



THE CITY OF HEATH, TEXAS
Annual Comprehensive Financial Report
For the year ended September 30, 2024
Prepared by the Finance Department

City of Heath, Texas

TABLE OF CONTENTS

September 30, 2024

INTRODUCTORY SECTION

| | |
|--|---|
| Letter of Transmittal | 1 |
| Certificate of Achievement for Excellence in Financial Reporting | 6 |
| Organization Chart | 7 |
| List of Principal Officials | 8 |

FINANCIAL SECTION

| | |
|--------------------------------------|----|
| Independent Auditor's Report | 11 |
| Management's Discussion and Analysis | 17 |

Basic Financial Statements

Government-Wide Financial Statements

| | |
|---------------------------|----|
| Statement of Net Position | 30 |
| Statement of Activities | 32 |

Fund Financial Statements

Governmental Funds:

| | |
|--|----|
| Balance Sheet | 34 |
| Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds | 37 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds | 38 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 41 |

Proprietary Funds:

| | |
|---|----|
| Statement of Net Position | 42 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 45 |
| Statement of Cash Flows | 46 |

Fiduciary Funds:

| | |
|--|----|
| Statement of Fiduciary Net Position | 48 |
| Statement of Changes in Fiduciary Net Position | 49 |

| | |
|--------------------------------------|-----------|
| Notes to Financial Statements | 51 |
|--------------------------------------|-----------|

City of Heath, Texas

TABLE OF CONTENTS

September 30, 2024

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund | 92 |
| Schedule of Changes in Net Pension Liability and Related Ratios | 94 |
| Schedule of Employer Contributions to Pension Plan | 96 |
| Schedule of Changes in OPEB Liability and Related Ratios | 98 |

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

| | |
|--|-----|
| Combining Balance Sheet – Nonmajor Governmental Funds | 106 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 108 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual: | |
| Debt Service Fund | 110 |
| Parks CIP Fund | 111 |
| Marsha’s Happy Haven Fund | 112 |
| PATH Fund | 113 |
| Drainage Fund | 114 |
| Fire Station Building Fund | 115 |
| Equipment Replacement Fund | 116 |
| Capital Improvement Fund | 117 |
| Heath Economic Development Corporation | 118 |
| Heath Municipal Benefits Corporation | 119 |

Discretely Presented Component Units:

| | |
|--|-----|
| Balance Sheet | 121 |
| Reconciliation of the Balance Sheet to the Statement of Net Position- Discretely Presented Component Units | 122 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance- Discretely Presented Component Units | 123 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Discretely Presented Component Units to the Statement of Activities | 124 |
| Combining Schedule of Net Position – Discretely Presented Component Units | 125 |
| Combining Schedule of of Activities - Discretely Presented Component Units | 126 |

City of Heath, Texas

TABLE OF CONTENTS

September 30, 2024

STATISTICAL SECTION

| | |
|---|-----|
| Net Position by Component | 130 |
| Changes in Net Position | 132 |
| Fund Balances, Government Funds | 136 |
| Changes in Fund Balance, Governmental Funds | 138 |
| Assessed Value and Estimated Actual Value of Taxable Property | 141 |
| Property Tax Rates – Direct and Overlapping Governments | 142 |
| Principal Property Taxpayers | 145 |
| Property Tax Levies and Collections | 146 |
| Ratios of Outstanding Debt by Type | 148 |
| Ratio of General Bonded Debt Outstanding | 150 |
| Direct and Overlapping Governmental Activities Debt | 152 |
| Demographic and Economic Statistics | 153 |
| Principal Employers | 154 |
| Full-Time Equivalent City Employees by Function/Program | 155 |
| Operating Indicators by Function/Program | 156 |
| Capital Asset Statistics by Function/Program | 158 |

INTRODUCTORY SECTION



June 2, 2025

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, 2024. The purpose of the report is to provide the Council, management, staff, the public, and other interested parties with detailed information reflecting the City's financial condition.

THE REPORT

The Texas Local Government Code (103.001) requires annual audits of municipalities. This requirement has been fulfilled, and the independent auditors' report is included with this report for the fiscal year ended September 30, 2024.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls 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 disclosures necessary to enable the reader to gain an understanding of the City's financial activities have 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, 2024. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Heath is located in southwestern Rockwall County and northern Kaufman County along the eastern shore of Lake Ray Hubbard. Heath is conveniently positioned just minutes from Interstate Highway 30 to the north and U. S. Highway 80 to the south, providing easy access to the Dallas/Fort Worth Metroplex. The City is primarily a residential community of premier neighborhoods with open green spaces, parks, and trails. Within the guidelines set forth in the City's 2018 Comprehensive Master Plan, the City Council and the Economic Development Corporation continue to pursue and promote development in the City of Heath.

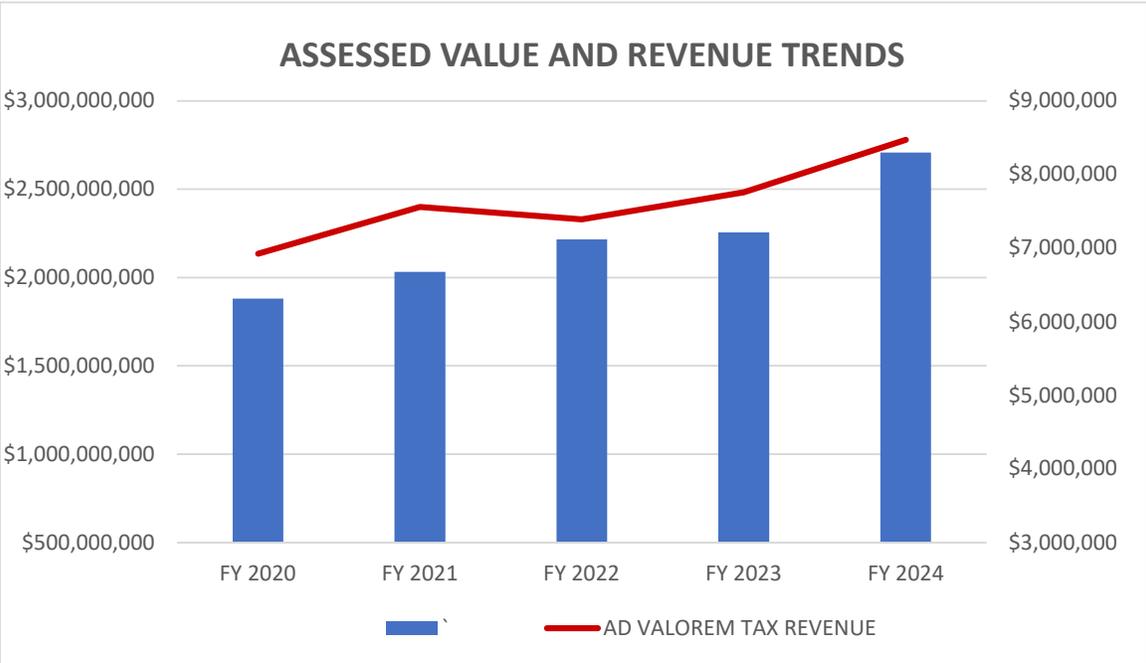
The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates under a Council-Manager form of government. As a Home Rule City, policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other at-large members. The term of office is two years, with the terms of the Mayor and two of the Council members expiring in even-numbered years and the terms of the other four Council members expiring in odd-numbered years. The City Manager is the Chief Administrative and Executive Officer of the City.

The City provides a full range of services, including police and fire protection, street construction and maintenance, municipal facilities construction and maintenance, parks and recreation, planning and zoning, economic development, and general administrative services. The City also provides water, sewer, and sanitation services. Water is supplied by North Texas Municipal Water District (NTMWD) via the City of Rockwall, while sewer treatment is provided by NTMWD. Sanitation collection is provided by Waste Connections of Texas.

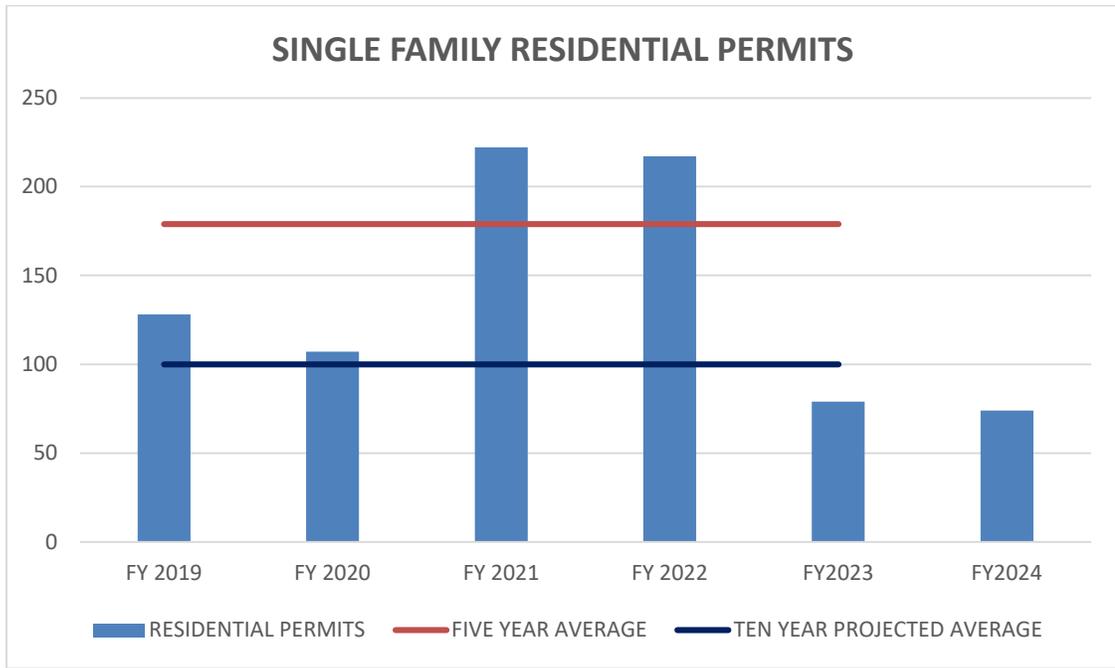
ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas, the Dallas-Fort Worth economy grew steadily in the fourth quarter of 2024, with moderate employment gains, stable home prices, and improving commercial real estate trends. The U.S. economy expanded at a 2.4% annual rate in the fourth quarter, while inflationary pressures persisted, with the Personal Consumption Expenditures (PCE) price index rising 2.4% over the year. The Federal Reserve maintained the federal funds rate between 4.25% and 4.5%, signaling a cautious monetary policy stance amid ongoing economic uncertainty.

The City’s Fiscal Year 2024 Assessed Value increased \$450M, or 9.2%, over the prior fiscal year, marking the tenth consecutive year of growth in the City’s appraised property valuations. 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 2024.

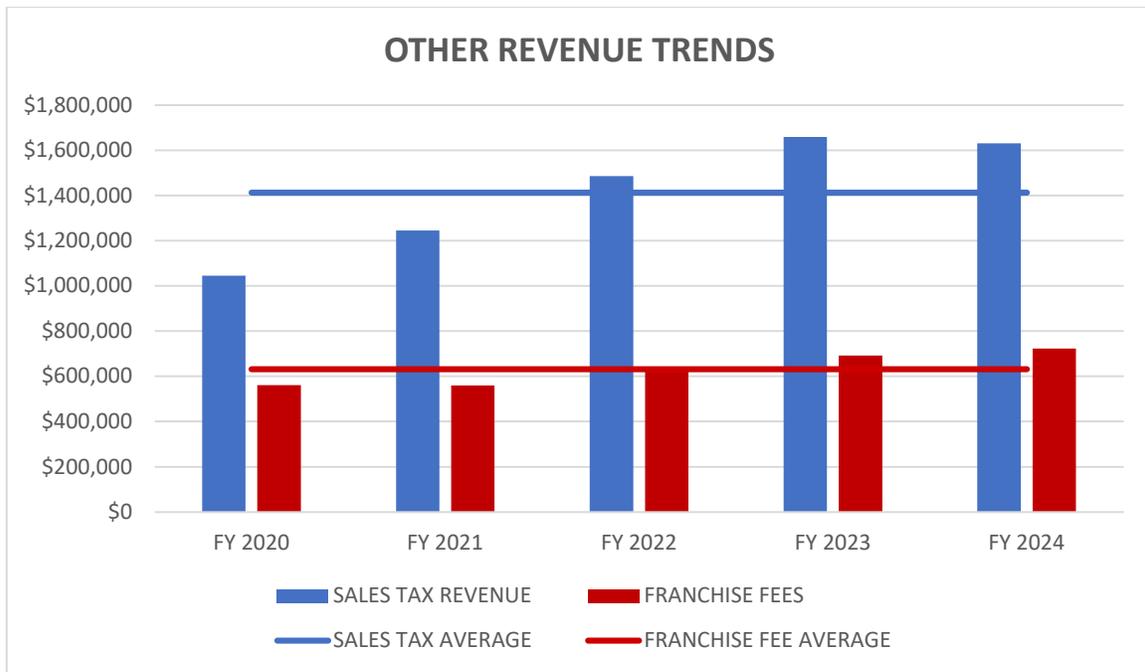


The City issued 74 single-family residential permits in FY 2024, a slight decrease from the previous year. This is the lowest number of residential permits the City has issued in a single year within the last five years. The number of permits issued shows a significant decline, but expect to see positive increases in new residential permit issuances as new developments are on the rise.



Sales Tax Revenue decreased \$28,808 (-1.7%) in Fiscal Year 2024, reflecting a modest decline after several years of growth. The decrease was primarily attributed to shifts in consumer spending across specific sectors, while core retail and service categories remained stable.

Franchise fee collections increased by 4.41% over the prior year, continuing to provide a reliable and diversified revenue stream for the City.



The economic indicators point towards consistent growth and a stable economy for the City of Heath.

Projections based on future residential and commercial development played a key role during the 2024 budget process. The City Council adopted an ad valorem tax rate of \$0.277493 per \$100 valuation for FY2024—a 4.7% reduction from the previous fiscal year’s rate of \$0.291175. This reduction was achieved

while maintaining core services and addressing the needs of a growing community.

The FY2024 budget focused on implementing the OpenGov Full Suite ERP system, enhancing security and technology for building access, and issuing debt to fund major projects, including the Public Safety Facility, Public Works Facility, and Towne Center Park Improvements. Additionally, funding was allocated for annual street repairs, new employee training and enrichment, adding additional utility staff, and community events.

Water rates were adjusted slightly based on recommendations from the Willdan Rate Study, and sewer rates were adjusted according to the winter average consumption model for residential customers.

Notable capital improvement projects completed during Fiscal Year 2024 include: 300-HP Pump Upgrades at Pump Station No. 1, Advanced Meter Infrastructure Phase No. 1, and the Annual Street Repair Program.

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 website at www.heathtx.com. Use the department tab to select *Finance*, where *Related Documents* offers a selection of annual operating budgets, as well as annual financial reports.

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

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

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

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

Under state law, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocation of the property tax levy by purpose for Fiscal Year 2023 is \$0.223714 for maintenance and operations and \$0.115593 for debt service on each one hundred dollars of assessed value.

OTHER INFORMATION

Independent Audit – The City of Heath’s financial statements have been audited by Brooks Watson and Company, PLLC. Their responsibility is to express an opinion on the City’s financial statements. They conducted the audit in accordance with auditing standards generally accepted in the United States. Those standards require that they plan and perform the audit to obtain reasonable assurance that the City’s financial statements are free of material misstatements. The independent auditors issued an unmodified opinion concluding that the statements are presented fairly in accordance with generally accepted accounting principles. The independent auditors’ report is included in the ACFR.

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2023. This was the thirteenth 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 one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA’s Distinguished Budget Presentation Award for the period beginning October 1, 2020. To qualify for the Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements—The timely preparation of the ACFR was made possible by the dedicated service of the entire finance department staff and our independent auditors. I would like to express my 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 city's financial operations in a responsible and future-focused manner.

Sincerely,



Brandon Seery
Interim City Manager



Jay Ayers, MBA, MSA, CGFO
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Heath
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

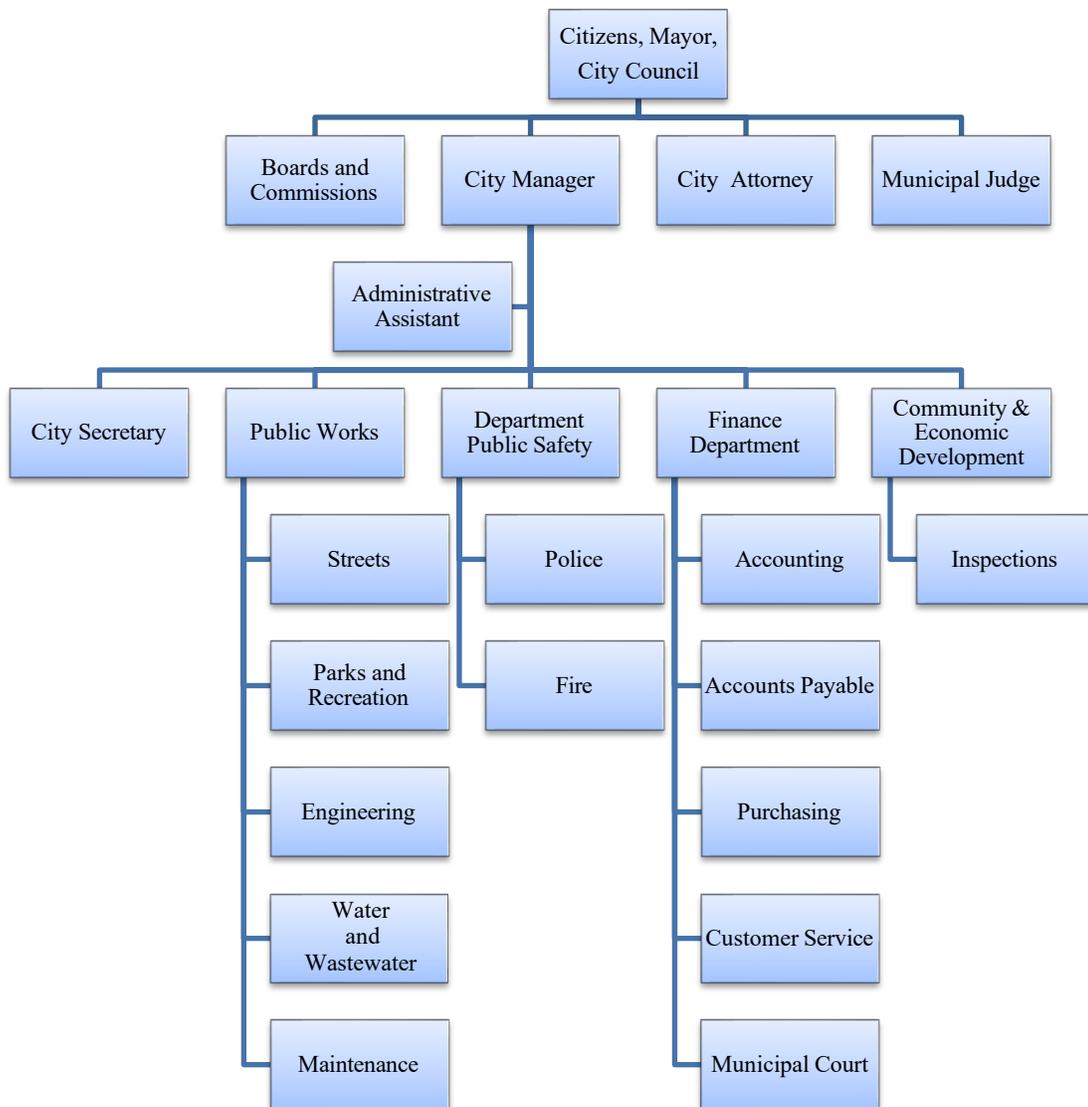
September 30, 2023

Christopher P. Morill

Executive Director/CEO



CITY OF HEATH



City of Heath, Texas

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2024

CITY COUNCIL

Jeremiah McClure, Mayor

Rich Krause, Mayor Pro Tem

Sharon Caldwell, Council Member , Place 1

Brent Weaver, Council Member, Place 4

Paul Ruffo, Council Member, Place 2

Scott Dodson, Council Member, Place 5

Ryan Moorman, Council Member, Place 3

CITY STAFF

Aaron Adel, Interim City Manager

Andy Messer, City Attorney

Norma Duncan, City Secretary

Tim Hartley, Municipal Court Judge

Bryan Creed, Public Works

Jay Ayers, Finance

Brandon Seery, Department of Public Safety

David Gonzales, Community Development

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Heath, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Heath, Texas (the "City") as of and for the year ended September 30, 2024, 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, 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Heath, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note V.I. to the financial statements, due to a correction to cash for the MBC component unit, the City has restated net position for component units. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedules of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
June 2, 2025

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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2024

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, 2024. 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, 2024 by \$106,130,418. Of this amount, \$64,719,273 (net investment in capital assets) has been invested in the City's infrastructure, buildings, and other assets.
- The City's total net position increased by \$6,908,656. The increase is primarily related to the City's revenues exceeding current year expenses.
- The City's governmental funds reported combined ending fund balances of \$56,136,600 at September 30, 2024, an increase of \$33,106,079 from the prior fiscal year; this includes a decrease of \$437,385 in the capital improvement fund, an increase of \$94,958 in the debt service fund, a decrease of \$885,904 in the general fund, an increase of \$33,734,713 in the capital projects CO Series 2023 fund, and an increase of \$599,697 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5,199,844 or 54% of total general fund expenditures.
- The City's outstanding long-term debt increased by \$27,786,584 (including premiums). The total long-term debt at the close of the fiscal year was \$64,888,057 (including premiums), including self-supporting debt of the proprietary fund which was \$16,978,654 (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, 2024

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, 2024

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 fourteen 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 Marsha's Happy Haven fund, the PATH fund, the Drainage fund, the Fire Station fund, the Equipment Replacement fund, capital improvement fund, parks CIP fund, the Heath EDC, and the Heath MBC. The City did not adopt a budget for the public safety donations fund, farmers' market fund, tree mitigation fund, or the park in lieu funds. A budgetary comparison statement has been provided for each fund with an approved budget to demonstrate compliance with the budget.

