

CITY OF BALCONES HEIGHTS, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2009

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CITY OF BALCONES HEIGHTS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009

CITY OFFICIALS

MAYOR

SUZANNE DeLEON

CITY COUNCIL

MIGUEL VALVERDE

LINDA POHL

CHARLES MATTHIES

LAMAR GILLIAN

BENNIE CASS

CITY ADMINISTRATOR

SEAN PATE

ATTORNEY

DAVIDSON & TROILO

AUDITOR

ARMSTRONG, VAUGHAN & ASSOC., P.C.

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CITY OF BALCONES HEIGHTS, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Balcones Heights, Texas', management. Our responsibility is to express an opinion 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 9 and 41 through 48, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of these basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Armstrong, Vaughan & Assoc., P.C.

January 18, 2010

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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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

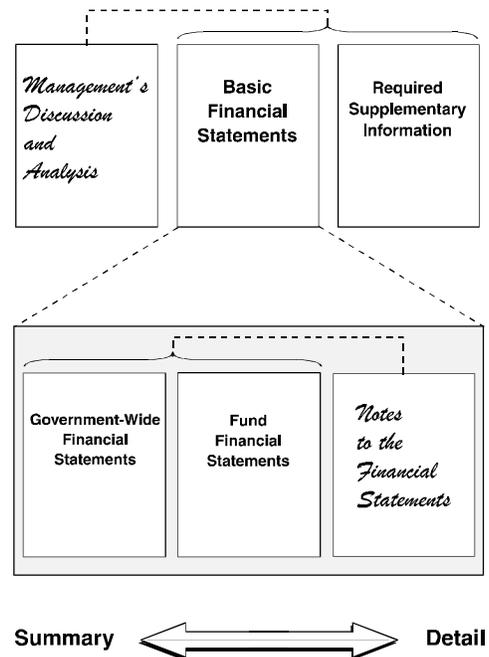
- The City's total combined net assets were \$6,472,193 at September 30, 2009.
- During the year, the City's expenses were \$39,828 less than the \$5,029,086 generated in taxes and other revenues for governmental activities.
- The City started a capital projects for reconstruction of Bobbies Lane.
- The general fund reported a fund balance this year of \$706,117, a decrease of \$325,626 from last year.
- The Crime Control District issued a General Obligation Refunding bond, Series 2009 (\$1,229,000) during the end of fiscal year October 1, 2008 to September 30, 2009.

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 assets	• Balance Sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in fund net assets • 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 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 assets 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 assets and how they have changed. Net assets—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net assets are 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

Net assets

The City's combined net assets were \$6,472,193. (See Table A-1).

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual 2008-2009
	2008	2009	2008	2009	2008	2009	
Assets							
Cash and Cash Equivalents	\$ 2,512,643	\$ 1,146,311	\$ 161,108	\$ 85,999	\$ 2,673,751	\$ 1,232,310	-54%
Investments	1,324,812	2,335,565	-	-	1,324,812	2,335,565	76%
Receivables: (net of allowances of uncollectible)							
Taxes	15,670	13,235	-	-	15,670	13,235	-16%
Accounts	309,574	30,166	31,693	31,928	341,267	62,094	-82%
Due from Other Governments	15,437	570,868	-	-	15,437	570,868	3598%
Prepays	2,992	2,100	-	-	2,992	2,100	-30%
Deferred Charges	30,079	26,739	-	-	30,079	26,739	-11%
<i>Capital Assets:</i>							
Land	471,978	471,978	-	-	471,978	471,978	0%
Buildings and Improvements	2,896,736	2,886,781	-	-	2,896,736	2,886,781	0%
Improvements Other than Buildings	1,857,522	1,842,005	119,124	119,124	1,976,646	1,961,129	-1%
Transportation and Equipment	1,888,259	1,871,161	-	-	1,888,259	1,871,161	-1%
Construction in Progress	33,355	348,433	-	-	33,355	348,433	N/A
Accumulated Depreciation	<u>(2,294,950)</u>	<u>(2,426,283)</u>	<u>(31,424)</u>	<u>(33,807)</u>	<u>(2,326,374)</u>	<u>(2,460,090)</u>	6%
Total Assets	<u>9,064,107</u>	<u>9,119,059</u>	<u>280,501</u>	<u>203,244</u>	<u>9,344,608</u>	<u>9,322,303</u>	0%
Liabilities and Net Assets							
<i>Current Liabilities:</i>							
Accounts Payable and Accrued Liabilities	441,074	650,542	27,153	26,649	468,227	677,191	45%
Accrued Interest Payable	18,910	-	-	-	18,910	-	-100%
<i>Noncurrent Liabilities:</i>							
Due Within One Year	358,844	390,302	-	-	358,844	390,302	9%
Due in More Than One Year	2,047,869	1,782,617	-	-	2,047,869	1,782,617	-13%
Total Liabilities	<u>2,866,697</u>	<u>2,823,461</u>	<u>27,153</u>	<u>26,649</u>	<u>2,893,850</u>	<u>2,850,110</u>	-2%
<i>Net Assets:</i>							
Invested in Capital Assets	2,594,570	2,981,397	87,700	85,317	2,682,270	3,066,714	14%
Restricted for Debt Service	240,179	233,870	-	-	240,179	233,870	-3%
Police and Security	88,091	51,144	-	-	88,091	51,144	-42%
Unrestricted	<u>3,274,570</u>	<u>3,029,187</u>	<u>165,648</u>	<u>91,278</u>	<u>3,440,218</u>	<u>3,120,465</u>	-9%
Total Net Assets	<u>6,197,410</u>	<u>6,295,598</u>	<u>253,348</u>	<u>176,595</u>	<u>6,450,758</u>	<u>6,472,193</u>	0%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,064,107</u>	<u>\$ 9,119,059</u>	<u>\$ 280,501</u>	<u>\$ 203,244</u>	<u>\$ 9,344,608</u>	<u>\$ 9,322,303</u>	0%

Approximately 3.6 percent of the City's net assets represent proceeds from property taxes that are restricted. These proceeds, when spent, are restricted for retirement of debt. The \$3,120,465 of unrestricted net asset represents resources available to fund the programs of the City next year.

Changes in Net Assets. The City's total revenues were \$5,421,074. A significant portion, (63%), of the City's revenue comes from taxes; (See Figure A-3.) 9% comes from state aid – formula grants and 5% from interest and miscellaneous revenue, while 23% percent relates to charges for services (including fines and forfeitures).

Figure A-3
Sources of Revenue for Fiscal Year 2009

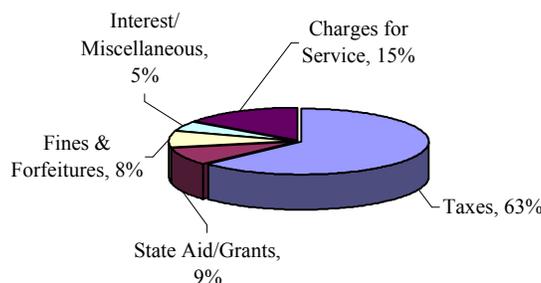


Table A-2
Changes in Balcones Heights Net Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
Program Revenues:							
Charges for Services	\$ 1,156,464	\$ 1,398,593	\$ 383,695	\$ 391,671	\$ 1,540,159	\$ 1,790,264	16.2%
Operating Grants and Contributions	1,895	1,990	-	-	1,895	1,990	5.0%
Capital Grants and Contributions	49,686	281,080	-	-	49,686	281,080	465.7%
General Revenues							
Property Taxes	1,040,744	1,099,899	-	-	1,040,744	1,099,899	5.7%
Utility Franchise	282,575	291,202	-	-	282,575	291,202	3.1%
Sales Tax	1,722,223	1,598,051	-	-	1,722,223	1,598,051	-7.2%
Hotel Occupancy Tax	278,492	200,329	-	-	278,492	200,329	-28.1%
Mixed Beverage Tax	42,163	39,673	-	-	42,163	39,673	-5.9%
Investment Earnings	100,440	16,888	15,525	317	115,965	17,205	-85.2%
Miscellaneous	89,886	101,381	27,505	-	117,391	101,381	-13.6%
Total Program Revenues:	<u>4,764,568</u>	<u>5,029,086</u>	<u>426,725</u>	<u>391,988</u>	<u>5,191,293</u>	<u>5,421,074</u>	4.4%
General Government	1,230,688	1,156,651	-	-	1,230,688	1,156,651	-6.0%
Public Safety	2,508,393	3,050,580	-	-	2,508,393	3,050,580	21.6%
Public Works	218,044	330,237	-	-	218,044	330,237	51.5%
Health and Welfare	12,000	12,000	-	-	12,000	12,000	0.0%
Culture and Recreation	291,314	309,416	-	-	291,314	309,416	6.2%
Capital Outlay	18,946	20,604	-	-	18,946	20,604	8.8%
Interest on Long-Term Debt	129,072	109,770	-	-	129,072	109,770	-15.0%
Wastewater	-	-	340,655	376,660	340,655	376,660	10.6%
Total Expenses	<u>4,408,457</u>	<u>4,989,258</u>	<u>340,655</u>	<u>376,660</u>	<u>4,749,112</u>	<u>5,365,918</u>	13.0%
Transfers	<u>606,000</u>	<u>92,081</u>	<u>(606,000)</u>	<u>(92,081)</u>	<u>-</u>	<u>-</u>	
Increase (Decrease) in Net Assets	<u>\$ 962,111</u>	<u>\$ 131,909</u>	<u>\$ (519,930)</u>	<u>\$ (76,753)</u>	<u>\$ 442,181</u>	<u>\$ 55,156</u>	-87.5%

The total cost of all programs and services was \$5,365,918; 57% of these costs are for Public Safety and 22% are for General Government. The remaining 21% is for all other programs.

