

**CITY OF BALCONES HEIGHTS, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED**

**SEPTEMBER 30, 2012**

**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, 2012

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## INTRODUCTORY SECTION



## CITY OF BALCONES HEIGHTS

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

January 10, 2013

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

We are pleased to present the comprehensive Annual Financial Report for the City of Balcones Heights, Texas, for the fiscal year ended September 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Balcones Heights financial statements have been audited by Armstrong, Vaughan & Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Balcones Heights for the fiscal year ended September 30, 2012, 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, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

limits now completely surround it. It is part of the San Antonio Metropolitan Statistical Area.

Balcones Heights is a Type A General Law municipality.

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

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

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

## **FINANCIAL INFORMATION**

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

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

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

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

## **OTHER INFORMATION**

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

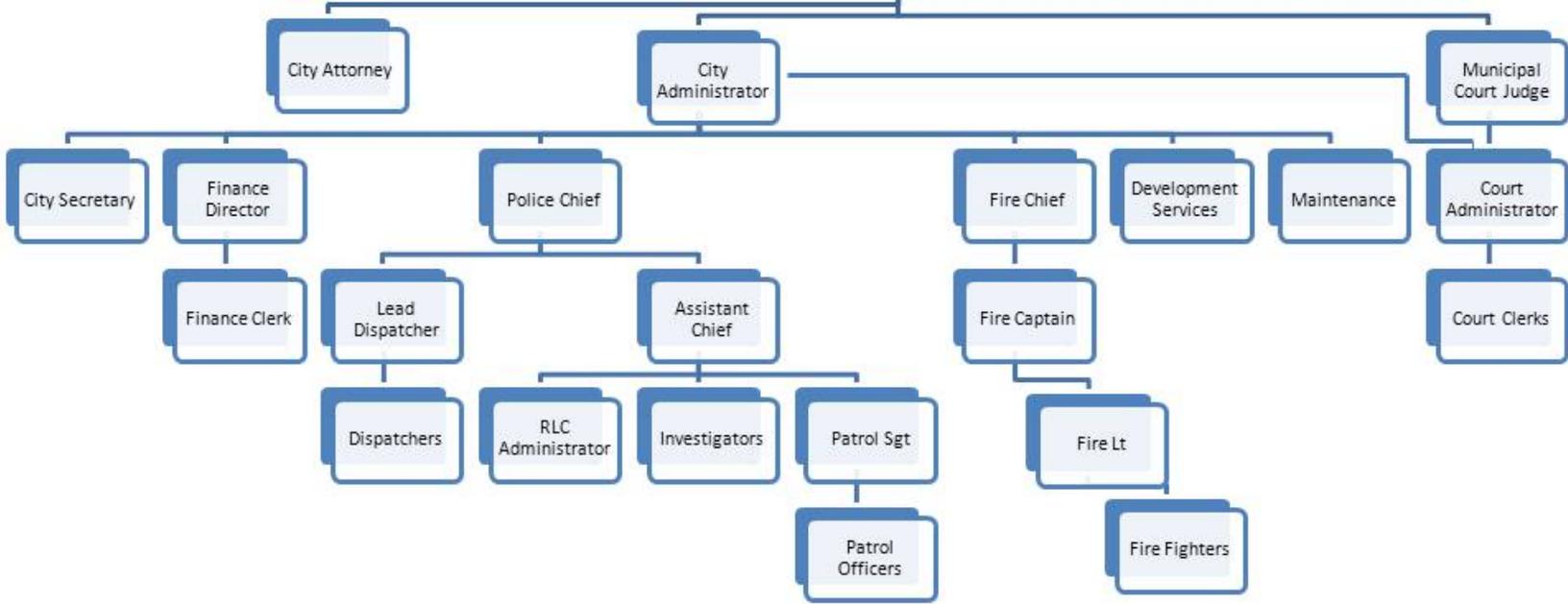
**Acknowledgements.** The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this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

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

Amy Buckert  
City Administrator



# City Council



CITY OF BALCONES HEIGHTS, TEXAS

CITY OFFICIALS

MAYOR

SUZANNE DeLEON

CITY COUNCIL

MIGUEL VALVERDE

MADELINE SLAY

BILL JOHNSON

LAMAR GILLIAN

CHARLES WHITE

CITY ADMINISTRATOR

AMY BUCKERT

ATTORNEY

DAVIDSON & TROILO

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Balcones Heights  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morille*  
President

*Jeffrey R. Enns*  
Executive Director

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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, 2012, 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. Information for the business-type activities for the year ended September 30, 2011 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unqualified opinion in our report dated 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 *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, 2012, 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 January 10, 2013, on our consideration of the City of Balcones Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* 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 44 through 49 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, budgetary comparison information, 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 and budgetary comparison information 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.



Armstrong, Vaughan & Associates, P.C.

