

CITY OF BALCONES HEIGHTS, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED

SEPTEMBER 30, 2013

OFFICIALS ISSUING REPORT

Amy Buckert
City Administrator

Yvonne Griffin
Finance Director



CITY OF BALCONES HEIGHTS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

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INTRODUCTORY SECTION



CITY OF BALCONES HEIGHTS

3300 Hillcrest
Balcones Heights, Texas 78201
(210) 735-9148

December 19, 2013

The Honorable Mayor, City Council, and the Citizens of City of Balcones Heights

We are pleased to present the comprehensive Annual Financial Report for the City of Balcones Heights, Texas, for the fiscal year ended September 30, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the presented 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 various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Balcones Heights financial statements have been audited by Armstrong, Vaughan & Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Balcones Heights for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has issued an unmodified ('clean') opinion on the City's financial statements for the year ended September 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

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

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, and a list of principal officials. The financial sections includes the management's discussion and analysis letter, the government-wide financial statements, the fund financial statements, notes to the financial statements, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the City. The City provides a full range of services including: police and fire protection, health services, visitor initiatives, maintenance of streets and parks, planning and zoning, and general administrative services.

City of Balcones Heights Profile. The City of Balcones Heights is a city in Bexar County, Texas, United States. The population was 2,941 as of the 2010 census. Balcones Heights is considered by locals to be a part of San Antonio, despite the fact that the community was incorporated in 1948 to avoid annexation into the city. Balcones Heights is an enclave of San Antonio, as the San Antonio city limits now completely surround it. It is part of the San Antonio Metropolitan Statistical Area.

Balcones Heights is a Type A General Law municipality.

Local economy. The City of Balcones Heights' economy is a contributor to the economy of San Antonio Metropolitan statistical area. Retail and office complexes are a primary industry. Its proximity to the Medical Center makes the city a natural match for medical offices. As such, Balcones Heights is home to Texsan Methodist Hospital, the VA Clinic and Career Point, which hosts a successful and growing nursing program.

The City has continued to follow the path set out in its Master Plan in 2009, and as such is working toward a private/public partnership with Wonderland of the Americas and VIA Metropolitan Transit. This project will contribute to the local economy by attracting additional retailers to the area, and also by providing a tie into transit oriented development (TOD). The City's location on the new VIA Primo Bus Rapid transit (BRT) line is currently bringing in an additional 6,000 riders per day to the Balcones Heights area.

Overall sales tax in Balcones Heights is holding steady/rising slightly in spite of the current economic conditions.

FINANCIAL INFORMATION

Internal Control. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The City utilizes a computerized financial accounting system, which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurances. A new cash handling policy was implemented this year to continue improving processes.

Budgeting Controls. The City also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. However, budgetary accounting is maintained on a line-item basis.

Retirement Plan. The City provides pension benefits for all of its full-time employees through the statewide Texas Municipal Retirements System (TMRS), an agent multiple-employee retirement system.

OTHER INFORMATION

Independent Audit. The City receives an annual audit of the books, accounts, financial records, and transaction of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with and the independent auditors' report by Armstrong, Vaughan & Associates, P.C. Certified Public Accountants, has been included in this report.

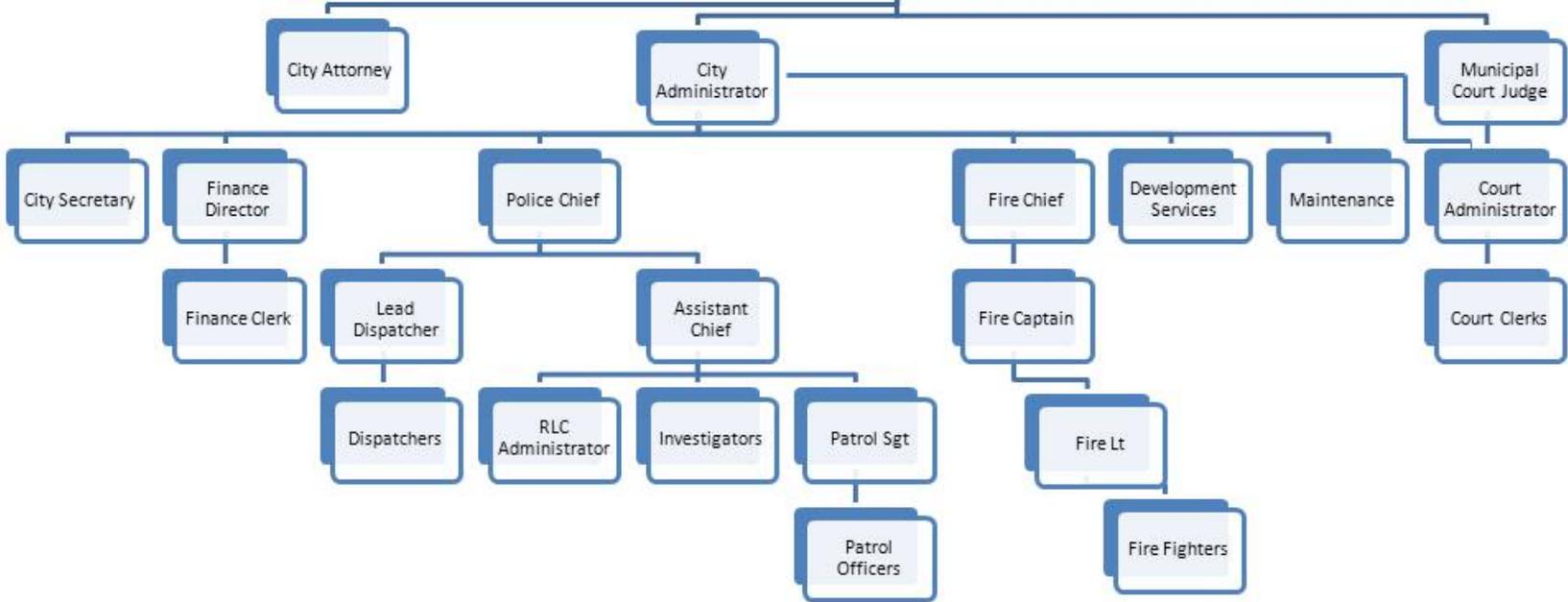
Acknowledgements. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the City Council and the citizens of the City of Balcones Heights for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

A handwritten signature in black ink, appearing to read 'Amy Buckert', written in a cursive style.

Amy Buckert
City Administrator



City Council



CITY OF BALCONES HEIGHTS, TEXAS

CITY OFFICIALS

MAYOR

SUZANNE DeLEON

CITY COUNCIL

MIGUEL VALVERDE

MADELINE SLAY

JACK BURTON

LAMAR GILLIAN

CHARLES WHITE

CITY ADMINISTRATOR

AMY BUCKERT

ATTORNEY

DAVIDSON & TROILO

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



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Reporting**

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**City of Balcones Heights
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Balcones Heights, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Balcones Heights, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Balcones Heights, Texas, as of September 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Information for the business-type activities for the year ended September 30, 2012 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unqualified opinion in our report dated January 10, 2013.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Analysis of Funding Progress as identified in the Table of Contents 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 regarding the methods of preparing the information and comparing the information for consistency with management's response 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Balcones Heights, Texas' basic financial statements. The introductory section, comparative statements for the General Fund, combining and individual nonmajor fund financial statements, budgetary comparison information for other nonmajor funds, and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The comparative statements for the General Fund, combining and individual nonmajor fund financial statements, and budgetary comparison information for nonmajor funds are the responsibility of management and were derived from and relate 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison information is fairly stated, in all material respects, in relation to the financial statements taken 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the City of Balcones Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering City of Balcones Heights's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

December 19, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Balcones Heights annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2013. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

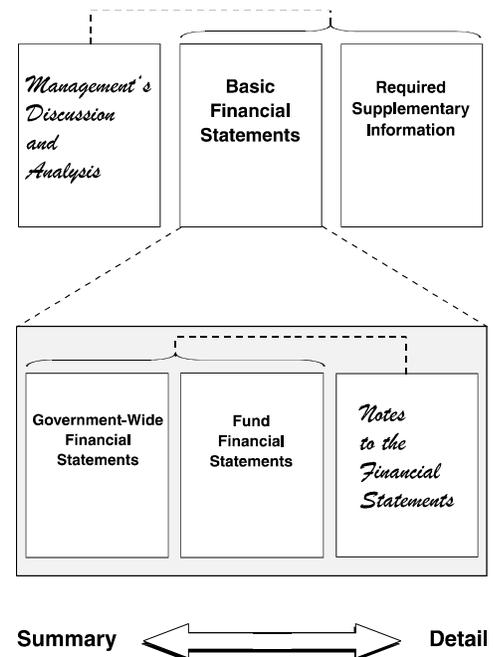
- The City’s total combined net position was \$8,624,293 at September 30, 2013.
- During the year, the City’s expenses were \$883,918 less than the \$7,048,924 generated in taxes and other revenues for governmental and business type activities.
- The City started a capital project for reconstruction of Beryl Street.
- The general fund reported a fund balance this year of \$1,828,938, an increase of \$259,528 from last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as water and sewer services.

Figure A-1F, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1F shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets plus deferred outflows and liabilities plus deferred inflows—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City’s tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, public works, health and welfare, culture and recreation and general administration. Property taxes, franchise fees and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position were \$8,624,293. (See Table A-1).

Table A-1
Balcones Heights Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual 2013-2012
	2013	2012	2013	2012	2013	2012	
Assets							
Cash and Investments	\$ 4,290,011	\$ 3,411,671	\$ 17,267	\$ 68,500	\$ 4,307,278	\$ 3,480,171	24%
Receivables: (net of allowances of uncollectible)							
Taxes	32,597	32,557	-	-	32,597	32,557	0%
Accounts	64,276	4,424	45,190	35,479	109,466	39,903	174%
Due from Other Governments	349,980	559,257	-	-	349,980	559,257	-37%
Prepays	9,281	-	-	-	9,281	-	100%
Deferred Charges	-	21,056	-	-	-	21,056	-100%
<i>Capital Assets:</i>							
Land	604,672	604,672	-	-	604,672	604,672	0%
Buildings and Improvements	2,953,360	2,953,360	-	-	2,953,360	2,953,360	0%
Improvements Other than Buildings	2,898,512	2,898,512	119,124	119,124	3,017,636	3,017,636	0%
Transportation and Equipment	2,177,163	2,002,295	-	-	2,177,163	2,002,295	9%
Construction in Progress	100,979	76,357	-	-	100,979	76,357	32%
Accumulated Depreciation	<u>(3,283,659)</u>	<u>(3,090,943)</u>	<u>(43,335)</u>	<u>(40,953)</u>	<u>(3,326,994)</u>	<u>(3,131,896)</u>	6%
Total Assets	<u>10,197,172</u>	<u>9,473,218</u>	<u>138,246</u>	<u>182,150</u>	<u>10,335,418</u>	<u>9,655,368</u>	7%
Deferred Outflows of Resources							
Deferred Loss on Debt Refunding	<u>5,569</u>	<u>11,645</u>	<u>-</u>	<u>-</u>	<u>5,569</u>	<u>11,645</u>	-52%
Total Deferred Outflows	<u>5,569</u>	<u>11,645</u>	<u>-</u>	<u>-</u>	<u>5,569</u>	<u>11,645</u>	-52%
Liabilities							
<i>Current Liabilities:</i>							
Accounts Payable and							
Accrued Liabilities	519,665	485,946	84,498	39,065	604,163	525,011	15%
Accrued Interest Payable	3,327	5,321	-	-	3,327	5,321	-37%
<i>Noncurrent Liabilities:</i>							
Pension Benefit Obligation	208,292	207,756	-	-	208,292	207,756	0%
Due Within One Year	391,956	374,775	-	-	391,956	374,775	5%
Due in More Than One Year	<u>508,956</u>	<u>813,775</u>	<u>-</u>	<u>-</u>	<u>508,956</u>	<u>813,775</u>	-37%
Total Liabilities	<u>1,632,196</u>	<u>1,887,573</u>	<u>84,498</u>	<u>39,065</u>	<u>1,716,694</u>	<u>1,926,638</u>	-11%
Net Position							
Net Investment in Capital Assets	4,715,596	4,412,898	75,789	78,171	4,791,385	4,491,069	7%
Restricted	819,550	532,320	-	-	819,550	532,320	54%
Unrestricted	<u>3,035,399</u>	<u>2,652,072</u>	<u>(22,041)</u>	<u>64,914</u>	<u>3,013,358</u>	<u>2,716,986</u>	11%
Total Net Position	<u>\$ 8,570,545</u>	<u>\$ 7,597,290</u>	<u>\$ 53,748</u>	<u>\$ 143,085</u>	<u>\$ 8,624,293</u>	<u>\$ 7,740,375</u>	11%

Approximately 1.3 percent of the City's net position represents proceeds from property taxes that are restricted. These proceeds, when spent, are restricted for retirement of debt. The \$3,013,358 of unrestricted net position represents resources available to fund the programs of the City next year.

Changes in Net Position. The City's total revenues were \$7,048,924. A significant portion, (54%), of the City's revenue comes from taxes; (See Figure A-3.) 2% comes from grants, 7% comes from interest and miscellaneous revenue, while 37% percent relates to charges for services (including fines and forfeitures).

