



THE CITY OF HEATH, TEXAS
Annual Comprehensive Financial Report
For the year ended September 30, 2023
Prepared by the Finance Department

City of Heath, Texas

TABLE OF CONTENTS

September 30, 2023

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, 2023

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
Marsha’s Happy Haven Fund	111
Farmers’ Market 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
Parks CIP Fund	120

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, 2023

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



May 22, 2024

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, 2023. 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, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosure necessary to enable the reader to gain an understanding of the City's financial activities has been included.

Brooks Watson and Company, PLLC issued an unmodified opinion on the City of Heath's financial statements for the year ended September 30, 2023. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

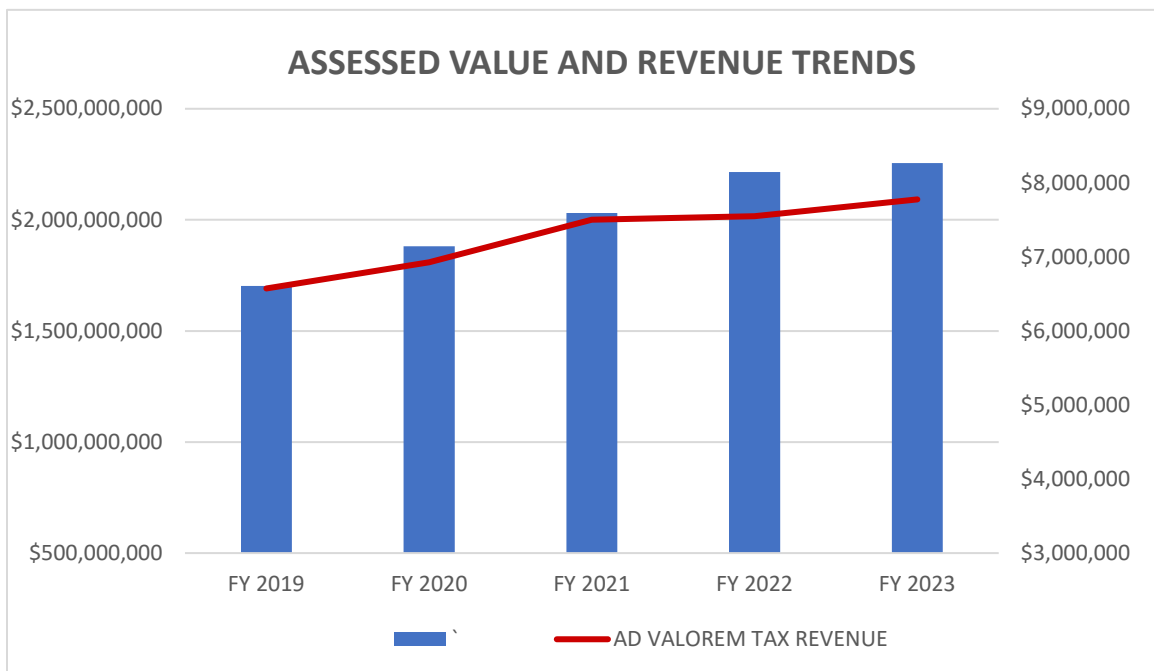
The City of Heath was incorporated in 1959 under the general laws of the State of Texas and operates under a Council-Manager form of government. As a Home Rule City, policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other at-large members. The term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

The City provides a full range of services including police and fire protection, construction and maintenance of streets and municipal buildings, parks and recreation, planning and zoning, economic development, and general administrative services. In addition to general governmental activities, the City provides water, sewer, and sanitation services. North Texas Municipal Water District (NTMWD) provides water to the City of Rockwall who, in turn, provides water to the City of Heath. Sewage treatment is provided by NTMWD and Progressive Waste Solutions of Texas, Inc. provides sanitation collection.

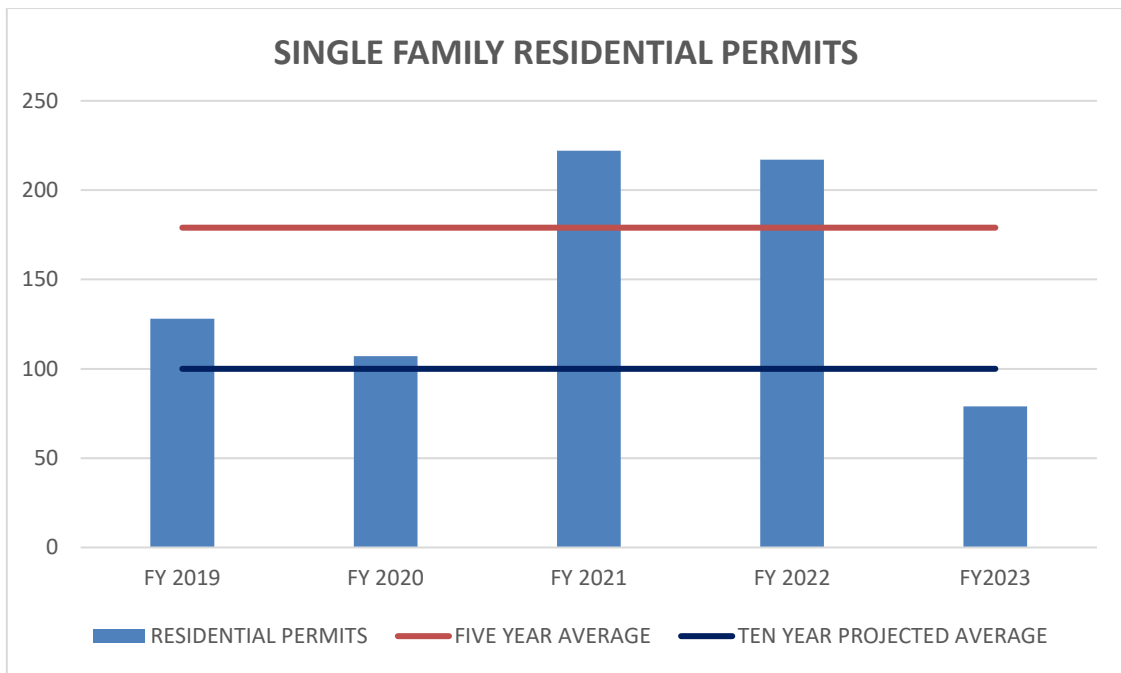
ECONOMIC CONDITION AND OUTLOOK

According to the Federal Reserve Bank of Dallas’ Dallas-Fort Worth Economic Indicators published “Dallas–Fort Worth’s economy expanded in December. Payroll employment rose moderately, and unemployment dipped. Home prices were relatively flat in the fourth quarter, and affordability held steady. Office leasing remained sluggish, and industrial demand picked up in the fourth quarter.”

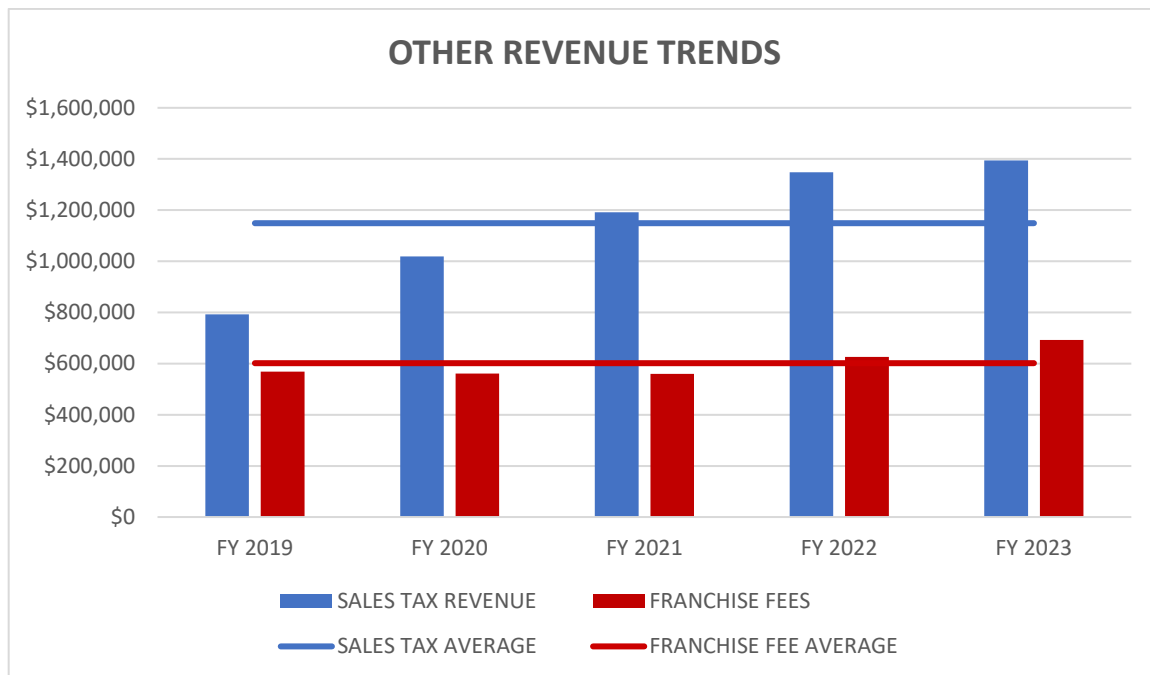
The City’s Fiscal Year 2023 Assessed Value increased \$40M, or 2%, over the Fiscal Year 2022 Assessed Value. This is the ninth consecutive year Assessed Values have increased over the prior year. Single family residential taxable assessed valuations apportioned roughly 85% to 90% of the total assessed valuation for the City before any calculated exemptions and reductions in fiscal year 2023.



The City issued 79 single family residential permits in FY 2023, a significant 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 increased \$46,389 in Fiscal Year 2023 which is a 3.9% increase over the prior year. The increase in sales tax was spread across several economic categories with Service and Retail showing the most growth. Franchise fees increased 11.9% in comparison to FY 2022 franchise fee collections.



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

Projections based on future residential and commercial development played a key role during the 2023 budget process. Council reduced the ad valorem tax rate 14.1% while maintaining services to ensure the needs of our growing population are met. Funding for additional street repairs; new employee on-boarding; special events and the Farmers' Market are included in the budget. Water rates were slightly increased from the prior year and based on the Willdan Rate Study analysis. Beginning in March 2023 sewer rates were

calculated based on each residential customer's average winter consumption instead of a flat rate for all.

Healthy fund balances were maintained in both the General Fund and the Utility Fund.

The City completed the following capital improvement projects during Fiscal Year 2023: Town Center Park Master Plan, FM 740 Pocket Park Design, Rabbit Ridge Water Line, Fire Bay Exhaust System, City Hall HVAC Phase I, Rabbit Ridge Road Improvements – Phase I, Hubbard Drive Road Improvements – Phase I, Hubbard Trail, and AMR Meter System Upgrades.

FINANCIAL INFORMATION

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

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

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

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

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

Under state law, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocation of the property tax levy by purpose for Fiscal Year 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 auditor s issued an unmodified opinion concluding that the statements are presented fairly in accordance with generally accepted accounting principles. The independent auditors’ report is included in the ACFR.

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2022. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

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

Sincerely,



Kevin Lasher, AICP
City Manager



Jay Ayers, MBA, MSA, CGFO
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

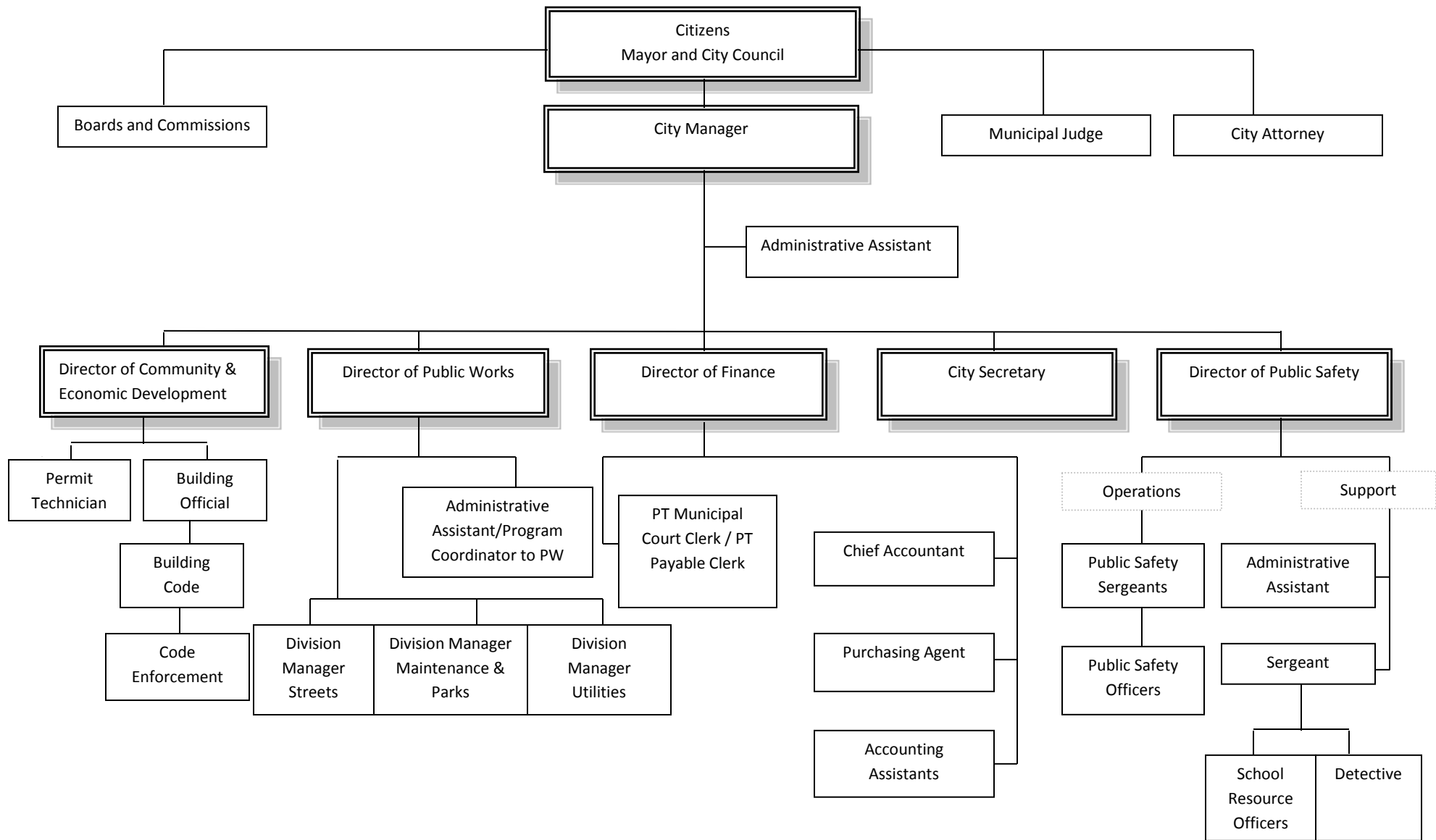
**City of Heath
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO



City of Heath, Texas

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2023

CITY COUNCIL

Kelson Elam, Mayor

Paul Ruffo, Mayor Pro Tem

Sharon Caldwell, Council Member, Place 1

Jim Chester, Council Member, Place 5

Donna Rolater, Council Member, Place 3

Rich Krause, Council Member, Place 6

Brent Weaver, Council Member, Place 4

CITY STAFF

Kevin Lasher, City Manager

Aaron Adel, Assistant City Manager/Community Development

Jay Ayers, Director of Finance

Tara Plexico, Assistant Director of Finance

Andy Messer, City Attorney

Norma Duncan, City Secretary

Roy Stacy, Municipal Court Judge

Brandon Seery, Chief of Public Safety

Bryan Creed, Director of Public Works

Mike Shook, Assistant Director of Public Works

FINANCIAL SECTION

(This page intentionally left blank.)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Heath, Texas (the "City") as of and for the year ended September 30, 2023, 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, 2023, 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 construction in progress, the City has restated capital assets for business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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



Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
May 22, 2024

(This page intentionally left blank.)