Proprietary Funds

The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and its solid waste operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the 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, 2024

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 \$106,130,418 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$64,719,273, 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, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | 2024 | | | 2023 | | |
|----------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | Total | Governmental | Business-Type | Total |
| | Activities | Activities | | Activities | Activities | |
| Current and other assets | \$ 58,422,963 | \$ 27,028,871 | \$ 85,451,834 | \$ 24,772,858 | \$ 25,655,542 | \$ 50,428,400 |
| Capital assets, net | 50,177,005 | 41,562,943 | 91,739,948 | 50,170,417 | 41,578,788 | 91,749,205 |
| Total Assets | 108,599,968 | 68,591,814 | 177,191,782 | 74,943,275 | 67,234,330 | 142,177,605 |
| Deferred Outflows | 790,742 | 197,143 | 987,885 | 1,286,345 | 320,422 | 1,606,767 |
| Other liabilities | 5,138,953 | 2,803,979 | 7,942,932 | 4,228,670 | 3,513,648 | 7,742,318 |
| Long-term liabilities | 47,783,317 | 16,177,886 | 63,961,203 | 19,191,207 | 17,586,580 | 36,777,787 |
| Total Liabilities | 52,922,270 | 18,981,865 | 71,904,135 | 23,419,877 | 21,100,228 | 44,520,105 |
| Deferred Inflows | 116,949 | 28,165 | 145,114 | 34,257 | 8,248 | 42,505 |
| Net Position: | | | | | | |
| Net investment in capital assets | 39,002,580 | 25,716,693 | 64,719,273 | 35,541,376 | 25,077,234 | 60,618,610 |
| Restricted | 13,267,986 | - | 13,267,986 | 11,178,099 | - | 11,178,099 |
| Unrestricted | 4,080,925 | 24,062,234 | 28,143,159 | 6,056,011 | 21,369,042 | 27,425,053 |
| Total Net Position | \$ 56,351,491 | \$ 49,778,927 | \$ 106,130,418 | \$ 52,775,486 | \$ 46,446,276 | \$ 99,221,762 |

Current and other assets for governmental activities increased primarily due to greater cash on hand, resulting from unspent bond proceeds received during the year. Other liabilities for governmental activities increased due to timing of repayments subsequent to yearend. Other liabilities for business-type activities decreased primarily due to timing of repayments to vendors during the year and nonrecurring yearend payables due to North Texas Municipal Water District ("NTMWD") at the end of the previous year. Total long-term liabilities increased primarily as a result of the current year issuance of \$28,740,000 certificates of obligation outweighing principal payments and the reduction in the City's net pension liability.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

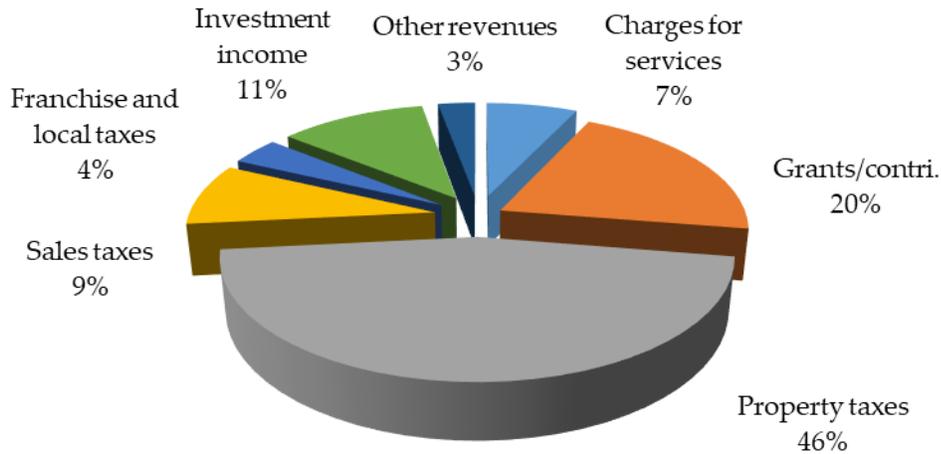
Statement of Activities:

| | <u>For the Year Ended September 30, 2024</u> | | | <u>For the Year Ended September 30, 2023</u> | | |
|-------------------------------|--|-------------------------------------|-------------------------------|--|-------------------------------------|-------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Primary Government</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Primary Government</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,340,018 | \$ 16,509,075 | \$ 17,849,093 | \$ 1,643,104 | \$ 14,130,325 | \$ 15,773,429 |
| Operating grants | 567,298 | - | 567,298 | 477,540 | - | 477,540 |
| Capital contributions | 3,336,000 | - | 3,336,000 | 296,000 | 375,015 | 671,015 |
| General revenues: | | | | | | |
| Property taxes | 8,738,084 | - | 8,738,084 | 7,827,431 | - | 7,827,431 |
| Sales taxes | 1,633,196 | - | 1,633,196 | 1,659,618 | - | 1,659,618 |
| Franchise and local taxes | 725,834 | - | 725,834 | 692,309 | - | 692,309 |
| Investment income | 2,162,712 | 884,397 | 3,047,109 | 706,097 | 742,548 | 1,448,645 |
| Other revenues | 546,642 | 124,812 | 671,454 | 320,933 | 481,381 | 802,314 |
| Total Revenues | <u>19,049,784</u> | <u>17,518,284</u> | <u>36,568,068</u> | <u>13,623,032</u> | <u>15,729,269</u> | <u>29,352,301</u> |
| Expenses | | | | | | |
| General government | 3,035,604 | - | 3,035,604 | 2,232,747 | - | 2,232,747 |
| Public safety | 5,313,731 | - | 5,313,731 | 5,379,597 | - | 5,379,597 |
| Public works | 4,324,075 | - | 4,324,075 | 5,179,964 | - | 5,179,964 |
| Culture and recreation | 410,916 | - | 410,916 | 671,523 | - | 671,523 |
| Community development | 782,848 | - | 782,848 | 753,059 | - | 753,059 |
| Interest | 2,140,480 | 704,477 | 2,844,957 | 651,581 | 675,455 | 1,327,036 |
| Water, sewer, & solid waste | - | 12,947,281 | 12,947,281 | - | 12,082,018 | 12,082,018 |
| Total Expenses | <u>16,007,654</u> | <u>13,651,758</u> | <u>29,659,412</u> | <u>14,868,471</u> | <u>12,757,473</u> | <u>27,625,944</u> |
| Change in Net Position | | | | | | |
| Before Transfers | 3,042,130 | 3,866,526 | 6,908,656 | (1,245,439) | 2,971,796 | 1,726,357 |
| Transfers | 533,875 | (533,875) | - | 286,307 | (286,307) | - |
| Total | <u>533,875</u> | <u>(533,875)</u> | <u>-</u> | <u>286,307</u> | <u>(286,307)</u> | <u>-</u> |
| Change in Net Position | 3,576,005 | 3,332,651 | 6,908,656 | (959,132) | 2,685,489 | 1,726,357 |
| Beginning Net Position | 52,775,486 | 46,446,276 | 99,221,762 | 53,734,618 | 43,760,787 | 97,495,405 |
| Ending Net Position | <u>\$ 56,351,491</u> | <u>\$ 49,778,927</u> | <u>\$ 106,130,418</u> | <u>\$ 52,775,486</u> | <u>\$ 46,446,276</u> | <u>\$ 99,221,762</u> |

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

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

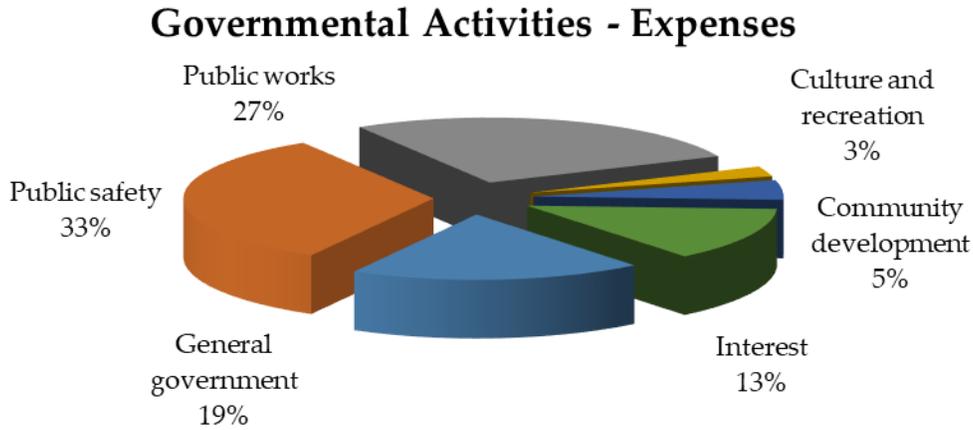
Governmental Activities - Revenues



For the year ended September 30, 2024, revenues from governmental activities totaled \$19,049,784. Total revenues increased by \$5,426,752 or 40%. Property tax and grants/contributions are the City's largest general revenue sources. Grants and capital contributions increased by \$3,129,758 and over 100% primarily as a result of nonrecurring capital contributions received from the Heath MBC in the current year. Property taxes increased by \$910,653 or 12% primarily due to greater appraised property values in the current year. Charges for services decreased by \$303,086 or 18% due to nonrecurring building permits and new development fees in the prior year. Investment income increased by \$1,456,615 or over 100% as of result of greater interest-bearing accounts and the realization of higher interest in the current year. Other revenues increased by \$225,709 or 70% primarily due to nonrecurring roadway impact 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, 2024

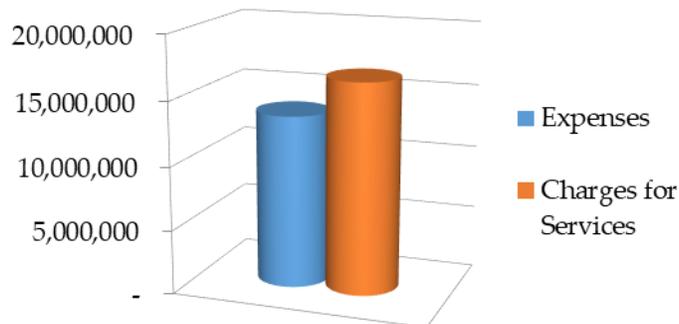
This graph shows the governmental function expenses of the City:



For the year ended September 30, 2024, expenses for governmental activities totaled \$16,007,654. This represents an increase of \$1,139,183 or 8%. This variance stems primarily from increases in interest and general government expenses. General government increased by \$802,857 or 36% primarily due to nonrecurring legal fees, technology maintenance services, and special event expenses in the current year. Public works decreased by \$855,889 or 17% primarily due to nonrecurring employee benefit costs in the prior year, resulting from actuarial changes to the City's pension liability. In addition, the City recorded nonrecurring street/vehicle repairs and transferred certain public works related assets to business-type activities during the prior year. Culture and recreation expenses decreased by \$260,607 or 39% primarily due to a reduction professional fees. Interest and fiscal charges increased by \$1,488,899 or over 100% primarily due to interest on the new certificates of obligation issued during the current year. 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, 2024

For the year ended September 30, 2024, charges for services by business-type activities totaled \$16,509,075. This is an increase of \$2,378,750 or 17% from the previous year. This increase was a result of city growth, greater utility consumption, and increased service rates during the year.

Utility service expenses increased by \$865,263, to a total of \$12,947,281, or a change of 7%. The increase was a direct result of greater water/sewer commodity purchase costs, solid waste operating costs, and debt service payments to the NTMWD.

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, 2024, the City's governmental funds reported combined fund balances of \$56,136,600, an increase of \$33,106,079 in comparison with the prior year. Approximately 9% of this amount, \$5,199,844, 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 \$0 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 \$1,058,353 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 \$49,878,403 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$5,199,844. The fund balance decreased by \$885,904, which was consistent with a planned decrease for the year. The general fund balance decrease is a direct result of transfers out to other funds during the current year. Transfers out remained relatively consistent with the prior year. Total fund expenditures (excluding transfers out) increased nearly \$280,000 compared to the prior year, primarily due to greater public safety expenditures.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$5,199,844 is 54% of total general fund expenditures.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2024

The debt service fund had an ending fund balance of \$668,543 at September 30, 2024 compared to the previous year's balance of \$573,585. This is an increase of \$94,958 and primarily due to revenues and transfers in exceeding current year debt service payments.

The capital improvements fund experienced a decrease in fund balance of \$437,385 due to capital outlay expenditures exceeding current year revenues and other financing sources. During the year, the City expended \$2,529,148 on improving the City's infrastructure from this fund.

The capital projects – CO Series 2023 fund had an ending fund balance of \$33,734,713. This fund is new in fiscal year 2024. The increase in fund balance of \$33,734,713 was a direct result of the debt issuance proceeds (\$28,740,000) certificates of obligation and intergovernmental revenues exceeding capital outlays and bond issuance costs during 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 \$49,631,646. Unrestricted net position of the fund at the close of the fiscal year amounted to \$23,914,953. The capital assets of the water and sewer fund had a net book value of \$41,562,943.

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 decreases to capital assets were \$15,845. The slight decrease in capital assets was a result of depreciation and disposals exceeding the sum of assets purchased/constructed by the City during the year. Operational expenses excluding depreciation and amortization in the water and sewer fund were \$10,368,965. Cash and cash equivalents in the water and sewer fund were \$23,407,651 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget indicated a deficit of \$1,466,680, and in total was amended to a final budget deficit of \$2,165,964.

There was a positive variance of \$697,199 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$264,967 for budgeted expenditures. Five general fund departments exceeded budget appropriations at the legal level of control (city council, city attorney, city manager, non-divisional, and highways/streets).

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

- \$962,166 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 \$697,199. 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 charges for services.
- There was a net positive overall budget variance of \$1,280,060.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$50,177,005 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$41,562,943 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:

- Phase 2 Rabbit Ridge investments totaling \$589,199.
- Street improvements to Hubbard Drive totaling \$1,101,107.
- Improvements to public works building for \$231,286.
- Improvements to Heath Town Center Park totaling \$875,588.
- Purchased public safety vehicles and attached equipment totaling \$317,031.
- Purchase new water meter equipment and related parts for \$1,075,802.
- Purchased machinery and equipment for utility operations totaling \$116,263.

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 \$64,888,057. Of this amount, \$16,002,857 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, 2024

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, 2024

| | Primary Government | | | Component Units |
|--|------------------------------------|-------------------------------------|--------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| <u>Assets</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 57,472,964 | \$ 13,621,957 | \$ 71,094,921 | \$ 5,944,689 |
| Restricted cash | - | 10,051,202 | 10,051,202 | 2,157,512 |
| Receivables, net | 765,473 | 2,689,300 | 3,454,773 | 633,964 |
| Due from component unit | 184,526 | - | 184,526 | - |
| Inventory | - | 41,292 | 41,292 | - |
| Prepays | - | 625,120 | 625,120 | 3,179 |
| Total Current Assets | 58,422,963 | 27,028,871 | 85,451,834 | 8,739,344 |
| Noncurrent assets: | | | | |
| Assessment receivables, net | - | - | - | 19,342,697 |
| Capital assets: | | | | |
| Non-depreciable | 8,130,244 | 3,277,578 | 11,407,822 | - |
| Net depreciable capital assets | 42,046,761 | 38,285,365 | 80,332,126 | - |
| Total Noncurrent Assets | 50,177,005 | 41,562,943 | 91,739,948 | 19,342,697 |
| Total Assets | 108,599,968 | 68,591,814 | 177,191,782 | 28,082,041 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Pension outflows | 726,743 | 174,206 | 900,949 | - |
| OPEB outflows | 2,066 | 497 | 2,563 | - |
| Deferred charge on refunding | 61,933 | 22,440 | 84,373 | - |
| Total Deferred Outflows of Resources | 790,742 | 197,143 | 987,885 | - |

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2024

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 1,566,773 | \$ 736,601 | \$ 2,303,374 | \$ 158,781 |
| Accrued interest payable | 451,114 | 168,135 | 619,249 | 94,478 |
| Customer deposits | 318,500 | 656,614 | 975,114 | - |
| Due to primary government | - | - | - | 184,526 |
| Compensated absences, current | 919,776 | 28,269 | 948,045 | - |
| Long-term debt due within one year | 1,882,790 | 1,214,360 | 3,097,150 | 467,799 |
| Total Current Liabilities | 5,138,953 | 2,803,979 | 7,942,932 | 905,584 |
| Noncurrent liabilities: | | | | |
| Long-term debt due in more than one year | 46,026,613 | 15,764,294 | 61,790,907 | 19,514,004 |
| Compensated absences, noncurrent | 366,304 | 78,727 | 445,031 | - |
| Net pension liability | 1,263,296 | 304,262 | 1,567,558 | - |
| OPEB liability | 127,104 | 30,603 | 157,707 | - |
| Total Noncurrent Liabilities | 47,783,317 | 16,177,886 | 63,961,203 | 19,514,004 |
| Total Liabilities | 52,922,270 | 18,981,865 | 71,904,135 | 20,419,588 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Pension inflows | 90,079 | 21,696 | 111,775 | - |
| OPEB inflows | 26,870 | 6,469 | 33,339 | - |
| Total Deferred Inflows of Resources | 116,949 | 28,165 | 145,114 | - |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 39,002,580 | 25,716,693 | 64,719,273 | - |
| Restricted for: | | | | |
| Debt service | 668,543 | - | 668,543 | - |
| Capital improvement | 9,533,545 | - | 9,533,545 | - |
| Economic development | - | - | - | 6,249,846 |
| Economic opportunities | - | - | - | 1,412,607 |
| Public safety and other programs | 3,065,898 | - | 3,065,898 | - |
| Unrestricted | 4,080,925 | 24,062,234 | 28,143,159 | - |
| Total Net Position | \$ 56,351,491 | \$ 49,778,927 | \$ 106,130,418 | \$ 7,662,453 |

