

CITY OF BALCONES HEIGHTS, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED

SEPTEMBER 30, 2011

OFFICIALS ISSUING REPORT

Amy Buckert
City Administrator

Yvonne Griffin
Finance Director

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CITY OF BALCONES HEIGHTS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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INTRODUCTORY SECTION



CITY OF BALCONES HEIGHTS

3300 Hillcrest
Balcones Heights, Texas 78201
(210) 735-9148 ext 244

December 28, 2011

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

We are pleased to present the comprehensive Annual Financial Report for the City of Balcones Heights, Texas, for the fiscal year ended September 30, 2011. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Balcones Heights financial statements have been audited by Armstrong, Vaughan & Associates, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Balcones Heights for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has issued an unqualified ('clean') opinion on the City's financial statements for the year ended September 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

City of Balcones heights profile. The City of Balcones Heights is a city in Bexar County, Texas, United States. The population was 2,941 as of the 2010 census. Balcones Heights is considered by locals to be a part of San

Antonio, despite the fact that the community was incorporated in 1948 to avoid annexation into the city. Balcones Heights is an enclave of San Antonio, as the San Antonio city limits now completely surround it. It is part of the San Antonio Metropolitan Statistical Area.

Balcones Heights is a Type A General Law municipality.

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

The City has continued to follow the path set out in its Master Plan in 2009, and as such is working toward a private/ public partnership with Wonderland of the Americas Mall. This project will contribute to the local economy by attracting additional retailers to the area, and also by providing a tie into transit oriented development (TOD). The City's location on the new VIA Bus Rapid transit (BRT) line will bring in some 10,000 riders per day to the Balcones Heights area.

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

Long-term financial planning. The City issued a General Obligation Refunding Bond in September, 2011. This bond refinanced the fire truck, which will now be paid off in 2021 instead of 2027, saving taxpayers significant dollars in reduced interest.

FINANCIAL INFORMATION

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

The City utilizes a computerized financial accounting system, which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurances.

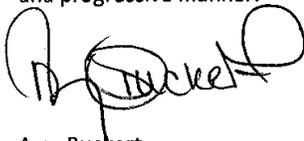
Budgeting Controls. The City also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all funds are included in the annual appropriated budget. The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

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

OTHER INFORMATION

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

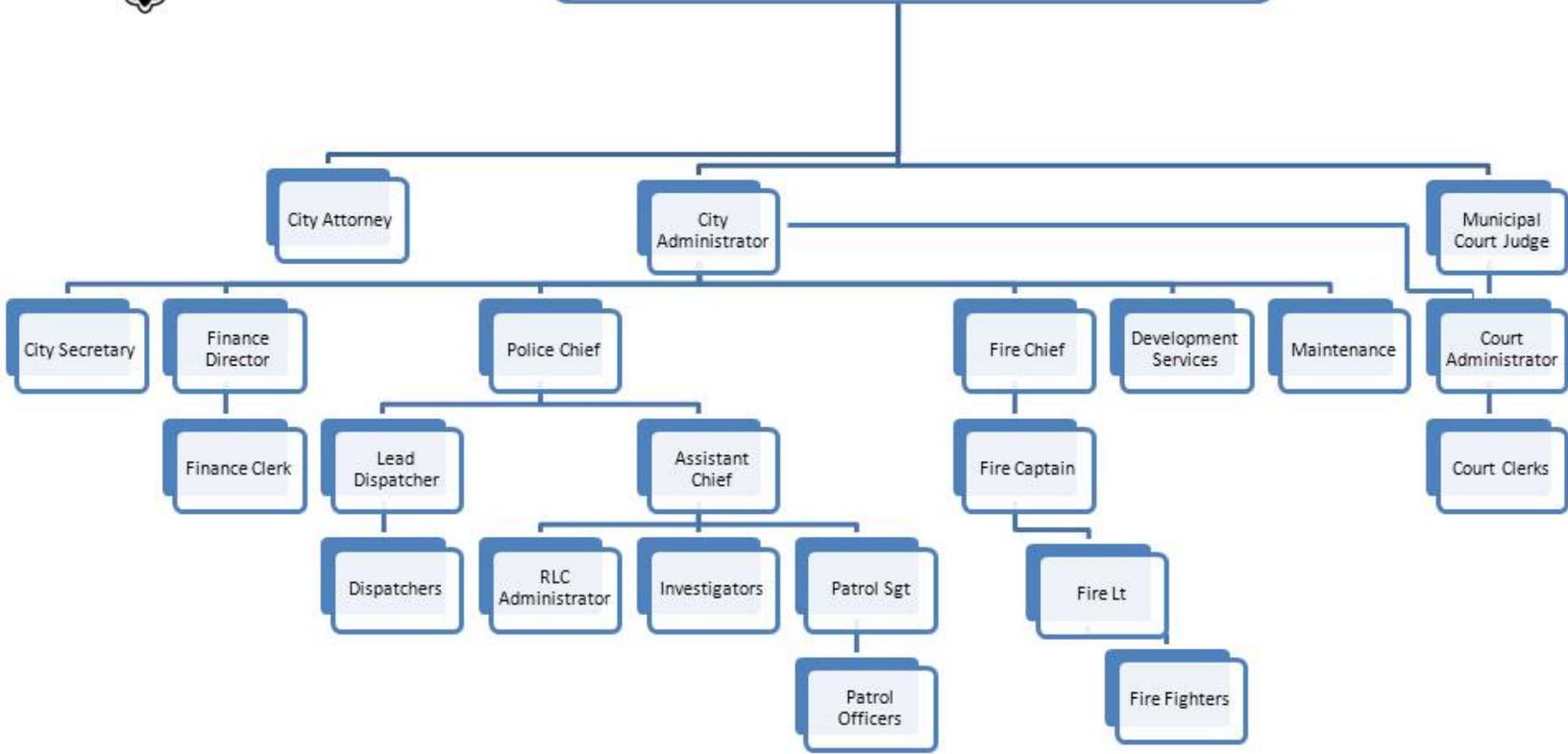
Acknowledgements. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We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

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

Amy Buckert
City Administrator



City Council



CITY OF BALCONES HEIGHTS, TEXAS

CITY OFFICIALS

MAYOR

SUZANNE DeLEON

CITY COUNCIL

CHARLES MATTHIES

LAMAR GILLIAN

LINDA POHL

MIGUEL VALVERDE

CHARLES WHITE

CITY ADMINISTRATOR

AMY BUCKERT

ATTORNEY

DAVIDSON & TROILO

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

FINANCIAL SECTION



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, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2011, 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.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the City of Balcones Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Analysis of Funding Progress on pages 4 through 11 and 47 through 52 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, Texas', financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Armstrong, Vaughan & Associates, P.C.

December 28, 2011

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, 2011. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

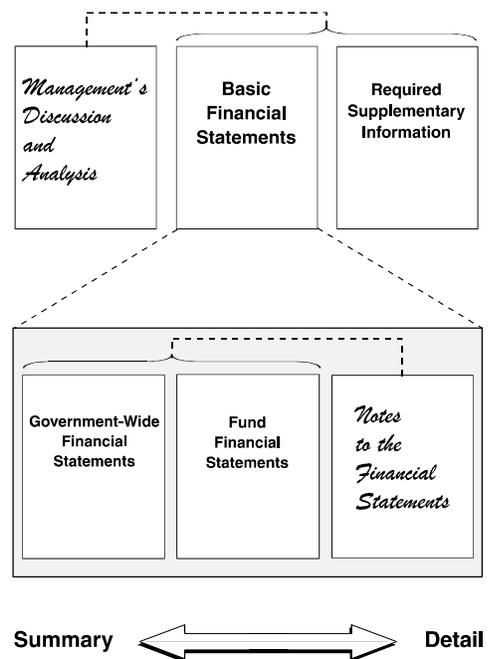
- The City’s total combined net assets were \$7,124,296 at September 30, 2011.
- During the year, the City’s expenses were \$97,891 less than the \$6,006,421 generated in taxes and other revenues for governmental activities.
- The City started a capital projects for reconstruction of Concord Place.
- The general fund reported a fund balance this year of \$1,411,363, an increase of \$170,748 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 the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 \$7,124,296. (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 2011-2010
	2011	2010	2011	2010	2011	2010	
Assets							
Cash and Investments	\$ 3,910,805	\$ 4,018,225	\$ 73,244	\$ 87,094	\$ 3,984,049	\$ 4,105,319	3%
Receivables: (net of allowances of uncollectible)							
Taxes	27,892	15,511	-	-	27,892	15,511	-44%
Accounts	8,853	30,248	37,410	30,495	46,263	60,743	31%
Due from Other Governments	294,519	305,613	-	-	294,519	305,613	4%
Prepays	335	27,706	-	-	335	27,706	8170%
Deferred Charges	30,804	16,197	-	-	30,804	16,197	-47%
<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	2,220,755	2,220,755	119,124	119,124	2,339,879	2,339,879	0%
Transportation and Equipment	1,981,009	1,969,354	-	-	1,981,009	1,969,354	-1%
Construction in Progress	75,264	63,837	-	-	75,264	63,837	N/A
Accumulated Depreciation	(2,836,890)	(2,670,872)	(38,571)	(36,189)	(2,875,461)	(2,707,061)	-6%
Total Assets	<u>9,072,105</u>	<u>9,355,333</u>	<u>191,207</u>	<u>200,524</u>	<u>9,263,312</u>	<u>9,555,857</u>	3%
Liabilities and Net Assets							
<i>Current Liabilities:</i>							
Accounts Payable and Accrued Liabilities	449,916	544,601	32,199	52,790	482,115	597,391	24%
Accrued Interest Payable	6,997	7,300	-	-	6,997	7,300	100%
<i>Noncurrent Liabilities:</i>							
Pension Benefit Obligation	189,237	119,864	-	-	189,237	119,864	-37%
Due Within One Year	358,118	356,519	-	-	358,118	356,519	0%
Due in More Than One Year	1,102,549	1,459,652	-	-	1,102,549	1,459,652	32%
<i>Total Liabilities</i>	<u>2,106,817</u>	<u>2,487,936</u>	<u>32,199</u>	<u>52,790</u>	<u>2,139,016</u>	<u>2,540,726</u>	19%
<i>Net Assets:</i>							
Invested in Capital Assets	3,480,618	3,251,453	80,553	82,935	3,561,171	3,334,388	-6%
Restricted	559,418	491,639	-	-	559,418	491,639	-12%
Unrestricted	2,925,252	3,124,305	78,455	64,799	3,003,707	3,189,104	6%
<i>Total Net Assets</i>	<u>6,965,288</u>	<u>6,867,397</u>	<u>159,008</u>	<u>147,734</u>	<u>7,124,296</u>	<u>7,015,131</u>	-2%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,072,105</u>	<u>\$ 9,355,333</u>	<u>\$ 191,207</u>	<u>\$ 200,524</u>	<u>\$ 9,263,312</u>	<u>\$ 9,555,857</u>	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 \$3,003,707 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 \$6,422,439. A significant portion, (52%), of the City's revenue comes from taxes; (See Figure A-3.) 1% comes from grants, 1% comes from interest and miscellaneous revenue, while 46% percent relates to charges for services (including fines and forfeitures).