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

(This page intentionally left blank.)

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

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, 2023. 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, 2023 by \$99,221,762. Of this amount, \$60,618,610 (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 \$1,726,357. The majority of the City's net position is either invested in capital assets or restricted for specific purposes. The increase is primarily related to the City's revenues exceeding current year expenses.
- The City's governmental funds reported combined ending fund balances of \$23,030,521 at September 30, 2023, an decrease of \$1,903,584 from the prior fiscal year; this includes a decrease of \$1,974,192 in the capital improvement fund, an increase of \$48,507 in the debt service fund, a decrease of \$564,917 in the general fund, and an increase of \$587,018 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$6,080,185 or 65% of total general fund expenditures.
- The City's outstanding long-term debt decreased by \$3,194,127 (including premiums). The total long-term debt at the close of the fiscal year was \$35,348,314 (excluding premiums), including self-supporting debt of the proprietary fund which was \$17,181,451 (excluding premiums).

Overview of the Financial Statements

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

Government-Wide Statements

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

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include water and sewer and solid waste operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate discretely presented component units Heath Economic Development Corporation (HEDC) and Heath Municipal Benefits Corporation (HMBC), for which the City is also financially accountable. The government-wide financial statements also include the Club Municipal Management District (Club MMD), a discretely presented component unit, formed to facilitate the construction and continued maintenance of a quality mix-use residential and commercial development to benefit the city residents. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable*

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital improvements fund, which are considered to be major funds. The City's public safety fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, the Marsha's Happy Haven fund, the Farmers' Market fund, the PATH fund, the Drainage fund, the Fire Station fund, the Equipment Replacement fund, 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 or the park in lieu funds. A budgetary comparison statement has been provided for each fund with an approved budget to demonstrate compliance with the budget.

Proprietary Funds

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

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

Fiduciary Funds

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

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2023

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

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

Component Units

The City maintains the accounting and financial statements for two component units, the Heath Economic Development Corporation (EDC) and the Heath Municipal Benefits Corporation (MBC). The EDC and MBC are reported as discretely presented component units. The Club Municipal Management District is also a discretely presented component unit, in which the City does not maintain financial statements. The Club Municipal Management District is governed by a board of directors appointed, at will, by the City Council.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Heath, assets and deferred outflows exceeded liabilities and deferred inflows by \$99,221,762 as of September 30, 2023, in the primary government.

The largest portion of the City's net position, \$60,618,610, 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, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 24,772,858	\$ 25,655,542	\$ 50,428,400	\$ 26,948,732	\$ 22,948,437	\$ 49,897,169
Capital assets, net	50,170,417	41,578,788	91,749,205	50,837,687	41,698,166	92,535,853
Total Assets	74,943,275	67,234,330	142,177,605	77,786,419	64,646,603	142,433,022
Deferred						
Outflows	1,286,345	320,422	1,606,767	730,337	190,727	921,064
Other liabilities	4,228,670	3,513,648	7,742,318	4,361,358	2,394,117	6,755,475
Long-term liabilities	19,191,207	17,586,580	36,777,787	19,710,533	18,511,416	38,221,949
Total Liabilities	23,419,877	21,100,228	44,520,105	24,071,891	20,905,533	44,977,424
Deferred						
Inflows	34,257	8,248	42,505	710,247	171,010	881,257
Net Position:						
Net investment						
in capital assets	35,541,376	25,077,234	60,618,610	37,107,169	24,841,063	61,948,232
Restricted	11,178,099	-	11,178,099	8,336,231	-	8,336,231
Unrestricted	6,056,011	21,369,042	27,425,053	8,291,218	18,919,724	27,210,942
Total Net Position	\$ 52,775,486	\$ 46,446,276	\$ 99,221,762	\$ 53,734,618	\$ 43,760,787	\$ 97,495,405

Other liabilities for business-type activities increased primarily due to timing of repayments to vendors subsequent to year end and nonrecurring yearend payables due to North Texas Municipal Water District ("NTMWD"). Total long-term liabilities decreased as a result of current year principal payments outweighing the increase in the City's net pension liability during the year.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

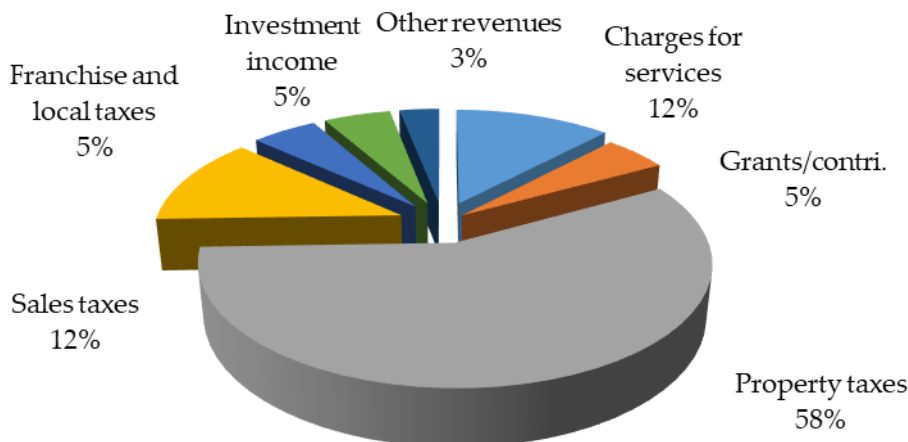
Statement of Activities:

	<u>For the Year Ended September 30, 2023</u>			<u>For the Year Ended September 30, 2022</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	\$ 1,643,104	\$ 14,130,325	\$ 15,773,429	\$ 1,414,894	\$ 13,869,665	\$ 15,284,559
Operating grants	477,540	-	477,540	1,901,959	-	1,901,959
Capital contributions	296,000	375,015	671,015	918,211	-	918,211
General revenues:						
Property taxes	7,827,431	-	7,827,431	7,449,687	-	7,449,687
Sales taxes	1,659,618	-	1,659,618	1,485,769	-	1,485,769
Franchise and local taxes	692,309	-	692,309	625,609	-	625,609
Investment income	706,097	742,548	1,448,645	111,434	106,781	218,215
Other revenues	320,933	481,381	802,314	863,560	101,748	965,308
Total Revenues	<u>13,623,032</u>	<u>15,729,269</u>	<u>29,352,301</u>	<u>14,771,123</u>	<u>14,078,194</u>	<u>28,849,317</u>
Expenses						
General government	2,232,747	-	2,232,747	1,537,129	-	1,537,129
Public safety	5,379,597	-	5,379,597	4,506,989	-	4,506,989
Public works	5,179,964	-	5,179,964	3,535,819	-	3,535,819
Culture and recreation	671,523	-	671,523	662,172	-	662,172
Community development	753,059	-	753,059	655,723	-	655,723
Interest	651,581	675,455	1,327,036	707,114	714,019	1,421,133
Water, sewer, & solid waste	-	12,082,018	12,082,018	-	10,316,539	10,316,539
Total Expenses	<u>14,868,471</u>	<u>12,757,473</u>	<u>27,625,944</u>	<u>11,604,946</u>	<u>11,030,558</u>	<u>22,635,504</u>
Change in Net Position						
Before Transfers	(1,245,439)	2,971,796	1,726,357	3,166,177	3,047,636	6,213,813
Transfers	286,307	(286,307)	-	271,000	(271,000)	-
Total	<u>286,307</u>	<u>(286,307)</u>	<u>-</u>	<u>271,000</u>	<u>(271,000)</u>	<u>-</u>
Change in Net Position	(959,132)	2,685,489	1,726,357	3,437,177	2,776,636	6,213,813
Beginning Net Position	53,734,618	43,760,787	97,495,405	50,297,441	40,984,151	91,281,592
Ending Net Position	<u>\$ 52,775,486</u>	<u>\$ 46,446,276</u>	<u>\$ 99,221,762</u>	<u>\$ 53,734,618</u>	<u>\$ 43,760,787</u>	<u>\$ 97,495,405</u>

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

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

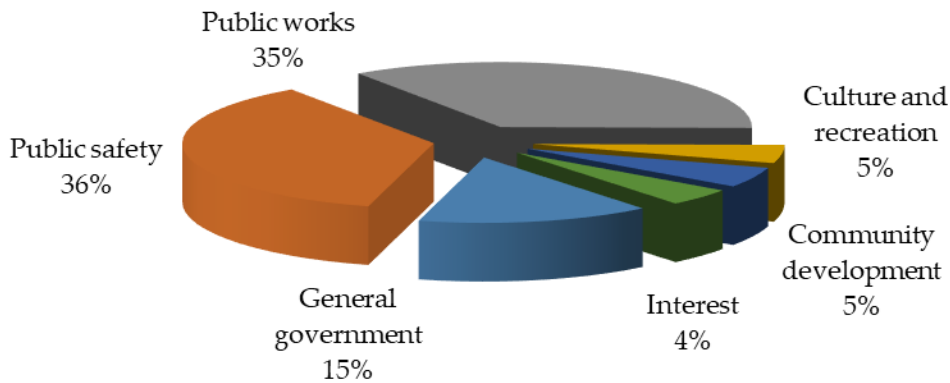


For the year ended September 30, 2023, revenues from governmental activities totaled \$13,623,032. Total revenues decreased by \$1,148,091 or 8%. Property tax, sales tax and charges for services are the City's largest general revenue sources. Grants and capital contributions decreased by \$2,046,630 or 73% primarily as a result of nonrecurring capital contributions received from developers and American Rescue Plan grants funds received in the prior year. Charges for services increased by \$228,210 or 16% due to greater building permits and new development fees in the current year. Sales taxes and franchise taxes increased by \$173,849 or 12% and \$66,700 or 11%, respectively, due to increased economic growth fueled by local purchases. Investment income increased by \$594,663 or over 100% as of result of the realization of higher interest in the current year. Other revenues decreased by \$542,627 or 63% primarily due to nonrecurring roadway impact fees received in the prior year. All other revenues remained relatively consistent with the prior year.

City of Heath, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

This graph shows the governmental function expenses of the City:

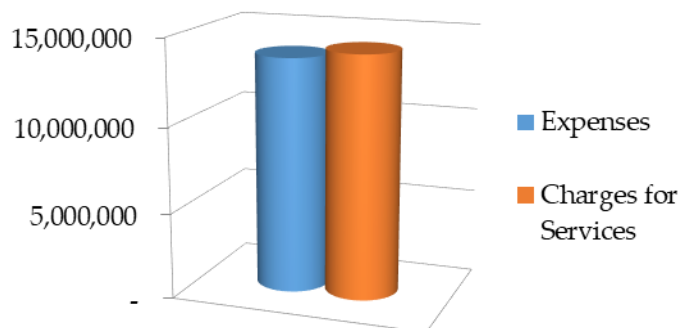
Governmental Activities - Expenses



For the year ended September 30, 2023, expenses for governmental activities totaled \$14,868,471. This represents an increase of \$3,263,525 or 28%. This variance stems primarily from increases in public safety, public works, and general government. General government increased by \$695,618 or 45% primarily due to nonrecurring legal fees and greater allocation of retirement costs due to the increase in the City's net pension liability. Public works increased by \$1,644,145 or 46% primarily due to greater personnel costs and nonrecurring street/vehicle repairs in the current year. In addition, the City transferred certain public works related assets to business-type activities during the current year. Public safety increased by \$872,608 or 19% primarily due to a budgeted increase in employee salaries, greater allocation of retirement costs and an increase in the City's compensated absence liability over the course of the year. Interest and fiscal charges decreased by \$55,533 or 8% due to outstanding long-term debt approaching maturity. All other expenses remained relatively consistent with the prior year.

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

Business-Type Activities - Revenues and Expenses



City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

For the year ended September 30, 2023, charges for services by business-type activities totaled \$14,130,325. This is an increase of \$260,660 or 2% from the previous year, which is considered minimal. Utility service expenses increased by \$1,765,479, to a total of \$12,082,018, or a change of 17%. The increase was a direct result of greater water commodity purchase costs, personnel costs, asset depreciation, 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, 2023, the City's governmental funds reported combined fund balances of \$23,030,521, a decrease of \$1,903,584 in comparison with the prior year. Approximately 26% of this amount, \$6,080,185, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *committed*, *assigned*, or *restricted*. Nonspendable fund balance indicates that it is not in spendable form. The City had \$5,563 in nonspendable funds at year end. Committed fund balance can be used only for the specific purposes determined by the City Council. Assigned fund balance is limited for specific purposes intended by council or management. The City had \$1,620,217 in assigned funds at year end. Restricted fund balance represents funds that are restricted by law, debt agreements, or grantors for particular purposes. The City had \$15,324,556 in restricted funds at year end.

As of the end of the year the general fund reflected a total fund balance of \$6,085,748. The fund balance decreased by \$564,917, which was consistent with the City's budgeted decrease for the year. The fund's decrease is a direct result of transfers to other funds during the current year.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$6,080,185 is 65% of total general fund expenditures.

The debt service fund had an ending fund balance of \$573,585 at September 30, 2023 compared to the previous year's balance of \$525,078. This is an increase of \$48,507 and primarily due to property tax revenues and investment income exceeding current year debt service payments.

The capital improvements fund experienced a decrease in fund balance of \$1,974,192 due to capital outlay expenditures exceeding current year revenues. During the year, the City expended \$3,025,198 on improving the City's infrastructure from this fund.

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

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 \$46,210,575. Unrestricted net position of the fund at the close of the fiscal year amounted to \$21,133,341. The capital assets of the water and sewer fund had a net book value of \$41,578,788.

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 \$667,270. The 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 \$9,071,696. Cash and cash equivalents in the water and sewer fund were \$22,378,248 at fiscal year end.

The City's nonmajor solid waste fund recorded an increase of \$11,121 in net position. This fund does not hold any capital assets and consists of contracting solid waste pick up and disposal; as well as collecting payment for this service from the City's residents.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget indicated a deficit of \$1,711,900, and in total was amended to a final budget deficit of \$1,648,375.

There was a positive variance of \$1,079,619 over final budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a positive variance of \$17,762 for budgeted expenditures. The City realized the biggest variance within the city attorney and parks departments.
- \$1,097,381 is the variance surplus of revenues over expenditures before transfers. The positive variance was due to the aforementioned positive expenditure variance, and a positive revenue variance of \$1,079,619. Revenues were estimated conservatively based on prior year results and current year expectations. With a conservative outlook rather than aggressive, the actual results were expected to exceed estimates and did so for all categories.
- There was a net positive overall variance of \$1,083,458.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$50,170,417 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities

City of Heath, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2023

funds had invested \$41,578,788 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 \$2,250,765.
- Street improvements to Hubbard Drive totaling \$837,894.
- New vehicles for governmental activities purchased for \$150,934.
- Terry Park swing set purchased for \$75,269.
- Purchased two John Deere utility vehicles for \$57,811.
- Investment in Motorola WatchGuard video for \$82,685.
- Water line and sewer infrastructure improvements totaling \$614,463.
- Upgrades to Shepherd Glen lift station for \$106,900.
- Purchased 2023 GMC Sierra 2500 for \$51,169.
- Purchased new tank mixer for \$24,822.

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 \$37,101,473. Of this amount, \$17,181,451 is self-supporting through revenues collected from the rates of the City's water and sewer fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/water and sewer system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Heath and improving services provided to their public citizens. The City is budgeting for growth in the upcoming fiscal year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

(This page intentionally left blank.)

