

CITY OF BALCONES HEIGHTS, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2010

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CITY OF BALCONES HEIGHTS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010

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, 2010

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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, 2010, 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, 2010, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information and schedule of funding progress on pages 3 through 10 and 42 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Balcones Heights', financial statements as a whole. The other supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Armstrong, Vaughan & Assoc., P.C.

December 22, 2010

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, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

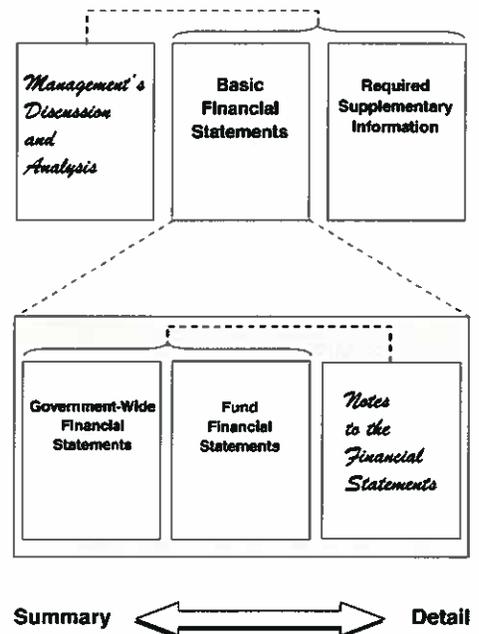
- The City's total combined net assets were \$7,015,131 at September 30, 2010.
- During the year, the City's expenses were \$571,799 less than the \$5,843,894 generated in taxes and other revenues for governmental activities.
- The City started a capital projects for reconstruction of Concord Place.
- The general fund reported a fund balance this year of \$977,252, an increase of \$271,135 from last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance
<i>Required financial statements</i>	• Statement of net assets	• Balance Sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in 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

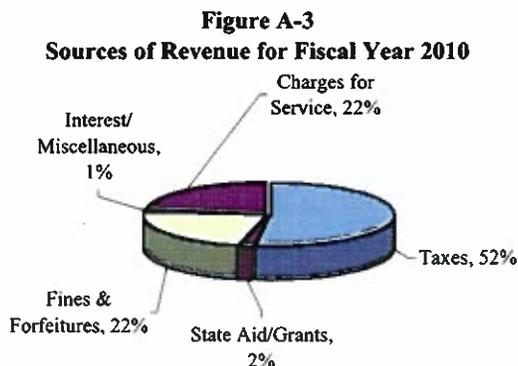
The City's combined net assets were \$7,015,131. (See Table A-1).

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual 2009-2010
	2009	2010	2009	2010	2009	2010	
Assets							
Cash and Investments	\$ 3,481,876	\$ 4,018,225	\$ 85,999	\$ 87,094	\$ 3,567,875	\$ 4,105,319	15%
Receivables: (net of allowances of uncollectible)							
Taxes	13,235	15,511	-	-	13,235	15,511	17%
Accounts	30,166	30,248	31,928	30,495	62,094	60,743	-2%
Due from Other Governments	570,868	305,613	-	-	570,868	305,613	-46%
Prepays	2,100	27,706	-	-	2,100	27,706	1219%
Deferred Charges	26,739	16,197	-	-	26,739	16,197	-39%
<i>Capital Assets:</i>							
Land	471,978	471,978	-	-	471,978	471,978	0%
Buildings and Improvements	2,886,781	2,886,781	-	-	2,886,781	2,886,781	0%
Improvements Other than Buildings	1,842,005	2,220,755	119,124	119,124	1,961,129	2,339,879	19%
Transportation and Equipment	1,871,161	1,969,354	-	-	1,871,161	1,969,354	5%
Construction in Progress	348,433	63,837	-	-	348,433	63,837	N/A
Accumulated Depreciation	(2,426,283)	(2,670,872)	(33,807)	(36,189)	(2,460,090)	(2,707,061)	10%
Total Assets	9,119,059	9,355,333	203,244	200,524	9,322,303	9,555,857	3%
Liabilities and Net Assets							
<i>Current Liabilities:</i>							
Accounts Payable and Accrued Liabilities	650,542	544,601	26,649	52,790	677,191	597,391	-12%
Accrued Interest Payable	-	7,300	-	-	-	7,300	100%
<i>Noncurrent Liabilities:</i>							
Due Within One Year	390,302	356,519	-	-	390,302	356,519	-9%
Due in More Than One Year	1,782,617	1,579,516	-	-	1,782,617	1,579,516	-11%
Total Liabilities	2,823,461	2,487,936	26,649	52,790	2,850,110	2,540,726	-11%
<i>Net Assets:</i>							
Invested in Capital Assets	2,981,397	3,251,453	85,317	82,935	3,066,714	3,334,388	9%
Restricted for Debt Service	233,870	237,987	-	-	233,870	237,987	2%
Police and Security	51,144	174,394	-	-	51,144	174,394	241%
Traffic Safety	-	79,258	-	-	-	79,258	100%
Unrestricted	3,029,187	3,124,305	91,278	64,799	3,120,465	3,189,104	2%
Total Net Assets	6,295,598	6,867,397	176,595	147,734	6,472,193	7,015,131	8%
TOTAL LIABILITIES AND NET ASSETS	\$ 9,119,059	\$ 9,355,333	\$ 203,244	\$ 200,524	\$ 9,322,303	\$ 9,555,857	3%

Approximately 3.4 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 \$3,189,104 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 \$6,225,743. A significant portion, (52%), of the City's revenue comes from taxes; (See Figure A-3.) 2% comes from state aid – formula grants and 1% from interest and miscellaneous revenue, while 45% percent relates to charges for services (including fines and forfeitures).



*Buley Lane
Sun*

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
Program Revenues:							
Charges for Services	\$ 1,398,593	\$ 2,407,306	\$ 391,671	\$ 381,841	\$ 1,790,264	\$ 2,789,147	55.8%
Operating Grants and Contributions	1,990	37,470	-	-	1,990	37,470	1782.9%
Capital Grants and Contributions	281,080	75,763	-	-	281,080	75,763	-73.0%
General Revenues							
Property Taxes	1,099,899	1,118,366	-	-	1,099,899	1,118,366	1.7%
Utility Franchise	291,202	281,890	-	-	291,202	281,890	-3.2%
Sales Tax	1,598,051	1,609,758	-	-	1,598,051	1,609,758	0.7%
Hotel Occupancy Tax	200,329	185,375	-	-	200,329	185,375	-7.5%
Mixed Beverage Tax	39,673	45,657	-	-	39,673	45,657	15.1%
Investment Earnings	16,888	4,813	317	8	17,205	4,821	-72.0%
Miscellaneous	101,381	77,496	-	-	101,381	77,496	-23.6%
Total Program Revenues:	5,029,086	5,843,894	391,988	381,849	5,421,074	6,225,743	14.8%
General Government	1,156,651	753,441	-	-	1,156,651	753,441	-34.9%
Public Safety	3,050,580	3,856,095	-	-	3,050,580	3,856,095	26.4%
Public Works	330,237	241,882	-	-	330,237	241,882	-26.8%
Health and Welfare	12,000	14,949	-	-	12,000	14,949	24.6%
Culture and Recreation	309,416	277,075	-	-	309,416	277,075	-10.5%
Capital Outlay	20,604	39,460	-	-	20,604	39,460	91.5%
Interest on Long-Term Debt	109,770	89,193	-	-	109,770	89,193	-18.7%
Wastewater	-	-	376,660	410,710	376,660	410,710	9.0%
Total Expenses	4,989,258	5,272,095	376,660	410,710	5,365,918	5,682,805	5.9%
Transfers	92,081	-	(92,081)	-	-	-	
Increase (Decrease) in Net Assets	\$ 131,909	\$ 571,799	\$ (76,753)	\$ (28,861)	\$ 55,156	\$ 542,938	884.4%

The total cost of all programs and services was \$5,682,805; 68% of these costs are for Public Safety and 13% are for General Government. The remaining 19% is for all other programs.

