance for governmental activities, business-type activities, the water & sewer fund, Our opinion is not modified with respect to these matters.

## *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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Brooks Watson & Co.*

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
March 18, 2026

*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*

(This page intentionally left blank.)

# City of Heath, Texas

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

### September 30, 2025

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, 2025. 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, 2025 by \$111,132,437. Of this amount, \$59,833,217 (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 \$4,730,782. The increase is primarily related to new capital investments made during the year.
- The City's governmental funds reported combined ending fund balances of \$50,971,996 at September 30, 2025, a decrease of \$5,164,604 from the prior fiscal year; this includes an increase of \$1,057,751 in the capital improvement fund, an increase of \$193,113 in the debt service fund, an increase of \$489,425 in the general fund, a decrease of \$7,628,595 in the capital projects CO Series 2023 fund, and an increase of \$723,702 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5,677,476 or 58% of total general fund expenditures.
- The City's outstanding long-term debt decreased by \$3,343,835 (including premiums). The total long-term debt at the close of the fiscal year was \$61,544,222 (including premiums), including self-supporting debt of the proprietary fund which was \$15,692,418 (including 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.

The *statement of net position* presents information on all of the City's assets, deferred outflows/inflows, and liabilities. The difference between the two is reported as *net position*. Over time, increases or

# City of Heath, Texas

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

September 30, 2025

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 resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

# City of Heath, Texas

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

September 30, 2025

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 fifteen 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, the capital improvements fund, and the capital projects – CO Series 2023 fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund, debt service fund, the Parks CIP fund, the PATH fund, the Drainage fund, the Fire Station fund, the Equipment Replacement fund, the Heath EDC, and the Heath MBC. The City did not adopt a budget for the public safety donations fund, Martha's Happy Haven fund, farmers' market fund, tree mitigation fund, park in lieu fund, or the opioid settlement fund. 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 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.

**City of Heath, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2025**

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 \$111,132,437 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$59,833,217, 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, 2025**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 55,451,977	\$ 26,916,441	\$ 82,368,418	\$ 58,422,963	\$ 27,028,871	\$ 85,451,834
Capital assets, net	56,709,420	43,216,650	99,926,070	50,081,539	41,658,409	91,739,948
<b>Total Assets</b>	<b>112,161,397</b>	<b>70,133,091</b>	<b>182,294,488</b>	<b>108,504,502</b>	<b>68,687,280</b>	<b>177,191,782</b>
<b>Deferred</b>						
<b>Outflows</b>	564,273	140,265	704,538	790,742	197,143	987,885
Other liabilities	7,228,821	4,327,554	11,556,375	5,138,953	2,803,979	7,942,932
Long-term liabilities	45,325,572	14,733,869	60,059,441	47,687,622	16,273,581	63,961,203
<b>Total Liabilities</b>	<b>52,554,393</b>	<b>19,061,423</b>	<b>71,615,816</b>	<b>52,826,575</b>	<b>19,077,560</b>	<b>71,904,135</b>
<b>Deferred</b>						
<b>Inflows</b>	202,099	48,674	250,773	116,949	28,165	145,114
Net Position:						
Net investment						
in capital assets	32,824,772	27,008,445	59,833,217	39,002,809	25,716,464	64,719,273
Restricted	17,342,190	-	17,342,190	13,267,986	-	13,267,986
Unrestricted	9,802,216	24,154,814	33,957,030	4,080,925	24,062,234	28,143,159
<b>Total Net Position</b>	<b>\$ 59,969,178</b>	<b>\$ 51,163,259</b>	<b>\$ 111,132,437</b>	<b>\$ 56,351,720</b>	<b>\$ 49,778,698</b>	<b>\$ 106,130,418</b>

Current and other assets for governmental activities decreased primarily due to less cash on hand, resulting from available funds being spent on new capital improvements during the year. Total capital assets for the primary government increased due to new capital investments outweighing current year depreciation expense. Other liabilities for the primary government increased due to nonrecurring vendor payables for new capital purchases and timing of repayments subsequent to yearend. Total long-term liabilities decreased primarily as a result of current year debt principal payments and the reduction in the City's net pension liability.

**City of Heath, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

**Statement of Activities:**

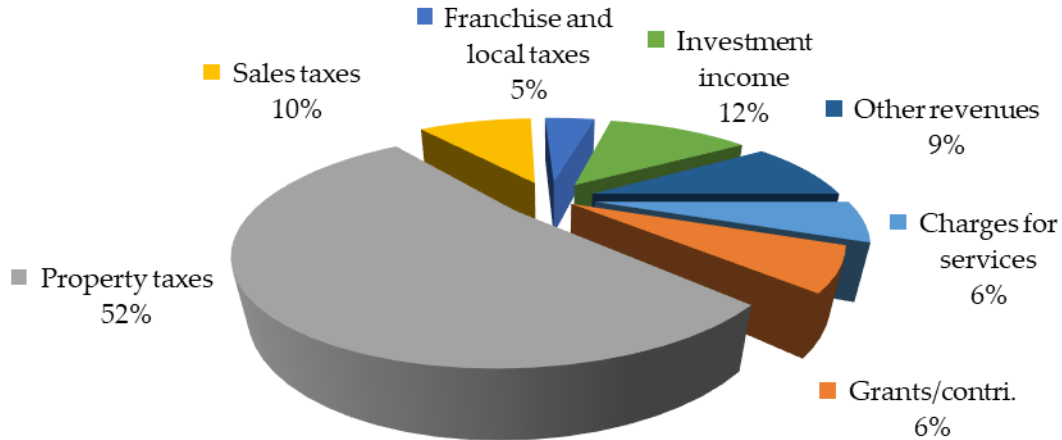
	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Primary Government	Governmental Activities	Business-Type Activities	Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,125,252	\$ 18,251,041	\$ 19,376,293	\$ 1,340,018	\$ 16,509,075	\$ 17,849,093
Operating grants	766,522	-	766,522	567,298	-	567,298
Capital contributions	404,721	100,526	505,247	3,336,000	-	3,336,000
General revenues:						
Property taxes	9,810,622	-	9,810,622	8,738,084	-	8,738,084
Sales taxes	1,849,506	-	1,849,506	1,633,196	-	1,633,196
Franchise and local taxes	823,509	-	823,509	725,834	-	725,834
Investment income	2,280,513	821,896	3,102,409	2,162,712	884,397	3,047,109
Other revenues	1,719,787	714,651	2,434,438	546,642	124,812	671,454
<b>Total Revenues</b>	<b>18,780,432</b>	<b>19,888,114</b>	<b>38,668,546</b>	<b>19,049,784</b>	<b>17,518,284</b>	<b>36,568,068</b>
<b>Expenses</b>						
General government	2,204,471	-	2,204,471	3,035,604	-	3,035,604
Public safety	5,974,748	-	5,974,748	5,313,731	-	5,313,731
Public works	4,354,522	-	4,354,522	4,324,075	-	4,324,075
Culture and recreation	427,942	-	427,942	410,916	-	410,916
Community development	721,453	-	721,453	782,848	-	782,848
Interest on long-term debt	1,706,772	780,644	2,487,416	2,140,480	704,477	2,844,957
Water, sewer, & solid waste	-	17,767,212	17,767,212	-	12,947,281	12,947,281
<b>Total Expenses</b>	<b>15,389,908</b>	<b>18,547,856</b>	<b>33,937,764</b>	<b>16,007,654</b>	<b>13,651,758</b>	<b>29,659,412</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	<b>3,390,524</b>	<b>1,340,258</b>	<b>4,730,782</b>	<b>3,042,130</b>	<b>3,866,526</b>	<b>6,908,656</b>
Transfers	(31,742)	31,742	-	533,875	(533,875)	-
<b>Total</b>	<b>(31,742)</b>	<b>31,742</b>	<b>-</b>	<b>533,875</b>	<b>(533,875)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>3,358,782</b>	<b>1,372,000</b>	<b>4,730,782</b>	<b>3,576,005</b>	<b>3,332,651</b>	<b>6,908,656</b>
Beg. Net Position (restated) *	56,610,396	49,791,259	106,401,655	52,775,715	46,446,047	99,221,762
<b>Ending Net Position</b>	<b>\$ 59,969,178</b>	<b>\$ 51,163,259</b>	<b>\$ 111,132,437</b>	<b>\$ 56,351,720</b>	<b>\$ 49,778,698</b>	<b>\$ 106,130,418</b>

\*Includes restatement for New Acct Standard – GASB 101

**City of Heath, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

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**

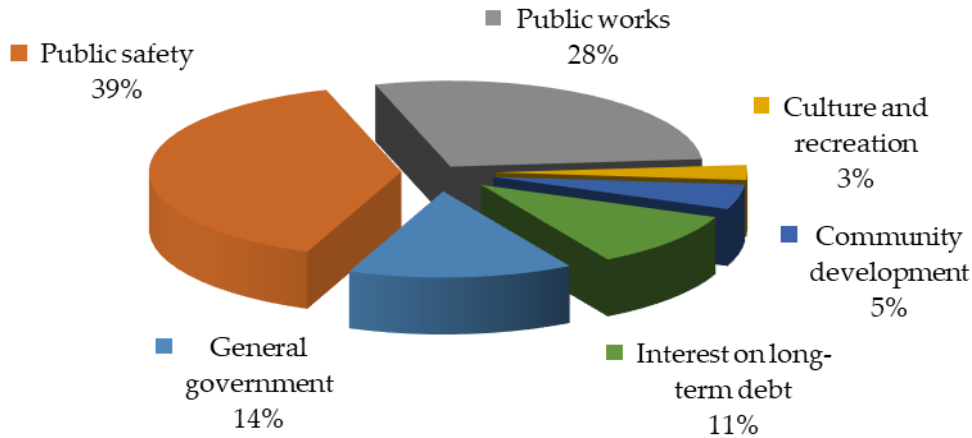


For the year ended September 30, 2025, revenues from governmental activities totaled \$18,780,432. Total revenues decreased by \$269,352, or 1%. Property tax is the City's largest general revenue source. Capital contributions decreased by \$2,931,279, or 88%, primarily as a result of nonrecurring capital contributions received from the Heath MBC in the prior year. Property taxes increased by \$1,072,538, or 12%, primarily due to greater tax rates and appraised property values in the current year. Charges for services decreased by \$214,766, or 16%, due to nonrecurring building permits and new development fees in the prior year. Sales and franchise taxes increased by \$216,310 and \$97,675, respectively, primarily due to local economic growth. Investment income increased by \$117,801, or 5%, as of result of greater interest-bearing accounts and the realization of higher interest in the current year. Other revenues increased by \$1,173,145, or 215%, primarily due to nonrecurring roadway impact and developer fees received in the current year. All other revenues remained relatively consistent with the prior year.

**City of Heath, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

This graph shows the governmental function expenses of the City:

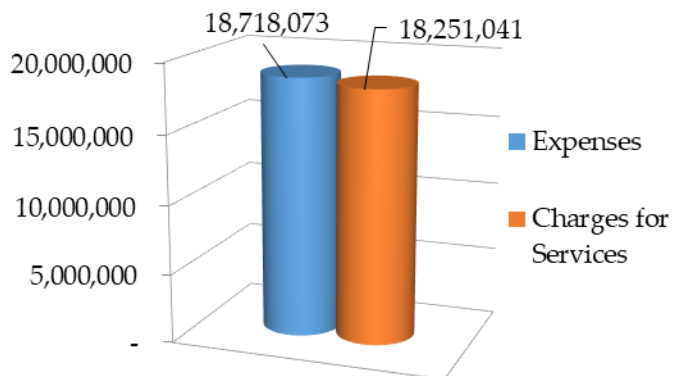
**Governmental Activities - Expenses**



For the year ended September 30, 2025, expenses for governmental activities totaled \$15,389,908. This represents a decrease of \$617,746, or 4%. This variance stems primarily from decreases in interest and general government expenses. General government decreased by \$831,133, or 27% primarily due to nonrecurring legal fees, technology maintenance services, and special event expenses in the prior year. Public safety expenses increased by \$661,017 or 12% primarily due to greater personnel costs, resulting from pay rate adjustments and step plan implementation. In addition, new positions were added and greater overtime was paid in the current year. Interest and fiscal charges decreased by \$433,708, or 20%, primarily due to nonrecurring issuance costs in the prior year, relating to the certificates of obligation issued during fiscal year 2024. 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**



# City of Heath, Texas

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

September 30, 2025

For the year ended September 30, 2025, charges for services by business-type activities totaled \$18,251,041. This is an increase of \$1,741,966, or 11%, from the previous year. This increase was a result of city growth, greater active customer accounts and utility consumption, and increased service rates during the year. In addition, the City recognized nonrecurring water/sewer impact fees from new infrastructure developments in the current year.

Utility service expenses increased by \$4,819,931, to a total of \$17,767,212, or a change of 37%. The increase was a direct result of greater personnel expenses, water/sewer commodity purchase costs, debt service payments to the NTMWD, asset depreciation, and nonrecurring sewer system maintenance in the current year. Interest expenses decreased by \$76,167 or 11% primarily as a result of outstanding debt approaching maturity.

### 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, 2025, the City's governmental funds reported combined fund balances of \$50,971,996, a decrease of \$5,164,604 in comparison with the prior year. Approximately 11% of this amount, \$5,677,476, 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 \$11,793 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 \$1,082,434 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 \$44,200,293 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$5,689,269. The fund balance increased by \$489,425. The general fund balance increase is a direct result of current year revenues exceeding expenditures. Total fund revenues increased approximately \$668,000 compared to the prior year, primarily due to greater property and sales taxes. In addition, transfers out to other funds decreased by approximately \$534,000 compared to the prior year.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$5,677,476 is 58% of total general fund expenditures.

# City of Heath, Texas

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

September 30, 2025

The debt service fund had an ending fund balance of \$861,656 at September 30, 2025 compared to the previous year's balance of \$668,543. This is an increase of \$193,113 and primarily due to revenues and exceeding current year debt service payments. Property tax revenues increased approximately \$464,000 compared to the prior year.

The capital improvements fund experienced an increase in fund balance of \$1,057,751 primarily due to greater roadway impact and developer fees earned in the current year. The City earned approximately \$1,088,000 more impact fees in the current year. During the year, the City expended \$309,353 on improving the City's infrastructure from this fund.

The capital projects – CO Series 2023 fund had an ending fund balance of \$26,106,118. The decrease in fund balance of \$7,628,595 was capital outlay expenses exceeding investment income during the year. Capital outlay expenses increased approximately \$8.3 million over the course of the year.

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 \$50,756,102. Unrestricted net position of the fund at the close of the fiscal year amounted to \$23,917,874. The capital assets of the water and sewer fund had a net book value of \$43,046,433.

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 \$1,558,241. The increase in capital assets was a result of total assets purchased/constructed exceeding depreciation and disposals during the year. Operational expenses excluding depreciation and amortization in the water and sewer fund were \$14,719,335. Cash and cash equivalents in the water and sewer fund were \$24,102,584 at fiscal year end.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original general fund budget indicated a deficit of \$102,150, and in total was amended to a final budget deficit of \$204,761.