January 10, 2013

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Balcones Heights annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2012. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

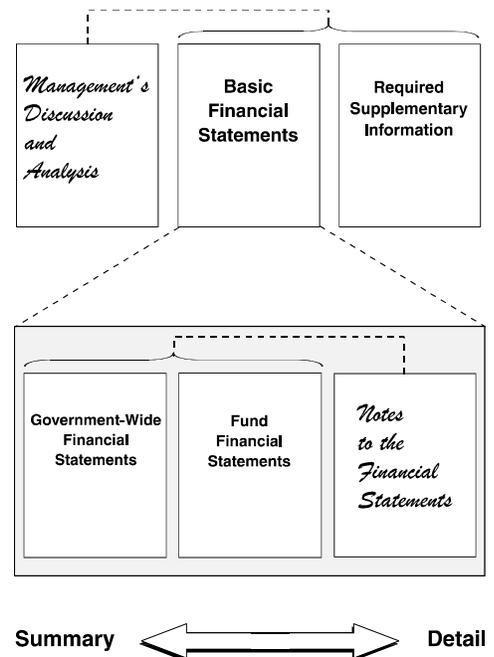
- The City’s total combined net assets were \$7,740,375 at September 30, 2012.
- During the year, the City’s expenses were \$632,002 less than the \$6,301,548 generated in taxes and other revenues for governmental activities.
- The City started a capital project for reconstruction of Beryl Street.
- The general fund reported a fund balance this year of \$1,569,410, an increase of \$158,047 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.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<i>Type of Statements</i>	<b>Fund Statements</b>		
	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 \$7,740,375. (See Table A-1).

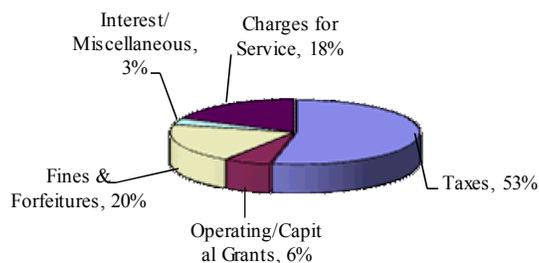
**Table A-1**  
Balcones Heights Net Assets  
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual 2012-2011
	2012	2011	2012	2011	2012	2011	
<b>Assets</b>							
Cash and Investments	\$ 3,411,671	\$ 3,910,805	\$ 68,500	\$ 73,244	\$ 3,480,171	\$ 3,984,049	14%
Receivables: (net of allowances of uncollectible)							
Taxes	32,557	27,892	-	-	32,557	27,892	-14%
Accounts	4,424	8,853	35,479	37,410	39,903	46,263	16%
Due from Other Governments	559,257	294,519	-	-	559,257	294,519	-47%
Prepays	-	335	-	-	-	335	-100%
Deferred Charges	21,056	30,804	-	-	21,056	30,804	46%
<i>Capital Assets:</i>							
Land	604,672	471,978	-	-	604,672	471,978	-22%
Buildings and Improvements	2,953,360	2,886,781	-	-	2,953,360	2,886,781	-2%
Improvements Other than Buildings	2,898,512	2,220,755	119,124	119,124	3,017,636	2,339,879	-22%
Transportation and Equipment	2,002,295	1,981,009	-	-	2,002,295	1,981,009	-1%
Construction in Progress	76,357	75,264	-	-	76,357	75,264	-1%
Accumulated Depreciation	(3,090,943)	(2,836,890)	(40,953)	(38,571)	(3,131,896)	(2,875,461)	-8%
<b>Total Assets</b>	<b>9,473,218</b>	<b>9,072,105</b>	<b>182,150</b>	<b>191,207</b>	<b>9,655,368</b>	<b>9,263,312</b>	<b>-4%</b>
<b>Liabilities and Net Assets</b>							
<i>Current Liabilities:</i>							
Accounts Payable and							
Accrued Liabilities	485,946	449,916	39,065	32,199	525,011	482,115	-8%
Accrued Interest Payable	5,321	6,997	-	-	5,321	6,997	31%
<i>Noncurrent Liabilities:</i>							
Pension Benefit Obligation	207,756	189,237	-	-	207,756	189,237	-9%
Due Within One Year	368,699	358,118	-	-	368,699	358,118	-3%
Due in More Than One Year	808,206	1,102,549	-	-	808,206	1,102,549	36%
<i>Total Liabilities</i>	<i>1,875,928</i>	<i>2,106,817</i>	<i>39,065</i>	<i>32,199</i>	<i>1,914,993</i>	<i>2,139,016</i>	<i>12%</i>
<i>Net Assets:</i>							
Invested in Capital Assets	4,412,898	3,480,618	78,171	80,553	4,491,069	3,561,171	-21%
Restricted	532,320	559,418	-	-	532,320	559,418	5%
Unrestricted	2,652,072	2,925,252	64,914	78,455	2,716,986	3,003,707	11%
<i>Total Net Assets</i>	<i>7,597,290</i>	<i>6,965,288</i>	<i>143,085</i>	<i>159,008</i>	<i>7,740,375</i>	<i>7,124,296</i>	<i>-8%</i>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>9,473,218</b>	<b>9,072,105</b>	<b>182,150</b>	<b>191,207</b>	<b>9,655,368</b>	<b>9,263,312</b>	<b>-4%</b>

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 \$2,716,986 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 \$6,744,152. A significant portion, (53%), of the City's revenue comes from taxes; (See Figure A-3.) 6% comes from grants, 3% comes from interest and miscellaneous revenue, while 38% percent relates to charges for services (including fines and forfeitures).