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 3,035,604 | \$ 119,893 | \$ 503,746 | \$ - |
| Public safety | 5,313,731 | 166,240 | 51,803 | - |
| Public works | 4,324,075 | 1,049,635 | - | 3,000,000 |
| Culture and recreation | 410,916 | 4,250 | 11,749 | 336,000 |
| Community development | 782,848 | - | - | - |
| Interest | 2,140,480 | - | - | - |
| Total Governmental Activities | 16,007,654 | 1,340,018 | 567,298 | 3,336,000 |
| Business-Type Activities | | | | |
| Water & sewer | 12,310,657 | 15,183,206 | - | - |
| Solid waste | 1,341,101 | 1,325,869 | - | - |
| Total Business-Type Activities | 13,651,758 | 16,509,075 | - | - |
| Total Primary Government | \$ 29,659,412 | \$ 17,849,093 | \$ 567,298 | \$ 3,336,000 |
| Component Units: | | | | |
| Heath Club MMD | 1,336,402 | - | - | - |
| Heath EDC | 231,191 | - | - | - |
| Heath MBC | 3,708,111 | - | - | - |
| Total Component Units | \$ 5,275,704 | \$ - | \$ - | \$ - |

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Property assessments

Investment income

Other revenues

Transfers:

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | | Component Units |
|------------------------------------|-------------------------------------|-----------------------|-----------------------|----------------------------|
| Governmental Activities | Business-Type Activities | Total | | |
| \$ (2,411,965) | \$ - | \$ (2,411,965) | \$ - | |
| (5,095,688) | - | (5,095,688) | - | |
| (274,440) | - | (274,440) | - | |
| (58,917) | - | (58,917) | - | |
| (782,848) | - | (782,848) | - | |
| (2,140,480) | - | (2,140,480) | - | |
| <u>(10,764,338)</u> | <u>-</u> | <u>(10,764,338)</u> | <u>-</u> | |
| - | 2,872,549 | 2,872,549 | - | |
| - | (15,232) | (15,232) | - | |
| <u>-</u> | <u>2,857,317</u> | <u>2,857,317</u> | <u>-</u> | |
| <u>\$ (10,764,338)</u> | <u>\$ 2,857,317</u> | <u>\$ (7,907,021)</u> | <u>\$ -</u> | |
| - | - | - | (1,336,402) | |
| - | - | - | (231,191) | |
| - | - | - | (3,708,111) | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (5,275,704)</u> | |
| 8,738,084 | - | 8,738,084 | - | |
| 1,633,196 | - | 1,633,196 | 1,559,517 | |
| 725,834 | - | 725,834 | - | |
| - | - | - | 1,270,981 | |
| 2,162,712 | 884,397 | 3,047,109 | 582,069 | |
| 546,642 | 124,812 | 671,454 | - | |
| 533,875 | (533,875) | - | - | |
| <u>14,340,343</u> | <u>475,334</u> | <u>14,815,677</u> | <u>3,412,567</u> | |
| 3,576,005 | 3,332,651 | 6,908,656 | (1,863,137) | |
| 52,775,486 | 46,446,276 | 99,221,762 | 9,525,590 | |
| <u>\$ 56,351,491</u> | <u>\$ 49,778,927</u> | <u>\$ 106,130,418</u> | <u>\$ 7,662,453</u> | |

City of Heath, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvements</u> | <u>Capital Projects - CO Series 2023</u> |
|--|---------------------|-------------------------|---------------------------------|--|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 4,758,579 | \$ 661,359 | \$ 13,152,767 | \$ 34,765,782 |
| Receivables, net | 537,881 | 227,592 | - | - |
| Due from other funds | 1,332,662 | - | - | - |
| Due from component unit | 184,526 | - | - | - |
| Total Assets | \$ 6,813,648 | \$ 888,951 | \$ 13,152,767 | \$ 34,765,782 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 1,113,974 | \$ 648 | \$ 322,446 | \$ 119,479 |
| Deposits payable | 318,500 | - | - | - |
| Due to other funds | - | - | 421,072 | 911,590 |
| Total Liabilities | 1,432,474 | 648 | 743,518 | 1,031,069 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - | | | | |
| Property taxes | 176,366 | 84,526 | - | - |
| Fines receivable, net | 1,464 | - | - | - |
| Assessments receivable | - | 135,234 | - | - |
| Other | 3,500 | - | - | - |
| Total Deferred Inflows | 181,330 | 219,760 | - | - |
| <u>Fund Balances</u> | | | | |
| Assigned | - | - | - | - |
| Restricted | - | 668,543 | 12,409,249 | 33,734,713 |
| Unassigned | 5,199,844 | - | - | - |
| Total Fund Balances | 5,199,844 | 668,543 | 12,409,249 | 33,734,713 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 6,813,648 | \$ 888,951 | \$ 13,152,767 | \$ 34,765,782 |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ 4,134,477 | \$ 57,472,964 |
| - | 765,473 |
| - | 1,332,662 |
| - | 184,526 |
| <u>\$ 4,134,477</u> | <u>\$ 59,755,625</u> |

| | |
|---------------|------------------|
| \$ 10,226 | \$ 1,566,773 |
| - | 318,500 |
| - | 1,332,662 |
| <u>10,226</u> | <u>3,217,935</u> |

| | |
|----------|----------------|
| - | 260,892 |
| - | 1,464 |
| - | 135,234 |
| - | 3,500 |
| <u>-</u> | <u>401,090</u> |

| | |
|---------------------|----------------------|
| 1,058,353 | 1,058,353 |
| 3,065,898 | 49,878,403 |
| - | 5,199,844 |
| <u>4,124,251</u> | <u>56,136,600</u> |
| <u>\$ 4,134,477</u> | <u>\$ 59,755,625</u> |

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City of Heath, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2024

| | |
|--|----------------------|
| Fund Balances - Total Governmental Funds | \$ 56,136,600 |
| 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 | 8,130,244 |
| Capital assets - net depreciable | 42,046,761 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | |
| Property tax receivable | 260,892 |
| Fines receivable, net | 1,464 |
| Assessments receivable | 135,234 |
| 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 | 424,176 |
| OPEB contributions | 2,066 |
| OPEB change in assumptions | (25,051) |
| OPEB difference in experience | (1,819) |
| Pension investment earnings | 300,557 |
| Pension actual experience vs. assumption | (90,079) |
| Pension assumption changes | 2,010 |
| Deferred charge on refunding | 61,933 |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | |
| Accrued interest | (451,114) |
| Bond premium | (2,774,511) |
| Non-current liabilities due in one year | (1,882,790) |
| Non-current liabilities due in more than one year | (43,252,102) |
| Compensated absences | (1,286,080) |
| Net pension liability | (1,263,296) |
| OPEB liability | (127,104) |
| Net Position of Governmental Activities | \$ 56,351,491 |

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, 2024

| | General | Debt Service | Capital Improvements | Capital Projects - CO Series 2023 |
|--|---------------------|-------------------|-------------------------|--------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes: | | | | |
| Property tax | \$ 5,763,181 | \$ 2,891,239 | \$ - | \$ - |
| Sales and beverage tax | 1,633,196 | - | - | - |
| Franchise tax | 725,834 | - | - | - |
| Licenses and permits | 1,049,635 | - | - | - |
| Intergovernmental | 51,803 | 473,925 | 29,821 | 3,000,000 |
| Charges for services | 124,143 | - | - | - |
| Fines and forfeitures | 166,240 | - | - | - |
| Special assessments | - | 14,453 | - | - |
| Contributions and donations | - | - | - | - |
| Investment income | 219,992 | 5,316 | 593,841 | 1,261,717 |
| Other revenue | 57,125 | - | 554,762 | - |
| Total Revenues | 9,791,149 | 3,384,933 | 1,178,424 | 4,261,717 |
| <u>Expenditures</u> | | | | |
| Administration | 2,940,810 | 5,325 | - | - |
| Highways and streets | 400,295 | - | - | - |
| Parks | 396,068 | - | - | - |
| Engineering and inspection | 238,298 | - | - | - |
| Municipal court | 73,955 | - | - | - |
| Public safety | 4,835,661 | - | - | - |
| Community development | 770,160 | - | - | - |
| Debt Service: | | | | |
| Principal | - | 1,963,360 | 95,012 | - |
| Interest and fiscal charges | - | 1,433,790 | - | - |
| Bond issuance cost | - | - | - | 466,709 |
| Capital outlay | - | - | 2,529,148 | 1,031,068 |
| Total Expenditures | 9,655,247 | 3,402,475 | 2,624,160 | 1,497,777 |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | 135,902 | (17,542) | (1,445,736) | 2,763,940 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | 213,250 | 112,500 | 721,950 | - |
| Transfers (out) | (1,235,056) | - | - | - |
| Bond issuance | - | - | - | 28,740,000 |
| Bond premium | - | - | - | 2,230,773 |
| SBITA lease issuance | - | - | 286,401 | - |
| Total Other Financing Sources (Uses) | (1,021,806) | 112,500 | 1,008,351 | 30,970,773 |
| Net Change in Fund Balances | (885,904) | 94,958 | (437,385) | 33,734,713 |
| Beginning fund balances | 6,085,748 | 573,585 | 12,846,634 | - |
| Ending Fund Balances | \$ 5,199,844 | \$ 668,543 | \$ 12,409,249 | \$ 33,734,713 |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ - | \$ 8,654,420 |
| - | 1,633,196 |
| - | 725,834 |
| - | 1,049,635 |
| 336,000 | 3,891,549 |
| - | 124,143 |
| - | 166,240 |
| - | 14,453 |
| 11,749 | 11,749 |
| 81,846 | 2,162,712 |
| 12,627 | 624,514 |
| 442,222 | 19,058,445 |
| - | 2,946,135 |
| - | 400,295 |
| - | 396,068 |
| - | 238,298 |
| - | 73,955 |
| 11,294 | 4,846,955 |
| - | 770,160 |
| - | 2,058,372 |
| - | 1,433,790 |
| - | 466,709 |
| 501,162 | 4,061,378 |
| 512,456 | 17,692,115 |
| (70,234) | 1,366,330 |
| 669,931 | 1,717,631 |
| - | (1,235,056) |
| - | 28,740,000 |
| - | 2,230,773 |
| - | 286,401 |
| 669,931 | 31,739,749 |
| 599,697 | 33,106,079 |
| 3,524,554 | 23,030,521 |
| \$ 4,124,251 | \$ 56,136,600 |

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City of Heath, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

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

| | | |
|---|----|------------|
| Net changes in fund balances - total governmental funds | \$ | 33,106,079 |
|---|----|------------|

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 | | 3,445,611 |
| Depreciation expense | | (3,412,155) |
| Capital contributions from business-type activities | | 51,300 |
| Adjustment for disposal of assets | | (78,168) |

| | | |
|--|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 69,507 |
|--|--|--------|

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 | | (211,871) |
| Accrued interest | | (366,809) |
| Pension expense | | 51,184 |
| OPEB expense | | (6,699) |

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

| | | |
|---|--|--------------|
| Issuance of certificates of obligation bonds | | (28,740,000) |
| Issuance of bond premiums | | (2,230,773) |
| Subscription issuance | | (286,401) |
| Amortization of deferred charges on refunding | | (26,115) |
| Amortization of debt premium | | 152,943 |
| Principal payments | | 2,058,372 |

| | | |
|--|-----------|------------------|
| Change in Net Position of Governmental Activities | \$ | 3,576,005 |
|--|-----------|------------------|

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2024

| | Water & Sewer | Nonmajor Solid Waste | Total Proprietary Funds |
|--|-------------------|----------------------------|-------------------------------|
| <u>Assets</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ 13,356,449 | \$ 265,508 | \$ 13,621,957 |
| Restricted cash | 10,051,202 | - | 10,051,202 |
| Receivables, net | 2,499,767 | 189,533 | 2,689,300 |
| Inventory | 41,292 | - | 41,292 |
| Prepays | 625,120 | - | 625,120 |
| Total Current Assets | 26,573,830 | 455,041 | 27,028,871 |
| <u>Noncurrent Assets</u> | | | |
| Capital assets: | | | |
| Non-depreciable | 3,277,578 | - | 3,277,578 |
| Net depreciable capital assets | 38,285,365 | - | 38,285,365 |
| Total Noncurrent Assets | 41,562,943 | - | 41,562,943 |
| Total Assets | 68,136,773 | 455,041 | 68,591,814 |
| <u>Deferred Outflows of Resources</u> | | | |
| Pension outflows | 174,206 | - | 174,206 |
| OPEB outflows | 497 | - | 497 |
| Deferred charge on refunding | 22,440 | - | 22,440 |
| Total Deferred Outflows | 197,143 | - | 197,143 |

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2024

| | Water & Sewer | Nonmajor Solid Waste | Total Proprietary Funds |
|---|----------------------|----------------------------|-------------------------------|
| <u>Liabilities</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts payable and accrued liabilities | \$ 723,142 | \$ 13,459 | \$ 736,601 |
| Accrued interest | 168,135 | - | 168,135 |
| Customer deposits | 362,313 | 294,301 | 656,614 |
| Compensated absences, current | 28,269 | - | 28,269 |
| Long-term debt, current | 1,214,360 | - | 1,214,360 |
| Total Current Liabilities | 2,496,219 | 307,760 | 2,803,979 |
| <u>Noncurrent Liabilities</u> | | | |
| Compensated absences, noncurrent | 78,727 | - | 78,727 |
| Long-term debt, noncurrent | 15,764,294 | - | 15,764,294 |
| Net pension liability | 304,262 | - | 304,262 |
| OPEB liability | 30,603 | - | 30,603 |
| Total Liabilities | 18,674,105 | 307,760 | 18,981,865 |
| <u>Deferred Inflows of Resources</u> | | | |
| Pension inflows | 21,696 | - | 21,696 |
| OPEB inflows | 6,469 | - | 6,469 |
| Total Deferred Inflows | 28,165 | - | 28,165 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 25,716,693 | - | 25,716,693 |
| Unrestricted | 23,914,953 | 147,281 | 24,062,234 |
| Total Net Position | \$ 49,631,646 | \$ 147,281 | \$ 49,778,927 |

See Notes to Financial Statements.

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City of Heath, Texas

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

For the Year Ended September 30, 2024

| | Water & Sewer | Nonmajor Solid Waste | Total Proprietary Funds |
|--|------------------|----------------------------|-------------------------------|
| <u>Operating Revenues</u> | | | |
| Water revenue | \$ 7,512,089 | \$ - | \$ 7,512,089 |
| Sewer revenue | 4,218,095 | - | 4,218,095 |
| Sanitation revenue | - | 1,325,869 | 1,325,869 |
| Connection and tap charges | 3,453,022 | - | 3,453,022 |
| Other revenue | 124,812 | - | 124,812 |
| Total Operating Revenues | 15,308,018 | 1,325,869 | 16,633,887 |
| <u>Operating Expenses</u> | | | |
| Personnel | 1,394,237 | - | 1,394,237 |
| Supplies and services | 444,606 | 1,341,101 | 1,785,707 |
| Operating expenses | 2,314,557 | - | 2,314,557 |
| Materials and equipment | 236,103 | - | 236,103 |
| Cost of water | 3,712,304 | - | 3,712,304 |
| Cost of sewer | 2,267,158 | - | 2,267,158 |
| Depreciation | 1,237,215 | - | 1,237,215 |
| Total Operating Expenses | 11,606,180 | 1,341,101 | 12,947,281 |
| Operating Income (Loss) | 3,701,838 | (15,232) | 3,686,606 |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Investment income | 877,585 | 6,812 | 884,397 |
| Interest expense | (704,477) | - | (704,477) |
| Total Nonoperating Revenues (Expenses) | 173,108 | 6,812 | 179,920 |
| Income (Loss) Before Transfers | 3,874,946 | (8,420) | 3,866,526 |
| Transfers in | 40,000 | - | 40,000 |
| Transfers (out) | (493,875) | (80,000) | (573,875) |
| Change in Net Position | 3,421,071 | (88,420) | 3,332,651 |
| Beginning net position | 46,210,575 | 235,701 | 46,446,276 |
| Ending Net Position | \$ 49,631,646 | \$ 147,281 | \$ 49,778,927 |

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, 2024

| | <u>Water & Sewer</u> | <u>Nonmajor Solid Waste</u> | <u>Total Proprietary Funds</u> |
|--|------------------------------|-------------------------------------|--|
| <u>Cash Flows from Operating Activities</u> | | | |
| Receipts from customers | \$ 15,213,930 | \$ 1,323,597 | \$ 16,537,527 |
| Payments to suppliers | (9,971,378) | (1,079,092) | (11,050,470) |
| Payments to employees | (1,467,036) | - | (1,467,036) |
| Net Cash Provided (Used) by Operating Activities | <u>3,775,516</u> | <u>244,505</u> | <u>4,020,021</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | |
| Transfers in | 40,000 | - | 40,000 |
| Transfers (out) | (442,575) | (80,000) | (522,575) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | <u>(402,575)</u> | <u>(80,000)</u> | <u>(482,575)</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | |
| Capital purchases | (1,330,655) | - | (1,330,655) |
| Principal paid on debt | (1,178,594) | - | (1,178,594) |
| Interest paid on debt | (711,874) | - | (711,874) |
| Net Cash (Used for) Capital and Related Financing Activities | <u>(3,221,123)</u> | <u>-</u> | <u>(3,221,123)</u> |
| <u>Cash Flows from Investing Activities</u> | | | |
| Interest on investments | 877,585 | 6,812 | 884,397 |
| Net Cash Provided by Investing Activities | <u>877,585</u> | <u>6,812</u> | <u>884,397</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,029,403 | 171,317 | 1,200,720 |
| Beginning cash and cash equivalents | 22,378,248 | 94,191 | 22,472,439 |
| Ending Cash and Cash Equivalents | <u><u>\$ 23,407,651</u></u> | <u><u>\$ 265,508</u></u> | <u><u>\$ 23,673,159</u></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, 2024

| | <u>Water & Sewer</u> | <u>Nonmajor Solid Waste</u> | <u>Total Proprietary Funds</u> |
|---|------------------------------|-------------------------------------|--|
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u> | | | |
| Operating income (loss) | \$ 3,701,838 | \$ (15,232) | \$ 3,686,606 |
| Adjustments to reconcile operating income to net cash provided: | | | |
| Depreciation | 1,237,215 | - | 1,237,215 |
| Loss on disposal of capital assets | 57,985 | - | 57,985 |
| Changes in Operating Assets and Liabilities: | | | |
| (Increase) Decrease in: | | | |
| Accounts receivable | (208,586) | (2,272) | (210,858) |
| Prepays | 38,249 | - | 38,249 |
| Increase (Decrease) in: | | | |
| Accounts payable and accrued liabilities | (1,034,899) | 262,009 | (772,890) |
| Compensated absences | (62,964) | - | (62,964) |
| Customer deposits | 56,513 | - | 56,513 |
| Pension outflows | 112,765 | - | 112,765 |
| OPEB outflows | 1,052 | - | 1,052 |
| OPEB inflows | (1,779) | - | (1,779) |
| Pension inflows | 21,696 | - | 21,696 |
| Net pension liability | (145,909) | - | (145,909) |
| OPEB liability | 2,340 | - | 2,340 |
| Net Cash Provided (Used) by Operating Activities | \$ 3,775,516 | \$ 244,505 | \$ 4,020,021 |
| <u>Schedule of Non-Cash Capital and Related Financing Activities</u> | | | |
| Capital assets transferred to governmental activities | \$ (51,300) | \$ - | \$ (51,300) |

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2024

| | | <u>Custodial Fund</u> |
|------------------------------------|---------------------------|---------------------------|
| | | <u>Streets</u> |
| | | <u>Escrow</u> |
| <u>Assets</u> | | |
| <u>Current Assets</u> | | |
| Cash and cash equivalents | | \$ 608,698 |
| | Total Assets | <u>608,698</u> |
| <u>Liabilities</u> | | |
| Accrued liabilities | | 323,766 |
| | Total Liabilities | <u>\$ 323,766</u> |
| <u>Net Position</u> | | |
| Restricted for street improvements | | 284,932 |
| | Total Net Position | <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, 2024

| | | <u>Custodial Fund</u> <u>Streets Escrow</u> |
|------------------------|-------------------------------|--|
| <u>Revenues</u> | | |
| Capital contributions | | \$ 111,142 |
| | Total Additions | <u>111,142</u> |
| <u>Expenses</u> | | |
| Expenses | | - |
| | Total Deductions | <u>\$ -</u> |
| | Change in Net Position | 111,142 |
| Beginning net position | | 173,790 |
| | Ending Net Position | <u>\$ 284,932</u> |

See Notes to Financial Statements.