Governmental Activities

- Property tax rates decreased by .007627 cents per \$100 evaluation. The decrease in the rate coupled with the increasing values and new development enabled an increase of \$64,506 in property tax revenues to a total of \$1,102,338.
- The City did not sell any capital bonds in fiscal 2009.

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

	Total Cost of Services			Net Cost of Services		
	2008	2009	% Change	2008	2009	% Change
Police	\$ 1,224,666	\$ 1,068,977	-12.7%	\$ 913,506	\$ 697,709	-23.6%
Fire/Communications	957,873	1,081,287	12.9%	954,735	1,078,901	13.0%
Emergency Medical Services	218,500	202,000	-7.6%	218,500	202,000	-7.6%
Debt Service - Interest & Fiscal Charges	126,622	127,420	0.6%	126,622	127,420	0.6%

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 \$4,989,258.
- Sales Tax (paid by residents and visitors alike) was \$1,598,051, or 32% of all activity expenses.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,099,899 or 22%.
- Some of the cost, \$1,398,593 or 28% 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 \$283,070 or 6%.

Business-Type Activities

Revenues of the City's business-type activities increased 2% to \$391,671 and expenses increased 10.6% to \$376,660.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$5,031,525 in fiscal 2009. This is a increase of \$234,009 from 2008 revenues. The increase in local revenues is a result of higher permits revenue contracting out for collection of outstanding warrants, and creation of impound fund. Sales tax and interest revenue are still low.

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 \$22,877 above final budget amounts. The most negative variance resulted from the purchase two traffic cars and a truck for the fire department. Generally, every other major division had a positive variance. As usual, some of the variance was from staffing with the creation of the impound lot. Staffing is budgeted for full employment throughout the full year.

On the other hand, general fund resources available exceeded that anticipated in the budget largely due to the new red light camera traffic enforcement program revenues, taxes and the sale of real property. Expenditures exceeded actual revenues by \$73,214. As noted earlier:

- Property tax collections were 15,800 less than expected.
- City Sales Tax was \$11,465 less than expected.
- Franchise taxes were more than expected
- Interest earnings were less than expected
- Court fines and court fees were less than expected

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the City had invested \$7,539,482 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$2,460,090 results in a total Net Capital Asset value of \$5,079,392.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
	Land	\$ 471,978	\$ 471,978	\$ -	\$ -	\$ 471,978	\$ 471,978
Buildings and Improvements	2,896,736	2,886,781	-	-	2,767,548	2,886,781	4.3%
Transportation and Equipment	1,857,522	1,842,005	-	-	1,772,634	1,842,005	3.9%
Streets and Grounds	1,888,259	1,871,161	119,124	119,124	1,321,208	1,990,285	50.6%
Construction in Progress	33,355	348,433	-	-	12,963	348,433	2587.9%
Totals at Historical Cost	<u>7,147,850</u>	<u>7,420,358</u>	<u>119,124</u>	<u>119,124</u>	<u>6,346,331</u>	<u>7,539,482</u>	18.8%
Total Accumulated Depreciation	(2,294,950)	(2,426,283)	(31,424)	(33,807)	(2,071,769)	(2,460,090)	18.7%
Net Capital Assets	<u>\$ 4,852,900</u>	<u>\$ 4,994,075</u>	<u>\$ 87,700</u>	<u>\$ 85,317</u>	<u>\$ 4,274,562</u>	<u>\$ 5,079,392</u>	18.8%

The City's capital budget does not provides appropriations for fiscal 2010 capital projects. The City will use Community Development Block Grants (CDBG) for the complementation of roadway reconstruction (Bobbies Lane) and for completing other CDBG projects initiated in 2009. In addition to CDBG Grants, portions of these projects may be funded from current city revenues. More detailed information about the City's capital assets is presented in the notes to the financial statements.

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 \$1,199,127 in bonded debt and \$783,678 in capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
	Leases Payable	\$ 863,330	\$ 783,678	\$ -	\$ -	\$ 863,330	\$ 783,678
Bonds Payable	1,395,000	1,199,127	-	-	1,395,000	1,199,127	-14.0%
Compensated Absences	148,383	136,008	-	-	148,383	136,008	-8.3%
Pension Benefit Obligation	-	54,106	-	-	-	54,106	#DIV/0!
Total Bonds & Notes Payable	<u>\$ 2,406,713</u>	<u>\$ 2,118,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,406,713</u>	<u>\$ 2,118,813</u>	-12.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Actual General Fund revenues for fiscal 2010 are anticipated to increase to a total budgeted amount of \$ 3,516,248. Due to the economy the actually amount collected will be lower. This is an increase of \$191,675 four point zero nine percent (4.09%) above the 2009 final revenues. The increase will be the result from permits and the additional sales tax from new development. Budgeted revenues in 2009 will increase \$74,344 above the 2009 budget. This budget increase anticipated increases franchise taxes, and anticipated civil fines and municipal court fines and fees.

- City sales tax revenues are anticipated to generally remain the same as in 2009 (within a range of plus or minus 5% percent).
- The beginning General Fund balance available for appropriation in 2010 is \$706,117 (31.6% lower than last year)
- General Fund expenditures for 2010 are budgeted at \$3,516,248. This is a decrease of \$ 133,461 or (3.66%) below the 2009 final expenditures. This decrease is primarily due to the creation of the vehicle impound which has off set some police expenditures. Budgeted expenditures in 2010 will increase \$ 110,534 of the 2009 budget. No new programs or services are proposed for the General Fund in fiscal 2010.

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 Administration Department.

CITY OF BALCONES HEIGHTS, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2009

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 ASSETS
SEPTEMBER 30, 2009

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 1,146,311	\$ 85,999	\$ 1,232,310
Investments	2,335,565	-	2,335,565
Receivables (Net of Allowances for Uncollectibles):			
Taxes	13,235	-	13,235
Accounts	30,166	31,928	62,094
Due from Other Governments	570,868	-	570,868
Prepays	2,100	-	2,100
Deferred Charges	26,739	-	26,739
Capital Assets:			
Land	471,978	-	471,978
Buildings & Improvements	2,886,781	-	2,886,781
Infrastructure - Streets & Drainage	1,842,005	119,124	1,961,129
Transportation & Equipment	1,871,161	-	1,871,161
Construction in Progress	348,433	-	348,433
Accumulated Depreciation	(2,426,283)	(33,807)	(2,460,090)
 TOTAL ASSETS	\$ 9,119,059	\$ 203,244	\$ 9,322,303

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2009

LIABILITIES AND NET ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>Current Liabilities:</i>			
Accounts Payable and Other Current Liabilities	\$ 650,542	\$ 26,649	\$ 677,191
<i>Noncurrent Liabilities:</i>			
Due within One Year	390,302	-	390,302
Due in more than One Year	1,782,617	-	1,782,617
TOTAL LIABILITIES	2,823,461	26,649	2,850,110
<i>Net Assets:</i>			
Invested in Capital Assets, net of related debt	2,981,397	85,317	3,066,714
Restricted for:			
Debt Service	233,870	-	233,870
Police and Security	51,144	-	51,144
Unrestricted	3,029,187	91,278	3,120,465
TOTAL NET ASSETS	6,295,598	176,595	6,472,193
 TOTAL LIABILITIES & NET ASSETS	 \$ 9,119,059	 \$ 203,244	 \$ 9,322,303

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<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	\$ 1,156,651	\$ 98,040	\$ -	\$ -
Public Safety	3,050,580	1,287,773	1,990	-
Public Works	330,237	450	-	281,080
Health & Welfare	12,000	-	-	-
Culture & Recreation	309,416	12,330	-	-
Capital Outlay	20,604	-	-	-
Interest on Long-Term Debt	109,770	-	-	-
Total Governmental Activities	<u>4,989,258</u>	<u>1,398,593</u>	<u>1,990</u>	<u>281,080</u>
Business-Type Activities:				
Wastewater	<u>376,660</u>	<u>391,671</u>	-	-
Total Business-Type Activities	<u>376,660</u>	<u>391,671</u>	-	-
Total Primary Government	<u>\$ 5,365,918</u>	<u>\$ 1,790,264</u>	<u>\$ 1,990</u>	<u>\$ 281,080</u>
General Revenues:				
Taxes:				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Mixed Beverage Tax				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers In (Out)				
Change in Net Assets				
Net Assets at Beginning of Year				
Prior Period Adjustment				
Net Assets at End of Year				

See accompanying notes to basic financial statements.