Figure A-3
Sources of Revenue for Fiscal Year 2013

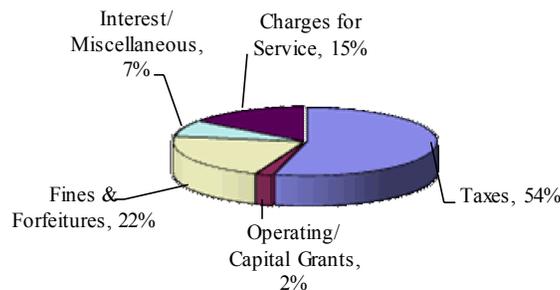


Table A-2
Changes in Balcones Heights Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2013-2012
	2013	2012	2013	2012	2013	2012	
Program Revenues:							
Charges for Services	\$ 2,090,484	\$ 2,093,405	\$ 477,004	\$ 442,596	\$ 2,567,488	\$ 2,536,001	1.2%
Operating Grants and Contributions	-	-	-	-	-	-	0.0%
Capital Grants and Contributions	137,496	404,886	-	-	137,496	404,886	-66.0%
General Revenues							
Property Taxes	1,220,099	1,180,873	-	-	1,220,099	1,180,873	3.3%
Utility Franchise	288,083	289,779	-	-	288,083	289,779	-0.6%
Sales Tax	2,061,790	1,897,308	-	-	2,061,790	1,897,308	8.7%
Hotel Occupancy Tax	210,661	196,051	-	-	210,661	196,051	7.5%
Mixed Beverage Tax	28,924	29,259	-	-	28,924	29,259	-1.1%
Investment Earnings	2,487	2,854	4	8	2,491	2,862	-13.0%
Miscellaneous	531,892	207,133	-	-	531,892	207,133	156.8%
Total Program Revenues:	<u>6,571,916</u>	<u>6,301,548</u>	<u>477,008</u>	<u>442,604</u>	<u>7,048,924</u>	<u>6,744,152</u>	4.5%
General Government	987,456	1,000,171	-	-	987,456	1,000,171	-1.3%
Public Safety	4,015,397	4,096,781	-	-	4,015,397	4,096,781	-2.0%
Public Works	264,227	244,048	-	-	264,227	244,048	8.3%
Health and Welfare	13,073	13,354	-	-	13,073	13,354	-2.1%
Culture and Recreation	256,089	256,667	-	-	256,089	256,667	-0.2%
Interest on Long-Term Debt	62,419	58,525	-	-	62,419	58,525	6.7%
Wastewater	-	-	566,345	458,527	566,345	458,527	23.5%
Total Expenses	<u>5,598,661</u>	<u>5,669,546</u>	<u>566,345</u>	<u>458,527</u>	<u>6,165,006</u>	<u>6,128,073</u>	0.6%
Increase (Decrease) in Net Position	<u>\$ 973,255</u>	<u>\$ 632,002</u>	<u>\$ (89,337)</u>	<u>\$ (15,923)</u>	<u>\$ 883,918</u>	<u>\$ 616,079</u>	43.5%

The total cost of all programs and services was \$6,165,006; 65% of these costs are for Public Safety and 16% are for General Government. The remaining 19% is for all other programs.

Governmental Activities

- Property tax rates did not increase from the prior year. The increase in revenues was due to maintaining the effective tax rate when property values increased.
- The City did not sell any capital bonds in fiscal 2013.

Table A-3
Net Cost of Selected City Functions
(In thousands dollars)

	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
General Government	\$ 987,456	\$ 1,000,171	-1.3%	\$ 698,486	\$ 843,473	-17.2%
Public Safety	4,015,397	4,096,781	-2.0%	2,220,343	2,177,215	2.0%
Public Works	264,227	244,048	8.3%	126,006	(172,644)	-173.0%
Health & Welfare	13,073	13,354	-2.1%	13,073	13,354	-2.1%
Culture & Recreation	256,089	256,667	-0.2%	250,354	251,332	-0.4%
Wastewater	566,345	458,527	23.5%	89,341	15,931	460.8%
Interest on Long Term Debt	62,419	58,525	6.7%	62,419	58,525	6.7%
	<u>\$ 6,165,006</u>	<u>\$ 6,128,073</u>	0.6%	<u>\$ 3,460,022</u>	<u>\$ 3,187,186</u>	8.6%

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$5,598,661.
- Sales Tax (paid by residents and visitors alike) was \$2,061,790, or 37% of all activity expenses.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,220,099 or 22%.
- Some of the cost, \$2,090,484 or 37% was paid by those who directly benefited from the programs and activities.
- A portion of the cost was funded (paid) by grants and contributions totaling \$137,496 or 2%.

Business-Type Activities

Revenues of the City's business-type activities increased 8% to \$477,004 and expenses increased 24% to \$566,345.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$6,568,264 in fiscal 2013. This is an increase of \$501,341 from 2012 revenues. The increase in local revenues is a result of slightly higher sales tax, increase in appraised property values, final payment of CIED funds from City Public Service, and increase from federal and state forfeitures.

General Fund Budgetary Highlights

Over the course of the year, the City amended its general fund budget four times. In addition, there were numerous revisions to individual cost centers made within the available appropriations. Even with these adjustments, actual general fund expenditures were \$383,545 below final budget amounts. Generally, every major division had a positive variance. Sales tax numbers were higher than budgeted.

- Property tax collections were still \$5,831 less than expected.
- City Sales Tax was \$92,264 more than expected.
- Court fines and forfeitures were \$37,039 less than expected even after a budget amendment.
- Other sources were \$18,158 less than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had invested \$8,853,810 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$3,326,994 results in a total Net Capital Asset value of \$5,526,816.

Table A-4
City's Capital Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013-2012
Land	\$ 604,672	\$ 604,672	\$ -	\$ -	\$ 604,672	\$ 604,672	0.0%
Buildings and Improvements	2,953,360	2,953,360	-	-	2,953,360	2,953,360	0.0%
Transportation and Equipment	2,177,163	2,002,295	-	-	2,177,163	2,002,295	8.7%
Streets and Grounds	2,898,512	2,898,512	119,124	119,124	3,017,636	3,017,636	0.0%
Construction in Progress	100,979	76,357	-	-	100,979	76,357	32.2%
Totals at Historical Cost	<u>8,734,686</u>	<u>8,535,196</u>	<u>119,124</u>	<u>119,124</u>	<u>8,853,810</u>	<u>8,654,320</u>	2.3%
Total Accumulated Depreciation	<u>(3,283,659)</u>	<u>(3,090,943)</u>	<u>(43,335)</u>	<u>(40,953)</u>	<u>(3,326,994)</u>	<u>(3,131,896)</u>	6.2%
Net Capital Assets	<u>\$ 5,451,027</u>	<u>\$ 5,444,253</u>	<u>\$ 75,789</u>	<u>\$ 78,171</u>	<u>\$ 5,526,816</u>	<u>\$ 5,522,424</u>	0.1%

The City's capital budget does provide appropriations for fiscal 2013 capital projects to include capital equipment (computers) replacement and the partial funding of Beryl Street. The City will use Community Development Block Grant funds (CDBG) for a portion of the balance of the project for Beryl Street. More detailed information about the City's capital assets is presented in the Note H on page 36 of this report.

Bond Ratings

The City's bonds were last rated in 1994 and carry a "Baa2" underlying rating with Moody's Investor Services.

LONG TERM DEBT

At year-end the City had \$741,000 in bonded debt as shown in Table A-5. More detailed information about the City's debt is presented in Note I on page 37 of this report.

Table A-5
City's Long-Term Debt
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013-2012
Bonds Payable	\$ 741,000	\$ 1,043,000	\$ -	\$ -	\$ 741,000	\$ 1,043,000	-29.0%
Compensated Absences	159,912	145,550	-	-	159,912	145,550	9.9%
Total Bonds & Notes Payable	<u>\$ 900,912</u>	<u>\$ 1,188,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,912</u>	<u>\$ 1,188,550</u>	-24.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Actual General Fund revenues for fiscal 2014 are anticipated to increase to a total budgeted amount of \$4,439,503. This is a decrease of \$36,171 less than the 2013 final revenues. The decrease will be less than 1%, this will be the result of decreased building permits and court revenue.
- City sales tax revenues are anticipated to rise slightly due to new business in 2014.
- The beginning General Fund balance available for appropriation in 2014 is \$1,828,638 (22% higher than last year).
- General Fund expenditures for 2014 are budgeted at \$4,439,503. This is a decrease of \$64,413 below the 2013 final expenditures. This decrease is down from moving two police positions to Crime Control.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department.

CITY OF BALCONES HEIGHTS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 4,290,011	\$ 17,267	\$ 4,307,278
Receivables (Net of Allowances for Uncollectibles):			
Taxes	32,597	-	32,597
Accounts	64,276	45,190	109,466
Due from Other Governments	349,980	-	349,980
Prepays	9,281	-	9,281
Capital Assets:			
Land	604,672	-	604,672
Buildings & Improvements	2,953,360	-	2,953,360
Infrastructure - Streets & Drainage	2,898,512	119,124	3,017,636
Transportation & Equipment	2,177,163	-	2,177,163
Construction in Progress	100,979	-	100,979
Accumulated Depreciation	(3,283,659)	(43,335)	(3,326,994)
TOTAL ASSETS	<u>10,197,172</u>	<u>138,246</u>	<u>10,335,418</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding	5,569	-	5,569
TOTAL DEFERRED OUTFLOWS	<u>5,569</u>	<u>-</u>	<u>5,569</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable and Other Current Liabilities	519,665	84,498	604,163
Accrued Interest Payable	3,327	-	3,327
<i>Noncurrent Liabilities:</i>			
Pension Benefit Obligation	208,292	-	208,292
Due within One Year	391,956	-	391,956
Due in more than One Year	508,956	-	508,956
TOTAL LIABILITIES	<u>1,632,196</u>	<u>84,498</u>	<u>1,716,694</u>
NET POSITION			
Net Investment in Capital Assets	4,715,596	75,789	4,791,385
Restricted for:			
Crime Control	325,943	-	325,943
Debt Service	114,581	-	114,581
Public Safety and Security	286,319	-	286,319
Traffic Safety	80,868	-	80,868
PEG Capital Fees	11,839	-	11,839
Unrestricted	3,035,399	(22,041)	3,013,358
TOTAL NET POSITION	<u>\$ 8,570,545</u>	<u>\$ 53,748</u>	<u>\$ 8,624,293</u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 987,456	\$ 288,970	\$ -	\$ -
Public Safety	4,015,397	1,795,054	-	-
Public Works	264,227	725	-	137,496
Health & Welfare	13,073	-	-	-
Culture & Recreation	256,089	5,735	-	-
Interest on Long-Term Debt	62,419	-	-	-
Total Governmental Activities	<u>5,598,661</u>	<u>2,090,484</u>	<u>-</u>	<u>137,496</u>
Business-Type Activities:				
Wastewater	566,345	477,004	-	-
Total Business-Type Activities	<u>566,345</u>	<u>477,004</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 6,165,006</u>	<u>\$ 2,567,488</u>	<u>\$ -</u>	<u>\$ 137,496</u>
General Revenues:				
<i>Taxes:</i>				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Mixed Beverage Tax				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net Revenue (Expense) and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (698,486)	\$ -	\$ (698,486)
(2,220,343)	-	(2,220,343)
(126,006)	-	(126,006)
(13,073)	-	(13,073)
(250,354)	-	(250,354)
(62,419)	-	(62,419)
<u>(3,370,681)</u>	<u>-</u>	<u>(3,370,681)</u>
-	(89,341)	(89,341)
<u>-</u>	<u>(89,341)</u>	<u>(89,341)</u>
<u>(3,370,681)</u>	<u>(89,341)</u>	<u>(3,460,022)</u>
1,220,099	-	1,220,099
288,083	-	288,083
2,061,790	-	2,061,790
210,661	-	210,661
28,924	-	28,924
2,487	4	2,491
531,892	-	531,892
<u>4,343,936</u>	<u>4</u>	<u>4,343,940</u>
973,255	(89,337)	883,918
7,597,290	143,085	7,740,375
<u>\$ 8,570,545</u>	<u>\$ 53,748</u>	<u>\$ 8,624,293</u>

CITY OF BALCONES HEIGHTS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

ASSETS	General Fund	Crime Control & Prevention District	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 2,124,900	\$ 228,620	\$ 1,127,714	\$ 808,777	\$ 4,290,011
Receivables (net of allowances for uncollectibles):					
Taxes	18,932	-	-	13,665	32,597
Miscellaneous	46,230	-	-	18,046	64,276
Due from Other Governments	238,653	111,327	-	-	349,980
Due from Other Funds	-	-	-	10,298	10,298
Advance to Other Funds	-	-	-	86,754	86,754
Prepaid Items	237	-	9,044	-	9,281
TOTAL ASSETS	<u>\$ 2,428,952</u>	<u>\$ 339,947</u>	<u>\$ 1,136,758</u>	<u>\$ 937,540</u>	<u>\$ 4,843,197</u>
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 207,088	\$ 8,581	\$ -	\$ 18,093	\$ 233,762
Accrued Expenditures	68,339	5,423	-	3,538	77,300
Due to Other Funds	10,298	-	-	-	10,298
Advance from Other Funds	86,754	-	-	-	86,754
Due to Other Governments	208,603	-	-	-	208,603
Unearned Revenues	18,932	-	-	987	19,919
<i>Total Liabilities</i>	<u>600,014</u>	<u>14,004</u>	<u>-</u>	<u>22,618</u>	<u>636,636</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepays	237	-	9,044	-	9,281
Interfund Advance	-	-	-	67,568	67,568
Restricted:					
Crime Control & Prevention	-	325,943	-	-	325,943
Debt Service	-	-	-	116,921	116,921
Hotel/Motel	-	-	-	281,931	281,931
Impound Facility & Auction	-	-	-	101,261	101,261
Public Safety & Security	8,218	-	-	278,101	286,319
Traffic Safety	-	-	-	80,868	80,868
PEG Capital Fees	11,839	-	-	-	11,839
Assigned:					
Capital Projects Funds	-	-	1,127,714	-	1,127,714
Street Maintenance	303,771	-	-	-	303,771
Economic Development	20,400	-	-	-	20,400
Unassigned	1,484,473	-	-	(11,728)	1,472,745
<i>Total Fund Balances</i>	<u>1,828,938</u>	<u>325,943</u>	<u>1,136,758</u>	<u>914,922</u>	<u>4,206,561</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 2,428,952</u>	<u>\$ 339,947</u>	<u>\$ 1,136,758</u>	<u>\$ 937,540</u>	<u>\$ 4,843,197</u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 4,206,561
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,451,027
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		19,919
The Government funds report pension plan contributions when paid. However, in the Statement of Net Position differences between the pension plan contributions and costs for the year are reported as an asset or obligation.		(208,292)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:		
Bonds Payable	(741,000)	
Deferred Outflow on Loss on Bond Refunding	5,569	
Compensated Absences	<u>(159,912)</u>	(895,343)
Accrued interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(3,327)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 8,570,545</u></u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Crime Control & Prevention District	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,823,049	\$ 701,526	\$ -	\$ 283,636	\$ 3,808,211
Licenses and Permits	85,109	-	-	-	85,109
Charges for Services	58,391	-	-	431,305	489,696
Fines and Forfeits	1,026,038	-	-	489,641	1,515,679
Intergovernmental	-	-	130,275	7,221	137,496
Interest	1,253	89	894	251	2,487
Miscellaneous	109,292	-	420,231	63	529,586
TOTAL REVENUES	<u>4,103,132</u>	<u>701,615</u>	<u>551,400</u>	<u>1,212,117</u>	<u>6,568,264</u>
EXPENDITURES					
Current:					
General Government	875,126	82,120	-	20,408	977,654
Public Safety	3,129,054	305,272	-	362,011	3,796,337
Public Works	189,101	-	-	-	189,101
Health & Welfare	12,000	-	-	1,073	13,073
Culture & Recreation	68,773	-	-	177,255	246,028
Capital Projects/Outlay	4,490	-	300,321	7,221	312,032
Debt Service:					
Principal	-	-	-	302,000	302,000
Interest and Fiscal Charges	-	-	-	37,288	37,288
TOTAL EXPENDITURES	<u>4,278,544</u>	<u>387,392</u>	<u>300,321</u>	<u>907,256</u>	<u>5,873,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(175,412)</u>	<u>314,223</u>	<u>251,079</u>	<u>304,861</u>	<u>694,751</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	426,440	4,000	-	267,595	698,035
Transfers Out	-	(267,595)	(86,440)	(344,000)	(698,035)
Insurance Proceeds and Other Proceeds from Disposal of Assets	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>434,940</u>	<u>(263,595)</u>	<u>(86,440)</u>	<u>(76,405)</u>	<u>8,500</u>
Net Change in Fund Balances	259,528	50,628	164,639	228,456	703,251
Fund Balances at Beginning of Year	<u>1,569,410</u>	<u>275,315</u>	<u>972,119</u>	<u>686,466</u>	<u>3,503,310</u>
Fund Balances at End of Year	<u>\$ 1,828,938</u>	<u>\$ 325,943</u>	<u>\$ 1,136,758</u>	<u>\$ 914,922</u>	<u>\$ 4,206,561</u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, 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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 703,251