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City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

The City of Heath, Texas (the "City") was incorporated in 1959 and is governed by an elected mayor and six city councilmen which comprise the city council. The City provides a full range of municipal services including public safety, streets, parks and recreation, planning and zoning, and general administrative services. In addition, the City provides water and sewer service, and sanitation service as an enterprise function of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Heath Economic Development Corporation (the "HEDC"), Heath Municipal Benefits Corporation (the "HMBC"), and the Club Municipal Management District Number 1 (the "Club MMD") are legally separate and presented as discretely presented component units. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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

Discretely Presented Component Units

Heath Economic Development Corporation

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

Heath Municipal Benefits Corporation

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

Club Municipal Management District Number 1

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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

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

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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.

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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.

The general fund is the only fund the 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.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

9. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Long-Term Obligations

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

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

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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 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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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

It is the City's policy to permit employees to accumulate earned, but unused vacation leave and sick leave. The City liquidates compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, 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.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

A. Expenditures Over Appropriations

For the year ending September 30, 2024, expenditures exceeded appropriations at the legal level of control as follows:

| | |
|----------------------------|-----------|
| General Fund: | |
| City council | \$ 3,292 |
| City attorney | 314,361 |
| City manager | 9,695 |
| Non-divisional | 16,026 |
| Highways & streets | 5,545 |
| Parks CIP Fund: | |
| Capital outlay | 89,352 |
| Capital Improvements Fund: | |
| Total expenditures | 2,636,759 |

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.G.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool and TexStar are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

The City had the following investments at year end:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Credit Rating</u> |
|-------------------------------------|-----------------------|--|----------------------|
| External investment pools | | | |
| TexPool | \$ 18,737,037 | 0.07 | AAAm |
| TexStar | 51,760,614 | 0.07 | AAAm |
| Total carrying value | <u>\$ 70,497,651</u> | | |
| Portfolio weighted average maturity | | 0.07 | |

The Heath EDC had the following investments at year end:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Credit Rating</u> |
|-------------------------------------|-----------------------|--|----------------------|
| External investment pools | | | |
| TexPool | \$ 1,997,774 | 0.07 | AAAm |
| TexStar | 2,286,043 | 0.07 | AAAm |
| Total carrying value | <u>\$ 4,283,817</u> | | |
| Portfolio weighted average maturity | | 0.07 | |

The Heath MBC had the following investments at year end:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Credit Rating</u> |
|-------------------------------------|-----------------------|--|----------------------|
| External investment pools | | | |
| TexPool | \$ 660,770 | 0.07 | AAAm |
| TexStar | 803,316 | 0.07 | AAAm |
| Total carrying value | <u>\$ 1,464,086</u> | | |
| Portfolio weighted average maturity | | 0.07 | |

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

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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, 2024, 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, 2024, 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, 2024, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

TexStar

The TexStar Participant Services Local Government Investment Pool ("TexStar") is an external investment pool operated by First Southwest Asset Management, Inc. and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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, 2024, 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:

| | <u>General</u> | <u>Debt Service</u> | <u>Water & Sewer</u> | <u>Nonmajor Solid Waste</u> | <u>Total</u> |
|---------------------|-------------------|---------------------|------------------------------|-------------------------------------|---------------------|
| Property taxes | \$ 176,961 | \$ 83,754 | \$ - | \$ - | \$ 260,715 |
| Special assessments | - | 143,838 | 74,781 | - | 218,619 |
| Sales tax | 268,963 | - | - | - | 268,963 |
| Fines | 2,440 | - | - | - | 2,440 |
| Other | 25,598 | - | 903 | - | 26,501 |
| Accounts | 65,407 | - | 2,424,083 | 189,533 | 2,679,023 |
| Allowance | (1,488) | - | - | - | (1,488) |
| | <u>\$ 537,881</u> | <u>\$ 227,592</u> | <u>\$ 2,499,767</u> | <u>\$ 189,533</u> | <u>\$ 3,454,773</u> |

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

| | <u>Heath Club MMD</u> | <u>Heath EDC</u> | <u>Heath MBC</u> | <u>Total</u> |
|-------------|---------------------------|----------------------|----------------------|----------------------|
| Sales tax | \$ - | \$ 134,482 | \$ 134,482 | \$ 268,964 |
| Assessments | 19,707,697 | - | - | 19,707,697 |
| | <u>\$ 19,707,697</u> | <u>\$ 134,482</u> | <u>\$ 134,482</u> | <u>\$ 19,976,661</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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 | 2,612,541 | 2,797,179 | (2,584,468) | 2,825,252 |
| Total capital assets not being depreciated | <u>7,917,533</u> | <u>2,797,179</u> | <u>(2,584,468)</u> | <u>8,130,244</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,451,787 | - | - | 2,451,787 |
| Improvements other than buildings | 5,176,357 | 45,000 | 126,570 | 5,347,927 |
| Infrastructure | 74,335,404 | - | 2,464,949 | 76,800,353 |
| Machinery and equipment | 3,738,656 | 317,031 | (33,919) | 4,021,768 |
| Subscription assets | - | 286,401 | - | 286,401 |
| Total capital assets being depreciated | <u>85,702,204</u> | <u>648,432</u> | <u>2,557,600</u> | <u>88,908,236</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (1,991,767) | (113,120) | - | (2,104,887) |
| Improvements other than buildings | (2,573,739) | (231,094) | - | (2,804,833) |
| Infrastructure | (36,095,529) | (2,684,290) | - | (38,779,819) |
| Machinery and equipment | (2,788,285) | (288,184) | - | (3,076,469) |
| Subscription assets | - | (95,467) | - | (95,467) |
| Total accumulated depreciation | <u>(43,449,320)</u> | <u>(3,412,155)</u> | <u>-</u> | <u>(46,861,475)</u> |
| Net capital assets being depreciated | 42,252,884 | (2,763,723) | 2,557,600 | 42,046,761 |
| Total Capital Assets | <u>\$ 50,170,417</u> | <u>\$ 33,456</u> | <u>\$ (26,868)</u> | <u>\$ 50,177,005</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|---------------------|
| General government | \$ 96,344 |
| Public safety | 239,367 |
| Public works | 3,057,896 |
| Culture and recreation | 5,860 |
| Community Development | 12,688 |
| Total Governmental Activities Depreciation Expense | <u>\$ 3,412,155</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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 | 2,429,057 | 1,096,120 | (1,240,815) | 2,284,362 |
| Total capital assets not being depreciated | <u>3,422,273</u> | <u>1,096,120</u> | <u>(1,240,815)</u> | <u>3,277,578</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 391,512 | - | - | 391,512 |
| Improvements other than buildings | 59,786,802 | 118,271 | 1,141,631 | 61,046,704 |
| Machinery and equipment | 1,121,324 | 116,264 | (10,101) | 1,227,487 |
| Total capital assets being depreciated | <u>61,299,638</u> | <u>234,535</u> | <u>1,131,530</u> | <u>62,665,703</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (277,135) | (17,645) | - | (294,780) |
| Improvements other than buildings | (22,091,187) | (1,101,187) | - | (23,192,374) |
| Machinery and equipment | (774,801) | (118,383) | - | (893,184) |
| Total accumulated depreciation | <u>(23,143,123)</u> | <u>(1,237,215)</u> | <u>-</u> | <u>(24,380,338)</u> |
| Net capital assets being depreciated | <u>38,156,515</u> | <u>(1,002,680)</u> | <u>1,131,530</u> | <u>38,285,365</u> |
| Total Capital Assets | <u>\$ 41,578,788</u> | <u>\$ 93,440</u> | <u>\$ (109,285)</u> | <u>\$ 41,562,943</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Compensated Absences

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 1,074,209 | \$ 980,122 | \$ (768,251) | \$ 1,286,080 | \$ 919,776 |
| Total Governmental Activities | <u>\$ 1,074,209</u> | <u>\$ 980,122</u> | <u>\$ (768,251)</u> | <u>\$ 1,286,080</u> | <u>\$ 919,776</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 366,304</u> | |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 169,960 | \$ 56,008 | \$ (118,972) | \$ 106,996 | \$ 28,269 |
| Total Business-Type Activities | <u>\$ 169,960</u> | <u>\$ 56,008</u> | <u>\$ (118,972)</u> | <u>\$ 106,996</u> | <u>\$ 28,269</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 78,727</u> | |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Long-term Debt

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|--|------------------------------|----------------------|-----------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | \$ 2,540,000 | \$ - | \$ (815,000) | \$ 1,725,000 | \$ 565,000 |
| Certificates of Obligation | 15,626,863 | 28,740,000 | (1,148,360) | 43,218,503 | 1,226,640 |
| Premiums | 696,681 | 2,230,773 | (152,943) | 2,774,511 | - |
| Other liabilities: | | | | | |
| Subscription liabilities | - | 286,401 | (95,012) | 191,389 | 91,150 |
| Total Governmental Activities | \$ 18,863,544 | \$ 31,257,174 | \$ (2,211,315) | \$ 47,909,403 | \$ 1,882,790 |
| | | | | | |
| Long-term liabilities due in more than one year | | | | \$ 46,026,613 | |
| | | | | | |
| Business-Type Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | \$ 1,560,000 | \$ - | \$ (380,000) | \$ 1,180,000 | \$ 385,000 |
| Certificates of Obligation | 15,621,451 | - | (798,594) | 14,822,857 | 829,360 |
| Premium | 1,056,478 | - | (80,681) | 975,797 | - |
| Total Business-Type Activities | \$ 18,237,929 | \$ - | \$ (1,259,275) | \$ 16,978,654 | \$ 1,214,360 |
| | | | | | |
| Long-term liabilities due in more than one year | | | | \$ 15,764,294 | |

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, 2024

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

| Description | Interest Rates | Original Balance | Current Balance |
|---|----------------|----------------------|----------------------|
| Governmental Activities: | | | |
| 2015 General Obligation Refunding Bonds | 2.03% | \$ 4,725,000 | \$ 1,725,000 |
| Total General Obligation Bonds | | <u>4,725,000</u> | <u>1,725,000</u> |
| 2017 Combination Tax & Revenue Certificates | 3.00-5.00% | 5,940,000 | 4,290,000 |
| 2014 Combination Tax & Revenue Certificates | 3.00-4.00% | 14,205,000 | 8,600,000 |
| 2013 Combination Tax & Revenue Certificates | 2.00-4.00% | 1,654,037 | 1,270,000 |
| 2019 Combination Tax & Revenue Certificates | 3.70% | 453,197 | 318,503 |
| 2023 Combination Tax & Revenue Certificates | 4.50% | 28,740,000 | 28,740,000 |
| Total Certificates of Obligation | | <u>50,992,234</u> | <u>43,218,503</u> |
| Total Governmental Activities | | <u>\$ 55,717,234</u> | <u>\$ 44,943,503</u> |
| Business-type Activities: | | | |
| 2015 General Obligation Refunding Bonds | 2.03% | \$ 3,200,000 | \$ 1,180,000 |
| Total General Obligation Bonds | | <u>3,200,000</u> | <u>1,180,000</u> |
| 2019 Combination Tax & Revenue Certificates | 3.70% | 256,802 | 172,857 |
| 2017 Combination Tax & Revenue Certificates | 3.00-5.00% | 11,600,000 | 9,000,000 |
| 2013 Combination Tax & Revenue Certificates | 2.00-4.00% | 6,540,963 | 5,650,000 |
| Total Certificates of Obligation | | <u>18,397,765</u> | <u>14,822,857</u> |
| Total Business-Type Activities | | <u>\$ 21,597,765</u> | <u>\$ 16,002,857</u> |
| Total Long-Term Debt | | | |
| General Obligation Refunding Bonds | | \$ 7,925,000 | \$ 2,905,000 |
| Certificates of Obligation | | 69,389,999 | 58,041,360 |
| Total Primary Government | | <u>\$ 77,314,999</u> | <u>\$ 60,946,360</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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

| Governmental Activities | | | | |
|--------------------------------------|---------------------------------|------------------|-----------------------------------|----------------------|
| Year ending September 30, | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2025 | \$ 565,000 | \$ 29,283 | \$ 1,226,640 | \$ 1,348,464 |
| 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 |
| 2030-2034 | - | - | 10,287,303 | 6,938,443 |
| 2035-2039 | - | - | 12,994,160 | 4,593,137 |
| 2040-2044 | - | - | 12,580,000 | 1,524,400 |
| Total | \$ 1,725,000 | \$ 52,933 | \$ 43,218,503 | \$ 21,223,579 |

Subscription Liabilities

| Governmental Activities | | |
|--------------------------------------|---------------------------------|------------------|
| Year ending September 30, | Subscription Liabilities | |
| | Principal | Interest |
| 2025 | \$ 91,150 | \$ 8,613 |
| 2026 | 100,239 | 4,511 |
| Total | \$ 191,389 | \$ 13,124 |

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 \$190,934.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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

| Business-Type Activities | | | | |
|--------------------------------------|---------------------------------|------------------|-----------------------------------|---------------------|
| Year ending September 30, | General Obligation Bonds | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2025 | \$ 385,000 | \$ 20,046 | \$ 829,360 | \$ 637,875 |
| 2026 | 395,000 | 12,129 | 864,360 | 597,654 |
| 2027 | 400,000 | 4,060 | 894,720 | 555,908 |
| 2028 | - | - | 1,245,080 | 509,798 |
| 2029 | - | - | 1,300,440 | 461,425 |
| 2030 | - | - | 1,345,440 | 413,614 |
| 2031 | - | - | 1,400,800 | 358,627 |
| 2032 | - | - | 1,461,160 | 295,953 |
| 2033 | - | - | 1,526,880 | 230,490 |
| 2034 | - | - | 917,600 | 174,175 |
| 2035 | - | - | 957,600 | 127,459 |
| 2036 | - | - | 1,003,680 | 78,618 |
| 2037 | - | - | 1,046,548 | 27,487 |
| 2038 | - | - | 14,760 | 1,092 |
| 2039 | - | - | 14,429 | 546 |
| Total | \$ 1,180,000 | \$ 36,235 | \$ 14,822,857 | \$ 4,470,721 |

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Club Municipal Management District | | | | | |
| Special Assessment | | | | | |
| Revenue Bonds Series 2016 | \$ 7,875,000 | \$ - | \$ (415,000) | \$ 7,460,000 | \$ 150,000 |
| Revenue Bonds Series 2021 | 8,677,000 | - | (216,000) | 8,461,000 | 225,000 |
| Notes payable to developer | 4,216,846 | - | (295,688) | 3,921,158 | 92,799 |
| Premium | 144,979 | - | (5,334) | 139,645 | - |
| Total Club MMD | \$ 20,913,825 | \$ - | \$ (932,022) | \$ 19,981,803 | \$ 467,799 |
| Long-term liabilities due in more than one year | | | | | \$ 19,514,004 |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--|------------------------------|------------------|--------------------|---------------------------|--|
| Heath EDC | | | | | |
| GO Refunding Bonds | \$ 20,000 | \$ - | \$ (20,000) | \$ - | \$ - |
| Total Heath EDC | <u>\$ 20,000</u> | <u>\$ -</u> | <u>\$ (20,000)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Long-term liabilities due in more than one year | | | | | <u>\$ -</u> |
| Heath MBC | | | | | |
| GO Refunding Bonds | \$ 35,000 | \$ - | \$ (35,000) | \$ - | \$ - |
| Total Heath MBC | <u>\$ 35,000</u> | <u>\$ -</u> | <u>\$ (35,000)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Long-term liabilities due in more than one year | | | | | <u>\$ -</u> |

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

| <u>Club Municipal Management District</u> | | |
|---|---------------------------------|----------------------|
| <u>Year ending September 30,</u> | <u>Special Assessment Bonds</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 375,000 | \$ 1,020,730 |
| 2026 | 376,000 | 1,011,768 |
| 2027 | 435,000 | 768,786 |
| 2028-2032 | 2,415,000 | 5,056,781 |
| 2033-2037 | 3,011,000 | 4,423,939 |
| 2038-2042 | 3,861,000 | 3,781,530 |
| 2043-2047 | 4,092,000 | 3,055,118 |
| 2048-2052 | 1,356,000 | 1,467,800 |
| Total | <u>\$ 15,921,000</u> | <u>\$ 20,586,452</u> |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

| Club Municipal Management District | | |
|---|----------------------------------|---------------------|
| Year ending September 30, | Note payable to developer | |
| | Principal | Interest |
| 2025 | \$ 92,799 | \$ 236,091 |
| 2026 | 94,006 | 231,410 |
| 2027 | 105,257 | 226,705 |
| 2028-2032 | 656,732 | 1,040,512 |
| 2033-2037 | 845,698 | 840,814 |
| 2038-2042 | 1,082,383 | 574,199 |
| 2043-2046 | 851,010 | 134,815 |
| 2048-2050 | 193,273 | 13,400 |
| Total | \$ 3,921,158 | \$ 3,284,546 |

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 \$61,933 and \$22,440, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$26,115 and \$9,462, respectively.

G. Interfund Transfers

Transfers between the primary government funds during the 2024 year were as follows:

| Transfers In: | | | | | | | |
|-----------------------|-------------------|-------------------------|--------------------------------|----------------------------------|-----------------------------|------------------------------|---------------------|
| Transfers Out: | General | Debt Service | Capital Improvement | Nonmajor Governmental | Govt. Activities | Water & Sewer | Total |
| General | \$ - | \$ 112,500 | \$ 721,950 | \$ 400,606 | \$ - | \$ - | \$ 1,235,056 |
| Water & sewer | 173,250 | - | - | 269,325 | 51,300 | - | 493,875 |
| Solid waste | 40,000 | - | - | - | - | 40,000 | 80,000 |
| Total | \$ 213,250 | \$ 112,500 | \$ 721,950 | \$ 669,931 | \$ 51,300 | \$ 40,000 | \$ 1,808,931 |

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 \$3,844,497 to the primary government.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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

| <u>Due to (Payable fund):</u> | <u>Due from (Receivable fund):</u> | |
|-----------------------------------|------------------------------------|------------------|
| | <u>General</u> | |
| Capital improvements | \$ | 421,072 |
| Capital projects CO Series 2023 | | 911,590 |
| | <u>\$</u> | <u>1,332,662</u> |

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:

| | <u>Govt. Funds</u> | |
|-----------------------|--------------------|-------------------|
| Restricted for: | | |
| * Municipal court | \$ | 17,599 |
| Fire station | | 1,551,951 |
| Debt service | | 668,543 |
| Special programs | | 129,683 |
| Parks | | 1,115,817 |
| Streets | | 250,848 |
| Capital improvements | | 46,143,962 |
| Total Restricted | <u>\$</u> | <u>49,878,403</u> |
| Assigned for: | | |
| Equipment replacement | \$ | 805,217 |
| Tree mitigation | | 112,519 |
| Police department | | 140,617 |
| Total Assigned | <u>\$</u> | <u>1,058,353</u> |

* 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 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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 934 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.