There was a positive variance of \$463,789 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$266,397 for budgeted expenditures. Seven general fund departments exceeded budget appropriations at the legal level of control (city council, city manager, finance, engineering & inspection, municipal court, public safety, and public safety).

# City of Heath, Texas

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

September 30, 2025

- \$730,186 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 \$463,789. 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 revenue categories, with the exception of licenses & permits, charges for services, investment income, and other revenues.
- There was a net positive overall budget variance of \$694,186.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$56,709,420 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$43,046,433 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:

- Waterline improvements on Hubbard Drive totaling \$1,315,179.
- Southside lift station improvements for \$265,088.
- Improvements to Heath Town Center totaling \$6,711,972.
- Improvements to public works building for \$2,008,929.
- Darr Estates water line improvements for \$1,919,467.
- New meter equipment purchased for \$1,325,552.
- Heath water well #1 improvements for \$284,755.
- City-wide street improvements totaling \$134,974.

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 \$61,544,222. Of this amount, \$14,797,082 (excluding premiums) 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.

# **City of Heath, Texas**

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

**September 30, 2025**

### **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.

## ***FINANCIAL STATEMENTS***

**City of Heath, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2025**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 54,684,988	\$ 13,382,492	\$ 68,067,480	\$ 3,603,274
Restricted cash	-	11,045,295	11,045,295	4,673,532
Receivables, net	754,454	2,447,103	3,201,557	978,370
Due from component unit	11	-	11	-
Interfund balances	731	(731)	-	-
Inventory	-	41,292	41,292	-
Prepays	11,793	990	12,783	3,179
<b>Total Current Assets</b>	<b>55,451,977</b>	<b>26,916,441</b>	<b>82,368,418</b>	<b>9,258,355</b>
Noncurrent assets:				
Assessment receivables, net	-	-	-	35,781,301
Capital assets:				
Non-depreciable	17,550,288	3,534,240	21,084,528	4,870,574
Net depreciable capital assets	39,159,132	39,682,410	78,841,542	1,580,408
<b>Total Noncurrent Assets</b>	<b>56,709,420</b>	<b>43,216,650</b>	<b>99,926,070</b>	<b>42,232,283</b>
<b>Total Assets</b>	<b>112,161,397</b>	<b>70,133,091</b>	<b>182,294,488</b>	<b>51,490,638</b>
		(731.00)		
<b><u>Deferred Outflows of Resources</u></b>				
Pension outflows	525,977	126,681	652,658	-
OPEB outflows	2,406	580	2,986	-
Deferred charge on refunding	35,890	13,004	48,894	-
<b>Total Deferred Outflows of Resources</b>	<b>564,273</b>	<b>140,265</b>	<b>704,538</b>	<b>-</b>

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2025**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 3,736,830	\$ 2,356,882	\$ 6,093,712	\$ 154,962
Accrued interest payable	457,927	168,135	626,062	245,694
Customer deposits	385,000	384,850	769,850	-
Due to primary government	-	-	-	11
Compensated absences, current	762,305	106,484	868,789	-
Long-term debt due within one year	1,886,759	1,311,203	3,197,962	1,047,906
<b>Total Current Liabilities</b>	<b>7,228,821</b>	<b>4,327,554</b>	<b>11,556,375</b>	<b>1,448,573</b>
Noncurrent liabilities:				
Long-term debt due in more than one year	43,914,925	14,431,335	58,346,260	38,863,514
Compensated absences, noncurrent	362,287	50,040	412,327	-
Net pension liability	918,881	221,309	1,140,190	-
OPEB liability	129,479	31,185	160,664	-
<b>Total Noncurrent Liabilities</b>	<b>45,325,572</b>	<b>14,733,869</b>	<b>60,059,441</b>	<b>38,863,514</b>
<b>Total Liabilities</b>	<b>52,554,393</b>	<b>19,061,423</b>	<b>71,615,816</b>	<b>40,312,087</b>
<b>Deferred Inflows of Resources</b>				
Pension inflows	172,051	41,438	213,489	-
OPEB inflows	30,048	7,236	37,284	-
<b>Total Deferred Inflows of Resources</b>	<b>202,099</b>	<b>48,674</b>	<b>250,773</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	32,824,772	27,008,445	59,833,217	3,220,378
Restricted for:				
Debt service	861,656	-	861,656	-
Capital improvement	12,715,015	-	12,715,015	-
Economic development	-	-	-	6,329,500
Economic opportunities	-	-	-	1,628,673
Public safety and other programs	3,765,519	-	3,765,519	-
Unrestricted	9,802,216	24,154,814	33,957,030	-
<b>Total Net Position</b>	<b>\$ 59,969,178</b>	<b>\$ 51,163,259</b>	<b>\$ 111,132,437</b>	<b>\$ 11,178,551</b>

See Notes to Financial Statements.

# City of Heath, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 2,204,471	\$ 115,387	\$ 473,925	\$ -
Public safety	5,974,748	150,199	40,058	-
Public works	4,354,522	-	-	-
Culture and recreation	427,942	3,750	252,539	404,721
Community development	721,453	855,916	-	-
Interest on long-term debt	1,706,772	-	-	-
<b>Total Governmental Activities</b>	<b>15,389,908</b>	<b>1,125,252</b>	<b>766,522</b>	<b>404,721</b>
<b>Business-Type Activities</b>				
Water & sewer	17,215,792	16,764,649	100,526	-
Solid waste	1,332,064	1,486,392	-	-
<b>Total Business-Type Activities</b>	<b>18,547,856</b>	<b>18,251,041</b>	<b>100,526</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 33,937,764</b>	<b>\$ 19,376,293</b>	<b>\$ 867,048</b>	<b>\$ 404,721</b>
<b>Component Units:</b>				
Heath Club MMD	16,104,618	-	-	-
Heath EDC	322,352	-	-	-
Heath MBC	751,630	-	-	-
<b>Total Component Units</b>	<b>\$ 17,178,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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, as previously presented

New Acct. Standard - GASB 101

Error corrections

Beginning Net Position, as restated

**Ending Net Position**

See Notes to Financial Statements.

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (1,615,159)	\$ -	\$ (1,615,159)	\$ -
(5,784,491)	-	(5,784,491)	-
(4,354,522)	-	(4,354,522)	-
233,068	-	233,068	-
134,463	-	134,463	-
(1,706,772)	-	(1,706,772)	-
<u>(13,093,413)</u>	<u>-</u>	<u>(13,093,413)</u>	<u>-</u>
-	(350,617)	(350,617)	-
-	154,328	154,328	-
<u>-</u>	<u>(196,289)</u>	<u>(196,289)</u>	<u>-</u>
\$ (13,093,413)	\$ (196,289)	\$ (13,289,702)	\$ -
-	-	-	(16,104,618)
-	-	-	(322,352)
-	-	-	(751,630)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,178,600)</u>
9,810,622	-	9,810,622	-
1,849,506	-	1,849,506	1,786,424
823,509	-	823,509	-
-	-	-	18,455,841
2,280,513	821,896	3,102,409	452,433
1,719,787	714,651	2,434,438	-
(31,742)	31,742	-	-
<u>16,452,195</u>	<u>1,568,289</u>	<u>18,020,484</u>	<u>20,694,698</u>
3,358,782	1,372,000	4,730,782	3,516,098
56,351,491	49,778,927	106,130,418	7,662,453
258,676	12,561	271,237	-
229	(229)	-	-
<u>56,610,396</u>	<u>49,791,259</u>	<u>106,401,655</u>	<u>7,662,453</u>
<u>\$ 59,969,178</u>	<u>\$ 51,163,259</u>	<u>\$ 111,132,437</u>	<u>\$ 11,178,551</u>

# City of Heath, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Capital Projects - CO Series 2023</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 7,046,106	\$ 852,723	\$ 13,793,589	\$ 28,083,075
Receivables, net	543,884	210,570	-	-
Prepays	11,793	-	-	-
Due from other funds	731	-	-	-
Due from component unit	11	-	-	-
<b>Total Assets</b>	<b>\$ 7,602,525</b>	<b>\$ 1,063,293</b>	<b>\$ 13,793,589</b>	<b>\$ 28,083,075</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 1,370,991	\$ 751	\$ 326,589	\$ 1,976,957
Deposits payable	385,000	-	-	-
<b>Total Liabilities</b>	<b>1,755,991</b>	<b>751</b>	<b>326,589</b>	<b>1,976,957</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue -				
Property taxes	152,301	73,164	-	-
Fines receivable, net	1,464	-	-	-
Assessments receivable	-	127,722	-	-
Other	3,500	-	-	-
<b>Total Deferred Inflows</b>	<b>157,265</b>	<b>200,886</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Nonspendable for:				
Prepays	11,793	-	-	-
Assigned	-	-	-	-
Restricted	-	861,656	13,467,000	26,106,118
Unassigned	5,677,476	-	-	-
<b>Total Fund Balances</b>	<b>5,689,269</b>	<b>861,656</b>	<b>13,467,000</b>	<b>26,106,118</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,602,525</b>	<b>\$ 1,063,293</b>	<b>\$ 13,793,589</b>	<b>\$ 28,083,075</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,909,495	\$ 54,684,988
-	754,454
-	11,793
-	731
-	11
\$ 4,909,495	\$ 55,451,977

\$ 61,542	\$ 3,736,830
-	385,000
61,542	4,121,830

-	225,465
-	1,464
-	127,722
-	3,500
-	358,151

-	11,793
1,082,434	1,082,434
3,765,519	44,200,293
-	5,677,476
4,847,953	50,971,996

\$ 4,909,495	\$ 55,451,977
--------------	---------------

(This page intentionally left blank.)

**City of Heath, Texas**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**September 30, 2025**

**Fund Balances - Total Governmental Funds** \$ 50,971,996

**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	17,550,288
Capital assets - net depreciable	39,159,132

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

Property tax receivable	225,465
Fines receivable, net	1,464
Assessments receivable	127,722
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	490,097
OPEB contributions	2,406
OPEB change in assumptions	(28,316)
OPEB difference in experience	(1,732)
Pension investment earnings	(172,051)
Pension actual experience vs. assumption	34,435
Pension assumption changes	1,445
Deferred charge on refunding	35,890

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

Accrued interest	(457,927)
Bond premium	(2,600,402)
Non-current liabilities due in one year	(1,886,759)
Non-current liabilities due in more than one year	(41,314,523)
Compensated absences	(1,124,592)
Net pension liability	(918,881)
OPEB liability	(129,479)

<b>Net Position of Governmental Activities</b>	<b>\$ 59,969,178</b>
--	----------------------

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, 2025

	General	Debt Service	Capital Improvements	Capital Projects - CO Series 2023
<b><u>Revenues</u></b>				
Taxes:				
Property tax	\$ 6,490,896	\$ 3,355,153	\$ -	\$ -
Sales and beverage tax	1,849,506	-	-	-
Franchise tax	823,509	-	-	-
Licenses and permits	855,916	-	-	-
Intergovernmental	40,058	473,925	-	-
Charges for services	119,137	-	-	-
Fines and forfeitures	150,199	-	-	-
Special assessments	-	15,173	-	-
Contributions and donations	-	-	11,080	-
Investment income	82,414	4,096	516,088	1,625,167
Other revenue	47,554	-	1,643,294	-
<b>Total Revenues</b>	10,459,189	3,848,347	2,170,462	1,625,167
<b><u>Expenditures</u></b>				
Administration	2,112,992	14,869	39,701	-
Highways and streets	390,259	-	-	-
Parks	420,265	-	-	-
Engineering and inspection	384,310	-	156,115	-
Municipal court	115,867	-	-	-
Public safety	5,585,367	-	-	-
Community development	709,229	-	-	-
Debt Service:				
Principal	45,575	1,792,340	-	-
Interest and fiscal charges	-	1,848,025	-	-
Capital outlay	-	-	309,353	9,253,762
<b>Total Expenditures</b>	9,763,864	3,655,234	505,169	9,253,762
<b>Excess of Revenue Over (Under)</b>				
<b>    Expenditures</b>	695,325	193,113	1,665,293	(7,628,595)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	369,300	-	29,500	-
Transfers (out)	(575,200)	-	(637,042)	-
Sale of capital assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	(205,900)	-	(607,542)	-
<b>Net Change in Fund Balances</b>	489,425	193,113	1,057,751	(7,628,595)
Beginning fund balances	5,199,844	668,543	12,409,249	33,734,713
<b>Ending Fund Balances</b>	\$ 5,689,269	\$ 861,656	\$ 13,467,000	\$ 26,106,118

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 9,846,049
-	1,849,506
-	823,509
-	855,916
404,721	918,704
-	119,137
-	150,199
-	15,173
241,459	252,539
52,748	2,280,513
15,117	1,705,965
714,045	18,817,210
-	2,167,562
-	390,259
-	420,265
-	540,425
-	115,867
13,224	5,598,591
-	709,229
-	1,837,915
-	1,848,025
764,980	10,328,095
778,204	23,956,233
(64,159)	(5,139,023)
781,700	1,180,500
-	(1,212,242)
6,161	6,161
787,861	(25,581)
723,702	(5,164,604)
4,124,251	56,136,600
\$ 4,847,953	\$ 50,971,996

(This page intentionally left blank.)