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

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	285,941	
Depreciation Expense	<u>(272,973)</u>	12,968

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed. (6,194)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,266

The issuance of long-term-debt (e.g. bonds and capital leases) 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 net effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are 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.

Repayment of Principal	302,000	
Amortization of Bond Issue Costs	(21,056)	
Amortization of Deferred Loss on Refunding	<u>(6,076)</u>	274,868

Some expenses reported in the governmental funds that require the use of current financial resources will benefit future periods and, therefore, are deferred in the Statement of Activities:

Compensated Absences	(14,362)	
Accrued Interest	1,994	
Pension Benefit Obligation	<u>(536)</u>	<u>(12,904)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 973,255

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION – PROPRIETARY FUND
 SEPTEMBER 30, 2013 AND 2012

ASSETS	Business-Type Activities	
	Sewer Operations & Maintenance	
	2013	2012
<i>Current Assets:</i>		
Cash and Investments	\$ 17,267	\$ 68,500
<i>Receivables:</i>		
Accounts	45,190	35,479
<i>Total Current Assets</i>	62,457	103,979
 <i>Capital Assets:</i>		
Improvements Other than Buildings	119,124	119,124
Accumulated Depreciation	(43,335)	(40,953)
<i>Total Capital Assets (Net)</i>	75,789	78,171
TOTAL ASSETS	138,246	182,150
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	84,498	39,065
<i>Total Current Liabilities</i>	84,498	39,065
TOTAL LIABILITIES	84,498	39,065
 NET POSITION		
Net Investment in Capital Assets	75,789	78,171
Unrestricted (Deficit)	(22,041)	64,914
TOTAL NET POSITION	\$ 53,748	\$ 143,085

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION - PROPRIETARY FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2013	2012
OPERATING REVENUES		
Wastewater User Fees	\$ 477,004	\$ 442,596
TOTAL OPERATING REVENUES	477,004	442,596
OPERATING EXPENSES		
Operation and Maintenance:		
Contractual Services	563,963	456,145
Depreciation	2,382	2,382
TOTAL OPERATING EXPENSES	566,345	458,527
OPERATING INCOME (LOSS)	(89,341)	(15,931)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	4	8
TOTAL NONOPERATING REVENUES (EXPENSES)	4	8
CHANGE IN NET POSITION	(89,337)	(15,923)
NET POSITION AT BEGINNING OF YEAR	143,085	159,008
NET POSITION AT END OF YEAR	\$ 53,748	\$ 143,085

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS – PROPRIETARY FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	Busines-Type Activities	
	Sewer Operations & Maintenance	
	2013	2012
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 467,293	\$ 444,527
Cash Paid to Suppliers	(518,530)	(449,279)
Net Cash Provided (Used) by Operating Activities	(51,237)	(4,752)
 CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Interest Received	4	8
Net Cash Provided (Used) by Investing Activities	4	8
 Net Increase (Decrease) in Cash	 (51,233)	 (4,744)
Cash and Investments at October 1	68,500	73,244
Cash and Investments at September 30	\$ 17,267	\$ 68,500
 RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (89,341)	\$ (15,931)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,382	2,382
(Increase) Decrease in Accounts Receivable	(9,711)	1,931
Increase (Decrease) in Accounts Payable	45,433	6,866
Net Cash Provided (Used) by Operating Activities	\$ (51,237)	\$ (4,752)

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Balcones Heights have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

Blended Component Units. The Balcones Heights Crime Control and Prevention District, an entity legally separate from the City, was created pursuant to Section 363.051, et. Seq. of the Crime Control District Act. The District was created September 19, 1998, to act on behalf of Balcones Heights for promotion, development and enhancement of crime control and prevention within the City of Balcones Heights. The District is governed by a six-member board appointed by the City Council. This governing board is substantially the same as the primary government. For financial reporting purposes, the District is reported as if it were part of the City's operations because its purpose is to benefit the citizens of the City.

Discretely Presented Component Units. As of September 30, 2013, the City had no component units that would require a discrete presentation in the financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Crime Control and Prevention District, and Capital Projects Fund all meet criteria as *major governmental funds*. Detailed statements for nonmajor funds are presented as Combining Fund Statements and Schedules as part of *Other Supplementary Information*.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, health and welfare, culture and recreation, and capital acquisition.

Crime Control and Prevention District is used to account for sales tax proceeds collected to support crime control and prevention.

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects.

Nonmajor funds include the debt service fund and special revenue funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's primary proprietary fund is the Sewer Operations and Maintenance Fund, used to account for the provision of transport and treatment of wastewater.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (e.g. wastewater transport & treatment).

4. CASH AND INVESTMENTS

Cash and investments include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City, which includes investments in local government investment pools.

5. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2012 and past due after January 31, 2013. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. ACCOUNTS RECEIVABLE (Continued)

Due from other Governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met. Sales tax collected on exchange transactions occurring in the City through September 30, 2013 are also reflected as Due from Other Governments.

6. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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).

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset for the non-current portion by a nonspendable governmental fund balance account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

7. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, such as equipment, are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest has not been capitalized during the construction period on property plant and equipment.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. CAPITAL ASSETS (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and Improvements	20 to 50 years
Improvements Other than Buildings	50 to 75 years
Transportation and Equipment	5 to 10 years

8. COMPENSATED ABSENCES

The City permits employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, an employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Unused sick leave may be accumulated to certain limits. In the event of termination, no reimbursement is made for accumulated sick leave. No liability is reported for unpaid accumulated sick leave.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

9. UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred revenue.

10. PENSION ACCOUNTING

Governmental Funds - The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plan, is calculated on an actuarial basis consistent with requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net pension benefit obligation is reported as a non-current liability in the government-wide financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts, are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

Unassigned – Represents the residual balance that may be spent on any other purpose of the City.

As of September 30, 2013, the Court Technology fund had a deficit restricted fund balance which reduced the amount of funds available in the Unassigned Fund balance for total governmental funds by \$11,728.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, and assigned third.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. NET POSITION

Net position represent the difference between assets and liabilities. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

14. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

15. USE OF 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 expenses during the reporting period. Actual results could differ from those estimates.

16. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended September 30, 2013, the City implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statements No. 63 and 65 established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a financial statement position and related disclosures as well as reclassify certain items that were previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources.

As a result of recognizing certain items as outflows of resources or inflows of resources that were previously recognized as assets and liabilities, the City has recognized all remaining unamortized bond issue costs in the current year. As this did not materially misstate the financial statements, there has not been any restatement of previously reported amounts. Deferred Loss on Debt Refunding is now shown separate from liabilities as a deferred outflow of resources.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. RECLASSIFICATIONS

Certain reclassifications have been made to the September 30, 2012 comparative information to conform to the September 30, 2013 presentation. These reclassifications had no effect on fund balances or net position.

NOTE B -- DEPOSITS AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as cash and investments.

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits – All deposits with financial institutions must be fully collateralized. The collateral must be held by the pledging financial institution's trust department or equivalent. As of September 30, 2013, the carrying amounts of the City's deposits with the city depository were \$1,907,255 and the bank balance was \$1,959,028. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a book value of \$2,648,865 and a market value of \$2,683,856. Funds were fully insured and collateralized.

Investments – The City is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act in all material respects. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

Investments represented by specific identifiable investment securities are classified as to credit risk by the three (3) categories described below:

Category 1 - Insured, or registered, or held by the City.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent in the City's name.

As of September 30, 2013, the City held investments that are subject to categories 1 and 2 as described above. Total deposits and investments held by the City as of September 30, 2013 were:

Petty Cash	\$ 1,650
Certificate of Deposit	50,098
Cash in Bank Depository	<u>1,907,255</u>
Total Insured/Collateralized	1,959,003
TexPool - a local government investment pool	1,939,739
Lone Star Pool - a local government investment pool	<u>408,536</u>
	<u><u>\$ 4,307,278</u></u>

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

GASB Statement 40 requires additional disclosures addressing other common risks of deposits and investments as follows:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2013, the City's investments were in TexPool and Lone Star Investment Pool, which are public funds investment pools where all securities held to maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE C -- RECEIVABLES

Receivables as of year-end for the government's individual major funds, enterprise funds, and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Sewer Operations Maintenance	Total
	General Fund	Crime Control & Prevention District	Capital Projects Fund	Other Nonmajor Funds		
<i>Receivables:</i>						
Property Taxes	\$ 22,902	\$ -	\$ -	\$ 1,337	\$ -	\$ 24,239
Allowance for Uncollectibles	(3,970)	-	-	(350)	-	(4,320)
Occupancy Taxes	-	-	-	12,678	-	12,678
Sales Tax	238,653	111,327	-	-	-	349,980
Accounts	-	-	-	17,903	45,190	63,093
Other	46,230	-	-	143	-	46,373
Net Total Receivables	<u>\$ 303,815</u>	<u>\$ 111,327</u>	<u>\$ -</u>	<u>\$ 31,711</u>	<u>\$ 45,190</u>	<u>\$ 492,043</u>

NOTE D -- PROPERTY TAX

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A reevaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2012, upon which the fiscal 2013 levy was based, was \$210,518,121 (i.e., market value less exemptions). The estimated appraised value was \$218,493,603, making the taxable value 96.3% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2013, was \$0.572199 per \$100 of assessed value which means that the City has a tax margin of \$1.927801 for each \$100 value and could increase its annual tax levy by approximately \$4,058,370 based upon the present assessed valuation of \$210,518,121 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

Property taxes are recorded as receivables and unearned revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE E -- DUE TO/FROM OTHER FUNDS

As of September 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From	Due To
NonMajor Fund:		
General Fund	\$ 10,298	\$ -
General Fund:		
Other NonMajor Governmental Fund	-	10,298
	\$ 10,298	\$ 10,298

NOTE F -- TRANSFERS BETWEEN FUNDS

Transfers between funds during the year ended September 30, 2013 were as follows:

	Transfer In	Transfer Out	Purpose
General Fund:			
Other NonMajor Governmental Fund	\$ 340,000	\$ -	Funding for Operational Expenses
Capital Projects Fund	86,440	-	Funding for Capital Replacement
Crime Control & Prevention Fund:			
Other NonMajor Governmental Fund	4,000	-	Funding for Operational Expenses
Other NonMajor Governmental Fund	-	267,595	Funding for Debt Payments
Capital Projects Fund:			
General Fund	-	86,440	Funding for Capital Replacement
NonMajor Funds:			
Crime Control & Prevention Fund	267,595	-	Funding for Debt Payments
General Fund	-	340,000	Funding for Operational Expenses
Crime Control & Prevention Fund	-	4,000	Funding for Operational Expenses
	\$ 698,035	\$ 698,035	

NOTE G -- ADVANCES BETWEEN FUNDS

The City agreed to advance funds from the Hotel/Motel Fund to the General Fund at zero percent interest to cover expenditures related to the Master Plan and Zoning Ordinance. The total funds to be advanced of \$192,000 will be repaid to the Hotel/Motel Fund evenly over ten years. As of September 30, 2013, \$86,754 was the amount still to be repaid to the Hotel/Motel Fund.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE H -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2012	Additions	Disposals	Balance 9/30/2013
Land	\$ 604,672	\$ -	\$ -	\$ 604,672
Construction in Progress	76,357	24,622	-	100,979
Total Assets Not Depreciated	<u>681,029</u>	<u>24,622</u>	<u>-</u>	<u>705,651</u>
Buildings and Improvements	2,953,360	-	-	2,953,360
Streets & Drainage	2,898,512	-	-	2,898,512
Transportation & Equipment	2,002,295	261,319	(86,451)	2,177,163
Totals at Historical Cost	<u>7,854,167</u>	<u>261,319</u>	<u>(86,451)</u>	<u>8,029,035</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,088,870)	(57,038)	-	(1,145,908)
Streets and Grounds	(691,227)	(38,185)	-	(729,412)
Transportation and Equipment	(1,310,846)	(177,750)	80,257	(1,408,339)
	<u>(3,090,943)</u>	<u>(272,973)</u>	<u>80,257</u>	<u>(3,283,659)</u>
Governmental Capital Assets, Net	<u>\$ 5,444,253</u>	<u>\$ 12,968</u>	<u>\$ (6,194)</u>	<u>\$ 5,451,027</u>
<u>Business-Type Activities</u>	Balance 10/1/2012	Additions	Disposals	Balance 9/30/2013
Improvements Other Than Buildings	\$ 119,124	\$ -	\$ -	119,124
	<u>119,124</u>	<u>-</u>	<u>-</u>	<u>119,124</u>
Less Accumulated Depreciation:				
Improvement Other Than Buildings	(40,953)	(2,382)	-	(43,335)
	<u>(40,953)</u>	<u>(2,382)</u>	<u>-</u>	<u>(43,335)</u>
Business-Type Capital Assets, Net	<u>\$ 78,171</u>	<u>\$ (2,382)</u>	<u>\$ -</u>	<u>\$ 75,789</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 5,563
Public Safety	176,448
Public Works	81,233
Culture & Recreation	9,729
Total Depreciation Expense -	
Governmental Activities	<u>\$ 272,973</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE I -- LONG-TERM DEBT

The changes in general long-term debt during the year are summarized as follows:

	Original Amount	Interest Rates	Balance Outstanding 10/1/2012	Additions	Retirements	Balance Outstanding 9/30/2013	Due Within One Year
Governmental Activities							
<i>General Obligation Bonds:</i>							
2009 Refunding General Obligation Bonds	1,229,000	4.1-5.4%	510,000	-	(251,000)	259,000	259,000
2011 Refunding General Obligation Bonds	584,000		533,000	-	(51,000)	482,000	53,000
<i>Liability for Employee:</i>							
Compensated Absences			145,550	87,137	(72,775)	159,912	79,956
<i>Total Long-Term Debt</i>			<u>\$ 1,188,550</u>	<u>\$ 87,137</u>	<u>\$ (374,775)</u>	<u>\$ 900,912</u>	<u>\$ 391,956</u>

Compensated absences for governmental activities are generally liquidated by the general fund.