Figure A-3
Sources of Revenue for Fiscal Year 2011

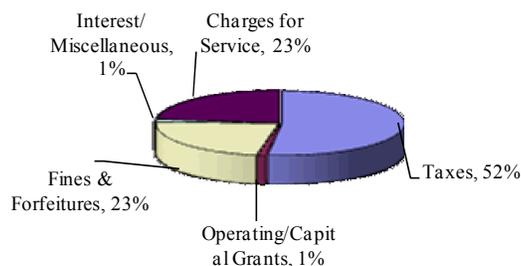


Table A-2
Changes in Balcones Heights Net Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2011-2010
	2011	2010	2011	2010	2011	2010	
Program Revenues:							
Charges for Services	\$ 2,557,653	\$ 2,407,306	\$ 416,003	\$ 381,841	\$ 2,973,656	\$ 2,789,147	-6.2%
Operating Grants and Contributions	8,909	37,470	-	-	8,909	37,470	320.6%
Capital Grants and Contributions	5,000	75,763	-	-	5,000	75,763	1415.3%
General Revenues							
Property Taxes	1,154,753	1,118,366	-	-	1,154,753	1,118,366	-3.2%
Utility Franchise	285,523	281,890	-	-	285,523	281,890	-1.3%
Sales Tax	1,715,743	1,609,758	-	-	1,715,743	1,609,758	-6.2%
Hotel Occupancy Tax	167,319	185,375	-	-	167,319	185,375	10.8%
Mixed Beverage Tax	34,467	45,657	-	-	34,467	45,657	32.5%
Investment Earnings	3,568	4,813	15	8	3,583	4,821	34.6%
Miscellaneous	73,486	77,496	-	-	73,486	77,496	5.5%
Total Program Revenues:	<u>6,006,421</u>	<u>5,843,894</u>	<u>416,018</u>	<u>381,849</u>	<u>6,422,439</u>	<u>6,225,743</u>	-3.1%
General Government	911,411	753,441	-	-	911,411	753,441	-17.3%
Public Safety	4,156,989	3,856,095	-	-	4,156,989	3,856,095	-7.2%
Public Works	331,523	241,882	-	-	331,523	241,882	-27.0%
Health and Welfare	20,423	14,949	-	-	20,423	14,949	-26.8%
Culture and Recreation	344,481	277,075	-	-	344,481	277,075	-19.6%
Capital Outlay	61,052	39,460	-	-	61,052	39,460	-35.4%
Interest on Long-Term Debt	82,651	89,193	-	-	82,651	89,193	7.9%
Wastewater	-	-	404,744	410,710	404,744	410,710	1.5%
Total Expenses	<u>5,908,530</u>	<u>5,272,095</u>	<u>404,744</u>	<u>410,710</u>	<u>6,313,274</u>	<u>5,682,805</u>	-10.0%
Increase (Decrease) in Net Assets	<u>\$ 97,891</u>	<u>\$ 571,799</u>	<u>\$ 11,274</u>	<u>\$ (28,861)</u>	<u>\$ 109,165</u>	<u>\$ 542,938</u>	397.4%

The total cost of all programs and services was \$6,313,274; 66% of these costs are for Public Safety and 14% are for General Government. The remaining 20% is for all other programs.

Governmental Activities

- Property tax rates increased by .048362 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 2011.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	% Change	2011	2010	% Change
General Government	\$ 911,411	\$ 753,441	-17.3%	\$ 684,523	\$ 565,280	-17.4%
Public Safety	4,156,989	3,856,095	-7.2%	1,825,417	1,608,234	-11.9%
Public Works	331,523	241,882	-27.0%	325,273	165,085	-49.2%
Health & Welfare	20,423	14,949	-26.8%	20,423	14,949	-26.8%
Culture & Recreation	344,481	277,075	-19.6%	337,629	269,355	-20.2%
Wastewater	404,744	410,710	1.5%	(11,259)	28,869	-356.4%
Interest on Long Term Debt	82,651	89,193	7.9%	82,651	89,193	7.9%
	<u>\$ 6,252,222</u>	<u>\$ 5,643,345</u>	-9.7%	<u>\$ 3,264,657</u>	<u>\$ 2,740,965</u>	-16.0%

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 \$5,908,530.
- Sales Tax (paid by residents and visitors alike) was \$1,715,743, or 29% of all activity expenses.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,154,753 or 19%.
- Some of the cost, \$2,557,643 or 43% 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 \$13,909 or less than 1%.

Business-Type Activities

Revenues of the City's business-type activities increased 9% to \$416,003 and expenses decreased 1% to \$404,744.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$6,006,544 in fiscal 2011. This is an increase of \$164,926 from 2010 revenues. The increase in local revenues is a result of slightly higher sales tax, contracting with Department of Public Safety with Scofflaw for outstanding safety camera violations, increase in court fines and permit fees. Interest revenue is still low.

General Fund Budgetary Highlights

Over the course of the year, the City amended its general fund budget five 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 \$83,908 below final budget amounts. Generally, every major division had a positive variance. Two additional full time fire fighters were hired, and city entered into a new EMS contract with a savings of \$113,000 for FY 2011. Staffing is budgeted for full employment throughout the entire year.

On the other hand, general fund resources available exceeded that anticipated in the budget largely due to the impound fund and auction. Revenues exceeded actual expenditures by \$170,748. As noted earlier:

- Property tax collections were still \$14,998 more than expected.
- City Sales Tax was \$21,005 less than expected.
- Court fines and forfeitures were \$373 less than expected.
- Other charges for service were up by \$1,956.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had invested \$7,754,911 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$2,875,461 results in a total Net Capital Asset value of \$4,879,450.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2011-2010
Land	\$ 471,978	\$ 471,978	\$ -	\$ -	\$ 471,978	\$ 471,978	0.0%
Buildings and Improvements	2,886,781	2,886,781	-	-	2,886,781	2,886,781	0.0%
Transportation and Equipment	2,220,755	2,220,755	-	-	2,220,755	2,220,755	0.0%
Streets and Grounds	1,981,009	1,969,354	119,124	119,124	2,100,133	2,088,478	-0.6%
Construction in Progress	75,264	63,837	-	-	75,264	63,837	-15.2%
Totals at Historical Cost	<u>7,635,787</u>	<u>7,612,705</u>	<u>119,124</u>	<u>119,124</u>	<u>7,754,911</u>	<u>7,731,829</u>	-0.3%
Total Accumulated Depreciation	<u>(2,836,890)</u>	<u>(2,670,872)</u>	<u>(38,571)</u>	<u>(36,189)</u>	<u>(2,875,461)</u>	<u>(2,707,061)</u>	-5.9%
Net Capital Assets	<u>\$ 4,798,897</u>	<u>\$ 4,941,833</u>	<u>\$ 80,553</u>	<u>\$ 82,935</u>	<u>\$ 4,879,450</u>	<u>\$ 5,024,768</u>	3.0%

The City's capital budget does provide appropriations for fiscal 2012 capital projects to include capital equipment (computers) replacement and the partial funding of Concord Place. The City will use Community Development Block Grant funds (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 \$1,318,279 in bonded debt as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2011-2010
Leases Payable	\$ -	\$ 700,380	\$ -	\$ -	\$ -	\$ 700,380	N/A
Bonds Payable	1,318,279	966,203	-	-	1,318,279	966,203	-26.7%
Compensated Absences	142,388	149,588	-	-	142,388	149,588	5.1%
Total Bonds & Notes Payable	<u>\$ 1,460,667</u>	<u>\$ 1,816,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,460,667</u>	<u>\$ 1,816,171</u>	24.3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Actual General Fund revenues for fiscal 2012 are anticipated to increase to a total budgeted amount of \$4,549,580. This is an increase of \$770,059, 21% higher than the 2011 final revenues. The increase will be the result of increased sales tax and permits
- City sales tax revenues are anticipated to rise slightly due to new business in 2012.
- The beginning General Fund balance available for appropriation in 2012 is \$1,411,363 (14% higher than last year).