Net Revenue (Expense)

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,058,611)	\$ -	\$ (1,058,611)
(1,760,817)	-	(1,760,817)
(48,707)	-	(48,707)
(12,000)	-	(12,000)
(297,086)	-	(297,086)
(20,604)	-	(20,604)
(109,770)	-	(109,770)
<u>(3,307,595)</u>	<u>-</u>	<u>(3,307,595)</u>
-	15,011	15,011
-	15,011	15,011
<u>(3,307,595)</u>	<u>15,011</u>	<u>(3,292,584)</u>
\$ 1,099,899	\$ -	\$ 1,099,899
291,202	-	291,202
1,598,051	-	1,598,051
200,329	-	200,329
39,673	-	39,673
16,888	317	17,205
101,381	-	101,381
<u>3,347,423</u>	<u>317</u>	<u>3,347,740</u>
92,081	(92,081)	-
131,909	(76,753)	55,156
6,197,410	253,348	6,450,758
(33,721)	-	(33,721)
<u>\$ 6,295,598</u>	<u>\$ 176,595</u>	<u>\$ 6,472,193</u>

CITY OF BALCONES HEIGHTS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

ASSETS	General Fund	Crime Control & Prevention District	Hotel/Motel Tax Fund	CDBG Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 453,052	\$ 238,606	\$ 101,261	\$ -
Investments	542,317	-	333,412	-
Receivables (net of allowances for uncollectibles):				
Taxes	11,279	-	-	-
Miscellaneous	19,388	-	10,778	-
Due from Other Governments	196,399	93,389	-	281,080
Due from Other Funds	39,492	-	-	-
Advance to Other Funds	-	-	163,496	-
Prepaid Items	100	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,262,027</u>	<u>\$ 331,995</u>	<u>\$ 608,947</u>	<u>\$ 281,080</u>
 LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 84,253	\$ 4,215	\$ 8,586	\$ 241,588
Accrued Expenditures	14,567	1,711	550	-
Sales Tax Refund Payable	79,106	-	-	-
Due to Other Funds	-	-	-	39,492
Advance from Other Funds	163,496	-	-	-
Due to Other Governments	203,209	-	-	-
Deferred/Unearned Revenues	11,279	-	-	-
<i>Total Liabilities</i>	<u>555,910</u>	<u>5,926</u>	<u>9,136</u>	<u>281,080</u>
 <i>Fund Balances:</i>				
Reserved for:				
Prepays	100	-	-	-
Debt Service	-	-	-	-
Police & Security	-	-	-	-
Interfund Advance	-	-	144,296	-
Unreserved, reported in:				
General Fund	706,017	-	-	-
Special Revenue Funds	-	326,069	455,515	-
Capital Projects Funds	-	-	-	-
<i>Total Fund Balances</i>	<u>706,117</u>	<u>326,069</u>	<u>599,811</u>	<u>-</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>\$ 1,262,027</u>	 <u>\$ 331,995</u>	 <u>\$ 608,947</u>	 <u>\$ 281,080</u>

See accompanying notes to basic financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 91,366	\$ 32,055	\$ 229,971	\$ 1,146,311
140,548	1,149,380	169,908	2,335,565
1,956	-	-	13,235
-	-	-	30,166
-	-	-	570,868
-	-	-	39,492
-	-	-	163,496
-	-	2,000	2,100
<u>\$ 233,870</u>	<u>\$ 1,181,435</u>	<u>\$ 401,879</u>	<u>\$ 4,301,233</u>
\$ -	\$ -	\$ 11,241	\$ 349,883
-	-	1,516	18,344
-	-	-	79,106
-	-	-	39,492
-	-	-	163,496
-	-	-	203,209
1,956	-	-	13,235
<u>1,956</u>	<u>-</u>	<u>12,757</u>	<u>866,765</u>
-	-	2,000	2,100
231,914	-	-	231,914
-	-	51,144	51,144
-	-	-	144,296
-	-	-	706,017
-	-	335,978	1,117,562
-	1,181,435	-	1,181,435
<u>231,914</u>	<u>1,181,435</u>	<u>389,122</u>	<u>3,434,468</u>
<u>\$ 233,870</u>	<u>\$ 1,181,435</u>	<u>\$ 401,879</u>	<u>\$ 4,301,233</u>

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CITY OF BALCONES HEIGHTS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 3,434,468
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,994,075
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,235
Unamortized bond issue costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	26,739
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	<u>(2,172,919)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,295,598</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, 2009

REVENUES	General Fund	Crime Control & Prevention District	Hotel/Motel Tax Fund	CDBG Fund
Taxes	\$ 2,337,848	\$ 562,194	\$ 200,329	\$ -
Licenses and Permits	74,074	-	-	-
Intergovernmental	1,990	-	-	281,080
Charges for Services	99,348	-	-	-
Fines and Forfeits	771,512	-	-	-
Interest	4,072	625	4,710	-
Miscellaneous	89,461	8,115	1,175	-
TOTAL REVENUES	3,378,305	570,934	206,214	281,080
EXPENDITURES				
Current:				
General Government	1,041,883	67,270	-	-
Public Safety	2,328,450	219,500	-	-
Public Works	238,784	-	-	-
Health & Welfare	12,000	-	-	-
Culture & Recreation	4,778	-	294,475	-
Capital Projects/Outlay	23,814	330	887	281,080
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Bond Issue Costs	-	-	-	-
TOTAL EXPENDITURES	3,649,709	287,100	295,362	281,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	(271,404)	283,834	(89,148)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers (Out)	(54,222)	(336,832)	-	-
Proceeds from Capital Lease Financing	-	-	-	-
Proceeds from Debt Financing	-	-	-	-
Payments to Refund Agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(54,222)	(336,832)	-	-
Net Change in Fund Balances	(325,626)	(52,998)	(89,148)	-
Fund Balances at Beginning of Year	1,031,743	379,067	661,362	-
Prior Period Adjustment	-	-	27,597	-
Fund Balances at End of Year	\$ 706,117	\$ 326,069	\$ 599,811	\$ -

See accompanying notes to basic financial statements.

Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 56,222	\$ -	\$ 75,000	\$ 3,231,593
-	-	-	74,074
-	-	-	283,070
-	-	252,513	351,861
-	-	201,146	972,658
1,481	4,980	1,020	16,888
-	-	2,630	101,381
<u>57,703</u>	<u>4,980</u>	<u>532,309</u>	<u>5,031,525</u>
-	832	10,612	1,120,597
-	-	319,166	2,867,116
-	-	60,567	299,351
-	-	5,119	17,119
-	-	-	299,253
-	-	130,707	436,818
284,652	-	-	284,652
127,420	-	-	127,420
27,492	-	-	27,492
<u>439,564</u>	<u>832</u>	<u>526,171</u>	<u>5,479,818</u>
<u>(381,861)</u>	<u>4,148</u>	<u>6,138</u>	<u>(448,293)</u>
336,832	92,081	54,222	483,135
-	-	-	(391,054)
-	-	-	-
1,229,000	-	-	1,229,000
<u>(1,190,300)</u>	<u>-</u>	<u>-</u>	<u>(1,190,300)</u>
<u>375,532</u>	<u>92,081</u>	<u>54,222</u>	<u>130,781</u>
(6,329)	96,229	60,360	(317,512)
238,243	1,085,206	328,762	3,724,383
-	-	-	27,597
<u>\$ 231,914</u>	<u>\$ 1,181,435</u>	<u>\$ 389,122</u>	<u>\$ 3,434,468</u>

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, 2009

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (317,512)

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. This is the amount by which capital outlays exceeded depreciation. 202,493

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (2,439)

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 assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term-debt and related items.