The total deferred loss on debt refunding is \$5,569 as of September 30, 2013 and is shown on the Statement of Net Position as a deferred outflow of resources.

The general long-term debt bonds mature serially through 2021 as follows:

Year Ending September 30	Principal	Interest	Total
2014	\$ 312,000	\$ 21,090	\$ 333,090
2015	55,000	10,600	65,600
2016	57,000	9,121	66,121
2017	59,000	7,590	66,590
2018	61,000	6,006	67,006
2019 - 2021	197,000	7,933	204,933
	<u>\$ 741,000</u>	<u>\$ 62,340</u>	<u>\$ 803,340</u>

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the City. The City has provided for and maintained the Debt Service fund as required under the General Obligation Ordinance.

During the year ended September 30, 2011, the City issued \$584,000 of general obligation bonds to provide resources along with an additional \$100,000 contributed by the City for the purpose of paying Frost Bank \$656,655, which was the balance of the capital lease financing agreement. As a result, the refunded portion of the Capital Lease has been removed from the Statement of Net Position and is considered defeased. The current refunding was undertaken to result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$78,708. The difference in debt service between the refunding debt and the refunded debt including additional resources resulted in additional debt of \$27,375.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2013

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

A. Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2012</u>	<u>Plan Year 2013</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)	70% of CPI Repeating	70% of CPI Repeating

B. Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2012, valuation is effective for rates beginning January 2009.) The annual pension cost and net pension obligation (asset) are as follows:

1. Annual Required Contribution (ARC)	\$ 382,289
2. Interest on Net Pension Obligation	14,543
3. Adjustment to the ARC	<u>(12,777)</u>
4. Annual Pension Cost (APC)	384,055
5. Contributions Made	<u>(383,519)</u>
6. Increase (Decrease) in Net Pension Obligation	536
7. Net Pension Obligation / (Asset), Beginning of Year	<u>207,756</u>
8. Net Pension Obligation / (Asset), End of Year	<u><u>\$ 208,292</u></u>

Fiscal Year	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation
2013	\$ 384,055	\$ 383,519	100%	208,292
2012	397,588	379,069	95%	207,756
2011	408,059	338,686	83%	189,237
2010	335,018	269,260	80%	119,864
2009	316,225	262,119	83%	54,106

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	December 31, 2010	December 31, 2011	December 31, 2012
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method	27.2 years - Closed Period	26.3 years - Closed Period	25.8 years - Closed Period
Remaining Amortization Period	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Asset Valuation Method	7.0%	7.0%	7.0%
Investment Rate of Return	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases	3.0%	3.0%	3.0%
Inflation Rate	2.1%	2.1%	2.1%
Cost of Living Adjustments			

Funded Status and Funding Progress –

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded AAL	Covered Payroll	UAAL as a Percentage of Covered
12/31/2012	\$10,361,224	\$13,413,546	77.2%	\$ 3,052,322	\$ 2,525,150	120.9%

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

C. Other Post-Employment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, 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 post-employment 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 the 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.

The City's contributions to the TMRS SDBF for the years ended September 30, 2013, 2012, and 2011 were \$3,973, \$3,967, and \$4,912, respectively, which equaled the required contributions each year.

NOTE K -- SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Risk Management

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2013

NOTE K -- SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES
 (Continued)

Risk Management (Continued)

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2013, were \$122,261.

Litigation

The City is the subject of various claims and litigation from time to time that arise in the course of its operations. Management is of the opinion that any proceedings known to exist as of September 30, 2013 are not likely to have a material adverse effect on the City's financial position.

Commitments – Construction

The City entered into a contract with R.L. Jones, L.P. on September 9, 2013 for the reconstruction of Beryl Drive, a road within the City, for \$504,935. Construction had not commenced as of the year ended September 30, 2013.

Commitments – Leases

The City entered into a renewed lease for administrative space for the Visitor Center in Crossroads Mall. The lease is for a term of one year beginning August 15, 2011 with four one-year options, and is cancelable upon written notice to the lessor with 180 days' notice. Future minimum rentals under the lease are as follows:

<u>Years Ending September 30</u>	
2014	<u>\$ 16,142</u>
Total	<u><u>\$ 16,142</u></u>

Commitments – 380 Development Agreement

The City of Balcones Heights entered into a 380 Development agreement to encourage growth within the City. The agreement involves the City reimbursing project costs through refunding the portion of ad valorem tax revenues over the base property tax of the area prior to improvements. The terms of the agreement are as follows:

<u>Development</u>	<u>Ad Valorem Tax Refund Agreement</u>	<u>Maximum Term</u>
Crossroads Mall Partners	100%	15 years

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE L -- CONDUIT DEBT

The Balcones Heights Cultural Education Facilities Finance Corporation (the "Corporation") was formed to provide tax-exempt funding to the YMCA. Frost Bank is providing funding to the Corporation, through promissory notes in the amount of \$4,640,000 and \$2,240,000, to assist the YMCA in building health facilities in Balcones Heights. The outstanding balances of the notes as of September 30, 2013 were \$3,715,532 and \$1,783,314 respectively. The City of Balcones Heights has no obligation for repayment of the loans.

NOTE M -- CONVENTION CENTER DEVELOPMENT AGREEMENT

In December 2004, the City entered into an agreement with a local business to loan funds for the purpose of developing a Conference Center/Ballroom at Crossroads. The total amount funded, through the collection of Hotel/Motel Occupancy Tax (HOT) revenue, up to \$750,000 was for construction and professional services.

The agreement required the local business to pay back the funds loaned over time. In the event the business terminates its lease agreement with the owner of the property, the business will be required to repay the City its HOT funds computed by using the straight line depreciation with the life of the improvements (10 years).

Revenue received under the agreement for the year ended September 30, 2013 amounted to \$51,578.

The remaining profit sharing percentages, minimum guaranteed payments, and minimum payments in event of termination are as follows:

Year Ending September 30	Profit Sharing Percentage	Minimum Guaranteed	Minimum Payment Upon Termination
2014	3.00%	\$ 55,000	\$ 150,000
2015	3.00%	55,000	75,000
2016	2.00%	50,000	-
2017	2.00%	50,000	-
2018	2.00%	50,000	-
2019	2.00%	50,000	-
2020	2.00%	50,000	-
Minimum Guaranteed Future Revenue		<u>\$ 360,000</u>	

NOTE N -- PLEDGED REVENUE

The Balcones Heights Crime Control and Prevention District entered into an agreement with the City for the construction of and operation of a Justice Center to be occupied and used by Balcones Heights Police Department, Municipal Courts and City Administration offices. Pursuant to the agreement, the City issued Certificates of Obligation in the amount of \$2,845,000 to fund construction of the Center. The District has pledged current and future sales tax revenue for the repayment of the debt associated with the construction and operation of the Center. Pledged revenue for the years ended September 30, 2013 and 2012 were \$267,595 and \$265,250, respectively.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE O -- RELATED PARTY

Madeline Slay, Councilwoman is the spouse of the President of Slay Engineering. The City paid Slay Engineering \$49,924 for services during the year. Councilwoman Slay abstained from voting for the renew contract for the City Engineer.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Crime Control & Prevention District
- Schedule of Funding Progress – Defined Benefit

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

REVENUES	Budget Amounts		Actual 2013	Variance With	Actual 2012
	Original	Final		Final Budget- Positive (Negative)	
<i>Taxes:</i>					
Ad Valorem Tax	\$ 1,119,407	\$ 1,146,407	\$ 1,140,576	\$ (5,831)	\$ 1,110,626
Penalty & Interest	6,000	9,200	5,202	(3,998)	8,355
City Sales Tax	1,250,000	1,268,000	1,360,264	92,264	1,225,331
Franchise Taxes	295,800	296,075	288,083	(7,992)	289,779
Mixed Beverage	30,000	26,500	28,924	2,424	29,259
<i>Total Taxes</i>	<u>2,701,207</u>	<u>2,746,182</u>	<u>2,823,049</u>	<u>76,867</u>	<u>2,663,350</u>
<i>Licenses and Permits</i>	<u>157,850</u>	<u>85,505</u>	<u>85,109</u>	<u>(396)</u>	<u>128,798</u>
<i>Charges for Services:</i>					
Court Fees & Charges	84,000	50,500	50,212	(288)	68,351
Other	16,600	8,444	8,179	(265)	22,184
<i>Total Charges for Services</i>	<u>100,600</u>	<u>58,944</u>	<u>58,391</u>	<u>(553)</u>	<u>90,535</u>
<i>Fines and Forfeitures</i>	<u>1,178,077</u>	<u>1,063,077</u>	<u>1,026,038</u>	<u>(37,039)</u>	<u>1,052,937</u>
<i>Other Sources:</i>					
Interest	750	1,150	1,253	103	1,257
Miscellaneous	73,000	127,553	109,292	(18,261)	63,536
<i>Total Other Sources</i>	<u>73,750</u>	<u>128,703</u>	<u>110,545</u>	<u>(18,158)</u>	<u>64,793</u>
Total Revenues	<u>\$ 4,211,484</u>	<u>\$ 4,082,411</u>	<u>\$ 4,103,132</u>	<u>\$ 20,721</u>	<u>\$ 4,000,413</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

EXPENDITURES	Budget Amounts		Actual 2013	Variance With Final Budget-	Actual 2012
	Original	Final		Positive (Negative)	
<i>General Government:</i>					
Mayor/City Council	\$ 72,050	\$ 72,050	\$ 64,348	\$ 7,702	\$ 74,968
Secretary/Treasurer	443,993	444,743	440,994	3,749	416,544
Municipal Court	236,289	228,490	201,487	27,003	253,048
Public Facilities	45,100	43,100	41,079	2,021	38,225
Economic Development	75,000	75,000	54,600	20,400	-
Non-Departmental	79,468	81,468	72,618	8,850	55,727
<i>Total General Government</i>	<u>951,900</u>	<u>944,851</u>	<u>875,126</u>	<u>69,725</u>	<u>838,512</u>
<i>Public Safety:</i>					
Police Department	1,017,317	1,022,117	979,781	42,336	1,073,658
Traffic Safety Administration	783,077	783,077	748,771	34,306	718,437
Communications	262,080	262,080	243,120	18,960	247,288
Fire Department	1,303,719	1,303,319	1,157,382	145,937	1,149,073
Capital Outlay	-	4,600	4,490	110	-
<i>Total Public Safety</i>	<u>3,366,193</u>	<u>3,375,193</u>	<u>3,133,544</u>	<u>241,649</u>	<u>3,188,456</u>
<i>Public Works:</i>					
Building Department	85,294	85,294	75,467	9,827	55,874
Streets & Grounds	141,939	147,026	113,592	33,434	121,917
Animal Control	4,700	2,350	-	2,350	313
Weed and Pest Control	250	250	42	208	41
<i>Total Public Works</i>	<u>232,183</u>	<u>234,920</u>	<u>189,101</u>	<u>45,819</u>	<u>178,145</u>
<i>Health and Welfare:</i>					
Health Department	12,000	12,000	12,000	-	12,000
<i>Total Health and Welfare</i>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
<i>Culture and Recreation:</i>					
Parks and Playground	8,750	8,750	507	8,243	4,018
Community Center	4,200	4,200	1,488	2,712	2,495
Community Initiatives	82,175	82,175	66,778	15,397	-
<i>Total Culture & Recreation</i>	<u>95,125</u>	<u>95,125</u>	<u>68,773</u>	<u>26,352</u>	<u>6,513</u>
Total Expenditures	<u>\$ 4,657,401</u>	<u>\$ 4,662,089</u>	<u>\$ 4,278,544</u>	<u>\$ 383,545</u>	<u>\$ 4,223,626</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	<u>Budget Amounts</u>		Actual 2013	Variance With Final Budget-	<u>Actual 2012</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (445,917)</u>	<u>\$ (579,678)</u>	<u>\$ (175,412)</u>	<u>\$ 404,266</u>	<u>\$ (223,213)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	426,440	426,440	426,440	-	357,885
Proceeds from Disposal of Assets	<u>500</u>	<u>850</u>	<u>8,500</u>	<u>7,650</u>	<u>23,375</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>426,940</u>	<u>427,290</u>	<u>434,940</u>	<u>7,650</u>	<u>381,260</u>
Net Change in Fund Balance	(18,977)	(152,388)	259,528	411,916	158,047
Fund Balance - October 1	<u>1,569,410</u>	<u>1,569,410</u>	<u>1,569,410</u>	-	1,411,363
Fund Balance - September 30	<u><u>\$ 1,550,433</u></u>	<u><u>\$ 1,417,022</u></u>	<u><u>\$ 1,828,938</u></u>	<u><u>\$ 411,916</u></u>	<u><u>1,569,410</u></u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 CRIME CONTROL AND PREVENTION DISTRICT
 FOR THE YEAR ENDED SEPTEMBER 30, 2013
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	Budget Amounts		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	Original	Final			
REVENUES					
Sales Tax	\$ 652,000	\$ 652,000	\$ 701,526	\$ 49,526	\$ 671,977
Interest Income	150	150	89	(61)	122
TOTAL REVENUES	652,150	652,150	701,615	49,465	672,099
EXPENDITURES					
<i>Current:</i>					
Personnel	311,741	311,741	298,125	13,616	286,770
Administrative	10,015	10,015	7,147	2,868	7,234
Facilities Operating	67,336	67,336	82,120	(14,784)	112,222
TOTAL EXPENDITURES	389,092	389,092	387,392	1,700	406,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	263,058	263,058	314,223	51,165	265,873
OTHER FINANCING SOURCES (USES)					
Transfer (Out) to Primary Government	(263,595)	(263,595)	(263,595)	-	(257,750)
TOTAL OTHER FINANCING SOURCES (USES)	(263,595)	(263,595)	(263,595)	-	(257,750)
Net Change in Fund Balance	(537)	(537)	50,628	51,165	8,123
Fund Balance - October 1	275,315	275,315	275,315	-	267,192
Fund Balance - September 30	\$ 274,778	\$ 274,778	\$ 325,943	\$ 51,165	\$ 275,315