# 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, 2025**

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

Net changes in fund balances - total governmental funds	\$	(5,164,604)
---	----	-------------

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		9,968,965
Depreciation expense		(3,341,084)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(42,939)
--	--	----------

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		(97,188)
Accrued interest		(6,813)
Pension expense		61,677
OPEB expense		(5,213)

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		(26,043)
Amortization of debt premium		174,109
Principal payments		1,837,915

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>3,358,782</b>
--	-----------	------------------

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2025**

	<b>Water &amp; Sewer</b>	<b>Nonmajor Solid Waste</b>	<b>Total Proprietary Funds</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 13,057,289	\$ 325,203	\$ 13,382,492
Restricted cash	11,045,295	-	11,045,295
Receivables, net	2,242,488	204,615	2,447,103
Inventory	41,292	-	41,292
Prepays	990	-	990
<b>Total Current Assets</b>	<b>26,387,354</b>	<b>529,818</b>	<b>26,917,172</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	3,534,240	-	3,534,240
Net depreciable capital assets	39,682,410	-	39,682,410
<b>Total Noncurrent Assets</b>	<b>43,216,650</b>	<b>-</b>	<b>43,216,650</b>
<b>Total Assets</b>	<b>69,604,004</b>	<b>529,818</b>	<b>70,133,822</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows	126,681	-	126,681
OPEB outflows	580	-	580
Deferred charge on refunding	13,004	-	13,004
<b>Total Deferred Outflows</b>	<b>140,265</b>	<b>-</b>	<b>140,265</b>

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2025**

	<u>Water &amp; Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 2,064,004	\$ 292,878	\$ 2,356,882
Accrued interest	168,135	-	168,135
Due to other funds	731	-	731
Customer deposits	384,850	-	384,850
Compensated absences, current	106,484	-	106,484
Long-term debt, current	1,311,203	-	1,311,203
<b>Total Current Liabilities</b>	<u>4,035,407</u>	<u>292,878</u>	<u>4,328,285</u>
<b><u>Noncurrent Liabilities</u></b>			
Compensated absences, noncurrent	50,040	-	50,040
Long-term debt, noncurrent	14,431,335	-	14,431,335
Net pension liability	221,309	-	221,309
OPEB liability	31,185	-	31,185
<b>Total Noncurrent Liabilities</b>	<u>14,733,869</u>	<u>-</u>	<u>14,733,869</u>
<b>Total Liabilities</b>	<u>18,769,276</u>	<u>292,878</u>	<u>19,062,154</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	41,438	-	41,438
OPEB inflows	7,236	-	7,236
<b>Total Deferred Inflows</b>	<u>48,674</u>	<u>-</u>	<u>48,674</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	27,008,445	-	27,008,445
Unrestricted	23,917,874	236,940	24,154,814
<b>Total Net Position</b>	<u>\$ 50,926,319</u>	<u>\$ 236,940</u>	<u>\$ 51,163,259</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

# City of Heath, Texas

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

For the Year Ended September 30, 2025

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<b><u>Operating Revenues</u></b>			
Water revenue	\$ 7,778,703	\$ -	\$ 7,778,703
Sewer revenue	8,554,203	-	8,554,203
Sanitation revenue	-	1,385,866	1,385,866
Connection and tap charges	532,269	-	532,269
Grant revenue	-	100,526	100,526
Other revenue	714,651	-	714,651
<b>Total Operating Revenues</b>	<b>17,579,826</b>	<b>1,486,392</b>	<b>19,066,218</b>
<b><u>Operating Expenses</u></b>			
Personnel	1,844,257	-	1,844,257
Supplies and services	892,158	1,332,064	2,224,222
Operating expenses	3,490,341	-	3,490,341
Materials and equipment	220,244	-	220,244
Cost of water	3,965,746	-	3,965,746
Cost of sewer	3,945,432	-	3,945,432
Depreciation	2,076,970	-	2,076,970
<b>Total Operating Expenses</b>	<b>16,435,148</b>	<b>1,332,064</b>	<b>17,767,212</b>
<b>Operating Income (Loss)</b>	<b>1,144,678</b>	<b>154,328</b>	<b>1,299,006</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	806,565	15,331	821,896
Interest expense	(589,704)	-	(589,704)
Impairment of capital assets	(190,940)	-	(190,940)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>25,921</b>	<b>15,331</b>	<b>41,252</b>
<b>Income (Loss) Before Transfers</b>	<b>1,170,599</b>	<b>169,659</b>	<b>1,340,258</b>
Transfers in	441,042	-	441,042
Transfers (out)	(329,300)	(80,000)	(409,300)
<b>Change in Net Position</b>	<b>1,282,341</b>	<b>89,659</b>	<b>1,372,000</b>
Beginning net position, as previously presented	49,631,646	147,281	49,778,927
New Acct. Standard - GASB 101	12,561	-	12,561
Error corrections	(229)	-	(229)
Beginning net position, as restated	49,643,978	147,281	49,791,259
<b>Ending Net Position</b>	<b>\$ 50,926,319</b>	<b>\$ 236,940</b>	<b>\$ 51,163,259</b>

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2025**

	<u>Water &amp; Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 17,859,642	\$ 1,471,310	\$ 19,330,952
Payments to suppliers	(10,548,929)	(1,346,946)	(11,895,875)
Payments to employees	(1,795,857)	-	(1,795,857)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>5,514,856</u>	<u>124,364</u>	<u>5,639,220</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers in	441,042	-	441,042
Transfers (out)	(329,300)	(80,000)	(409,300)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<u>111,742</u>	<u>(80,000)</u>	<u>31,742</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Capital purchases	(3,826,151)	-	(3,826,151)
Principal paid on debt	(1,251,350)	-	(1,251,350)
Interest paid on debt	(660,729)	-	(660,729)
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<u>(5,738,230)</u>	<u>-</u>	<u>(5,738,230)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	806,565	15,331	821,896
<b>Net Cash Provided by Investing Activities</b>	<u>806,565</u>	<u>15,331</u>	<u>821,896</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	694,933	59,695	754,628
Beginning cash and cash equivalents	<u>23,407,651</u>	<u>265,508</u>	<u>23,673,159</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 24,102,584</u>	<u>\$ 325,203</u>	<u>\$ 24,427,787</u>

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2025**

	<u>Water &amp; Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<b><u>Reconciliation of Operating Income</u></b>			
<b><u>to Net Cash Provided by Operating Activities</u></b>			
Operating income (loss)	\$ 1,144,678	\$ 154,328	\$ 1,299,006
Adjustments to reconcile operating income to net cash provided:			
Depreciation	2,076,970	-	2,076,970
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	257,279	(15,082)	242,197
Prepays	624,130	-	624,130
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	1,340,862	(14,882)	1,325,980
Compensated absences	62,089	-	62,089
Customer deposits	22,537	-	22,537
Due to other funds	731	-	731
Pension outflows	47,525	-	47,525
OPEB outflows	(83)	-	(83)
OPEB inflows	767	-	767
Pension inflows	19,742	-	19,742
Net pension liability	(82,953)	-	(82,953)
OPEB liability	582	-	582
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 5,514,856</b>	<b>\$ 124,364</b>	<b>\$ 5,639,220</b>

See Notes to Financial Statements.

**City of Heath, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2025**

		<u>Custodial Fund</u>
		<u>Streets Escrow</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents		\$ 883,722
	<b>Total Assets</b>	<u>883,722</u>
<b><u>Liabilities</u></b>		
Accrued liabilities		598,790
	<b>Total Liabilities</b>	<u>\$ 598,790</u>
<b><u>Net Position</u></b>		
Restricted for street improvements		284,932
	<b>Total Net Position</b>	<u>\$ 284,932</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, 2025**

		<u>Custodial Fund</u> <u>Streets Escrow</u>
<b><u>Revenues</u></b>		
Capital contributions		\$ 275,023
	<b>Total Additions</b>	<u>275,023</u>
<b><u>Expenses</u></b>		
Expenses		275,023
	<b>Total Expenses</b>	<u>\$ 275,023</u>
	<b>Change in Net Position</b>	-
Beginning net position		284,932
	<b>Ending Net Position</b>	<u>\$ 284,932</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025**

**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 council members 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, 2025

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

### **Discretely Presented Component Units**

#### Heath Economic Development Corporation

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

#### Heath Municipal Benefits Corporation

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

#### Club Municipal Management District Number 1

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

**City of Heath, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

**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, 2025

### **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.

### **Capital Projects – CO Series 2023 Fund**

This capital improvements fund accounts for the acquisition and construction of the government's major capital facilities with the proceeds received through the issuance of \$28,740,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation in December 2023.

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

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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 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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

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

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized direct repurchase agreements with a defined termination date
- Money market mutual funds
- Ultra-short bonds
- Statewide investment pools

### **2. Fair Value Measurement**

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

### **3. Receivables and Interfund Transactions**

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

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

### 4. Inventories and Prepaid Items

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

### 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

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

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**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 resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Net Position Flow Assumptions**

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

**8. Fund Balance Flow Assumptions**

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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).

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

**City of Heath, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

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 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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

### H. Revenues and Expenditures/Expenses

#### 1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### 2. Property Taxes

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

#### 3. Compensated Absences

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*.

Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement.

**City of Heath, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

The City liquidates compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

**4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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, capital improvements, certain 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.

#### A. Expenditures Over Appropriations

For the year ending September 30, 2025, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
City council	\$ 42
City manager	6,626
Finance	9,270
Engineering & inspection	13,162
Municipal court	2,404
Public safety	58,747
Debt Service Fund:	
Total expenditures	478,265
Path Fund:	
Total expenditures	13,939
Equipment Replacement Fund:	
Total expenditures	65,975

### 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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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.

The City had the following investments at year end:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 17,805,320	0.12	AAAm
TexStar	55,843,268	0.14	AAAm
Total carrying value	<u>\$ 73,648,588</u>		
Portfolio weighted average maturity		0.13	

The Heath EDC had the following investments at year end:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 1,284,734	0.12	AAAm
TexStar	1,570,267	0.14	AAAm
Total carrying value	<u>\$ 2,855,001</u>		
Portfolio weighted average maturity		0.13	

The Heath MBC had the following investments at year end:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 1,044,038	0.12	AAAm
TexStar	1,192,915	0.14	AAAm
Total carrying value	<u>\$ 2,236,953</u>		
Portfolio weighted average maturity		0.13	

*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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2025, 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, 2025, 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, 2025, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**TexStar**

The TexStar Participant Services Local Government Investment Pool ("TexStar") is an external investment pool operated by First Southwest Asset Management, Inc. and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexStar and of other persons who do not have a business relationship with TexStar. The Advisory Board members review the investment policy and management fee structure. Standard & Poor's rates TexStar AAAm. At September 30, 2025, the fair value of the position in TexStar approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**B. Receivables**

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

	<b>General</b>	<b>Debt Service</b>	<b>Water &amp; Sewer</b>	<b>Nonmajor Solid Waste</b>	<b>Total</b>
Property taxes	\$ 152,896	\$ 72,392	\$ -	\$ -	\$ 225,288
Special assessments	-	136,325	-	-	136,325
Sales tax	310,370	-	-	-	310,370
Fines	2,440	-	-	-	2,440
Other	10,476	1,853	71,530	-	83,859
Accounts	68,678	-	2,185,144	207,193	2,461,015
Allowance	(976)	-	(14,186)	(2,578)	(17,740)
	<u>\$ 543,884</u>	<u>\$ 210,570</u>	<u>\$ 2,242,488</u>	<u>\$ 204,615</u>	<u>\$ 3,201,557</u>

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

	<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
Sales tax	\$ -	\$ 155,185	\$ 155,185	\$ 310,370
Assessments	36,449,301	-	-	36,449,301
	<u>\$ 36,449,301</u>	<u>\$ 155,185</u>	<u>\$ 155,185</u>	<u>\$ 36,759,671</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**C. Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 5,304,992	\$ -	\$ -	\$ 5,304,992
Construction in progress	2,825,252	9,420,044	-	12,245,296
Total capital assets not being depreciated	<u>8,130,244</u>	<u>9,420,044</u>	<u>-</u>	<u>17,550,288</u>
Capital assets, being depreciated:				
Buildings	2,451,787	-	-	2,451,787
Improvements other than buildings	5,347,927	47,488	-	5,395,415
Infrastructure	76,800,353	-	-	76,800,353
Machinery and equipment	4,021,768	501,433	(34,055)	4,489,146
Subscription assets - software	143,201	-	-	143,201
Total capital assets being depreciated	<u>88,765,036</u>	<u>548,921</u>	<u>(34,055)</u>	<u>89,279,902</u>
Less accumulated depreciation:				
Buildings	(2,104,887)	(95,305)	-	(2,200,192)
Improvements other than buildings	(2,804,833)	(195,894)	-	(3,000,727)
Infrastructure	(38,779,819)	(2,623,261)	-	(41,403,080)
Machinery and equipment	(3,076,469)	(378,891)	34,055	(3,421,305)
Subscription assets - software	(47,733)	(47,733)	-	(95,466)
Total accumulated depreciation	<u>(46,813,741)</u>	<u>(3,341,084)</u>	<u>34,055</u>	<u>(50,120,770)</u>
Net capital assets being depreciated	41,951,295	(2,792,163)	-	39,159,132
<b>Total Capital Assets</b>	<u>\$ 50,081,539</u>	<u>\$ 6,627,881</u>	<u>\$ -</u>	<u>\$ 56,709,420</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 48,579
Public safety	215,215
Public works	3,060,356
Culture and recreation	4,710
Community Development	12,224
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 3,341,084</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 993,216	\$ -	\$ -	\$ 993,216
Construction in progress	2,284,362	3,522,686	(3,266,024)	2,541,024
Total capital assets not being depreciated	<u>3,277,578</u>	<u>3,522,686</u>	<u>(3,266,024)</u>	<u>3,534,240</u>
Capital assets, being depreciated:				
Buildings	391,512	-	-	391,512
Improvements other than buildings	61,046,704	296,990	3,075,084	64,418,778
Machinery and equipment	1,227,487	6,475	-	1,233,962
Subscription assets - software	143,200	-	-	143,200
Total capital assets being depreciated	<u>62,808,903</u>	<u>303,465</u>	<u>3,075,084</u>	<u>66,187,452</u>
Less accumulated depreciation:				
Buildings	(294,780)	(20,902)	-	(315,682)
Improvements other than buildings	(23,192,374)	(1,888,742)	-	(25,081,116)
Machinery and equipment	(893,184)	(119,592)	-	(1,012,776)
Subscription assets - software	(47,734)	(47,734)	-	(95,468)
Total accumulated depreciation	<u>(24,428,072)</u>	<u>(2,076,970)</u>	<u>-</u>	<u>(26,505,042)</u>
Net capital assets being depreciated	<u>38,380,831</u>	<u>(1,773,505)</u>	<u>3,075,084</u>	<u>39,682,410</u>
<b>Total Capital Assets</b>	<u>\$ 41,658,409</u>	<u>\$ 1,749,181</u>	<u>\$ (190,940)</u>	<u>\$ 43,216,650</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

A summary of changes in component unit activities (Heath EDC) capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 4,870,574	\$ -	\$ 4,870,574
Total capital assets not being depreciated	<u>-</u>	<u>4,870,574</u>	<u>-</u>	<u>4,870,574</u>
Capital assets, being depreciated:				
Buildings	-	1,580,639	-	1,580,639
Total capital assets being depreciated	<u>-</u>	<u>1,580,639</u>	<u>-</u>	<u>1,580,639</u>
Less accumulated depreciation:				
Buildings	-	(231)	-	(231)
Total accumulated depreciation	<u>-</u>	<u>(231)</u>	<u>-</u>	<u>(231)</u>
Net capital assets being depreciated	<u>-</u>	<u>1,580,408</u>	<u>-</u>	<u>1,580,408</u>
<b>Total Capital Assets</b>	<u><u>\$ -</u></u>	<u><u>\$ 6,450,982</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,450,982</u></u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**D. Compensated Absences**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 1,027,404	\$ 782,923	\$ (685,735)	\$ 1,124,592	\$ 762,305
<b>Total Governmental Activities</b>	<u>\$ 1,027,404</u>	<u>\$ 782,923</u>	<u>\$ (685,735)</u>	<u>\$ 1,124,592</u>	<u>\$ 762,305</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 362,287</u>	
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 94,435	\$ 127,171	\$ (65,082)	\$ 156,524	\$ 106,484
<b>Total Business-Type Activities</b>	<u>\$ 94,435</u>	<u>\$ 127,171</u>	<u>\$ (65,082)</u>	<u>\$ 156,524</u>	<u>\$ 106,484</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 50,040</u>	