Proceeds from Debt Financing	(1,229,000)	
Payments to Bond Refund Agent	1,190,300	
Deferred Loss on Refunding	30,379	
Repayment of Principal	284,652	
Bond Issue Costs	27,492	
Amortization of Deferred Charges	<u>(1,259)</u>	302,564

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	12,375	
Accrued Interest	(11,466)	
Pension Benefit Obligation	<u>(54,106)</u>	<u>(53,197)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 131,909

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS – PROPRIETARY FUNDS
 SEPTEMBER 30, 2009 AND 2008

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2009	2008
ASSETS		
<i>Current Assets:</i>		
Cash	\$ 85,999	\$ 161,108
Receivables (net of allowances for uncollectibles):		
Accounts	31,928	31,693
<i>Total Current Assets</i>	<u>117,927</u>	<u>192,801</u>
 <i>Capital Assets:</i>		
Improvements Other than Buildings	119,124	119,124
Accumulated Depreciation	<u>(33,807)</u>	<u>(31,424)</u>
 Capital Assets, net of accumulated depreciation	<u>85,317</u>	<u>87,700</u>
 TOTAL ASSETS	<u>\$ 203,244</u>	<u>\$ 280,501</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 26,649	\$ 27,153
<i>Total Current Liabilities</i>	<u>26,649</u>	<u>27,153</u>
 TOTAL LIABILITIES	<u>26,649</u>	<u>27,153</u>
 <i>Net Assets:</i>		
Invested in Capital Assets, net of related debt	85,317	87,700
Unrestricted	<u>91,278</u>	<u>165,648</u>
 TOTAL NET ASSETS	<u>176,595</u>	<u>253,348</u>
 TOTAL LIABILITIES & NET ASSETS	<u>\$ 203,244</u>	<u>\$ 280,501</u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
 FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2009	2008
OPERATING REVENUES		
Wastewater User Fees	\$ 391,671	\$ 383,695
TOTAL OPERATING REVENUES	391,671	383,695
OPERATING EXPENSES		
Operation and Maintenance:		
Personnel Costs	8,805	-
Contractual Services	365,472	338,273
Depreciation	2,383	2,382
TOTAL OPERATING EXPENSES	376,660	340,655
OPERATING INCOME (LOSS)	15,011	43,040
NONOPERATING REVENUES (EXPENSES)		
Sewer Connect Fee - TxDot	-	27,505
Interest Income	317	15,525
TOTAL NONOPERATING REVENUES (EXPENSES)	317	43,030
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	15,328	86,070
TRANSFERS IN (OUT)	(92,081)	(606,000)
CHANGE IN NET ASSETS	(76,753)	(519,930)
NET ASSETS AT BEGINNING OF YEAR	253,348	773,278
NET ASSETS AT END OF YEAR	\$ 176,595	\$ 253,348

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS – PROPRIETARY FUNDS
 FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	Busines-Type Activities	
	Sewer Operations & Maintenance	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 391,436	\$ 388,764
Cash Paid to Employees	(8,805)	-
Cash Paid to Suppliers	(365,976)	(343,167)
Net Cash Provided (Used) by Operating Activities	<u>16,655</u>	<u>45,597</u>
CASH FLOWS FROM		
NONCAPITAL FINANCING ACTIVITIES:		
Transfers to General Fund	(92,081)	(606,000)
Nonoperating Connection Fees	-	27,505
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(92,081)</u>	<u>(578,495)</u>
CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Interest Received	317	15,525
Net Cash Provided (Used) by Investing Activities	<u>317</u>	<u>15,525</u>
Net Increase (Decrease) in Cash	(75,109)	(517,373)
Cash and Cash Equivalents at October 1	<u>161,108</u>	<u>678,481</u>
Cash and Cash Equivalents at September 30	<u>\$ 85,999</u>	<u>\$ 161,108</u>
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 15,011	\$ 43,040
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,383	2,383
(Increase) Decrease in Accounts Receivable	(235)	5,069
Increase (Decrease) in Accounts Payable	(504)	(4,895)
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,655</u>	<u>\$ 45,597</u>

See accompanying notes to basic financial statements.

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CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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. 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, 2009, 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 assets 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.

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,

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

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

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

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, Hotel/Motel Tax Fund, Crime Control and Prevention District, CDBG Fund, Debt Service Fund, 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, 2009

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.

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

CDBG Fund is used to account for the revenues received from a Community Development Block Grant to fund park improvements and street projects.

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

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 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 CASH EQUIVALENTS

Cash and cash equivalents 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.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

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

5. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2008 and past due after January 31, 2009. 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.

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, 2009 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 equally by a governmental fund balance reserve 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, 2009

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. DEFERRED/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 plans, 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 liability 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, 2009

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 assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. Fund reservations include debt service, prepaids and police technology and security.

13. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

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, 2009, the carrying amounts of the City's deposits with the city depository were \$1,231,535 and the bank balance was \$1,406,888. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a face value of \$2,555,693 and a market value of \$2,699,532. 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.

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.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2009

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2009, there were no investments held that would be subject to categories as described above. Total deposits and investments held by the City as of September 30, 2009 were:

Petty Cash	\$ 775
Cash in Bank Depository	1,231,535
Total Insured/Collateralized	1,232,310
TexPool - a local government investment pool	1,929,197
Lone Star Pool - a local government investment pool	406,368
	\$ 3,567,875

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, 2009, 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. 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.

c. 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.

NOTE C -- PROPERTY TAX

Taxes were levied on and payable as of October 1. The City has contracted with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2009, the assessed tax rate for the City was \$.490729 per \$100 on an assessed valuation of \$223,308,806. This is broken out as \$.465878 per \$100 for general operations and \$.024851 per \$100 for debt retirement. Total tax levy for fiscal year 2009 is \$1,096,650. As of September 30, 2009, the delinquent current taxes for 2009 levy were \$3,420.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

NOTE D -- DUE TO/FROM OTHER FUNDS

As of September 30, 2009, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund:</u>		
CDBG Fund	\$ 39,492	\$ -
<u>CDBG Fund</u>		
General Fund	-	39,492
	<u>\$ 39,492</u>	<u>\$ 39,492</u>

NOTE E -- TRANSFERS BETWEEN FUNDS

Transfers between funds during the year ended September 30, 2009 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<u>General Fund:</u>		
NonMajor (Special Revenue) Funds	\$ -	\$ 54,222
<u>Crime Control & Prevention Fund:</u>		
Debt Service	-	336,832
<u>Debt Service:</u>		
Crime Control & Prevention Fund	336,832	-
<u>Capital Projects Fund:</u>		
Proprietary (Sewer O&M) Fund	92,081	-
<u>NonMajor Fund:</u>		
General Fund	54,222	-
<u>Proprietary Fund:</u>		
Capital Projects Fund	-	92,081
	<u>\$ 483,135</u>	<u>\$ 483,135</u>

NOTE F -- 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, 2009, \$163,496 had been advanced.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2008	Additions	Disposals	Adjustments	Balance 9/30/2009
Land	\$ 471,978	\$ -	\$ -	\$ -	\$ 471,978
Construction in Progress	33,355	315,078	-	-	348,433
Buildings and Improvements	2,896,736	-	-	(9,955)	2,886,781
Streets & Drainage	1,857,522	-	-	(15,517)	1,842,005
Transportation & Equipment	1,888,259	118,028	(17,731)	(117,395)	1,871,161
	<u>7,147,850</u>	<u>433,106</u>	<u>(17,731)</u>	<u>(142,867)</u>	<u>7,420,358</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(866,976)	(58,312)	-	10,183	(915,105)
Streets and Grounds	(589,155)	(24,097)	-	9,466	(603,786)
Transportation and Equipment	(838,819)	(148,204)	17,731	61,900	(907,392)
	<u>(2,294,950)</u>	<u>(230,613)</u>	<u>17,731</u>	<u>81,549</u>	<u>(2,426,283)</u>
Governmental Capital Assets, Net	<u>\$ 4,852,900</u>	<u>\$ 202,493</u>	<u>\$ -</u>	<u>\$ (61,318)</u>	<u>\$ 4,994,075</u>
<u>Business-Type Activities</u>	Balance 10/1/2008	Additions	Disposals	Adjustments	Balance 9/30/2009
Improvements Other Than Buildings	\$ 119,124	\$ -	\$ -	\$ -	\$ 119,124
	<u>119,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,124</u>
Less Accumulated Depreciation:					
Improvement Other Than Buildings	(31,424)	(2,383)	-	-	(33,807)
	<u>(31,424)</u>	<u>(2,383)</u>	<u>-</u>	<u>-</u>	<u>(33,807)</u>
Business-Type Capital Assets, Net	<u>\$ 87,700</u>	<u>\$ (2,383)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,317</u>

Land and Construction in Progress are not being depreciated.

The City followed a policy of capitalizing assets with an original cost of \$5,000 or higher and an estimated life in excess of one year. Adjustments above represent removing assets that were above previous capitalization threshold of \$1,500. The effect of the net adjustment of \$61,318 is illustrated at Note N.