**Figure A-3**  
**Sources of Revenue for Fiscal Year 2012**



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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
Program Revenues:							
Charges for Services	\$ 2,093,405	\$ 2,557,653	\$ 442,596	\$ 416,003	\$ 2,536,001	\$ 2,973,656	17.3%
Operating Grants and Contributions	-	8,909	-	-	-	8,909	-100%
Capital Grants and Contributions	404,886	5,000	-	-	404,886	5,000	-98.8%
General Revenues							
Property Taxes	1,180,873	1,154,753	-	-	1,180,873	1,154,753	-2.2%
Utility Franchise	289,779	285,523	-	-	289,779	285,523	-1.5%
Sales Tax	1,897,308	1,715,743	-	-	1,897,308	1,715,743	-9.6%
Hotel Occupancy Tax	196,051	167,319	-	-	196,051	167,319	-14.7%
Mixed Beverage Tax	29,259	34,467	-	-	29,259	34,467	17.8%
Investment Earnings	2,854	3,568	8	15	2,862	3,583	25.2%
Miscellaneous	207,133	73,486	-	-	207,133	73,486	-64.5%
Total Program Revenues:	<u>6,301,548</u>	<u>6,006,421</u>	<u>442,604</u>	<u>416,018</u>	<u>6,744,152</u>	<u>6,422,439</u>	-4.8%
General Government	1,000,171	911,411	-	-	1,000,171	911,411	-8.9%
Public Safety	4,096,781	4,156,989	-	-	4,096,781	4,156,989	1.5%
Public Works	244,048	331,523	-	-	244,048	331,523	35.8%
Health and Welfare	13,354	20,423	-	-	13,354	20,423	52.9%
Culture and Recreation	256,667	344,481	-	-	256,667	344,481	34.2%
Capital Outlay	-	61,052	-	-	-	61,052	-100%
Interest on Long-Term Debt	58,525	82,651	-	-	58,525	82,651	41.2%
Wastewater	-	-	458,527	404,744	458,527	404,744	-11.7%
Total Expenses	<u>5,669,546</u>	<u>5,908,530</u>	<u>458,527</u>	<u>404,744</u>	<u>6,128,073</u>	<u>6,313,274</u>	3.0%
Increase (Decrease) in Net Assets	<u>\$ 632,002</u>	<u>\$ 97,891</u>	<u>\$ (15,923)</u>	<u>\$ 11,274</u>	<u>\$ 616,079</u>	<u>\$ 109,165</u>	-82.3%

The total cost of all programs and services was \$6,128,073; 67% of these costs are for Public Safety and 16% are for General Government. The remaining 17% is for all other programs.

### Governmental Activities

- Property tax rates increased by .0133564 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 2012.

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

	Total Cost of Services			Net Cost of Services		
	2012	2011	% Change	2012	2011	% Change
General Government	\$ 1,000,171	\$ 911,411	-8.9%	\$ 843,473	\$ 684,523	-18.8%
Public Safety	4,096,781	4,156,989	1.5%	2,177,215	1,825,417	-16.2%
Public Works	244,048	331,523	35.8%	(172,644)	325,273	-288.4%
Health & Welfare	13,354	20,423	52.9%	13,354	20,423	52.9%
Culture & Recreation	256,667	344,481	34.2%	251,332	337,629	34.3%
Wastewater	458,527	404,744	-11.7%	15,931	(11,259)	-170.7%
Interest on Long Term Debt	58,525	82,651	41.2%	58,525	82,651	41.2%
	<u>\$ 6,128,073</u>	<u>\$ 6,252,222</u>	2.0%	<u>\$ 3,187,186</u>	<u>\$ 3,264,657</u>	2.4%

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 \$5,669,546.
- Sales Tax (paid by residents and visitors alike) was \$1,897,308, or 33% of all activity expenses.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,180,873 or 21%.
- Some of the cost, \$2,093,405 or 37% was paid by those who directly benefited from the programs and activities.
- A portion of the cost was funded (paid) by grants and contributions totaling \$404,886 or 7%.

### **Business-Type Activities**

Revenues of the City's business-type activities increased 6% to \$442,596 and expenses increased 13% to \$458,527.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Revenues from governmental fund types totaled \$6,301,548 in fiscal 2012. This is an increase of \$295,127 from 2011 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, and increase from building permits, court fines, and interest revenue remains 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 \$164,412 below final budget amounts. Generally, every major division had a positive variance. Sales tax numbers were higher than budgeted.