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**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 general and debt service fund to liquidate governmental long-term liabilities, including the City's net pension and OPEB liabilities.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 1,725,000	\$ -	\$ (565,000)	\$ 1,160,000	\$ 575,000
Certificates of Obligation	43,218,503	-	(1,227,340)	41,991,163	1,261,640
Premiums	2,774,511	-	(174,109)	2,600,402	-
Other liabilities:					
Subscription liabilities	95,694	-	(45,575)	50,119	50,119
<b>Total Governmental Activities</b>	<b>\$ 47,813,708</b>	<b>\$ -</b>	<b>\$ (2,012,024)</b>	<b>\$ 45,801,684</b>	<b>\$ 1,886,759</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 43,914,925</b>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 1,180,000	\$ -	\$ (385,000)	\$ 795,000	\$ 395,000
Certificates of Obligation	14,822,857	-	(820,775)	14,002,082	866,083
Premium	975,797	-	(80,461)	895,336	-
Other liabilities:					
Subscription liabilities	95,695	-	(45,575)	50,120	50,120
<b>Total Business-Type Activities</b>	<b>\$ 17,074,349</b>	<b>\$ -</b>	<b>\$ (1,331,811)</b>	<b>\$ 15,742,538</b>	<b>\$ 1,311,203</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 14,431,335</b>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

Description	Interest Rates	Original Balance	Current Balance
<b>Governmental Activities:</b>			
2015 General Obligation Refunding Bonds	2.03%	\$ 4,725,000	\$ 1,160,000
<b>Total General Obligation Bonds</b>		<u>4,725,000</u>	<u>1,160,000</u>
2017 Combination Tax & Revenue Certificates	3.00-5.00%	5,940,000	4,040,000
2014 Combination Tax & Revenue Certificates	3.00-4.00%	14,205,000	7,860,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	1,654,037	1,150,000
2019 Combination Tax & Revenue Certificates	3.70%	453,197	301,163
2023 Combination Tax & Revenue Certificates	4.50%	28,740,000	28,640,000
<b>Total Certificates of Obligation</b>		<u>50,992,234</u>	<u>41,991,163</u>
Subscription Liabilities	5.10%	95,694	50,119
<b>Total Subscription liabilities</b>		<u>95,694</u>	<u>50,119</u>
<b>Total Governmental Activities</b>		<u>\$ 55,812,928</u>	<u>\$ 43,201,282</u>
<b>Business-type Activities:</b>			
2015 General Obligation Refunding Bonds	2.03%	\$ 3,200,000	\$ 795,000
<b>Total General Obligation Bonds</b>		<u>3,200,000</u>	<u>795,000</u>
2019 Combination Tax & Revenue Certificates	3.70%	256,802	172,082
2017 Combination Tax & Revenue Certificates	3.00-5.00%	11,600,000	8,375,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	6,540,963	5,455,000
<b>Total Certificates of Obligation</b>		<u>18,397,765</u>	<u>14,002,082</u>
Subscription liabilities	5.10%	95,695	50,120
<b>Total Subscription liabilities</b>		<u>95,695</u>	<u>50,120</u>
<b>Total Business-Type Activities</b>		<u>\$ 21,597,765</u>	<u>\$ 14,847,202</u>
<b>Total Bonds &amp; Certificates</b>			
General Obligation Refunding Bonds		\$ 7,925,000	\$ 1,955,000
Certificates of Obligation		69,389,999	55,993,245
<b>Total Primary Government</b>		<u>\$ 77,410,693</u>	<u>\$ 58,048,484</u>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

<b>Governmental Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 575,000	\$ 17,712	\$ 1,261,640	\$ 1,779,178
2027	585,000	5,938	1,307,280	1,731,912
2028	-	-	1,747,920	1,683,360
2029	-	-	1,813,560	1,624,685
2030	-	-	1,883,560	1,554,660
2031-2035	-	-	10,750,443	6,518,202
2036-2040	-	-	13,606,760	4,018,418
2041-2044	-	-	9,620,000	964,700
<b>Total</b>	<b>\$ 1,160,000</b>	<b>\$ 23,650</b>	<b>\$ 41,991,163</b>	<b>\$ 19,875,115</b>

Subscription Liabilities

<b>Governmental Activities</b>		
<b>Year ending September 30,</b>	<b>Subscription Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 50,119	\$ 2,255
<b>Total</b>	<b>\$ 50,119</b>	<b>\$ 2,255</b>

The City entered into subscription-based arrangements for software. The subscriptions are classified as right-to-use subscription assets for governmental activities and have a total carrying value of \$47,735.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

<b>Business-Type Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 395,000	\$ 12,129	\$ 866,083	\$ 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	-	-	1,010,542	78,618
2037	-	-	1,046,548	27,487
2038	-	-	14,760	1,092
2039	-	-	14,429	546
<b>Total</b>	<b>\$ 795,000</b>	<b>\$ 16,189</b>	<b>\$ 14,002,082</b>	<b>\$ 3,832,846</b>

Subscription Liabilities

<b>Governmental Activities</b>		
<b>Year ending September 30,</b>	<b>Subscription Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 50,120	\$ 2,255
<b>Total</b>	<b>\$ 50,120</b>	<b>\$ 2,255</b>

The City entered into subscription-based arrangements for software. The subscriptions are classified as right-to-use subscription assets for business-type activities and have a total carrying value of \$47,732.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Special Assessment</b>					
Revenue Bonds Series 2016	\$ 7,460,000	\$ -	\$ (265,000)	\$ 7,195,000	\$ 160,000
Revenue Bonds Series 2021	8,461,000	-	(288,000)	8,173,000	209,000
Revenue Bonds Series 2024	-	17,270,000	-	17,270,000	288,000
Notes payable to developer	3,921,158	-	(12,653)	3,908,505	94,006
Premium	139,645	-	(5,334)	134,311	-
<b>Total Club MMD</b>	<b>\$ 19,981,803</b>	<b>\$ 17,270,000</b>	<b>\$ (570,987)</b>	<b>\$ 36,680,816</b>	<b>\$ 751,006</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 35,929,810</b>	

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Heath EDC</b>					
Note payable	\$ -	\$ 3,250,000	\$ (19,396)	\$ 3,230,604	\$ 296,900
<b>Total Heath EDC</b>	<b>\$ -</b>	<b>\$ 3,250,000</b>	<b>\$ (19,396)</b>	<b>\$ 3,230,604</b>	<b>\$ 296,900</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 2,933,704</b>	

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

<b>Club Municipal Management District</b>		
<b>Year ending</b>	<b>Special Assessment Bonds</b>	
<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 657,000	\$ 1,882,985
2027	734,000	1,881,722
2028	701,000	1,856,378
2029	800,000	1,830,798
2030	4,494,000	7,337,458
2031-2035	5,525,000	6,129,487
2036-2040	7,068,000	4,555,761
2041-2045	6,655,000	2,588,753
2046-2050	4,952,000	1,060,454
2051-2052	1,052,000	56,545
<b>Total</b>	<b>\$ 32,638,000</b>	<b>\$ 29,180,341</b>

<b>Club Municipal Management District</b>		
<b>Year ending</b>	<b>Notes payable to developer</b>	
<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 94,006	\$ 232,451
2027	105,257	227,745
2028	116,555	222,575
2029	127,900	216,505
2030-2035	721,479	971,836
2036-2040	933,367	748,537
2041-2045	1,223,549	450,388
2046-2050	514,089	84,018
2050	72,303	2,661
<b>Total</b>	<b>\$ 3,908,505</b>	<b>\$ 3,156,716</b>

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

Heath EDC		
Year ending September 30,	Note Payable	
	Principal	Interest
2026	\$ 296,900	\$ 192,896
2027	329,800	159,995
2028	373,869	122,990
2029	91,311	98,484
2030	95,506	94,289
2031-2035	543,727	410,956
2036-2040	642,349	420,808
2041-2045	857,142	152,857
<b>Total</b>	\$ 3,230,604	\$ 1,653,275

**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 \$35,890 and \$13,004, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$26,043 and \$9,436, respectively.

**G. Interfund Transfers**

Transfers between the primary government funds during the 2025 year were as follows:

Transfers Out:	Transfers In:				Total
	General	Capital Improvement	Nonmajor Governmental	Water & Sewer	
General	\$ -	\$ 29,500	\$ 545,700	\$ -	\$ 575,200
Capital Improv.	-	-	236,000	401,042	637,042
Water & sewer	329,300	-	-	-	329,300
Solid waste	40,000	-	-	40,000	80,000
<b>Total</b>	\$ 369,300	\$ 29,500	\$ 781,700	\$ 441,042	\$ 1,621,542

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.

During the year, the City's discretely presented component units contributed a total of \$899,983 to the primary government.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

The compositions of interfund balances as of year end were as follows:

<b>Due To (Payable fund):</b>	<b>Due From (Receivable fund): General</b>
Water & sewer	\$ 731
	\$ 731

**H. Restricted Fund Balance**

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

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

	<b>Govt. Funds</b>
Restricted for:	
* Public safety	\$ 26,165
Fire station	1,577,942
Debt service	861,656
Special programs	345,781
Parks	1,512,531
Streets	303,100
Capital improvements	39,573,118
Total Restricted	\$ 44,200,293
Assigned for:	
Equipment replacement	\$ 822,370
Tree mitigation	114,403
Police department	145,661
Total Assigned	\$ 1,082,434

\* Restricted by enabling legislation

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,700 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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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.

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on the basic financial statements.

### **C. Defined Benefit Pension Plans**

#### **1. Texas Municipal Retirement Systems**

##### **Plan Description**

The City of Heath participates as one of 938 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**City of Heath, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
 September 30, 2025

**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 three payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

	<u>Plan Year 2024</u>	<u>Plan Year 2023</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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	59
Active employees	70
<b>Total</b>	<b>168</b>

**3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN)

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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 12.22% and 12.22% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$829,870, and was equal to the required contributions.

#### 4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation
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 110% of the Public Safety table used for males and 100% of 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (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 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
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.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**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	Current Single Rate	1% Increase
5.75%	6.75%	7.75%
\$ 3,955,754	\$ 1,140,190	\$ (1,173,283)

**Changes in the Net Pension Liability:**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/23</b>	\$ 18,061,083	\$ 16,493,525	\$ 1,567,558
Changes for the year:			
Service Cost	1,025,617	-	1,025,617
Interest	1,227,502	-	1,227,502
Difference between expected and actual experience	196,891	-	196,891
Changes of assumptions	-	-	-
Contributions – employer	-	743,799	(743,799)
Contributions – employee	-	426,072	(426,072)
Net investment income	-	1,718,755	(1,718,755)
Benefit payments, including refunds of emp. contributions	(777,364)	(777,364)	-
Administrative expense	-	(10,991)	10,991
Other changes	-	(257)	257
Net changes	1,672,646	2,100,014	(427,368)
<b>Balance at 12/31/24</b>	\$ 19,733,729	\$ 18,593,539	\$ 1,140,190

**Pension Plan Fiduciary Net Position:**

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

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

Pension expense for the year ended September 30, 2025 was \$749,063.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Contributions subsequent to the measurement date	\$ 608,138	\$ -
Difference in experience	42,728	-
Changes in actuarial assumptions	1,792	-
Pension investment earnings	-	(213,489)
<b>Total</b>	<b>\$ 652,658</b>	<b>\$ (213,489)</b>

The City reported \$608,138 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended</b>	
<b>December 31:</b>	
2025	\$ 3,934
2026	171,961
2027	(223,778)
2028	(121,086)
2029	-
Thereafter	-
<b>Total</b>	<b>\$ (168,969)</b>

**Other Post-Employment Benefits**

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

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

# City of Heath, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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.

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

### Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	14
Active employees	70
<b>Total</b>	<b>113</b>

The City's contributions to the TMRS SDBF for the years ended 2025, 2024 and 2023 were \$4,075, \$3,494, and \$3,044, respectively, which equaled the required contributions each year.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Annual Required Contribution (Rate)	0.06%	0.06%	0.06%
Actual Contributions Made	0.06%	0.06%	0.06%
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, 2024, 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, 2025**

**Actuarial assumptions:**

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
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 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP=2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

**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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

1% Decrease 3.08%	Current Single Rate 4.08%	1% Increase 5.08%
\$ 194,285	\$ 160,664	\$ 134,663

**City of Heath, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/23</b>	\$ 157,707
Changes for the year:	
Service Cost	10,347
Interest	6,072
Difference between expected and actual experience	(253)
Changes of assumptions	(9,557)
Benefit payments	(3,652)
Net changes	2,957
<b>Balance at 12/31/24</b>	<b>\$ 160,664</b>

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$10,555.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Contributions subsequent to the measurement date	\$ 2,986	\$ -
Difference in experience	-	(2,149)
Changes in actuarial assumptions	-	(35,135)
<b>Total</b>	<b>\$ 2,986</b>	<b>\$ (37,284)</b>

The City reported \$2,986 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, 2026.

**City of Heath, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

<b>Year ended December 31:</b>	
2025	\$ (5,295)
2026	(9,662)
2027	(12,668)
2028	(8,296)
2029	(1,363)
Thereafter	-
	\$ (37,284)

**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, 2025

### **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, 2025**

**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. Restatement**

Due to the City’s implementation of GASB 101, *Compensated Absences*, the City restated its beginning net position for governmental activities, business-type activities, & the water & sewer fund. The restatements are summarized below:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Water &amp; Sewer</b>
Prior year ending net position, as reported	\$ 56,351,491	\$ 49,778,927	\$ 49,631,646
Implementation of GASB 101	258,676	12,561	12,561
Correction to SBITA subscription assets	(95,466)	95,466	95,466
Correction to SBITA subscription liabilities	95,695	(95,695)	(95,695)
Restated beginning net position	<u>\$ 56,610,396</u>	<u>\$ 49,791,259</u>	<u>\$ 49,643,978</u>

**City of Heath, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2025

**I. New Accounting Pronouncements**

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability restatement totaling \$271,237.