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 6,138
Public Safety	147,600
Public Works	67,145
Culture & Recreation	<u>9,730</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 230,613</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

NOTE H -- SALES TAX REFUND PAYABLE

In 2003, the City has entered into a Sales Tax Refund Agreement with Target Corporation pursuant to the Neighborhood Empowerment Zone provisions of Chapter 378 of the Texas Local Government Code. The agreement calls for a refund of sales tax proceeds from retail sales at the Target Store over a ten-year period. Target agreed to demolish existing structures in the Empowerment Zone, and to construct a retail store with a minimum of 100,000 square feet. The City has agreed to refund 1% of the sales subject to sales tax. The City retains the first \$200,000 of the rebate, and refunds the excess up to the Projected Rebate (contained in the Agreement). Amounts in excess of the Projected Rebate will then be distributed 60% to the City and 40% to Target. The liability "Sales Tax Refund Payable" represents the amount collected by the City on behalf of Target through September 30, 2009.

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 10/1/2008	Additions	Retirements	Balance Outstanding 9/30/2009	Due Within One Year
Governmental Activities							
<i>General Obligation Bonds:</i>							
1999 Combination							
Certificates of Obligation	\$ 2,845,000	4.1-5.4%	\$ 1,395,000	\$ -	\$ (1,395,000)	\$ -	\$ -
2009 Refunded General							
Obligation Bonds	1,229,000	4.1-5.4%	-	1,229,000	-	1,229,000	239,000
Deferred Loss on Refunding			-	(30,379)	506	(29,873)	
<i>Capital Leases:</i>							
			863,330	-	(79,652)	783,678	83,298
<i>Liability for Employee:</i>							
<i>Compensated Absences</i>							
			148,383	61,817	(74,192)	136,008	68,004
<i>Pension Benefit Obligation</i>							
			-	54,106		54,106	-
Total Long-Term Debt			<u>\$ 2,406,713</u>	<u>\$ 1,314,544</u>	<u>\$ (1,548,338)</u>	<u>\$ 2,172,919</u>	<u>\$390,302</u>

The general long-term debt bonds mature serially through 2014 as follows:

Year Ending September 30	Principal	Interest	Total
2010	\$ 239,000	\$ 29,827	\$ 268,827
2011	238,000	29,200	267,200
2012	242,000	23,250	265,250
2013	251,000	16,595	267,595
2014	259,000	9,065	268,065
	<u>\$ 1,229,000</u>	<u>\$ 107,937</u>	<u>\$ 1,336,937</u>
Average Annual Debt Service Requirement - Bonded Debt			<u>\$ 267,387</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

NOTE I -- LONG-TERM DEBT (Continued)

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, 2009, the City issued \$1,229,000 of general obligation bonds to provide resources to purchase U.S. Government securities to be placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$1,190,000 of combination Certificates of Obligation, Series 1999. As a result, the refunded portion of the combination Certificates of Obligation Bonds Series 1999 has been removed from the Statement of Net Assets and is considered defeased. The advance 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 \$49,185. The outstanding principal of the defeased bonds is \$1,190,000 as of September 30, 2009.

The City entered into a capital lease for the purchase of six police vehicles. The lease qualifies as a capital lease for accounting purposes as defined under the Financial Accounting Standards Board Statement No. 13, *Accounting for Leases*, and therefore has been recorded at the present value of future minimum lease payments at the date of inception. Lease payments are being made from the Crime Control and Prevention District.

The City entered into a capital lease-financing arrangement with Frost Bank on September 15, 2006 for the purchase of a fire truck. The lease calls for annual payments of \$62,242, beginning September 2007 and continuing until fully paid in September 2026. In accordance with generally accepted accounting principles, the lease obligation has been recorded at the present value of future minimum lease payments.

Future minimum lease payments are as follows:

September 30	Governmental Activities		
	Fire Truck	Police Cars	Total
2010	\$ 62,242	\$ 57,215	\$ 119,457
2011	62,242	14,304	76,546
2012	62,242	-	62,242
2013	62,242	-	62,242
2014 - 2018	311,210	-	311,210
2019 - 2023	311,210	-	311,210
2024 - 2026	186,726	-	186,726
Total Lease Payments	1,058,114	71,519	1,129,633
Less Amount Representing Interest	(343,649)	(2,306)	(345,955)
Present Value of Future Minimum Lease Payments	\$ 714,465	\$ 69,213	\$ 783,678

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

NOTE I -- LONG-TERM DEBT (Continued)

The following is an analysis of the property under capital lease as of September 30, 2009:

Transportation & Equipment	\$ 791,698	\$ 159,985	\$ 951,683
Less: Accumulated Depreciation	<u>(244,107)</u>	<u>(39,988)</u>	<u>(284,095)</u>
Net Leased Property	<u>\$ 547,591</u>	<u>\$ 119,997</u>	<u>\$ 667,588</u>

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 2008</u>	<u>Plan Year 2009</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, 0/25	60/5, 0/25
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, 2009

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (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, 2008, 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)	\$ 316,225
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	316,225
5. Contributions Made	(262,119)
6. Increase (Decrease) in Net Pension Obligation	54,106
7. Net Pension Obligation / (Asset), Beginning of Year	-
8. Net Pension Obligation / (Asset), End of Year	\$ 54,106

Fiscal Year	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation
2009	\$ 316,225	\$ 262,119	83%	\$ 54,106
2008	233,894	233,894	100%	-
2007	187,684	187,684	100%	-

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

	December 31, 2006	December 31, 2007	December 31, 2008
Actuarial Valuation Date	December 31, 2006	December 31, 2007	December 31, 2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years - Open Period	30 years - Closed Period	29 years - Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	N/A	2.1%	2.1%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 4,132,975	\$ 6,994,231	59.1%	\$ 2,861,256	\$ 2,056,023	139.2%

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.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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, 2009, 2008, and 2007 were \$4,552, \$5,515, and \$4,583, respectively, which equaled the required contributions each year.

NOTE K -- SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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, 2009 are not likely to have a material adverse effect on the City's financial position.

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.

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, 2009, were \$100,500.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2009

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

Commitments – Leases

The City entered into a lease for administrative space for the Visitor Center in Crossroads Mall. The lease is for a term of 60 months beginning August 15, 2006, and is cancelable upon written notice to the lessor with sixty (60) days notice. Future minimum rentals under the lease are as follows:

<u>Years Ending September 30</u>	
2010	\$ 17,957
2011	<u>15,712</u>
Total	<u>\$ 33,669</u>

Commitments – Construction

The City entered into a commitment for street improvements for Bobbies Lane as follows:

	<u>Original Commitment</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Street Improvements	<u>\$ 312,311</u>	<u>\$ 281,080</u>	<u>\$ 31,231</u>

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, 2009 were \$4,390,692 and \$2,115,569, 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 a development agreement with Norris Conference Centers, Inc. for the purpose of developing a Conference Center/Ballroom at Crossroads to be called Norris Conference Center at Balcones Heights. The City agreed to fund, through the collection of Hotel/Motel Occupancy Tax (HOT) revenue, up to \$750,000 for construction and professional services. Norris shall be responsible for the operating and maintenance of the facility. The City will have partial management and control of the facility through quarterly approval of all events to be held at the center.

Furthermore, Norris agrees to provide the City with a minimum guaranteed payment or percentage of gross sales generated by the conference center, which ever is greater. The first payment under this agreement was made January 31, 2006.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2009

NOTE M -- CONVENTION CENTER DEVELOPMENT AGREEMENT (Continued)

The conference center was completed during the year ended September 30, 2006.

In the event Norris terminates the agreement it 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, 2009 amounted to \$59,543.

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

<u>Year Ending September 30</u>	<u>Profit Sharing Percentage</u>	<u>Minimum Guaranteed</u>	<u>Minimum Payment Upon Norris Termination</u>
2010	2.75%	\$ 45,000	\$ 450,000
2011	2.75%	45,000	375,000
2012	2.75%	45,000	300,000
2013	3.00%	55,000	225,000
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>\$ 550,000</u>	

The percentages and guarantee for years 2016 through 2020 are only guaranteed if Norris exercises its five-year option with SA Crossroads Retail, L.P. owner of Crossroads Mall. Should Norris elect not to exercise its five year option on the leased premises, the City will receive payment in the amount of \$75,000.