- Property tax collections were still \$374 less than expected.
- City Sales Tax was \$69,544 more than expected.
- Court fines and forfeitures were \$101,186 less than expected even after a budget amendment.
- Other charges for service were \$3,440 less than expected.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2011, the City had invested \$8,654,320 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$3,131,896 results in a total Net Capital Asset value of \$5,522,424.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
	Land	\$ 604,672	\$ 471,978	\$ -	\$ -	\$ 604,672	\$ 471,978
Buildings and Improvements	2,953,360	2,886,781	-	-	2,953,360	2,886,781	-2.3%
Transportation and Equipment	2,002,295	2,220,755	-	-	2,002,295	2,220,755	10.9%
Streets and Grounds	2,898,512	1,981,009	119,124	119,124	3,017,636	2,100,133	-30.4%
Construction in Progress	76,357	75,264	-	-	76,357	75,264	-1.4%
Totals at Historical Cost	8,535,196	7,635,787	119,124	119,124	8,654,320	7,754,911	-10.4%
Total Accumulated Depreciation	(3,090,943)	(2,836,890)	(40,953)	(38,571)	(3,131,896)	(2,875,461)	-8.2%
Net Capital Assets	<u>\$ 5,444,253</u>	<u>\$ 4,798,897</u>	<u>\$ 78,171</u>	<u>\$ 80,553</u>	<u>\$ 5,522,424</u>	<u>\$ 4,879,450</u>	-11.6%

The City's capital budget does provide appropriations for fiscal 2013 capital projects to include capital equipment (computers) replacement and the partial funding of Beryl Street. The City will use Community Development Block Grant funds (CDBG) for a portion of the balance of the project for Beryl Street. More detailed information about the City's capital assets is presented in the Note H on page 35 of this report.

**Bond Ratings**

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

**LONG TERM DEBT**

At year-end the City had \$1,031,355 in bonded debt as shown in Table A-5. More detailed information about the City's debt is presented in Note J on pages 36-37 of this report.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
	Bonds Payable	\$ 1,031,355	\$ 1,318,279	\$ -	\$ -	\$ 1,031,355	\$ 1,318,279
Compensated Absences	145,550	142,388	-	-	145,550	142,388	-2.2%
Total Bonds & Notes Payable	<u>\$ 1,176,905</u>	<u>\$ 1,460,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,176,905</u>	<u>\$ 1,460,667</u>	24.1%

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Actual General Fund revenues for fiscal 2013 are anticipated to increase to a total budgeted amount of \$4,482,834. This is an increase of \$482,421, 12% higher than the 2012 final revenues. The increase will be the result of increased sales tax.
- City sales tax revenues are anticipated to rise slightly due to new business in 2013.
- The beginning General Fund balance available for appropriation in 2013 is \$1,569,410 (11% higher than last year).
- General Fund expenditures for 2013 are budgeted at \$4,482,834. This is an increase of \$259,208 or (6%) above the 2012 final expenditures. This increase is primarily due to adding an economic portion and moving Community Initiatives to General Fund.

## **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, 2012

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, 2012

<b>ASSETS</b>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 3,411,671	\$ 68,500	\$ 3,480,171
Receivables (Net of Allowances for Uncollectibles):			
Taxes	32,557	-	32,557
Accounts	4,424	35,479	39,903
Due from Other Governments	559,257	-	559,257
Deferred Charges	21,056	-	21,056
Capital Assets:			
Land	604,672	-	604,672
Buildings & Improvements	2,953,360	-	2,953,360
Infrastructure - Streets & Drainage	2,898,512	119,124	3,017,636
Transportation & Equipment	2,002,295	-	2,002,295
Construction in Progress	76,357	-	76,357
Accumulated Depreciation	(3,090,943)	(40,953)	(3,131,896)
 <b>TOTAL ASSETS</b>	 <b>\$ 9,473,218</b>	 <b>\$ 182,150</b>	 <b>\$ 9,655,368</b>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS  
STATEMENT OF NET ASSETS (CONTINUED)  
SEPTEMBER 30, 2012

<b>LIABILITIES AND NET ASSETS</b>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>Current Liabilities:</i>			
Accounts Payable and Other Current Liabilities	\$ 485,946	\$ 39,065	\$ 525,011
Accrued Interest Payable	5,321	-	5,321
<i>Noncurrent Liabilities:</i>			
Pension Benefit Obligation	207,756	-	207,756
Due within One Year	368,699	-	368,699
Due in more than One Year	808,206	-	808,206
<b>TOTAL LIABILITIES</b>	<b>1,875,928</b>	<b>39,065</b>	<b>1,914,993</b>
<i>Net Assets:</i>			
Invested in Capital Assets, net of related debt	4,412,898	78,171	4,491,069
Restricted for:			
Crime Control	275,315	-	275,315
Debt Service	110,965	-	110,965
Police and Security	103,628	-	103,628
Traffic Safety	35,630	-	35,630
PEG Capital Fees	6,782	-	6,782
Unrestricted	2,652,072	64,914	2,716,986
<b>TOTAL NET ASSETS</b>	<b>7,597,290</b>	<b>143,085</b>	<b>7,740,375</b>
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	 <b>\$ 9,473,218</b>	 <b>\$ 182,150</b>	 <b>\$ 9,655,368</b>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<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>
<b>Governmental Activities:</b>				
General Government	\$ 1,000,171	\$ 156,698	\$ -	\$ -
Public Safety	4,096,781	1,919,566	-	-
Public Works	244,048	11,806	-	404,886
Health & Welfare	13,354	-	-	-
Culture & Recreation	256,667	5,335	-	-
Interest on Long-Term Debt	58,525	-	-	-
Total Governmental Activities	<u>5,669,546</u>	<u>2,093,405</u>	<u>-</u>	<u>404,886</u>
<b>Business-Type Activities:</b>				
Wastewater	458,527	442,596	-	-
Total Business-Type Activities	<u>458,527</u>	<u>442,596</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 6,128,073</u>	<u>\$ 2,536,001</u>	<u>\$ -</u>	<u>\$ 404,886</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