Governmental Activities

- Property tax rates increased by .094738 cents per \$100 evaluation. The increase in rate was due to maintaining the effective tax rate when property values decreased.
- The City did not sell any capital bonds in fiscal 2010.

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

	Total Cost of Services			Net Cost of Services		
	2009	2010	% Change	2009	2010	% Change
Police	\$ 1,068,977	\$ 775,788	-27.4%	\$ 697,709	\$ 239,165	-65.7%
Red Light Camera Administration	-	642,033	#DIV/0!	(483,154)	2,307	-100.5%
Fire/Communications	1,081,287	1,096,670	1.4%	1,078,901	1,096,010	1.6%
Emergency Medical Services	202,000	202,000	0.0%	202,000	202,000	0.0%
Debt Service - Interest & Fiscal Charges	127,420	65,274	-48.8%	127,420	65,274	-48.8%
	\$ 2,479,684	\$ 2,781,765	12.2%	\$ 1,622,876	\$ 1,604,756	-1.1%

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

- The cost of all *governmental* activities this year was \$5,272,095.
- Sales Tax (paid by residents and visitors alike) was \$1,609,758, or 28% of all activity expenses.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,118,366 or 19%.
- Some of the cost, \$2,407,306 or 41% 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 \$113,233 or 2%.

Business-Type Activities

Revenues of the City's business-type activities decreased 2% to \$381,849 and expenses increased 9% to \$410,710.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$5,841,618 in fiscal 2010. This is an increase of \$810,093 from 2009 revenues. The increase in local revenues is a result of higher permits revenue contracting out for collection of outstanding warrants, and red light camera, and the minor increase of sales tax. Interest revenue is 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 \$81,614 below final budget amounts. Generally, every 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 impound fund and building permits. Revenues exceeded actual expenditures by \$271,135. As noted earlier:

- Property tax collections were still \$24,084 less than expected.
- City Sales Tax was \$4,892 less than expected.
- Court fines and forfeitures were \$17,422 more than expected.
- Other charges for service were up by \$4,759.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had invested \$7,731,829 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$2,707,061 results in a total Net Capital Asset value of \$5,024,768.

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

	Governmental		Business-Type		Total		Total Percentage Change 2009-2010
	Activities		Activities				
	2009	2010	2009	2010	2009	2010	
Land	\$ 471,978	\$ 471,978	\$ -	\$ -	\$ 471,978	\$ 471,978	0.0%
Buildings and Improvements	2,886,781	2,886,781	-	-	2,767,548	2,886,781	4.3%
Transportation and Equipment	1,842,005	2,220,755	-	-	1,772,634	2,220,755	25.3%
Streets and Grounds	1,871,161	1,969,354	119,124	119,124	1,321,208	2,088,478	58.1%
Construction in Progress	348,433	63,837	-	-	12,963	63,837	392.5%
Totals at Historical Cost	<u>7,420,358</u>	<u>7,612,705</u>	<u>119,124</u>	<u>119,124</u>	<u>6,346,331</u>	<u>7,731,829</u>	21.8%
Total Accumulated Depreciation	<u>(2,426,283)</u>	<u>(2,670,872)</u>	<u>(33,807)</u>	<u>(36,189)</u>	<u>(2,071,769)</u>	<u>(2,707,061)</u>	30.7%
Net Capital Assets	<u>\$ 4,994,075</u>	<u>\$ 4,941,833</u>	<u>\$ 85,317</u>	<u>\$ 82,935</u>	<u>\$ 4,274,562</u>	<u>\$ 5,024,768</u>	17.6%

The City's capital budget does provide appropriations for fiscal 2011 capital projects to include capital equipment (computers) replacement and the partial funding of Concord Place. The City will use Community Development Block Grants (CDBG) for the balance of the project for Concord Place. 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 \$966,203 in bonded debt and \$700,380 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		Business-Type		Total		Total Percentage Change 2009-2010
	Activities		Activities				
	2009	2010	2009	2010	2009	2010	
Leases Payable	\$ 783,678	\$ 700,380	\$ -	\$ -	\$ 783,678	\$ 700,380	-10.6%
Bonds Payable	1,199,127	966,203	-	-	1,199,127	966,203	-19.4%
Compensated Absences	136,008	149,588	-	-	136,008	149,588	10.0%
Pension Benefit Obligation	54,106	119,864	-	-	54,106	119,864	121.5%
Total Bonds & Notes Payable	<u>\$ 2,172,919</u>	<u>\$ 1,816,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,118,813</u>	<u>\$ 1,816,171</u>	-14.3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Actual General Fund revenues for fiscal 2011 are anticipated to increase to a total budgeted amount of \$4,167,299. This is an increase of \$529,569, 28% lower than the 2010 final revenues. The decrease will be the result from permits that were onetime cost in FY 2010.
- City sales tax revenues are anticipated to generally remain the same as in 2010 (within a range of plus or minus 5% percent).
- The beginning General Fund balance available for appropriation in 2011 is \$917,704 (30.0% higher than last year)

- General Fund expenditures for 2011 are budgeted at \$4,167,299. This is an increase of \$680,979 or (19%) above the 2010 final expenditures. This increase is primarily due to the additional personnel in court and moving all salaries that were shared last year back into the general fund. Budgeted expenditures in 2011 will increase \$478,409 of the 2010 budget. No new programs or services are proposed for the General Fund in fiscal 2011.

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, 2010

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, 2010

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 4,018,225	\$ 87,094	\$ 4,105,319
Receivables (Net of Allowances for Uncollectibles):			
Taxes	15,511	-	15,511
Accounts	30,248	30,495	60,743
Due from Other Governments	305,613	-	305,613
Prepays	27,706	-	27,706
Deferred Charges	16,197	-	16,197
Capital Assets:			
Land	471,978	-	471,978
Buildings & Improvements	2,886,781	-	2,886,781
Infrastructure - Streets & Drainage	2,220,755	119,124	2,339,879
Transportation & Equipment	1,969,354	-	1,969,354
Construction in Progress	63,837	-	63,837
Accumulated Depreciation	(2,670,872)	(36,189)	(2,707,061)
 TOTAL ASSETS	 <u>\$ 9,355,333</u>	 <u>\$ 200,524</u>	 <u>\$ 9,555,857</u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2010

LIABILITIES AND NET ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>Current Liabilities:</i>			
Accounts Payable and Other Current Liabilities	\$ 544,601	\$ 52,790	\$ 597,391
Accrued Interest Payable	7,300	-	7,300
<i>Noncurrent Liabilities:</i>			
Due within One Year	356,519	-	356,519
Due in more than One Year	1,579,516	-	1,579,516
TOTAL LIABILITIES	2,487,936	52,790	2,540,726
<i>Net Assets:</i>			
Invested in Capital Assets, net of related debt	3,251,453	82,935	3,334,388
Restricted for:			
Debt Service	237,987	-	237,987
Police and Security	174,394	-	174,394
Traffic Safety	79,258	-	79,258
Unrestricted	3,124,305	64,799	3,189,104
TOTAL NET ASSETS	6,867,397	147,734	7,015,131
 TOTAL LIABILITIES & NET ASSETS	 \$ 9,355,333	 \$ 200,524	 \$ 9,555,857