FINANCIAL STATEMENTS

City of Heath, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 24,144,074	\$ 13,002,369	\$ 37,146,443	\$ 7,713,764
Restricted cash	-	9,470,070	9,470,070	2,147,088
Receivables, net	623,221	2,478,442	3,101,663	913,611
Inventory	-	41,292	41,292	-
Prepays	5,563	663,369	668,932	3,179
Total Current Assets	24,772,858	25,655,542	50,428,400	10,777,642
Noncurrent assets:				
Assessment receivables, net	-	-	-	19,877,678
Capital assets:				
Non-depreciable	7,917,533	3,422,273	11,339,806	-
Net depreciable capital assets	42,252,884	38,156,515	80,409,399	-
Total Noncurrent Assets	50,170,417	41,578,788	91,749,205	19,877,678
Total Assets	74,943,275	67,234,330	142,177,605	30,655,320
		0		
<u>Deferred Outflows of Resources</u>				
Pension contributions	371,400	89,424	460,824	-
OPEB contributions	1,887	454	2,341	-
OPEB difference in experience	4,546	1,095	5,641	-
Pension investment earnings	805,285	193,892	999,177	-
Pension actual experience vs. assumption	6,280	1,512	7,792	-
Pension assumption changes	8,899	2,143	11,042	-
Deferred charge on refunding	88,048	31,902	119,950	-
Total Deferred Outflows of Resources	1,286,345	320,422	1,606,767	-

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,050,254	\$ 1,765,244	\$ 2,815,498	\$ 26,917
Accrued interest payable	84,305	104,313	188,618	143,989
Customer deposits	360,500	344,348	704,848	-
Compensated absences, current	768,251	118,972	887,223	-
Long-term debt due within one year	1,965,360	1,180,771	3,146,131	496,635
Total Current Liabilities	4,228,670	3,513,648	7,742,318	667,541
Noncurrent liabilities:				
Long-term debt due in more than one year	16,898,184	17,057,158	33,955,342	20,472,190
Compensated absences, noncurrent	305,958	50,988	356,946	-
Net pension liability	1,869,680	450,171	2,319,851	-
OPEB liability	117,385	28,263	145,648	-
Total Noncurrent Liabilities	19,191,207	17,586,580	36,777,787	20,472,190
Total Liabilities	23,419,877	21,100,228	44,520,105	21,139,731
Deferred Inflows of Resources				
OPEB change in assumptions	34,257	8,248	42,505	-
Total Deferred Inflows of Resources	34,257	8,248	42,505	-
Net Position				
Net investment in capital assets	35,541,376	25,077,234	60,618,610	-
Restricted for:				
Debt service	573,585	-	573,585	-
Capital improvement	8,023,093	-	8,023,093	-
Economic development	-	-	-	5,403,216
Economic opportunities	-	-	-	4,112,373
Public safety and other programs	2,581,421	-	2,581,421	-
Unrestricted	6,056,011	21,369,042	27,425,053	-
Total Net Position	\$ 52,775,486	\$ 46,446,276	\$ 99,221,762	\$ 9,515,589

See Notes to Financial Statements.

City of Heath, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,232,747	\$ 116,197	\$ -	\$ -
Public safety	5,379,597	152,023	464,849	-
Public works	5,179,964	1,369,834	-	-
Culture and recreation	671,523	5,050	12,691	296,000
Community development	753,059	-	-	-
Interest	651,581	-	-	-
Total Governmental Activities	14,868,471	1,643,104	477,540	296,000
Business-Type Activities				
Water & sewer	11,622,027	12,908,283	-	375,015
Solid waste	1,135,446	1,222,042	-	-
Total Business-Type Activities	12,757,473	14,130,325	-	375,015
Total Primary Government	\$ 27,625,944	\$ 15,773,429	\$ 477,540	\$ 671,015
Component Units:				
Heath Club MMD	1,159,254	-	-	-
Heath EDC	198,558	-	-	-
Heath MBC	213,597	-	-	-
Total Component Units	\$ 1,571,409	\$ -	\$ -	\$ -

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			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (2,116,550)	\$ -	\$ (2,116,550)	\$ -
(4,762,725)	-	(4,762,725)	-
(3,810,130)	-	(3,810,130)	-
(357,782)	-	(357,782)	-
(753,059)	-	(753,059)	-
(651,581)	-	(651,581)	-
<u>(12,451,827)</u>	<u>-</u>	<u>(12,451,827)</u>	<u>-</u>
-	1,661,271	1,661,271	-
-	86,596	86,596	-
<u>-</u>	<u>1,747,867</u>	<u>1,747,867</u>	<u>-</u>
\$ (12,451,827)	\$ 1,747,867	\$ (10,703,960)	\$ -
-	-	-	(1,159,254)
-	-	-	(198,558)
-	-	-	(213,597)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,571,409)</u>
7,827,431	-	7,827,431	-
1,659,618	-	1,659,618	1,584,590
692,309	-	692,309	-
-	-	-	881,402
706,097	742,548	1,448,645	420,408
320,933	481,381	802,314	39,790
286,307	(286,307)	-	-
<u>11,492,695</u>	<u>937,622</u>	<u>12,430,317</u>	<u>2,926,190</u>
(959,132)	2,685,489	1,726,357	1,354,781
53,734,618	43,760,787	97,495,405	8,160,808
<u>\$ 52,775,486</u>	<u>\$ 46,446,276</u>	<u>\$ 99,221,762</u>	<u>\$ 9,515,589</u>

City of Heath, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2023

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 6,817,791	\$ 563,189	\$ 13,223,988	\$ 3,539,106
Receivables, net	406,661	216,560	-	-
Prepays	5,563	-	-	-
Total Assets	\$ 7,230,015	\$ 779,749	\$ 13,223,988	\$ 3,539,106
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 658,348	\$ -	\$ 377,354	\$ 14,552
Deposits payable	360,500	-	-	-
Total Liabilities	1,018,848	-	377,354	14,552
<u>Deferred Inflows of Resources</u>				
Unavailable revenue -				
Property taxes	120,455	56,773	-	-
Fines receivable, net	1,464	-	-	-
Assessments receivable	-	149,391	-	-
Other	3,500	-	-	-
Total Deferred Inflows	125,419	206,164	-	-
<u>Fund Balances</u>				
Nonspendable for:				
Prepays	5,563	-	-	-
Assigned	-	-	677,084	943,133
Restricted	-	573,585	12,169,550	2,581,421
Unassigned	6,080,185	-	-	-
Total Fund Balances	6,085,748	573,585	12,846,634	3,524,554
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,230,015	\$ 779,749	\$ 13,223,988	\$ 3,539,106

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 24,144,074
623,221
5,563

\$ 24,772,858

\$ 1,050,254
360,500

1,410,754

177,228
1,464
149,391
3,500

331,583

5,563
1,620,217
15,324,556
6,080,185

23,030,521

\$ 24,772,858

(This page intentionally left blank.)

City of Heath, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2023

Fund Balances - Total Governmental Funds	\$ 23,030,521
 Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	7,917,533
Capital assets - net depreciable	42,252,884
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	177,228
Fines receivable, net	1,464
Assessments receivable	149,391
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	371,400
OPEB contributions	1,887
OPEB change in assumptions	(34,257)
OPEB difference in experience	4,546
Pension investment earnings	805,285
Pension actual experience vs. assumption	6,280
Pension assumption changes	8,899
Deferred charge on refunding	88,048
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(84,305)
Bond premium	(696,681)
Non-current liabilities due in one year	(1,965,360)
Non-current liabilities due in more than one year	(16,201,503)
Compensated absences	(1,074,209)
Net pension liability	(1,869,680)
OPEB liability	(117,385)
Net Position of Governmental Activities	\$ 52,775,486

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, 2023

	General	Debt Service	Capital Improvements	Nonmajor Governmental Funds
Revenues				
Taxes:				
Property tax	\$ 5,151,843	\$ 2,631,001	\$ -	\$ -
Sales and beverage tax	1,659,618	-	-	-
Franchise tax	692,309	-	-	-
Licenses and permits	1,369,834	-	-	-
Intergovernmental	464,849	-	-	296,000
Charges for services	121,247	-	-	-
Fines and forfeitures	152,023	-	-	-
Special assessments	-	14,824	-	-
Contributions and donations	-	-	-	12,691
Investment income	164,941	3,169	481,868	56,119
Other revenue	81,355	-	221,236	9,147
Total Revenues	9,858,019	2,648,994	703,104	373,957
Expenditures				
Administration	2,133,956	-	-	20,938
Highways and streets	879,763	-	-	-
Parks	469,677	-	-	-
Engineering and construction	291,050	-	-	-
Municipal court	82,890	-	-	-
Public safety	4,777,771	-	-	31,820
Community development	740,534	-	-	-
Debt Service:				
Principal	-	1,907,812	-	-
Interest and fiscal charges	-	692,675	-	-
Capital outlay	-	-	3,025,198	719,881
Total Expenditures	9,375,641	2,600,487	3,025,198	772,639
Excess of Revenue Over (Under)				
Expenditures	482,378	48,507	(2,322,094)	(398,682)
Other Financing Sources (Uses)				
Transfers in	271,000	-	347,902	985,700
Transfers (out)	(1,318,295)	-	-	-
Total Other Financing Sources (Uses)	(1,047,295)	-	347,902	985,700
Net Change in Fund Balances	(564,917)	48,507	(1,974,192)	587,018
Beginning fund balances	6,650,665	525,078	14,820,826	2,937,536
Ending Fund Balances	\$ 6,085,748	\$ 573,585	\$ 12,846,634	\$ 3,524,554

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	7,782,844
	1,659,618
	692,309
	1,369,834
	760,849
	121,247
	152,023
	14,824
	12,691
	706,097
	311,738
	<hr/>
	13,584,074
	<hr/>
	2,154,894
	879,763
	469,677
	291,050
	82,890
	4,809,591
	740,534
	1,907,812
	692,675
	3,745,079
	<hr/>
	15,773,965
	<hr/>
	(2,189,891)
	1,604,602
	(1,318,295)
	<hr/>
	286,307
	<hr/>
	(1,903,584)
	24,934,105
	<hr/>
\$	23,030,521
	<hr/>

(This page intentionally left blank.)

City of Heath, Texas

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

For the Year Ended September 30, 2023

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

Net changes in fund balances - total governmental funds	\$	(1,903,584)
---	----	-------------

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		3,011,810
Depreciation expense		(3,304,065)
Capital contributions to business-type activities		(375,015)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		38,958
--	--	--------

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		(187,065)
Accrued interest		7,665
Pension expense		(180,122)
OPEB expense		(8,955)

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

Amortization of deferred charges on refunding		(26,043)
Amortization of debt premium		59,472
Principal payments		1,907,812

Change in Net Position of Governmental Activities	\$	(959,132)
--	-----------	------------------

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2023

	<u>Water & Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 12,908,178	\$ 94,191	\$ 13,002,369
Restricted cash	9,470,070	-	9,470,070
Receivables, net	2,291,181	187,261	2,478,442
Inventory	41,292	-	41,292
Prepays	663,369	-	663,369
Total Current Assets	25,374,090	281,452	25,655,542
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	3,422,273	-	3,422,273
Net depreciable capital assets	38,156,515	-	38,156,515
Total Noncurrent Assets	41,578,788	-	41,578,788
Total Assets	66,952,878	281,452	67,234,330
<u>Deferred Outflows of Resources</u>			
Pension contributions	89,424	-	89,424
Pension investment earnings	193,892	-	193,892
Pension actual experience vs. assumption	1,512	-	1,512
Pension assumption changes	2,143	-	2,143
OPEB contributions	454	-	454
OPEB difference in experience	1,095	-	1,095
Deferred charge on refunding	31,902	-	31,902
Total Deferred Outflows	320,422	-	320,422

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2023

	<u>Water & Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,758,041	\$ 7,203	\$ 1,765,244
Accrued interest	104,313	-	104,313
Customer deposits	305,800	38,548	344,348
Compensated absences, current	118,972	-	118,972
Long-term debt, current	1,180,771	-	1,180,771
Total Current Liabilities	<u>3,467,897</u>	<u>45,751</u>	<u>3,513,648</u>
<u>Noncurrent Liabilities</u>			
Compensated absences, noncurrent	50,988	-	50,988
Long-term debt, noncurrent	17,057,158	-	17,057,158
Net pension liability	450,171	-	450,171
OPEB liability	28,263	-	28,263
Total Liabilities	<u>21,054,477</u>	<u>45,751</u>	<u>21,100,228</u>
<u>Deferred Inflows of Resources</u>			
OPEB change in assumptions	8,248	-	8,248
Total Deferred Inflows	<u>8,248</u>	<u>-</u>	<u>8,248</u>
<u>Net Position</u>			
Net investment in capital assets	25,077,234	-	25,077,234
Unrestricted	21,133,341	235,701	21,369,042
Total Net Position	<u>\$ 46,210,575</u>	<u>\$ 235,701</u>	<u>\$ 46,446,276</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

City of Heath, Texas

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

For the Year Ended September 30, 2023

	Water & Sewer	Nonmajor Solid Waste	Total Proprietary Funds
<u>Operating Revenues</u>			
Water revenue	\$ 6,896,606	\$ -	\$ 6,896,606
Sewer revenue	3,622,338	-	3,622,338
Sanitation revenue	-	1,222,042	1,222,042
Connection and tap charges	2,764,354	-	2,764,354
Other revenue	106,366	-	106,366
Total Operating Revenues	13,389,664	1,222,042	14,611,706
<u>Operating Expenses</u>			
Personnel	1,524,773	-	1,524,773
Supplies and services	464,302	1,135,446	1,599,748
Operating expenses	1,794,126	-	1,794,126
Materials and equipment	307,555	-	307,555
Cost of water	3,433,601	-	3,433,601
Cost of sewer	1,547,339	-	1,547,339
Depreciation	1,874,876	-	1,874,876
Total Operating Expenses	10,946,572	1,135,446	12,082,018
Operating Income	2,443,092	86,596	2,529,688
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	738,023	4,525	742,548
Interest expense	(675,455)	-	(675,455)
Total Nonoperating Revenues (Expenses)	62,568	4,525	67,093
Income Before Transfers and Capital Contributions	2,505,660	91,121	2,596,781
Capital contributions	375,015	-	375,015
Transfers in	40,000	-	40,000
Transfers (out)	(246,307)	(80,000)	(326,307)
Change in Net Position	2,674,368	11,121	2,685,489
Beginning net position	43,536,207	224,580	43,760,787
Ending Net Position	\$ 46,210,575	\$ 235,701	\$ 46,446,276

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, 2023

	<u>Water & Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 12,962,775	\$ 1,206,776	\$ 14,169,551
Payments to suppliers	(6,409,336)	(1,235,081)	(7,644,417)
Payments to employees	(1,506,023)	-	(1,506,023)
Net Cash Provided (Used) by Operating Activities	<u>5,047,416</u>	<u>(28,305)</u>	<u>5,019,111</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	40,000	-	40,000
Transfers (out)	(246,307)	(80,000)	(326,307)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(206,307)</u>	<u>(80,000)</u>	<u>(286,307)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(1,380,483)	-	(1,380,483)
Principal paid on debt	(1,146,383)	-	(1,146,383)
Interest paid on debt	(739,474)	-	(739,474)
Net Cash (Used for) Capital and Related Financing Activities	<u>(3,266,340)</u>	<u>-</u>	<u>(3,266,340)</u>
<u>Cash Flows from Investing Activities</u>			
Interest on investments	738,023	4,525	742,548
Net Cash Provided by Investing Activities	<u>738,023</u>	<u>4,525</u>	<u>742,548</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,312,792	(103,780)	2,209,012
Beginning cash and cash equivalents	<u>20,065,456</u>	<u>197,971</u>	<u>20,263,427</u>
Ending Cash and Cash Equivalents	<u><u>\$ 22,378,248</u></u>	<u><u>\$ 94,191</u></u>	<u><u>\$ 22,472,439</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, 2023

	<u>Water & Sewer</u>	<u>Nonmajor Solid Waste</u>	<u>Total Proprietary Funds</u>
<u>Reconciliation of Operating Income</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income	\$ 2,443,092	\$ 86,596	\$ 2,529,688
Adjustments to reconcile operating income to net cash provided:			
Depreciation	1,874,876	-	1,874,876
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(396,681)	(15,266)	(411,947)
Inventory	1,862	-	1,862
Prepays	(88,008)	-	(88,008)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	1,223,733	(99,635)	1,124,098
Compensated absences	(26,774)	-	(26,774)
Customer deposits	(30,208)	-	(30,208)
Unearned revenue	-	-	-
Deferred outflows - pension contributions	(5,885)	-	(5,885)
Deferred outflows - OPEB contributions	(115)	-	(115)
Deferred inflows - pension investment earnings	(364,902)	-	(364,902)
Deferred outflows - pension assumption changes	2,407	-	2,407
Deferred outflows - Pension actual experience vs. assumption	50,940	-	50,940
Deferred outflows - OPEB change in assumptions	15,495	-	15,495
Deferred inflows - OPEB difference in experience	(844)	-	(844)
Net pension liability	360,807	-	360,807
OPEB liability	(12,379)	-	(12,379)
Net Cash Provided (Used) by Operating Activities	\$ 5,047,416	\$ (28,305)	\$ 5,019,111
 <u>Schedule of Non-Cash Capital and Related Financing</u>			
<u>Activities</u>			
Capital assets contributed by governmental activities	\$ 375,015	\$ -	\$ 375,015

See Notes to Financial Statements.