NOTE N -- PRIOR PERIOD ADJUSTMENT

The following adjustments were necessary to correct understated occupancy tax revenues that were not accrued and remove capital assets per previous capitalization policy in the financial statements for the period ending September 30, 2008:

	<u>Governmental Activities</u>	<u>Hotel/Motel Tax Fund</u>
Beginning Net Assets/Fund Balance	\$ 6,197,410	\$ 661,362
Occupancy Tax Understated	27,597	27,597
Capital Assets, net of Accumulated Depreciation Removed under New Policy	(61,318)	-
Restated Beginning Net Assets/Fund Balance	<u>\$ 6,163,689</u>	<u>\$ 688,959</u>

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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 and Prevention District
- Budgetary Comparison Schedule – Hotel/Motel Tax Special Revenue Fund
- 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, 2009
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2008)

REVENUES	Budget Amounts		Actual 2009	Variance With Final Budget- Positive (Negative)	Actual 2008
	Original	Final			
<i>Taxes:</i>					
Ad Valorem Tax	\$ 983,727	\$ 983,727	\$ 967,868	\$ (15,859)	\$ 894,862
Penalty & Interest	6,000	6,000	3,248	(2,752)	10,823
City Sales Tax	1,130,000	1,047,322	1,035,857	(11,465)	1,102,400
Franchise Taxes	277,000	276,500	291,202	14,702	282,575
Mixed Beverage	45,000	45,000	39,673	(5,327)	42,163
<i>Total Taxes</i>	<u>2,441,727</u>	<u>2,358,549</u>	<u>2,337,848</u>	<u>(20,701)</u>	<u>2,332,823</u>
<i>Licenses and Permits</i>	<u>58,275</u>	<u>73,690</u>	<u>74,074</u>	<u>384</u>	<u>135,113</u>
<i>Intergovernmental Revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>1,990</u>	<u>(10)</u>	<u>1,895</u>
<i>Charges for Services:</i>					
Court Fees & Charges	331,000	131,000	79,537	(51,463)	216,638
Other	18,000	24,600	19,811	(4,789)	40,805
<i>Total Charges for Services</i>	<u>349,000</u>	<u>155,600</u>	<u>99,348</u>	<u>(56,252)</u>	<u>257,443</u>
<i>Fines and Forfeitures</i>	<u>689,180</u>	<u>789,180</u>	<u>771,512</u>	<u>(17,668)</u>	<u>600,764</u>
<i>Other Sources:</i>					
Interest	36,000	8,000	4,072	(3,928)	32,213
Miscellaneous	62,500	64,500	89,461	24,961	86,756
<i>Total Other Sources</i>	<u>98,500</u>	<u>72,500</u>	<u>93,533</u>	<u>21,033</u>	<u>118,969</u>
Total Revenues	<u>\$ 3,638,682</u>	<u>\$ 3,451,519</u>	<u>\$ 3,378,305</u>	<u>\$ (73,214)</u>	<u>\$ 3,447,007</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, 2009
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2008)

EXPENDITURES	Budget Amounts		Actual 2009	Variance With Final Budget-	Actual 2008
	Original	Final		Positive (Negative)	
<i>General Government:</i>					
Mayor/City Council	\$ 42,840	\$ 57,840	\$ 53,132	\$ 4,708	\$ 60,303
Secretary/Treasurer	347,728	348,058	327,806	20,252	305,068
Municipal Court	482,076	482,076	544,471	(62,395)	473,984
Public Facilities	39,400	42,400	36,759	5,641	38,477
Non-Departmental	97,283	89,099	79,715	9,384	278,842
Capital Outlay	-	-	-	-	37,737
<i>Total General Government</i>	<u>1,009,327</u>	<u>1,019,473</u>	<u>1,041,883</u>	<u>(22,410)</u>	<u>1,194,411</u>
<i>Public Safety:</i>					
Police Department	1,141,550	1,119,251	1,068,977	50,274	1,024,079
Communications	204,874	208,874	196,059	12,815	189,472
Fire Department	1,153,560	1,140,943	1,063,414	77,529	768,401
Capital Outlay	-	25,000	23,814	1,186	200,587
<i>Total Public Safety</i>	<u>2,499,984</u>	<u>2,494,068</u>	<u>2,352,264</u>	<u>141,804</u>	<u>2,182,539</u>
<i>Public Works:</i>					
Building Department	41,925	24,945	20,945	4,000	66,465
Planning & Zoning	550	550	163,496	(162,946)	382
Streets & Grounds	65,595	64,395	53,462	10,933	56,517
Animal Control	5,190	5,190	663	4,527	2,241
Weed and Pest Control	250	250	218	32	54
Capital Outlay	-	-	-	-	17,629
<i>Total Public Works</i>	<u>113,510</u>	<u>95,330</u>	<u>238,784</u>	<u>(143,454)</u>	<u>143,288</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	1,500	1,419	880	539	1,723
Community Center	2,361	4,542	3,898	644	2,682
Capital Outlay	-	-	-	-	1,399
<i>Total Culture & Recreation</i>	<u>3,861</u>	<u>5,961</u>	<u>4,778</u>	<u>1,183</u>	<u>5,804</u>
Total Expenditures	<u>\$ 3,638,682</u>	<u>\$ 3,626,832</u>	<u>\$ 3,649,709</u>	<u>\$ (22,877)</u>	<u>\$ 3,538,042</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, 2009
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2008 - CONTINUED)

	<u>Budget Amounts</u>		<u>Actual 2009</u>	Variance With Final Budget- Positive (Negative)	<u>Actual 2008</u>
	<u>Original</u>	<u>Final</u>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ (175,313)	\$ (271,404)	\$ (96,091)	\$ (91,035)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	-	-	(54,222)	(54,222)	(167,336)
Proceeds from Capital Lease Financing	-	-	-	-	159,952
Total Other Financing Source (Uses)	-	-	(54,222)	(54,222)	(7,384)
Net Change in Fund Balance	-	(175,313)	(325,626)	(150,313)	(98,419)
Fund Balance - October 1	<u>1,031,743</u>	<u>1,031,743</u>	<u>1,031,743</u>	-	<u>1,130,162</u>
Fund Balance - September 30	<u>\$ 1,031,743</u>	<u>\$ 856,430</u>	<u>\$ 706,117</u>	<u>\$ (150,313)</u>	<u>1,031,743</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, 2009
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2008)

	Budget Amounts		Actual 2009	Variance With Final Budget-	Actual 2008
	Original	Final		Positive (Negative)	
REVENUES					
Taxes	\$ 605,636	\$ 598,827	\$ 562,194	\$ (36,633)	\$ 619,823
Interest Income	4,000	1,200	625	(575)	8,863
Miscellaneous Income	-	-	8,115	8,115	5,691
TOTAL REVENUES	<u>609,636</u>	<u>600,027</u>	<u>570,934</u>	<u>(29,093)</u>	<u>634,377</u>
EXPENDITURES					
<i>Current:</i>					
Personnel	215,883	207,825	209,992	(2,167)	234,779
Administrative	8,221	9,508	9,508	-	4,807
Facilities Operating	48,700	65,183	67,270	(2,087)	62,320
Capital Outlay	5,260	330	330	-	21,311
TOTAL EXPENDITURES	<u>278,064</u>	<u>282,846</u>	<u>287,100</u>	<u>(4,254)</u>	<u>323,217</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>331,572</u>	<u>317,181</u>	<u>283,834</u>	<u>(33,347)</u>	<u>311,160</u>
OTHER FINANCING SOURCES (USES)					
Transfer (Out) to Primary Government	(336,832)	(336,832)	(336,832)	-	(322,984)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(336,832)</u>	<u>(336,832)</u>	<u>(336,832)</u>	<u>-</u>	<u>(322,984)</u>
Net Change in Fund Balance	(5,260)	(19,651)	(52,998)	(33,347)	(11,824)
Fund Balance - October 1	379,067	379,067	379,067	-	390,891
Fund Balance - Septemeber 30	<u>\$ 373,807</u>	<u>\$ 359,416</u>	<u>\$ 326,069</u>	<u>\$ (33,347)</u>	<u>\$ 379,067</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 HOTEL/MOTEL TAX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2008)

	Budget Amounts		Actual 2009	Variance With Final Budget- Positive (Negative)	(Restated) Actual 2008
	Original	Final			
REVENUES					
Hotel/Motel Tax	\$ 283,500	\$ 283,500	\$ 200,329	\$ (83,171)	\$ 306,089
Interest Income	22,861	12,000	4,710	(7,290)	22,064
Miscellaneous Income	-	-	1,175	1,175	300
TOTAL REVENUES	306,361	295,500	206,214	(89,286)	328,453
EXPENDITURES					
<i>Other/Community Center:</i>					
Personnel	127,865	127,734	123,906	3,828	113,175
Facilities Operating	46,094	47,475	36,165	11,310	36,149
Advertising/Promotion	179,398	178,148	109,404	68,744	102,021
Arts	25,000	25,000	25,000	-	24,975
Capital Projects/Outlay	2,000	2,000	887	1,113	-
TOTAL EXPENDITURES	380,357	380,357	295,362	84,995	276,320
Net Change in Fund Balance	(73,996)	(84,857)	(89,148)	(4,291)	52,133
Fund Balance - October 1	688,959	688,959	688,959	-	636,826
Fund Balance - September 30	\$ 614,963	\$ 604,102	\$ 599,811	\$ (4,291)	\$ 688,959

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2009

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 and the Hotel/Motel Tax Fund. Capital Projects and the CDBG Fund 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. Expenditures exceeded appropriations in the General Fund and Crime Control and Prevention District.