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2013

Budgetary Information – Budgets are prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Debt Service Fund, and Special Revenue Funds, which includes the Crime Control and Prevention District. Capital Projects and the Grant Funds have project-length budgets.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 ANALYSIS OF FUNDING PROGRESS
 LAST TEN CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2003	\$ 4,642,716	\$ 5,053,438	91.9%	\$ 410,722	\$ 1,229,919	33.4%
2004	4,430,272	4,888,380	90.6%	458,108	1,371,026	33.4%
2005	4,085,068	5,012,064	81.5%	926,456	1,836,240	50.5%
2006	4,558,773	5,635,781	80.9%	1,077,008	1,593,060	67.6%
2007	4,050,932	6,586,640	61.5%	2,535,708	1,624,533	156.1%
2008	4,132,975	6,994,231	59.1%	2,861,256	2,056,023	139.2%
2009	3,705,140	6,762,909	54.8%	3,057,769	2,047,469	149.3%
2010	9,168,695	11,705,899	78.3%	2,537,204	2,089,265	121.4%
2011	9,826,383	12,466,605	78.8%	2,640,222	2,341,958	112.7%
2012	10,361,224	13,413,546	77.2%	3,052,322	2,525,150	120.9%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated cost as of December 31 of the preceding year.



SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Combining Statements – Nonmajor Governmental Funds
- Statement of Revenues, Expenditures & Change in Fund Balance – Budget and Actual – Nonmajor Governmental Funds

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Investments	\$ 2,124,900	\$ 1,820,719
Receivables (net of allowances for uncollectibles):		
Taxes	18,932	17,954
Miscellaneous	46,230	56,154
Due from Other Governments	238,653	246,491
Due from Other Funds	-	-
Prepaid Items	237	-
TOTAL ASSETS	\$ 2,428,952	\$ 2,141,318
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 207,088	\$ 126,463
Accrued Expenditures	68,339	44,434
Sales Tax Refund Payable	-	85,773
Due to Other Funds	10,298	-
Advance from Other Funds	86,754	105,939
Due to Other Governments	208,603	191,345
Unearned Revenues	18,932	17,954
<i>Total Liabilities</i>	600,014	571,908
<i>Fund Balances:</i>		
Nonspendable:		
Prepays	237	-
Restricted:		
Police & Security	8,218	10,008
PEG Capital Fees	11,839	6,782
Assigned:		
Street Maintenance	303,771	294,767
Economic Development	20,400	-
Unassigned	1,484,473	1,257,853
<i>Total Fund Balances</i>	1,828,938	1,569,410
TOTAL LIABILITIES & FUND BALANCES	\$ 2,428,952	\$ 2,141,318

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Taxes	\$ 2,823,049	\$ 2,663,350
Licenses and Permits	85,109	128,798
Charges for Services	58,391	90,535
Fines and Forfeits	1,026,038	1,052,937
Interest	1,253	1,257
Miscellaneous	109,292	63,536
TOTAL REVENUES	<u>4,103,132</u>	<u>4,000,413</u>
EXPENDITURES		
Current:		
General Government	875,126	838,512
Public Safety	3,129,054	3,188,456
Public Works	189,101	178,145
Health & Welfare	12,000	12,000
Culture & Recreation	68,773	6,513
Capital Projects/Outlay	4,490	-
TOTAL EXPENDITURES	<u>4,278,544</u>	<u>4,223,626</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(175,412)</u>	<u>(223,213)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	426,440	357,885
Proceeds from Disposal of Assets	8,500	23,375
TOTAL OTHER FINANCING SOURCES (USES)	<u>434,940</u>	<u>381,260</u>
Net Change in Fund Balances	259,528	158,047
Fund Balances at Beginning of Year	<u>1,569,410</u>	<u>1,411,363</u>
Fund Balances at End of Year	<u>\$ 1,828,938</u>	<u>\$ 1,569,410</u>



CITY OF BALCONES HEIGHTS, TEXAS
COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

The Debt Service Fund accounts for revenues specifically restricted by law for debt retirement (i.e.: ad valorem tax).

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted (either legally or by Council designation) to expenditure for a specific purpose.

Federal Asset Forfeiture – To account for forfeited assets to be used to supplement law enforcement.

State Asset Forfeiture – To account for forfeited assets to be used to supplement law enforcement.

Traffic Safety Fund – To account for fines from traffic violations from red light cameras.

Hotel/Motel Tax Fund – To account for the occupancy tax assessed to fund tourism and economic development in the City.

Child Safety Fund – To account for fines from traffic violations in designated school zones to be spent for increased child safety.

Impound Facility Fund – To account for the revenues received for impound services offered by the City to restricted for police related expenditures.

Impound Auction Fund – To account for the revenues received through auctions of impounded vehicles restricted for police related expenditures.

Security and Technology Fund – To account for revenues from court fines restricted to improving municipal court security and technology.

Grant Funds – To account for revenues received from grants for project based reimbursements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Debt Service Fund	Federal Asset Forfeiture	State Asset Forfeiture	Traffic Safety Fund
ASSETS				
Cash and Investments	\$ 106,623	\$ 191,720	\$ 24,774	\$ 85,850
Taxes Receivable	987	-	-	-
Other Receivables	-	-	-	-
Due from Other Funds	10,298	-	-	-
Advance to Other Funds	-	-	-	-
TOTAL ASSETS	\$ 117,908	\$ 191,720	\$ 24,774	\$ 85,850
 LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 348	\$ -	\$ 2,602
Accrued Expenditures	-	-	-	2,380
Unearned Revenues	987	-	-	-
<i>Total Liabilities</i>	<i>987</i>	<i>348</i>	<i>-</i>	<i>4,982</i>
 <i>Fund Balance:</i>				
Non Spendable:				
Interfund Advance	-	-	-	-
Restricted:				
Debt Service	116,921	-	-	-
Hotel/Motel	-	-	-	-
Impound Facility & Auction	-	-	-	-
Police & Security	-	191,372	24,774	-
Traffic Safety	-	-	-	80,868
Unassigned	-	-	-	-
<i>Total Fund Balance</i>	<i>116,921</i>	<i>191,372</i>	<i>24,774</i>	<i>80,868</i>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 117,908	 \$ 191,720	 \$ 24,774	 \$ 85,850

<u>Hotel/Motel Tax Fund</u>	<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Impound Auction Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2013</u>
\$ 256,096	\$ 22,236	\$ 72,373	\$ 21,257	\$ 27,848	\$ -	\$ 808,777
12,678	-	-	-	-	-	13,665
-	-	-	17,903	143	-	18,046
-	-	-	-	-	-	10,298
86,754	-	-	-	-	-	86,754
<u>\$ 355,528</u>	<u>\$ 22,236</u>	<u>\$ 72,373</u>	<u>\$ 39,160</u>	<u>\$ 27,991</u>	<u>\$ -</u>	<u>\$ 937,540</u>
\$ 4,871	\$ -	\$ 4,872	\$ 5,400	\$ -	\$ -	\$ 18,093
1,158	-	-	-	-	-	3,538
-	-	-	-	-	-	987
<u>6,029</u>	<u>-</u>	<u>4,872</u>	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>22,618</u>
67,568	-	-	-	-	-	67,568
-	-	-	-	-	-	116,921
281,931	-	-	-	-	-	281,931
-	-	67,501	33,760	-	-	101,261
-	22,236	-	-	39,719	-	278,101
-	-	-	-	-	-	80,868
-	-	-	-	(11,728)	-	(11,728)
<u>349,499</u>	<u>22,236</u>	<u>67,501</u>	<u>33,760</u>	<u>27,991</u>	<u>-</u>	<u>914,922</u>
<u>\$ 355,528</u>	<u>\$ 22,236</u>	<u>\$ 72,373</u>	<u>\$ 39,160</u>	<u>\$ 27,991</u>	<u>\$ -</u>	<u>\$ 937,540</u>

CITY OF BALCONES HEIGHTS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Debt Service Fund	Federal Asset Forfeiture	State Asset Forfeiture	Traffic Safety Fund
REVENUES				
Ad Valorem Tax	\$ 72,975	\$ -	\$ -	\$ -
Occupancy Tax	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	189,382	-	282,457
Intergovernmental	-	-	-	-
Interest/Misc. Income	52	1	2	4
TOTAL REVENUES	<u>73,027</u>	<u>189,383</u>	<u>2</u>	<u>282,461</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	5,515	400	237,223
Health & Welfare	-	-	-	-
Culture & Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	302,000	-	-	-
Interest and Fiscal Charges	37,288	-	-	-
TOTAL EXPENDITURES	<u>339,288</u>	<u>5,515</u>	<u>400</u>	<u>237,223</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(266,261)</u>	<u>183,868</u>	<u>(398)</u>	<u>45,238</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	267,595	-	-	-
Transfer Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>267,595</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,334	183,868	(398)	45,238
Beginning Fund Balance - October 1	<u>115,587</u>	<u>7,504</u>	<u>25,172</u>	<u>35,630</u>
Ending Fund Balance - September 30	<u>\$ 116,921</u>	<u>\$ 191,372</u>	<u>\$ 24,774</u>	<u>\$ 80,868</u>