City of Heath, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2023

		<u>Custodial Fund</u>
		<u>Streets Escrow</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents		\$ 481,518
	Total Assets	<u>481,518</u>
<u>Liabilities</u>		
Accrued liabilities		307,728
	Total Liabilities	<u>\$ 307,728</u>
<u>Net Position</u>		
Restricted for street improvements		173,790
	Total Net Position	<u>\$ 173,790</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, 2023

		<u>Custodial Fund</u> <u>Streets Escrow</u>
<u>Revenues</u>		
Capital contributions		\$ 62,226
	Total Additions	<u>62,226</u>
<u>Expenses</u>		
Expenses		-
	Total Deductions	<u>\$ -</u>
	Change in Net Position	62,226
Beginning net position		111,564
	Ending Net Position	<u>\$ 173,790</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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, 2023

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, 2023

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, 2023

Capital Improvements Fund

The capital improvements fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

The government reports the following major enterprise fund:

Water & Sewer Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the City reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

Fiduciary Fund

The fiduciary fund accounts for street escrow funds which the City holds in a custodial capacity.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, Heath Economic Development Corporation, and Heath Municipal Benefits Corporation. The capital improvements fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and function. At any time during the fiscal year, the Finance Director may transfer up to \$5,000 of the unencumbered appropriated balance between classifications of expenditure within a division (Division is a specific functional area within a City department. Streets is a division of the Public Works department). Transfers, within a division, exceeding \$5,000 must be approved by the City Manager. A transfer may not be made from the unencumbered appropriated balance in the Personnel Services classification of expenditure. Any revision that alters total expenditures of any division must be approved by the City Council. The legal level of budgetary control is at the divisional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

G. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

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

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

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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

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

4. Inventories and Prepaid Items

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

5. Capital Assets

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

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

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

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of 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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumptions

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

8. Fund Balance Flow Assumptions

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

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

9. Fund Balance Policies

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

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

10. Long-Term Obligations

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

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

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments 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.

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Compensated Absences

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue funds, HEDC, HMBC, water and sewer, and sanitation funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the division level for the general fund. For all other fund budgets, the legal level of control is the fund level. The Finance Director may transfer up to \$5,000 within a division. Transfers within a division exceeding \$5,000 must be approved by the City Manager. Any revision that alters total expenditures of any division must be approved by the City Council.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

A. Expenditures Over Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
City attorney	\$ 409,113
Non-divisional	68,628
Transfers (out)	13,923
Path Fund:	
Total expenditures	18,095
Fire Station Building Fund:	
Public safety	31,820
Capital Improvements Fund:	
Capital outlay	3,025,198

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, 2023

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	\$ 16,929,565	0.08	AAAm
TexStar	15,484,593	0.08	AAAm
Total carrying value	<u>\$ 32,414,158</u>		
Portfolio weighted average maturity		0.08	

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	\$ 1,635,709	0.08	AAAm
TexStar	1,965,921	0.08	AAAm
Total carrying value	<u>\$ 3,601,630</u>		
Portfolio weighted average maturity		0.08	

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	\$ 1,803,256	0.08	AAAm
TexStar	2,227,623	0.08	AAAm
Total carrying value	<u>\$ 4,030,879</u>		
Portfolio weighted average maturity		0.08	

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, 2023

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, 2023, 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, 2023, 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, 2023, 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, 2023

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, 2023, 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>Solid Waste</u>	<u>Total</u>
Property taxes	\$ 120,340	\$ 56,713	\$ -	\$ -	\$ 177,053
Special assessments	-	159,847	82,609	-	242,456
Sales tax	262,975	-	-	-	262,975
Fines	2,440	-	-	-	2,440
Other	21,882	-	903	-	22,785
Accounts	-	-	2,209,770	187,746	2,397,516
Allowance	(976)	-	(2,101)	(485)	(3,562)
	<u>\$ 406,661</u>	<u>\$ 216,560</u>	<u>\$ 2,291,181</u>	<u>\$ 187,261</u>	<u>\$ 3,101,663</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	\$ -	\$ 131,488	\$ 131,488	\$ 262,976
Assessments	20,528,313	-	-	20,528,313
	<u>\$ 20,528,313</u>	<u>\$ 131,488</u>	<u>\$ 131,488</u>	<u>\$ 20,791,289</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	\$ 5,287,153	\$ -	\$ 17,839	\$ 5,304,992
Construction in progress	334,235	2,694,722	(416,416)	2,612,541
Total capital assets not being depreciated	<u>5,621,388</u>	<u>2,694,722</u>	<u>(398,577)</u>	<u>7,917,533</u>
Capital assets, being depreciated:				
Buildings	2,428,225	-	23,562	2,451,787
Improvements other than buildings	5,176,357	-	-	5,176,357
Infrastructure	74,335,404	-	-	74,335,404
Machinery and equipment	3,421,568	317,088	-	3,738,656
Total capital assets being depreciated	<u>85,361,554</u>	<u>317,088</u>	<u>23,562</u>	<u>85,702,204</u>
Less accumulated depreciation:				
Buildings	(1,875,667)	(116,100)	-	(1,991,767)
Improvements other than buildings	(2,353,855)	(219,884)	-	(2,573,739)
Infrastructure	(33,405,689)	(2,689,840)	-	(36,095,529)
Machinery and equipment	(2,510,044)	(278,241)	-	(2,788,285)
Total accumulated depreciation	<u>(40,145,255)</u>	<u>(3,304,065)</u>	<u>-</u>	<u>(43,449,320)</u>
Net capital assets being depreciated	45,216,299	(2,986,977)	23,562	42,252,884
Total Capital Assets	<u>\$ 50,837,687</u>	<u>\$ (292,255)</u>	<u>\$ (375,015)</u>	<u>\$ 50,170,417</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 32,212
Public safety	276,146
Public works	2,753,696
Culture and recreation	229,486
Community Development	12,525
Total Governmental Activities Depreciation Expense	<u>\$ 3,304,065</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	3,418,980	1,293,977	(2,283,900)	2,429,057
Total capital assets not being depreciated	<u>4,412,196</u>	<u>1,293,977</u>	<u>(2,283,900)</u>	<u>3,422,273</u>
Capital assets, being depreciated:				
Buildings	370,812	-	20,700	391,512
Improvements other than buildings	57,148,563	375,015	2,263,224	59,786,802
Machinery and equipment	1,034,842	86,482	-	1,121,324
Total capital assets being depreciated	<u>58,554,217</u>	<u>461,497</u>	<u>2,283,924</u>	<u>61,299,638</u>
Less accumulated depreciation:				
Buildings	(258,244)	(18,891)	-	(277,135)
Improvements other than buildings	(20,336,997)	(1,754,190)	-	(22,091,187)
Machinery and equipment	(673,006)	(101,795)	-	(774,801)
Total accumulated depreciation	<u>(21,268,247)</u>	<u>(1,874,876)</u>	<u>-</u>	<u>(23,143,123)</u>
Net capital assets being depreciated	37,285,970	(1,413,379)	2,283,924	38,156,515
Total Capital Assets	<u>\$ 41,698,166</u>	<u>\$ (119,402)</u>	<u>\$ 24</u>	<u>\$ 41,578,788</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

D. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 887,144	\$ 821,531	\$ (634,466)	\$ 1,074,209	\$ 768,251
Total Governmental Activities	\$ 887,144	\$ 821,531	\$ (634,466)	\$ 1,074,209	\$ 768,251
Other Long-term Liabilities Due in More than One Year				\$ 305,958	
Business-Type Activities:					
Compensated Absences	\$ 196,734	\$ 110,940	\$ (137,714)	\$ 169,960	\$ 118,972
Total Business-Type Activities	\$ 196,734	\$ 110,940	\$ (137,714)	\$ 169,960	\$ 118,972
Other Long-term Liabilities Due in More than One Year				\$ 50,988	

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	\$ 3,340,000	\$ -	\$ (800,000)	\$ 2,540,000	\$ 815,000
Certificates of Obligation	16,734,675	-	(1,107,812)	15,626,863	1,150,360
Premiums	756,153	-	(59,472)	696,681	-
Total Governmental Activities	\$ 20,830,828	\$ -	\$ (1,967,284)	\$ 18,863,544	\$ 1,965,360
Long-term liabilities due in more than one year				\$ 16,898,184	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 1,930,000	\$ -	\$ (370,000)	\$ 1,560,000	\$ 380,000
Certificates of Obligation	16,397,834	-	(776,383)	15,621,451	800,771
Premium	1,136,938	-	(80,460)	1,056,478	-
Total Business-Type Activities	\$ 19,464,772	\$ -	\$ (1,226,843)	\$ 18,237,929	\$ 1,180,771
Long-term liabilities due in more than one year				\$ 17,057,158	

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, 2023

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

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2015 General Obligation Refunding Bonds	2.03%	\$ 4,725,000	\$ 2,215,000
2013 General Obligation Refunding Bonds	2.00-4.00%	1,600,000	325,000
Total General Obligation Bonds		6,325,000	2,540,000
2017 Combination Tax & Revenue Certificates	3.00-5.00%	5,940,000	4,670,000
2014 Combination Tax & Revenue Certificates	3.00-4.00%	14,205,000	9,320,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	1,654,037	1,305,000
2019 Combination Tax & Revenue Certificates	3.70%	453,197	331,863
Total Certificates of Obligation		22,252,234	15,626,863
Total Governmental Activities		\$ 28,577,234	\$ 18,166,863
Business-type Activities:			
2015 General Obligation Refunding Bonds	2.03%	\$ 3,200,000	\$ 1,560,000
Total General Obligation Bonds		3,200,000	1,560,000
2019 Combination Tax & Revenue Certificates	3.70%	256,802	176,451
2017 Combination Tax & Revenue Certificates	3.00-5.00%	11,600,000	9,605,000
2013 Combination Tax & Revenue Certificates	2.00-4.00%	6,540,963	5,840,000
Total Certificates of Obligation		18,397,765	15,621,451
Total Business-Type Activities		\$ 21,597,765	\$ 17,181,451
Total Long-Term Debt			
General Obligation Refunding Bonds		\$ 9,525,000	\$ 4,100,000
Certificates of Obligation		40,649,999	31,248,314
Total Primary Government		\$ 50,174,999	\$ 35,348,314

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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
2024	\$ 815,000	\$ 46,491	\$ 1,150,360	\$ 580,812
2025	565,000	29,283	1,126,640	539,493
2026	575,000	17,712	1,161,640	498,728
2027	585,000	5,938	1,211,463	456,462
2028	-	-	1,252,920	412,910
2029	-	-	1,298,560	369,110
2030	-	-	1,333,560	324,335
2031	-	-	1,389,200	273,724
2032	-	-	1,444,840	216,688
2033	-	-	1,506,120	156,673
2034	-	-	1,397,400	96,273
2035	-	-	412,400	56,344
2036	-	-	434,320	35,515
2037	-	-	454,960	13,615
2038	-	-	26,240	1,942
2039	-	-	26,240	971
Total	\$ 2,540,000	\$ 99,424	\$ 15,626,863	\$ 4,033,595

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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
2024	\$ 380,000	\$ 27,811	\$ 800,771	\$ 676,645
2025	385,000	20,046	829,360	637,875
2026	395,000	12,129	864,360	597,654
2027	400,000	4,060	894,720	555,908
2028	-	-	1,245,080	509,798
2029	-	-	1,300,440	461,425
2030	-	-	1,345,440	413,614
2031	-	-	1,400,800	358,627
2032	-	-	1,461,160	295,953
2033	-	-	1,526,880	230,490
2034	-	-	917,600	174,175
2035	-	-	957,600	127,459
2036	-	-	1,003,680	78,618
2037	-	-	1,044,371	27,487
2038	-	-	14,760	1,092
2039	-	-	14,429	546
Total	\$ 1,560,000	\$ 64,046	\$ 15,621,451	\$ 5,147,366

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Club Municipal Management District					
Special Assessment					
Revenue Bonds Series 2016	\$ 8,165,000	\$ -	\$ (290,000)	\$ 7,875,000	\$ 140,000
Revenue Bonds Series 2021	9,070,000	-	(393,000)	8,677,000	220,000
Notes payable to developer	4,407,852	-	(186,102)	4,221,750	81,635
Premium	150,313	-	(5,334)	144,979	-
Total Club MMD	\$ 21,793,165	\$ -	\$ (874,436)	\$ 20,918,729	\$ 441,635
Long-term liabilities due in more than one year					\$ 20,477,094

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

	<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	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000	\$ 20,000
Total Heath EDC	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Long-term liabilities due in more than one year					<u>\$ -</u>
Heath MBC					
GO Refunding Bonds	\$ 70,000	\$ -	\$ (35,000)	\$ 35,000	\$ 35,000
Total Heath MBC	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 35,000</u>	<u>\$ 35,000</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>
2024	\$ 360,000	\$ 1,038,793
2025	375,000	1,030,243
2026	390,000	1,020,993
2027	435,000	773,399
2028-2032	2,490,000	3,644,588
2033-2037	3,111,000	3,029,705
2038-2042	3,923,000	2,217,505
2043-2047	4,367,000	1,109,355
2048-2052	1,101,000	115,800
Total	<u>\$ 16,552,000</u>	<u>\$ 13,980,381</u>

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2023

Club Municipal Management District		
Year ending September 30,	Note payable to developer	
	Principal	Interest
2024	\$ 81,635	\$ 240,255
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
2043-2047	1,134,477	150,090
2048-2050	128,763	13,400
Total	\$ 4,221,750	\$ 3,389,986

Heath EDC

Year ending September 30,	GO Refunding	
	Principal	Interest
2024	\$ 20,000	\$ 400
Total	\$ 20,000	\$ 400

Heath MBC

Year ending September 30,	GO Refunding	
	Principal	Interest
2024	\$ 35,000	\$ 700
Total	\$ 35,000	\$ 700

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 \$88,048 and \$31,902, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$26,043 and \$10,447, respectively.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

G. Interfund Transfers

Transfers between the primary government funds during the 2023 year were as follows:

Transfers In:

<u>Transfers Out:</u>	<u>General</u>	<u>Govt. Activities</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	<u>Total</u>
General	\$ -	\$ -	\$ 332,595	\$ 985,700	\$ -	\$ 1,318,295
Water & sewer	231,000	40	15,307	-	-	246,347
Solid Waste	40,000	-	-	-	40,000	80,000
Total	<u>\$ 271,000</u>	<u>\$ 40</u>	<u>\$ 347,902</u>	<u>\$ 985,700</u>	<u>\$ 40,000</u>	<u>\$ 1,644,642</u>

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

H. Restricted Net Position / Fund Balance

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

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

	<u>Gov. Funds</u>
Restricted for:	
* Municipal court	\$ 17,599
Fire station	1,503,685
Debt service	573,585
Special programs	114,674
Parks	867,974
Streets	77,489
Capital improvements	12,169,550
Total Restricted	<u>\$ 15,324,556</u>
Assigned for:	
Equipment replacement	\$ 694,378
Tree mitigation	109,365
Police department	139,390
Capital improvements	677,084
	<u>\$ 1,620,217</u>

* Restricted by enabling legislation

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

C. Defined Benefit Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Heath participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Plan provisions for the City were as follows:

	<u>Plan Year 2021</u>	<u>Plan Year 2022</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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	48
Active employees	58
Total	138

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Heath were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Heath were 11.81% and 12.32% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$649,528, and were \$15,426 more than the required contributions.