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

2. Benefits Provided

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

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

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

| | <u>Plan Year 2022</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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 34 |
| Inactive employees entitled to but not yet receiving benefits | 56 |
| Active employees | 59 |
| Total | 149 |

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, 2024

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 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$711,627, and was equal to the required contributions.

4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% 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 the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 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, 2024

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

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

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|----------------------|---|----------------------|
| \$ 4,121,517 | \$ 1,567,588 | \$ (529,780) |

Changes in the Net Pension Liability:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|--------------------------------|------------------------------------|------------------------------------|
| Balance at 12/31/22 | \$ 16,709,651 | \$ 14,389,800 | \$ 2,319,851 |
| Changes for the year: | | | |
| Service Cost | 900,873 | - | 900,873 |
| Interest | 1,137,916 | - | 1,137,916 |
| Difference between expected and actual experience | (86,409) | - | (86,409) |
| Changes of assumptions | 3,194 | - | 3,194 |
| Contributions – employer | - | 666,384 | (666,384) |
| Contributions – employee | - | 381,726 | (381,726) |
| Net investment income | - | 1,670,426 | (1,670,426) |
| Benefit payments, including refunds of emp. contributions | (604,142) | (604,142) | - |
| Administrative expense | - | (10,595) | 10,595 |
| Other changes | - | (74) | 74 |
| Net changes | 1,351,432 | 2,103,725 | (752,293) |
| Balance at 12/31/23 | \$ 18,061,083 | \$ 16,493,525 | \$ 1,567,558 |

Pension Plan Fiduciary Net Position:

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

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

Pension expense for the year ended September 30, 2024 was \$668,436.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|--|---|--|
| Contributions subsequent to the measurement date | \$ 525,510 | \$ - |
| Difference in experience | - | (111,775) |
| Changes in actuarial assumptions | 2,494 | - |
| Pension investment earnings | 372,945 | - |
| Total | \$ 900,949 | \$ (111,775) |

The City reported \$525,510 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | |
|------------------------------------|-------------------|
| 2024 | \$ 95,324 |
| 2025 | 75,177 |
| 2026 | 243,204 |
| 2027 | (150,041) |
| 2028 | - |
| Thereafter | - |
| Total | \$ 263,664 |

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, 2024

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, 2023 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 | 13 |
| Active employees | 59 |
| Total | 101 |

The City's contributions to the TMRS SDBF for the years ended 2024, 2023 and 2022 were \$3,494, \$3,044, and \$2,011, respectively, which equaled the required contributions each year.

Three-Year Contribution Information: (Retiree Portion)

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|-------------|-------------|-------------|
| Annual Required Contribution (Rate) | 0.06% | 0.06% | 0.05% |
| Actual Contributions Made | 0.06% | 0.06% | 0.05% |
| 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, 2023, 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, 2024

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.60% to 11.85%, including inflation per year |
| Discount rate | 3.77% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

| 1% Decrease (2.77%) | Current Single Rate Assumption 3.77% | 1% Increase (4.77%) |
|------------------------|---|------------------------|
| \$ 192,400 | \$ 157,707 | \$ 130,935 |

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at 12/31/22 | \$ 145,648 |
| Changes for the year: | |
| Service Cost | 8,725 |
| Interest | 6,009 |
| Difference between expected and actual experience | (8,212) |
| Changes of assumptions | 8,809 |
| Benefit payments | (3,272) |
| Net changes | 12,059 |
| Balance at 12/31/23 | \$ 157,707 |

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$11,803.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|--|
| Contributions subsequent to the measurement date | \$ 2,563 | \$ - |
| Difference in experience | - | (31,082) |
| Investment returns | - | (2,257) |
| Total | \$ 2,563 | \$ (33,339) |

The City reported \$2,563 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, 2025.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2024

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

| Year ended December 31: | |
|--------------------------------|--------------------|
| 2024 | \$ (4,180) |
| 2025 | (3,611) |
| 2026 | (7,978) |
| 2027 | (10,984) |
| 2028 | (6,612) |
| Thereafter | 26 |
| | <u>\$ (33,339)</u> |

D. North Texas Municipal Water District (the District)

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its Member Cities, and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

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

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

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, 2024

G. Animal Adoption Center Interlocal Agreement

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

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

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

H. Related Party Transactions

Tom Johnson, a board member of the Heath EDC and MBC has disclosed a related party relationship with American National Bank of Texas (“ANB”), a banking institution used by the City in the current year. As of the end of the current year, the City maintained five separate bank accounts totaling \$11,304,647 at ANB.

I. Restatement

Due to a correction to a prior year bank reconciliation, the City restated its beginning net position within the MBC Component Unit. The restatement of beginning net position is as follows:

| | Heath MBC |
|------------------------------------|----------------------|
| Prior year ending net position, as | \$ 4,112,373 |
| Adjustment to cash balance | 10,001 |
| Restated beginning net position | <u>\$ 4,122,374</u> |

J. Subsequent Events

After the balance sheet the EDC acquired two parcels of land in two separate purchases of \$5,000,000 and \$1,450,000.

Subsequent events were evaluated through June 2, 2025, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Heath, Texas

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

GENERAL FUND

For the Year Ended September 30, 2024

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------|--------------|---|
| Revenues | | | | |
| Taxes: | | | | |
| Property tax | \$ 5,512,100 | \$ 5,512,100 | \$ 5,763,181 | \$ 251,081 |
| Sales & beverage tax | 1,575,600 | 1,575,600 | 1,633,196 | 57,596 |
| Franchise tax | 684,000 | 684,000 | 725,834 | 41,834 |
| Licenses and permits | 886,300 | 886,300 | 1,049,635 | 163,335 |
| Intergovernmental | 27,800 | 27,800 | 51,803 | 24,003 |
| Charges for services | 133,900 | 137,050 | 124,143 | (12,907) |
| Fines and forfeitures | 140,100 | 140,100 | 166,240 | 26,140 |
| Investment income | 90,000 | 90,000 | 219,992 | 129,992 |
| Other revenue | 41,000 | 41,000 | 57,125 | 16,125 |
| Total Revenues | 9,090,800 | 9,093,950 | 9,791,149 | 697,199 |
| Expenditures | | | | |
| Current: | | | | |
| City council | 45,600 | 45,600 | 48,892 | (3,292) * |
| City secretary | 216,200 | 219,900 | 191,989 | 27,911 |
| City attorney | 350,000 | 1,000,000 | 1,314,361 | (314,361) * |
| City manager | 214,100 | 214,100 | 223,795 | (9,695) * |
| Finance | 368,200 | 368,200 | 327,347 | 40,853 |
| Non-divisional | 790,400 | 818,400 | 834,426 | (16,026) * |
| Highways and streets | 394,750 | 394,750 | 400,295 | (5,545) * |
| Parks | 632,700 | 632,700 | 396,068 | 236,632 |
| Engineering and inspection | 377,700 | 377,700 | 238,298 | 139,402 |
| Municipal court | 96,400 | 96,400 | 73,955 | 22,445 |
| Public safety | 4,953,700 | 4,974,434 | 4,835,661 | 138,773 |
| Communication and economic development | 778,030 | 778,030 | 770,160 | 7,870 |
| Total Expenditures | 9,217,780 | 9,920,214 | 9,655,247 | 264,967 |
| Revenues Over (Under) | | | | |
| Expenditures | (126,980) | (826,264) | 135,902 | 962,166 |

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, 2024

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|----------------|--------------|-------------------------------|
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | 307,000 | 307,000 | 213,250 | (93,750) |
| Transfers (out) | (1,646,700) | (1,646,700) | (1,235,056) | 411,644 |
| Total Other Financing Sources | | | | |
| (Uses) | (1,339,700) | (1,339,700) | (1,021,806) | 317,894 |
| Net Change in Fund Balance | \$ (1,466,680) | \$ (2,165,964) | (885,904) | \$ 1,280,060 |
| Beginning fund balance | | | 6,085,748 | |
| Ending Fund Balance | | | \$ 5,199,844 | |

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,

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | |
| Service cost | \$ 900,873 | \$ 811,572 | \$ 820,876 | \$ 782,078 |
| Interest | 1,137,916 | 1,063,292 | 979,233 | 884,390 |
| Differences between expected and actual experience | (86,409) | (180,244) | 59,450 | 250,621 |
| Changes of assumptions | 3,194 | - | - | - |
| Benefit payments, including refunds of participant contributions | (604,142) | (663,301) | (555,887) | (506,923) |
| Net change in total pension liability | <u>1,351,432</u> | <u>1,031,319</u> | <u>1,303,672</u> | <u>1,410,166</u> |
| Total pension liability - beginning | <u>\$ 16,709,651</u> | <u>\$ 15,678,332</u> | <u>\$ 14,374,660</u> | <u>\$ 12,964,494</u> |
| Total pension liability - ending (a) | <u>\$ 18,061,083</u> | <u>\$ 16,709,651</u> | <u>\$ 15,678,332</u> | <u>\$ 14,374,660</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 666,384 | \$ 603,777 | \$ 582,870 | \$ 536,083 |
| Contributions - members | 381,726 | 343,056 | 340,008 | 324,899 |
| Net investment income | 1,670,426 | (1,113,409) | 1,716,650 | 904,105 |
| Benefit payments, including refunds of participant contributions | (604,142) | (663,301) | (555,887) | (506,923) |
| Administrative expenses | (10,595) | (9,613) | (7,927) | (5,840) |
| Other | (74) | 11,471 | 54 | (227) |
| Net change in plan fiduciary net position | <u>2,103,725</u> | <u>(828,019)</u> | <u>2,075,768</u> | <u>1,252,097</u> |
| Plan fiduciary net position - beginning | <u>14,389,800</u> | <u>15,217,819</u> | <u>13,142,051</u> | <u>11,889,954</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 16,493,525</u> | <u>\$ 14,389,800</u> | <u>\$ 15,217,819</u> | <u>\$ 13,142,051</u> |
| Fund's net pension liability - ending (a) - (b) | <u>\$ 1,567,558</u> | <u>\$ 2,319,851</u> | <u>\$ 460,513</u> | <u>\$ 1,232,609</u> |
| | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 91.32% | 86.12% | 97.06% | 91.43% |
| Covered payroll | \$ 5,453,229 | \$ 4,900,796 | \$ 4,857,253 | \$ 4,641,411 |
| Fund's net pension liability as a percentage of covered payroll | 28.75% | 47.34% | 9.48% | 26.56% |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------|---------------|---------------|--------------|--------------|--------------|
| \$ 685,576 | \$ 642,835 | \$ 579,954 | \$ 545,303 | \$ 511,422 | \$ 464,674 |
| 799,111 | 719,174 | 659,959 | 607,425 | 553,402 | 501,186 |
| 128,465 | 155,824 | (73,547) | (70,104) | 77,120 | (54,710) |
| 60,664 | - | - | - | 185,491 | - |
| (410,419) | (299,493) | (341,591) | (301,756) | (200,712) | (176,432) |
| 1,263,397 | 1,218,340 | 824,775 | 780,868 | 1,126,723 | 734,718 |
| \$ 11,701,097 | \$ 10,482,757 | \$ 9,657,982 | \$ 8,877,114 | \$ 7,750,391 | \$ 7,015,673 |
| \$ 12,964,494 | \$ 11,701,097 | \$ 10,482,757 | \$ 9,657,982 | \$ 8,877,114 | \$ 7,750,391 |
| \$ 457,597 | \$ 433,642 | \$ 405,755 | \$ 352,127 | \$ 340,543 | \$ 267,260 |
| 287,539 | 271,894 | 247,844 | 230,363 | 221,749 | 200,947 |
| 1,550,733 | (297,233) | 1,170,154 | 516,987 | 10,741 | 378,357 |
| (410,419) | (299,493) | (341,591) | (301,756) | (200,712) | (176,432) |
| (8,747) | (5,738) | (6,059) | (5,834) | (6,541) | (3,949) |
| (264) | (298) | (306) | (314) | (324) | (325) |
| 1,876,439 | 102,774 | 1,475,797 | 791,573 | 365,456 | 665,858 |
| 10,013,515 | 9,910,741 | 8,434,944 | 7,643,371 | 7,277,915 | 6,612,057 |
| \$ 11,889,954 | \$ 10,013,515 | \$ 9,910,741 | \$ 8,434,944 | \$ 7,643,371 | \$ 7,277,915 |
| \$ 1,074,540 | \$ 1,687,582 | \$ 572,016 | \$ 1,223,038 | \$ 1,233,743 | \$ 472,476 |
| 91.71% | 85.58% | 94.54% | 87.34% | 86.10% | 93.90% |
| \$ 4,107,702 | \$ 3,884,201 | \$ 3,540,624 | \$ 3,290,903 | \$ 3,135,634 | \$ 2,870,669 |
| 26.16% | 43.45% | 16.16% | 37.16% | 39.35% | 16.46% |

City of Heath, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

| | 9/30/2024 | 9/30/2023 | 9/30/2022 | 9/30/2021 |
|--|--------------|--------------|--------------|--------------|
| Actuarially determined employer contributions | \$ 711,627 | \$ 634,102 | \$ 588,517 | \$ 566,320 |
| Contributions in relation to the actuarially determined contribution | \$ 711,627 | \$ 649,528 | \$ 588,517 | \$ 566,320 |
| Contribution deficiency (excess) | \$ - | \$ (15,426) | \$ - | \$ - |
| Annual covered payroll | \$ 5,823,463 | \$ 5,308,462 | \$ 4,765,347 | \$ 4,765,347 |
| Employer contributions as a percentage of covered payroll | 12.22% | 12.24% | 12.35% | 11.88% |

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 | 2.5% |
| 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 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 |

Other Information:

Notes There were no benefit changes during the year.

| <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> | <u>9/30/2015</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 501,630 | \$ 454,243 | \$ 429,534 | \$ 392,931 | \$ 363,477 | \$ 312,836 |
| <u>\$ 501,630</u> | <u>\$ 454,243</u> | <u>\$ 429,534</u> | <u>\$ 392,931</u> | <u>\$ 363,477</u> | <u>\$ 312,836</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 4,377,302 | \$ 4,075,081 | \$ 3,822,831 | \$ 3,482,574 | \$ 3,392,712 | \$ 3,016,574 |
| 11.46% | 11.15% | 11.24% | 11.28% | 10.71% | 10.37% |

City of Heath, Texas

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 8,725 | \$ 13,232 | \$ 13,600 | \$ 12,068 |
| Interest | 6,009 | 3,953 | 3,814 | 4,104 |
| Differences between expected and actual experience | (8,212) | 5,336 | 2,274 | (450) |
| Changes of assumptions | 8,809 | (83,863) | 7,059 | 26,652 |
| Benefit payments, including refunds of participant contributions | (3,272) | (2,450) | (2,429) | (928) |
| Net change in total OPEB liability | <u>12,059</u> | <u>(63,792)</u> | <u>24,318</u> | <u>41,446</u> |
| Total OPEB liability - beginning | <u>\$ 145,648</u> | <u>\$ 209,440</u> | <u>\$ 185,122</u> | <u>\$ 143,676</u> |
| Total OPEB liability - ending | <u><u>\$ 157,707</u></u> | <u><u>\$ 145,648</u></u> | <u><u>\$ 209,440</u></u> | <u><u>\$ 185,122</u></u> |
| | | | | |
| Covered-employee payroll | \$ 5,453,229 | \$ 4,900,796 | \$ 4,857,253 | \$ 4,641,411 |
| | | | | |
| City's total OPEB liability as a percentage of covered-employee payroll | 2.89% | 2.97% | 4.31% | 3.99% |

Notes to schedule:

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

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

| <u>2019</u> | <u>2018</u> | <u>2017</u> | ¹ |
|--------------|--------------|--------------|--------------|
| \$ 8,215 | \$ 10,487 | \$ 8,497 | |
| 4,115 | 3,568 | 3,264 | |
| (186) | (513) | - | |
| 24,932 | (8,897) | 9,071 | |
| (411) | (388) | (354) | |
| 36,665 | 4,257 | 20,478 | |
| \$ 107,011 | \$ 102,754 | \$ 82,276 | |
| \$ 143,676 | \$ 107,011 | \$ 102,754 | ² |
| | | | |
| \$ 4,107,702 | \$ 3,884,201 | \$ 3,540,624 | |
| | | | |
| 3.50% | 2.76% | 2.90% | |

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

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NONMAJOR GOVERNMENTAL FUNDS

PUBLIC SAFETY DONATIONS

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

MARSHA'S HAPPY HAVEN

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

FARMERS' MARKET

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

PARK IN LIEU

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

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.

City of Heath, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

| | <u>Public Safety Donations</u> | <u>Marsha's Happy Haven</u> | <u>Farmers' Market</u> | <u>Park in Lieu</u> | <u>PATH</u> |
|--|--|-------------------------------------|----------------------------|-------------------------|------------------|
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | \$ 168,022 | \$ 91,346 | \$ 559 | \$ 42,643 | \$ 38,198 |
| Total Assets | \$ 168,022 | \$ 91,346 | \$ 559 | \$ 42,643 | \$ 38,198 |
| <u>Liabilities</u> | | | | | |
| Accounts payable | \$ 9,806 | \$ - | \$ 420 | \$ - | \$ - |
| Total Liabilities | 9,806 | - | 420 | - | - |
| <u>Fund Balances</u> | | | | | |
| Restricted for: | | | | | |
| Public safety | 17,599 | - | - | - | - |
| Parks | - | - | - | 42,643 | - |
| Special programs | - | 91,346 | 139 | - | 38,198 |
| Streets | - | - | - | - | - |
| Assigned for: | | | | | |
| Police department | 140,617 | - | - | - | - |
| Equipment replacement | - | - | - | - | - |
| Tree mitigation | - | - | - | - | - |
| Total Fund Balances | 158,216 | 91,346 | 139 | 42,643 | 38,198 |
| Total Liabilities and Fund Balances | \$ 168,022 | \$ 91,346 | \$ 559 | \$ 42,643 | \$ 38,198 |

See Notes to Financial Statements.

| <u>Drainage</u> | <u>Fire Station</u> | <u>Equipment Replacement</u> | <u>Tree Mitigation</u> | <u>Parks CIP</u> | <u>Total Nonmajor Governmental</u> |
|-------------------|---------------------|------------------------------|------------------------|---------------------|------------------------------------|
| \$ 250,848 | \$ 1,551,951 | \$ 805,217 | \$ 112,519 | \$ 1,073,174 | \$ 4,134,477 |
| <u>\$ 250,848</u> | <u>\$ 1,551,951</u> | <u>\$ 805,217</u> | <u>\$ 112,519</u> | <u>\$ 1,073,174</u> | <u>\$ 4,134,477</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,226 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,226</u> |
| - | 1,551,951 | - | - | - | 1,569,550 |
| - | - | - | - | 1,073,174 | 1,115,817 |
| - | - | - | - | - | 129,683 |
| 250,848 | - | - | - | - | 250,848 |
| - | - | - | - | - | 140,617 |
| - | - | 805,217 | - | - | 805,217 |
| - | - | - | 112,519 | - | 112,519 |
| <u>250,848</u> | <u>1,551,951</u> | <u>805,217</u> | <u>112,519</u> | <u>1,073,174</u> | <u>4,124,251</u> |
| <u>\$ 250,848</u> | <u>\$ 1,551,951</u> | <u>\$ 805,217</u> | <u>\$ 112,519</u> | <u>\$ 1,073,174</u> | <u>\$ 4,134,477</u> |