**J. Subsequent Events**

Subsequent events were evaluated through March 18, 2026, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Heath, Texas

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

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Taxes:				
Property tax	\$ 6,156,100	\$ 6,156,100	\$ 6,490,896	\$ 334,796
Sales & beverage tax	1,592,400	1,592,400	1,849,506	257,106
Franchise tax	685,000	685,000	823,509	138,509
Licenses and permits	1,069,400	1,069,400	855,916	(213,484)
Intergovernmental	27,800	27,800	40,058	12,258
Charges for services	139,600	139,600	119,137	(20,463)
Fines and forfeitures	140,100	140,100	150,199	10,099
Investment income	125,000	125,000	82,414	(42,586)
Other revenue	60,000	60,000	47,554	(12,446)
<b>Total Revenues</b>	9,995,400	9,995,400	10,459,189	463,789
<b><u>Expenditures</u></b>				
Current:				
City council	45,600	45,600	45,642	(42) *
City secretary	310,600	336,302	335,700	602
City attorney	400,100	400,100	346,403	53,697
City manager	340,700	217,373	223,999	(6,626) *
Finance	353,400	353,420	362,690	(9,270) *
Non-divisional	550,300	558,051	542,655	15,396
Highways and streets	408,140	408,140	390,259	17,881
Parks	562,400	562,400	420,265	142,135
Information technology	314,835	314,835	255,903	58,932
Engineering and inspection	401,900	371,148	384,310	(13,162) *
Municipal court	97,200	113,463	115,867	(2,404) *
Public safety	5,193,000	5,526,620	5,585,367	(58,747) *
Communication and economic development	903,900	777,234	709,229	68,005
Debt service				
Principal	45,575	45,575	45,575	-
<b>Total Expenditures</b>	9,927,650	10,030,261	9,763,864	266,397
<b>Revenues Over (Under) Expenditures</b>	67,750	(34,861)	695,325	730,186

# 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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	\$ 530,300	\$ 530,300	\$ 369,300	\$ (161,000)
Transfers (out)	(700,200)	(700,200)	(575,200)	125,000
<b>Total Other Financing Sources</b>				
<b>(Uses)</b>	(169,900)	(169,900)	(205,900)	(36,000)
<b>Net Change in Fund Balance</b>	\$ (102,150)	\$ (204,761)	489,425	\$ 694,186
Beginning fund balance			5,199,844	
<b>Ending Fund Balance</b>			\$ 5,689,269	

Notes to Required 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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	2024	2023	2022	2021
Total pension liability				
Service cost	\$ 1,025,617	\$ 900,873	\$ 811,572	\$ 820,876
Interest	1,227,502	1,137,916	1,063,292	979,233
Differences between expected and actual experience	196,891	(86,409)	(180,244)	59,450
Changes of assumptions	-	3,194	-	-
Benefit payments, including refunds of participant contributions	(777,364)	(604,142)	(663,301)	(555,887)
<b>Net change in total pension liability</b>	<b>1,672,646</b>	<b>1,351,432</b>	<b>1,031,319</b>	<b>1,303,672</b>
<b>Total pension liability - beginning</b>	<b>\$ 18,061,083</b>	<b>\$ 16,709,651</b>	<b>\$ 15,678,332</b>	<b>\$ 14,374,660</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 19,733,729</b>	<b>\$ 18,061,083</b>	<b>\$ 16,709,651</b>	<b>\$ 15,678,332</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 743,799	\$ 666,384	\$ 603,777	\$ 582,870
Contributions - members	426,072	381,726	343,056	340,008
Net investment income	1,718,755	1,670,426	(1,113,409)	1,716,650
Benefit payments, including refunds of participant contributions	(777,364)	(604,142)	(663,301)	(555,887)
Administrative expenses	(10,991)	(10,595)	(9,613)	(7,927)
Other	(257)	(74)	11,471	54
<b>Net change in plan fiduciary net position</b>	<b>2,100,014</b>	<b>2,103,725</b>	<b>(828,019)</b>	<b>2,075,768</b>
<b>Plan fiduciary net position - beginning</b>	<b>16,493,525</b>	<b>14,389,800</b>	<b>15,217,819</b>	<b>13,142,051</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 18,593,539</b>	<b>\$ 16,493,525</b>	<b>\$ 14,389,800</b>	<b>\$ 15,217,819</b>
<b>Fund's net pension liability - ending (a) - (b)</b>	<b>\$ 1,140,190</b>	<b>\$ 1,567,558</b>	<b>\$ 2,319,851</b>	<b>\$ 460,513</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	94.22%	91.32%	86.12%	97.06%
<b>Covered payroll</b>	\$ 6,086,746	\$ 5,453,229	\$ 4,900,796	\$ 4,857,253
<b>Fund's net pension liability as a percentage of covered payroll</b>	18.73%	28.75%	47.34%	9.48%

2020	2019	2018	2017	2016	2015
\$ 782,078	\$ 685,576	\$ 642,835	\$ 579,954	\$ 545,303	\$ 511,422
884,390	799,111	719,174	659,959	607,425	553,402
250,621	128,465	155,824	(73,547)	(70,104)	77,120
-	60,664	-	-	-	185,491
(506,923)	(410,419)	(299,493)	(341,591)	(301,756)	(200,712)
1,410,166	1,263,397	1,218,340	824,775	780,868	1,126,723
\$ 12,964,494	\$ 11,701,097	\$ 10,482,757	\$ 9,657,982	\$ 8,877,114	\$ 7,750,391
\$ 14,374,660	\$ 12,964,494	\$ 11,701,097	\$ 10,482,757	\$ 9,657,982	\$ 8,877,114
\$ 536,083	\$ 457,597	\$ 433,642	\$ 405,755	\$ 352,127	\$ 340,543
324,899	287,539	271,894	247,844	230,363	221,749
904,105	1,550,733	(297,233)	1,170,154	516,987	10,741
(506,923)	(410,419)	(299,493)	(341,591)	(301,756)	(200,712)
(5,840)	(8,747)	(5,738)	(6,059)	(5,834)	(6,541)
(227)	(264)	(298)	(306)	(314)	(324)
1,252,097	1,876,439	102,774	1,475,797	791,573	365,456
11,889,954	10,013,515	9,910,741	8,434,944	7,643,371	7,277,915
\$ 13,142,051	\$ 11,889,954	\$ 10,013,515	\$ 9,910,741	\$ 8,434,944	\$ 7,643,371
\$ 1,232,609	\$ 1,074,540	\$ 1,687,582	\$ 572,016	\$ 1,223,038	\$ 1,233,743
91.43%	91.71%	85.58%	94.54%	87.34%	86.10%
\$ 4,641,411	\$ 4,107,702	\$ 3,884,201	\$ 3,540,624	\$ 3,290,903	\$ 3,135,634
26.56%	26.16%	43.45%	16.16%	37.16%	39.35%

# City of Heath, Texas

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

Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 829,870	\$ 711,627	\$ 634,102	\$ 588,517
Contributions in relation to the actuarially determined contribution	829,870	711,627	634,102	588,517
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 6,791,077	\$ 5,823,463	\$ 5,308,462	\$ 4,765,347
Employer contributions as a percentage of covered payroll	12.22%	12.22%	11.95%	12.35%

### 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	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

**Other Information:**

Notes There were no benefit changes during the year.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
\$ 566,320	\$ 501,630	\$ 454,243	\$ 429,534	\$ 392,931	\$ 363,477
566,320	501,630	454,243	429,534	392,931	363,477
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,813,274	\$ 4,377,302	\$ 4,075,081	\$ 3,822,831	\$ 3,482,574	\$ 3,392,712
11.77%	11.46%	11.15%	11.24%	11.28%	10.71%

# City of Heath, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Year Ended December 31,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB liability				
Service cost	\$ 10,347	\$ 8,725	\$ 13,232	\$ 13,600
Interest	6,072	6,009	3,953	3,814
Differences between expected and actual experience	(253)	(8,212)	5,336	2,274
Changes of assumptions	(9,557)	8,809	(83,863)	7,059
Benefit payments, including refunds of participant contributions	(3,652)	(3,272)	(2,450)	(2,429)
<b>Net change in total OPEB liability</b>	<u>2,957</u>	<u>12,059</u>	<u>(63,792)</u>	<u>24,318</u>
<b>Total OPEB liability - beginning</b>	<u>\$ 157,707</u>	<u>\$ 145,648</u>	<u>\$ 209,440</u>	<u>\$ 185,122</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 160,664</u></u>	<u><u>\$ 157,707</u></u>	<u><u>\$ 145,648</u></u>	<u><u>\$ 209,440</u></u>
<b>Covered-employee payroll</b>	\$ 6,086,746	\$ 5,453,229	\$ 4,900,796	\$ 4,857,253
<b>City's total OPEB liability as a percentage of covered-employee payroll</b>	2.64%	2.89%	2.97%	4.31%

**Notes to schedule:**

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<sup>1</sup>
\$	12,068	\$ 8,215	\$ 10,487	\$ 8,497	
	4,104	4,115	3,568	3,264	
	(450)	(186)	(513)	-	
	26,652	24,932	(8,897)	9,071	
	(928)	(411)	(388)	(354)	
	<u>41,446</u>	<u>36,665</u>	<u>4,257</u>	<u>20,478</u>	
\$	<u>143,676</u>	<u>\$ 107,011</u>	<u>\$ 102,754</u>	<u>\$ 82,276</u>	
\$	<u>185,122</u>	<u>\$ 143,676</u>	<u>\$ 107,011</u>	<u>\$ 102,754</u>	<sup>2</sup>
\$	4,641,411	\$ 4,107,702	\$ 3,884,201	\$ 3,540,624	
	3.99%	3.50%	2.76%	2.90%	

(This page intentionally left blank.)

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

(This page intentionally left blank.)

# ***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.

### ***TREE MITIGATION***

This fund has been established for donations from various organizations and individuals received for the benefit of maintaining local tree health and beautification.

### ***PARK CIP***

This fund accounts for the acquisition and construction of the City's major park improvements.

### ***OPIOID SETTLEMENT***

This fund consists primarily of amounts from statewide opioid settlement agreements. Funds in the account may be used to address opioid-related prevention and treatment programs

**City of Heath, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2025**

	<u>Public Safety Donations</u>	<u>Marsha's Happy Haven</u>	<u>Farmers' Market</u>	<u>Park in Lieu</u>	<u>PATH</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 172,939	\$ 92,876	\$ 569	\$ 43,357	\$ 252,757
<b>Total Assets</b>	<b>\$ 172,939</b>	<b>\$ 92,876</b>	<b>\$ 569</b>	<b>\$ 43,357</b>	<b>\$ 252,757</b>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 9,679	\$ -	\$ 421	\$ -	\$ -
<b>Total Liabilities</b>	<b>9,679</b>	<b>-</b>	<b>421</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>					
Restricted for:					
Public safety	17,599	-	-	-	-
Parks	-	-	-	43,357	-
Special programs	-	92,876	148	-	252,757
Streets	-	-	-	-	-
Assigned for:					
Police department	145,661	-	-	-	-
Equipment replacement	-	-	-	-	-
Tree mitigation	-	-	-	-	-
<b>Total Fund Balances</b>	<b>163,260</b>	<b>92,876</b>	<b>148</b>	<b>43,357</b>	<b>252,757</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 172,939</b>	<b>\$ 92,876</b>	<b>\$ 569</b>	<b>\$ 43,357</b>	<b>\$ 252,757</b>

See Notes to Financial Statements.

<u>Drainage</u>	<u>Fire Station</u>	<u>Equipment Replacement</u>	<u>Tree Mitigation</u>	<u>Parks CIP</u>	<u>Opiod Settlement</u>	<u>Total Nonmajor Governmental</u>
\$ 303,100	\$ 1,577,942	\$ 873,812	\$ 114,403	\$ 1,469,174	\$ 8,566	\$ 4,909,495
<u>\$ 303,100</u>	<u>\$ 1,577,942</u>	<u>\$ 873,812</u>	<u>\$ 114,403</u>	<u>\$ 1,469,174</u>	<u>\$ 8,566</u>	<u>\$ 4,909,495</u>
\$ -	\$ -	\$ 51,442	\$ -	\$ -	\$ -	\$ 61,542
-	-	51,442	-	-	-	61,542
-	1,577,942	-	-	-	8,566	1,604,107
-	-	-	-	1,469,174	-	1,512,531
-	-	-	-	-	-	345,781
303,100	-	-	-	-	-	303,100
-	-	-	-	-	-	145,661
-	-	822,370	-	-	-	822,370
-	-	-	114,403	-	-	114,403
<u>303,100</u>	<u>1,577,942</u>	<u>822,370</u>	<u>114,403</u>	<u>1,469,174</u>	<u>8,566</u>	<u>4,847,953</u>
<u>\$ 303,100</u>	<u>\$ 1,577,942</u>	<u>\$ 873,812</u>	<u>\$ 114,403</u>	<u>\$ 1,469,174</u>	<u>\$ 8,566</u>	<u>\$ 4,909,495</u>

# City of Heath, Texas

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

For the Year Ended September 30, 2025

	Public Safety Donations	Marsha's Happy Haven	Farmers' Market	Park in Lieu	PATH
<b>Revenues</b>					
Contributions & donations	\$ -	\$ -	\$ -	\$ -	\$ 241,459
Intergovernmental revenue	155	-	-	-	-
Other revenue	15,117	-	-	-	-
Investment income	2,996	1,530	9	714	1,039
<b>Total Revenues</b>	18,268	1,530	9	714	242,498
<b>Expenditures</b>					
Public safety	13,224	-	-	-	-
Capital outlay	-	-	-	-	27,939
<b>Total Expenditures</b>	13,224	-	-	-	27,939
<b>Revenues Over (Under) Expenditures</b>	5,044	1,530	9	714	214,559
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-
<b>Net Change in Fund Balances</b>	5,044	1,530	9	714	214,559
Beginning fund balances	158,216	91,346	139	42,643	38,198
<b>Ending Fund Balances</b>	\$ 163,260	\$ 92,876	\$ 148	\$ 43,357	\$ 252,757

See Notes to Financial Statements.

<b>Drainage</b>	<b>Fire Station Building</b>	<b>Equipment Replacement</b>	<b>Tree Mitigation</b>	<b>Parks CIP</b>	<b>Opiod Settlement</b>	<b>Total Nonmajor Governmental</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,459
-	-	-	-	396,000	8,566	404,721
-	-	-	-	-	-	15,117
4,202	25,991	14,383	1,884	-	-	52,748
<u>4,202</u>	<u>25,991</u>	<u>14,383</u>	<u>1,884</u>	<u>396,000</u>	<u>8,566</u>	<u>714,045</u>
-	-	-	-	-	-	13,224
187,950	-	549,091	-	-	-	764,980
<u>187,950</u>	<u>-</u>	<u>549,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,204</u>
<u>(183,748)</u>	<u>25,991</u>	<u>(534,708)</u>	<u>1,884</u>	<u>396,000</u>	<u>8,566</u>	<u>(64,159)</u>
-	-	6,161	-	-	-	6,161
236,000	-	545,700	-	-	-	781,700
<u>236,000</u>	<u>-</u>	<u>551,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,861</u>
52,252	25,991	17,153	1,884	396,000	8,566	723,702
250,848	1,551,951	805,217	112,519	1,073,174	-	4,124,251
<u>\$ 303,100</u>	<u>\$ 1,577,942</u>	<u>\$ 822,370</u>	<u>\$ 114,403</u>	<u>\$ 1,469,174</u>	<u>\$ 8,566</u>	<u>\$ 4,847,953</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, 2025

	Original & Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>			
Property tax	\$ 2,780,100	\$ 3,355,153	\$ 575,053
Special assessments	13,200	15,173	1,973
Intergovernmental revenue	-	473,925	473,925
Investment income	2,000	4,096	2,096
<b>Total Revenues</b>	2,795,300	3,848,347	1,053,047
<b><u>Expenditures</u></b>			
General government	8,500	14,869	(6,369)
Debt service:			
Principal	1,792,340	1,792,340	-
Interest	1,376,129	1,848,025	(471,896)
<b>Total Expenditures</b>	3,176,969	3,655,234	(478,265) *
<b>Revenues Over (Under) Expenditures</b>	(381,669)	193,113	574,782
<b>Net Change in Fund Balance</b>	\$ (381,669)	193,113	\$ 574,782
Beginning fund balance		668,543	
<b>Ending Fund Balance</b>		\$ 861,656	