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<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	\$ 753,441	\$ 173,610	\$ 14,551	\$ -
Public Safety	3,856,095	2,224,942	22,919	-
Public Works	241,882	1,034	-	75,763
Health & Welfare	14,949	-	-	-
Culture & Recreation	277,075	7,720	-	-
Capital Outlay	39,460	-	-	-
Interest on Long-Term Debt	89,193	-	-	-
Total Governmental Activities	<u>5,272,095</u>	<u>2,407,306</u>	<u>37,470</u>	<u>75,763</u>
Business-Type Activities:				
Wastewater	410,710	381,841	-	-
Total Business-Type Activities	<u>410,710</u>	<u>381,841</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,682,805</u>	<u>\$ 2,789,147</u>	<u>\$ 37,470</u>	<u>\$ 75,763</u>
General Revenues:				
Taxes:				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Mixed Beverage Tax				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets at Beginning of Year				
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>
\$ (565,280)	\$ -	\$ (565,280)
(1,608,234)	-	(1,608,234)
(165,085)	-	(165,085)
(14,949)	-	(14,949)
(269,355)	-	(269,355)
(39,460)	-	(39,460)
(89,193)	-	(89,193)
<u>(2,751,556)</u>	<u>-</u>	<u>(2,751,556)</u>
-	<u>(28,869)</u>	<u>(28,869)</u>
-	<u>(28,869)</u>	<u>(28,869)</u>
<u>(2,751,556)</u>	<u>(28,869)</u>	<u>(2,780,425)</u>
\$ 1,118,366	\$ -	\$ 1,118,366
281,890	-	281,890
1,609,758	-	1,609,758
185,375	-	185,375
45,657	-	45,657
4,813	8	4,821
77,496	-	77,496
<u>3,323,355</u>	<u>8</u>	<u>3,323,363</u>
571,799	(28,861)	542,938
<u>6,295,598</u>	<u>176,595</u>	<u>6,472,193</u>
<u>\$ 6,867,397</u>	<u>\$ 147,734</u>	<u>\$ 7,015,131</u>

CITY OF BALCONES HEIGHTS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

ASSETS	<u>General Fund</u>	<u>Crime Control & Prevention District</u>	<u>Hotel/Motel Tax Fund</u>	<u>Impound Facility Fund</u>
Cash and Investments	\$ 1,369,489	\$ 188,493	\$ 365,762	\$ 255,934
Receivables (net of allowances for uncollectibles):				
Taxes	13,195	-	-	-
Miscellaneous	15,942	-	14,306	-
Due from Other Governments	207,658	93,087	-	-
Due from Other Funds	4,868	-	-	-
Advance to Other Funds	-	-	144,310	-
Prepaid Items	26,253	-	1,453	-
TOTAL ASSETS	<u>\$ 1,637,405</u>	<u>\$ 281,580</u>	<u>\$ 525,831</u>	<u>\$ 255,934</u>
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 96,687	\$ 14	\$ 1,566	\$ 29,538
Accrued Expenditures	50,314	5,686	2,648	1,515
Sales Tax Refund Payable	76,222	-	-	-
Due to Other Funds	14,627	-	-	-
Advance from Other Funds	144,310	-	-	-
Due to Other Governments	264,798	-	-	-
Deferred/Unearned Revenues	13,195	-	-	-
<i>Total Liabilities</i>	<u>660,153</u>	<u>5,700</u>	<u>4,214</u>	<u>31,053</u>
<i>Fund Balances:</i>				
Reserved for:				
Prepays	26,253	-	1,453	-
Debt Service	-	-	-	-
Police & Security	17,845	-	-	80,962
Traffic Safety	-	-	-	-
Interfund Advance	-	-	125,110	-
Unreserved, reported in:				
General Fund	933,154	-	-	-
Special Revenue Funds	-	275,880	395,054	143,919
Capital Projects Funds	-	-	-	-
<i>Total Fund Balances</i>	<u>977,252</u>	<u>275,880</u>	<u>521,617</u>	<u>224,881</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 1,637,405</u>	<u>\$ 281,580</u>	<u>\$ 525,831</u>	<u>\$ 255,934</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>
\$ 221,044	\$ 1,183,682	\$ 433,821	\$ 4,018,225
2,316	-	-	15,511
-	-	-	30,248
-	-	4,868	305,613
14,627	-	-	19,495
-	-	-	144,310
-	-	-	27,706
<u>\$ 237,987</u>	<u>\$ 1,183,682</u>	<u>\$ 438,689</u>	<u>\$ 4,561,108</u>
\$ -	\$ -	\$ 10,515	\$ 138,320
-	-	5,098	65,261
-	-	-	76,222
-	-	4,868	19,495
-	-	-	144,310
-	-	-	264,798
2,316	-	-	15,511
<u>2,316</u>	<u>-</u>	<u>20,481</u>	<u>723,917</u>
-	-	-	27,706
235,671	-	-	235,671
-	-	75,587	174,394
-	-	79,258	79,258
-	-	-	125,110
-	-	-	933,154
-	-	263,363	1,078,216
-	1,183,682	-	1,183,682
<u>235,671</u>	<u>1,183,682</u>	<u>418,208</u>	<u>3,837,191</u>
<u>\$ 237,987</u>	<u>\$ 1,183,682</u>	<u>\$ 438,689</u>	<u>\$ 4,561,108</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, 2010

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 3,837,191
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.	4,941,833
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	15,511
Unamortized bond issue costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	16,197
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	(1,936,035)
Accrued interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.	<u>(7,300)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,867,397</u></u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Crime Control & Prevention District	Hotel/Motel Tax Fund	Impound Facility Fund
REVENUES				
Taxes	\$ 2,347,709	\$ 564,650	\$ 185,375	\$ -
Licenses and Permits	141,558	-	-	-
Intergovernmental	22,919	-	-	-
Charges for Services	104,107	-	-	766,375
Fines and Forfeits	1,063,704	-	-	-
Interest	708	207	610	23
Miscellaneous	76,750	736	10	-
TOTAL REVENUES	<u>3,757,455</u>	<u>565,593</u>	<u>185,995</u>	<u>766,398</u>
EXPENDITURES				
Current:				
General Government	646,659	66,565	-	-
Public Safety	2,685,686	281,523	-	419,248
Public Works	98,243	-	-	-
Health & Welfare	12,000	-	-	-
Culture & Recreation	3,554	-	261,230	-
Capital Projects/Outlay	40,178	-	2,959	88,726
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	<u>3,486,320</u>	<u>348,088</u>	<u>264,189</u>	<u>507,974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>271,135</u>	<u>217,505</u>	<u>(78,194)</u>	<u>258,424</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(267,694)	-	(57,215)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(267,694)</u>	<u>-</u>	<u>(57,215)</u>
Net Change in Fund Balances	271,135	(50,189)	(78,194)	201,209
Fund Balances at Beginning of Year	706,117	326,069	599,811	23,672
Fund Balances at End of Year	<u>\$ 977,252</u>	<u>\$ 275,880</u>	<u>\$ 521,617</u>	<u>\$ 224,881</u>

See accompanying notes to basic financial statements.

Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 66,036	\$ -	\$ 75,000	\$ 3,238,770
-	-	-	141,558
-	-	90,314	113,233
-	-	-	870,482
-	-	331,562	1,395,266
384	2,255	626	4,813
-	-	-	77,496
<u>66,420</u>	<u>2,255</u>	<u>497,502</u>	<u>5,841,618</u>
-	8	25,848	739,080
-	-	254,580	3,641,037
-	-	74,276	172,519
-	-	2,949	14,949
-	-	-	264,784
-	-	87,091	218,954
322,298	-	-	322,298
65,274	-	-	65,274
<u>387,572</u>	<u>8</u>	<u>444,744</u>	<u>5,438,895</u>
<u>(321,152)</u>	<u>2,247</u>	<u>52,758</u>	<u>402,723</u>
324,909	-	-	324,909
-	-	-	(324,909)
<u>324,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,757	2,247	52,758	402,723
231,914	1,181,435	365,450	3,434,468
<u>\$ 235,671</u>	<u>\$ 1,183,682</u>	<u>\$ 418,208</u>	<u>\$ 3,837,191</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, 2010

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 402,723

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 depreciation exceeded capital outlays. (52,242)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. 2,276

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.

Repayment of Principal	322,298	
Amortization of Deferred Charges	<u>(16,618)</u>	305,680

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	(13,580)	
Accrued Interest	(7,300)	
Pension Benefit Obligation	<u>(65,758)</u>	<u>(86,638)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 571,799

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS – PROPRIETARY FUND
 SEPTEMBER 30, 2010 AND 2009

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2010	2009
ASSETS		
<i>Current Assets:</i>		
Cash and Investments	\$ 87,094	\$ 85,999
Receivables (net of allowances for uncollectibles):		
Accounts	30,495	31,928
<i>Total Current Assets</i>	<u>117,589</u>	<u>117,927</u>
<i>Capital Assets:</i>		
Improvements Other than Buildings	119,124	119,124
Accumulated Depreciation	(36,189)	(33,807)
<i>Total Capital Assets (Net)</i>	<u>82,935</u>	<u>85,317</u>
TOTAL ASSETS	<u>\$ 200,524</u>	<u>\$ 203,244</u>
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 52,790	\$ 26,649
<i>Total Current Liabilities</i>	<u>52,790</u>	<u>26,649</u>
TOTAL LIABILITIES	<u>52,790</u>	<u>26,649</u>
<i>Net Assets:</i>		
Invested in Capital Assets	82,935	85,317
Unrestricted	64,799	91,278
TOTAL NET ASSETS	<u>147,734</u>	<u>176,595</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 200,524</u>	<u>\$ 203,244</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 FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2010	2009
OPERATING REVENUES		
Wastewater User Fees	\$ 381,841	\$ 391,671
TOTAL OPERATING REVENUES	381,841	391,671
OPERATING EXPENSES		
Operation and Maintenance:		
Personnel Costs	26,831	8,805
Contractual Services	381,497	365,472
Depreciation	2,382	2,383
TOTAL OPERATING EXPENSES	410,710	376,660
OPERATING INCOME (LOSS)	(28,869)	15,011
NONOPERATING REVENUES (EXPENSES)		
Interest Income	8	317
TOTAL NONOPERATING REVENUES (EXPENSES)	8	317
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(28,861)	15,328
TRANSFERS IN (OUT)	-	(92,081)
CHANGE IN NET ASSETS	(28,861)	(76,753)
NET ASSETS AT BEGINNING OF YEAR	176,595	253,348
NET ASSETS AT END OF YEAR	\$ 147,734	\$ 176,595

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS – PROPRIETARY FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	Busines-Type Activities	
	Sewer Operations & Maintenance	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 383,274	\$ 391,436
Cash Paid to Employees	(26,831)	(8,805)
Cash Paid to Suppliers	(355,356)	(365,976)
Net Cash Provided (Used) by Operating Activities	1,087	16,655
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to General Fund	-	(92,081)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(92,081)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	8	317
Net Cash Provided (Used) by Investing Activities	8	317
 Net Increase (Decrease) in Cash	 1,095	 (75,109)
Cash and Investments at October 1	85,999	161,108
Cash and Investments at September 30	\$ 87,094	\$ 85,999
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (28,869)	\$ 15,011
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,382	2,383
(Increase) Decrease in Accounts Receivable	1,433	(235)
Increase (Decrease) in Accounts Payable	26,141	(504)
Net Cash Provided (Used) by Operating Activities	\$ 1,087	\$ 16,655

See accompanying notes to basic financial statements.

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CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010, 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.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

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

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Hotel/Motel Tax Fund, Crime Control and Prevention District, Impound Facility 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, 2010

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.

Impound Facility Fund is used to account for the revenues received for impound services offered by the City.

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 INVESTMENTS

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

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

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, 2009 and past due after January 31, 2010. 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, 2010 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, 2010

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, 2010

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.

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, 2010

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, 2010, the carrying amounts of the City's deposits with the city depository were \$1,764,104 and the bank balance was \$1,916,993. 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 \$1,961,328 and a market value of \$2,095,125. 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, 2010

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2010, 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, 2010 were:

Petty Cash	\$ 1,150
Cash in Bank Depository	1,764,104
Total Insured/Collateralized	1,765,254
TexPool - a local government investment pool	1,932,967
Lone Star Pool - a local government investment pool	407,098
	\$ 4,105,319

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

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, 2010, 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.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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 2010, the assessed tax rate for the City was \$.510481 per \$100 on an assessed valuation of \$220,898,895. This is broken out as \$.479510 per \$100 for general operations and \$.030971 per \$100 for debt retirement. Total tax levy for fiscal year 2010 is \$1,127,647. As of September 30, 2010, the delinquent current taxes for 2010 levy were \$5,885.

NOTE D -- DUE TO/FROM OTHER FUNDS

As of September 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Debt Service	\$ -	\$ 14,627
NonMajor (Special Revenue) Fund	4,868	-
Debt Service:		
General Fund	14,627	-
NonMajor Fund:		
General Fund	-	4,868
	<u>\$ 19,495</u>	<u>\$ 19,495</u>

NOTE E -- TRANSFERS BETWEEN FUNDS

Transfers between funds during the year ended September 30, 2010 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Impound Facility Fund:		
Debt Service	\$ -	\$ 57,215
Crime Control & Prevention Fund:		
Debt Service	-	267,694
Debt Service:		
Impound Facility Fund	57,215	-
Crime Control & Prevention Fund	267,694	-
	<u>\$ 324,909</u>	<u>\$ 324,909</u>

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

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, 2010, \$144,310 was the amount still to be repaid to the Hotel/Motel Fund.

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2009	Additions	Disposals	Balance 9/30/2010
Land	\$ 471,978	\$ -	\$ -	\$ 471,978
Construction in Progress	348,433	94,154	(378,750)	63,837
Buildings and Improvements	2,886,781	-	-	2,886,781
Streets & Drainage	1,842,005	378,750	-	2,220,755
Transportation & Equipment	1,871,161	98,193	-	1,969,354
	<u>7,420,358</u>	<u>571,097</u>	<u>(378,750)</u>	<u>7,612,705</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(915,105)	(58,312)	-	(973,417)
Streets and Grounds	(603,786)	(29,147)	-	(632,933)
Transportation and Equipment	(907,392)	(157,130)	-	(1,064,522)
	<u>(2,426,283)</u>	<u>(244,589)</u>	<u>-</u>	<u>(2,670,872)</u>
Governmental Capital Assets, Net	<u>\$ 4,994,075</u>	<u>\$ 326,508</u>	<u>\$ (378,750)</u>	<u>\$ 4,941,833</u>
<u>Business-Type Activities</u>	Balance 10/1/2009	Additions	Disposals	Balance 9/30/2010
Improvements Other Than Buildings	\$ 119,124	\$ -	\$ -	119,124
	<u>119,124</u>	<u>-</u>	<u>-</u>	<u>119,124</u>
Less Accumulated Depreciation:				
Improvement Other Than Buildings	(33,807)	(2,382)	-	(36,189)
	<u>(33,807)</u>	<u>(2,382)</u>	<u>-</u>	<u>(36,189)</u>
Business-Type Capital Assets, Net	<u>\$ 85,317</u>	<u>\$ (2,382)</u>	<u>\$ -</u>	<u>\$ 82,935</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 6,138
Public Safety	156,527
Public Works	72,194
Culture & Recreation	9,730
Total Depreciation Expense - Governmental Activities	<u>\$ 244,589</u>

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

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, 2010.