Net Revenue (Expense)

Governmental Activities	Business-Type Activities	Total
\$ (843,473)	\$ -	\$ (843,473)
(2,177,215)	-	(2,177,215)
172,644	-	172,644
(13,354)	-	(13,354)
(251,332)	-	(251,332)
(58,525)	-	(58,525)
<u>(3,171,255)</u>	<u>-</u>	<u>(3,171,255)</u>
-	(15,931)	(15,931)
<u>-</u>	<u>(15,931)</u>	<u>(15,931)</u>
<u>(3,171,255)</u>	<u>(15,931)</u>	<u>(3,187,186)</u>
1,180,873	-	1,180,873
289,779	-	289,779
1,897,308	-	1,897,308
196,051	-	196,051
29,259	-	29,259
2,854	8	2,862
207,133	-	207,133
<u>3,803,257</u>	<u>8</u>	<u>3,803,265</u>
632,002	(15,923)	616,079
6,965,288	159,008	7,124,296
<u>\$ 7,597,290</u>	<u>\$ 143,085</u>	<u>\$ 7,740,375</u>

CITY OF BALCONES HEIGHTS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

ASSETS	General Fund	Crime Control & Prevention District	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 1,820,719	\$ 172,190	\$ 828,417	\$ 590,345	\$ 3,411,671
Receivables (net of allowances for uncollectibles):					
Taxes	17,954	-	-	14,603	32,557
Miscellaneous	4,127	-	-	297	4,424
Due from Other Governments	246,491	117,037	143,702	52,027	559,257
Due from Other Funds	52,027	-	-	-	52,027
Advance to Other Funds	-	-	-	105,939	105,939
<b>TOTAL ASSETS</b>	<b><u>\$ 2,141,318</u></b>	<b><u>\$ 289,227</u></b>	<b><u>\$ 972,119</u></b>	<b><u>\$ 763,211</u></b>	<b><u>\$ 4,165,875</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ 126,463	\$ 7,422	\$ -	\$ 13,584	\$ 147,469
Accrued Expenditures	44,434	6,490	-	10,435	61,359
Sales Tax Refund Payable	85,773	-	-	-	85,773
Due to Other Funds	-	-	-	52,027	52,027
Advance from Other Funds	105,939	-	-	-	105,939
Due to Other Governments	191,345	-	-	-	191,345
Deferred/Unearned Revenues	17,954	-	-	699	18,653
<i>Total Liabilities</i>	<u>571,908</u>	<u>13,912</u>	<u>-</u>	<u>76,745</u>	<u>662,565</u>
<i>Fund Balances:</i>					
Nonspendable:					
Interfund Advance	-	-	-	86,754	86,754
Restricted:					
Crime Control & Prevention	-	275,315	-	-	275,315
Debt Service	-	-	-	115,587	115,587
Hotel/Motel	-	-	-	229,170	229,170
Impound Facility & Auction	-	-	-	132,747	132,747
Police & Security	10,008	-	-	93,620	103,628
Traffic Safety	-	-	-	35,630	35,630
PEG Capital Fees	6,782	-	-	-	6,782
Assigned:					
Capital Projects Funds	-	-	972,119	-	972,119
Street Maintenance	294,767	-	-	-	294,767
Unassigned	1,257,853	-	-	(7,042)	1,250,811
<i>Total Fund Balances</i>	<u>1,569,410</u>	<u>275,315</u>	<u>972,119</u>	<u>686,466</u>	<u>3,503,310</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 2,141,318</u></b>	<b><u>\$ 289,227</u></b>	<b><u>\$ 972,119</u></b>	<b><u>\$ 763,211</u></b>	<b><u>\$ 4,165,875</u></b>