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public/Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,760,361	\$ 2,319,851	\$ 319,733

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/21	\$ 15,678,332	\$ 15,217,819	\$ 460,513
Changes for the year:			
Service Cost	811,572	-	811,572
Interest	1,063,292	-	1,063,292
Difference between expected and actual experience	(180,244)	-	(180,244)
Changes of assumptions	-	-	-
Contributions – employer	-	603,777	(603,777)
Contributions – employee	-	343,056	(343,056)
Net investment income	-	(1,113,409)	1,113,409
Benefit payments, including refunds of emp. contributions	(663,301)	(663,301)	-
Administrative expense	-	(9,613)	9,613
Other changes	-	11,471	(11,471)
Net changes	1,031,319	(828,019)	1,859,338
Balance at 12/31/22	\$ 16,709,651	\$ 14,389,800	\$ 2,319,851

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, 2023 was \$857,593.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Contributions subsequent to the measurement date	\$ 460,824
Difference in experience	7,792
Changes in actuarial assumptions	11,042
Pension investment earnings	999,177
Total	\$ 1,478,835

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The City reported \$460,824 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, 2024. 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:	
2023	\$ 130,088
2024	253,396
2025	233,249
2026	401,278
2027	-
Thereafter	-
Total	\$ 1,018,011

Other Post-Employment Benefits

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

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

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

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	14
Active employees	58
Total	100

The City's contributions to the TMRS SDBF for the years ended 2023, 2022 and 2021 were \$3,044, \$2,011, and \$953, respectively, which equaled the required contributions each year.

Three-Year Contribution Information: (Retiree Portion)

	2023	2022	2021
Annual Required Contribution (Rate)	0.06%	0.05%	0.05%
Actual Contributions Made	0.06%	0.05%	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, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	4.05%
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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

1% Decrease (3.05%)	Current Single Rate Assumption 4.05%	1% Increase (5.05%)
\$ 177,447	\$ 145,648	\$ 121,265

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/21	\$ 209,440
Changes for the year:	
Service Cost	13,232
Interest	3,953
Difference between expected and actual experience	5,336
Changes of assumptions	(83,863)
Benefit payments	(2,450)
Net changes	(63,792)
Balance at 12/31/22	\$ 145,648

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$14,159.

At September 30, 2023, 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	\$ 2,341	\$ -
Difference in experience	5,641	-
Changes in actuarial assumptions	-	(42,505)
Total	\$ 7,982	\$ (42,505)

The City reported \$2,341 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, 2024.

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

Year ended December 31:	
2023	\$ (3,026)
2024	(4,275)
2025	(3,706)
2026	(8,073)
2027	(11,079)
Thereafter	(6,705)
	\$ (36,864)

D. North Texas Municipal Water District (the District)

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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

City of Heath, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

indicate that 80% of the flow is produced by Rockwall, 15% by Heath and 5% by Forney, then the next year's operating and debt service components would be allocated using a 80/15/5 split. If in the future, additional participants are added, then the flow ratios will be adjusted using the above method.

F. Rockwall Emergency Services Corporation (the Corporation)

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

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

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

G. Animal Adoption Center Interlocal Agreement

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

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

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

City of Heath, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

the City in the current year. As of the end of the current year, the City maintained five separate bank accounts totaling \$16,406,737 at ANB.

I. Restatement

Due to corrections to prior year construction in progress, the City restated its beginning net position within business-type activities and the water/sewer fund. The restatement of beginning fund balance/net position is as follows:

	Bus-Type Activities	Water & Sewer
Prior year ending net position/fund balance, as reported	\$ 43,752,937	\$ 43,528,357
Adjustment to CIP	7,850	7,850
Restated beginning net position/fund balance	\$ 43,760,787	\$ 43,536,207

J. Subsequent Events

On December 12, 2023, the City issued a \$28,740,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation. The proceeds are to be used for municipal park improvements, acquiring and constructing a public works facility, acquiring and constructing a public safety facility, acquisition of a fire truck, and other improvements. The debt bears interest at 4-5% and is due in annual installments through February 15, 2043.

There were no other material subsequent events were noted through May 22, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Heath, Texas

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

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Property tax	\$ 5,105,300	\$ 5,105,300	\$ 5,151,843	\$ 46,543
Sales & beverage tax	1,393,100	1,393,100	1,659,618	266,518
Franchise tax	568,000	568,000	692,309	124,309
Licenses and permits	893,200	893,200	1,369,834	476,634
Intergovernmental	517,200	517,200	464,849	(52,351)
Charges for services	120,500	120,500	121,247	747
Fines and forfeitures	140,100	140,100	152,023	11,923
Investment income	12,000	12,000	164,941	152,941
Other revenue	29,000	29,000	81,355	52,355
Total Revenues	8,778,400	8,778,400	9,858,019	1,079,619
Expenditures				
Current:				
City council	50,200	50,200	43,484	6,716
City secretary	206,000	206,000	180,310	25,690
City attorney	350,100	350,100	759,213	(409,113) *
City manager	253,300	253,300	232,578	20,722
Finance	323,200	323,200	314,843	8,357
Non-divisional	496,500	534,900	603,528	(68,628) *
Highways and streets	1,143,700	888,728	879,763	8,965
Parks	560,600	656,100	469,677	186,423
Engineering and construction	344,400	350,900	291,050	59,850
Municipal court	93,300	111,075	82,890	28,185
Public safety	4,875,000	4,899,500	4,777,771	121,729
Communication and economic development	859,300	769,400	740,534	28,866
Total Expenditures	9,555,600	9,393,403	9,375,641	17,762
Revenues Over (Under) Expenditures	(777,200)	(615,003)	482,378	1,097,381

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Other Financing Sources (Uses)</u>				
Transfers in	271,000	271,000	271,000	-
Transfers (out)	(1,205,700)	(1,304,372)	(1,318,295)	(13,923) *
Total Other Financing Sources				
(Uses)	(934,700)	(1,033,372)	(1,047,295)	(13,923)
Net Change in Fund Balance	\$ (1,711,900)	\$ (1,648,375)	(564,917)	\$ 1,083,458
Beginning fund balance			6,650,665	
Ending Fund Balance			\$ 6,085,748	

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,

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

Notes to schedule:

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	1
\$	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)	
	<u>1,263,397</u>	<u>1,218,340</u>	<u>824,775</u>	<u>780,868</u>	<u>1,126,723</u>	<u>734,718</u>	
\$	<u>11,701,097</u>	\$ <u>10,482,757</u>	\$ <u>9,657,982</u>	\$ <u>8,877,114</u>	\$ <u>7,750,391</u>	\$ <u>7,015,673</u>	
\$	<u>12,964,494</u>	\$ <u>11,701,097</u>	\$ <u>10,482,757</u>	\$ <u>9,657,982</u>	\$ <u>8,877,114</u>	\$ <u>7,750,391</u>	
\$	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)	
	<u>1,876,439</u>	<u>102,774</u>	<u>1,475,797</u>	<u>791,573</u>	<u>365,456</u>	<u>665,858</u>	
	<u>10,013,515</u>	<u>9,910,741</u>	<u>8,434,944</u>	<u>7,643,371</u>	<u>7,277,915</u>	<u>6,612,057</u>	
\$	<u>11,889,954</u>	\$ <u>10,013,515</u>	\$ <u>9,910,741</u>	\$ <u>8,434,944</u>	\$ <u>7,643,371</u>	\$ <u>7,277,915</u>	
\$	<u>1,074,540</u>	\$ <u>1,687,582</u>	\$ <u>572,016</u>	\$ <u>1,223,038</u>	\$ <u>1,233,743</u>	\$ <u>472,476</u>	
	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:

	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Actuarially determined employer contributions	\$ 634,102	\$ 588,517	\$ 566,320	\$ 501,630
Contributions in relation to the actuarially determined contribution	\$ 649,528	\$ 588,517	\$ 566,320	\$ 501,630
Contribution deficiency (excess)	\$ (15,426)	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,308,462	\$ 4,765,347	\$ 4,765,347	\$ 4,377,302
Employer contributions as a percentage of covered payroll	12.24%	12.35%	11.88%	11.46%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	¹
\$ 454,243	\$ 429,534	\$ 392,931	\$ 363,477	\$ 312,836	
\$ 454,243	\$ 429,534	\$ 392,931	\$ 363,477	\$ 312,836	
\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 4,075,081	\$ 3,822,831	\$ 3,482,574	\$ 3,392,712	\$ 3,016,574	
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability				
Service cost	\$ 13,232	\$ 13,600	\$ 12,068	\$ 8,215
Interest	3,953	3,814	4,104	4,115
Differences between expected and actual experience	5,336	2,274	(450)	(186)
Changes of assumptions	(83,863)	7,059	26,652	24,932
Benefit payments, including refunds of participant contributions	(2,450)	(2,429)	(928)	(411)
Net change in total OPEB liability	<u>(63,792)</u>	<u>24,318</u>	<u>41,446</u>	<u>36,665</u>
Total OPEB liability - beginning	<u>\$ 209,440</u>	<u>\$ 185,122</u>	<u>\$ 143,676</u>	<u>\$ 107,011</u>
Total OPEB liability - ending	<u><u>\$ 145,648</u></u>	<u><u>\$ 209,440</u></u>	<u><u>\$ 185,122</u></u>	<u><u>\$ 143,676</u></u>
Covered-employee payroll	\$ 4,900,796	\$ 4,857,253	\$ 4,641,411	\$ 4,107,702
City's total OPEB liability as a percentage of covered-employee payroll	2.97%	4.31%	3.99%	3.50%

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>2018</u>	<u>2017</u>	¹
\$ 10,487	\$ 8,497	
3,568	3,264	
(513)	-	
(8,897)	9,071	
(388)	(354)	
4,257	20,478	
\$ 102,754	\$ 82,276	
\$ 107,011	\$ 102,754	²
\$ 3,884,201	\$ 3,540,624	
2.76%	2.90%	

(This page intentionally left blank.)

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

(This page intentionally left blank.)

NONMAJOR GOVERNMENTAL FUNDS

PUBLIC SAFETY DONATIONS

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

MARSHA'S HAPPY HAVEN

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

FARMERS' MARKET

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

PARK IN LIEU

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

PATH

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

DRAINAGE

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

FIRE STATION BUILDING

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

EQUIPMENT REPLACEMENT

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

City of Heath, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

	<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	\$ 156,989	\$ 88,786	\$ 543	\$ 41,448	\$ 25,873
Total Assets	\$ 156,989	\$ 88,786	\$ 543	\$ 41,448	\$ 25,873
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 420	\$ -	\$ 108
Total Liabilities	-	-	420	-	108
<u>Fund Balances</u>					
Restricted for:					
Public safety	17,599	-	-	-	-
Parks	-	-	-	41,448	-
Special programs	-	88,786	123	-	25,765
Streets	-	-	-	-	-
Assigned for:					
Police department	139,390	-	-	-	-
Equipment replacement	-	-	-	-	-
Tree mitigation	-	-	-	-	-
Total Fund Balances	156,989	88,786	123	41,448	25,765
Total Liabilities and Fund Balances	\$ 156,989	\$ 88,786	\$ 543	\$ 41,448	\$ 25,873

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>
\$ 86,694	\$ 1,508,504	\$ 694,378	\$ 109,365	\$ 826,526	\$ 3,539,106
<u>\$ 86,694</u>	<u>\$ 1,508,504</u>	<u>\$ 694,378</u>	<u>\$ 109,365</u>	<u>\$ 826,526</u>	<u>\$ 3,539,106</u>
\$ 9,205	\$ 4,819	\$ -	\$ -	\$ -	\$ 14,552
<u>9,205</u>	<u>4,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,552</u>
-	1,503,685	-	-	-	1,521,284
-	-	-	-	826,526	867,974
-	-	-	-	-	114,674
77,489	-	-	-	-	77,489
-	-	-	-	-	139,390
-	-	694,378	-	-	694,378
-	-	-	109,365	-	109,365
<u>77,489</u>	<u>1,503,685</u>	<u>694,378</u>	<u>109,365</u>	<u>826,526</u>	<u>3,524,554</u>
<u>\$ 86,694</u>	<u>\$ 1,508,504</u>	<u>\$ 694,378</u>	<u>\$ 109,365</u>	<u>\$ 826,526</u>	<u>\$ 3,539,106</u>

City of Heath, Texas

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

For the Year Ended September 30, 2023

	Public Safety Donations	Marsha's Happy Haven	Farmers' Market	Park in Lieu	PATH
<u>Revenues</u>					
Contributions & donations	\$ -	\$ -	\$ -	\$ -	\$ 12,691
Intergovernmental revenue	-	-	-	-	-
Other revenue	7,467	-	1,680	-	-
Investment income	3,685	2,123	27	991	605
Total Revenues	11,152	2,123	1,707	991	13,296
<u>Expenditures</u>					
General government	-	-	20,938	-	-
Public safety	-	-	-	-	-
Capital outlay	-	-	-	-	32,095
Total Expenditures	-	-	20,938	-	32,095
Revenues Over (Under) Expenditures	11,152	2,123	(19,231)	991	(18,799)
<u>Other Financing Sources (Uses)</u>					
Transfers in	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	11,152	2,123	(19,231)	991	(18,799)
Beginning fund balances	145,837	86,663	19,354	40,457	44,564
Ending Fund Balances	\$ 156,989	\$ 88,786	\$ 123	\$ 41,448	\$ 25,765