- General Fund expenditures for 2012 are budgeted at \$4,549,580. This is an increase of \$628,642 or (16%) above the 2011 final expenditures. This increase is primarily due to the additional fire personnel and moving all police part time salaries that were in the impound fund last year back into the general fund for more accurate cost accounting.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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CITY OF BALCONES HEIGHTS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 3,910,805	\$ 73,244	\$ 3,984,049
Receivables (Net of Allowances for Uncollectibles):			
Taxes	27,892	-	27,892
Accounts	8,853	37,410	46,263
Due from Other Governments	294,519	-	294,519
Prepays	335	-	335
Deferred Charges	30,804	-	30,804
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	1,981,009	-	1,981,009
Construction in Progress	75,264	-	75,264
Accumulated Depreciation	(2,836,890)	(38,571)	(2,875,461)
TOTAL ASSETS	\$ 9,072,105	\$ 191,207	\$ 9,263,312

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2011

LIABILITIES AND NET ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>Current Liabilities:</i>			
Accounts Payable and Other Current Liabilities	\$ 449,916	\$ 32,199	\$ 482,115
Accrued Interest Payable	6,997	-	6,997
<i>Noncurrent Liabilities:</i>			
Pension Benefit Obligation	189,237	-	189,237
Due within One Year	358,118	-	358,118
Due in more than One Year	1,102,549	-	1,102,549
TOTAL LIABILITIES	2,106,817	32,199	2,139,016
<i>Net Assets:</i>			
Invested in Capital Assets, net of related debt	3,480,618	80,553	3,561,171
Restricted for:			
Crime Control	267,192	-	267,192
Debt Service	123,569	-	123,569
Police and Security	112,135	-	112,135
Traffic Safety	56,522	-	56,522
Unrestricted	2,925,252	78,455	3,003,707
TOTAL NET ASSETS	6,965,288	159,008	7,124,296
 TOTAL LIABILITIES & NET ASSETS	 \$ 9,072,105	 \$ 191,207	 \$ 9,263,312

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<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	\$ 911,411	\$ 219,926	\$ 6,962	\$ -
Public Safety	4,156,989	2,329,625	1,947	-
Public Works	331,523	1,250	-	5,000
Health & Welfare	20,423	-	-	-
Culture & Recreation	344,481	6,852	-	-
Capital Outlay	61,052	-	-	-
Interest on Long-Term Debt	82,651	-	-	-
Total Governmental Activities	<u>5,908,530</u>	<u>2,557,653</u>	<u>8,909</u>	<u>5,000</u>
Business-Type Activities:				
Wastewater	404,744	416,003	-	-
Total Business-Type Activities	<u>404,744</u>	<u>416,003</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 6,313,274</u>	<u>\$ 2,973,656</u>	<u>\$ 8,909</u>	<u>\$ 5,000</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>
\$ (684,523)	\$ -	\$ (684,523)
(1,825,417)	-	(1,825,417)
(325,273)	-	(325,273)
(20,423)	-	(20,423)
(337,629)	-	(337,629)
(61,052)	-	(61,052)
(82,651)	-	(82,651)
<u>(3,336,968)</u>	<u>-</u>	<u>(3,336,968)</u>
-	11,259	11,259
-	11,259	11,259
<u>(3,336,968)</u>	<u>11,259</u>	<u>(3,325,709)</u>
\$ 1,154,753	\$ -	\$ 1,154,753
285,523	-	285,523
1,715,743	-	1,715,743
167,319	-	167,319
34,467	-	34,467
3,568	15	3,583
73,486	-	73,486
<u>3,434,859</u>	<u>15</u>	<u>3,434,874</u>
97,891	11,274	109,165
6,867,397	147,734	7,015,131
<u>\$ 6,965,288</u>	<u>\$ 159,008</u>	<u>\$ 7,124,296</u>

CITY OF BALCONES HEIGHTS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

ASSETS	<u>General Fund</u>	<u>Crime Control & Prevention District</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Cash and Investments	\$ 1,746,102	\$ 184,502	\$ 129,006	\$ 1,304,632
Receivables (net of allowances for uncollectibles):				
Taxes	13,828	-	1,560	-
Miscellaneous	8,579	-	-	-
Due from Other Governments	196,227	86,462	-	-
Due from Other Funds	11,830	-	-	-
Advance to Other Funds	-	-	-	-
Prepaid Items	335	-	-	-
	<u>1,976,901</u>	<u>270,964</u>	<u>130,566</u>	<u>1,304,632</u>
TOTAL ASSETS	<u>\$ 1,976,901</u>	<u>\$ 270,964</u>	<u>\$ 130,566</u>	<u>\$ 1,304,632</u>
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 78,191	\$ -	\$ -	\$ -
Accrued Expenditures	42,185	3,772	-	-
Sales Tax Refund Payable	80,105	-	-	-
Due to Other Funds	-	-	-	-
Advance from Other Funds	125,125	-	-	-
Due to Other Governments	226,104	-	-	-
Deferred/Unearned Revenues	13,828	-	1,560	-
<i>Total Liabilities</i>	<u>565,538</u>	<u>3,772</u>	<u>1,560</u>	<u>-</u>
<i>Fund Balances:</i>				
Nonspendable:				
Prepays	335	-	-	-
Interfund Advance	-	-	-	-
Restricted:				
Crime Control & Prevention	-	267,192	-	-
Debt Service	-	-	129,006	-
Hotel/Motel	-	-	-	-
Impound Facility & Auction	-	-	-	-
Police & Security	16,582	-	-	-
Traffic Safety	-	-	-	-
Assigned:				
Capital Projects Funds	-	-	-	1,304,632
Street Maintenance	279,455	-	-	-
Unassigned	1,114,991	-	-	-
<i>Total Fund Balances</i>	<u>1,411,363</u>	<u>267,192</u>	<u>129,006</u>	<u>1,304,632</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 1,976,901</u>	<u>\$ 270,964</u>	<u>\$ 130,566</u>	<u>\$ 1,304,632</u>

See accompanying notes to basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 546,563	\$ 3,910,805
12,504	27,892
274	8,853
11,830	294,519
-	11,830
125,125	125,125
-	335
<u>\$ 696,296</u>	<u>\$ 4,379,359</u>

\$ 8,316	\$ 86,507
11,243	57,200
-	80,105
11,830	11,830
-	125,125
-	226,104
-	15,388
<u>31,389</u>	<u>602,259</u>

-	335
105,939	105,939
-	267,192
-	129,006
255,920	255,920
150,973	150,973
95,553	112,135
56,522	56,522
-	1,304,632
-	279,455
-	1,114,991
<u>664,907</u>	<u>3,777,100</u>
<u>\$ 696,296</u>	<u>\$ 4,379,359</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, 2011

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 3,777,100
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.		4,798,897
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		15,388
Unamortized bond issue costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		30,804
The Government funds report pension plan contributions when paid. However, in the Statement of Net Assets differences between the pension plan contributions and costs for the year are reported as an asset or obligation.		(189,237)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:		
Bonds Payable	(1,336,000)	
Deferred Difference on Bond Refunding	17,721	
Compensated Absences	<u>(142,388)</u>	(1,460,667)
Accrued interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(6,997)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 6,965,288</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, 2011

REVENUES	General Fund	Crime Control & Prevention District	Debt Service Fund	Capital Projects Fund
Taxes	\$ 2,527,511	\$ 605,666	\$ 57,432	\$ -
Licenses and Permits	173,175	-	-	-
Charges for Services	97,973	-	-	-
Fines and Forfeits	1,144,145	-	-	-
Intergovernmental	1,947	-	-	-
Interest	1,115	140	264	1,505
Miscellaneous	72,020	523	-	-
TOTAL REVENUES	<u>4,017,886</u>	<u>606,329</u>	<u>57,696</u>	<u>1,505</u>
EXPENDITURES				
Current:				
General Government	762,312	122,778	-	15
Public Safety	2,883,062	225,039	-	-
Public Works	257,423	-	-	-
Health & Welfare	12,000	-	-	-
Culture & Recreation	6,141	-	-	-
Capital Projects/Outlay	-	-	-	-
Debt Service:				
Principal	-	-	281,725	-
Interest and Fiscal Charges	-	-	64,140	-
Bond Issue Costs	-	-	27,345	-
TOTAL EXPENDITURES	<u>3,920,938</u>	<u>347,817</u>	<u>373,210</u>	<u>15</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>96,948</u>	<u>258,512</u>	<u>(315,514)</u>	<u>1,490</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	70,800	-	281,504	130,260
Transfers Out	-	(267,200)	-	(10,800)
Proceeds from Disposal of Assets	3,000	-	-	-
Proceeds from Refunding Bonds	-	-	584,000	-
Payment to Refund Agent	-	-	(656,655)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>73,800</u>	<u>(267,200)</u>	<u>208,849</u>	<u>119,460</u>
Net Change in Fund Balances	170,748	(8,688)	(106,665)	120,950
Fund Balances at Beginning of Year	1,240,615	275,880	235,671	1,183,682
Fund Balances at End of Year	<u>\$ 1,411,363</u>	<u>\$ 267,192</u>	<u>\$ 129,006</u>	<u>\$ 1,304,632</u>

See accompanying notes to basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 167,319	\$ 3,357,928
-	173,175
808,290	906,263
334,070	1,478,215
11,962	13,909
544	3,568
943	73,486
<u>1,323,128</u>	<u>6,006,544</u>

22,488	907,593
797,017	3,905,118
-	257,423
8,423	20,423
327,472	333,613
219,704	219,704
-	281,725
-	64,140
-	27,345
<u>1,375,104</u>	<u>6,017,084</u>

<u>(51,976)</u>	<u>(10,540)</u>
-----------------	-----------------

83,848	566,412
(288,412)	(566,412)
20,104	23,104
-	584,000
<u>-</u>	<u>(656,655)</u>

<u>(184,460)</u>	<u>(49,551)</u>
------------------	-----------------

(236,436)	(60,091)
-----------	----------

901,343	3,837,191
<u>\$ 664,907</u>	<u>\$ 3,777,100</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, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (60,091)

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. (119,280)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets disposed. (23,656)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (123)

The issuance of long-term-debt (e.g. bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term-debt and related items.