City of Heath, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2024

| | Public Safety Donations | Marsha's Happy Haven | Farmers' Market | Park in Lieu | PATH |
|---|-------------------------------|----------------------------|--------------------|-----------------|-----------|
| <u>Revenues</u> | | | | | |
| Contributions & donations | \$ - | \$ - | \$ - | \$ - | \$ 11,749 |
| Intergovernmental revenue | - | - | - | - | - |
| Other revenue | 7,807 | - | - | - | - |
| Investment income | 4,714 | 2,560 | 16 | 1,195 | 922 |
| Total Revenues | 12,521 | 2,560 | 16 | 1,195 | 12,671 |
| <u>Expenditures</u> | | | | | |
| Public safety | 11,294 | - | - | - | - |
| Capital outlay | - | - | - | - | 238 |
| Total Expenditures | 11,294 | - | - | - | 238 |
| Revenues Over (Under) Expenditures | 1,227 | 2,560 | 16 | 1,195 | 12,433 |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Transfers in | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balances | 1,227 | 2,560 | 16 | 1,195 | 12,433 |
| Beginning fund balances | 156,989 | 88,786 | 123 | 41,448 | 25,765 |
| Ending Fund Balances | \$ 158,216 | \$ 91,346 | \$ 139 | \$ 42,643 | \$ 38,198 |

See Notes to Financial Statements.

| <u>Drainage</u> | <u>Fire Station Building</u> | <u>Equipment Replacement</u> | <u>Tree Mitigation</u> | <u>Parks CIP</u> | <u>Total Nonmajor Governmental</u> |
|-------------------|--------------------------------------|----------------------------------|----------------------------|----------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,749 |
| - | - | - | - | 336,000 | 336,000 |
| - | 4,820 | - | - | - | 12,627 |
| 4,609 | 43,446 | 21,230 | 3,154 | - | 81,846 |
| <u>4,609</u> | <u>48,266</u> | <u>21,230</u> | <u>3,154</u> | <u>336,000</u> | <u>442,222</u> |
| - | - | - | - | - | 11,294 |
| - | - | 411,572 | - | 89,352 | 501,162 |
| - | - | <u>411,572</u> | - | <u>89,352</u> | <u>512,456</u> |
| <u>4,609</u> | <u>48,266</u> | <u>(390,342)</u> | <u>3,154</u> | <u>246,648</u> | <u>(70,234)</u> |
| <u>168,750</u> | <u>-</u> | <u>501,181</u> | <u>-</u> | <u>-</u> | <u>669,931</u> |
| <u>168,750</u> | <u>-</u> | <u>501,181</u> | <u>-</u> | <u>-</u> | <u>669,931</u> |
| 173,359 | 48,266 | 110,839 | 3,154 | 246,648 | 599,697 |
| 77,489 | 1,503,685 | 694,378 | 109,365 | 826,526 | 3,524,554 |
| <u>\$ 250,848</u> | <u>\$ 1,551,951</u> | <u>\$ 805,217</u> | <u>\$ 112,519</u> | <u>\$ 1,073,174</u> | <u>\$ 4,124,251</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, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|--|----------------------------|--------------|-------------------------------|
| <u>Revenues</u> | | | |
| Property tax | \$ 2,844,200 | \$ 2,891,239 | \$ 47,039 |
| Special assessments | 13,200 | 14,453 | 1,253 |
| Intergovernmental revenue | 473,925 | 473,925 | - |
| Investment income | 2,000 | 5,316 | 3,316 |
| Total Revenues | 3,333,325 | 3,384,933 | 51,608 |
| <u>Expenditures</u> | | | |
| General government | - | 5,325 | (5,325) |
| Debt service: | | | |
| Principal | 1,966,659 | 1,963,360 | 3,299 |
| Interest | 1,629,169 | 1,433,790 | 195,379 |
| Total Expenditures | 3,595,828 | 3,402,475 | 193,353 |
| Revenues Over (Under) Expenditures | (262,503) | (17,542) | 244,961 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in | 150,000 | 112,500 | (37,500) |
| Total Other Financing Sources (Uses) | 150,000 | 112,500 | (37,500) |
| Net Change in Fund Balance | \$ (112,503) | 94,958 | \$ 207,461 |
| Beginning fund balance | | 573,585 | |
| Ending Fund Balance | | \$ 668,543 | |

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 PARKS CIP FUND

For the Year Ended September 30, 2024

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|--------------|---|
| <u>Revenues</u> | | | |
| Intergovernmental | \$ 254,000 | \$ 336,000 | \$ 82,000 |
| Total Revenues | 254,000 | 336,000 | 82,000 |
| <u>Expenditures</u> | | | |
| Capital outlay | - | 89,352 | (89,352) * |
| Total Expenditures | - | 89,352 | (89,352) |
| Revenues Over (Under) Expenditures | 254,000 | 246,648 | (7,352) |
| Net Change in Fund Balance | \$ 254,000 | 246,648 | \$ (7,352) |
| Beginning fund balance | | 826,526 | |
| Ending Fund Balance | | \$ 1,073,174 | |

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
MARSHA'S HAPPY HAVEN FUND
For the Year Ended September 30, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|---|----------------------------|-----------|-------------------------------|
| <u>Revenues</u> | | | |
| Contributions and donations | \$ 5,000 | \$ - | \$ (5,000) |
| Investment income | 200 | 2,560 | 2,360 |
| Total Revenues | 5,200 | 2,560 | (2,640) |
| <u>Expenditures</u> | | | |
| General government | 4,500 | - | 4,500 |
| Capital outlay | 463,925 | - | 463,925 |
| Total Expenditures | 468,425 | - | 468,425 |
| Revenues Over (Under) Expenditures | (463,225) | 2,560 | 465,785 |
| Net Change in Fund Balance | \$ (463,225) | 2,560 | \$ 465,785 |
| Beginning fund balance | | 88,786 | |
| Ending Fund Balance | | \$ 91,346 | |

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PATH FUND
For the Year Ended September 30, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|---|----------------------------|-----------|-------------------------------|
| <u>Revenues</u> | | | |
| Contributions and donations | \$ 15,000 | \$ 11,749 | \$ (3,251) |
| Investment income | 100 | 922 | 822 |
| Total Revenues | 15,100 | 12,671 | (2,429) |
| <u>Expenditures</u> | | | |
| General government | 3,500 | - | 3,500 |
| Capital outlay | 10,500 | 238 | 10,262 |
| Total Expenditures | 14,000 | 238 | 13,762 |
| Revenues Over (Under) Expenditures | 1,100 | 12,433 | 11,333 |
| Net Change in Fund Balance | \$ 1,100 | 12,433 | \$ 11,333 |
| Beginning fund balance | | 25,765 | |
| Ending Fund Balance | | \$ 38,198 | |

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRAINAGE FUND
For the Year Ended September 30, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|--|--|---------------|---------------------------------------|
| <u>Revenues</u> | | | |
| Contributions & donations | \$ 60,000 | \$ - | \$ (60,000) |
| Investment income | 1,000 | 4,609 | 3,609 |
| Total Revenues | 61,000 | 4,609 | (56,391) |
| <u>Expenditures</u> | | | |
| Capital outlay | 369,900 | - | 369,900 |
| Total Expenditures | 369,900 | - | 369,900 |
| Revenues Over (Under) Expenditures | (308,900) | 4,609 | 313,509 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in | 225,000 | 168,750 | (56,250) |
| Total Other Financing Sources (Uses) | 225,000 | 168,750 | (56,250) |
| Net Change in Fund Balance | \$ (83,900) | 173,359 | \$ 257,259 |
| Beginning fund balance | | 77,489 | |
| Ending Fund Balance | | \$ 250,848 | |

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, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|---|--|---------------|---------------------------------------|
| <u>Revenues</u> | | | |
| Other revenue | \$ - | \$ 4,820 | \$ 4,820 |
| Investment income | 24,200 | 43,446 | 19,246 |
| Total Revenues | 24,200 | 48,266 | 24,066 |
| <u>Expenditures</u> | | | |
| Public safety | 375,000 | - | 375,000 |
| Total Expenditures | 375,000 | - | 375,000 |
| Revenues Over (Under) Expenditures | (350,800) | 48,266 | 399,066 |
| Net Change in Fund Balance | \$ (350,800) | 48,266 | \$ 399,066 |
| Beginning fund balance | | 1,503,685 | |
| Ending Fund Balance | | \$ 1,551,951 | |

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, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|--|----------------------------|------------|-------------------------------|
| <u>Revenues</u> | | | |
| Investment income | \$ 11,500 | \$ 21,230 | \$ 9,730 |
| Total Revenues | 11,500 | 21,230 | 9,730 |
| <u>Expenditures</u> | | | |
| Capital outlay | 585,281 | 411,572 | 173,709 |
| Total Expenditures | 585,281 | 411,572 | 173,709 |
| Revenues Over (Under) Expenditures | (573,781) | (390,342) | 183,439 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Proceeds from sale of assets | 5,000 | - | (5,000) |
| Transfers in | 649,700 | 501,181 | (148,519) |
| Total Other Financing Sources (Uses) | 654,700 | 501,181 | (153,519) |
| Net Change in Fund Balance | \$ 80,919 | 110,839 | \$ 29,920 |
| Beginning fund balance | | 694,378 | |
| Ending Fund Balance | | \$ 805,217 | |

Notes to Other Supplementary Information

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

City of Heath, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL IMPROVEMENTS FUND For the Year Ended September 30, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|--|----------------------------|---------------|-------------------------------|
| <u>Revenues</u> | | | |
| Intergovernmental | \$ - | \$ 29,821 | \$ 29,821 |
| Other revenue | - | 554,762 | 554,762 |
| Investment income | 1,800 | 593,841 | 592,041 |
| Total Revenues | 1,800 | 1,178,424 | 1,176,624 |
| <u>Expenditures</u> | | | |
| Debt service: | | | |
| Principal | - | 95,012 | (95,012) |
| Capital outlay | 6,400 | 2,529,148 | (2,522,748) |
| Total Expenditures | 6,400 | 2,624,160 | (2,617,760) * |
| Revenues Over (Under) Expenditures | (4,600) | (1,445,736) | (1,441,136) |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in | - | 721,950 | 721,950 |
| SBITA lease issuance | - | 286,401 | 286,401 |
| Total Other Financing Sources (Uses) | - | 1,008,351 | 1,008,351 |
| Net Change in Fund Balance | \$ (4,600) | (437,385) | \$ (432,785) |
| Beginning fund balance | | 12,846,634 | |
| Ending Fund Balance | | \$ 12,409,249 | |

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, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|-----------------------------------|--|---------------|---------------------------------------|
| <u>Revenues</u> | | | |
| Sales tax | \$ 721,552 | \$ 779,759 | \$ 58,207 |
| Investment income | 120,000 | 209,165 | 89,165 |
| Total Revenues | 841,552 | 988,924 | 147,372 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Economic development | 569,000 | 230,791 | 338,209 |
| Debt service: | | | |
| Principal | 20,000 | 20,000 | - |
| Interest and fiscal charges | 400 | 400 | - |
| Total Expenditures | 589,400 | 251,191 | 338,209 |
| Revenues Over (Under) | | | |
| Expenditures | 252,152 | 737,733 | 485,581 |
| Net Change in Fund Balance | \$ 252,152 | 737,733 | \$ 485,581 |
| Beginning fund balance | | 3,728,613 | |
| Ending Fund Balance | | \$ 4,466,346 | |

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HEATH MUNICIPAL BENEFITS CORPORATION
For the Year Ended September 30, 2024

| | Original & Final Budget | Actual | Variance with Final Budget |
|-----------------------------------|--|---------------|---------------------------------------|
| <u>Revenues</u> | | | |
| Sales tax | \$ 721,552 | \$ 779,758 | \$ 58,206 |
| Investment income | 140,000 | 218,586 | 78,586 |
| Total Revenues | 861,552 | 998,344 | 136,792 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Economic opportunity | 3,739,225 | 3,707,411 | 31,814 |
| Debt service: | | | |
| Principal | 35,000 | 35,000 | - |
| Interest and fiscal charges | 700 | 700 | - |
| Total Expenditures | 3,774,925 | 3,743,111 | 31,814 |
| Revenues Over (Under) | | | |
| Expenditures | (2,913,373) | (2,744,767) | 168,606 |
| Net Change in Fund Balance | \$ (2,913,373) | (2,744,767) | \$ 168,606 |
| Beginning fund balance | | 4,157,955 | |
| Ending Fund Balance | | \$ 1,413,188 | |

Notes to Other Supplementary Information

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

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City of Heath, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2024

| | <u>Heath Club MMD</u> | <u>Heath EDC</u> | <u>Heath MBC</u> | <u>Total</u> |
|--|---------------------------|----------------------|----------------------|----------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 148,134 | \$ 4,332,494 | \$ 1,464,061 | \$ 5,944,689 |
| Restricted cash | 2,157,512 | - | - | 2,157,512 |
| Receivables, net | 19,707,697 | 134,482 | 134,482 | 19,976,661 |
| Prepays | 3,179 | - | - | 3,179 |
| Total Assets | \$ 22,016,522 | \$ 4,466,976 | \$ 1,598,543 | \$ 28,082,041 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 157,322 | \$ 630 | \$ 829 | \$ 158,781 |
| Due to primary government | - | - | 184,526 | 184,526 |
| Total Liabilities | 157,322 | 630 | 185,355 | 343,307 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - Property assessments | 19,707,697 | - | - | 19,707,697 |
| <u>Fund Balances</u> | | | | |
| Nonspendable | 3,179 | - | - | 3,179 |
| Restricted for: | | | | |
| Debt service | 2,148,324 | - | - | 2,148,324 |
| Economic development | - | 4,466,346 | - | 4,466,346 |
| Economic opportunities | - | - | 1,413,188 | 1,413,188 |
| Total Fund Balance | 2,151,503 | 4,466,346 | 1,413,188 | 8,031,037 |
| Total Liabilities, Deferred Inflows, and Fund Balance | \$ 22,016,522 | \$ 4,466,976 | \$ 1,598,543 | \$ 28,082,041 |

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, 2024

| | |
|---|----------------------------|
| Fund Balance | \$ 8,031,037 |
| Adjustments for the Statement of Net Position: | |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | |
| Property assessment receivable | 19,707,697 |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | |
| Accrued interest | (94,478) |
| Non-current liabilities due in one year | (467,799) |
| Non-current liabilities due in more than one year | (19,514,004) |
| Net Position of the Discretely Presented Component Unit | <u><u>\$ 7,662,453</u></u> |

See Notes to Financial Statements.

City of Heath, Texas

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

For the Year Ended September 30, 2024

| | Heath Club MMD | Heath EDC | Heath MBC | Total |
|-----------------------------------|-------------------|--------------|--------------|--------------|
| Revenues | | | | |
| Sales tax | \$ - | \$ 779,759 | \$ 779,758 | \$ 1,559,517 |
| Property assessments | 2,091,597 | - | - | 2,091,597 |
| Investment income | 154,318 | 209,165 | 218,586 | 582,069 |
| Total Revenues | 2,245,915 | 988,924 | 998,344 | 4,233,183 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 254,889 | 230,791 | 3,707,411 | 4,193,091 |
| Debt Service: | | | | |
| Principal | 922,688 | 20,000 | 35,000 | 977,688 |
| Interest and fiscal charges | 1,136,358 | 400 | 700 | 1,137,458 |
| Total Expenditures | 2,313,935 | 251,191 | 3,743,111 | 6,308,237 |
| Total Revenues | | | | |
| Over (Under) Expenditures | (68,020) | 737,733 | (2,744,767) | (2,075,054) |
| Net Change in Fund Balance | (68,020) | 737,733 | (2,744,767) | (2,075,054) |
| Beginning fund balance | 2,219,523 | 3,728,613 | 4,157,955 | 10,106,091 |
| Ending Fund Balance | \$ 2,151,503 | \$ 4,466,346 | \$ 1,413,188 | \$ 8,031,037 |

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, 2024

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

| | |
|-----------------------------|----------------|
| Net changes in fund balance | \$ (2,075,054) |
|-----------------------------|----------------|

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 | 49,511 |
|------------------|--------|

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

| | |
|----------------------|-----------|
| Property assessments | (820,616) |
|----------------------|-----------|

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 premium | 5,334 |
|-------------------------|-------|

| | |
|-----------------------------|---------|
| Principal payments expensed | 977,688 |
|-----------------------------|---------|

| | |
|--|-----------------------|
| Change in Net Position of the Discretely Presented Component Unit | \$ (1,863,137) |
|--|-----------------------|

See Notes to Financial Statements.

City of Heath, Texas
COMBINING SCHEDULE OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2024

| | <u>Heath Club MMD</u> | <u>Heath EDC</u> | <u>Heath MBC</u> | <u>Total</u> |
|---|---------------------------|----------------------|----------------------|---------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 148,134 | \$ 4,332,494 | \$ 1,464,061 | \$ 5,944,689 |
| Restricted assets - cash | 2,157,512 | - | - | 2,157,512 |
| Receivables, current | 365,000 | 134,482 | 134,482 | 633,964 |
| Prepays | 3,179 | - | - | 3,179 |
| Total Current Assets | <u>2,673,825</u> | <u>4,466,976</u> | <u>1,598,543</u> | <u>8,739,344</u> |
| Assessment receivables, net | 19,342,697 | - | - | 19,342,697 |
| Total Noncurrent Assets | <u>19,342,697</u> | <u>-</u> | <u>-</u> | <u>19,342,697</u> |
| Total Assets | <u>22,016,522</u> | <u>4,466,976</u> | <u>1,598,543</u> | <u>28,082,041</u> |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 157,322 | 630 | 829 | 158,781 |
| Due to primary government | - | - | 184,526 | 184,526 |
| Accrued interest payable | 93,565 | 332 | 581 | 94,478 |
| Debt due within one year | 467,799 | - | - | 467,799 |
| Total Current Liabilities | <u>718,686</u> | <u>962</u> | <u>185,936</u> | <u>905,584</u> |
| Noncurrent liabilities: | | | | |
| Debt due in more than one year | 19,514,004 | - | - | 19,514,004 |
| Total Liabilities | <u>19,514,004</u> | <u>-</u> | <u>-</u> | <u>19,514,004</u> |
| Total Liabilities | <u>20,232,690</u> | <u>962</u> | <u>185,936</u> | <u>20,419,588</u> |
| <u>Net Position</u> | | | | |
| Economic development | 1,783,832 | 4,466,014 | - | 6,249,846 |
| Economic opportunities | - | - | 1,412,607 | 1,412,607 |
| Total Net Position | <u>\$ 1,783,832</u> | <u>\$ 4,466,014</u> | <u>\$ 1,412,607</u> | <u>\$ 7,662,453</u> |

City of Heath, Texas
COMBINING SCHEDULE OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2024

| Functions/Programs | Expenses |
|--------------------------------------|---------------------|
| Component Units | |
| Governmental Activities | |
| Heath EDC | \$ 231,191 |
| Heath MBC | 3,708,111 |
| Heath Club MMD | 1,336,402 |
| Total Governmental Activities | 5,275,704 |
| Total Component Units | \$ 5,275,704 |

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

| Heath Club MMD | Heath EDC | Heath MBC | Total |
|---------------------------|----------------------|-----------------------|-----------------------|
| \$ - | \$ (231,191) | \$ - | \$ (231,191) |
| - | - | (3,708,111) | (3,708,111) |
| (1,336,402) | - | - | (1,336,402) |
| <u>(1,336,402)</u> | <u>(231,191)</u> | <u>(3,708,111)</u> | <u>(5,275,704)</u> |
| <u>\$ (1,336,402)</u> | <u>\$ (231,191)</u> | <u>\$ (3,708,111)</u> | <u>\$ (5,275,704)</u> |
| 1,270,981 | - | - | 1,270,981 |
| - | 779,759 | 779,758 | 1,559,517 |
| 154,318 | 209,165 | 218,586 | 582,069 |
| <u>1,425,299</u> | <u>988,924</u> | <u>998,344</u> | <u>3,412,567</u> |
| 88,897 | 757,733 | (2,709,767) | (1,863,137) |
| 1,694,935 | 3,708,281 | 4,122,374 | 9,525,590 |
| <u>\$ 1,783,832</u> | <u>\$ 4,466,014</u> | <u>\$ 1,412,607</u> | <u>\$ 7,662,453</u> |