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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,691
-	-	-	-	296,000	296,000
-	-	-	-	-	9,147
1,770	30,531	14,896	1,491	-	56,119
<u>1,770</u>	<u>30,531</u>	<u>14,896</u>	<u>1,491</u>	<u>296,000</u>	<u>373,957</u>
-	-	-	-	-	20,938
-	31,820	-	-	-	31,820
53,755	-	554,262	-	79,769	719,881
<u>53,755</u>	<u>31,820</u>	<u>554,262</u>	<u>-</u>	<u>79,769</u>	<u>772,639</u>
<u>(51,985)</u>	<u>(1,289)</u>	<u>(539,366)</u>	<u>1,491</u>	<u>216,231</u>	<u>(398,682)</u>
<u>40,000</u>	<u>400,000</u>	<u>545,700</u>	<u>-</u>	<u>-</u>	<u>985,700</u>
<u>40,000</u>	<u>400,000</u>	<u>545,700</u>	<u>-</u>	<u>-</u>	<u>985,700</u>
(11,985)	398,711	6,334	1,491	216,231	587,018
89,474	1,104,974	688,044	107,874	610,295	2,937,536
<u>\$ 77,489</u>	<u>\$ 1,503,685</u>	<u>\$ 694,378</u>	<u>\$ 109,365</u>	<u>\$ 826,526</u>	<u>\$ 3,524,554</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>				
Property tax	\$ 2,610,000	\$ 2,610,000	\$ 2,631,001	\$ 21,001
Special assessments	13,400	13,400	14,824	1,424
Investment income	2,000	2,000	3,169	1,169
Total Revenues	<u>2,625,400</u>	<u>2,625,400</u>	<u>2,648,994</u>	<u>23,594</u>
<u>Expenditures</u>				
Debt service:				
Principal	1,910,600	1,910,600	1,907,812	2,788
Interest	702,600	702,600	692,675	9,925
Total Expenditures	<u>2,613,200</u>	<u>2,613,200</u>	<u>2,600,487</u>	<u>12,713</u>
Revenues Over (Under) Expenditures	<u>12,200</u>	<u>12,200</u>	<u>48,507</u>	<u>36,307</u>
Net Change in Fund Balance	<u>\$ 12,200</u>	<u>\$ 12,200</u>	<u>48,507</u>	<u>\$ 36,307</u>
Beginning fund balance			525,078	
Ending Fund Balance			<u>\$ 573,585</u>	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MARSHA'S HAPPY HAVEN FUND
For the Year Ended September 30, 2023

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Contributions and donations	\$ 5,000	\$ -	\$ (5,000)
Investment income	200	2,123	1,923
Total Revenues	5,200	2,123	(3,077)
<u>Expenditures</u>			
General government	4,500	-	4,500
Capital outlay	10,000	-	10,000
Total Expenditures	14,500	-	14,500
Revenues Over (Under) Expenditures	(9,300)	2,123	11,423
Net Change in Fund Balance	\$ (9,300)	2,123	\$ 11,423
Beginning fund balance		86,663	
Ending Fund Balance		\$ 88,786	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FARMERS' MARKET FUND
For the Year Ended September 30, 2023

	<u>Original & Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
<u>Revenues</u>			
Other revenue	\$ 3,500	\$ 1,680	\$ (1,820)
Investment income	100	27	(73)
Total Revenues	<u>3,600</u>	<u>1,707</u>	<u>(1,893)</u>
<u>Expenditures</u>			
General government	22,000	20,938	1,062
Total Expenditures	<u>22,000</u>	<u>20,938</u>	<u>1,062</u>
Revenues Over (Under) Expenditures	<u>(18,400)</u>	<u>(19,231)</u>	<u>(831)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	20,000	-	(20,000)
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net Change in Fund Balance	<u>\$ 1,600</u>	<u>(19,231)</u>	<u>\$ (20,831)</u>
Beginning fund balance		19,354	
Ending Fund Balance		<u>\$ 123</u>	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PATH FUND
For the Year Ended September 30, 2023

	<u>Original & Final</u>		<u>Variance with</u>
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Revenues</u>			
Contributions and donations	\$ 20,000	\$ 12,691	\$ (7,309)
Investment income	100	605	505
Total Revenues	<u>20,100</u>	<u>13,296</u>	<u>(6,804)</u>
<u>Expenditures</u>			
General government	3,500	-	3,500
Capital outlay	10,500	32,095	(21,595)
Total Expenditures	<u>14,000</u>	<u>32,095</u>	<u>(18,095) *</u>
Revenues Over (Under) Expenditures	<u>6,100</u>	<u>(18,799)</u>	<u>(24,899)</u>
Net Change in Fund Balance	<u>\$ 6,100</u>	<u>(18,799)</u>	<u>\$ (24,899)</u>
Beginning fund balance		<u>44,564</u>	
Ending Fund Balance		<u>\$ 25,765</u>	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRAINAGE FUND
For the Year Ended September 30, 2023

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Contributions & donations	\$ 60,000	\$ -	\$ (60,000)
Investment income	100	1,770	1,670
Total Revenues	60,100	1,770	(58,330)
<u>Expenditures</u>			
Capital outlay	120,000	53,755	66,245
Total Expenditures	120,000	53,755	66,245
Revenues Over (Under) Expenditures	(59,900)	(51,985)	7,915
<u>Other Financing Sources (Uses)</u>			
Transfers in	40,000	40,000	-
Total Other Financing Sources (Uses)	40,000	40,000	-
Net Change in Fund Balance	\$ (19,900)	(11,985)	\$ 7,915
Beginning fund balance		89,474	
Ending Fund Balance		\$ 77,489	

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, 2023

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Investment income	\$ 2,000	\$ 30,531	\$ 28,531
Total Revenues	2,000	30,531	28,531
<u>Expenditures</u>			
Public safety	-	31,820	(31,820)
Total Expenditures	-	31,820	(31,820) *
Revenues Over (Under) Expenditures	2,000	(1,289)	(3,289)
<u>Other Financing Sources (Uses)</u>			
Transfers in	400,000	400,000	-
Total Other Financing Sources (Uses)	400,000	400,000	-
Net Change in Fund Balance	\$ 402,000	398,711	\$ (3,289)
Beginning fund balance		1,104,974	
Ending Fund Balance		\$ 1,503,685	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
For the Year Ended September 30, 2023

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Investment income	\$ 1,400	\$ 14,896	\$ 13,496
Total Revenues	1,400	14,896	13,496
<u>Expenditures</u>			
Capital outlay	710,500	554,262	156,238
Total Expenditures	710,500	554,262	156,238
Revenues Over (Under) Expenditures	(709,100)	(539,366)	169,734
<u>Other Financing Sources (Uses)</u>			
Transfers in	545,700	545,700	-
Total Other Financing Sources (Uses)	545,700	545,700	-
Net Change in Fund Balance	\$ (163,400)	6,334	\$ 169,734
Beginning fund balance		688,044	
Ending Fund Balance		\$ 694,378	

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, 2023

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Other revenue	\$ -	\$ 221,236	\$ 221,236
Investment income	1,800	481,868	480,068
Total Revenues	1,800	703,104	701,304
<u>Expenditures</u>			
Capital outlay	-	3,025,198	(3,025,198)
Total Expenditures	-	3,025,198	(3,025,198) *
Revenues Over (Under) Expenditures	1,800	(2,322,094)	(2,323,894)
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	347,902	347,902
Total Other Financing Sources (Uses)	-	347,902	347,902
Net Change in Fund Balance	\$ 1,800	(1,974,192)	\$ (1,975,992)
Beginning fund balance		14,820,826	
Ending Fund Balance		\$ 12,846,634	

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, 2023

	Original & Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Sales tax	\$ 623,150	\$ 792,295	\$ 169,145
Other revenue	30,400	19,895	(10,505)
Investment income	3,000	144,059	141,059
Total Revenues	656,550	956,249	299,699
<u>Expenditures</u>			
Current:			
Economic development	384,400	197,458	186,942
Debt service:			
Principal	20,000	20,000	-
Interest and fiscal charges	1,100	1,024	76
Total Expenditures	405,500	218,482	187,018
Revenues Over (Under)			
Expenditures	251,050	737,767	486,717
Net Change in Fund Balance	\$ 251,050	737,767	\$ 486,717
Beginning fund balance		2,990,846	
Ending Fund Balance		\$ 3,728,613	

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, 2023

	Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>			
Sales tax	\$ 623,150	\$ 792,295	\$ 169,145
Investment income	3,600	163,510	159,910
Other income	30,400	19,895	(10,505)
Total Revenues	657,150	975,700	318,550
<u>Expenditures</u>			
Current:			
Economic opportunity	410,800	211,672	199,128
Debt service:			
Principal	35,000	35,000	-
Interest and fiscal charges	1,925	1,791	134
Total Expenditures	447,725	248,463	199,262
Revenues Over (Under)			
Expenditures	209,425	727,237	517,812
Net Change in Fund Balance	\$ 209,425	727,237	\$ 517,812
Beginning fund balance		3,420,717	
Ending Fund Balance		\$ 4,147,954	

Notes to Other Supplementary Information

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

City of Heath, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKS CIP FUND
For the Year Ended September 30, 2023

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>			
Intergovernmental revenue	\$ 254,000	\$ 296,000	\$ 42,000
Total Revenues	<u>254,000</u>	<u>296,000</u>	<u>42,000</u>
<u>Expenditures</u>			
Capital outlay	-	79,769	(79,769)
Total Expenditures	<u>-</u>	<u>79,769</u>	<u>(79,769) *</u>
Revenues Over (Under) Expenditures	<u>254,000</u>	<u>216,231</u>	<u>(37,769)</u>
Net Change in Fund Balance	<u>\$ 254,000</u>	<u>216,231</u>	<u>\$ (37,769)</u>
Beginning fund balance		<u>610,295</u>	
Ending Fund Balance		<u>\$ 826,526</u>	

Notes to Other Supplementary Information

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

* Expenditures exceeded appropriations at the legal level of control.

City of Heath, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2023

	<u>Heath Club MMD</u>	<u>Heath EDC</u>	<u>Heath MBC</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 100,173	\$ 3,597,125	\$ 4,016,466	\$ 7,713,764
Restricted cash	2,147,088	-	-	2,147,088
Receivables, net	20,528,313	131,488	131,488	20,791,289
Prepays	3,179	-	-	3,179
Total Assets	\$ 22,778,753	\$ 3,728,613	\$ 4,147,954	\$ 30,655,320
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 26,917	\$ -	\$ -	\$ 26,917
Accrued debt service payments owed	4,000	-	-	4,000
Total Liabilities	30,917	-	-	30,917
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property assessments	20,528,313	-	-	20,528,313
<u>Fund Balances</u>				
Nonspendable	3,179	-	-	3,179
Restricted for:				
Debt service	2,137,588	-	-	2,137,588
Economic development	-	3,728,613	-	3,728,613
Economic opportunities	-	-	4,147,954	4,147,954
Unassigned	78,756	-	-	78,756
Total Fund Balance	2,219,523	3,728,613	4,147,954	10,096,090
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 22,778,753	\$ 3,728,613	\$ 4,147,954	\$ 30,655,320

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, 2023

Fund Balance	\$ 10,096,090
Adjustments for the Statement of Net Position:	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property assessment receivable	20,528,313
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(143,989)
Non-current liabilities due in one year	(496,635)
Non-current liabilities due in more than one year	(20,468,190)
Net Position of the Discretely Presented Component Unit	<u><u>\$ 9,515,589</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, 2023

	Heath Club MMD	Heath EDC	Heath MBC	Total
<u>Revenues</u>				
Sales tax	\$ -	\$ 792,295	\$ 792,295	\$ 1,584,590
Property assessments	2,050,221	-	-	2,050,221
Investment income	112,839	144,059	163,510	420,408
Other revenue	-	19,895	19,895	39,790
Total Revenues	2,163,060	956,249	975,700	4,095,009
<u>Expenditures</u>				
Current:				
General government	119,705	197,458	211,672	528,835
Debt Service:				
Principal	878,006	20,000	35,000	933,006
Interest and fiscal charges	1,370,625	1,024	1,791	1,373,440
Total Expenditures	2,368,336	218,482	248,463	2,835,281
Total Revenues				
Over (Under) Expenditures	(205,276)	737,767	727,237	1,259,728
<u>Other Financing Sources (Uses)</u>				
Debt issuance	-	-	-	-
Premium on debt issuance	-	-	-	-
Total Other Financing Sources				
(Uses)	-	-	-	-
Net Change in Fund Balance	(205,276)	737,767	727,237	1,259,728
Beginning fund balance	2,424,799	2,990,846	3,420,717	8,836,362
Ending Fund Balance	\$ 2,219,523	\$ 3,728,613	\$ 4,147,954	\$ 10,096,090

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, 2023

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

Net changes in fund balance	\$	1,259,728
-----------------------------	----	-----------

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		325,532
------------------	--	---------

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

Property assessments		(1,168,819)
----------------------	--	-------------

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		933,006
Change in Net Position of the Discretely Presented Component Unit	\$	<u>1,354,781</u>

See Notes to Financial Statements.

City of Heath, Texas
COMBINING SCHEDULE OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2023

	<u>Heath Club MMD</u>	<u>Heath EDC</u>	<u>Heath MBC</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 100,173	\$ 3,597,125	\$ 4,016,466	\$ 7,713,764
Restricted assets - cash	2,147,088	-	-	2,147,088
Receivables, current	650,635	131,488	131,488	913,611
Prepays	3,179	-	-	3,179
Total Current Assets	<u>2,901,075</u>	<u>3,728,613</u>	<u>4,147,954</u>	<u>10,777,642</u>
Assessment receivables, net	19,877,678	-	-	19,877,678
Total Noncurrent Assets	<u>19,877,678</u>	<u>-</u>	<u>-</u>	<u>19,877,678</u>
Total Assets	<u>22,778,753</u>	<u>3,728,613</u>	<u>4,147,954</u>	<u>30,655,320</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	26,917	-	-	26,917
Accrued interest payable	143,076	332	581	143,989
Debt due within one year	441,635	20,000	35,000	496,635
Total Current Liabilities	<u>611,628</u>	<u>20,332</u>	<u>35,581</u>	<u>667,541</u>
Noncurrent liabilities:				
Debt due in more than one year	20,472,190	0	0	20,472,190
	<u>20,472,190</u>	<u>-</u>	<u>-</u>	<u>20,472,190</u>
Total Liabilities	<u>21,083,818</u>	<u>20,332</u>	<u>35,581</u>	<u>21,139,731</u>
<u>Net Position</u>				
Economic development	1,694,935	3,708,281	-	5,403,216
Economic opportunities	-	-	4,112,373	4,112,373
Total Net Position	<u>\$ 1,694,935</u>	<u>\$ 3,708,281</u>	<u>\$ 4,112,373</u>	<u>\$ 9,515,589</u>

City of Heath, Texas
COMBINING SCHEDULE OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2023

Functions/Programs	Expenses
Component Units	
Governmental Activities	
Heath EDC	\$ 198,558
Heath MBC	213,597
Heath Club MMD	1,159,254
Total Governmental Activities	1,571,409
Total Component Units	\$ 1,571,409

General Revenues:

Property assessments
Sales taxes
Investment income
Other revenues

Total General Revenues

Change in Net Position

Beginning Net Position
Ending Net Position

Net (Expense) Revenue and Changes in Net Position

Heath Club MMD	Heath EDC	Heath MBC	Total
\$ -	\$ (198,558)	\$ -	\$ (198,558)
-	-	(213,597)	(213,597)
<u>(1,159,254)</u>	<u>-</u>	<u>-</u>	<u>(1,159,254)</u>
<u>(1,159,254)</u>	<u>(198,558)</u>	<u>(213,597)</u>	<u>(1,571,409)</u>
<u>\$ (1,159,254)</u>	<u>\$ (198,558)</u>	<u>\$ (213,597)</u>	<u>\$ (1,571,409)</u>
881,402	-	-	881,402
-	792,295	792,295	1,584,590
112,839	144,059	163,510	420,408
-	19,895	19,895	39,790
<u>994,241</u>	<u>956,249</u>	<u>975,700</u>	<u>2,926,190</u>
(165,013)	757,691	762,103	1,354,781
1,859,948	2,950,590	3,350,270	8,160,808
<u>\$ 1,694,935</u>	<u>\$ 3,708,281</u>	<u>\$ 4,112,373</u>	<u>\$ 9,515,589</u>

(This page intentionally left blank.)