Proceeds from Debt Financing	(584,000)	
Payment to Refund Agent	656,655	
Repayment of Principal	281,725	
Bond Issue Costs	27,345	
Amortization of Bond Issue Costs	(12,738)	
Amortization of Deferred Loss	<u>(6,076)</u>	362,911

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	7,200	
Accrued Interest	303	
Pension Benefit Obligation	<u>(69,373)</u>	<u>(61,870)</u>

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 97,891

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS – PROPRIETARY FUND
 SEPTEMBER 30, 2011 AND 2010

ASSETS	Business-Type Activities	
	Sewer Operations & Maintenance	
	2011	2010
<i>Current Assets:</i>		
Cash and Investments	\$ 73,244	\$ 87,094
<i>Receivables:</i>		
Accounts	37,410	30,495
<i>Total Current Assets</i>	110,654	117,589
 <i>Capital Assets:</i>		
Improvements Other than Buildings	119,124	119,124
Accumulated Depreciation	(38,571)	(36,189)
<i>Total Capital Assets (Net)</i>	80,553	82,935
TOTAL ASSETS	\$ 191,207	\$ 200,524
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 32,199	\$ 52,790
<i>Total Current Liabilities</i>	32,199	52,790
TOTAL LIABILITIES	32,199	52,790
 <i>Net Assets:</i>		
Invested in Capital Assets	80,553	82,935
Unrestricted	78,455	64,799
TOTAL NET ASSETS	159,008	147,734
TOTAL LIABILITIES & NET ASSETS	\$ 191,207	\$ 200,524

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, 2011 AND 2010

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2011	2010
OPERATING REVENUES		
Wastewater User Fees	\$ 416,003	\$ 381,841
TOTAL OPERATING REVENUES	416,003	381,841
OPERATING EXPENSES		
Operation and Maintenance:		
Personnel Costs	-	26,831
Contractual Services	402,362	381,497
Depreciation	2,382	2,382
TOTAL OPERATING EXPENSES	404,744	410,710
OPERATING INCOME (LOSS)	11,259	(28,869)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	15	8
TOTAL NONOPERATING REVENUES (EXPENSES)	15	8
CHANGE IN NET ASSETS	11,274	(28,861)
NET ASSETS AT BEGINNING OF YEAR	147,734	176,595
NET ASSETS AT END OF YEAR	\$ 159,008	\$ 147,734

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, 2011 AND 2010

	Busines-Type Activities	
	Sewer Operations & Maintenance	
	2011	2010
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 409,088	\$ 383,274
Cash Paid to Employees	-	(26,831)
Cash Paid to Suppliers	(422,953)	(355,356)
Net Cash Provided (Used) by Operating Activities	(13,865)	1,087
 CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Interest Received	15	8
Net Cash Provided (Used) by Investing Activities	15	8
 Net Increase (Decrease) in Cash	(13,850)	1,095
 Cash and Investments at October 1	87,094	85,999
Cash and Investments at September 30	\$ 73,244	\$ 87,094
 RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
 Operating Income (Loss)	\$ 11,259	\$ (28,869)
 Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,382	2,382
(Increase) Decrease in Accounts Receivable	(6,915)	1,433
Increase (Decrease) in Accounts Payable	(20,591)	26,141
 Net Cash Provided (Used) by Operating Activities	\$ (13,865)	\$ 1,087

See accompanying notes to basic financial statements.

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CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2011, 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, 2011

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

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Crime Control and Prevention District, 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, 2011

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.

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, 2011

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, 2010 and past due after January 31, 2011. 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, 2011 are also reflected as Due from Other Governments.

6. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

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

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

7. CAPITAL ASSETS

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

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 plan, is calculated on an actuarial basis consistent with requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net pension benefit obligation is reported as a non-current liability in the government-wide financial statements.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

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 bond.

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

12. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

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

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

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

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

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

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.

16. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended September 30, 2011, the City implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54 established standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resource reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition was also clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

As a result of the special revenue fund type clarification, the City no longer reports the Street Maintenance Fund as a special revenue fund. It is now combined and reported as part of the General Fund. The beginning fund balance for the General Fund includes previously reported fund balance for the Street Maintenance Fund.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

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, 2011, the carrying amounts of the City's deposits with the city depository were \$1,139,087 and the bank balance was \$1,267,324. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a book value of \$2,430,941 and a market value of \$2,609,575. 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, 2011

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2011, the City held investments that are subject to categories 1 and 2 as described above. Total deposits and investments held by the City as of September 30, 2011 were:

Petty Cash	\$ 1,650
Cash in Bank Depository	<u>1,139,087</u>
Total Insured/Collateralized	1,140,737
TexPool - a local government investment pool	2,435,662
Lone Star Pool - a local government investment pool	<u>407,650</u>
	<u><u>\$ 3,984,049</u></u>

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, 2011, 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.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE C -- RECEIVABLES

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

	Governmental Funds					Total
	General Fund	Crime Control & Prevention District	Debt Service Fund	Other Nonmajor Funds	Sewer Operations Maintenance	
<i>Receivables:</i>						
Property Taxes	\$ 17,798	\$ -	\$ 2,261	\$ -	\$ -	\$ 20,059
Allowance for Uncollectibles	(3,970)	-	(701)	-	-	(4,671)
Sales Tax	196,227	86,462	-	-	-	282,689
Occupancy Taxes	-	-	-	12,504	-	12,504
Grant Funds	-	-	-	11,830	-	11,830
Accounts	-	-	-	-	37,410	37,410
Other	8,579	-	-	274	-	8,853
Net Total Receivables	<u>\$ 218,634</u>	<u>\$ 86,462</u>	<u>\$ 1,560</u>	<u>\$ 24,608</u>	<u>\$ 37,410</u>	<u>\$ 368,674</u>

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE D -- PROPERTY TAX

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A reevaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2010, upon which the fiscal 2011 levy was based, was \$206,553,899 (i.e., market value less exemptions). The estimated market value was \$213,881,157, making the taxable value 96.6% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2011, was \$0.558843 per \$100 of assessed value which means that the City has a tax margin of \$1.941157 for each \$100 value and could increase its annual tax levy by approximately \$4,009,535 based upon the present assessed valuation of \$206,553,899 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

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

NOTE E -- DUE TO/FROM OTHER FUNDS

As of September 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From	Due To
General Fund:		
Other NonMajor Governmental Fund	\$ 11,830	\$ -
NonMajor Fund:		
General Fund	-	11,830
	\$ 11,830	\$ 11,830

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE F -- TRANSFERS BETWEEN FUNDS

Transfers between funds during the year ended September 30, 2011 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General Fund:			
Other NonMajor Governmental Fund	\$ 60,000	\$ -	Funding for Operational Expenses
Capital Projects Fund	10,800	-	Funding for Capital Replacement
Crime Control & Prevention Fund:			
Debt Service	-	267,200	Funding for Debt Payments
Debt Service:			
Crime Control & Prevention Fund	267,200	-	Funding for Debt Payments
Other NonMajor Governmental Fund	14,304	-	Funding for Debt Payments
Capital Projects Fund:			
Other NonMajor Governmental Fund	130,260	-	Funding for Future Capital
General Fund	-	10,800	Funding for Capital Replacement
NonMajor Funds:			
Other NonMajor Governmental Fund	83,848	83,848	Separate existing revenue source to a separate fund
General Fund	-	60,000	Funding for Operational Expenses
Debt Service	-	14,304	Funding for Debt Payments
Capital Projects Fund	-	130,260	Funding for Future Capital
	<u>\$ 566,412</u>	<u>\$ 566,412</u>	

NOTE G -- ADVANCES BETWEEN FUNDS

The City agreed to advance funds from the Hotel/Motel Fund to the General Fund at zero percent interest to cover expenditures related to the Master Plan and Zoning Ordinance. The total funds to be advanced of \$192,000 will be repaid to the Hotel/Motel Fund evenly over ten years. As of September 30, 2011, \$125,125 was the amount still to be repaid to the Hotel/Motel Fund.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE H -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2010	Additions	Disposals	Balance 9/30/2011
Land	\$ 471,978	\$ -	\$ -	\$ 471,978
Construction in Progress	63,837	11,427	-	75,264
Buildings and Improvements	2,886,781	-	-	2,886,781
Streets & Drainage	2,220,755	-	-	2,220,755
Transportation & Equipment	<u>1,969,354</u>	<u>152,963</u>	<u>(141,308)</u>	<u>1,981,009</u>
	<u>7,612,705</u>	<u>164,390</u>	<u>(141,308)</u>	<u>7,635,787</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(973,417)	(58,311)	-	(1,031,728)
Streets and Grounds	(632,933)	(29,147)	-	(662,080)
Transportation and Equipment	<u>(1,064,522)</u>	<u>(196,212)</u>	<u>117,652</u>	<u>(1,143,082)</u>
	<u>(2,670,872)</u>	<u>(283,670)</u>	<u>117,652</u>	<u>(2,836,890)</u>
Governmental Capital Assets, Net	<u>\$ 4,941,833</u>	<u>\$ (119,280)</u>	<u>\$ (23,656)</u>	<u>\$ 4,798,897</u>
<u>Business-Type Activities</u>	Balance 10/1/2010	Additions	Disposals	Balance 9/30/2011
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	(36,189)	(2,382)	-	(38,571)
	<u>(36,189)</u>	<u>(2,382)</u>	<u>-</u>	<u>(38,571)</u>
Business-Type Capital Assets, Net	<u>\$ 82,935</u>	<u>\$ (2,382)</u>	<u>\$ -</u>	<u>\$ 80,553</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 9,793
Public Safety	191,955
Public Works	72,194
Culture & Recreation	<u>9,728</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 283,670</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE I -- 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, 2011.

NOTE J -- LONG-TERM DEBT

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

	Original Amount	Interest Rates	Balance Outstanding 10/1/2010	Additions	Retirements	Balance Outstanding 9/30/2011	Due Within One Year
Governmental Activities							
<i>General Obligation Bonds:</i>							
2009 Refunded General							
Obligation Bonds	1,229,000	4.1-5.4%	990,000	-	(238,000)	752,000	242,000
Deferred Loss on Refunding			(23,797)	-	6,076	(17,721)	(6,076)
2011 Refunded General							
Obligation Bonds	584,000		-	584,000	-	584,000	51,000
<i>Capital Leases:</i>							
			700,380	-	(700,380)	-	-
<i>Liability for Employee:</i>							
Compensated Absences			149,588	67,594	(74,794)	142,388	71,194
<i>Total Long-Term Debt</i>			<u>\$ 1,816,171</u>	<u>\$ 651,594</u>	<u>\$ (1,007,098)</u>	<u>\$ 1,460,667</u>	<u>\$ 358,118</u>

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

Year Ending September 30	Principal	Interest	Total
2012	\$ 293,000	\$ 37,395	\$ 330,395
2013	302,000	29,993	331,993
2014	312,000	21,090	333,090
2015	55,000	10,600	65,600
2016	57,000	9,121	66,121
2017 - 2021	317,000	21,529	338,529
	<u>\$ 1,336,000</u>	<u>\$ 129,728</u>	<u>\$ 1,465,728</u>

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE J -- LONG-TERM DEBT (Continued)

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

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

NOTE K -- 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 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%
Matching Ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE K -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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.