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 10/1/2009	Additions	Retirements	Balance Outstanding 9/30/2010	Due Within One Year
Governmental Activities							
<i>General Obligation Bonds:</i>							
2009 Refunded General							
Obligation Bonds	1,229,000	4.1-5.4%	1,229,000	-	(239,000)	990,000	238,000
Deferred Loss on Refunding			(29,873)	-	6,076	(23,797)	
<i>Capital Leases:</i>							
			783,678	-	(83,298)	700,380	43,725
<i>Liability for Employee:</i>							
Compensated Absences			136,008	81,584	(68,004)	149,588	74,794
Pension Benefit Obligation			54,106	65,758	-	119,864	-
Total Long-Term Debt			<u>\$ 2,172,919</u>	<u>\$ 147,342</u>	<u>\$ (384,226)</u>	<u>\$ 1,936,035</u>	<u>\$356,519</u>

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

Year Ending September 30	Principal	Interest	Total
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>\$ 990,000</u>	<u>\$ 78,110</u>	<u>\$ 1,068,110</u>
Average Annual Debt Service Requirement - Bonded Debt			<u>\$ 267,028</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

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.

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
2011	\$ 62,242	\$ 14,304	\$ 76,546
2012	62,242	-	62,242
2013	62,242	-	62,242
2014	62,242	-	62,242
2015	62,242	-	62,242
2016 - 2020	311,210	-	311,210
2021 - 2025	311,210	-	311,210
2026	62,242	-	62,242
Total Lease Payments	995,872	14,304	1,010,176
Less Amount Representing Interest	(309,640)	(156)	(309,796)
Present Value of Future Minimum Lease Payments	<u>\$ 686,232</u>	<u>\$ 14,148</u>	<u>\$ 700,380</u>

The following is an analysis of the property under capital lease as of September 30, 2010:

Transportation & Equipment	\$ 791,698	\$ 159,985	\$ 951,683
Less: Accumulated Depreciation	(323,277)	(59,982)	(383,259)
Net Leased Property	<u>\$ 468,421</u>	<u>\$ 100,003</u>	<u>\$ 568,424</u>

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

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 2009</u>	<u>Plan Year 2010</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, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

B. Contributions

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

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

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, 2009, 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)	\$ 334,535
2. Interest on Net Pension Obligation	3,787
3. Adjustment to the ARC	<u>(3,304)</u>
4. Annual Pension Cost (APC)	335,018
5. Contributions Made	<u>(269,260)</u>
6. Increase (Decrease) in Net Pension Obligation	65,758
7. Net Pension Obligation / (Asset), Beginning of Year	<u>54,106</u>
8. Net Pension Obligation / (Asset), End of Year	<u><u>\$ 119,864</u></u>

Fiscal Year	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation
2010	\$ 335,018	\$ 269,260	80%	65,758
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 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Actuarial Valuation Date	December 31, 2007	December 31, 2008	December 31, 2009
Actuarial Cost Method	Projected 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	30 years - Closed Period	29 years - Closed Period	28 years - Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Investment Rate of Return	7.0%	7.5%	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	2.1%	2.1%	2.1%

The funded status as of December 31, 2009, 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
12/31/2009	\$ 3,705,140	\$ 6,762,909	54.8%	\$ 3,057,769	\$ 2,047,469	149.3%

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

C. Other Post-Employment Benefits

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

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2010, 2009, and 2008 were \$4,321, \$4,552, and \$5,515, respectively, which equaled the required contributions each year.

NOTE K -- SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Risk Management

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

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

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, 2010, were \$107,931.

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

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

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, 2010 are not likely to have a material adverse effect on the City's financial position.

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>	
2011	<u>\$ 15,712</u>
Total	<u>\$ 15,712</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, 2010 were \$4,233,394 and \$2,037,858 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, 2010

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, 2010 amounted to \$60,328.

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>
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%	<u>50,000</u>	-
Minimum Guaranteed Future Revenue		<u>\$ 505,000</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 -- PLEDGED REVENUE

The Balcones Heights Crime Control and Prevention District entered into an agreement with the City for the construction of and operation of a Justice Center to be occupied and used by Balcones Heights Police Department, Municipal Courts and City Administration offices. Pursuant to the agreement, the City issued Certificates of Obligation in the amount of \$2,845,000 to fund construction of the Center. The District has pledged current and future sales tax revenue for the repayment of the debt associated with the construction and operation of the Center. Pledged revenue for the years ended September 30, 2010 and 2009 were \$267,694 and \$336,832, respectively.

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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
- Budgetary Comparison Schedule – Impound Facility 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, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009)

REVENUES	Budget Amounts		Actual 2010	Variance With Final Budget- Positive (Negative)	Actual 2009
	Original	Final			
<i>Taxes:</i>					
Ad Valorem Tax	\$ 992,800	\$ 992,800	\$ 968,716	\$ (24,084)	\$ 967,868
Penalty & Interest	6,000	6,000	6,338	338	3,248
City Sales Tax	1,067,383	1,050,000	1,045,108	(4,892)	1,035,857
Franchise Taxes	281,500	295,069	281,890	(13,179)	291,202
Mixed Beverage	42,000	45,676	45,657	(19)	39,673
<i>Total Taxes</i>	<u>2,389,683</u>	<u>2,389,545</u>	<u>2,347,709</u>	<u>(41,836)</u>	<u>2,337,848</u>
<i>Licenses and Permits</i>	<u>101,200</u>	<u>143,840</u>	<u>141,558</u>	<u>(2,282)</u>	<u>74,074</u>
<i>Intergovernmental Revenues</i>	<u>2,000</u>	<u>22,919</u>	<u>22,919</u>	<u>-</u>	<u>1,990</u>
<i>Charges for Services:</i>					
Court Fees & Charges	130,000	78,500	82,913	4,413	79,537
Other	23,160	21,669	21,194	(475)	19,811
<i>Total Charges for Services</i>	<u>153,160</u>	<u>100,169</u>	<u>104,107</u>	<u>3,938</u>	<u>99,348</u>
<i>Fines and Forfeitures</i>	<u>799,206</u>	<u>1,046,282</u>	<u>1,063,704</u>	<u>17,422</u>	<u>771,512</u>
<i>Other Sources:</i>					
Interest	8,000	600	708	108	4,072
Miscellaneous	63,000	76,166	76,750	584	89,461
<i>Total Other Sources</i>	<u>71,000</u>	<u>76,766</u>	<u>77,458</u>	<u>692</u>	<u>93,533</u>
Total Revenues	<u>\$ 3,516,249</u>	<u>\$ 3,779,521</u>	<u>\$ 3,757,455</u>	<u>\$ (22,066)</u>	<u>\$ 3,378,305</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, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009)