Notes to Other Supplementary Information

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

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

**City of Heath, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**PATH FUND**  
**For the Year Ended September 30, 2025**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Contributions and donations	\$ 15,000	\$ 241,459	\$ 226,459
Investment income	100	1,039	939
<b>Total Revenues</b>	15,100	242,498	227,398
<b><u>Expenditures</u></b>			
General government	3,500	-	3,500
Capital outlay	10,500	27,939	(17,439)
<b>Total Expenditures</b>	14,000	27,939	(13,939) *
<b>Revenues Over (Under) Expenditures</b>	1,100	214,559	213,459
<b>Net Change in Fund Balance</b>	\$ 1,100	214,559	\$ 213,459
Beginning fund balance		38,198	
<b>Ending Fund Balance</b>		\$ 252,757	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \* 2. 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**  
**DRAINAGE FUND**  
**For the Year Ended September 30, 2025**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Investment income	\$ 1,000	\$ 4,202	\$ 3,202
<b>Total Revenues</b>	1,000	4,202	3,202
<b><u>Expenditures</u></b>			
Capital outlay	319,900	187,950	131,950
<b>Total Expenditures</b>	319,900	187,950	131,950
<b>Revenues Over (Under) Expenditures</b>	(318,900)	(183,748)	135,152
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	236,000	236,000	-
<b>Total Other Financing Sources (Uses)</b>	236,000	236,000	-
<b>Net Change in Fund Balance</b>	\$ (82,900)	52,252	\$ 135,152
Beginning fund balance		250,848	
<b>Ending Fund Balance</b>		\$ 303,100	

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, 2025**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues</u></b>			
Investment income	\$ 25,000	\$ 25,991	\$ 991
<b>Total Revenues</b>	<u>25,000</u>	<u>25,991</u>	<u>991</u>
<b><u>Expenditures</u></b>			
Public safety	750,000	-	750,000
<b>Total Expenditures</b>	<u>750,000</u>	<u>-</u>	<u>750,000</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(725,000)</u>	<u>25,991</u>	<u>750,991</u>
<b>Net Change in Fund Balance</b>	<u>\$ (725,000)</u>	<u>25,991</u>	<u>\$ 750,991</u>
Beginning fund balance		<u>1,551,951</u>	
<b>Ending Fund Balance</b>		<u>\$ 1,577,942</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, 2025**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Investment income	\$ 11,000	\$ 14,383	\$ 3,383
<b>Total Revenues</b>	11,000	14,383	3,383
<b><u>Expenditures</u></b>			
Capital outlay	483,116	549,091	(65,975)
<b>Total Expenditures</b>	483,116	549,091	(65,975) *
<b>Revenues Over (Under) Expenditures</b>	(472,116)	(534,708)	(62,592)
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from sale of assets	5,000	6,161	1,161
Transfers in	545,700	545,700	-
<b>Total Other Financing Sources (Uses)</b>	550,700	551,861	1,161
<b>Net Change in Fund Balance</b>	\$ 78,584	17,153	\$ (61,431)
Beginning fund balance		805,217	
<b>Ending Fund Balance</b>		\$ 822,370	

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, EXPENSES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HEATH ECONOMIC DEVELOPMENT CORPORATION**  
**For the Year Ended September 30, 2025**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Sales tax	\$ 735,983	\$ 893,212	\$ 157,229
Investment income	130,000	171,265	41,265
<b>Total Revenues</b>	865,983	1,064,477	198,494
<b><u>Expenditures</u></b>			
Current:			
Economic development	385,938	282,953	102,985
Capital outlay	-	6,451,213	(6,451,213)
Debt service:			
Principal	19,396	19,396	-
Interest and fiscal charges	30,508	30,508	-
<b>Total Expenditures</b>	435,842	6,784,070	(6,348,228) *
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	430,141	(5,719,593)	(6,149,734)
<b><u>Other Financing Sources (Uses)</u></b>			
Note issuance	-	3,250,000	3,250,000
<b>Total Other Financing Sources (Uses)</b>	-	3,250,000	3,250,000
<b>Net Change in Fund Balance</b>	\$ 430,141	(2,469,593)	\$ (2,899,734)
Beginning fund balance		4,466,346	
<b>Ending Fund Balance</b>		\$ 1,996,753	

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, EXPENSES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HEATH MUNICIPAL BENEFITS CORPORATION**  
**For the Year Ended September 30, 2025**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b><u>Revenues</u></b>			
Sales tax	\$ 735,983	\$ 893,212	\$ 157,229
Investment income	70,000	74,484	4,484
<b>Total Revenues</b>	805,983	967,696	161,713
<b><u>Expenditures</u></b>			
Current:			
Economic opportunity	936,367	751,630	184,737
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	936,867	751,630	185,237
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	(130,884)	216,066	346,950
<b>Net Change in Fund Balance</b>	\$ (130,884)	216,066	\$ 346,950
Beginning fund balance		1,413,188	
<b>Ending Fund Balance</b>		\$ 1,629,254	

Notes to Other Supplementary Information

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

**City of Heath, Texas**  
**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2025**

	<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 270,845	\$ 1,845,687	\$ 1,486,742	\$ 3,603,274
Restricted cash	4,673,532	-	-	4,673,532
Receivables, net	36,449,301	155,185	155,185	36,759,671
Prepays	3,179	-	-	3,179
<b>Total Assets</b>	<b>\$ 41,396,857</b>	<b>\$ 2,000,872</b>	<b>\$ 1,641,927</b>	<b>\$ 45,039,656</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 138,181	\$ 4,108	\$ 12,673	\$ 154,962
Due to primary government	-	11	-	11
<b>Total Liabilities</b>	<b>138,181</b>	<b>4,119</b>	<b>12,673</b>	<b>154,973</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - Property assessments	36,449,301	-	-	36,449,301
<b><u>Fund Balances</u></b>				
Nonspendable	3,179	-	-	3,179
Restricted for:				
Debt service	4,668,029	-	-	4,668,029
Economic development	-	1,996,753	-	1,996,753
Economic opportunities	-	-	1,629,254	1,629,254
<b>Total Fund Balance</b>	<b>4,809,375</b>	<b>1,996,753</b>	<b>1,629,254</b>	<b>8,435,382</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>	<b>\$ 41,396,857</b>	<b>\$ 2,000,872</b>	<b>\$ 1,641,927</b>	<b>\$ 45,039,656</b>

See Notes to Financial Statements.

# City of Heath, Texas

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

September 30, 2025

<b>Fund Balance</b>	\$ 8,435,382
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	4,870,574
Capital assets - net depreciable	1,580,408
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property assessment receivable	36,449,301
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(245,694)
Non-current liabilities due in one year	(1,047,906)
Non-current liabilities due in more than one year	(38,863,514)
<b>Net Position of the Discretely Presented Component Unit</b>	<b>\$ 11,178,551</b>

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, 2025

	Heath Club MMD	Heath EDC	Heath MBC	Total
<b><u>Revenues</u></b>				
Sales tax	\$ -	\$ 893,212	\$ 893,212	\$ 1,786,424
Property assessments	1,714,237	-	-	1,714,237
Investment income	206,684	171,265	74,484	452,433
<b>Total Revenues</b>	1,920,921	1,064,477	967,696	3,953,094
<b><u>Expenditures</u></b>				
Current:				
General government	262,366	282,953	751,630	1,296,949
Debt Service:				
Principal	565,653	19,396	-	585,049
Interest and fiscal charges	1,499,807	30,508	-	1,530,315
Debt issuance costs	1,459,223	-	-	1,459,223
Capital outlay	12,746,000	6,451,213	-	19,197,213
<b>Total Expenditures</b>	16,533,049	6,784,070	751,630	24,068,749
<b>Total Revenues</b>				
<b>Over (Under) Expenditures</b>	(14,612,128)	(5,719,593)	216,066	(20,115,655)
<b><u>Other Financing Sources (Uses)</u></b>				
Note issuance	17,270,000	3,250,000	-	20,520,000
<b>Total Other Financing Sources</b>				
<b>(Uses)</b>	17,270,000	3,250,000	-	20,520,000
<b>Net Change in Fund Balance</b>	2,657,872	(2,469,593)	216,066	404,345
Beginning fund balance	2,151,503	4,466,346	1,413,188	8,031,037
<b>Ending Fund Balance</b>	\$ 4,809,375	\$ 1,996,753	\$ 1,629,254	\$ 8,435,382

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, 2025**

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

Net changes in fund balance	\$	404,345
-----------------------------	----	---------

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		6,451,213
Depreciation expense		(231)

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

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		(151,216)
------------------	--	-----------

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.

Note issuance		(20,520,000)
Amortization of premium		5,334
Principal payments expensed		585,049
<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b>\$</b>	<b><u>3,516,098</u></b>

See Notes to Financial Statements.

**City of Heath, Texas**  
**COMBINING SCHEDULE OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2025**

	<u>Heath Club MMD</u>	<u>Heath EDC</u>	<u>Heath MBC</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 270,845	\$ 1,845,687	\$ 1,486,742	\$ 3,603,274
Restricted assets - cash	4,673,532	-	-	4,673,532
Receivables, current	668,000	155,185	155,185	978,370
Prepays	3,179	-	-	3,179
<b>Total Current Assets</b>	<u>5,615,556</u>	<u>2,000,872</u>	<u>1,641,927</u>	<u>9,258,355</u>
Capital assets:				
Non-depreciable	-	4,870,574	-	4,870,574
Net depreciable capital assets	-	1,580,408	-	1,580,408
Assessment receivables, net	35,781,301	-	-	35,781,301
<b>Total Noncurrent Assets</b>	<u>35,781,301</u>	<u>6,450,982</u>	<u>-</u>	<u>42,232,283</u>
<b>Total Assets</b>	<u>41,396,857</u>	<u>8,451,854</u>	<u>1,641,927</u>	<u>51,490,638</u>
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	138,181	4,108	12,673	154,962
Due to primary government	-	11	-	11
Accrued interest payable	236,121	8,992	581	245,694
Debt due within one year	751,006	296,900	-	1,047,906
<b>Total Current Liabilities</b>	<u>1,125,308</u>	<u>310,011</u>	<u>13,254</u>	<u>1,448,573</u>
Noncurrent liabilities:				
Debt due in more than one year	35,929,810	2,933,704	-	38,863,514
	<u>35,929,810</u>	<u>2,933,704</u>	<u>-</u>	<u>38,863,514</u>
<b>Total Liabilities</b>	<u>37,055,118</u>	<u>3,243,715</u>	<u>13,254</u>	<u>40,312,087</u>
<b><u>Net Position</u></b>				
Net investment in capital assets	-	3,220,378	-	3,220,378
Economic development	4,341,739	1,987,761	-	6,329,500
Economic opportunities	-	-	1,628,673	1,628,673
<b>Total Net Position</b>	<u>\$ 4,341,739</u>	<u>\$ 5,208,139</u>	<u>\$ 1,628,673</u>	<u>\$ 11,178,551</u>

**City of Heath, Texas**  
**COMBINING SCHEDULE OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended September 30, 2025**

Functions/Programs	Expenses
<b>Component Units</b>	
<b>Governmental Activities</b>	
Heath EDC	\$ 322,352
Heath MBC	751,630
Heath Club MMD	16,104,618
<b>Total Governmental Activities</b>	<b>17,178,600</b>
<b>Total Component Units</b>	<b>\$ 17,178,600</b>

**General Revenues:**

Property assessments

Sales taxes

Investment income

**Total General Revenues**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

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

<b>Heath Club MMD</b>	<b>Heath EDC</b>	<b>Heath MBC</b>	<b>Total</b>
\$ -	\$ (322,352)	\$ -	\$ (322,352)
-	-	(751,630)	(751,630)
(16,104,618)	-	-	(16,104,618)
<u>(16,104,618)</u>	<u>(322,352)</u>	<u>(751,630)</u>	<u>(17,178,600)</u>
<u>\$ (16,104,618)</u>	<u>\$ (322,352)</u>	<u>\$ (751,630)</u>	<u>\$ (17,178,600)</u>
18,455,841	-	-	18,455,841
-	893,212	893,212	1,786,424
206,684	171,265	74,484	452,433
<u>18,662,525</u>	<u>1,064,477</u>	<u>967,696</u>	<u>20,694,698</u>
2,557,907	742,125	216,066	3,516,098
1,783,832	4,466,014	1,412,607	7,662,453
<u>\$ 4,341,739</u>	<u>\$ 5,208,139</u>	<u>\$ 1,628,673</u>	<u>\$ 11,178,551</u>

(This page intentionally left blank.)

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Pages</b>
Financial Trends	128-136
<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	139-145
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	146-150
<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	151-152
<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	153-157
<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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental Activities</b>				
Net investment in				
capital assets	\$ 21,393,254	\$ 27,408,643	\$ 29,968,936	\$ 30,950,857
Restricted	5,928,193	2,958,896	3,345,643	4,361,355
Unrestricted	3,385,275	2,310,544	982,057	3,062,088
<b>Total Governmental</b>				
<b>Net Position</b>	<u>\$ 30,706,722</u>	<u>\$ 32,678,083</u>	<u>\$ 34,296,636</u>	<u>\$ 38,374,300</u>
 <b>Business-type Activities</b>				
Net investment in				
capital assets	\$ 19,149,289	\$ 23,267,682	\$ 23,148,366	\$ 26,221,080
Unrestricted	8,215,084	6,338,911	8,201,092	7,915,330
<b>Total Business-type Activities Net</b>				
<b>Position</b>	<u>\$ 27,364,373</u>	<u>\$ 29,606,593</u>	<u>\$ 31,349,458</u>	<u>\$ 34,136,410</u>
 <b>Primary Government</b>				
Net investment in				
capital assets	\$ 40,542,543	\$ 50,676,325	\$ 53,117,302	\$ 57,171,937
Restricted	5,928,193	2,958,896	3,345,643	4,361,355
Unrestricted	11,600,359	8,649,455	9,183,149	10,977,418
<b>Total Primary Government Net Position</b>	<u>\$ 58,071,095</u>	<u>\$ 62,284,676</u>	<u>\$ 65,646,094</u>	<u>\$ 72,510,710</u>

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 32,049,289	\$ 38,750,011	\$ 37,107,169	\$ 35,541,376	\$ 36,002,809	\$ 32,824,772
6,686,903	6,813,805	8,336,231	11,178,099	13,267,986	17,342,190
4,092,853	4,733,625	8,291,218	6,056,011	7,339,601	9,802,216
<u>\$ 42,829,045</u>	<u>\$ 50,297,441</u>	<u>\$ 53,734,618</u>	<u>\$ 52,775,486</u>	<u>\$ 56,610,396</u>	<u>\$ 59,969,178</u>
\$ 26,420,026	\$ 24,985,034	\$ 24,841,063	\$ 25,077,234	\$ 25,716,464	\$ 27,008,445
10,063,889	15,999,117	18,919,724	21,369,042	24,074,795	24,154,814
<u>\$ 36,483,915</u>	<u>\$ 40,984,151</u>	<u>\$ 43,760,787</u>	<u>\$ 46,446,276</u>	<u>\$ 49,791,259</u>	<u>\$ 51,163,259</u>
\$ 58,469,315	\$ 63,735,045	\$ 61,948,232	\$ 60,618,610	\$ 61,719,273	\$ 59,833,217
6,686,903	6,813,805	8,336,231	11,178,099	13,267,986	17,342,190
14,156,742	20,732,742	27,210,942	27,425,053	31,414,396	33,957,030
<u>\$ 79,312,960</u>	<u>\$ 91,281,592</u>	<u>\$ 97,495,405</u>	<u>\$ 99,221,762</u>	<u>\$ 106,401,655</u>	<u>\$ 111,132,437</u>