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 FOUR FISCAL 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
2005	\$ 4,085,608	\$ 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%

* 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.

OTHER SUPPLEMENTARY INFORMATION

Other 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:

- Combining Statements – Nonmajor Governmental Funds

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

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 – used to account for forfeited assets to be used to supplement law enforcement.

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

Street Maintenance Fund – used to account for a portion of ad valorem tax designated and other sources obtained for the specific purpose of street maintenance.

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

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

Impound Facility Fund – used to account for funds received for impound services offered by the City.

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

CITY OF BALCONES HEIGHTS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	<u>Federal Asset Forfeiture</u>	<u>State Asset Forfeiture</u>	<u>Street Maintenance Fund</u>	<u>Traffic Safety Fund</u>
ASSETS				
Cash	\$ 45	\$ 8,043	\$ 112,619	\$ 37,628
Investments	-	-	150,028	-
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 45</u>	<u>\$ 8,043</u>	<u>\$ 262,647</u>	<u>\$ 37,628</u>
 LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 779	\$ 94	\$ 4,691
Accrued Expenses	-	-	220	325
<i>Total Liabilities</i>	<u>-</u>	<u>779</u>	<u>314</u>	<u>5,016</u>
 <i>Fund Balance:</i>				
Reserved for:				
Prepays	-	-	-	-
Police & Security	45	7,264	-	-
Unreserved/Undesignated	-	-	262,333	32,612
<i>Total Fund Balance</i>	<u>45</u>	<u>7,264</u>	<u>262,333</u>	<u>32,612</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 45</u>	 <u>\$ 8,043</u>	 <u>\$ 262,647</u>	 <u>\$ 37,628</u>

<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Security and Technology Fund</u>	<u>Total 2009</u>
\$ 436	\$ 27,208	\$ 43,992	\$ 229,971
16,925	2,955	-	169,908
2,000	-	-	2,000
<u>\$ 19,361</u>	<u>\$ 30,163</u>	<u>\$ 43,992</u>	<u>\$ 401,879</u>

\$ -	\$ 5,558	\$ 119	\$ 11,241
-	933	38	1,516
<u>-</u>	<u>6,491</u>	<u>157</u>	<u>12,757</u>

2,000	-	-	2,000
-	-	43,835	51,144
<u>17,361</u>	<u>23,672</u>	<u>-</u>	<u>335,978</u>
<u>19,361</u>	<u>23,672</u>	<u>43,835</u>	<u>389,122</u>

<u>\$ 19,361</u>	<u>\$ 30,163</u>	<u>\$ 43,992</u>	<u>\$ 401,879</u>
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CITY OF BALCONES HEIGHTS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Federal Asset Forfeiture	State Asset Forfeiture	Street Maintenance Fund	Traffic Safety Fund
REVENUES				
Ad Valorem Tax	\$ -	\$ -	\$ 75,000	\$ -
Charges for Services	-	-	-	-
Fines and Forfeits	-	6,421	-	174,166
Interest/Misc. Income	-	12	646	91
TOTAL REVENUES	<u>-</u>	<u>6,433</u>	<u>75,646</u>	<u>174,257</u>
EXPENDITURES				
Current Expense	-	1,510	60,566	149,736
Capital Outlay	-	-	-	49,988
TOTAL EXPENDITURES	<u>-</u>	<u>1,510</u>	<u>60,566</u>	<u>199,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>4,923</u>	<u>15,080</u>	<u>(25,467)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	4,923	15,080	(25,467)
Beginning Fund Balance - October 1	<u>45</u>	<u>2,341</u>	<u>247,253</u>	<u>58,079</u>
Ending Fund Balance - September 30	<u>\$ 45</u>	<u>\$ 7,264</u>	<u>\$ 262,333</u>	<u>\$ 32,612</u>

Child Safety Fund	Impound Facility Fund	Security and Technology Fund	Total 2009
\$ -	\$ -	\$ -	\$ 75,000
-	252,513	-	252,513
3,286	-	17,273	201,146
150	2,692	59	3,650
<u>3,436</u>	<u>255,205</u>	<u>17,332</u>	<u>532,309</u>
5,119	167,921	10,612	395,464
-	63,612	17,107	130,707
<u>5,119</u>	<u>231,533</u>	<u>27,719</u>	<u>526,171</u>
<u>(1,683)</u>	<u>23,672</u>	<u>(10,387)</u>	<u>6,138</u>
-	-	54,222	54,222
-	-	54,222	54,222
(1,683)	23,672	43,835	60,360
<u>21,044</u>	<u>-</u>	<u>-</u>	<u>328,762</u>
<u>\$ 19,361</u>	<u>\$ 23,672</u>	<u>\$ 43,835</u>	<u>\$ 389,122</u>

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CITY OF BALCONES HEIGHTS, TEXAS
STATISTICAL SECTION
SEPTEMBER 30, 2009

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

Revenue Capacity

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

Debt Capacity

Ratios of Outstanding Debt by Type
Legal Debt Margin

Demographic and Economic Information

Demographic and Economic Statistics
Principal Employers

Operating Information

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

CITY OF BALCONES HEIGHTS, TEXAS
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
NET ASSETS				
<i>Governmental Activities:</i>				
Invested in Capital Assets, Net of Related Debt	\$ 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 Net Assets</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>				
Invested in Capital Assets, Net of Related Debt	\$ 97,230	\$ 94,848	\$ 92,465	\$ 90,083
Restricted	-	-	-	-
Unrestricted	485,055	524,269	605,313	683,195
<i>Total Business-Type Activities Net Assets</i>	<u>\$ 582,285</u>	<u>\$ 619,117</u>	<u>\$ 697,778</u>	<u>\$ 773,278</u>
<i>Primary Government:</i>				
Invested in Capital Assets, Net of Related Debt	\$ 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 Net Assets</i>	<u>\$ 3,829,675</u>	<u>\$ 3,919,859</u>	<u>\$ 4,722,705</u>	<u>\$ 6,008,577</u>

* 2008 has been restated to reflect the effects of a prior period adjustment to record Hotel Occupancy Tax and to reduce Capital Assets previously recorded that would no longer be covered under new policy.

Fiscal Year	
Restated 2008*	2009
\$ 2,533,252	\$ 2,981,397
328,270	285,014
<u>3,302,167</u>	<u>3,029,187</u>
<u>\$ 6,163,689</u>	<u>\$ 6,295,598</u>
\$ 87,700	\$ 85,317
-	-
<u>165,648</u>	<u>91,278</u>
<u>\$ 253,348</u>	<u>\$ 176,595</u>
\$ 2,620,952	\$ 3,066,714
328,270	285,014
<u>3,467,815</u>	<u>3,120,465</u>
<u>\$ 6,417,037</u>	<u>\$ 6,472,193</u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
Net (Expense) Revenue				
<i>Governmental Activities:</i>				
General Government	\$ (735,648)	\$ (643,063)	\$ (641,875)	\$ (815,429)
Public Safety	(1,280,263)	(1,469,691)	(1,605,273)	(1,429,467)
Public Works	(132,031)	306,990	(170,232)	341,571
Health and Welfare	(14,500)	(12,039)	(12,000)	(12,000)
Culture and Recreation	(131,678)	(935,812)	(179,044)	(262,129)
Capital Outlay	-	-	-	(44,483)
Interest on Long-Term Debt	(134,507)	(124,547)	(111,721)	(136,114)
<i>Total Governmental Activities</i>	<u>(2,428,627)</u>	<u>(2,878,162)</u>	<u>(2,720,145)</u>	<u>(2,358,051)</u>
<i>Business-Type Activities:</i>				
Wastewater	44,074	23,824	53,063	42,425
<i>Total Business-Type Activities</i>	<u>44,074</u>	<u>23,824</u>	<u>53,063</u>	<u>42,425</u>
General Revenues and Other				
Changes in Net Assets				
<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 (Loss) 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 Assets				
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.