<u>Hotel/Motel Tax Fund</u>	<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Impound Auction Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2013</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,975
210,661	-	-	-	-	-	210,661
-	-	296,830	134,475	-	-	431,305
-	3,478	-	-	14,324	-	489,641
-	-	-	-	-	7,221	7,221
169	1	11	71	3	-	314
<u>210,830</u>	<u>3,479</u>	<u>296,841</u>	<u>134,546</u>	<u>14,327</u>	<u>7,221</u>	<u>1,212,117</u>
-	-	-	-	20,408	-	20,408
-	-	100,008	18,865	-	-	362,011
-	1,073	-	-	-	-	1,073
177,255	-	-	-	-	-	177,255
-	-	-	-	-	7,221	7,221
-	-	-	-	-	-	302,000
-	-	-	-	-	-	37,288
<u>177,255</u>	<u>1,073</u>	<u>100,008</u>	<u>18,865</u>	<u>20,408</u>	<u>7,221</u>	<u>907,256</u>
<u>33,575</u>	<u>2,406</u>	<u>196,833</u>	<u>115,681</u>	<u>(6,081)</u>	<u>-</u>	<u>304,861</u>
-	-	-	-	-	-	267,595
-	-	(244,000)	(100,000)	-	-	(344,000)
-	-	(244,000)	(100,000)	-	-	(76,405)
33,575	2,406	(47,167)	15,681	(6,081)	-	228,456
<u>315,924</u>	<u>19,830</u>	<u>114,668</u>	<u>18,079</u>	<u>34,072</u>	<u>-</u>	<u>686,466</u>
<u>\$ 349,499</u>	<u>\$ 22,236</u>	<u>\$ 67,501</u>	<u>\$ 33,760</u>	<u>\$ 27,991</u>	<u>\$ -</u>	<u>\$ 914,922</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	Budget Amounts		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	Original	Final			
REVENUES					
Ad Valorem Tax	\$ 63,242	\$ 63,242	\$ 72,975	\$ 9,733	\$ 58,627
Interest Income	100	100	52	(48)	81
TOTAL REVENUES	<u>63,342</u>	<u>63,342</u>	<u>73,027</u>	<u>9,685</u>	<u>58,708</u>
EXPENDITURES					
<i>Debt Service:</i>					
Principal	302,000	302,000	302,000	-	293,000
Interest and Fiscal Charges	33,493	33,493	37,288	(3,795)	44,377
TOTAL EXPENDITURES	<u>335,493</u>	<u>335,493</u>	<u>339,288</u>	<u>(3,795)</u>	<u>337,377</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(272,151)</u>	<u>(272,151)</u>	<u>(266,261)</u>	<u>5,890</u>	<u>(278,669)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	267,595	267,595	267,595	-	265,250
TOTAL OTHER FINANCING SOURCES (USES)	<u>267,595</u>	<u>267,595</u>	<u>267,595</u>	<u>-</u>	<u>265,250</u>
Net Change in Fund Balance	(4,556)	(4,556)	1,334	5,890	(13,419)
Fund Balance - October 1	115,587	115,587	115,587	-	129,006
Fund Balance - September 30	<u>\$ 111,031</u>	<u>\$ 111,031</u>	<u>\$ 116,921</u>	<u>\$ 5,890</u>	<u>\$ 115,587</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
FEDERAL ASSET FORFEITURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	<u>Budget Amounts</u>		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	<u>Original</u>	<u>Final</u>			
REVENUES					
Fines and Forfeits	\$ 10,000	\$ 15,000	\$ 189,382	\$ 174,382	\$ 8,467
Interest Income	-	-	1	1	-
TOTAL REVENUES	<u>10,000</u>	<u>15,000</u>	<u>189,383</u>	<u>174,383</u>	<u>8,467</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	2,900	12,500	5,515	6,985	2,059
TOTAL EXPENDITURES	<u>2,900</u>	<u>12,500</u>	<u>5,515</u>	<u>6,985</u>	<u>2,059</u>
Net Change in Fund Balance	7,100	2,500	183,868	181,368	6,408
Fund Balance - October 1	7,504	7,504	7,504	-	1,096
Fund Balance - September 30	<u>\$ 14,604</u>	<u>\$ 10,004</u>	<u>\$ 191,372</u>	<u>\$ 181,368</u>	<u>\$ 7,504</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
STATE ASSET FORFEITURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	<u>Budget Amounts</u>		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	<u>Original</u>	<u>Final</u>			
REVENUES					
Fines and Forfeits	\$ 10,000	\$ -	\$ -	\$ -	\$ 2,600
Interest Income	-	-	2	2	2
TOTAL REVENUES	<u>10,000</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>2,602</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	10,000	10,000	400	9,600	2,410
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>400</u>	<u>9,600</u>	<u>2,410</u>
Net Change in Fund Balance	-	(10,000)	(398)	9,602	192
Fund Balance - October 1	25,172	25,172	25,172	-	24,980
Fund Balance - September 30	<u>\$ 25,172</u>	<u>\$ 15,172</u>	<u>\$ 24,774</u>	<u>\$ 9,602</u>	<u>\$ 25,172</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
TRAFFIC SAFETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	<u>Budget Amounts</u>		Actual 2013	Variance With Final Budget-	<u>Actual 2012</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Fines and Forfeits	\$ 269,336	\$ 269,336	\$ 282,457	\$ 13,121	\$ 232,084
Interest Income	50	50	4	(46)	1
TOTAL REVENUES	<u>269,386</u>	<u>269,386</u>	<u>282,461</u>	<u>13,075</u>	<u>232,085</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	<u>242,712</u>	<u>242,712</u>	<u>237,223</u>	<u>5,489</u>	<u>252,977</u>
TOTAL EXPENDITURES	<u>242,712</u>	<u>242,712</u>	<u>237,223</u>	<u>5,489</u>	<u>252,977</u>
Net Change in Fund Balance	26,674	26,674	45,238	18,564	(20,892)
Fund Balance - October 1	<u>35,630</u>	<u>35,630</u>	35,630	-	<u>56,522</u>
Fund Balance - September 30	<u>\$ 62,304</u>	<u>\$ 62,304</u>	\$ 80,868	<u>\$ 18,564</u>	<u>\$ 35,630</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	<u>Budget Amounts</u>		Actual 2013	Variance With Final Budget-	Actual 2012
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Occupancy Tax	\$ 180,000	\$ 180,000	\$ 210,661	\$ 30,661	\$ 196,051
Interest Income	500	500	169	(331)	232
Miscellaneous Income	-	-	-	-	20
TOTAL REVENUES	<u>180,500</u>	<u>180,500</u>	<u>210,830</u>	<u>30,330</u>	<u>196,303</u>
EXPENDITURES					
<i>Current:</i>					
Culture & Recreation	200,335	200,335	177,255	23,080	242,238
TOTAL EXPENDITURES	<u>200,335</u>	<u>200,335</u>	<u>177,255</u>	<u>23,080</u>	<u>242,238</u>
Net Change in Fund Balance	(19,835)	(19,835)	33,575	53,410	(45,935)
Fund Balance - October 1	315,924	315,924	315,924	-	361,859
Fund Balance - September 30	<u>\$ 296,089</u>	<u>\$ 296,089</u>	<u>\$ 349,499</u>	<u>\$ 53,410</u>	<u>\$ 315,924</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
CHILD SAFETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	Budget Amounts		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	Original	Final			
REVENUES					
Fines and Forfeits	\$ 2,800	\$ 2,800	\$ 3,478	\$ 678	\$ 3,353
Interest Income	10	10	1	(9)	2
TOTAL REVENUES	2,810	2,810	3,479	669	3,355
EXPENDITURES					
<i>Current:</i>					
Public Safety	1,500	1,500	1,073	427	1,354
TOTAL EXPENDITURES	1,500	1,500	1,073	427	1,354
Net Change in Fund Balance	1,310	1,310	2,406	1,096	2,001
Fund Balance - October 1	19,830	19,830	19,830	-	17,829
Fund Balance - September 30	\$ 21,140	\$ 21,140	\$ 22,236	\$ 1,096	\$ 19,830

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
IMPOUND FACILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	Budget Amounts		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	Original	Final			
REVENUES					
Charges for Services	\$ 415,995	\$ 415,995	\$ 296,830	\$ (119,165)	\$ 428,580
Interest Income	20	20	11	(9)	16
TOTAL REVENUES	<u>416,015</u>	<u>416,015</u>	<u>296,841</u>	<u>(119,174)</u>	<u>428,596</u>
EXPENDITURES					
<i>Current:</i>					
General Government	172,015	172,015	100,008	72,007	131,594
TOTAL EXPENDITURES	<u>172,015</u>	<u>172,015</u>	<u>100,008</u>	<u>72,007</u>	<u>131,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>244,000</u>	<u>244,000</u>	<u>196,833</u>	<u>(47,167)</u>	<u>297,002</u>
OTHER FINANCING SOURCES (USES)					
Transfer Out	(244,000)	(244,000)	(244,000)	-	(294,165)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(244,000)</u>	<u>(244,000)</u>	<u>(244,000)</u>	<u>-</u>	<u>(294,165)</u>
Net Change in Fund Balance	-	-	(47,167)	(47,167)	2,837
Fund Balance - October 1	114,668	114,668	114,668	-	111,831
Fund Balance - September 30	<u>\$ 114,668</u>	<u>\$ 114,668</u>	<u>\$ 67,501</u>	<u>\$ (47,167)</u>	<u>\$ 114,668</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
IMPOUND AUCTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	Budget Amounts		Actual 2013	Variance With Final Budget- Positive (Negative)	Actual 2012
	Original	Final			
REVENUES					
Charges for Services	\$ 140,000	\$ 140,000	\$ 134,475	\$ (5,525)	\$ 129,730
Interest Income	100	100	71	(29)	23
TOTAL REVENUES	<u>140,100</u>	<u>140,100</u>	<u>134,546</u>	<u>(5,554)</u>	<u>129,753</u>
EXPENDITURES					
<i>Current:</i>					
General Government	19,850	19,850	18,865	985	14,539
Capital Outlay	-	-	-	-	76,277
TOTAL EXPENDITURES	<u>19,850</u>	<u>19,850</u>	<u>18,865</u>	<u>985</u>	<u>90,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>120,250</u>	<u>120,250</u>	<u>115,681</u>	<u>(4,569)</u>	<u>38,937</u>
OTHER FINANCING SOURCES (USES)					
Transfer Out	(100,000)	(100,000)	(100,000)	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(60,000)</u>
Net Change in Fund Balance	20,250	20,250	15,681	(4,569)	(21,063)
Fund Balance - October 1	18,079	18,079	18,079	-	39,142
Fund Balance - September 30	<u>\$ 38,329</u>	<u>\$ 38,329</u>	<u>\$ 33,760</u>	<u>\$ (4,569)</u>	<u>\$ 18,079</u>

CITY OF BALCONES HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SECURITY AND TECHNOLOGY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	<u>Budget Amounts</u>		Actual 2013	Variance With Final Budget-	<u>Actual 2012</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Fines and Forfeits	\$ 23,100	\$ 23,100	\$ 14,323	\$ (8,777)	\$ 16,320
Interest Income	20	20	3	(17)	4
TOTAL REVENUES	<u>23,120</u>	<u>23,120</u>	<u>14,326</u>	<u>(8,794)</u>	<u>16,324</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	26,658	26,658	20,408	6,250	33,900
TOTAL EXPENDITURES	<u>26,658</u>	<u>26,658</u>	<u>20,408</u>	<u>6,250</u>	<u>33,900</u>
Net Change in Fund Balance	(3,538)	(3,538)	(6,082)	(2,544)	(17,576)
Fund Balance - October 1	34,072	34,072	34,072	-	51,648
Fund Balance - September 30	<u>\$ 30,534</u>	<u>\$ 30,534</u>	<u>\$ 27,990</u>	<u>\$ (2,544)</u>	<u>\$ 34,072</u>

CITY OF BALCONES HEIGHTS, TEXAS
STATISTICAL SECTION
SEPTEMBER 30, 2013

This part of the City of Balcones Heights' 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 Balcones Heights' overall financial health.

Financial Trends

Net Position by Component
Change in Net Position
Fund Balances, Governmental Funds
Changes in Fund Balances, Governmental Funds

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

Tax Revenues by Source, Governmental Funds
Top 10 Sales Tax Providers
Property Tax Levies and Collections
Direct and Overlapping Property Tax Rates
Assessed Taxable Values
Principal Property Taxpayers

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

Debt Capacity

Ratios of Outstanding Debt by Type
Legal Debt Margin

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

Demographic and Economic Statistics
Principal Employers

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time with other governments.

Operating Information

Operating Indicators by Function
Capital Asset Statistics by Function
Full-time Equivalent City Government Employees by Function

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

CITY OF BALCONES HEIGHTS, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
NET POSITION				
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 938,498	\$ 1,588,660	\$ 1,570,744	\$ 2,368,441
Restricted	217,082	222,933	305,712	321,380
Unrestricted	2,091,810	1,489,149	2,148,471	2,545,478
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$ 3,247,390</u>	<u>\$ 3,300,742</u>	<u>\$ 4,024,927</u>	<u>\$ 5,235,299</u>
<i>Business-Type Activities:</i>				
Net Investment in Capital Assets	\$ 97,230	\$ 94,848	\$ 92,465	\$ 90,083
Restricted	-	-	-	-
Unrestricted	485,055	524,269	605,313	683,195
<i>Total Business-Type Activities</i>				
<i>Net Position</i>	<u>\$ 582,285</u>	<u>\$ 619,117</u>	<u>\$ 697,778</u>	<u>\$ 773,278</u>
<i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 1,035,728	\$ 1,683,508	\$ 1,663,209	\$ 2,458,524
Restricted	217,082	222,933	305,712	321,380
Unrestricted	2,576,865	2,013,418	2,753,784	3,228,673
<i>Total Primary Government</i>				
<i>Net Position</i>	<u>\$ 3,829,675</u>	<u>\$ 3,919,859</u>	<u>\$ 4,722,705</u>	<u>\$ 6,008,577</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 2,533,252	\$ 2,981,397	\$ 3,251,453	\$ 3,480,618	\$ 4,412,898	\$ 4,715,596
328,270	285,014	491,639	559,418	532,320	819,550
<u>3,302,167</u>	<u>3,029,187</u>	<u>3,124,305</u>	<u>2,925,252</u>	<u>2,652,072</u>	<u>3,035,399</u>
<u>\$ 6,163,689</u>	<u>\$ 6,295,598</u>	<u>\$ 6,867,397</u>	<u>\$ 6,965,288</u>	<u>\$ 7,597,290</u>	<u>\$ 8,570,545</u>
\$ 87,700	\$ 85,317	\$ 82,935	\$ 80,553	\$ 78,171	\$ 75,789
-	-	-	-	-	-
<u>165,648</u>	<u>91,278</u>	<u>64,799</u>	<u>78,455</u>	<u>64,914</u>	<u>(22,041)</u>
<u>\$ 253,348</u>	<u>\$ 176,595</u>	<u>\$ 147,734</u>	<u>\$ 159,008</u>	<u>\$ 143,085</u>	<u>\$ 53,748</u>
\$ 2,620,952	\$ 3,066,714	\$ 3,334,388	\$ 3,561,171	\$ 4,491,069	\$ 4,791,385
328,270	285,014	491,639	559,418	532,320	819,550
<u>3,467,815</u>	<u>3,120,465</u>	<u>3,189,104</u>	<u>3,003,707</u>	<u>2,716,986</u>	<u>3,013,358</u>
<u>\$ 6,417,037</u>	<u>\$ 6,472,193</u>	<u>\$ 7,015,131</u>	<u>\$ 7,124,296</u>	<u>\$ 7,740,375</u>	<u>\$ 8,624,293</u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 846,942	\$ 697,119	\$ 703,850	\$ 871,185
Public Safety	1,512,513	1,832,246	1,957,249	2,157,766
Public Works	140,260	148,637	256,804	153,150
Health and Welfare	14,500	12,039	12,000	12,000
Culture and Recreation	136,306	190,392	184,110	267,544
Capital Outlay	93,551	831,189	-	44,483
Interest on Long-Term Debt	134,507	124,547	111,721	136,114
<i>Total Governmental Activities Expenses</i>	<u>2,878,579</u>	<u>3,836,169</u>	<u>3,225,734</u>	<u>3,642,242</u>
<i>Business-Type Activities:</i>				
Wastewater	282,302	364,146	376,964	356,735
<i>Total Business-Type Activities Expenses</i>	<u>282,302</u>	<u>364,146</u>	<u>376,964</u>	<u>356,735</u>
Total Primary Government Expenses	<u><u>\$ 3,160,881</u></u>	<u><u>\$ 4,200,315</u></u>	<u><u>\$ 3,602,698</u></u>	<u><u>\$ 3,998,977</u></u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Service:				
General Government	\$ 111,294	\$ 54,056	\$ 61,975	\$ 55,756
Public Safety	271,372	241,361	317,505	726,540
Public Works	8,229	6,125	1,679	2,800
Culture and Recreation	4,628	4,580	5,066	5,415
Operating Grants and Contributions	54,429	121,194	40,464	85,255
Capital Grant and Contributions	-	530,691	78,900	408,425
<i>Total Governmental Activities Program Revenues</i>	<u>449,952</u>	<u>958,007</u>	<u>505,589</u>	<u>1,284,191</u>
<i>Business-Type Activities:</i>				
Charges for Service:				
Wastewater	326,376	387,970	430,027	399,160
<i>Total Business-Type Activities Program Revenues</i>	<u>326,376</u>	<u>387,970</u>	<u>430,027</u>	<u>399,160</u>
Total Primary Government Program Revenues	<u><u>\$ 776,328</u></u>	<u><u>\$ 1,345,977</u></u>	<u><u>\$ 935,616</u></u>	<u><u>\$ 1,683,351</u></u>