# City of Heath, Texas

## CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2017	2018	2019
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,128,310	\$ 1,419,003	\$ 1,428,893	\$ 1,605,288
Public safety	3,112,772	3,418,938	3,431,047	3,670,170
Public works	2,686,868	2,537,936	2,471,864	2,679,280
Culture and recreation	452,702	521,392	861,720	740,197
Community development	65,353	526,038	506,854	553,605
Interest on long-term debt	888,139	967,630	895,800	885,363
Total governmental activities	<u>8,334,144</u>	<u>9,390,937</u>	<u>9,596,178</u>	<u>10,133,903</u>
Business-type activities:				
Water and sewer	5,923,354	7,003,444	7,246,085	8,722,426
Solid waste	476,804	609,491	701,482	740,532
Total business-type activities	<u>6,400,158</u>	<u>7,612,935</u>	<u>7,947,567</u>	<u>9,462,958</u>
Total primary government	<u>\$ 14,734,302</u>	<u>\$ 17,003,872</u>	<u>\$ 17,543,745</u>	<u>\$ 19,596,861</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 38,365	\$ 43,575	\$ 44,625	\$ 123,039
Public safety	641,126	604,905	877,433	59,485
Public works	133,966	99,999	142,597	892,860
Community development	-	-	-	-
Culture and recreation	5,960	11,440	12,500	9,148
Operating grants and contributions	247,454	286,399	296,672	457,191
Capital grants and contributions	7,053,743	2,493,945	1,244,094	2,929,400
Total governmental activities	<u>8,120,614</u>	<u>3,540,263</u>	<u>2,617,921</u>	<u>4,471,123</u>
Business-type activities:				
Charges for services:				
Water and sewer	6,307,932	8,175,863	8,616,924	9,416,981
Solid waste	567,173	710,215	803,713	850,718
Operating grants and contributions	-	-	-	-
Capital grants and contributions	4,112,483	1,129,806	347,540	2,039,039
Total business-type activities	<u>10,987,588</u>	<u>10,015,884</u>	<u>9,768,177</u>	<u>12,306,738</u>
Total primary government	<u>\$ 19,108,202</u>	<u>\$ 13,556,147</u>	<u>\$ 12,386,098</u>	<u>\$ 16,777,861</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (213,530)	\$ (5,850,674)	\$ (6,978,257)	\$ (5,662,780)
Business-type activities	4,587,430	2,402,949	1,820,610	2,843,780
Total primary government	<u>\$ 4,373,900</u>	<u>\$ (3,447,725)</u>	<u>\$ (5,157,647)</u>	<u>\$ (2,819,000)</u>

	2020	2021	2022	2023	2024	2025
\$	1,467,595	\$ 1,691,608	\$ 1,727,848	\$ 2,232,747	\$ 3,035,604	\$ 2,204,471
	3,910,066	4,217,615	4,428,016	5,379,597	5,313,731	5,974,748
	3,005,180	3,482,020	3,424,073	5,179,964	4,324,075	4,354,522
	697,569	628,341	662,172	671,523	410,916	427,942
	532,182	609,763	655,723	753,059	782,848	721,453
	821,970	769,473	707,114	651,581	2,140,480	1,706,772
	<u>10,434,562</u>	<u>11,398,820</u>	<u>11,604,946</u>	<u>14,868,471</u>	<u>16,007,654</u>	<u>15,389,908</u>
	8,539,475	9,912,066	10,141,412	11,622,027	12,310,657	17,215,792
	811,224	905,134	896,996	1,135,446	1,341,101	1,332,064
	<u>9,350,699</u>	<u>10,817,200</u>	<u>11,038,408</u>	<u>12,757,473</u>	<u>13,651,758</u>	<u>18,547,856</u>
\$	<u>19,785,261</u>	<u>22,216,020</u>	<u>22,643,354</u>	<u>27,625,944</u>	<u>29,659,412</u>	<u>33,937,764</u>
\$	133,934	\$ 142,979	\$ 143,994	\$ 116,197	\$ 119,893	\$ 116,190
	45,353	74,565	120,370	152,023	166,240	150,199
	901,025	906,180	1,147,280	1,369,834	1,049,635	-
	-	-	-	-	-	855,916
	2,935	-	3,250	5,050	4,250	3,750
	1,057,251	630,819	1,901,959	773,540	567,298	766,522
	3,417,766	6,438,792	918,211	-	3,336,000	404,721
	<u>5,558,264</u>	<u>8,193,335</u>	<u>4,235,064</u>	<u>2,416,644</u>	<u>5,243,316</u>	<u>2,297,298</u>
	9,902,818	10,798,917	12,821,447	12,908,283	15,183,206	16,764,649
	888,796	966,822	1,048,218	1,222,042	1,325,869	1,486,392
	-	1,156,045	-	-	-	100,526
	777,717	2,562,617	-	375,015	-	-
	<u>11,569,331</u>	<u>15,484,401</u>	<u>13,869,665</u>	<u>14,505,340</u>	<u>16,509,075</u>	<u>18,351,567</u>
\$	<u>17,127,595</u>	<u>23,677,736</u>	<u>18,104,729</u>	<u>16,921,984</u>	<u>21,752,391</u>	<u>20,648,865</u>
\$	(4,876,298)	\$ (3,205,485)	\$ (7,369,882)	\$ (12,451,827)	\$ (10,764,338)	\$ (13,092,610)
	2,218,632	4,667,201	2,831,257	1,747,867	2,857,317	(196,289)
\$	<u>(2,657,666)</u>	<u>1,461,716</u>	<u>(4,538,625)</u>	<u>(10,703,960)</u>	<u>(7,907,021)</u>	<u>(13,288,899)</u>

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General Revenues</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 5,456,333	\$ 5,932,234	\$ 6,521,177	\$ 6,726,636
Sales and other taxes	582,830	594,959	623,483	797,356
Franchise taxes	553,374	432,420	562,368	585,109
Investment earnings	46,097	145,553	297,294	401,793
Other income	525,162	669,395	229,469	801,278
Transfers, net	239,850	268,324	359,650	428,272
Total governmental activities	<u>7,403,646</u>	<u>8,042,885</u>	<u>8,593,441</u>	<u>9,740,444</u>
Business-type activities:				
Investment earnings	15,750	107,595	281,905	371,444
Other income	-	884,397	-	-
Transfers, net	(239,850)	(268,324)	(359,650)	(428,272)
Total business-type activities	<u>(224,100)</u>	<u>723,668</u>	<u>(77,745)</u>	<u>(56,828)</u>
Total primary government	<u>\$ 7,179,546</u>	<u>\$ 8,766,553</u>	<u>\$ 8,515,696</u>	<u>\$ 9,683,616</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 7,190,116	\$ 2,192,211	\$ 1,615,184	\$ 4,077,664
Business-type activities	4,363,330	3,126,617	1,742,865	2,786,952
Total primary government	<u>\$ 11,553,446</u>	<u>\$ 5,318,828</u>	<u>\$ 3,358,049</u>	<u>\$ 6,864,616</u>

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$	7,026,134	\$ 7,591,621	\$ 7,449,687	\$ 7,827,431	\$ 8,738,084	\$ 9,810,622
	1,045,956	1,244,628	1,485,769	1,659,618	1,633,196	1,849,506
	561,567	559,495	625,609	692,309	725,834	823,509
	153,923	9,489	111,434	706,097	2,162,712	2,280,513
	272,463	989,328	863,560	320,933	546,642	1,718,984
	271,000	271,000	271,000	286,307	533,875	(31,742)
	<u>9,331,043</u>	<u>10,665,561</u>	<u>10,807,059</u>	<u>11,492,695</u>	<u>14,340,343</u>	<u>16,451,392</u>
	156,404	11,749	106,781	742,548	884,397	821,896
	243,469	87,606	101,748	481,381	124,812	714,651
	(271,000)	(271,000)	(271,000)	(286,307)	(533,875)	31,742
	<u>128,873</u>	<u>(171,645)</u>	<u>(62,471)</u>	<u>937,622</u>	<u>475,334</u>	<u>1,568,289</u>
\$	<u>9,459,916</u>	<u>\$ 10,493,916</u>	<u>\$ 10,744,588</u>	<u>\$ 12,430,317</u>	<u>\$ 14,815,677</u>	<u>\$ 18,019,681</u>
\$	4,454,745	\$ 7,460,076	\$ 3,437,177	\$ (959,132)	\$ 3,576,005	\$ 3,358,782
	2,347,505	4,495,556	2,768,786	2,685,489	3,332,651	1,372,000
\$	<u>6,802,250</u>	<u>\$ 11,955,632</u>	<u>\$ 6,205,963</u>	<u>\$ 1,726,357</u>	<u>\$ 6,908,656</u>	<u>\$ 4,730,782</u>

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General fund:				
Nonspendable	\$ 27,139	\$ 13,063	\$ 5,876	\$ 5,850
Unassigned	2,769,135	2,515,353	3,263,277	3,670,030
Total general fund	<u>\$ 2,796,274</u>	<u>\$ 2,528,416</u>	<u>\$ 3,269,153</u>	<u>\$ 3,675,880</u>
All other governmental funds:				
Restricted	\$ 13,953,548	\$ 16,545,608	\$ 15,260,204	\$ 14,965,280
Assigned	115,797	112,432	101,489	444,084
Total all other governmental funds	<u>\$ 14,069,345</u>	<u>\$ 16,658,040</u>	<u>\$ 15,361,693</u>	<u>\$ 15,409,364</u>

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

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 20,700	\$ 9,530	\$ 5,563	\$ 5,563	\$ -	\$ 11,793
4,678,011	5,327,713	6,645,102	6,080,185	5,199,844	5,677,476
<u>\$ 4,698,711</u>	<u>\$ 5,337,243</u>	<u>\$ 6,650,665</u>	<u>\$ 6,085,748</u>	<u>\$ 5,199,844</u>	<u>\$ 5,689,269</u>
\$ 16,310,337	\$ 15,100,587	\$ 15,322,451	\$ 15,324,556	\$ 49,878,403	\$ 44,200,293
510,634	677,386	2,960,989	1,620,217	1,058,353	1,082,434
<u>\$ 16,820,971</u>	<u>\$ 15,777,973</u>	<u>\$ 18,283,440</u>	<u>\$ 16,944,773</u>	<u>\$ 50,936,756</u>	<u>\$ 45,282,727</u>

# City of Heath, Texas

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2016	2017	2018	2019
<b>Revenues</b>				
Taxes	\$ 6,445,957	\$ 7,033,503	\$ 7,644,481	\$ 8,157,502
Licenses and permits	638,651	595,622	881,462	892,860
Intergovernmental	247,454	286,399	296,672	368,384
Charges for services	139,238	122,402	139,951	132,187
Fines and forfeitures	41,528	41,895	55,742	59,485
Special assessments	2,710	17,487	34,396	12,878
Investment income	46,097	145,553	297,294	401,793
Contributions and donations	-	-	-	85,438
Other revenue	405,162	659,954	226,332	588,710
<b>Total Revenues</b>	7,966,797	8,902,815	9,576,330	10,699,237
<b>Expenditures</b>				
Administration	1,325,467	1,301,454	1,359,764	1,465,327
Highways and streets	650,513	631,336	511,485	545,822
Parks	258,840	325,128	619,490	550,035
Engineering and building inspection	597,175	221,648	187,946	181,227
Municipal court	54,685	58,080	62,069	47,748
Public safety	2,902,410	2,987,087	3,097,427	3,404,836
Community development	65,353	458,584	506,854	553,605
Economic development	40,011	-	-	-
Economic opportunity	-	-	-	-
Debt service				
Principal	1,482,295	1,332,531	1,346,085	1,394,900
Interest	822,766	713,797	1,085,672	875,137
Bond issuance costs	46,474	125,638	-	-
Capital outlay	2,782,084	5,417,356	1,718,167	2,019,543
<b>Total Expenditures</b>	11,028,073	13,572,639	10,494,959	11,038,180
<b>Revenues over (under) expenditures</b>	(3,061,276)	(4,669,824)	(918,629)	(338,943)
<b>Other Financing Sources (Uses)</b>				
Transfers in	239,850	868,324	359,650	880,900
Transfers (out)	-	(600,000)	-	(540,900)
Sale of assets	120,000	1,173	-	-
Other debt issuance	-	-	-	-
Premium on bonds issued	-	860,072	-	-
Bond issuance	4,725,000	7,350,000	-	453,341
Payment to refunded bond escrow agent	(4,621,080)	(1,488,908)	-	-
<b>Total other financing sources</b>	463,770	6,990,661	359,650	793,341
<b>Net Change in Fund Balances</b>	\$ (2,597,506)	\$ 2,320,837	\$ (558,979)	\$ 454,398
Ratio of total debt service expenditures to noncapital expenditures	28%	25%	28%	25%

	2020	2021	2022	2023	2024	2025
\$	8,661,369	\$ 9,386,099	\$ 9,568,349	\$ 10,134,771	\$ 11,013,450	\$ 12,519,064
	899,025	906,180	1,147,280	1,369,834	1,049,635	855,916
	934,037	762,166	1,877,745	760,849	3,891,549	918,704
	138,869	142,979	147,244	121,247	124,143	119,940
	45,353	74,565	120,370	152,023	166,240	150,199
	39,109	81,859	18,991	14,824	14,453	15,173
	153,923	9,489	111,434	706,097	2,162,712	2,280,513
	123,214	59,259	68,281	12,691	11,749	252,539
	1,620,791	1,264,451	1,649,946	311,738	624,514	1,705,162
	<u>12,615,690</u>	<u>12,687,047</u>	<u>14,709,640</u>	<u>13,584,074</u>	<u>19,058,445</u>	<u>18,817,210</u>
	1,211,884	1,290,737	1,516,063	2,154,894	2,946,135	2,165,139
	568,920	812,403	627,732	1,481,597	400,295	386,740
	492,752	423,057	478,407	513,927	396,068	421,367
	204,646	211,231	185,179	291,050	238,298	537,453
	48,841	51,082	81,420	82,890	73,955	115,574
	3,750,043	4,341,904	4,223,212	4,896,776	4,846,955	5,606,696
	531,712	604,128	649,847	740,534	770,160	709,229
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,630,541	1,879,082	1,912,483	1,907,812	2,058,372	1,837,915
	882,263	821,321	751,733	692,675	1,433,790	1,848,025
	-	-	-	-	466,709	-
	1,132,174	2,936,618	816,095	3,011,810	4,061,378	10,328,095
	<u>10,453,776</u>	<u>13,371,563</u>	<u>11,242,171</u>	<u>15,773,965</u>	<u>17,692,115</u>	<u>23,956,233</u>
	2,161,914	(684,516)	3,467,469	(2,189,891)	1,366,330	(5,139,023)
	595,300	875,800	1,812,752	1,604,602	1,717,631	1,180,500
	(324,300)	(604,800)	(1,541,752)	(1,318,295)	(1,235,056)	(1,212,242)
	-	9,500	79,970	-	-	6,161
	-	-	-	-	286,401	-
	-	-	-	-	2,230,773	-
	-	-	-	-	28,740,000	-
	-	-	-	-	-	-
	<u>271,000</u>	<u>280,500</u>	<u>350,970</u>	<u>286,307</u>	<u>31,739,749</u>	<u>(25,581)</u>
\$	<u>2,432,914</u>	<u>\$ (404,016)</u>	<u>\$ 3,818,439</u>	<u>\$ (1,903,584)</u>	<u>\$ 33,106,079</u>	<u>\$ (5,164,604)</u>
	27%	26%	26%	20%	25%	26%

(This page intentionally left blank.)