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, 2010, 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)	\$ 406,507
2. Interest on Net Pension Obligation	8,990
3. Adjustment to the ARC	<u>(7,438)</u>
4. Annual Pension Cost (APC)	408,059
5. Contributions Made	<u>(338,686)</u>
6. Increase (Decrease) in Net Pension Obligation	69,373
7. Net Pension Obligation / (Asset), Beginning of Year	<u>119,864</u>
8. Net Pension Obligation / (Asset), End of Year	<u><u>\$ 189,237</u></u>

Fiscal Year	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation
2011	\$ 408,059	\$ 338,686	83%	\$ 189,237
2010	335,018	269,260	80%	119,864
2009	316,225	262,119	83%	54,106

CITY OF BALCONES HEIGHTS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE K -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Date	December 31, 2008	December 31, 2009	December 31, 2010 - prior to restructuring
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	29 years - Closed Period	28.1 years - Closed Period	27.1 years - Closed Period
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.5%	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%
Actuarial Valuation Date			December 31, 2010 - Restructured
Actuarial Cost Method			Projected Unit Credit
Amortization Method			Level Percent of Payroll
Remaining Amortization Period			27.2 years - Closed Period
Asset Valuation Method			10-year Smoothed Market
Investment Rate of Return			7.0%
Projected Salary Increases			Varies by age and service
Inflation Rate			3.0%
Cost of Living Adjustments			2.1%

Funded Status and Funding Progress – In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. The legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on the actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and the new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

<u>Calendar Year</u>	<u>Actuarial Value</u>	<u>Actuarial Accrued</u>	<u>Funded Ratio</u>	<u>Unfunded AAL</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of</u>
12/31/2010 (1)	\$ 4,157,431	\$ 7,324,418	56.8%	\$ 3,166,987	\$ 2,089,265	151.6%
12/31/2010 (2)	\$ 9,168,695	\$ 11,705,899	78.3%	\$ 2,537,204	\$ 2,089,265	121.4%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE K -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

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

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

C. Other Post-Employment Benefits

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

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2011, 2010, and 2009 were \$4,912, \$4,321, and \$4,552, respectively, which equaled the required contributions each year.

NOTE L -- SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Commitments

The City entered into a contract on August 8, 2011 with R.L. Jones, L.P. for the reconstruction of Concord Place, a road within the City, for \$584,244.87. Construction had not commenced as of the year ended September 30, 2011.

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

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

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, 2011, were \$110,246.

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, 2011 are not likely to have a material adverse effect on the City's financial position.

NOTE M -- 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, 2011 were \$4,068,585 and \$1,956,643 respectively. The City of Balcones Heights has no obligation for repayment of the loans.

NOTE N -- 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, whichever is greater. The first payment under this agreement was made January 31, 2006.

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

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE N -- CONVENTION CENTER DEVELOPMENT AGREEMENT (Continued)

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, 2011 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>
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>\$ 460,000</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 O -- 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, 2011 and 2010 were \$267,200 and \$267,694, respectively.

NOTE P -- SUBSEQUENT EVENT

The City entered into a renewed lease for administrative space for the Visitor Center in Crossroads Mall subsequent to year end. The lease is for a term of one year beginning August 15, 2011 with four one-year options, and is cancelable upon written notice to the lessor with 180 days notice.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

REVENUES	Budget Amounts		Actual 2011	Variance With Final Budget- Positive (Negative)	Actual 2010
	Original	Final			
<i>Taxes:</i>					
Ad Valorem Tax	\$ 1,094,494	\$ 1,075,000	\$ 1,089,998	\$ 14,998	\$ 1,043,716
Penalty & Interest	6,000	7,000	7,446	446	6,338
City Sales Tax	1,120,752	1,131,082	1,110,077	(21,005)	1,045,108
Franchise Taxes	286,500	285,724	285,523	(201)	281,890
Mixed Beverage	42,000	30,000	34,467	4,467	45,657
<i>Total Taxes</i>	<u>2,549,746</u>	<u>2,528,806</u>	<u>2,527,511</u>	<u>(1,295)</u>	<u>2,422,709</u>
<i>Licenses and Permits</i>	<u>96,350</u>	<u>172,656</u>	<u>173,175</u>	<u>519</u>	<u>141,558</u>
<i>Intergovernmental Revenues</i>	<u>2,000</u>	<u>1,947</u>	<u>1,947</u>	<u>-</u>	<u>22,919</u>
<i>Charges for Services:</i>					
Court Fees & Charges	95,000	86,000	85,627	(373)	82,913
Other	24,110	10,390	12,346	1,956	21,194
<i>Total Charges for Services</i>	<u>119,110</u>	<u>96,390</u>	<u>97,973</u>	<u>1,583</u>	<u>104,107</u>
<i>Fines and Forfeitures</i>	<u>1,401,293</u>	<u>1,134,741</u>	<u>1,144,145</u>	<u>9,404</u>	<u>1,063,704</u>
<i>Other Sources:</i>					
Interest	1,400	1,000	1,115	115	1,014
Miscellaneous	73,000	73,118	72,020	(1,098)	76,750
<i>Total Other Sources</i>	<u>74,400</u>	<u>74,118</u>	<u>73,135</u>	<u>(983)</u>	<u>77,764</u>
Total Revenues	<u>\$ 4,242,899</u>	<u>\$ 4,008,658</u>	<u>\$ 4,017,886</u>	<u>\$ 9,228</u>	<u>\$ 3,832,761</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, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

EXPENDITURES	Budget Amounts		Actual 2011	Variance With Final Budget- Positive (Negative)	Actual 2010
	Original	Final			
<i>General Government:</i>					
Mayor/City Council	\$ 44,200	\$ 48,964	\$ 48,839	\$ 125	\$ 50,434
Secretary/Treasurer	396,571	380,718	372,125	8,593	358,979
Municipal Court	251,570	235,364	232,393	2,971	128,693
Public Facilities	45,700	38,203	35,381	2,822	36,761
Non-Departmental	229,180	74,886	73,574	1,312	71,792
Capital Outlay	-	-	-	-	9,374
<i>Total General Government</i>	<u>967,221</u>	<u>778,135</u>	<u>762,312</u>	<u>15,823</u>	<u>656,033</u>
<i>Public Safety:</i>					
Police Department	774,821	842,056	820,498	21,558	754,782
ATS Administration	818,294	788,646	786,112	2,534	642,033
Communications	153,856	185,024	180,057	4,967	156,030
Fire Department	1,257,830	1,123,135	1,096,395	26,740	1,132,841
Capital Outlay	-	-	-	-	30,804
<i>Total Public Safety</i>	<u>3,004,801</u>	<u>2,938,861</u>	<u>2,883,062</u>	<u>55,799</u>	<u>2,716,490</u>
<i>Public Works:</i>					
Building Department	114,764	134,323	132,854	1,469	65,663
Planning & Zoning	-	-	-	-	50
Streets & Grounds	135,313	132,957	122,386	10,571	106,768
Animal Control	3,800	2,050	2,015	35	-
Weed and Pest Control	250	250	168	82	38
<i>Total Public Works</i>	<u>254,127</u>	<u>269,580</u>	<u>257,423</u>	<u>12,157</u>	<u>172,519</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	2,740	2,723	17	1,624
Community Center	3,450	3,530	3,418	112	1,930
<i>Total Culture & Recreation</i>	<u>4,750</u>	<u>6,270</u>	<u>6,141</u>	<u>129</u>	<u>3,554</u>
Total Expenditures	<u>\$ 4,242,899</u>	<u>\$ 4,004,846</u>	<u>\$ 3,920,938</u>	<u>\$ 83,908</u>	<u>\$ 3,560,596</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, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 3,812	\$ 96,948	\$ 93,136	\$ 272,165
OTHER FINANCING SOURCES (USES)					
Transfers In	-	60,452	70,800	10,348	-
Proceeds from Disposal of Assets	-	-	3,000	3,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	60,452	73,800	13,348	-
Net Change in Fund Balance	-	64,264	170,748	106,484	272,165
Fund Balance - October 1	<u>1,240,615</u>	<u>1,240,615</u>	<u>1,240,615</u>	-	<u>968,450</u>
Fund Balance - September 30	<u><u>\$ 1,240,615</u></u>	<u><u>\$ 1,304,879</u></u>	<u><u>\$ 1,411,363</u></u>	<u><u>\$ 106,484</u></u>	<u><u>1,240,615</u></u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 CRIME CONTROL AND PREVENTION DISTRICT
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
REVENUES					
Sales Tax	\$ 626,000	\$ 626,000	\$ 605,666	\$ (20,334)	\$ 564,650
Interest Income	150	135	140	5	207
Miscellaneous Income	-	523	523	-	736
TOTAL REVENUES	<u>626,150</u>	<u>626,658</u>	<u>606,329</u>	<u>(20,329)</u>	<u>565,593</u>
EXPENDITURES					
<i>Current:</i>					
Personnel	284,603	229,760	218,401	11,359	274,160
Administrative	9,260	7,010	6,638	372	7,363
Facilities Operating	60,000	125,000	122,778	2,222	66,565
Capital Outlay	-	2,499	-	2,499	-
TOTAL EXPENDITURES	<u>353,863</u>	<u>364,269</u>	<u>347,817</u>	<u>16,452</u>	<u>348,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>272,287</u>	<u>262,389</u>	<u>258,512</u>	<u>(3,877)</u>	<u>217,505</u>
OTHER FINANCING SOURCES (USES)					
Transfer (Out) to Primary Government	<u>(267,200)</u>	<u>(267,200)</u>	<u>(267,200)</u>	-	<u>(267,694)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(267,200)</u>	<u>(267,200)</u>	<u>(267,200)</u>	-	<u>(267,694)</u>
Net Change in Fund Balance	5,087	(4,811)	(8,688)	(3,877)	(50,189)
Fund Balance - October 1	<u>275,880</u>	<u>275,880</u>	<u>275,880</u>	-	<u>326,069</u>
Fund Balance - September 30	<u>\$ 280,967</u>	<u>\$ 271,069</u>	<u>\$ 267,192</u>	<u>\$ (3,877)</u>	<u>\$ 275,880</u>

CITY OF BALCONES HEIGHTS, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2011

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

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

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

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 ANALYSIS OF FUNDING PROGRESS
 LAST THREE 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
2008	\$ 4,132,975	\$ 6,994,231	59.1%	\$ 2,861,256	\$ 2,056,023	139.2%
2009	3,705,140	6,762,909	54.8%	3,057,769	2,047,469	149.3%
2010 (1)	4,157,431	7,324,418	56.8%	3,166,987	2,089,265	151.6%
2010 (2)	9,168,695	11,705,899	78.3%	2,537,204	2,089,265	121.4%

* 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.