Governmental activities include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 1,230,688	\$ 1,156,651	\$ 753,441	\$ 911,411	\$ 1,000,171	\$ 987,456
2,508,393	3,050,580	3,856,095	4,156,989	4,096,781	4,015,397
218,044	330,237	241,882	331,523	244,048	264,227
12,000	12,000	14,949	20,423	13,354	13,073
291,314	309,416	277,075	344,481	256,667	256,089
80,264	20,604	39,460	61,052	-	-
129,072	109,770	89,193	82,651	58,525	62,419
<u>4,469,775</u>	<u>4,989,258</u>	<u>5,272,095</u>	<u>5,908,530</u>	<u>5,669,546</u>	<u>5,598,661</u>
<u>340,655</u>	<u>376,660</u>	<u>410,710</u>	<u>404,744</u>	<u>458,527</u>	<u>566,345</u>
<u>340,655</u>	<u>376,660</u>	<u>410,710</u>	<u>404,744</u>	<u>458,527</u>	<u>566,345</u>
<u>\$ 4,810,430</u>	<u>\$ 5,365,918</u>	<u>\$ 5,682,805</u>	<u>\$ 6,313,274</u>	<u>\$ 6,128,073</u>	<u>\$ 6,165,006</u>
\$ 157,775	\$ 98,040	\$ 173,610	\$ 219,926	\$ 156,698	\$ 288,970
986,414	1,287,773	2,224,942	2,329,625	1,919,566	1,795,054
3,920	450	1,034	1,250	11,806	725
8,355	12,330	7,720	6,852	5,335	5,735
1,895	1,990	37,470	8,909	-	-
49,686	281,080	75,763	5,000	404,886	137,496
<u>1,208,045</u>	<u>1,681,663</u>	<u>2,520,539</u>	<u>2,571,562</u>	<u>2,498,291</u>	<u>2,227,980</u>
<u>383,695</u>	<u>391,671</u>	<u>381,841</u>	<u>416,003</u>	<u>442,596</u>	<u>477,004</u>
<u>383,695</u>	<u>391,671</u>	<u>381,841</u>	<u>416,003</u>	<u>442,596</u>	<u>477,004</u>
<u>\$ 1,591,740</u>	<u>\$ 2,073,334</u>	<u>\$ 2,902,380</u>	<u>\$ 2,987,565</u>	<u>\$ 2,940,887</u>	<u>\$ 2,704,984</u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)

	Fiscal Year			
	2004	2005	2006	2007
Net (Expenses) Revenues				
Governmental Activities	\$(2,428,627)	\$(2,878,162)	\$(2,720,145)	\$(2,358,051)
Business-Type Activities	44,074	23,824	53,063	42,425
Total Primary Government Net (Expenses) Revenues	<u>(2,384,553)</u>	<u>(2,854,338)</u>	<u>(2,667,082)</u>	<u>(2,315,626)</u>
General Revenues and Other Changes in Net Position				
<i>Governmental Activities:</i>				
General Property Taxes	729,960	819,974	964,915	978,180
Franchise Taxes	232,372	245,910	273,666	268,169
Sales Taxes	1,539,564	1,549,520	1,694,814	1,760,152
Hotel Occupancy Taxes	204,552	190,540	263,560	257,697
Mixed Beverage Tax	27,186	40,787	34,785	39,029
Interest and Investment Earnings	23,438	22,800	93,348	142,647
Miscellaneous	74,766	35,985	38,470	72,549
Gain on sale of capital assets	-	-	80,772	50,000
Transfers	570	-	-	-
<i>Total Governmental Activities</i>	<u>2,832,408</u>	<u>2,905,516</u>	<u>3,444,330</u>	<u>3,568,423</u>
<i>Business-Type Activities:</i>				
Interest and Investment Earnings	4,843	13,008	25,598	33,075
Transfers	(570)	-	-	-
<i>Total Business-Type Activities</i>	<u>4,273</u>	<u>13,008</u>	<u>25,598</u>	<u>33,075</u>
Change in Net Position				
Governmental Activities	403,781	27,354	724,185	1,210,372
Business-Type Activities	48,347	36,832	78,661	75,500
<i>Total Primary Government</i>	<u>\$ 452,128</u>	<u>\$ 64,186</u>	<u>\$ 802,846</u>	<u>\$ 1,285,872</u>

GASB Statement No. 34 reporting requirements were implemented in fiscal year 2004.

Governmental activities include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

Fiscal Year					
2008	2009	2010	2011	2012	2013
<u>\$(3,261,730)</u>	<u>\$(3,307,595)</u>	<u>\$(2,751,556)</u>	<u>\$(3,336,968)</u>	<u>\$(3,171,255)</u>	<u>\$(3,370,681)</u>
<u>43,040</u>	<u>15,011</u>	<u>(28,869)</u>	<u>11,259</u>	<u>(15,931)</u>	<u>(89,341)</u>
<u>(3,218,690)</u>	<u>(3,292,584)</u>	<u>(2,780,425)</u>	<u>(3,325,709)</u>	<u>(3,187,186)</u>	<u>(3,460,022)</u>
1,040,744	1,099,899	1,118,366	1,154,753	1,180,873	1,220,099
282,575	291,202	281,890	285,523	289,779	288,083
1,722,223	1,598,051	1,609,758	1,715,743	1,897,308	2,061,790
306,089	200,329	185,375	167,319	196,051	210,661
42,163	39,673	45,657	34,467	29,259	28,924
100,440	16,888	4,813	3,568	2,854	2,487
89,886	101,381	77,496	73,486	207,133	531,892
-	-	-	-	-	-
<u>606,000</u>	<u>92,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,190,120</u>	<u>3,439,504</u>	<u>3,323,355</u>	<u>3,434,859</u>	<u>3,803,257</u>	<u>4,343,936</u>
43,030	317	8	15	8	4
<u>(606,000)</u>	<u>(92,081)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(562,970)</u>	<u>(91,764)</u>	<u>8</u>	<u>15</u>	<u>8</u>	<u>4</u>
928,390	131,909	571,799	97,891	632,002	973,255
<u>(519,930)</u>	<u>(76,753)</u>	<u>(28,861)</u>	<u>11,274</u>	<u>(15,923)</u>	<u>(89,337)</u>
<u>\$ 408,460</u>	<u>\$ 55,156</u>	<u>\$ 542,938</u>	<u>\$ 109,165</u>	<u>\$ 616,079</u>	<u>\$ 883,918</u>

CITY OF BALCONES HEIGHTS, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
<i>Nonspendable Fund Balance:</i>				
Prepaid Items	\$ 86,175	\$ 2,765	\$ 15,103	\$ 2,809
Interfund Advance	-	-	-	-
<i>Total Nonspendable Fund Balance</i>	<u>86,175</u>	<u>2,765</u>	<u>15,103</u>	<u>2,809</u>
<i>Restricted Fund Balance:</i>				
Crime Control & Prevention	260,016	241,509	307,510	390,891
Debt Service	217,082	218,808	236,429	229,136
Hotel/Motel	1,247,273	536,037	638,797	635,331
Impound Facility & Auction	-	-	-	-
Police & Security	68,147	73,365	95,836	124,462
Traffic Safety	-	-	-	-
PEG Capital Fees	-	-	-	-
<i>Total Restricted Fund Balance</i>	<u>1,792,518</u>	<u>1,069,719</u>	<u>1,278,572</u>	<u>1,379,820</u>
<i>Assigned Fund Balance:</i>				
Capital Projects	2,731	2,791	2,917	339,651
Street Maintenance	155,243	262,063	331,835	190,443
Economic Development	-	-	-	-
<i>Total Assigned Fund Balance</i>	<u>157,974</u>	<u>264,854</u>	<u>334,752</u>	<u>530,094</u>
Unassigned Fund Balance	<u>312,819</u>	<u>438,724</u>	<u>906,233</u>	<u>1,039,214</u>
<i>Total Governmental Funds</i>	<u><u>\$ 2,349,486</u></u>	<u><u>\$ 1,776,062</u></u>	<u><u>\$ 2,534,660</u></u>	<u><u>\$ 2,951,937</u></u>

GASB Statement No. 54 reporting requirements were implemented in fiscal year 2011. The above information has been retroactively reported.

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 2,992	\$ 2,100	\$ 27,706	\$ 335	\$ -	\$ 9,281
-	144,296	125,110	105,939	86,754	67,568
<u>2,992</u>	<u>146,396</u>	<u>152,816</u>	<u>106,274</u>	<u>86,754</u>	<u>76,849</u>
379,067	326,069	275,880	267,192	275,315	325,943
238,243	231,914	235,671	129,006	115,587	116,921
688,959	455,515	395,054	255,920	229,170	281,931
-	23,672	143,919	150,973	132,747	101,261
111,521	68,505	174,394	112,135	103,628	286,319
58,079	32,612	79,258	56,522	35,630	80,868
-	-	-	-	6,782	11,839
<u>1,475,869</u>	<u>1,138,287</u>	<u>1,304,176</u>	<u>971,748</u>	<u>898,859</u>	<u>1,205,082</u>
1,085,206	1,181,435	1,183,682	1,304,632	972,119	1,127,714
247,253	262,333	263,363	279,455	294,767	303,771
-	-	-	-	-	20,400
<u>1,332,459</u>	<u>1,443,768</u>	<u>1,447,045</u>	<u>1,584,087</u>	<u>1,266,886</u>	<u>1,451,885</u>
<u>940,660</u>	<u>706,017</u>	<u>933,154</u>	<u>1,114,991</u>	<u>1,250,811</u>	<u>1,472,745</u>
<u><u>\$ 3,751,980</u></u>	<u><u>\$ 3,434,468</u></u>	<u><u>\$ 3,837,191</u></u>	<u><u>\$ 3,777,100</u></u>	<u><u>\$ 3,503,310</u></u>	<u><u>\$ 4,206,561</u></u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 2,740,475	\$ 2,846,164	\$ 3,238,179	\$ 3,306,131
Licenses and Permits	57,321	38,801	44,656	32,782
Intergovernmental	54,429	648,436	119,364	493,681
Charges for Services	245,483	180,464	225,676	330,643
Fines and Forfeits	92,720	90,307	115,832	427,084
Interest	23,439	53,437	93,405	142,647
Miscellaneous	74,767	5,346	316,934	122,550
Total Revenues	<u>3,288,634</u>	<u>3,862,955</u>	<u>4,154,046</u>	<u>4,855,518</u>
Expenditures				
Personal Services	1,459,444	-	-	-
General Government	381,285	590,894	635,961	869,880
Public Safety	489,874	1,828,282	1,971,327	2,025,851
Public Works	47,542	76,918	188,719	111,134
Health and Welfare	14,500	12,039	12,000	12,000
Culture and Recreation	130,852	181,027	175,302	263,113
Capital Projects Outlay	291,742	1,385,000	842,197	768,565
Debt Service:				
Principal	235,508	240,390	252,469	254,212
Interest and Fiscal Charges	131,869	121,829	109,171	133,486
Bond Issue Costs	-	-	-	-
Total Expenditures	<u>3,182,616</u>	<u>4,436,379</u>	<u>4,187,146</u>	<u>4,438,241</u>
Excess of Revenues Over (Under) Expenditures	<u>106,018</u>	<u>(573,424)</u>	<u>(33,100)</u>	<u>417,277</u>
Other Financing Sources (Uses)				
Transfers In	324,906	322,769	324,725	653,408
Transfers Out	(324,336)	(322,769)	(324,725)	(653,408)
Proceeds from Disposal of Assets	-	-	-	-
Proceeds of Long-Term Financing	168,022	-	791,698	-
Payments to Refund Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>168,592</u>	<u>-</u>	<u>791,698</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 274,610</u>	<u>\$ (573,424)</u>	<u>\$ 758,598</u>	<u>\$ 417,277</u>
Debt Service as a Percentage of Noncapital Expenditures	14.60%	13.50%	12.10%	11.81%

The City changed the accounting for personnel costs in 2005 to include all costs of personnel within each function, rather than a separate line item.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 3,396,284	\$ 3,231,593	\$ 3,238,770	\$ 3,357,928	\$ 3,590,005	\$ 3,808,211
135,113	74,074	141,558	173,175	128,798	85,109
51,581	283,070	113,233	13,909	404,886	137,496
257,443	351,861	870,482	906,263	648,845	489,696
763,907	972,658	1,395,266	1,478,215	1,315,761	1,515,679
100,442	16,888	4,813	3,568	2,854	2,487
92,746	101,381	77,496	73,486	178,633	529,586
<u>4,797,516</u>	<u>5,031,525</u>	<u>5,841,618</u>	<u>6,006,544</u>	<u>6,269,782</u>	<u>6,568,264</u>
-	-	-	-	-	-
1,219,301	1,120,597	739,080	907,593	984,644	977,654
2,313,565	2,867,116	3,641,037	3,905,118	3,886,039	3,796,337
149,612	299,351	172,519	257,423	178,145	189,101
26,548	17,119	14,949	20,423	13,354	13,073
280,725	299,253	264,784	333,613	248,751	246,028
388,289	436,818	218,954	219,704	947,137	312,032
258,763	284,652	322,298	281,725	293,000	302,000
126,622	127,420	65,274	64,140	44,377	37,288
-	27,492	-	27,345	-	-
<u>4,763,425</u>	<u>5,479,818</u>	<u>5,438,895</u>	<u>6,017,084</u>	<u>6,595,447</u>	<u>5,873,513</u>
34,091	(448,293)	402,723	(10,540)	(325,665)	694,751
1,097,681	483,135	324,909	566,412	630,635	698,035
(491,681)	(391,054)	(324,909)	(566,412)	(630,635)	(698,035)
-	-	-	23,104	51,875	8,500
159,952	1,229,000	-	584,000	-	-
-	(1,190,300)	-	(656,655)	-	-
<u>765,952</u>	<u>130,781</u>	<u>-</u>	<u>(49,551)</u>	<u>51,875</u>	<u>8,500</u>
<u>\$ 800,043</u>	<u>\$ (317,512)</u>	<u>\$ 402,723</u>	<u>\$ (60,091)</u>	<u>\$ (273,790)</u>	<u>\$ 703,251</u>
8.81%	8.72%	7.42%	6.38%	5.97%	6.07%

CITY OF BALCONES HEIGHTS, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales and Use</u>	<u>Occupancy</u>	<u>Franchise</u>	<u>Mixed Beverage</u>	<u>Total</u>
2004	\$ 736,801	\$ 1,539,564	\$ 204,552	\$ 232,372	\$ 27,186	\$2,740,475
2005	819,407	1,549,520	190,540	245,910	40,787	2,846,164
2006	971,354	1,694,814	263,560	273,666	34,785	3,238,179
2007	981,084	1,760,152	257,697	268,169	39,029	3,306,131
2008	1,043,234	1,722,223	278,492	282,575	42,163	3,368,687
2009	1,102,338	1,598,051	200,329	291,202	39,673	3,231,593
2010	1,116,090	1,609,758	185,375	281,890	45,657	3,238,770
2011	1,154,876	1,715,743	167,319	285,523	34,467	3,357,928
2012	1,177,608	1,897,308	196,051	289,779	29,259	3,590,005
2013	1,218,753	2,061,790	210,661	288,083	28,924	3,808,211

CITY OF BALCONES HEIGHTS, TEXAS
TOP 10 SALES TAX PROVIDERS
BY BUSINESS CLASS

Rank	Fiscal Year		
	2011	2012	2013
	Business Class	Business Class	Business Class
1	Retail	Retail	Retail
2	Retail	Retail	Retail
3	Restaurant	Retail	Retail
4	Entertainment	Restaurant	Restaurant
5	Retail	Entertainment	Entertainment
6	Restaurant	Retail	Retail
7	Construction	Restaurant	Restaurant
8	Retail	Construction	Construction
9	Entertainment	Retail	Retail
10	Restaurant	Entertainment	Entertainment

Source: State Comptroller

Note: Ten years of data will be accumulated. Data prior to 2011 is not currently available.