EXPENDITURES	Budget Amounts		Actual 2010	Variance With Final Budget- Positive (Negative)	Actual 2009
	Original	Final			
<i>General Government:</i>					
Mayor/City Council	\$ 43,640	\$ 46,753	\$ 51,029	\$ (4,276)	\$ 53,132
Secretary/Treasurer	364,584	360,554	358,979	1,575	327,806
Municipal Court	127,421	127,110	128,693	(1,583)	544,471
Public Facilities	42,750	38,280	36,761	1,519	36,759
Non-Departmental	123,955	73,424	71,197	2,227	79,715
Capital Outlay	-	-	9,374	(9,374)	-
<i>Total General Government</i>	<u>702,350</u>	<u>646,121</u>	<u>656,033</u>	<u>(9,912)</u>	<u>1,041,883</u>
<i>Public Safety:</i>					
Police Department	951,834	818,425	754,782	63,643	1,068,977
ATS Administration	412,986	642,805	642,033	772	-
Communications	146,328	157,167	156,030	1,137	196,059
Fire Department	1,185,504	1,154,111	1,132,841	21,270	1,063,414
Capital Outlay	-	30,804	30,804	-	23,814
<i>Total Public Safety</i>	<u>2,696,652</u>	<u>2,803,312</u>	<u>2,716,490</u>	<u>86,822</u>	<u>2,352,264</u>
<i>Public Works:</i>					
Building Department	31,616	66,762	65,663	1,099	20,945
Planning & Zoning	500	50	50	-	163,496
Streets & Grounds	44,491	35,070	32,492	2,578	53,462
Animal Control	4,640	500	-	500	663
Weed and Pest Control	250	38	38	-	218
<i>Total Public Works</i>	<u>81,497</u>	<u>102,420</u>	<u>98,243</u>	<u>4,177</u>	<u>238,784</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	1,300	1,680	1,624	56	880
Community Center	3,250	2,401	1,930	471	3,898
<i>Total Culture & Recreation</i>	<u>4,550</u>	<u>4,081</u>	<u>3,554</u>	<u>527</u>	<u>4,778</u>
Total Expenditures	<u>\$ 3,497,049</u>	<u>\$ 3,567,934</u>	<u>\$ 3,486,320</u>	<u>\$ 81,614</u>	<u>\$ 3,649,709</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, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009)

	<u>Budget Amounts</u>		<u>Actual 2010</u>	<u>Variance With Final Budget- Positive (Negative)</u>	<u>Actual 2009</u>
	<u>Original</u>	<u>Final</u>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 19,200</u>	<u>\$ 211,587</u>	<u>\$ 271,135</u>	<u>\$ 59,548</u>	<u>\$ (271,404)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,222)</u>
Total Other Financing Source (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,222)</u>
Net Change in Fund Balance	19,200	211,587	271,135	59,548	(325,626)
Fund Balance - October 1	<u>706,117</u>	<u>706,117</u>	<u>706,117</u>	<u>-</u>	<u>1,031,743</u>
Fund Balance - September 30	<u>\$ 725,317</u>	<u>\$ 917,704</u>	<u>\$ 977,252</u>	<u>\$ 59,548</u>	<u>706,117</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, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009)

	<u>Budget Amounts</u>		<u>Actual 2010</u>	Variance With Final Budget-	<u>Actual 2009</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Taxes	\$ 600,000	\$ 600,000	\$ 564,650	\$ (35,350)	\$ 562,194
Interest Income	800	800	207	(593)	625
Miscellaneous Income	-	-	736	736	8,115
TOTAL REVENUES	<u>600,800</u>	<u>600,800</u>	<u>565,593</u>	<u>(35,207)</u>	<u>570,934</u>
EXPENDITURES					
<i>Current:</i>					
Personnel	278,473	276,940	274,160	2,780	209,992
Administrative	6,160	8,259	7,363	896	9,508
Facilities Operating	66,000	66,565	66,565	-	67,270
Capital Outlay	-	-	-	-	330
TOTAL EXPENDITURES	<u>350,633</u>	<u>351,764</u>	<u>348,088</u>	<u>3,676</u>	<u>287,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>250,167</u>	<u>249,036</u>	<u>217,505</u>	<u>(31,531)</u>	<u>283,834</u>
OTHER FINANCING SOURCES (USES)					
Transfer (Out) to Primary Government	(279,045)	(267,694)	(267,694)	-	(336,832)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(279,045)</u>	<u>(267,694)</u>	<u>(267,694)</u>	<u>-</u>	<u>(336,832)</u>
Net Change in Fund Balance	(28,878)	(18,658)	(50,189)	(31,531)	(52,998)
Fund Balance - October 1	326,069	326,069	326,069	-	379,067
Fund Balance - Septemeber 30	<u>\$ 297,191</u>	<u>\$ 307,411</u>	<u>\$ 275,880</u>	<u>\$ (31,531)</u>	<u>\$ 326,069</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, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009)

	Budget Amounts		Actual 2010	Variance With Final Budget- Positive (Negative)	Actual 2009
	Original	Final			
REVENUES					
Hotel/Motel Tax	\$ 253,762	\$ 178,000	\$ 185,375	\$ 7,375	\$ 200,329
Interest Income	9,744	200	610	410	4,710
Miscellaneous Income	-	10	10	-	1,175
TOTAL REVENUES	<u>263,506</u>	<u>178,210</u>	<u>185,995</u>	<u>7,785</u>	<u>206,214</u>
EXPENDITURES					
<i>Current:</i>					
Personnel	132,491	125,068	124,218	850	123,906
Facilities Operating	41,578	41,525	38,644	2,881	36,165
Advertising/Promotion	78,177	75,320	73,102	2,218	109,404
Arts	26,000	26,000	25,266	734	25,000
Capital Projects/Outlay	4,460	2,960	2,959	1	887
TOTAL EXPENDITURES	<u>282,706</u>	<u>270,873</u>	<u>264,189</u>	<u>6,684</u>	<u>295,362</u>
Net Change in Fund Balance	(19,200)	(92,663)	(78,194)	14,469	(89,148)
Fund Balance - October 1	599,811	599,811	599,811	-	688,959
Fund Balance - September 30	<u>\$ 580,611</u>	<u>\$ 507,148</u>	<u>\$ 521,617</u>	<u>\$ 14,469</u>	<u>\$ 599,811</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 IMPOUND FACILITY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009)

	Budget Amounts		Actual 2010	Variance With Final Budget-	Actual 2009
	Original	Final		Positive (Negative)	
REVENUES					
Charges for Services	\$ 439,339	\$ 739,780	\$ 766,375	\$ 26,595	\$ 255,143
Interest Income	500	100	23	(77)	62
TOTAL REVENUES	<u>439,839</u>	<u>739,880</u>	<u>766,398</u>	<u>26,518</u>	<u>255,205</u>
EXPENDITURES					
<i>Current:</i>					
Personnel	201,605	134,824	132,228	2,596	71,148
Administrative	173,060	287,155	287,020	135	96,773
Capital Outlay	-	8,400	88,726	(80,326)	63,612
TOTAL EXPENDITURES	<u>374,665</u>	<u>430,379</u>	<u>507,974</u>	<u>(77,595)</u>	<u>231,533</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65,174</u>	<u>309,501</u>	<u>258,424</u>	<u>(51,077)</u>	<u>23,672</u>
OTHER FINANCING SOURCES (USES)					
Transfer In (Out)	(57,215)	(57,215)	(57,215)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(57,215)</u>	<u>(57,215)</u>	<u>(57,215)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	7,959	252,286	201,209	(51,077)	23,672
Fund Balance - October 1	23,672	23,672	23,672	-	-
Fund Balance - Septemeber 30	<u>\$ 31,631</u>	<u>\$ 275,958</u>	<u>\$ 224,881</u>	<u>\$ (51,077)</u>	<u>\$ 23,672</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2010

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 Grant Funds have project-length budgets.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Expenditures exceeded appropriations in the Impound Facility Fund.