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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.

| Contents | Pages |
|---|--------------|
| Financial Trends | 130-138 |
| <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 141-147 |
| <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i> | |
| Debt Capacity | 148-152 |
| <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 153-154 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | |
| Operating Information | 155-159 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i> | |

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | |
| Net investment in | | | | |
| capital assets | \$ 17,619,628 | \$ 21,393,254 | \$ 27,408,643 | \$ 29,968,936 |
| Restricted | 5,851,912 | 5,928,193 | 2,958,896 | 3,345,643 |
| Unrestricted | 2,393,926 | 3,385,275 | 2,310,544 | 982,057 |
| Total Governmental | | | | |
| Net Position | <u>\$ 25,865,466</u> | <u>\$ 30,706,722</u> | <u>\$ 32,678,083</u> | <u>\$ 34,296,636</u> |
| Business-type Activities | | | | |
| Net investment in | | | | |
| capital assets | \$ 17,729,466 | \$ 19,149,289 | \$ 23,267,682 | \$ 23,148,366 |
| Unrestricted | 5,271,577 | 8,215,084 | 6,338,911 | 8,201,092 |
| Total Business-type Activities Net | | | | |
| Position | <u>\$ 23,001,043</u> | <u>\$ 27,364,373</u> | <u>\$ 29,606,593</u> | <u>\$ 31,349,458</u> |
| Primary Government | | | | |
| Net investment in | | | | |
| capital assets | \$ 35,349,094 | \$ 40,542,543 | \$ 50,676,325 | \$ 53,117,302 |
| Restricted | 5,851,912 | 5,928,193 | 2,958,896 | 3,345,643 |
| Unrestricted | 7,665,503 | 11,600,359 | 8,649,455 | 9,183,149 |
| Total Primary Government Net Position | <u>\$ 48,866,509</u> | <u>\$ 58,071,095</u> | <u>\$ 62,284,676</u> | <u>\$ 65,646,094</u> |

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 30,950,857 | \$ 32,049,289 | \$ 38,750,011 | \$ 37,107,169 | \$ 35,541,376 | \$ 39,002,580 |
| 4,361,355 | 6,686,903 | 6,813,805 | 8,336,231 | 11,178,099 | 13,267,986 |
| 3,062,088 | 4,092,853 | 4,733,625 | 8,291,218 | 6,056,011 | 4,080,925 |
| <u>\$ 38,374,300</u> | <u>\$ 42,829,045</u> | <u>\$ 50,297,441</u> | <u>\$ 53,734,618</u> | <u>\$ 52,775,486</u> | <u>\$ 56,351,491</u> |
| | | | | | |
| \$ 26,221,080 | \$ 26,420,026 | \$ 24,985,034 | \$ 24,841,063 | \$ 25,077,234 | \$ 25,716,693 |
| 7,915,330 | 10,063,889 | 15,999,117 | 18,919,724 | 21,369,042 | 24,062,234 |
| <u>\$ 34,136,410</u> | <u>\$ 36,483,915</u> | <u>\$ 40,984,151</u> | <u>\$ 43,760,787</u> | <u>\$ 46,446,276</u> | <u>\$ 49,778,927</u> |
| | | | | | |
| \$ 57,171,937 | \$ 58,469,315 | \$ 63,735,045 | \$ 61,948,232 | \$ 60,618,610 | \$ 64,719,273 |
| 4,361,355 | 6,686,903 | 6,813,805 | 8,336,231 | 11,178,099 | 13,267,986 |
| 10,977,418 | 14,156,742 | 20,732,742 | 27,210,942 | 27,425,053 | 28,143,159 |
| <u>\$ 72,510,710</u> | <u>\$ 79,312,960</u> | <u>\$ 91,281,592</u> | <u>\$ 97,495,405</u> | <u>\$ 99,221,762</u> | <u>\$ 106,130,418</u> |

City of Heath, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

| | 2015 | 2016 | 2017 | 2018 |
|------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,188,977 | \$ 1,128,310 | \$ 1,419,003 | \$ 1,428,893 |
| Public safety | 3,024,089 | 3,112,772 | 3,418,938 | 3,431,047 |
| Public works | 2,336,387 | 2,686,868 | 2,537,936 | 2,471,864 |
| Culture and recreation | 392,967 | 452,702 | 521,392 | 861,720 |
| Community development | - | 65,353 | 526,038 | 506,854 |
| Economic development | 145,785 | - | - | - |
| Economic opportunity | 172,992 | - | - | - |
| Interest and fiscal charges | 887,976 | 888,139 | 967,630 | 895,800 |
| Total governmental activities | <u>8,149,173</u> | <u>8,334,144</u> | <u>9,390,937</u> | <u>9,596,178</u> |
| Business-type activities: | | | | |
| Water and sewer | 5,300,822 | 5,923,354 | 7,003,444 | 7,246,085 |
| Solid waste | 489,701 | 476,804 | 609,491 | 701,482 |
| Total business-type activities | <u>5,790,523</u> | <u>6,400,158</u> | <u>7,612,935</u> | <u>7,947,567</u> |
| Total primary government | <u>\$ 13,939,696</u> | <u>\$ 14,734,302</u> | <u>\$ 17,003,872</u> | <u>\$ 17,543,745</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 39,260 | \$ 38,365 | \$ 43,575 | \$ 44,625 |
| Public safety | 484,400 | 641,126 | 604,905 | 877,433 |
| Public works | 84,226 | 133,966 | 99,999 | 142,597 |
| Culture and recreation | 5,215 | 5,960 | 11,440 | 12,500 |
| Operating grants and contributions | 239,646 | 247,454 | 286,399 | 296,672 |
| Capital grants and contributions | 2,721,107 | 7,053,743 | 2,493,945 | 1,244,094 |
| Total governmental activities | <u>3,573,854</u> | <u>8,120,614</u> | <u>3,540,263</u> | <u>2,617,921</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 5,759,498 | 6,307,932 | 8,175,863 | 8,616,924 |
| Solid waste | 549,198 | 567,173 | 710,215 | 803,713 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | 1,030,273 | 4,112,483 | 1,129,806 | 347,540 |
| Total business-type activities | <u>7,338,969</u> | <u>10,987,588</u> | <u>10,015,884</u> | <u>9,768,177</u> |
| Total primary government | <u>\$ 10,912,823</u> | <u>\$ 19,108,202</u> | <u>\$ 13,556,147</u> | <u>\$ 12,386,098</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (4,575,319) | \$ (213,530) | \$ (5,850,674) | \$ (6,978,257) |
| Business-type activities | <u>1,548,446</u> | <u>4,587,430</u> | <u>2,402,949</u> | <u>1,820,610</u> |
| Total primary government | <u>\$ (3,026,873)</u> | <u>\$ 4,373,900</u> | <u>\$ (3,447,725)</u> | <u>\$ (5,157,647)</u> |

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----|---------------------------|---------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| \$ | 1,605,288 | \$ 1,467,595 | \$ 1,691,608 | \$ 1,727,848 | \$ 2,232,747 | \$ 3,035,604 |
| | 3,670,170 | 3,910,066 | 4,217,615 | 4,428,016 | 5,379,597 | 5,313,731 |
| | 2,679,280 | 3,005,180 | 3,482,020 | 3,424,073 | 5,179,964 | 4,324,075 |
| | 740,197 | 697,569 | 628,341 | 662,172 | 671,523 | 410,916 |
| | 553,605 | 532,182 | 609,763 | 655,723 | 753,059 | 782,848 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | 885,363 | 821,970 | 769,473 | 707,114 | 651,581 | 2,140,480 |
| | <u>10,133,903</u> | <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> |
| | 8,722,426 | 8,539,475 | 9,912,066 | 10,141,412 | 11,622,027 | 12,310,657 |
| | 740,532 | 811,224 | 905,134 | 896,996 | 1,135,446 | 1,341,101 |
| | <u>9,462,958</u> | <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><u>19,596,861</u></u> | <u><u>19,785,261</u></u> | <u><u>22,216,020</u></u> | <u><u>22,643,354</u></u> | <u><u>27,625,944</u></u> | <u><u>29,659,412</u></u> |
| \$ | 123,039 | \$ 133,934 | \$ 142,979 | \$ 143,994 | \$ 116,197 | \$ 119,893 |
| | 59,485 | 45,353 | 74,565 | 120,370 | 152,023 | 166,240 |
| | 892,860 | 901,025 | 906,180 | 1,147,280 | 1,369,834 | 1,049,635 |
| | 9,148 | 2,935 | - | 3,250 | 5,050 | 4,250 |
| | 457,191 | 1,057,251 | 630,819 | 1,901,959 | 773,540 | 567,298 |
| | 2,929,400 | 3,417,766 | 6,438,792 | 918,211 | - | 3,336,000 |
| | <u>4,471,123</u> | <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> |
| | 9,416,981 | 9,902,818 | 10,798,917 | 12,821,447 | 12,908,283 | 15,183,206 |
| | 850,718 | 888,796 | 966,822 | 1,048,218 | 1,222,042 | 1,325,869 |
| | - | - | 1,156,045 | - | - | - |
| | 2,039,039 | 777,717 | 2,562,617 | - | 375,015 | - |
| | <u>12,306,738</u> | <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><u>16,777,861</u></u> | <u><u>17,127,595</u></u> | <u><u>23,677,736</u></u> | <u><u>18,104,729</u></u> | <u><u>16,921,984</u></u> | <u><u>21,752,391</u></u> |
| \$ | (5,662,780) | \$ (4,876,298) | \$ (3,205,485) | \$ (7,369,882) | \$ (12,451,827) | \$ (10,764,338) |
| | 2,843,780 | 2,218,632 | 4,667,201 | 2,831,257 | 1,747,867 | 2,857,317 |
| \$ | <u><u>(2,819,000)</u></u> | <u><u>(2,657,666)</u></u> | <u><u>1,461,716</u></u> | <u><u>(4,538,625)</u></u> | <u><u>(10,703,960)</u></u> | <u><u>(7,907,021)</u></u> |

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--------------------------------|---------------------|----------------------|---------------------|---------------------|
| General Revenues | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 5,239,879 | \$ 5,456,333 | \$ 5,932,234 | \$ 6,521,177 |
| Sales and other taxes | 1,063,151 | 582,830 | 594,959 | 623,483 |
| Franchise taxes | 561,488 | 553,374 | 432,420 | 562,368 |
| Investment earnings | 8,850 | 46,097 | 145,553 | 297,294 |
| Other income | 227,744 | 525,162 | 669,395 | 229,469 |
| Transfers, net | 225,900 | 239,850 | 268,324 | 359,650 |
| Total governmental activities | <u>7,327,012</u> | <u>7,403,646</u> | <u>8,042,885</u> | <u>8,593,441</u> |
| Business-type activities: | | | | |
| Investment earnings | 2,969 | 15,750 | 107,595 | 281,905 |
| Other income | - | - | 884,397 | - |
| Transfers, net | (225,900) | (239,850) | (268,324) | (359,650) |
| Total business-type activities | <u>(222,931)</u> | <u>(224,100)</u> | <u>723,668</u> | <u>(77,745)</u> |
| Total primary government | <u>\$ 7,104,081</u> | <u>\$ 7,179,546</u> | <u>\$ 8,766,553</u> | <u>\$ 8,515,696</u> |
| Change in Net Position | | | | |
| Governmental activities | \$ 2,751,693 | \$ 7,190,116 | \$ 2,192,211 | \$ 1,615,184 |
| Business-type activities | 1,325,515 | 4,363,330 | 3,126,617 | 1,742,865 |
| Total primary government | <u>\$ 4,077,208</u> | <u>\$ 11,553,446</u> | <u>\$ 5,318,828</u> | <u>\$ 3,358,049</u> |

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 6,726,636 | \$ 7,026,134 | \$ 7,591,621 | \$ 7,449,687 | \$ 7,827,431 | \$ 8,738,084 |
| | 797,356 | 1,045,956 | 1,244,628 | 1,485,769 | 1,659,618 | 1,633,196 |
| | 585,109 | 561,567 | 559,495 | 625,609 | 692,309 | 725,834 |
| | 401,793 | 153,923 | 9,489 | 111,434 | 706,097 | 2,162,712 |
| | 801,278 | 272,463 | 989,328 | 863,560 | 320,933 | 546,642 |
| | 428,272 | 271,000 | 271,000 | 271,000 | 286,307 | 533,875 |
| | <u>9,740,444</u> | <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> |
| | 371,444 | 156,404 | 11,749 | 106,781 | 742,548 | 884,397 |
| | - | 243,469 | 87,606 | 101,748 | 481,381 | 124,812 |
| | (428,272) | (271,000) | (271,000) | (271,000) | (286,307) | (533,875) |
| | <u>(56,828)</u> | <u>128,873</u> | <u>(171,645)</u> | <u>(62,471)</u> | <u>937,622</u> | <u>475,334</u> |
| \$ | <u>9,683,616</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> |
| \$ | 4,077,664 | \$ 4,454,745 | \$ 7,460,076 | \$ 3,437,177 | \$ (959,132) | \$ 3,576,005 |
| | 2,786,952 | 2,347,505 | 4,495,556 | 2,768,786 | 2,685,489 | 3,332,651 |
| \$ | <u>6,864,616</u> | <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> |

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| General fund: | | | | |
| Nonspendable | \$ 26,332 | \$ 27,139 | \$ 13,063 | \$ 5,876 |
| Committed | 11,000 | - | - | - |
| Unassigned | 2,664,300 | 2,769,135 | 2,515,353 | 3,263,277 |
| Total general fund | <u>\$ 2,701,632</u> | <u>\$ 2,796,274</u> | <u>\$ 2,528,416</u> | <u>\$ 3,269,153</u> |
| | | | | |
| All other governmental funds: | | | | |
| Restricted | \$ 19,366,246 | \$ 13,953,548 | \$ 16,545,608 | \$ 15,260,204 |
| Assigned | 114,434 | 115,797 | 112,432 | 101,489 |
| Total all other governmental funds | <u>\$ 19,480,680</u> | <u>\$ 14,069,345</u> | <u>\$ 16,658,040</u> | <u>\$ 15,361,693</u> |

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

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 5,850 | \$ 20,700 | \$ 9,530 | \$ 5,563 | \$ 5,563 | \$ - |
| - | - | - | - | - | - |
| 3,670,030 | 4,678,011 | 5,327,713 | 6,645,102 | 6,080,185 | 5,199,844 |
| <u>\$ 3,675,880</u> | <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> |
| | | | | | |
| \$ 14,965,280 | \$ 16,310,337 | \$ 15,100,587 | \$ 15,322,451 | \$ 15,324,556 | \$ 49,878,403 |
| 444,084 | 510,634 | 677,386 | 2,960,989 | 1,620,217 | 1,058,353 |
| <u>\$ 15,409,364</u> | <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> |

City of Heath, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

| | 2015 | 2016 | 2017 | 2018 |
|--|---------------------|-----------------------|---------------------|---------------------|
| Revenues | | | | |
| Taxes | \$ 6,873,071 | \$ 6,445,957 | \$ 7,033,503 | \$ 7,644,481 |
| Licenses and permits | 401,364 | 638,651 | 595,622 | 881,462 |
| Intergovernmental | 239,646 | 247,454 | 286,399 | 296,672 |
| Charges for services | 170,445 | 139,238 | 122,402 | 139,951 |
| Fines and forfeitures | 41,292 | 41,528 | 41,895 | 55,742 |
| Special assessments | 14,641 | 2,710 | 17,487 | 34,396 |
| Investment income | 8,850 | 46,097 | 145,553 | 297,294 |
| Contributions and donations | - | - | - | - |
| Other revenue | 1,224,304 | 405,162 | 659,954 | 226,332 |
| Total Revenues | 8,973,613 | 7,966,797 | 8,902,815 | 9,576,330 |
| Expenditures | | | | |
| Administration | 1,257,621 | 1,325,467 | 1,301,454 | 1,359,764 |
| Highways and streets | 653,586 | 650,513 | 631,336 | 511,485 |
| Parks | 246,842 | 258,840 | 325,128 | 619,490 |
| Engineering and building inspection | 427,916 | 597,175 | 221,648 | 187,946 |
| Municipal court | 54,875 | 54,685 | 58,080 | 62,069 |
| Public safety | 2,813,878 | 2,902,410 | 2,987,087 | 3,097,427 |
| Community development | - | 65,353 | 458,584 | 506,854 |
| Economic development | 133,823 | 40,011 | - | - |
| Economic opportunity | 161,030 | - | - | - |
| Debt service | | | | |
| Principal | 878,533 | 1,482,295 | 1,332,531 | 1,346,085 |
| Interest | 1,081,188 | 822,766 | 713,797 | 1,085,672 |
| Bond issuance costs | - | 46,474 | 125,638 | - |
| Capital outlay | 1,985,671 | 2,782,084 | 5,417,356 | 1,718,167 |
| Total Expenditures | 9,694,963 | 11,028,073 | 13,572,639 | 10,494,959 |
| Revenues over (under) expenditures | (721,350) | (3,061,276) | (4,669,824) | (918,629) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 225,900 | 239,850 | 868,324 | 359,650 |
| Transfers (out) | - | - | (600,000) | - |
| Proceeds from sale of assets | - | 120,000 | 1,173 | - |
| Other debt issuance | - | - | - | - |
| Premium on bonds issued | - | - | 860,072 | - |
| Bond issuance | - | 4,725,000 | 7,350,000 | - |
| Payment to refunded bond escrow agent | - | (4,621,080) | (1,488,908) | - |
| Total other financing sources | 225,900 | 463,770 | 6,990,661 | 359,650 |
| Net Change in Fund Balances | \$ (495,450) | \$ (2,597,506) | \$ 2,320,837 | \$ (558,979) |
| Ratio of total debt service expenditures to noncapital expenditures | 25% | 28% | 25% | 28% |

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----|-------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|
| \$ | 8,157,502 | \$ 8,661,369 | \$ 9,386,099 | \$ 9,568,349 | \$ 10,134,771 | \$ 11,013,450 |
| | 892,860 | 899,025 | 906,180 | 1,147,280 | 1,369,834 | 1,049,635 |
| | 368,384 | 934,037 | 762,166 | 1,877,745 | 760,849 | 3,891,549 |
| | 132,187 | 138,869 | 142,979 | 147,244 | 121,247 | 124,143 |
| | 59,485 | 45,353 | 74,565 | 120,370 | 152,023 | 166,240 |
| | 12,878 | 39,109 | 81,859 | 18,991 | 14,824 | 14,453 |
| | 401,793 | 153,923 | 9,489 | 111,434 | 706,097 | 2,162,712 |
| | 85,438 | 123,214 | 59,259 | 68,281 | 12,691 | 11,749 |
| | 588,710 | 1,620,791 | 1,264,451 | 1,649,946 | 311,738 | 624,514 |
| | <u>10,699,237</u> | <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> |
| | 1,465,327 | 1,211,884 | 1,290,737 | 1,516,063 | 2,154,894 | 2,946,135 |
| | 545,822 | 568,920 | 812,403 | 627,732 | 1,481,597 | 400,295 |
| | 550,035 | 492,752 | 423,057 | 478,407 | 513,927 | 396,068 |
| | 181,227 | 204,646 | 211,231 | 185,179 | 291,050 | 238,298 |
| | 47,748 | 48,841 | 51,082 | 81,420 | 82,890 | 73,955 |
| | 3,404,836 | 3,750,043 | 4,341,904 | 4,223,212 | 4,896,776 | 4,846,955 |
| | 553,605 | 531,712 | 604,128 | 649,847 | 740,534 | 770,160 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | 1,394,900 | 1,630,541 | 1,879,082 | 1,912,483 | 1,907,812 | 2,058,372 |
| | 875,137 | 882,263 | 821,321 | 751,733 | 692,675 | 1,433,790 |
| | - | - | - | - | - | 466,709 |
| | 2,019,543 | 1,132,174 | 2,936,618 | 816,095 | 3,011,810 | 4,061,378 |
| | <u>11,038,180</u> | <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> |
| | (338,943) | 2,161,914 | (684,516) | 3,467,469 | (2,189,891) | 1,366,330 |
| | 880,900 | 595,300 | 875,800 | 1,812,752 | 1,604,602 | 1,717,631 |
| | (540,900) | (324,300) | (604,800) | (1,541,752) | (1,318,295) | (1,235,056) |
| | - | - | 9,500 | 79,970 | - | - |
| | - | - | - | - | - | 286,401 |
| | - | - | - | - | - | 2,230,773 |
| | 453,341 | - | - | - | - | 28,740,000 |
| | - | - | - | - | - | - |
| | <u>793,341</u> | <u>271,000</u> | <u>280,500</u> | <u>350,970</u> | <u>286,307</u> | <u>31,739,749</u> |
| \$ | <u>454,398</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> |
| | 25% | 27% | 26% | 26% | 20% | 25% |