Texas Tax Code 321.3022(c) declares specific information on vendor and amounts to be confidential and is not subject to public inspection. The City of Balcones Heights understands the value of this information and determined that presentation of business class is the best way to convey this information.

CITY OF BALCONES HEIGHTS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2004	\$ 722,083	\$ 715,694	99.1%	4,394	\$ 720,088	99.7%
2005	845,812	808,428	95.6%	35,625	844,053	99.8%
2006	933,219	925,883	99.2%	5,131	931,014	99.8%
2007	977,009	970,513	99.3%	3,311	973,824	99.7%
2008	1,040,807	1,036,119	99.5%	4,535	1,040,654	100.0%
2009	1,096,650	1,093,231	99.7%	3,223	1,096,454	100.0%
2010	1,127,647	1,121,762	99.5%	5,665	1,127,427	100.0%
2011	1,154,886	1,150,015	99.6%	4,588	1,154,603	100.0%
2012	1,176,278	1,167,814	99.3%	6,559	1,174,373	99.8%
2013	1,205,668	1,195,311	99.1%	-	1,195,311	99.1%

CITY OF BALCONES HEIGHTS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City Direct Rates		
	General M&O	Debt Service	Total Direct
2004	0.505909	0.036509	0.542418
2005	0.505909	0.021121	0.527030
2006	0.535622	0.022878	0.558500
2007	0.510777	0.021627	0.532404
2008	0.465070	0.033286	0.498356
2009	0.465878	0.024851	0.490729
2010	0.479510	0.030971	0.510481
2011	0.530926	0.027917	0.558843
2012	0.541586	0.030613	0.572199
2013	0.537734	0.034465	0.572199

Fiscal Year	Overlapping Rates					
	San Antonio ISD	Bexar County	Bexar County Rd & Flood	Alamo College District	San Antonio River Authority	University Health System
2004	1.722000	0.333671	-	0.107500	0.016425	0.243869
2005	1.722000	0.331190	-	0.107500	0.016425	0.243869
2006	1.720000	0.331190	-	0.107100	0.016425	0.243869
2007	1.579700	0.326866	-	0.137100	0.016045	0.243869
2008	1.249700	0.295104	0.031762	0.134600	0.015951	0.237408
2009	1.249700	0.289399	0.037467	0.135900	0.015951	0.261022
2010	1.249700	0.296187	0.030679	0.135900	0.015951	0.266235
2011	1.279700	0.296187	0.030679	0.141600	0.016652	0.276235
2012	1.307600	0.296187	0.030679	0.141600	0.017370	0.276235
2013	1.357600	0.296187	0.030679	0.149200	0.017370	0.276235

CITY OF BALCONES HEIGHTS, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST NINE FISCAL YEARS
 (UNAUDITED)

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2005	\$ 38,530,697	\$ 123,335,352	\$ -	\$ 7,167,013	\$ 154,699,036	0.527030
2006	43,746,405	134,534,301	-	11,171,252	167,109,454	0.558500
2007	47,142,984	145,277,360	-	8,765,525	183,654,819	0.532404
2008	50,340,920	166,455,919	-	8,091,953	208,704,886	0.498356
2009	55,226,346	175,582,590	-	7,500,130	223,308,806	0.490729
2010	68,892,979	159,439,342	-	7,433,426	220,898,895	0.510481
2011	62,888,159	150,992,998	-	7,327,258	206,553,899	0.558843
2012	67,341,490	145,376,448	-	7,146,385	205,571,553	0.572199
2013	70,222,836	148,233,938	-	7,938,653	210,518,121	0.572199

Source: Bexar Appraisal District. Certified Totals.

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

CITY OF BALCONES HEIGHTS, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT AND NINE YEARS AGO
 (UNAUDITED)

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Methodist Healthcare System	\$ 39,939,150	1	18.97%	N/A	N/A	N/A
Crossroads Mall Partners, LTD	17,340,452	2	8.00%	N/A	N/A	N/A
Target Corporation	16,849,070	3	8.24%	N/A	N/A	N/A
SFP Apartments, LLC	7,000,000	4	3.23%	N/A	N/A	N/A
IH-10 Heart Plaza, Ltd.	6,800,000	5	3.33%	N/A	N/A	N/A
Savings Square Partners, LTD	5,511,314	6	1.66%	N/A	N/A	N/A
Hallmark Apartments, Ltd.	5,300,000	7	2.62%	N/A	N/A	N/A
Leon Springs Associates, LLC	4,594,030	8	2.52%	N/A	N/A	N/A
Brookhollow Middletown	3,487,858	9	2.18%	N/A	N/A	N/A
Park I10 Motors	3,358,560	10	1.60%	N/A	N/A	N/A
Total	<u>\$ 110,180,434</u>		<u>52.34%</u>	N/A	N/A	N/A
Total Taxable Assessed Value	<u>\$ 210,518,121</u>					

Source: Bexar Appraisal District

Data for 2013 was based on 2012 Certified Totals

Data for 2004 was not available.

CITY OF BALCONES HEIGHTS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Gonvernmental Activities			Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per Capita
	General Obligation Bonds	Combination Certificates of Obligation	Capital Leases				
2004	\$ 70,000	\$ 2,115,000	\$ 127,514	\$ 2,312,514	\$ 128,189,548	1.8%	767
2005	35,000	1,950,000	87,124	2,072,124	154,699,036	1.3%	687
2006	-	1,775,000	836,353	2,611,353	167,109,454	1.6%	866
2007	-	1,590,000	767,141	2,357,141	183,654,819	1.3%	792
2008	-	1,395,000	863,330	2,258,330	208,704,886	1.1%	759
2009	1,229,000	-	783,678	2,012,678	223,308,806	0.9%	674
2010	990,000	-	700,380	1,690,380	220,898,895	0.8%	562
2011	752,000	584,000	-	1,336,000	206,553,899	0.6%	444
2012	510,000	533,000	-	1,043,000	205,571,553	0.5%	370
2013	259,000	482,000	-	741,000	210,518,121	0.4%	263

Population data on page 87.

CITY OF BALCONES HEIGHTS, TEXAS
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(UNAUDITED)

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value		<u>\$ 210,518,121</u>
*Debt limit (10% of assessed value)		21,051,812
Outstanding Debt	\$ 741,000	
Less: amount set aside for repayment of general obligation debt	<u>(116,921)</u>	
Total net debt applicable to limit		<u>(624,079)</u>
Economic Debt Margin		<u><u>\$ 20,427,733</u></u>

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt Limit	\$ 12,818,955	\$ 15,469,903	\$ 16,710,945	\$ 18,365,482	\$ 20,870,489
Total Net Debt Applicable to Limit	<u>(2,095,432)</u>	<u>(1,853,316)</u>	<u>(2,374,924)</u>	<u>(2,128,005)</u>	<u>(2,020,087)</u>
Legal Debt Margin	<u><u>\$ 10,723,523</u></u>	<u><u>\$ 13,616,587</u></u>	<u><u>\$ 14,336,021</u></u>	<u><u>\$ 16,237,477</u></u>	<u><u>\$ 18,850,402</u></u>

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 22,330,881	\$ 22,089,890	\$ 20,655,390	\$ 20,557,155	\$ 21,051,812
Total Net Debt Applicable to Limit	<u>(1,780,764)</u>	<u>(1,454,709)</u>	<u>(1,206,994)</u>	<u>(927,413)</u>	<u>(624,079)</u>
Legal Debt Margin	<u><u>\$ 20,550,117</u></u>	<u><u>\$ 20,635,181</u></u>	<u><u>\$ 19,448,396</u></u>	<u><u>\$ 19,629,742</u></u>	<u><u>\$ 20,427,733</u></u>

CITY OF BALCONES HEIGHTS, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Year	Total Personal Income	Population	Per Capita Personal Income	Median Age	Unemployment Rate
2004	\$ 77,704,224	3016	\$ 25,764	31.90	5.7%
2005	77,704,224	3016	25,764	31.90	5.0%
2006	77,704,224	3016	25,764	31.90	5.2%
2007	91,757,925	2975	30,843	32.90	4.7%
2008	74,251,200	2976	24,950	31.90	4.2%
2009	76,450,080	2984	25,620	31.90	6.2%
2010	77,064,960	3008	25,620	31.90	6.2%
2011	66,561,024	3008	22,128	31.90	6.2%
2012	62,334,576	2817	22,128	33.00	6.2%
2013	74,249,641	2819	26,339	33.00	18.0%

Source: U.S. Census Bureau

CITY OF BALCONES HEIGHTS, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 (UNAUDITED)

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.66%	N/A	N/A	N/A
Fort Sam Houston	32,000	2	3.16%	N/A	N/A	N/A
HEB Food Stores	20,000	3	1.48%	N/A	N/A	N/A
USAA	17,000	4	1.44%	N/A	N/A	N/A
Northside I.S.D.	12,751	5	1.26%	N/A	N/A	N/A
City of San Antonio	11,731	6	1.09%	N/A	N/A	N/A
Randolph Air Force Base	11,068	7	1.04%	N/A	N/A	N/A
North East I.S.D.	10,522	8	0.90%	N/A	N/A	N/A
Methodist Healthcare System	8,000	9	0.77%	N/A	N/A	N/A
San Antonio I.S.D.	7,374	10	0.69%	N/A	N/A	N/A
Total	<u>167,543</u>		<u>15.49%</u>	N/A	N/A	N/A

The City of Balcones Heights is surrounded by the City of San Antonio and no data is available for the employers in Balcones Heights. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation

Data for 2004 was not available.

CITY OF BALCONES HEIGHTS, TEXAS
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Traffic Violations	2,320	2,907	4,678	6,964	7,843	7,967	11,794	8,866	3,639	6,162
Arrests	580	716	704	569	1,526	507	626	635	545	545
Fire										
Fire Calls	208	211	206	145	218	175	233	269	143	260
EMS Calls	681	731	750	843	835	808	661	839	783	943
Inspections	31	50	45	-	71	65	47	215	316	242
Water										
Service Connections	N/A	380	389	388	380	371	370	370	373	375
Average Daily Consumption	N/A	556,013	461,578	522,174	435,938	536,018	516,713	471,583	453,729	452,265
Sewer										
Service Connections	N/A	366	375	374	350	344	342	341	342	353

Source: Various city departments.

Water and Sewage treatment provided by San Antonio Water System.

N/A = Not Available

CITY OF BALCONES HEIGHTS, TEXAS
 CAPITAL ASSETS STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Officers (Including Reserves)	24	24	26	26	30	31	28	28	28	28
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Firefighters (Including Reserves)	24	24	24	24	20	27	22	24	24	24
Culture and Recreation										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	2	2	2	2	2	2	2	2	2	2
Park Acreage	2.5	3.0	3	3	3	3	3	3	3	3
Public Works										
Miles of Streets	7.22	7.22	7.22	7.22	7.22	7.22	7.22	7.22	7.22	7.22
Water										
Miles of Water Mains	8	8	8	8	8	8	8	8	8	8
Number of Hydrants	80	80	80	80	80	80	80	80	80	80
Sewer										
Miles of Sanitary Sewers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Feet of Storm Sewers	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450

N/A - Not Available

CITY OF BALCONES HEIGHTS, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST NINE FISCAL YEARS
 (UNAUDITED)

Function	Fiscal Year End								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>General Government</i>									
City Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Secretary/Treasurer	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Personnel/Finance	1.0	1.0	1.0	1.5	2.0	2.0	2.0	2.0	2.0
Municipal Court	2.0	2.5	2.5	2.0	2.0	2.0	4.0	4.0	4.0
<i>Public Safety</i>									
Police Department	18.5	19.5	22.5	22.0	22.5	28.0	28.0	28.0	28.0
Communications	5.0	5.0	5.0	3.0	5.0	6.0	6.0	6.0	6.0
Fire Department	19.0	19.0	19.0	14.0	22.0	22.0	24.0	24.0	24.0
<i>Public Works</i>									
Development Services	0.5	0.5	1.0	0.5	1.0	1.0	1.0	1.0	1.0
Streets and Grounds	1.5	1.5	1.5	1.0	1.0	2.0	2.0	2.0	2.0
<i>Culture and Recreation</i>									
Tourism Department	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<i>Total</i>	51.0	53.5	57.0	48.5	59.5	67.0	71.0	71.0	71.0

Note: Financial data prior to fiscal year 2005 was not available. Table is being developed prospectively.

COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Balcones Heights, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Balcones Heights, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Balcones Heights, Texas' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Balcones Heights, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Balcones Heights, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Balcones Heights, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

December 19, 2013