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 FIVE CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
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%
2009	3,705,140	6,762,909	54.8%	3,057,769	2,047,469	149.3%

* 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.

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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.

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

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

CITY OF BALCONES HEIGHTS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Federal Asset Forfeiture	State Asset Forfeiture	Street Maintenance Fund	Traffic Safety Fund
ASSETS				
Cash and Investments	\$ 1,785	\$ 5,563	\$ 274,383	\$ 83,680
Due from Other Governments	-	-	-	-
TOTAL ASSETS	\$ 1,785	\$ 5,563	\$ 274,383	\$ 83,680
 LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ 10,319	\$ 77
Accrued Expenses	-	-	701	4,345
Due to Other Funds	-	-	-	-
<i>Total Liabilities</i>	-	-	11,020	4,422
 <i>Fund Balance:</i>				
Reserved for:				
Police & Security	1,785	5,563	-	-
Traffic Safety	-	-	-	79,258
Unreserved/Undesignated	-	-	263,363	-
<i>Total Fund Balance</i>	1,785	5,563	263,363	79,258
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,785	 \$ 5,563	 \$ 274,383	 \$ 83,680

<u>Child Safety Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2010</u>
\$ 19,869	\$ 48,541	\$ -	\$ 433,821
-	-	4,868	4,868
<u>\$ 19,869</u>	<u>\$ 48,541</u>	<u>\$ 4,868</u>	<u>\$ 438,689</u>
\$ -	\$ 119	\$ -	\$ 10,515
-	52	-	5,098
-	-	4,868	4,868
<u>-</u>	<u>171</u>	<u>4,868</u>	<u>20,481</u>
19,869	48,370	-	75,587
-	-	-	79,258
-	-	-	263,363
<u>19,869</u>	<u>48,370</u>	<u>-</u>	<u>418,208</u>
<u>\$ 19,869</u>	<u>\$ 48,541</u>	<u>\$ 4,868</u>	<u>\$ 438,689</u>

CITY OF BALCONES HEIGHTS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal Asset Forfeiture	State Asset Forfeiture	Street Maintenance Fund	Traffic Safety Fund
REVENUES				
Ad Valorem Tax	\$ -	\$ -	\$ 75,000	\$ -
Fines and Forfeits	3,245	6,972	-	296,831
Intergovernmental	-	-	-	-
Interest/Misc. Income	-	-	306	8
TOTAL REVENUES	<u>3,245</u>	<u>6,972</u>	<u>75,306</u>	<u>296,839</u>
EXPENDITURES				
Current Expense	1,505	8,673	74,276	244,402
Capital Outlay	-	-	-	5,791
TOTAL EXPENDITURES	<u>1,505</u>	<u>8,673</u>	<u>74,276</u>	<u>250,193</u>
Net Change in Fund Balances	1,740	(1,701)	1,030	46,646
Beginning Fund Balance - October 1	<u>45</u>	<u>7,264</u>	<u>262,333</u>	<u>32,612</u>
Ending Fund Balance - September 30	<u>\$ 1,785</u>	<u>\$ 5,563</u>	<u>\$ 263,363</u>	<u>\$ 79,258</u>

<u>Child Safety Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2010</u>
\$ -	\$ -	\$ -	\$ 75,000
3,149	21,365	-	331,562
-	-	90,314	90,314
308	4	-	626
<u>3,457</u>	<u>21,369</u>	<u>90,314</u>	<u>497,502</u>
2,949	11,297	14,551	357,653
-	5,537	75,763	87,091
<u>2,949</u>	<u>16,834</u>	<u>90,314</u>	<u>444,744</u>
508	4,535	-	52,758
<u>19,361</u>	<u>43,835</u>	<u>-</u>	<u>365,450</u>
<u>\$ 19,869</u>	<u>\$ 48,370</u>	<u>\$ -</u>	<u>\$ 418,208</u>

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CITY OF BALCONES HEIGHTS, TEXAS
STATISTICAL SECTION
SEPTEMBER 30, 2010

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 SEVEN 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>

Fiscal Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,533,252	\$ 2,981,397	\$ 3,251,453
328,270	285,014	491,639
<u>3,302,167</u>	<u>3,029,187</u>	<u>3,124,305</u>
<u>\$ 6,163,689</u>	<u>\$ 6,295,598</u>	<u>\$ 6,867,397</u>
\$ 87,700	\$ 85,317	\$ 82,935
-	-	-
<u>165,648</u>	<u>91,278</u>	<u>64,799</u>
<u>\$ 253,348</u>	<u>\$ 176,595</u>	<u>\$ 147,734</u>
\$ 2,620,952	\$ 3,066,714	\$ 3,334,388
328,270	285,014	491,639
<u>3,467,815</u>	<u>3,120,465</u>	<u>3,189,104</u>
<u>\$ 6,417,037</u>	<u>\$ 6,472,193</u>	<u>\$ 7,015,131</u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN 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.

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

Fiscal Year		
2008	2009	2010
\$(1,072,913)	\$(1,058,611)	\$ (565,280)
(1,520,084)	(1,760,817)	(1,608,234)
(164,438)	(48,707)	(165,085)
(12,000)	(12,000)	(14,949)
(282,959)	(297,086)	(269,355)
(80,264)	(20,604)	(39,460)
(129,072)	(109,770)	(89,193)
<u>(3,261,730)</u>	<u>(3,307,595)</u>	<u>(2,751,556)</u>
<u>43,040</u>	<u>15,011</u>	<u>(28,869)</u>
<u>43,040</u>	<u>15,011</u>	<u>(28,869)</u>
1,040,744	1,099,899	1,118,366
282,575	291,202	281,890
1,722,223	1,598,051	1,609,758
306,089	200,329	185,375
42,163	39,673	45,657
100,440	16,888	4,813
89,886	101,381	77,496
-	-	-
<u>606,000</u>	<u>92,081</u>	<u>-</u>
<u>4,190,120</u>	<u>3,439,504</u>	<u>3,323,355</u>
43,030	317	8
<u>(606,000)</u>	<u>(92,081)</u>	<u>-</u>
<u>(562,970)</u>	<u>(91,764)</u>	<u>8</u>
928,390	131,909	571,799
<u>(519,930)</u>	<u>(76,753)</u>	<u>(28,861)</u>
<u>\$ 408,460</u>	<u>\$ 55,156</u>	<u>\$ 542,938</u>

CITY OF BALCONES HEIGHTS, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SEVEN 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>

Fiscal Year		
2008	2009	2010
\$ 91,083	\$ 100	\$ 44,098
<u>940,660</u>	<u>706,017</u>	<u>933,154</u>
<u>\$ 1,031,743</u>	<u>\$ 706,117</u>	<u>\$ 977,252</u>
\$ -	\$ 197,440	\$ 362,370
1,396,788	1,117,562	1,078,216
1,085,206	1,181,435	1,183,682
<u>238,243</u>	<u>231,914</u>	<u>235,671</u>
<u>\$ 2,720,237</u>	<u>\$ 2,728,351</u>	<u>\$ 2,859,939</u>