STATISTICAL SECTION

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities				
Net investment in capital assets	\$ 17,139,345	\$ 17,619,628	\$ 21,393,254	\$ 27,408,643
Restricted	4,069,297	5,851,912	5,928,193	2,958,896
Unrestricted	1,905,131	2,393,926	3,385,275	2,310,544
Total Governmental Net Position	<u>\$ 23,113,773</u>	<u>\$ 25,865,466</u>	<u>\$ 30,706,722</u>	<u>\$ 32,678,083</u>
Business-type Activities				
Net investment in capital assets	\$ 18,020,897	\$ 17,729,466	\$ 19,149,289	\$ 23,267,682
Unrestricted	3,654,631	5,271,577	8,215,084	6,338,911
Total Business-type Activities Net Position	<u>\$ 21,675,528</u>	<u>\$ 23,001,043</u>	<u>\$ 27,364,373</u>	<u>\$ 29,606,593</u>
Primary Government				
Net investment in capital assets	\$ 35,160,242	\$ 35,349,094	\$ 40,542,543	\$ 50,676,325
Restricted	4,069,297	5,851,912	5,928,193	2,958,896
Unrestricted	5,559,762	7,665,503	11,600,359	8,649,455
Total Primary Government Net Position	<u>\$ 44,789,301</u>	<u>\$ 48,866,509</u>	<u>\$ 58,071,095</u>	<u>\$ 62,284,676</u>

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 29,968,936	\$ 30,950,857	\$ 32,049,289	\$ 38,750,011	\$ 37,107,169	\$ 35,541,376
3,345,643	4,361,355	6,686,903	6,813,805	8,336,231	11,178,099
982,057	3,062,088	4,092,853	4,733,625	8,291,218	6,056,011
<u>\$ 34,296,636</u>	<u>\$ 38,374,300</u>	<u>\$ 42,829,045</u>	<u>\$ 50,297,441</u>	<u>\$ 53,734,618</u>	<u>\$ 52,775,486</u>
\$ 23,148,366	\$ 26,221,080	\$ 26,420,026	\$ 24,985,034	\$ 24,841,063	\$ 24,833,213
8,201,092	7,915,330	10,063,889	15,999,117	18,919,724	21,613,063
<u>\$ 31,349,458</u>	<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>
\$ 53,117,302	\$ 57,171,937	\$ 58,469,315	\$ 63,735,045	\$ 61,948,232	\$ 60,374,589
3,345,643	4,361,355	6,686,903	6,813,805	8,336,231	11,178,099
9,183,149	10,977,418	14,156,742	20,732,742	27,210,942	27,669,074
<u>\$ 65,646,094</u>	<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>

City of Heath, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2014	2015	2016	2017
Expenses				
Governmental activities:				
General government	\$ 1,037,325	\$ 1,188,977	\$ 1,128,310	\$ 1,419,003
Public safety	2,924,001	3,024,089	3,112,772	3,418,938
Public works	2,064,771	2,336,387	2,686,868	2,537,936
Culture and recreation	250,703	392,967	452,702	521,392
Community development	-	-	65,353	526,038
Economic development	121,733	145,785	-	-
Economic opportunity	29,413	172,992	-	-
Interest and fiscal charges	697,067	887,976	888,139	967,630
Total governmental activities	<u>7,125,013</u>	<u>8,149,173</u>	<u>8,334,144</u>	<u>9,390,937</u>
Business-type activities:				
Water and sewer	4,779,334	5,300,822	5,923,354	7,003,444
Solid waste	477,945	489,701	476,804	609,491
Total business-type activities	<u>5,257,279</u>	<u>5,790,523</u>	<u>6,400,158</u>	<u>7,612,935</u>
Total primary government	<u>\$ 12,382,292</u>	<u>\$ 13,939,696</u>	<u>\$ 14,734,302</u>	<u>\$ 17,003,872</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 45,070	\$ 39,260	\$ 38,365	\$ 43,575
Public safety	437,582	484,400	641,126	604,905
Public works	60,684	84,226	133,966	99,999
Culture and recreation	6,190	5,215	5,960	11,440
Operating grants and contributions	206,313	239,646	247,454	286,399
Capital grants and contributions	1,004,919	2,721,107	7,053,743	2,493,945
Total governmental activities	<u>1,760,758</u>	<u>3,573,854</u>	<u>8,120,614</u>	<u>3,540,263</u>
Business-type activities:				
Charges for services:				
Water and sewer	4,973,658	5,759,498	6,307,932	8,175,863
Solid waste	541,124	549,198	567,173	710,215
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	1,030,273	4,112,483	1,129,806
Total business-type activities	<u>5,514,782</u>	<u>7,338,969</u>	<u>10,987,588</u>	<u>10,015,884</u>
Total primary government	<u>\$ 7,275,540</u>	<u>\$ 10,912,823</u>	<u>\$ 19,108,202</u>	<u>\$ 13,556,147</u>
Net (Expense)/Revenue				
Governmental activities	\$ (5,364,255)	\$ (4,575,319)	\$ (213,530)	\$ (5,850,674)
Business-type activities	257,503	1,548,446	4,587,430	2,402,949
Total primary government	<u>\$ (5,106,752)</u>	<u>\$ (3,026,873)</u>	<u>\$ 4,373,900</u>	<u>\$ (3,447,725)</u>

	2018	2019	2020	2021	2022	2023
\$	1,428,893	\$ 1,605,288	\$ 1,467,595	\$ 1,691,608	\$ 1,727,848	\$ 2,232,747
	3,431,047	3,670,170	3,910,066	4,217,615	4,428,016	5,379,597
	2,471,864	2,679,280	3,005,180	3,482,020	3,424,073	5,179,964
	861,720	740,197	697,569	628,341	662,172	671,523
	506,854	553,605	532,182	609,763	655,723	753,059
	-	-	-	-	-	-
	-	-	-	-	-	-
	895,800	885,363	821,970	769,473	707,114	651,581
	<u>9,596,178</u>	<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>
	7,246,085	8,722,426	8,539,475	9,912,066	10,141,412	11,622,027
	701,482	740,532	811,224	905,134	896,996	1,135,446
	<u>7,947,567</u>	<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>17,543,745</u>	<u>\$ 19,596,861</u>	<u>\$ 19,785,261</u>	<u>\$ 22,216,020</u>	<u>\$ 22,643,354</u>	<u>\$ 27,625,944</u>
\$	44,625	\$ 123,039	\$ 133,934	\$ 142,979	\$ 143,994	\$ 116,197
	877,433	59,485	45,353	74,565	120,370	152,023
	142,597	892,860	901,025	906,180	1,147,280	1,369,834
	12,500	9,148	2,935	-	3,250	5,050
	296,672	457,191	1,057,251	630,819	1,901,959	773,540
	1,244,094	2,929,400	3,417,766	6,438,792	918,211	-
	<u>2,617,921</u>	<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>
	8,616,924	9,416,981	9,902,818	10,798,917	12,821,447	12,908,283
	803,713	850,718	888,796	966,822	1,048,218	1,222,042
	-	-	-	1,156,045	-	-
	347,540	2,039,039	777,717	2,562,617	-	375,015
	<u>9,768,177</u>	<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>12,386,098</u>	<u>\$ 16,777,861</u>	<u>\$ 17,127,595</u>	<u>\$ 23,677,736</u>	<u>\$ 18,104,729</u>	<u>\$ 16,921,984</u>
\$	(6,978,257)	\$ (5,662,780)	\$ (4,876,298)	\$ (3,205,485)	\$ (7,369,882)	\$ (12,451,827)
	1,820,610	2,843,780	2,218,632	4,667,201	2,831,257	1,747,867
\$	<u>(5,157,647)</u>	<u>\$ (2,819,000)</u>	<u>\$ (2,657,666)</u>	<u>\$ 1,461,716</u>	<u>\$ (4,538,625)</u>	<u>\$ (10,703,960)</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,894,536	\$ 5,239,879	\$ 5,456,333	\$ 5,932,234
Sales and other taxes	1,000,205	1,063,151	582,830	594,959
Franchise taxes	525,783	561,488	553,374	432,420
Investment earnings	8,187	8,850	46,097	145,553
Other income	180,712	227,744	525,162	669,395
Transfers, net	204,000	225,900	239,850	268,324
Total governmental activities	<u>5,813,423</u>	<u>7,327,012</u>	<u>7,403,646</u>	<u>8,042,885</u>
Business-type activities:				
Investment earnings	7,037	2,969	15,750	107,595
Other income	-	-	-	742,548
Transfers, net	(204,000)	(225,900)	(239,850)	(268,324)
Total business-type activities	<u>(196,963)</u>	<u>(222,931)</u>	<u>(224,100)</u>	<u>581,819</u>
Total primary government	<u>\$ 5,616,460</u>	<u>\$ 7,104,081</u>	<u>\$ 7,179,546</u>	<u>\$ 8,624,704</u>
Change in Net Position				
Governmental activities	\$ 449,168	\$ 2,751,693	\$ 7,190,116	\$ 2,192,211
Business-type activities	60,540	1,325,515	4,363,330	2,984,768
Total primary government	<u>\$ 509,708</u>	<u>\$ 4,077,208</u>	<u>\$ 11,553,446</u>	<u>\$ 5,176,979</u>

	2018	2019	2020	2021	2022	2023
\$	6,521,177	\$ 6,726,636	\$ 7,026,134	\$ 7,591,621	\$ 7,449,687	\$ 7,827,431
	623,483	797,356	1,045,956	1,244,628	1,485,769	1,659,618
	562,368	585,109	561,567	559,495	625,609	692,309
	297,294	401,793	153,923	9,489	111,434	706,097
	229,469	801,278	272,463	989,328	863,560	320,933
	359,650	428,272	271,000	271,000	271,000	286,307
	<u>8,593,441</u>	<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>
	281,905	371,444	156,404	11,749	106,781	742,548
	-	-	243,469	87,606	101,748	481,381
	(359,650)	(428,272)	(271,000)	(271,000)	(271,000)	(286,307)
	<u>(77,745)</u>	<u>(56,828)</u>	<u>128,873</u>	<u>(171,645)</u>	<u>(62,471)</u>	<u>937,622</u>
\$	<u><u>8,515,696</u></u>	<u><u>9,683,616</u></u>	<u><u>9,459,916</u></u>	<u><u>10,493,916</u></u>	<u><u>10,744,588</u></u>	<u><u>12,430,317</u></u>
\$	1,615,184	\$ 4,077,664	\$ 4,454,745	\$ 7,460,076	\$ 3,437,177	\$ (959,132)
	1,742,865	2,786,952	2,347,505	4,495,556	2,768,786	2,685,489
\$	<u><u>3,358,049</u></u>	<u><u>6,864,616</u></u>	<u><u>6,802,250</u></u>	<u><u>11,955,632</u></u>	<u><u>6,205,963</u></u>	<u><u>1,726,357</u></u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund:				
Nonspendable	\$ 19,013	\$ 26,332	\$ 27,139	\$ 13,063
Committed	11,000	11,000	-	-
Unassigned	2,534,965	2,664,300	2,769,135	2,515,353
Total general fund	<u>\$ 2,564,978</u>	<u>\$ 2,701,632</u>	<u>\$ 2,796,274</u>	<u>\$ 2,528,416</u>
All other governmental funds:				
Restricted	\$ 19,981,226	\$ 19,366,246	\$ 13,953,548	\$ 16,545,608
Assigned	131,558	114,434	115,797	112,432
Total all other governmental funds	<u>\$ 20,112,784</u>	<u>\$ 19,480,680</u>	<u>\$ 14,069,345</u>	<u>\$ 31,982,596</u>

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

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 5,876	\$ 5,850	\$ 20,700	\$ 9,530	\$ 5,563	\$ 5,563
-	-	-	-	-	-
3,263,277	3,670,030	4,678,011	5,327,713	6,645,102	6,080,185
<u>\$ 3,269,153</u>	<u>\$ 3,675,880</u>	<u>\$ 4,698,711</u>	<u>\$ 5,337,243</u>	<u>\$ 6,650,665</u>	<u>\$ 6,085,748</u>
\$ 15,260,204	\$ 14,965,280	\$ 16,310,337	\$ 15,100,587	\$ 15,322,451	\$ 15,324,556
101,489	444,084	510,634	677,386	2,960,989	1,620,217
<u>\$ 15,361,693</u>	<u>\$ 15,409,364</u>	<u>\$ 16,820,971</u>	<u>\$ 15,777,973</u>	<u>\$ 18,283,440</u>	<u>\$ 16,944,773</u>

City of Heath, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2014	2015	2016	2017
Revenues				
Taxes	\$ 5,441,572	\$ 6,873,071	\$ 6,445,957	\$ 7,033,503
Licenses and permits	394,519	401,364	638,651	595,622
Intergovernmental	1,211,232	239,646	247,454	286,399
Charges for services	117,496	170,445	139,238	122,402
Fines and forfeitures	37,511	41,292	41,528	41,895
Special assessments	20,651	14,641	2,710	17,487
Investment income	8,187	8,850	46,097	145,553
Contributions and donations	-	-	-	-
Other revenue	189,889	1,224,304	405,162	659,954
Total Revenues	<u>7,421,057</u>	<u>8,973,613</u>	<u>7,966,797</u>	<u>8,902,815</u>
Expenditures				
Administration	1,030,082	1,257,621	1,325,467	1,301,454
Highways and streets	410,568	653,586	650,513	631,336
Parks	150,219	246,842	258,840	325,128
Engineering and building inspection	409,396	427,916	597,175	221,648
Municipal court	50,923	54,875	54,685	58,080
Public safety	2,643,877	2,813,878	2,902,410	2,987,087
Community development	-	-	65,353	458,584
Economic development	121,007	133,823	40,011	-
Economic opportunity	28,687	161,030	-	-
Debt service				
Principal	822,747	878,533	1,482,295	1,332,531
Interest	430,307	1,081,188	822,766	713,797
Bond issuance costs	87,555	-	46,474	125,638
Capital outlay	3,772,108	1,985,671	2,782,084	5,417,356
Total Expenditures	<u>9,957,476</u>	<u>9,694,963</u>	<u>11,028,073</u>	<u>13,572,639</u>
Revenues over (under) expenditures	(2,536,419)	(721,350)	(3,061,276)	(4,669,824)
Other Financing Sources (Uses)				
Transfers in	1,339,657	225,900	239,850	868,324
Transfers (out)	-	-	-	(600,000)
Proceeds from sale of assets	-	-	120,000	1,173
Premium on bonds issued	301,276	-	-	860,072
Debt issued	14,205,000	-	4,725,000	7,350,000
Payment to refunded bond escrow agent	-	-	(4,621,080)	(1,488,908)
Total other financing sources	<u>15,845,933</u>	<u>225,900</u>	<u>463,770</u>	<u>6,990,661</u>
Net Change in Fund Balances	<u>\$ 13,309,514</u>	<u>\$ (495,450)</u>	<u>\$ (2,597,506)</u>	<u>\$ 2,320,837</u>
Ratio of total debt service expenditures to noncapital expenditures	20%	25%	28%	25%

	2018	2019	2020	2021	2022	2023
\$	7,644,481	\$ 8,157,502	\$ 8,661,369	\$ 9,386,099	\$ 9,568,349	\$ 10,134,771
	881,462	892,860	899,025	906,180	1,147,280	1,369,834
	296,672	368,384	934,037	762,166	1,877,745	760,849
	139,951	132,187	138,869	142,979	147,244	121,247
	55,742	59,485	45,353	74,565	120,370	152,023
	34,396	12,878	39,109	81,859	18,991	14,824
	297,294	401,793	153,923	9,489	111,434	706,097
	-	85,438	123,214	59,259	68,281	12,691
	226,332	588,710	1,620,791	1,264,451	1,649,946	311,738
	<u>9,576,330</u>	<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>
	1,359,764	1,465,327	1,211,884	1,290,737	1,516,063	2,154,894
	511,485	545,822	568,920	812,403	627,732	1,481,597
	619,490	550,035	492,752	423,057	478,407	513,927
	187,946	181,227	204,646	211,231	185,179	291,050
	62,069	47,748	48,841	51,082	81,420	82,890
	3,097,427	3,404,836	3,750,043	4,341,904	4,223,212	4,896,776
	506,854	553,605	531,712	604,128	649,847	740,534
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,346,085	1,394,900	1,630,541	1,879,082	1,912,483	1,907,812
	1,085,672	875,137	882,263	821,321	751,733	692,675
	-	-	-	-	-	-
	1,718,167	2,019,543	1,132,174	2,936,618	816,095	3,011,810
	<u>10,494,959</u>	<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>
	(918,629)	(338,943)	2,161,914	(684,516)	3,467,469	(2,189,891)
	359,650	880,900	595,300	875,800	1,812,752	1,604,602
	-	(540,900)	(324,300)	(604,800)	(1,541,752)	(1,318,295)
	-	-	-	9,500	79,970	-
	-	-	-	-	-	-
	-	453,341	-	-	-	-
	-	-	-	-	-	-
	<u>359,650</u>	<u>793,341</u>	<u>271,000</u>	<u>280,500</u>	<u>350,970</u>	<u>286,307</u>
\$	<u>(558,979)</u>	<u>\$ 454,398</u>	<u>\$ 2,432,914</u>	<u>\$ (404,016)</u>	<u>\$ 3,818,439</u>	<u>\$ (1,903,584)</u>
	28%	25%	27%	26%	26%	20%

(This page intentionally left blank.)