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City of Heath, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

| Fiscal Year | Real Property | Personal Property | Less: Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|----------------|---------------|----------------------|---------------------------------|------------------------------------|--------------------------|
| 2015 | 1,303,855,443 | 20,525,510 | 118,167,490 | 1,206,213,463 | 0.42660 |
| 2016 | 1,363,145,688 | 21,756,470 | 119,374,987 | 1,265,527,171 | 0.42660 |
| 2017 | 1,506,628,525 | 21,403,513 | 120,337,169 | 1,407,694,869 | 0.41731 |
| 2018 | 1,647,230,153 | 22,981,067 | 126,200,460 | 1,544,010,760 | 0.41731 |
| 2019 | 1,840,975,263 | 24,819,064 | 163,568,845 | 1,702,225,482 | 0.38911 |
| 2020 | 1,991,368,312 | 29,936,255 | 140,147,181 | 1,881,157,386 | 0.37933 |
| 2021 | 2,136,828,540 | 40,988,125 | 146,916,232 | 2,030,900,433 | 0.37657 |
| 2022 | 2,330,474,093 | 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 |

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

| | 2015 | 2016 | 2017 | 2018 |
|---|---------|---------|---------|---------|
| Direct Rates: | | | | |
| City of Heath - Operating | 0.27360 | 0.27360 | 0.27009 | 0.27009 |
| City of Heath - Debt Service | 0.15300 | 0.15300 | 0.14722 | 0.14722 |
| Total Direct Rate | 0.42660 | 0.42660 | 0.41731 | 0.41731 |
| Overlapping Rates: | | | | |
| Rockwall Independent School District | 1.44000 | 1.44000 | 1.46500 | 1.44000 |
| Rockwall County | 0.39590 | 0.39590 | 0.37590 | 0.34980 |
| Kaufman County | 0.50220 | 0.48950 | 0.49670 | 0.48870 |
| Total Direct and Overlapping Rates | 2.7647 | 2.7520 | 2.7549 | 2.6958 |

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 0.25651 | 0.24522 | 0.24758 | 0.22371 | 0.19271 | 0.18480 |
| 0.13260 | 0.13411 | 0.12899 | 0.11559 | 0.09847 | 0.09270 |
| <u>0.38911</u> | <u>0.37933</u> | <u>0.37657</u> | <u>0.33931</u> | <u>0.29118</u> | <u>0.27749</u> |
| 1.43000 | 1.35000 | 1.31000 | 1.27360 | 1.21460 | 1.25750 |
| 0.32840 | 0.32500 | 0.31310 | 0.31310 | 0.29250 | 0.27600 |
| 0.47870 | 0.43912 | 0.50496 | 0.37999 | 0.34585 | 0.32896 |
| <u>2.6262</u> | <u>2.4935</u> | <u>2.5046</u> | <u>2.3060</u> | <u>2.1441</u> | <u>2.1400</u> |

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

| Property Tax Payer | 2024 | | | 2015 | | |
|--------------------------------------|-----------------------------|------|-----------------------------|-----------------------------|------|-----------------------------|
| | Taxable Assessed Value | Rank | % of Taxable Assessed Value | Taxable Assessed Value | Rank | % of Taxable Assessed Value |
| Capital Boulevard LLC (Lollicup USA) | \$ 83,071,475 | 1 | 2.715% | \$ - | n/a | - |
| Ablon at Harbor Village | 77,200,000 | 2 | 2.523% | - | n/a | - |
| Rockwall Regional Hospital, LLP | 83,766,282 | 3 | 2.738% | 39,195,130 | 4 | 3.249% |
| Excel Rockwall, LP | 58,235,000 | 4 | 1.903% | 54,672,420 | 2 | 4.533% |
| Whitmore Manufacturing CO | 55,839,943 | 5 | 1.825% | 26,025,840 | 7 | 2.158% |
| Channel Corporation | 54,255,446 | 6 | 1.773% | - | n/a | - |
| Allen Foods/Bimbo Bakeries | 54,162,830 | 7 | 1.770% | - | n/a | - |
| Star Hubbard LLC | 53,175,000 | 8 | 1.738% | 75,000,000 | 1 | - |
| SPR Packaging | 52,230,165 | 9 | 1.707% | 47,438,850 | 3 | - |
| SWBC RW2, LP | 48,959,168 | 10 | 1.600% | - | n/a | - |
| Stag Rockwall (Pratt) | - | n/a | - | - | n/a | - |
| SWBC RW2, LP | - | n/a | - | - | n/a | - |
| Bella Harbor Hotel Venture, LLC | - | n/a | - | 33,041,530 | 5 | 2.739% |
| Rockwall Crossing LTD | - | n/a | - | 30,600,000 | 6 | 2.537% |
| Continental Pet Technology | - | n/a | - | 25,646,310 | 8 | 2.126% |
| Rocwall Dunhill LLC | - | n/a | - | 24,831,260 | 9 | 2.059% |
| Oncor Electric Delivery Services | - | n/a | - | 24,023,300 | 10 | 1.992% |
| Total | <u>\$ 620,895,309</u> | | <u>20.29%</u> | <u>\$ 380,474,640</u> | | <u>21.39%</u> |
| Total Assessed Valuation | <u>\$ 3,059,474,729</u> | | <u>100%</u> | <u>\$ 1,206,213,463</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>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|
| Tax levy | \$ 5,188,753 | \$ 5,428,420 | \$ 5,901,467 | \$ 6,441,938 |
| Current tax collected | \$ 5,125,661 | \$ 5,353,707 | \$ 5,819,243 | \$ 6,366,282 |
| Percent of current tax collections | 98.8% | 98.6% | 98.6% | 98.8% |
| Delinquent tax collections | \$ 58,683 | \$ 69,382 | \$ 76,466 | \$ 68,959 |
| Total tax collections | \$ 5,184,344 | \$ 5,423,089 | \$ 5,895,709 | \$ 6,435,241 |
| Total collections as a percentage of levy | 99.9% | 99.9% | 99.9% | 99.9% |

Source: Rockwall Central Appraisal District

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----|-------------|--------------|--------------|--------------|--------------|--------------|
| \$ | 6,632,131 | \$ 6,977,697 | \$ 7,557,688 | \$ 7,387,714 | \$ 7,747,855 | \$ 8,766,075 |
| \$ | 6,587,644 | \$ 6,926,222 | \$ 7,510,780 | \$ 7,353,167 | \$ 7,703,160 | \$ 8,591,401 |
| | 99.3% | 99.3% | 99.4% | 99.5% | 99.4% | 98.0% |
| \$ | 34,108 | \$ 38,058 | \$ 27,795 | \$ 14,658 | \$ 17,899 | \$ - |
| \$ | 6,621,752 | \$ 6,964,280 | \$ 7,538,575 | \$ 7,367,825 | \$ 7,721,059 | \$ 8,591,401 |
| | 99.8% | 99.8% | 99.7% | 99.7% | 99.7% | 98.0% |

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | |
| General Obligation Bonds | \$ 3,060,000 | \$ 7,335,000 | \$ 6,950,000 | \$ 6,275,000 |
| Certificates of Obligation | 21,353,734 | 16,006,681 | 20,590,000 | 19,980,000 |
| Premiums | 541,830 | 427,686 | 1,127,083 | 1,049,619 |
| Discounts | (85,666) | (22,537) | - | - |
| Leases/subscription liab. | 53,346 | - | - | - |
| Note Payable to Texas Comptroller | - | - | 220,850 | 191,660 |
| Notes Payable | 96,977 | 64,975 | 31,895 | - |
| Business-type activities: | | | | |
| General Obligation Bonds | 3,625,000 | 6,485,000 | 6,140,000 | 5,310,000 |
| Certificates of Obligation | 10,441,266 | 6,933,312 | 17,905,000 | 17,830,000 |
| Premium | 352,944 | 269,229 | 1,689,695 | 1,574,941 |
| Discounts | (65,851) | (25,602) | - | - |
| Contract Revenue Bonds | 613,380 | 563,380 | 511,718 | 458,390 |
| Total primary government | <u>\$ 39,986,960</u> | <u>\$ 38,037,124</u> | <u>\$ 55,166,241</u> | <u>\$ 52,669,610</u> |
| Percentage of personal income (1) | 7.97% | 8.14% | 10.13% | 9.50% |
| Per capita (1) | \$ 3,277 | \$ 3,833 | \$ 4,141 | \$ 3,803 |

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

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

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 5,570,000 | \$ 4,850,000 | \$ 4,110,000 | \$ 3,340,000 | \$ 2,540,000 | \$ 1,725,000 |
| | 19,798,341 | 18,915,250 | 17,804,448 | 16,734,675 | 15,626,863 | 43,218,503 |
| | 973,756 | 897,685 | 821,822 | 756,153 | 696,681 | 2,774,511 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | 191,389 |
| | 136,760 | 109,310 | 72,710 | - | - | - |
| | - | - | - | - | - | - |
| | 4,440,000 | 3,540,000 | 2,605,000 | 1,930,000 | 1,560,000 | 1,180,000 |
| | 17,766,802 | 17,431,893 | 17,042,651 | 16,397,834 | 15,621,451 | 14,822,857 |
| | 1,460,187 | 1,345,119 | 1,230,366 | 1,136,938 | 1,056,478 | 975,797 |
| | - | - | - | - | - | - |
| | 401,729 | - | - | - | - | - |
| | <u>\$ 50,547,575</u> | <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> |
| | 8.12% | 6.80% | 5.68% | 5.47% | 4.94% | 7.84% |
| \$ | 3,626 | \$ 3,036 | \$ 2,711 | \$ 2,416 | \$ 2,015 | \$ 4,455 |

City of Heath, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| NET TAXABLE ASSESSED VALUE | | | | |
| All property | \$ 1,206,213,463 | \$ 1,265,527,171 | \$ 1,407,694,869 | \$ 1,544,010,760 |
| NET BONDED DEBT (1) | | | | |
| Gross bonded debt | 39,836,637 | 37,972,149 | 54,913,496 | 52,477,950 |
| Less debt service funds | 552,757 | 301,248 | 350,799 | 263,863 |
| Net Bonded Debt | <u><u>\$ 39,283,880</u></u> | <u><u>\$ 37,670,901</u></u> | <u><u>\$ 54,562,697</u></u> | <u><u>\$ 52,214,087</u></u> |
| RATIO OF NET BONDED DEBT TO ASSESSED VALUE | 3.26% | 2.98% | 3.88% | 3.38% |
| POPULATION | 7,910 | 8,114 | 8,275 | 8,425 |
| NET BONDED DEBT PER CAPITA | \$ 4,966 | \$ 4,643 | \$ 6,594 | \$ 6,198 |

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>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 1,702,225,482 | \$ 1,881,157,386 | \$ 2,030,900,433 | \$ 2,215,490,826 | \$ 2,684,970,028 | \$ 3,059,474,729 |
| 50,410,815 | 46,979,947 | 43,614,287 | 40,295,600 | 37,101,473 | 64,696,668 |
| 374,478 | 426,009 | 441,781 | 521,194 | 563,189 | 661,359 |
| <u>\$ 50,036,337</u> | <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> |
| 2.94% | 2.47% | 2.13% | 1.80% | 1.36% | 2.09% |
| 9,041 | 9,769 | 10,311 | 9,890 | 10,660 | 10,660 |
| \$ 5,534 | \$ 4,765 | \$ 4,187 | \$ 4,022 | \$ 3,428 | \$ 6,007 |

City of Heath, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2024

| Governmental Unit | Net Bonded Debt Outstanding | Estimated Percentage Applicable * | Estimated Share of Overlapping Debt |
|--|-----------------------------------|---|--|
| Debt repaid with property taxes | | | |
| Rockwall Independent School District | \$ 942,257,549 | 19.00% | \$ 179,037,415 |
| Rockwall County | 148,125,170 | 24.99% | 37,016,480 |
| Kaufman County | 255,789,209 | 0.45% | 1,153,916 |
| Subtotal, overlapping debt | | | 217,207,811 |
| City direct debt | | | 47,909,403 |
| Total direct and overlapping debt | | | \$ 265,117,214 |

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

| <u>Year</u> | <u>Estimated Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income</u> | <u>School Enrollment</u> | <u>Unemployment Rate</u> |
|-------------|---------------------------------|------------------------|---|------------------------------|------------------------------|
| | | | | <u>Rockwall ISD</u> | <u>Rockwall County</u> |
| 2015 | 7,910 | 451,571,787 | 57,089 | 4,650 | 3.7% |
| 2016 | 8,114 | 467,300,719 | 57,592 | 4,677 | 3.5% |
| 2017 | 8,275 | 495,841,034 | 59,920 | 4,895 | 3.4% |
| 2018 | 8,425 | 514,550,787 | 61,074 | 5,076 | 3.2% |
| 2019 | 9,041 | 622,395,896 | 68,841 | 5,270 | 2.8% |
| 2020 | 9,769 | 692,703,696 | 70,908 | 5,170 | 6.1% |
| 2021 | 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% |

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 | 2024 | | | 2015 | | |
|------------------------------------|--------------|------|---------------------------------------|--------------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Rockwall ISD | 1,944 | 1 | 6.60% | 1,546 | 1 | 7.08% |
| L-3 Harris Technologies | 700 | 2 | 2.38% | 150 | 8 | 0.69% |
| Texas Health Presbyterian Hospital | 700 | 3 | 2.38% | 600 | 2 | 2.75% |
| Pegasus Foods | 480 | 4 | 1.63% | - | n/a | n/a |
| Wal-Mart Superstore | 450 | 5 | 1.53% | 450 | 3 | 2.06% |
| Channell Commercial | 696 | 6 | 2.36% | - | n/a | n/a |
| County of Rockwall | 386 | 7 | 1.31% | 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 | 140 | 9 | 0.64% |
| Total | 6,169 | | 20.95% | 4,057 | | 18.57% |

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>2015</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> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government and administration | 5.00 | 6.00 | 6.00 | 6.00 | 5.50 | 5.25 | 5.25 | 5.25 | 12.00 | 12.00 |
| Public safety | 21.5 | 23.0 | 23.0 | 23.0 | 24.0 | 26.0 | 28.5 | 34.0 | 36.0 | 36.0 |
| Public works | 5.4 | 7.0 | 7.2 | 3.5 | 2.5 | 3.0 | 3.5 | 7.0 | 6.5 | 6.0 |
| Community development | - | - | - | 3.5 | 3.5 | 4.5 | 4.5 | 4.5 | 6.0 | 5.0 |
| Culture and recreation | 1.0 | 1.0 | 1.0 | 4.0 | 3.5 | 3.5 | 3.5 | 5.0 | 4.0 | 3.0 |
| Water and sewer | 9.0 | 10.3 | 12.3 | 12.0 | 13.0 | 13.8 | 13.8 | 12.3 | 9.0 | 8.0 |
| Total | <u>42</u> | <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> |

Sources: Various City departments.

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

| Function/Program | 2015 | 2016 | 2017 | 2018 |
|--|---------|---------|---------|---------|
| General government | | | | |
| Building permits issued | 79 | 116 | 131 | 142 |
| Building inspections conducted | 1,352 | 4,949 | 6,944 | 6,894 |
| Public safety | | | | |
| Police | | | | |
| Physical arrests | 58 | 79 | 45 | 46 |
| Burglary | 8 | 5 | 10 | 6 |
| Robbery | - | - | 2 | 1 |
| Theft | 38 | 37 | 30 | 34 |
| Traffic violations | 242 | 347 | 293 | 632 |
| Fire | | | | |
| Emergency responses | 145 | 172 | 257 | 271 |
| Fires extinguished | 7 | 9 | 16 | 2 |
| Inspections | 2 | 49 | 179 | 242 |
| Public works | | | | |
| Streets (feet) | 25,200 | 52,380 | 38,016 | 28,840 |
| Water | | | | |
| New connections | 92 | 143 | 176 | 147 |
| Average monthly consumption (thousands of gallons) | 19 | 17 | 16 | 19 |
| Wastewater | | | | |
| Average daily sewage treatment (thousands of gallons) | 410,772 | 525,694 | 428,364 | 685,706 |

Sources: Various City departments.

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 128 | 108 | 222 | 217 | 79 | 74 |
| 8,148 | 6,739 | 8,379 | 24,057 | 7,721 | 6,425 |
| 40 | 27 | 146 | 277 | 272 | 261 |
| 8 | 3 | 3 | 5 | 3 | 6 |
| 1 | - | - | - | - | 1 |
| 23 | 31 | 3 | 51 | 48 | 59 |
| 813 | 693 | 917 | 1,370 | 5,721 | 6,277 |
| 238 | 174 | 482 | 570 | 602 | 623 |
| 4 | 3 | 13 | 14 | 35 | 8 |
| 301 | 338 | 131 | 212 | 246 | 108 |
| 106,281 | 16,683 | 69,120 | 81,126 | 166,770 | 521,644 |
| 213 | 173 | 197 | 306 | 163 | 127 |
| 19 | 17 | 15 | 18 | 17 | 18 |
| 625,907 | 611,070 | 700,201 | 391,088 | 849,423 | 1,165,191 |

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

| Function/Program | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|---------|---------|---------|---------|
| Public safety | | | | |
| Police stations | 1 | 1 | 1 | 1 |
| Police patrol units | 12 | 12 | 13 | 13 |
| Fire engines | 3 | 3 | 3 | 3 |
| Public works | | | | |
| Streets (linear feet) | 402,181 | 402,181 | 406,804 | 409,102 |
| Cultural and recreational | | | | |
| Acreage | 94 | 94 | 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) | 523,040 | 527,874 | 536,639 | 556,525 |
| Fire hydrants | 663 | 669 | 680 | 705 |
| Wastewater | | | | |
| Sanitary sewers (linear feet) | 376,679 | 388,316 | 400,842 | 413,368 |
| Storm sewers (miles) | 15 | 15 | 16 | 16 |

Sources: Various City departments.

(1) Does not include HOA playgrounds.

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 12 | 15 | 16 | 16 | 16 | 16 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 430,760 | 433,064 | 433,064 | 674,460 | 679,710 | 521,644 |
| 100 | 100 | 100 | 100 | 100 | 100 |
| 2 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 5 | 5 | 5 | 5 | 5 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 556,525 | 556,586 | 556,586 | 575,494 | 581,004 | n/a |
| 705 | 705 | 705 | 787 | 801 | 805 |
| 413,368 | 413,439 | 413,439 | 405,844 | 411,159 | n/a |
| 17 | 17 | 18 | 21 | 21 | n/a |

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