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

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

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

Fiscal Year		
2008	2009	2010
\$ 3,396,284	\$ 3,231,593	\$ 3,238,770
135,113	74,074	141,558
51,581	283,070	113,233
257,443	351,861	870,482
763,907	972,658	1,395,266
100,442	16,888	4,813
92,746	101,381	77,496
<u>4,797,516</u>	<u>5,031,525</u>	<u>5,841,618</u>
-	-	-
1,219,301	1,120,597	739,080
2,313,565	2,867,116	3,641,037
149,612	299,351	172,519
26,548	17,119	14,949
280,725	299,253	264,784
388,289	436,818	218,954
258,763	284,652	322,298
126,622	127,420	65,274
-	27,492	-
<u>4,763,425</u>	<u>5,479,818</u>	<u>5,438,895</u>
<u>34,091</u>	<u>(448,293)</u>	<u>402,723</u>
1,097,681	483,135	324,909
(491,681)	(391,054)	(324,909)
159,952	1,229,000	-
-	(1,190,300)	-
<u>765,952</u>	<u>130,781</u>	<u>-</u>
<u>\$ 800,043</u>	<u>\$ (317,512)</u>	<u>\$ 402,723</u>
8.81%	8.72%	7.42%

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales and Use</u>	<u>Occupancy</u>	<u>Franchise</u>	<u>Mixed Beverage</u>	<u>Total</u>
2004	\$ 736,801	\$ 1,539,564	\$ 204,552	\$ 232,372	\$ 27,186	\$2,740,475
2005	819,407	1,549,520	190,540	245,910	40,787	2,846,164
2006	971,354	1,694,814	263,560	273,666	34,785	3,238,179
2007	981,084	1,760,152	257,697	268,169	39,029	3,306,131
2008	1,043,234	1,722,223	278,492	282,575	42,163	3,368,687
2009	1,102,338	1,598,051	200,329	291,202	39,673	3,231,593
2010	1,116,090	1,609,758	185,375	281,890	45,657	3,238,770

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
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%	35,625	844,053	99.8%
2006	933,219	925,883	99.2%	5,007	930,890	99.8%
2007	977,009	970,513	99.3%	3,311	973,824	99.7%
2008	1,040,807	1,036,119	99.5%	4,531	1,040,650	100.0%
2009	1,096,650	1,093,231	99.7%	3,088	1,096,319	100.0%
2010	1,127,647	1,121,762	99.5%	-	1,121,762	99.5%

CITY OF BALCONES HEIGHTS, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST SEVEN 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	0.289399
2010	0.479510	0.030971	0.510481	1.402900	1.249700	0.296187
	.530926		.558843			

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

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2005	\$38,530,697	\$ 123,335,352	\$ -	\$ 7,167,013	\$ 154,699,036	0.527030
2006	43,746,405	134,534,301	-	11,171,252	167,109,454	0.558500
2007	47,142,984	145,277,360	-	8,765,525	183,654,819	0.532404
2008	50,340,920	166,455,919	-	8,091,953	208,704,886	0.498356
2009	55,226,346	175,582,590	-	7,500,130	223,308,806	0.490729
2010	68,892,979	159,439,342	-	7,433,426	220,898,895	0.510481

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	2010			2001		
	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	20.76%	N/A	N/A	N/A
Crossroads Retail LP	23,619,627	2	10.69%	N/A	N/A	N/A
Target Corporation	18,296,790	3	8.28%	N/A	N/A	N/A
Savings Square Partners, Ltd.	6,255,054	4	2.72%	N/A	N/A	N/A
IH-10 Heart Plaza, Ltd.	6,000,000	5	2.83%	N/A	N/A	N/A
SFP Apartments, LLC	5,772,030	6	2.61%	N/A	N/A	N/A
Hallmark Apartments, Ltd.	5,050,020	7	2.29%	N/A	N/A	N/A
Duke Charles W. Trustee	4,177,360	8	1.89%	N/A	N/A	N/A
Williams Bros Construction Co.	3,668,970	9	1.66%	N/A	N/A	N/A
Crossroads - OD LP	3,431,070	10	1.55%	N/A	N/A	N/A
Total	\$ 122,120,561		55.28%	N/A	N/A	N/A

Source: Bexar Appraisal District

Data for 2010 was based on 2009 Certified Totals

Data for 2001 was not available.

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

Fiscal Year	Governmental Activities			Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per Capita
	General Obligation Bonds	Combination Certificates of Obligation	Capital Leases				
2004	\$ 70,000	\$ 2,115,000	\$ 127,514	\$ 2,312,514	\$ 128,189,548	1.8%	767
2005	35,000	1,950,000	87,124	2,072,124	154,699,036	1.3%	687
2006	-	1,775,000	836,353	2,611,353	167,109,454	1.6%	866
2007	-	1,590,000	767,141	2,357,141	183,654,819	1.3%	792
2008	-	1,395,000	863,330	2,258,330	208,704,886	1.1%	759
2009	1,229,000	-	783,678	2,012,678	223,308,806	0.9%	674
2010	990,000	-	700,380	1,690,380	220,898,895	0.8%	562

Population data on page 73.

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

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value		<u>\$ 220,898,895</u>
*Debt limit (10% of assessed value)		22,089,890
Outstanding Debt	\$ 1,690,380	
Less: amount set aside for repayment of general obligation debt	<u>(235,671)</u>	
Total net debt applicable to limit		<u>(1,454,709)</u>
 Economic Debt Margin		 <u>\$ 20,635,181</u>

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 12,818,955	\$ 15,469,903	\$ 16,710,945	\$ 18,365,482	\$ 20,870,489	\$ 22,330,881	\$ 22,089,890
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>	<u>(1,454,709)</u>
Legal Debt Margin	<u>\$ 10,723,523</u>	<u>\$ 13,616,587</u>	<u>\$ 14,336,021</u>	<u>\$ 16,237,477</u>	<u>\$ 18,850,402</u>	<u>\$ 20,550,117</u>	<u>\$ 20,635,181</u>

CITY OF BALCONES HEIGHTS, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST SEVEN 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%
2010	3008	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	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fort Sam Houston	30,793	1	3.25%	N/A	N/A	N/A
Lackland AFB	28,100	2	2.97%	N/A	N/A	N/A
USAA	14,852	3	1.57%	N/A	N/A	N/A
HEB Food Stores	14,588	4	1.54%	N/A	N/A	N/A
Northside ISD	12,597	5	1.33%	N/A	N/A	N/A
Randolph AFB	10,700	6	1.13%	N/A	N/A	N/A
North East ISD	10,223	7	1.08%	N/A	N/A	N/A
City of San Antonio	9,000	8	0.95%	N/A	N/A	N/A
San Antonio ISD	7,581	9	0.80%	N/A	N/A	N/A
Methodist Healthcare System	7,013	10	0.74%	N/A	N/A	N/A
Total	145,447		15.36%	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 2001 was not available.

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

Function	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Police							
Traffic Violations	2,320	2,907	4,678	6,964	7,843	7,967	11,794
Arrests	580	716	704	569	1,526	507	626
Fire							
Fire Calls	208	211	206	145	218	175	233
EMS Calls	681	731	750	843	835	808	661
Inspections	31	50	45	-	71	65	47
Water							
Service Connections	N/A	380	389	388	380	371	370
Average Daily Consumption	N/A	556,013	461,578	522,174	435,938	536,018	516,713
Sewer							
Service Connections	N/A	366	375	374	350	344	342

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 SEVEN FISCAL YEARS
 (UNAUDITED)

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

N/A - Not Available

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

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

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