City of Heath, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2013	\$ 1,174,084,201	\$ 18,668,100	\$ 107,786,000	\$ 1,084,966,301	\$ 0.34330
2014	1,222,944,691	19,788,280	110,634,664	1,132,098,307	0.34330
2015	1,303,855,443	20,525,510	118,167,490	1,206,213,463	0.42660
2016	1,363,145,688	21,756,470	119,374,987	1,265,527,171	0.42660
2017	1,506,628,525	21,403,513	120,337,169	1,407,694,869	0.41731
2018	1,647,230,153	22,981,067	126,200,460	1,544,010,760	0.41731
2019	1,840,975,263	24,819,064	163,568,845	1,702,225,482	0.38911
2020	1,991,368,312	29,936,255	140,147,181	1,881,157,386	0.37933
2021	2,136,828,540	40,988,125	146,916,232	2,030,900,433	0.37657
2022	2,330,474,093	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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Direct Rates:				
City of Heath - Operating	0.26360	0.27360	0.27360	0.27009
City of Heath - Debt Service	0.07970	0.15300	0.15300	0.14722
Total Direct Rate	<u>0.34330</u>	<u>0.42660</u>	<u>0.42660</u>	<u>0.41731</u>
Overlapping Rates:				
Rockwall Independent School District	1.46000	1.44000	1.44000	1.46500
Rockwall County	0.39590	0.39590	0.39590	0.37590
Kaufman County	0.48250	0.50220	0.48950	0.49670
Total Direct and Overlapping Rates	<u>2.6817</u>	<u>2.7647</u>	<u>2.7520</u>	<u>2.7549</u>

Tax rates per \$100 of assessed valuation.

Source: Rockwall Central Appraisal Districts and City records.

2018	2019	2020	2021	2022	2023
0.27009	0.25651	0.24522	0.24758	0.22371	0.19271
0.14722	0.13260	0.13411	0.12899	0.11559	0.09847
0.41731	0.38911	0.37933	0.37657	0.33931	0.29118
1.44000	1.43000	1.35000	1.31000	1.27360	1.21460
0.34980	0.32840	0.32500	0.31310	0.31310	0.29250
0.48870	0.47870	0.43912	0.50496	0.37999	0.34585
2.6958	2.6262	2.4935	2.5046	2.3060	2.1441

(This page intentionally left blank.)

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

Property Tax Payer	2023			2014		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Oncor Electric Delivery Co	\$ 13,127,330.00	1	0.489%	\$ 5,755,280	2	0.508%
Heath Younger LLC	11,768,949.00	2	0.438%	-	n/a	-
SNH Medical Office Properties Trust	8,207,970	3	0.306%	5,957,600	1	-
Scooby Doo Trust	7,658,786	4	0.285%	-	n/a	-
5 Sharp Real Estate LLC	6,866,600	5	0.256%	-	n/a	0.000%
HGYC LLC	6,573,603	6	0.245%	-	n/a	-
Rush Creek Yacht Club	5,237,372	7	0.195%	-	n/a	-
Levine, Jeremy Trustee of NCD Holding	4,993,120	8	0.186%	-	n/a	-
BC Golf LTD	4,924,060	9	0.183%	5,084,870	3	-
Reid B Living Trust	4,908,015	10	0.183%	-	n/a	-
Whittle Development Co	-	n/a	-	2,799,890	5	0.247%
Rosenburg, James	-	n/a	-	2,548,350	6	0.225%
BC Golf LTD	-	n/a	-	-	n/a	0.000%
TR Heath Partners LTD	-	n/a	-	2,471,630	8	0.218%
Paolucci, Raymond J	-	n/a	-	3,291,810	4	0.291%
Kirwan, David & Patricia	-	n/a	-	2,522,000	7	0.223%
Corona Resources Ltd	-	n/a	-	2,424,140	9	0.214%
Knowlton, Larry & Tricia	-	n/a	-	2,291,220	10	0.202%
Total	\$ 74,265,805		2.77%	\$ 35,146,790		2.13%
Total Assessed Valuation	\$ 2,684,970,028		100%	\$ 1,132,098,307		100%

Source: Tax Office.

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

City of Heath, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tax levy	\$ 3,908,072	\$ 5,188,753	\$ 5,428,420	\$ 5,901,467
Current tax collected	\$ 3,844,606	\$ 5,125,661	\$ 5,353,707	\$ 5,819,243
Percent of current tax collections	98.4%	98.8%	98.6%	98.6%
Delinquent tax collections	\$ 60,402	\$ 58,239	\$ 68,941	\$ 75,688
Total tax collections	\$ 3,905,008	\$ 5,183,900	\$ 5,422,648	\$ 5,894,931
Total collections as a percentage of levy	99.9%	99.9%	99.9%	99.9%

Source: Rockwall Central Appraisal District

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	6,441,938	\$ 6,632,131	\$ 6,977,697	\$ 7,557,688	\$ 7,387,714	\$ 7,757,970
\$	6,366,282	\$ 6,587,644	\$ 6,926,222	\$ 7,510,780	\$ 7,353,167	\$ 7,703,160
	98.8%	99.3%	99.3%	99.4%	99.5%	99.3%
\$	68,253	\$ 33,923	\$ 36,927	\$ 26,369	\$ 11,803	\$ -
\$	6,434,535	\$ 6,621,567	\$ 6,963,149	\$ 7,537,149	\$ 7,364,970	\$ 7,703,160
	99.9%	99.8%	99.8%	99.7%	99.7%	99.3%

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:				
General Obligation Bonds	\$ 3,490,000	\$ 3,060,000	\$ 7,335,000	\$ 6,950,000
Certificates of Obligation	21,693,106	21,353,734	16,006,681	20,590,000
Premiums	587,351	541,830	427,686	1,127,083
Discounts	(93,804)	(85,666)	(22,537)	-
Leases	104,868	53,346	-	-
Note Payable to Texas Comptroller	-	-	-	220,850
Notes Payable	128,017	96,977	64,975	31,895
Business-type activities:				
General Obligation Bonds	3,955,000	3,625,000	6,485,000	6,140,000
Certificates of Obligation	10,921,894	10,441,266	6,933,312	17,905,000
Premium	395,304	352,944	269,229	1,689,695
Discounts	(72,987)	(65,851)	(25,602)	-
Contract Revenue Bonds	660,000	613,380	563,380	511,718
Total primary government	<u>\$ 41,768,749</u>	<u>\$ 39,986,960</u>	<u>\$ 38,037,124</u>	<u>\$ 55,166,241</u>
Percentage of personal income (1)	8.92%	7.97%	8.14%	10.13%
Per capita (1)	\$ 3,551	\$ 3,277	\$ 3,833	\$ 4,141

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	6,275,000	\$ 5,570,000	\$ 4,850,000	\$ 4,110,000	\$ 3,340,000	\$ 2,540,000
	19,980,000	19,798,341	18,915,250	17,804,448	16,734,675	15,626,863
	1,049,619	973,756	897,685	821,822	756,153	696,681
	-	-	-	-	-	-
	-	-	-	-	-	-
	191,660	136,760	109,310	72,710	-	-
	-	-	-	-	-	-
	5,310,000	4,440,000	3,540,000	2,605,000	1,930,000	1,560,000
	17,830,000	17,766,802	17,431,893	17,042,651	16,397,834	15,621,451
	1,574,941	1,460,187	1,345,119	1,230,366	1,136,938	1,056,478
	-	-	-	-	-	-
	458,390	401,729	-	-	-	-
	<u>\$ 52,669,610</u>	<u>\$ 50,547,575</u>	<u>\$ 47,089,257</u>	<u>\$ 43,686,997</u>	<u>\$ 40,295,600</u>	<u>\$ 37,101,473</u>
	9.50%	8.12%	6.80%	5.68%	5.47%	4.94%
\$	3,803	\$ 3,626	\$ 3,036	\$ 2,711	\$ 2,416	\$ 2,015

City of Heath, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2014	2015	2016	2017
NET TAXABLE ASSESSED VALUE				
All property	\$ 1,132,098,307	\$ 1,206,213,463	\$ 1,265,527,171	\$ 1,407,694,869
NET BONDED DEBT (1)				
Gross bonded debt	41,535,864	39,836,637	37,972,149	54,913,496
Less debt service funds	569,257	552,757	301,248	350,799
Net Bonded Debt	\$ 40,966,607	\$ 39,283,880	\$ 37,670,901	\$ 54,562,697
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	3.62%	3.26%	2.98%	3.88%
POPULATION	7,606	7,910	8,114	8,275
NET BONDED DEBT PER CAPITA	\$ 5,386	\$ 4,966	\$ 4,643	\$ 6,594

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

(1) This is the general bonded debt of both governmental and business-type

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 1,544,010,760	\$ 1,702,225,482	\$ 1,881,157,386	\$ 2,030,900,433	\$ 2,215,490,826	\$ 2,684,970,028
52,477,950	50,410,815	46,979,947	43,614,287	40,295,600	37,101,473
263,863	374,478	426,009	441,781	521,194	563,189
<u>\$ 52,214,087</u>	<u>\$ 50,036,337</u>	<u>\$ 46,553,938</u>	<u>\$ 43,172,506</u>	<u>\$ 39,774,406</u>	<u>\$ 36,538,284</u>
3.38%	2.94%	2.47%	2.13%	1.80%	1.36%
8,425	9,041	9,769	10,311	9,890	10,660
\$ 6,198	\$ 5,534	\$ 4,765	\$ 4,187	\$ 4,022	\$ 3,428

City of Heath, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2023

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Rockwall Independent School District	\$ 870,134,869	16.98%	\$ 147,787,578
Rockwall County	137,325,000	17.95%	24,652,742
Kaufman County	175,490,000	0.50%	878,553
Subtotal, overlapping debt			173,318,872
City direct debt			18,863,544
Total direct and overlapping debt			\$ 192,182,416

Sources: Rockwall ISD, Rockwall County, Kaufman County

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

City of Heath, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Estimated Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
				Rockwall ISD	Rockwall County
2014	7,606	506,669,724	66,614	4,539	4.5%
2015	7,910	451,571,787	57,089	4,650	3.7%
2016	8,114	467,300,719	57,592	4,677	3.5%
2017	8,275	495,841,034	59,920	4,895	3.4%
2018	8,425	514,550,787	61,074	5,076	3.2%
2019	9,041	622,395,896	68,841	5,270	2.8%
2020	9,769	692,703,696	70,908	5,170	6.1%
2021	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%

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	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rockwall ISD	1,944	1	6.67%	1,556	1	8.33%
L-3 Harris Technologies	700	2	2.40%	-	n/a	n/a
Texas Health Presbyterian Hospital	700	3	2.40%	592	2	3.17%
Pegasus Foods	700	4	2.40%	-		0.00%
Wal-Mart Superstore	450	4	1.54%	492	3	2.63%
Channell Commercial	380	6	1.30%	-		0.00%
County of Rockwall	364	7	1.25%	299	4	1.60%
City of Rockwall	353	8	1.21%	262	6	1.40%
Texas Star Express/Epes Transport	275	9	0.94%	275	5	1.47%
Karat by Lollicup USA	260	10	0.89%	-		n/a
Hilton Bella Harbor	-	n/a	n/a	250	7	1.34%
Costco	-	n/a	n/a	250	8	1.34%
Special Products & Manufacturing	-	n/a	n/a	205	9	1.10%
Target	-	n/a	n/a	200	10	1.07%
Total	6,126		21.01%	4,381		23.46%

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

City of Heath, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2014</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>
General government and administration	5.00	5.00	6.00	6.00	6.00	5.50	5.25	5.25	5.25	12.00
Public safety	19.0	21.5	23.0	23.0	23.0	24.0	26.0	28.5	34.0	36.0
Public works	5.0	5.4	7.0	7.2	3.5	2.5	3.0	3.5	7.0	6.5
Community development	-	-	-	-	3.5	3.5	4.5	4.5	4.5	6.0
Culture and recreation	1.0	1.0	1.0	1.0	4.0	3.5	3.5	3.5	5.0	4.0
Water and sewer	9.0	9.0	10.3	12.3	12.0	13.0	13.8	13.8	12.3	9.0
Total	<u>39</u>	<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>

Sources: Various City departments.

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

Function/Program	2014	2015	2016	2017
General government				
Building permits issued	71	79	116	131
Building inspections conducted	1,224	1,352	4,949	6,944
Public safety				
Police				
Physical arrests	71	58	79	45
Burglary	5	8	5	10
Robbery	-	-	-	2
Theft	35	38	37	30
Traffic violations	309	242	347	293
Fire				
Emergency responses	143	145	172	257
Fires extinguished	3	7	9	16
Inspections	4	2	49	179
Public works				
Streets (feet)	16,440	25,200	52,380	38,016
Water				
New connections	100	92	143	176
Average monthly consumption (thousands of gallons)	18	19	17	16
Wastewater				
Average daily sewage treatment (thousands of gallons)	288,200	410,772	525,694	428,364

Sources: Various City departments.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
142	128	108	222	217	79
6,894	8,148	6,739	8,379	24,057	7,721
46	40	27	146	277	272
6	8	3	3	5	3
1	1	-	-	-	-
34	23	31	3	51	48
632	813	693	917	1,370	5,721
271	238	174	482	570	602
2	4	3	13	14	35
242	301	338	131	212	246
28,840	106,281	16,683	69,120	81,126	166,770
147	213	173	197	306	163
19	19	17	15	18	17
685,706	625,907	611,070	700,201	391,088	849,423

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

Function/Program	2014	2015	2016	2017
Public safety				
Police stations	1	1	1	1
Police patrol units	12	12	12	13
Fire engines	3	3	3	3
Public works				
Streets (linear feet)	399,883	402,181	402,181	406,804
Cultural and recreational				
Acreage	94	94	94	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	523,040	527,874	536,639
Fire hydrants	663	663	669	680
Wastewater				
Sanitary sewers (linear feet)	376,679	376,679	388,316	400,842
Storm sewers (miles)	14	15	15	16

Sources: Various City departments.

(1) Does not include HOA playgrounds.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1	1	1	1	1	1
13	12	15	16	16	16
3	3	3	3	3	3
409,102	430,760	433,064	433,064	674,460	679,710
100	100	100	100	100	100
2	2	3	3	3	3
1	1	1	1	1	1
3	3	5	5	5	5
1	1	1	1	1	1
556,525	556,525	556,586	556,586	575,494	581,004
705	705	705	705	787	801
413,368	413,368	413,439	413,439	405,844	411,159
16	17	17	18	21	21

(This page intentionally left blank.)