# 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
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	2,330,474,093	42,505,877	157,489,144	2,215,490,826	0.33931
2023	2,772,922,093	39,931,916	127,883,981	2,684,970,028	0.29118
2024	3,115,684,358	50,428,929	106,638,558	3,059,474,729	0.27749
2025	3,596,092,225	50,945,471	138,846,178	3,508,191,518	0.29301

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

	2016	2017	2018	2019
<b>Direct Rates:</b>				
City of Heath - Operating	0.27360	0.27009	0.27009	0.25651
City of Heath - Debt Service	0.15300	0.14722	0.14722	0.13260
<b>Total Direct Rate</b>	0.42660	0.41731	0.41731	0.38911
 <b>Overlapping Rates:</b>				
Rockwall Independent School District	1.44000	1.46500	1.44000	1.43000
Rockwall County	0.39590	0.37590	0.34980	0.32840
Kaufman County	0.48950	0.49670	0.48870	0.47870
<b>Total Direct and Overlapping Rates</b>	2.7520	2.7549	2.6958	2.6262

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
0.24522	0.24758	0.22371	0.19271	0.18480	0.19138
0.13411	0.12899	0.11559	0.09847	0.09270	0.09894
0.37933	0.37657	0.33931	0.29118	0.27749	0.29031
1.35000	1.31000	1.27360	1.21460	1.25750	1.02690
0.32500	0.31310	0.31310	0.29250	0.27600	0.25470
0.43912	0.50496	0.37999	0.34585	0.32896	0.41511
2.4935	2.5046	2.3060	2.1441	2.1400	1.9870

(This page intentionally left blank.)

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

Property Tax Payer	2025			2016		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Oncor Electric Delivery Services	\$ 17,738,600	1	0.506%	\$ 5,755,280	2	0.455%
HGYC LLC	17,669,118	2	0.504%	-	n/a	-
5 Sharp Real Estate LLC	15,670,427	3	0.447%	-	n/a	-
Heath Younger LLC	12,886,851	4	0.367%	-	n/a	-
Trinity 888 Property Trust	10,474,480	5	0.299%	-	n/a	-
SNH Medical Office Properties	10,200,000	6	0.291%	5,957,600	1	0.471%
Scooby Doo Trust	10,193,844	7	0.291%	-	n/a	-
Heath IRF, LLC	8,312,828	8	0.237%	-	n/a	-
Atmos Energy/Mid-Tex	7,361,607	9	0.210%	-	n/a	-
Heath Crossing Ltd	7,133,237	10	0.203%	-	n/a	-
BC Golf Ltd	-	n/a	-	5,084,870	3	0.402%
Paolucci, Raymond J & Susan M	-	n/a	-	3,291,810	4	0.260%
Whittle Development Inc	-	n/a	-	2,799,890	5	0.221%
Rosenburg, James M	-	n/a	-	2,548,350	6	0.201%
Kirwan Revocable Living Trust	-	n/a	-	2,522,000	7	0.199%
TR Heath Partners	-	n/a	-	2,471,630	8	0.195%
Corona Resources	-	n/a	-	2,424,140	9	0.192%
Knowlton, Larry & Tricia	-	n/a	-	2,291,220	10	-
<b>Total</b>	<u>\$ 117,640,992</u>		<u>3.35%</u>	<u>\$ 35,146,790</u>		<u>2.60%</u>
Total Assessed Valuation	<u>\$ 3,508,191,518</u>		<u>100%</u>	<u>\$ 1,265,527,171</u>		<u>100%</u>

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Tax levy	\$ 5,428,420	\$ 5,901,467	\$ 6,441,938	\$ 6,632,131
Current tax collected	\$ 5,353,707	\$ 5,819,455	\$ 6,366,531	\$ 6,588,385
Percent of current tax collections	98.6%	98.6%	98.8%	99.3%
Delinquent tax collections	\$ 69,382	\$ 76,466	\$ 68,959	\$ 34,108
Total tax collections	\$ 5,423,089	\$ 5,895,921	\$ 6,435,490	\$ 6,622,493
Total collections as a percentage of levy	99.9%	99.9%	99.9%	99.9%

Source: Rockwall Central Appraisal District

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$	6,977,697	\$ 7,557,688	\$ 7,387,714	\$ 7,747,855	\$ 8,772,664	\$ 9,779,397
\$	6,928,460	\$ 7,513,000	\$ 7,355,328	\$ 7,709,190	\$ 8,744,298	\$ 9,708,534
	99.3%	99.4%	99.6%	99.5%	99.7%	99.3%
\$	38,058	\$ 27,795	\$ 14,658	\$ 17,899	\$ -	\$ -
\$	6,966,518	\$ 7,540,795	\$ 7,369,986	\$ 7,727,089	\$ 8,744,298	\$ 9,708,534
	99.8%	99.8%	99.8%	99.7%	99.7%	99.3%

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental activities:</b>				
General Obligation Bonds	\$ 7,335,000	\$ 6,950,000	\$ 6,275,000	\$ 5,570,000
Certificates of Obligation	16,006,681	20,590,000	19,980,000	19,798,341
Premiums	427,686	1,127,083	1,049,619	973,756
Discounts	(22,537)	-	-	-
Leases/subscription liab.	-	-	-	-
Note Payable to Texas Comptroller	-	220,850	191,660	136,760
Notes Payable	64,975	31,895	-	-
<b>Business-type activities:</b>				
General Obligation Bonds	6,485,000	6,140,000	5,310,000	4,440,000
Certificates of Obligation	6,933,312	17,905,000	17,830,000	17,766,802
Premium	269,229	1,689,695	1,574,941	1,460,187
Discounts	(25,602)	-	-	-
Subscription liabilities	-	-	-	-
Contract Revenue Bonds	563,380	511,718	458,390	401,729
Total primary government	<u>\$ 38,037,124</u>	<u>\$ 55,166,241</u>	<u>\$ 52,669,610</u>	<u>\$ 50,547,575</u>
Percentage of personal income (1)	8.14%	10.13%	9.50%	8.12%
Per capita (1)	\$ 3,833	\$ 4,141	\$ 3,803	\$ 3,626

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

(1) See Personal income and population data is disclosed within.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$	4,850,000	\$ 4,110,000	\$ 3,340,000	\$ 2,540,000	\$ 1,725,000	\$ 1,160,000
	18,915,250	17,804,448	16,734,675	15,626,863	43,218,503	41,991,163
	897,685	821,822	756,153	696,681	2,774,511	2,600,402
	-	-	-	-	-	-
	-	-	-	-	95,694	50,119
	109,310	72,710	-	-	-	-
	-	-	-	-	-	-
	3,540,000	2,605,000	1,930,000	1,560,000	1,180,000	795,000
	17,431,893	17,042,651	16,397,834	15,621,451	14,822,857	14,002,082
	1,345,119	1,230,366	1,136,938	1,056,478	975,797	895,336
	-	-	-	-	-	-
	-	-	-	-	95,695	50,120
	-	-	-	-	-	-
	<u>\$ 47,089,257</u>	<u>\$ 43,686,997</u>	<u>\$ 40,295,600</u>	<u>\$ 37,101,473</u>	<u>\$ 64,888,057</u>	<u>\$ 61,544,222</u>
	6.80%	5.68%	5.47%	4.94%	7.84%	4.89%
\$	3,036	\$ 2,711	\$ 2,416	\$ 2,015	\$ 4,455	\$ 4,055

# City of Heath, Texas

## RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2016	2017	2018	2019
<b>NET TAXABLE ASSESSED VALUE</b>				
All property	\$ 1,265,527,171	\$ 1,407,694,869	\$ 1,544,010,760	\$ 1,702,225,482
<b>NET BONDED DEBT (1)</b>				
Gross bonded debt	37,972,149	54,913,496	52,477,950	50,410,815
Less debt service funds	301,248	350,799	263,863	374,478
<b>Net Bonded Debt</b>	<b>\$ 37,670,901</b>	<b>\$ 54,562,697</b>	<b>\$ 52,214,087</b>	<b>\$ 50,036,337</b>
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>	2.98%	3.88%	3.38%	2.94%
<b>POPULATION</b>	8,114	8,275	8,425	9,041
<b>NET BONDED DEBT PER CAPITA</b>	\$ 4,643	\$ 6,594	\$ 6,198	\$ 5,534

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

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

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 1,881,157,386	\$ 2,030,900,433	\$ 2,215,490,826	\$ 2,684,970,028	\$ 3,059,474,729	\$ 3,508,191,518
46,979,947	43,614,287	40,295,600	37,101,473	64,696,668	61,443,983
426,009	441,781	521,194	563,189	661,359	852,723
<u>\$ 46,553,938</u>	<u>\$ 43,172,506</u>	<u>\$ 39,774,406</u>	<u>\$ 36,538,284</u>	<u>\$ 64,035,309</u>	<u>\$ 60,591,260</u>
2.47%	2.13%	1.80%	1.36%	2.09%	1.73%
9,769	10,311	9,890	10,660	11,238	11,724
\$ 4,765	\$ 4,187	\$ 4,022	\$ 3,428	\$ 5,698	\$ 5,168

# City of Heath, Texas

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2025

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Rockwall Independent School District	\$ 983,744,387	16.88%	\$ 166,022,127
Rockwall County	161,357,418	17.78%	28,697,374
Kaufman County	310,029,296	0.52%	1,623,679
Subtotal, overlapping debt			196,343,180
<b>City direct debt</b>			45,801,684
<b>Total direct and overlapping debt</b>			\$ 242,144,864

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
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	9,830	769,184,274	78,249	5,880	4.1%
2022	9,890	736,350,060	74,454	5,963	3.3%
2023	10,660	751,508,680	70,498	5,989	2.8%
2024	11,238	827,240,418	73,611	6,037	3.5%
2025	11,724	1,257,457,620	107,255	6,143	3.5%

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

# City of Heath, Texas

## PRINCIPAL EMPLOYERS

Current Fiscal Year and Nine Years Ago

Employer	2025			2016		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rockwall ISD	1,944	1	6.60%	1,700	1	7.78%
L-3 Harris Technologies	700	2	2.38%	140	9	0.64%
Texas Health Presbyterian Hospital	700	3	2.38%	600	2	2.75%
Chanel Commercial	696	4	2.36%	-	n/a	n/a
Pegasus Foods	480	5	1.63%	450	3	2.06%
Wal-Mart Superstore	450	6	1.53%	-	n/a	n/a
County of Rockwall	383	7	1.30%	307	4	1.41%
City of Rockwall	353	8	1.20%	262	6	1.20%
Texas Star Express/Epes Transport	-	n/a	n/a	300	5	1.37%
Karat by Lollicup USA	260	9	0.88%	-	n/a	n/a
Pratt Industries	200	10	0.68%	-	n/a	n/a
Bimbo Bakeries	-	n/a	n/a	134	10	0.61%
Special Products & Manufacturing	-	n/a	n/a	168	7	0.77%
Home Depot	-	n/a	n/a	150	8	0.69%
<b>Total</b>	<b>6,166</b>		<b>20.94%</b>	<b>4,211</b>		<b>19.27%</b>

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

# City of Heath, Texas

## *FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM*

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General government and administration	6.00	6.00	6.00	5.50	5.25	5.25	5.25	12.00	12.00	12.00
Public safety	23.0	23.0	23.0	24.0	26.0	28.5	34.0	36.0	36.0	36.0
Public works	7.0	7.2	3.5	2.5	3.0	3.5	7.0	6.5	6.0	7.0
Community development	-	-	3.5	3.5	4.5	4.5	4.5	6.0	5.0	7.0
Culture and recreation	1.0	1.0	4.0	3.5	3.5	3.5	5.0	4.0	3.0	4.0
Water and sewer	10.3	12.3	12.0	13.0	13.8	13.8	12.3	9.0	8.0	11.0
<b>Total</b>	<u>47</u>	<u>49</u>	<u>52</u>	<u>52</u>	<u>56</u>	<u>59</u>	<u>68</u>	<u>73.5</u>	<u>70.0</u>	<u>77.0</u>

Sources: Various City departments.

**City of Heath, Texas**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

Function/Program	2016	2017	2018	2019
General government				
Building permits issued	116	131	142	128
Building inspections conducted	4,949	6,944	6,894	8,148
Public safety				
Police				
Physical arrests	79	45	46	40
Burglary	5	10	6	8
Robbery	-	2	1	1
Theft	37	30	34	23
Traffic violations	347	293	632	813
Fire				
Emergency responses	172	257	271	238
Fires extinguished	9	16	2	4
Inspections	49	179	242	301
Public works				
Streets (feet)	52,380	38,016	28,840	106,281
Water				
New connections	143	176	147	213
Average monthly consumption (thousands of gallons)	17	16	19	19
Wastewater				
Average daily sewage treatment (thousands of gallons)	525,694	428,364	685,706	625,907

Sources: Various City departments.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
108	222	217	79	74	149
6,739	8,379	24,057	7,721	6,425	8,788
27	146	277	272	261	228
3	3	5	3	6	14
-	-	-	-	1	1
31	3	51	48	59	49
693	917	1,370	5,721	6,277	978
174	482	570	602	623	572
3	13	14	35	8	9
338	131	212	246	108	236
16,683	69,120	81,126	166,770	521,644	534,336
173	197	306	163	127	84
17	15	18	17	18	12
611,070	700,201	391,088	849,423	1,165,191	1,010,801

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

Function/Program	2016	2017	2018	2019
Public safety				
Police stations	1	1	1	1
Police patrol units	12	13	13	12
Fire engines	3	3	3	3
Public works				
Streets (linear feet)	402,181	406,804	409,102	430,760
Cultural and recreational				
Acreage	94	100	100	100
Playgrounds (1)	2	2	2	2
Baseball/Softball fields	1	1	1	1
Soccer/Football fields	3	3	3	3
Community centers	1	1	1	1
Water and sewer				
Water mains (linear feet)	527,874	536,639	556,525	556,525
Fire hydrants	669	680	705	705
Wastewater				
Sanitary sewers (linear feet)	388,316	400,842	413,368	413,368
Storm sewers (miles)	15	16	16	17

Sources: Various City departments.

(1) Does not include HOA playgrounds.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1	1	1	1	1	1
15	16	16	16	16	16
3	3	3	3	3	3
433,064	433,064	674,460	679,710	521,644	534,336
100	100	100	100	100	100
3	3	3	3	3	3
1	1	1	1	1	1
5	5	5	5	5	5
1	1	1	1	1	1
556,586	556,586	575,494	581,004	586,814	598,504
705	705	787	801	805	1,001
413,439	413,439	405,844	411,159	415,271	427,188
17	18	21	21	21	22

(This page intentionally left blank.)