CITY OF BALCONES HEIGHTS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 3,503,310
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.		5,444,253
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		18,653
Unamortized bond issue costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		21,056
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.		(207,756)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds:		
Bonds Payable	(1,043,000)	
Deferred Difference on Bond Refunding	11,645	
Compensated Absences	<u>(145,550)</u>	(1,176,905)
Accrued interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(5,321)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u><u>\$ 7,597,290</u></u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Crime Control & Prevention District	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 2,663,350	\$ 671,977	\$ -	\$ 254,678	\$ 3,590,005
Licenses and Permits	128,798	-	-	-	128,798
Charges for Services	90,535	-	-	558,310	648,845
Fines and Forfeits	1,052,937	-	-	262,824	1,315,761
Intergovernmental	-	-	-	202,027	202,027
Interest	1,257	122	1,114	361	2,854
Miscellaneous	63,536	-	115,077	20	178,633
<b>TOTAL REVENUES</b>	<u>4,000,413</u>	<u>672,099</u>	<u>116,191</u>	<u>1,278,220</u>	<u>6,066,923</u>
<b>EXPENDITURES</b>					
Current:					
General Government	838,512	112,222	10	33,900	984,644
Public Safety	3,188,456	294,004	-	403,579	3,886,039
Public Works	178,145	-	-	-	178,145
Health & Welfare	12,000	-	-	1,354	13,354
Culture & Recreation	6,513	-	-	242,238	248,751
Capital Projects/Outlay	-	-	668,833	278,304	947,137
Debt Service:					
Principal	-	-	-	293,000	293,000
Interest and Fiscal Charges	-	-	-	44,377	44,377
<b>TOTAL EXPENDITURES</b>	<u>4,223,626</u>	<u>406,226</u>	<u>668,843</u>	<u>1,296,752</u>	<u>6,595,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(223,213)</u>	<u>265,873</u>	<u>(552,652)</u>	<u>(18,532)</u>	<u>(528,524)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	357,885	7,500	-	265,250	630,635
Transfers Out	-	(265,250)	(11,220)	(354,165)	(630,635)
Insurance Proceeds and Other					
Proceeds from Disposal of Assets	23,375	-	28,500	-	51,875
Contributions for Capital Outlay	-	-	202,859	-	202,859
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>381,260</u>	<u>(257,750)</u>	<u>220,139</u>	<u>(88,915)</u>	<u>254,734</u>
<b>Net Change in Fund Balances</b>	158,047	8,123	(332,513)	(107,447)	(273,790)
Fund Balances at Beginning of Year	1,411,363	267,192	1,304,632	793,913	3,777,100
Fund Balances at End of Year	<u>\$ 1,569,410</u>	<u>\$ 275,315</u>	<u>\$ 972,119</u>	<u>\$ 686,466</u>	<u>\$ 3,503,310</u>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (273,790)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	947,899	
Depreciation Expense	<u>(279,062)</u>	668,837

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. (23,481)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 3,265

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

Repayment of Principal	293,000	
Amortization of Bond Issue Costs	(9,748)	
Amortization of Deferred Loss	<u>(6,076)</u>	277,176

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	(3,162)	
Accrued Interest	1,676	
Pension Benefit Obligation	<u>(18,519)</u>	<u>(20,005)</u>

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 632,002

CITY OF BALCONES HEIGHTS, TEXAS  
 COMPARATIVE STATEMENTS OF NET ASSETS – PROPRIETARY FUND  
 SEPTEMBER 30, 2012 AND 2011

	Business-Type Activities	
	Sewer Operations & Maintenance	
<b>ASSETS</b>	<b>2012</b>	2011
<i>Current Assets:</i>		
Cash and Investments	\$ 68,500	\$ 73,244
Receivables:		
Accounts	35,479	37,410
<i>Total Current Assets</i>	<b>103,979</b>	110,654
 <i>Capital Assets:</i>		
Improvements Other than Buildings	119,124	119,124
Accumulated Depreciation	(40,953)	(38,571)
<i>Total Capital Assets (Net)</i>	<b>78,171</b>	80,553
 <b>TOTAL ASSETS</b>	<b>\$ 182,150</b>	\$ 191,207
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 39,065	\$ 32,199
<i>Total Current Liabilities</i>	<b>39,065</b>	32,199
 <b>TOTAL LIABILITIES</b>	<b>39,065</b>	32,199
 <i>Net Assets:</i>		
Invested in Capital Assets	78,171	80,553
Unrestricted	64,914	78,455
 <b>TOTAL NET ASSETS</b>	<b>143,085</b>	159,008
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 182,150</b>	\$ 191,207

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, 2012 AND 2011

	Business-Type Activities	
	Sewer Operations & Maintenance	
	2012	2011
<b>OPERATING REVENUES</b>		
Wastewater User Fees	\$ 442,596	\$ 416,003
<b>TOTAL OPERATING REVENUES</b>	<b>442,596</b>	416,003
<b>OPERATING EXPENSES</b>		
Operation and Maintenance:		
Contractual Services	456,145	402,362
Depreciation	2,382	2,382
<b>TOTAL OPERATING EXPENSES</b>	<b>458,527</b>	404,744
<b>OPERATING INCOME (LOSS)</b>	<b>(15,931)</b>	11,259
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	8	15
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>8</b>	15
<b>CHANGE IN NET ASSETS</b>	<b>(15,923)</b>	11,274
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>159,008</b>	147,734
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 143,085</b>	\$ 159,008