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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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:

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

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Investments	\$ 1,746,102	\$ 1,643,872
Receivables (net of allowances for uncollectibles):		
Taxes	13,828	13,195
Miscellaneous	8,579	15,942
Due from Other Governments	196,227	207,658
Due from Other Funds	11,830	4,868
Prepaid Items	335	26,253
TOTAL ASSETS	\$ 1,976,901	\$ 1,911,788
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 78,191	\$ 107,006
Accrued Expenditures	42,185	51,015
Sales Tax Refund Payable	80,105	76,222
Due to Other Funds	-	14,627
Advance from Other Funds	125,125	144,310
Due to Other Governments	226,104	264,798
Deferred/Unearned Revenues	13,828	13,195
<i>Total Liabilities</i>	565,538	671,173
<i>Fund Balances:</i>		
Nonspendable:		
Prepays	335	26,253
Restricted:		
Police & Security	16,582	17,845
Assigned:		
Street Maintenance	279,455	263,363
Unassignend	1,114,991	933,154
<i>Total Fund Balances</i>	1,411,363	1,240,615
TOTAL LIABILITIES & FUND BALANCES	\$ 1,976,901	\$ 1,911,788

CITY OF BALCONES HEIGHTS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Taxes	\$ 2,527,511	\$ 2,422,709
Licenses and Permits	173,175	141,558
Charges for Services	97,973	104,107
Fines and Forfeits	1,144,145	1,063,704
Intergovernmental	1,947	22,919
Interest	1,115	1,014
Miscellaneous	72,020	76,750
TOTAL REVENUES	<u>4,017,886</u>	<u>3,832,761</u>
EXPENDITURES		
Current:		
General Government	762,312	646,659
Public Safety	2,883,062	2,685,686
Public Works	257,423	172,519
Health & Welfare	12,000	12,000
Culture & Recreation	6,141	3,554
Capital Projects/Outlay	-	40,178
TOTAL EXPENDITURES	<u>3,920,938</u>	<u>3,560,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>96,948</u>	<u>272,165</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	70,800	-
Proceeds from Disposal of Assets	3,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>73,800</u>	<u>-</u>
Net Change in Fund Balances	170,748	272,165
Fund Balances at Beginning of Year	<u>1,240,615</u>	968,450
Fund Balances at End of Year	<u>\$ 1,411,363</u>	<u>\$ 1,240,615</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	Budget Amounts		Actual 2011	Variance With Final Budget- Positive (Negative)	Actual 2010
	Original	Final			
REVENUES					
Ad Valorem Tax	\$ 58,550	\$ 58,550	\$ 57,432	\$ (1,118)	\$ 66,036
Interest Income	500	500	264	(236)	384
TOTAL REVENUES	59,050	59,050	57,696	(1,354)	66,420
EXPENDITURES					
<i>Debt Service:</i>					
Principal	267,577	369,000	281,726	87,274	322,298
Interest and Fiscal Charges	49,015	62,657	64,139	(1,482)	65,274
Bond Issue Costs	-	-	27,345	(27,345)	-
TOTAL EXPENDITURES	316,592	431,657	373,210	58,447	387,572
Excess (Deficiency) of Revenues Over (Under) Expenditures	(257,542)	(372,607)	(315,514)	57,093	(321,152)
OTHER FINANCING SOURCES (USES)					
Transfers In	252,600	252,600	281,504	(28,904)	324,909
Proceeds from Refunding Bonds	-	-	584,000	(584,000)	-
Payment to Refund Agent	-	-	(656,655)	656,655	-
TOTAL OTHER FINANCING SOURCES (USES)	252,600	252,600	208,849	43,751	324,909
Net Change in Fund Balance	(4,942)	(120,007)	(106,665)	100,844	3,757
Fund Balance - October 1	235,671	235,671	235,671	-	231,914
Fund Balance - September 30	\$ 230,729	\$ 115,664	\$ 129,006	\$ 100,844	\$ 235,671

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.

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

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

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

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

Impound Auction Fund – used to account for the revenues received through auctions of impounded vehicles.

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, 2011

	Federal Asset Forfeiture	State Asset Forfeiture	Traffic Safety Fund	Hotel/Motel Tax Fund
ASSETS				
Cash and Investments	\$ 1,096	\$ 24,980	\$ 60,817	\$ 229,237
Taxes Receivable	-	-	-	12,504
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	-
Advance to Other Funds	-	-	-	125,125
TOTAL ASSETS	\$ 1,096	\$ 24,980	\$ 60,817	\$ 366,866
 LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,688
Accrued Expenses	-	-	4,295	2,319
Due to Other Funds	-	-	-	-
<i>Total Liabilities</i>	-	-	4,295	5,007
 <i>Fund Balance:</i>				
Non Spendable:				
Interfund Advance	-	-	-	105,939
Restricted:				
Hotel/Motel	-	-	-	255,920
Impound Facility & Auction	-	-	-	-
Police & Security	1,096	24,980	-	-
Traffic Safety	-	-	56,522	-
<i>Total Fund Balance</i>	1,096	24,980	56,522	361,859
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,096	 \$ 24,980	 \$ 60,817	 \$ 366,866

<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Impound Auction Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2011</u>
\$ 17,574	\$ 121,660	\$ 39,365	\$ 51,834	\$ -	\$ 546,563
-	-	-	-	-	12,504
255	-	19	-	-	274
-	-	-	-	11,830	11,830
-	-	-	-	-	125,125
<u>\$ 17,829</u>	<u>\$ 121,660</u>	<u>\$ 39,384</u>	<u>\$ 51,834</u>	<u>\$ 11,830</u>	<u>\$ 696,296</u>
\$ -	\$ 5,200	\$ 242	\$ 186	\$ -	\$ 8,316
-	4,629	-	-	-	11,243
-	-	-	-	11,830	11,830
<u>-</u>	<u>9,829</u>	<u>242</u>	<u>186</u>	<u>11,830</u>	<u>31,389</u>
-	-	-	-	-	105,939
-	-	-	-	-	255,920
-	111,831	39,142	-	-	150,973
17,829	-	-	51,648	-	95,553
-	-	-	-	-	56,522
<u>17,829</u>	<u>111,831</u>	<u>39,142</u>	<u>51,648</u>	<u>-</u>	<u>664,907</u>
<u>\$ 17,829</u>	<u>\$ 121,660</u>	<u>\$ 39,384</u>	<u>\$ 51,834</u>	<u>\$ 11,830</u>	<u>\$ 696,296</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, 2011

	Federal Asset Forfeiture	State Asset Forfeiture	Traffic Safety Fund	Hotel/Motel Tax Fund
REVENUES				
Occupancy Tax	\$ -	\$ -	\$ -	\$ 167,319
Charges for Services	-	-	-	-
Fines and Forfeits	7,313	19,703	284,200	-
Intergovernmental	-	-	-	-
Interest/Misc. Income	1	3	4	395
TOTAL REVENUES	<u>7,314</u>	<u>19,706</u>	<u>284,204</u>	<u>167,714</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	8,003	289	306,940	-
Health & Welfare	-	-	-	-
Culture & Recreation	-	-	-	327,472
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>8,003</u>	<u>289</u>	<u>306,940</u>	<u>327,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(689)</u>	<u>19,417</u>	<u>(22,736)</u>	<u>(159,758)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Proceeds from Disposal of Assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(689)	19,417	(22,736)	(159,758)
Beginning Fund Balance - October 1	<u>1,785</u>	<u>5,563</u>	<u>79,258</u>	<u>521,617</u>
Ending Fund Balance - September 30	<u>\$ 1,096</u>	<u>\$ 24,980</u>	<u>\$ 56,522</u>	<u>\$ 361,859</u>