** 2008 has been restated to reflect the effects of a prior period adjustment to record Hotel Occupancy Tax and to reduce Capital Assets previously recorded that would no longer be covered under new policy.*

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

Fiscal Year	
Restated 2008*	2009
\$(1,072,913)	\$(1,058,611)
(1,520,084)	(1,760,817)
(164,438)	(48,707)
(12,000)	(12,000)
(282,959)	(297,086)
(80,264)	(20,604)
(129,072)	(109,770)
<u>(3,261,730)</u>	<u>(3,307,595)</u>
43,040	15,011
<u>43,040</u>	<u>15,011</u>
1,040,744	1,099,899
282,575	291,202
1,722,223	1,598,051
306,089	200,329
42,163	39,673
100,440	16,888
89,886	101,381
-	-
606,000	92,081
<u>4,190,120</u>	<u>3,439,504</u>
43,030	317
<u>(606,000)</u>	<u>(92,081)</u>
<u>(562,970)</u>	<u>(91,764)</u>
928,390	131,909
<u>(519,930)</u>	<u>(76,753)</u>
<u>\$ 408,460</u>	<u>\$ 55,156</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<i>General Fund:</i>				
Reserved	\$ 128,323	\$ 50,758	\$ 68,213	\$ 90,848
Unreserved	312,919	438,824	906,333	1,039,314
<i>Total General Fund</i>	<u>\$ 441,242</u>	<u>\$ 489,582</u>	<u>\$ 974,546</u>	<u>\$ 1,130,162</u>
<i>All Other Governmental Funds:</i>				
Reserved	\$ -	\$ 2,000	\$ 13,014	\$ 1,496
Unreserved, reported in:				
Special Revenue Funds	1,688,531	1,062,981	1,307,854	1,251,592
Capital Projects Funds	2,631	2,691	2,817	339,551
Debt Service Funds	217,082	218,808	236,429	229,136
<i>Total Other Governmental Funds</i>	<u>\$ 1,908,244</u>	<u>\$ 1,286,480</u>	<u>\$ 1,560,114</u>	<u>\$ 1,821,775</u>

* 2008 has been restated to reflect the effects of a prior period adjustment to record Hotel Occupancy Tax.

Fiscal Year	
Restated 2008*	2009
\$ 91,083	\$ 100
940,660	706,017
<u>\$ 1,031,743</u>	<u>\$ 706,117</u>
\$ -	\$ 197,440
1,396,788	1,117,562
1,085,206	1,181,435
238,243	231,914
<u>\$ 2,720,237</u>	<u>\$ 2,728,351</u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST SIX 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)				
Operating Transfers In	324,906	322,769	324,725	653,408
Operating Transfers Out	(324,336)	(322,769)	(324,725)	(653,408)
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.

** 2008 has been restated to reflect the effects of a prior period adjustment to record Hotel Occupancy Tax.*

Fiscal Year	
Restated 2008*	2009
\$ 3,396,284	\$ 3,231,593
135,113	74,074
51,581	283,070
257,443	351,861
763,907	972,658
100,442	16,888
92,746	101,381
<u>4,797,516</u>	<u>5,031,525</u>
-	-
1,219,301	1,120,597
2,313,565	2,867,116
149,612	299,351
26,548	17,119
280,725	299,253
388,289	436,818
258,763	284,652
126,622	127,420
-	27,492
<u>4,763,425</u>	<u>5,479,818</u>
<u>34,091</u>	<u>(448,293)</u>
1,097,681	483,135
(491,681)	(391,054)
159,952	1,229,000
-	(1,190,300)
<u>765,952</u>	<u>130,781</u>
<u>\$ 800,043</u>	<u>\$ (317,512)</u>
8.81%	8.72%

CITY OF BALCONES HEIGHTS, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST SIX 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

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
2000	\$ 510,058	\$ 494,601	97.0%	14,173	\$ 508,774	99.7%
2001	527,014	517,801	98.3%	8,660	526,461	99.9%
2002	538,063	533,661	99.2%	4,124	537,785	99.9%
2003	585,053	579,456	99.0%	3,205	582,661	99.6%
2004	722,083	715,694	99.1%	4,394	720,088	99.7%
2005	845,812	808,428	95.6%	35,619	844,047	99.8%
2006	933,219	925,883	99.2%	4,948	930,831	99.7%
2007	977,009	970,513	99.3%	3,165	973,678	99.7%
2008	1,040,807	1,036,119	99.5%	4,329	1,040,448	100.0%
2009	1,096,650	1,093,231	99.7%	-	1,093,231	99.7%

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	General M&O	Debt Service	Total Direct	Northeast ISD	San Antonio ISD	Bexar County
2004	0.505909	0.036509	0.542418	1.744000	1.722000	0.333671
2005	0.505909	0.021121	0.527030	1.794000	1.722000	0.331190
2006	0.535622	0.022878	0.558500	1.794000	1.720000	0.331190
2007	0.510777	0.021627	0.532404	1.669000	1.579700	0.326866
2008	0.465070	0.033286	0.498356	1.402900	1.249700	0.295104
2009	0.465878	0.024851	0.490729	1.402900	1.249700	0.296187

CITY OF BALCONES HEIGHTS, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST FIVE 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

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	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Heart Hospital of San Antonio	\$ 45,849,640	1	20.53%	N/A	N/A	N/A
Crossroads Retail LP	23,619,627	2	10.58%	N/A	N/A	N/A
Target Corporation	18,296,790	3	8.19%	N/A	N/A	N/A
Savings Square Partners, Ltd.	6,255,054	4	2.69%	N/A	N/A	N/A
IH-10 Heart Plaza, Ltd.	6,000,000	5	2.80%	N/A	N/A	N/A
SFP Apartments, LLC	5,772,030	6	2.58%	N/A	N/A	N/A
Hallmark Apartments, Ltd.	5,050,020	7	2.26%	N/A	N/A	N/A
Duke Charles W. etal	4,177,360	8	1.87%	N/A	N/A	N/A
Williams Bros Construction Co.	3,668,970	9	1.64%	N/A	N/A	N/A
Crossroads - OD LP	3,431,070	10	1.54%	N/A	N/A	N/A
Total	<u>\$ 122,120,561</u>		<u>54.69%</u>	N/A	N/A	N/A

Source: Bexar Appraisal District

Data for 2000 was not available.

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

Fiscal Year	Gonvermental 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

Population data on page 71.

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

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value		<u>\$ 223,308,806</u>
*Debt limit (10% of assessed value)		22,330,881
Outstanding Debt	\$ 2,012,678	
Less: amount set aside for repayment of general obligation debt	<u>(231,914)</u>	
Total net debt applicable to limit		<u>1,780,764</u>
Economic Debt Margin		<u><u>\$ 24,111,645</u></u>

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 12,818,955	\$ 15,469,903	\$ 16,710,945	\$ 18,365,482	\$ 20,870,489	\$ 22,330,881
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>	<u>1,780,764</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>	<u><u>\$ 24,111,645</u></u>

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

<u>Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2004	3016	\$ 25,764	31.90	5.7%
2005	3016	25,764	31.90	5.0%
2006	3016	25,764	31.90	5.2%
2007	2975	30,843	32.90	4.7%
2008	2976	24,950	31.90	4.2%
2009	2984	25,620	31.90	6.2%

Source: U.S. Census Bureau

Per capita personal income is not available for Balcones Heights. The above per capita personal income, median age, and unemployment rate are for Bexar County and were obtained from the County Information Project, Texas Association of Counties.

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

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
USAA	14,852	1	2.05%	N/A	N/A	N/A
HEB Food Stores	14,588	2	2.01%	N/A	N/A	N/A
Bill Miller Bar-B-Q	4,190	3	0.58%	N/A	N/A	N/A
Cullen/Frost Bankers	3,982	4	0.55%	N/A	N/A	N/A
Valero Energy	3,777	5	0.52%	N/A	N/A	N/A
Southwest Research Institute	3,300	6	0.46%	N/A	N/A	N/A
Harland Clarke	3,100	7	0.43%	N/A	N/A	N/A
Clear Channel Communications	2,800	8	0.39%	N/A	N/A	N/A
Kinetic Concepts, Inc.	2,156	9	0.30%	N/A	N/A	N/A
Zachry Holding, Inc.	2,000	10	0.28%	N/A	N/A	N/A
Total	<u>54,745</u>		<u>7.55%</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 2000 was not available.

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

Function	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Police						
Traffic Violations	2,320	2,907	4,678	6,964	7,843	7,967
Arrests	580	716	704	569	1,526	507
Fire						
Fire Calls	208	211	206	145	218	175
EMS Calls	681	731	750	843	835	808
Inspections	31	50	45	-	71	65
Water						
Service Connections	N/A	380	389	388	380	371
Average Daily Consumption	N/A	556,013	461,578	522,174	435,938	536,018
Sewer						
Service Connections	N/A	366	375	374	350	344

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 SIX FISCAL YEARS
 (UNAUDITED)

Function	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Police						
Stations	1	1	1	1	1	1
Officers (Including Reserves)	24	24	26	26	30	31
Fire						
Stations	1	1	1	1	1	1
Firefighters (Including Reserves)	24	24	24	24	20	27
Culture and Recreation						
Community Centers	1	1	1	1	1	1
Parks	2	2	2	2	2	2
Park Acreage	2.5	3.0	3	3	3	3
Public Works						
Miles of Streets	7.22	7.22	7.22	7.22	7.22	7.22
Water						
Miles of Water Mains	8	8	8	8	8	8
Number of Hydrants	80	80	80	80	80	80
Sewer						
Miles of Sanitary Sewers	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

N/A - Not Available

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

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

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