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, 2012 AND 2011

	Busines-Type Activities	
	Sewer Operations & Maintenance	
	2012	2011
<b>CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 444,527	\$ 409,088
Cash Paid to Suppliers	(449,279)	(422,953)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(4,752)</b>	<b>(13,865)</b>
<b>CASH FLOWS FROM</b>		
<b>INVESTING ACTIVITIES:</b>		
Interest Received	8	15
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>8</b>	<b>15</b>
Net Increase (Decrease) in Cash	(4,744)	(13,850)
Cash and Investments at October 1	73,244	87,094
Cash and Investments at September 30	<b>\$ 68,500</b>	<b>\$ 73,244</b>
<b>RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (15,931)	\$ 11,259
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,382	2,382
(Increase) Decrease in Accounts Receivable	1,931	(6,915)
Increase (Decrease) in Accounts Payable	6,866	(20,591)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (4,752)</b>	<b>\$ (13,865)</b>

See accompanying notes to basic financial statements.

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

*Component Units*

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

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

*Discretely Presented Component Units.* As of September 30, 2012, 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, 2012

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

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

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

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

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

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

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

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

The government reports the following major governmental funds:

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

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

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

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

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

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

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

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

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

4. CASH AND INVESTMENTS

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

5. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2011 and past due after January 31, 2012. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

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

5. ACCOUNTS RECEIVABLE (Continued)

Due from other Governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met. Sales tax collected on exchange transactions occurring in the City through September 30, 2012 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, 2012

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, 2012

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

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

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

As of September 30, 2012, the Court Technology fund had a deficit restricted fund balance which reduced the amount of funds available in the Unassigned Fund balance for total governmental funds by \$7,042.

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, 2012

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.

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, 2012, the carrying amounts of the City's deposits with the city depository were \$1,132,473 and the bank balance was \$1,251,556. 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 \$1,608,908 and a market value of \$1,738,645. 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.

CITY OF BALCONES HEIGHTS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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.

As of September 30, 2012, 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, 2012 were:

Petty Cash	\$ 1,650
Cash in Bank Depository	<u>1,132,473</u>
Total Insured/Collateralized	1,134,123
TexPool - a local government investment pool	1,937,900
Lone Star Pool - a local government investment pool	<u>408,148</u>
	<u><u>\$ 3,480,171</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.

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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, 2012, the City's investments were in TexPool and Lone Star Investment Pool, which are public funds investment pools where all securities held to maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

NOTE C -- RECEIVABLES

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

	Governmental Funds				Sewer Operations Maintenance	Total
	General Fund	Crime Control & Prevention District	Capital Projects Fund	Other Nonmajor Funds		
<i>Receivables:</i>						
Property Taxes	\$ 21,924	\$ -	\$ -	\$ 1,049	\$ -	\$ 22,973
Allowance for Uncollectibles	(3,970)	-	-	(350)	-	(4,320)
Occupancy Taxes	-	-	-	13,904	-	13,904
Sales Tax	246,491	117,037	-	-	-	363,528
Capital Outlay Contribution	-	-	143,702	-	-	143,702
Grant Funds	-	-	-	52,027	-	52,027
Accounts	-	-	-	-	35,479	35,479
Other	4,127	-	-	297	-	4,424
Net Total Receivables	<u>\$ 268,572</u>	<u>\$ 117,037</u>	<u>\$ 143,702</u>	<u>\$ 66,927</u>	<u>\$ 35,479</u>	<u>\$ 631,717</u>

NOTE D -- PROPERTY TAX

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A reevaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2011, upon which the fiscal 2012 levy was based, was \$205,571,553 (i.e., market value less exemptions). The estimated market value was \$212,717,938, 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, 2012, was \$0.572199 per \$100 of assessed value which means that the City has a tax margin of \$1.927801 for each \$100 value and could increase its annual tax levy by approximately \$3,963,010 based upon the present assessed valuation of \$205,571,553 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.

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

NOTE E -- DUE TO/FROM OTHER FUNDS

As of September 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From	Due To
<b>General Fund:</b>		
Other NonMajor Governmental Fund	\$ 52,027	\$ -
<b>NonMajor Fund:</b>		
General Fund	-	52,027
	\$ 52,027	\$ 52,027

NOTE F -- TRANSFERS BETWEEN FUNDS

Transfers between funds during the year ended September 30, 2012 were as follows:

	Transfer In	Transfer Out	Purpose
<b>General Fund:</b>			
Other NonMajor Governmental Fund	\$ 346,665	\$ -	Funding for Operational Expenses
Capital Projects Fund	11,220	-	Funding for Capital Replacement
<b>Crime Control &amp; Prevention Fund:</b>			
Other NonMajor Governmental Fund	7,500	-	Funding for Operational Expenses
Other NonMajor Governmental Fund	-	265,250	Funding for Debt Payments
<b>Capital Projects Fund:</b>			
General Fund	-	11,220	Funding for Capital Replacement
<b>NonMajor Funds:</b>			
Crime Control & Prevention Fund	265,250	-	Funding for Debt Payments
General Fund	-	346,665	Funding for Operational Expenses
Crime Control & Prevention Fund	-	7,500	Funding for Operational Expenses
	\$ 630,635	\$ 630,635	