<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Impound Auction Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2011</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,319
-	572,260	236,030	-	-	808,290
3,370	-	-	19,484	-	334,070
-	-	-	-	11,962	11,962
13	90	971	10	-	1,487
<u>3,383</u>	<u>572,350</u>	<u>237,001</u>	<u>19,494</u>	<u>11,962</u>	<u>1,323,128</u>
-	-	-	15,526	6,962	22,488
-	471,292	10,493	-	-	797,017
8,423	-	-	-	-	8,423
-	-	-	-	-	327,472
-	-	214,014	690	5,000	219,704
<u>8,423</u>	<u>471,292</u>	<u>224,507</u>	<u>16,216</u>	<u>11,962</u>	<u>1,375,104</u>
<u>(5,040)</u>	<u>101,058</u>	<u>12,494</u>	<u>3,278</u>	<u>-</u>	<u>(51,976)</u>
-	-	83,848	-	-	83,848
-	(214,108)	(74,304)	-	-	(288,412)
<u>3,000</u>	<u>-</u>	<u>17,104</u>	<u>-</u>	<u>-</u>	<u>20,104</u>
<u>3,000</u>	<u>(214,108)</u>	<u>26,648</u>	<u>-</u>	<u>-</u>	<u>(184,460)</u>
(2,040)	(113,050)	39,142	3,278	-	(236,436)
<u>19,869</u>	<u>224,881</u>	<u>-</u>	<u>48,370</u>	<u>-</u>	<u>901,343</u>
<u>\$ 17,829</u>	<u>\$ 111,831</u>	<u>\$ 39,142</u>	<u>\$ 51,648</u>	<u>\$ -</u>	<u>\$ 664,907</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 FEDERAL ASSET FORFEITURE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
REVENUES					
Fines and Forfeits	\$ -	\$ 5,814	\$ 7,313	\$ 1,499	\$ 3,245
Interest Income	-	-	1	1	-
TOTAL REVENUES	<u>-</u>	<u>5,814</u>	<u>7,314</u>	<u>1,500</u>	<u>3,245</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	2,900	12,404	8,003	4,401	1,505
Capital Outlay	-	4,926	-	4,926	-
TOTAL EXPENDITURES	<u>2,900</u>	<u>17,330</u>	<u>8,003</u>	<u>9,327</u>	<u>1,505</u>
Net Change in Fund Balance	(2,900)	(11,516)	(689)	10,827	1,740
Fund Balance - October 1	<u>1,785</u>	<u>1,785</u>	<u>1,785</u>	-	<u>45</u>
Fund Balance - September 30	<u>\$ (1,115)</u>	<u>\$ (9,731)</u>	<u>\$ 1,096</u>	<u>\$ 10,827</u>	<u>\$ 1,785</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 STATE ASSET FORFEITURE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
REVENUES					
Fines and Forfeits	\$ 5,000	\$ 21,138	\$ 19,703	\$ (1,435)	\$ 6,972
Interest Income	10	-	3	3	-
TOTAL REVENUES	<u>5,010</u>	<u>21,138</u>	<u>19,706</u>	<u>(1,432)</u>	<u>6,972</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	10,000	7,300	289	7,011	8,673
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>10,000</u>	<u>7,300</u>	<u>289</u>	<u>7,011</u>	<u>8,673</u>
Net Change in Fund Balance	(4,990)	13,838	19,417	5,579	(1,701)
Fund Balance - October 1	<u>5,563</u>	<u>5,563</u>	<u>5,563</u>	-	<u>7,264</u>
Fund Balance - September 30	<u>\$ 573</u>	<u>\$ 19,401</u>	<u>\$ 24,980</u>	<u>\$ 5,579</u>	<u>\$ 5,563</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 TRAFFIC SAFETY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
REVENUES					
Fines and Forfeits	\$ 273,478	\$ 380,000	\$ 284,200	\$ (95,800)	\$ 296,831
Interest Income	200	15	4	(11)	8
TOTAL REVENUES	<u>273,678</u>	<u>380,015</u>	<u>284,204</u>	<u>(95,811)</u>	<u>296,839</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	273,678	323,071	306,940	16,131	244,402
Capital Outlay	-	-	-	-	5,791
TOTAL EXPENDITURES	<u>273,678</u>	<u>323,071</u>	<u>306,940</u>	<u>16,131</u>	<u>250,193</u>
Net Change in Fund Balance	-	56,944	(22,736)	(79,680)	46,646
Fund Balance - October 1	<u>79,258</u>	<u>79,258</u>	<u>79,258</u>	-	32,612
Fund Balance - September 30	<u>\$ 79,258</u>	<u>\$ 136,202</u>	<u>\$ 56,522</u>	<u>\$ (79,680)</u>	<u>\$ 79,258</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, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	Budget Amounts		Actual 2011	Variance With Final Budget- Positive (Negative)	Actual 2010
	Original	Final			
REVENUES					
Occupancy Tax	\$ 178,579	\$ 178,579	\$ 167,319	\$ (11,260)	\$ 185,375
Interest Income	500	380	375	(5)	610
Miscellaneous Income	-	10	20	10	10
TOTAL REVENUES	179,079	178,969	167,714	(11,255)	185,995
EXPENDITURES					
<i>Current:</i>					
Culture & Recreation	328,801	323,335	327,472	(4,137)	261,230
Capital Outlay	10,630	180	-	180	2,959
TOTAL EXPENDITURES	339,431	323,515	327,472	(3,957)	264,189
Net Change in Fund Balance	(160,352)	(144,546)	(159,758)	(15,212)	(78,194)
Fund Balance - October 1	521,617	521,617	521,617	-	599,811
Fund Balance - September 30	\$ 361,265	\$ 377,071	\$ 361,859	\$ (15,212)	\$ 521,617

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 CHILD SAFETY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With Final Budget-	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Fines and Forfeits	\$ 3,800	\$ 3,200	\$ 3,370	\$ 170	\$ 3,149
Interest Income	100	15	13	(2)	308
TOTAL REVENUES	<u>3,900</u>	<u>3,215</u>	<u>3,383</u>	<u>168</u>	<u>3,457</u>
EXPENDITURES					
<i>Current:</i>					
Public Safety	4,100	10,425	8,423	2,002	2,949
TOTAL EXPENDITURES	<u>4,100</u>	<u>10,425</u>	<u>8,423</u>	<u>2,002</u>	<u>2,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(200)</u>	<u>(7,210)</u>	<u>(5,040)</u>	<u>2,170</u>	<u>508</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Disposal of Assets	-	-	3,000	3,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net Change in Fund Balance	(200)	(7,210)	(2,040)	5,170	508
Fund Balance - October 1	19,869	19,869	19,869	-	19,361
Fund Balance - September 30	<u>\$ 19,669</u>	<u>\$ 12,659</u>	<u>\$ 17,829</u>	<u>\$ 5,170</u>	<u>\$ 19,869</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, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	Budget Amounts		Actual 2011	Variance With Final Budget- Positive (Negative)	Actual 2010
	Original	Final			
REVENUES					
Charges for Services	\$ 729,038	\$ 569,000	\$ 572,260	\$ 3,260	\$ 766,375
Interest Income	500	500	90	(410)	23
TOTAL REVENUES	729,538	569,500	572,350	2,850	766,398
EXPENDITURES					
<i>Current:</i>					
General Government	421,362	478,783	471,292	7,491	419,248
Capital Outlay	-	975	-	975	88,726
TOTAL EXPENDITURES	421,362	479,758	471,292	8,466	507,974
Excess (Deficiency) of Revenues Over (Under) Expenditures	308,176	89,742	101,058	11,316	258,424
OTHER FINANCING SOURCES (USES)					
Transfer Out	(297,376)	(130,260)	(214,108)	(83,848)	(57,215)
TOTAL OTHER FINANCING SOURCES (USES)	(297,376)	(130,260)	(214,108)	(83,848)	(57,215)
Net Change in Fund Balance	10,800	(40,518)	(113,050)	(72,532)	201,209
Fund Balance - October 1	224,881	224,881	224,881	-	23,672
Fund Balance - September 30	\$ 235,681	\$ 184,363	\$ 111,831	\$ (72,532)	\$ 224,881

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 IMPOUND AUCTION FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	<u>Budget Amounts</u>		<u>Actual 2011</u>	Variance With Final Budget-	<u>Actual 2010</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Charges for Services	\$ 142,000	\$ 231,600	\$ 236,030	\$ 4,430	\$ -
Interest Income	500	1,360	971	(389)	-
TOTAL REVENUES	<u>142,500</u>	<u>232,960</u>	<u>237,001</u>	<u>4,041</u>	<u>-</u>
EXPENDITURES					
<i>Current:</i>					
General Government	19,200	20,617	10,493	10,124	-
Capital Outlay	123,300	191,511	214,014	(22,503)	-
TOTAL EXPENDITURES	<u>142,500</u>	<u>212,128</u>	<u>224,507</u>	<u>(12,379)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	20,832	12,494	(8,338)	-
OTHER FINANCING SOURCES (USES)					
Transfer In	-	-	83,848	83,848	-
Transfer Out	-	(60,000)	(74,304)	(14,304)	-
Proceeds from Disposal of Assets	-	-	17,104	17,104	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(60,000)</u>	<u>26,648</u>	<u>86,648</u>	<u>-</u>
Net Change in Fund Balance	-	(39,168)	39,142	78,310	-
Fund Balance - October 1	-	-	-	-	-
Fund Balance - September 30	<u>\$ -</u>	<u>\$ (39,168)</u>	<u>\$ 39,142</u>	<u>\$ 78,310</u>	<u>\$ -</u>

CITY OF BALCONES HEIGHTS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 SECURITY AND TECHNOLOGY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010)

	Budget Amounts		Actual 2011	Variance With Final Budget- Positive (Negative)	Actual 2010
	Original	Final			
REVENUES					
Fines and Forfeits	\$ 22,600	\$ 19,400	\$ 19,484	\$ 84	\$ 21,365
Interest Income	20	(5)	10	15	4
TOTAL REVENUES	22,620	19,395	19,494	99	21,369
EXPENDITURES					
<i>Current:</i>					
Public Safety	16,467	15,535	15,526	9	11,297
Capital Outlay	3,252	695	690	5	5,537
TOTAL EXPENDITURES	19,719	16,230	16,216	14	16,834
Net Change in Fund Balance	2,901	3,165	3,278	(113)	4,535
Fund Balance - October 1	48,370	48,370	48,370	-	43,835
Fund Balance - September 30	\$ 51,271	\$ 51,535	\$ 51,648	\$ (113)	\$ 48,370

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CITY OF BALCONES HEIGHTS, TEXAS
STATISTICAL SECTION
SEPTEMBER 30, 2011

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

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

Revenue Capacity

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

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

Debt Capacity

Ratios of Outstanding Debt by Type
Legal Debt Margin

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

Demographic and Economic Information

Demographic and Economic Statistics
Principal Employers

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

Operating Information

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

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

CITY OF BALCONES HEIGHTS, TEXAS
NET ASSETS BY COMPONENT
LAST EIGHT 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>

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

Fiscal Year			
2008	2009	2010	2011
\$ 2,533,252	\$ 2,981,397	\$ 3,251,453	\$ 3,480,618
328,270	285,014	491,639	559,418
<u>3,302,167</u>	<u>3,029,187</u>	<u>3,124,305</u>	<u>2,925,252</u>
<u>\$ 6,163,689</u>	<u>\$ 6,295,598</u>	<u>\$ 6,867,397</u>	<u>\$ 6,965,288</u>
\$ 87,700	\$ 85,317	\$ 82,935	\$ 80,553
-	-	-	-
<u>165,648</u>	<u>91,278</u>	<u>64,799</u>	<u>78,455</u>
<u>\$ 253,348</u>	<u>\$ 176,595</u>	<u>\$ 147,734</u>	<u>\$ 159,008</u>
\$ 2,620,952	\$ 3,066,714	\$ 3,334,388	\$ 3,561,171
328,270	285,014	491,639	559,418
<u>3,467,815</u>	<u>3,120,465</u>	<u>3,189,104</u>	<u>3,003,707</u>
<u>\$ 6,417,037</u>	<u>\$ 6,472,193</u>	<u>\$ 7,015,131</u>	<u>\$ 7,124,296</u>

CITY OF BALCONES HEIGHTS, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT 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	2011
\$(1,072,913)	\$(1,058,611)	\$ (565,280)	\$ (684,523)
(1,520,084)	(1,760,817)	(1,608,234)	(1,825,417)
(164,438)	(48,707)	(165,085)	(325,273)
(12,000)	(12,000)	(14,949)	(20,423)
(282,959)	(297,086)	(269,355)	(337,629)
(80,264)	(20,604)	(39,460)	(61,052)
(129,072)	(109,770)	(89,193)	(82,651)
<u>(3,261,730)</u>	<u>(3,307,595)</u>	<u>(2,751,556)</u>	<u>(3,336,968)</u>
43,040	15,011	(28,869)	11,259
<u>43,040</u>	<u>15,011</u>	<u>(28,869)</u>	<u>11,259</u>
1,040,744	1,099,899	1,118,366	1,154,753
282,575	291,202	281,890	285,523
1,722,223	1,598,051	1,609,758	1,715,743
306,089	200,329	185,375	167,319
42,163	39,673	45,657	34,467
100,440	16,888	4,813	3,568
89,886	101,381	77,496	73,486
-	-	-	-
606,000	92,081	-	-
<u>4,190,120</u>	<u>3,439,504</u>	<u>3,323,355</u>	<u>3,434,859</u>
43,030	317	8	15
(606,000)	(92,081)	-	-
<u>(562,970)</u>	<u>(91,764)</u>	<u>8</u>	<u>15</u>
928,390	131,909	571,799	97,891
(519,930)	(76,753)	(28,861)	11,274
<u>\$ 408,460</u>	<u>\$ 55,156</u>	<u>\$ 542,938</u>	<u>\$ 109,165</u>

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

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

Note: Financial data prior to fiscal year 2004 was not available.

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

Fiscal Year			
2008	2009	2010	2011
\$ 2,992	\$ 2,100	\$ 27,706	\$ 335
-	144,296	125,110	105,939
<u>2,992</u>	<u>146,396</u>	<u>152,816</u>	<u>106,274</u>
379,067	326,069	275,880	267,192
238,243	231,914	235,671	129,006
688,959	455,515	395,054	255,920
-	23,672	143,919	150,973
111,521	68,505	174,394	112,135
58,079	32,612	79,258	56,522
<u>1,475,869</u>	<u>1,138,287</u>	<u>1,304,176</u>	<u>971,748</u>
1,085,206	1,181,435	1,183,682	1,304,632
247,253	262,333	263,363	279,455
<u>1,332,459</u>	<u>1,443,768</u>	<u>1,447,045</u>	<u>1,584,087</u>
<u>940,660</u>	<u>706,017</u>	<u>933,154</u>	<u>1,114,991</u>
<u>\$ 3,751,980</u>	<u>\$ 3,434,468</u>	<u>\$ 3,837,191</u>	<u>\$ 3,777,100</u>

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

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

Note: Financial data prior to fiscal year 2004 was not available.

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

Fiscal Year			
2008	2009	2010	2011
\$ 3,396,284	\$ 3,231,593	\$ 3,238,770	\$ 3,357,928
135,113	74,074	141,558	173,175
51,581	283,070	113,233	13,909
257,443	351,861	870,482	906,263
763,907	972,658	1,395,266	1,478,215
100,442	16,888	4,813	3,568
92,746	101,381	77,496	73,486
<u>4,797,516</u>	<u>5,031,525</u>	<u>5,841,618</u>	<u>6,006,544</u>
-	-	-	-
1,219,301	1,120,597	739,080	907,593
2,313,565	2,867,116	3,641,037	3,905,118
149,612	299,351	172,519	257,423
26,548	17,119	14,949	20,423
280,725	299,253	264,784	333,613
388,289	436,818	218,954	219,704
258,763	284,652	322,298	281,725
126,622	127,420	65,274	64,140
-	27,492	-	27,345
<u>4,763,425</u>	<u>5,479,818</u>	<u>5,438,895</u>	<u>6,017,084</u>
<u>34,091</u>	<u>(448,293)</u>	<u>402,723</u>	<u>(10,540)</u>
1,097,681	483,135	324,909	566,412
(491,681)	(391,054)	(324,909)	(566,412)
-	-	-	23,104
159,952	1,229,000	-	584,000
-	(1,190,300)	-	(656,655)
<u>765,952</u>	<u>130,781</u>	<u>-</u>	<u>(49,551)</u>
<u>\$ 800,043</u>	<u>\$ (317,512)</u>	<u>\$ 402,723</u>	<u>\$ (60,091)</u>
8.81%	8.72%	7.42%	6.38%

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

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

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

Rank	Business Class
1	Retail
2	Retail
3	Restaurant
4	Entertainment
5	Retail
6	Restaurant
7	Construction
8	Retail
9	Entertainment
10	Restaurant

Source: State Comptroller

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

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

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
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%	3,206	1,096,437	100.0%
2010	1,127,647	1,121,762	99.5%	4,679	1,126,441	99.9%
2011	1,154,886	1,150,015	99.6%	-	1,150,015	99.6%

CITY OF BALCONES HEIGHTS, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST EIGHT 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
2011	0.530926	0.027917	0.558843	1.402900	1.279700	0.296187

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

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

Source: Bexar Appraisal District. Certified Totals.

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

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

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Methodist Healthcare System	\$ 38,987,450	1	17.65%	N/A	N/A	N/A
Target Corporation	17,774,830	2	8.05%	N/A	N/A	N/A
Crossroads Mall Partners, LTD	15,252,618	3	6.90%	N/A	N/A	N/A
Williams Bros Construction Co.	6,551,720	4	2.58%	N/A	N/A	N/A
IH-10 Heart Plaza, Ltd.	5,700,000	5	2.97%	N/A	N/A	N/A
Savings Square Partners, LTD	5,390,054	6	2.44%	N/A	N/A	N/A
SFP Apartments, LLC	5,250,000	7	2.38%	N/A	N/A	N/A
Hallmark Apartments, Ltd.	4,941,450	8	2.24%	N/A	N/A	N/A
Leon Springs Associates, LLC	3,429,480	9	1.55%	N/A	N/A	N/A
Duke Charles W. Trustee	3,397,795	10	1.54%	N/A	N/A	N/A
Total	<u>\$ 106,675,397</u>		<u>48.29%</u>	N/A	N/A	N/A
Total Taxable Assessed Value	<u>\$ 220,898,895</u>					

Source: Bexar Appraisal District

Data for 2011 was based on 2010 Certified Totals

Data for 2002 was not available.

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

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

Population data on page 87.

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value		<u>\$ 206,553,899</u>
*Debt limit (10% of assessed value)		20,655,390
Outstanding Debt	\$ 1,336,000	
Less: amount set aside for repayment of general obligation debt	<u>(129,006)</u>	
Total net debt applicable to limit		<u>(1,206,994)</u>
Economic Debt Margin		<u><u>\$ 19,448,396</u></u>

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 12,818,955	\$ 15,469,903	\$ 16,710,945	\$ 18,365,482	\$ 20,870,489	\$ 22,330,881	\$ 22,089,890	\$ 20,655,390
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>	<u>(1,206,994)</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>	<u>\$ 19,448,396</u>

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

Year	Population	Per Capita Personal Income	Median Age	Unemployment Rate
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%
2011	3008	22,128	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.

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

Employer	2010			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland AFB	37,097	1	3.75%	N/A	N/A	N/A
Fort Sam Houston	32,000	2	3.24%	N/A	N/A	N/A
USAA	14,852	3	1.50%	N/A	N/A	N/A
HEB Food Stores	14,588	4	1.48%	N/A	N/A	N/A
Northside ISD	13,300	5	1.35%	N/A	N/A	N/A
Randolph AFB	11,068	6	1.12%	N/A	N/A	N/A
North East ISD	10,522	7	1.06%	N/A	N/A	N/A
City of San Antonio	9,145	8	0.92%	N/A	N/A	N/A
San Antonio ISD	7,581	9	0.77%	N/A	N/A	N/A
Methodist Healthcare System	7,500	10	0.76%	N/A	N/A	N/A
Total	<u>157,653</u>		<u>15.95%</u>	N/A	N/A	N/A

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

Source: San Antonio Economic Development Foundation

Data for 2002 was not available.

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

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

Source: Various city departments.

Water and Sewage treatment provided by San Antonio Water System.

N/A = Not Available

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

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

N/A - Not Available

Note: Financial data prior to fiscal year 2004 was not available. Table is being developed prospectively.

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

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

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

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Balcones Heights, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of Balcones Heights, Texas' basic financial statements and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Balcones Heights, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Balcones Heights, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Balcones Heights, Texas' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Balcones Heights, Texas, in a separate letter dated December 28, 2011.

This report is intended solely for the information and use of management, City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

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

Armstrong, Vaughan & Associates, P.C.

December 28, 2011

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