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, 2012, \$105,939 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, 2012

NOTE H -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2011	Additions	Disposals	Balance 9/30/2012
Land	\$ 471,978	\$ 132,694	\$ -	\$ 604,672
Construction in Progress	75,264	678,850	(677,757)	76,357
Buildings and Improvements	2,886,781	66,579	-	2,953,360
Streets & Drainage	2,220,755	677,757	-	2,898,512
Transportation & Equipment	1,981,009	69,776	(48,490)	2,002,295
	<u>7,635,787</u>	<u>1,625,656</u>	<u>(726,247)</u>	<u>8,535,196</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,031,728)	(57,142)	-	(1,088,870)
Streets and Grounds	(662,080)	(29,147)	-	(691,227)
Transportation and Equipment	(1,143,082)	(192,773)	25,009	(1,310,846)
	<u>(2,836,890)</u>	<u>(279,062)</u>	<u>25,009</u>	<u>(3,090,943)</u>
Governmental Capital Assets, Net	<u>\$ 4,798,897</u>	<u>\$ 1,346,594</u>	<u>\$ (701,238)</u>	<u>\$ 5,444,253</u>
<u>Business-Type Activities</u>	Balance 10/1/2011	Additions	Disposals	Balance 9/30/2012
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	(38,571)	(2,382)	-	(40,953)
	<u>(38,571)</u>	<u>(2,382)</u>	<u>-</u>	<u>(40,953)</u>
Business-Type Capital Assets, Net	<u>\$ 80,553</u>	<u>\$ (2,382)</u>	<u>\$ -</u>	<u>\$ 78,171</u>

Land and Construction in Progress are not depreciated.

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 17,995
Public Safety	179,143
Public Works	72,195
Culture & Recreation	9,729
Total Depreciation Expense - Governmental Activities	<u>\$ 279,062</u>

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

NOTE I -- SALES TAX REFUND PAYABLE

In 2003, the City 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, 2012.

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 10/1/2011	Additions	Retirements	Balance Outstanding 9/30/2012	Due Within One Year
<b>Governmental Activities</b>							
<i>General Obligation Bonds:</i>							
2009 Refunded General							
Obligation Bonds	1,229,000	4.1-5.4%	752,000	-	(242,000)	510,000	251,000
2011 Refunded General							
Obligation Bonds	584,000		584,000	-	(51,000)	533,000	51,000
Deferred Loss on Refunding			(17,721)	-	6,076	(11,645)	(6,076)
<i>Liability for Employee:</i>							
Compensated Absences			142,388	74,356	(71,194)	145,550	72,775
<i>Total Long-Term Debt</i>			<u>\$ 1,460,667</u>	<u>\$ 74,356</u>	<u>\$ (358,118)</u>	<u>\$ 1,176,905</u>	<u>\$ 368,699</u>

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

Year Ending September 30	Principal	Interest	Total
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	59,000	7,590	66,590
2018 - 2021	258,000	13,939	271,939
	<u>\$ 1,043,000</u>	<u>\$ 92,333</u>	<u>\$ 1,135,333</u>

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

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. The difference in debt service between the refunding debt and the refunded debt including additional resources resulted in additional debt of \$27,375.

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](http://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:

	Plan Year 2011	Plan Year 2012
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, 2012

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, 2011, 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)	\$ 394,782
2. Interest on Net Pension Obligation	14,193
3. Adjustment to the ARC	<u>(11,387)</u>
4. Annual Pension Cost (APC)	397,588
5. Contributions Made	<u>(379,069)</u>
6. Increase (Decrease) in Net Pension Obligation	18,519
7. Net Pension Obligation / (Asset), Beginning of Year	<u>189,237</u>
8. Net Pension Obligation / (Asset), End of Year	<u><u>\$ 207,756</u></u>

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

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	<b>December 31, 2009</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method	28.1 years - Closed Period	27.2 years - Closed Period	26.3 years - Closed Period
Remaining Amortization Period	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Asset Valuation Method	7.5%	7.0%	7.0%
Investment Rate of Return	Varies by age and service	Varies by age and service	Varies by age and service
Projected Salary Increases	3.0%	3.0%	3.0%
Inflation Rate	2.1%	2.1%	2.1%
Cost of Living Adjustments			

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

NOTE K -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

**B. Contributions (Continued)**

**Funded Status and Funding Progress –**

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded AAL	Covered Payroll	UAAL as a Percentage of Covered
12/31/2011	\$ 9,826,383	\$12,466,605	78.8%	\$ 2,640,222	\$ 2,341,958	112.7%

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, 2012, 2011, and 2010 were \$3,967, \$4,912, and \$4,321, respectively, which equaled the required contributions each year.

CITY OF BALCONES HEIGHTS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2012

NOTE L -- SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

*Risk Management*

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

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

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2012, were \$107,354.

*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, 2012 are not likely to have a material adverse effect on the City's financial position.

*Commitments – Leases*

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

<u>Years Ending September 30</u>	
2013	<u>\$ 16,142</u>
Total	<u><u>\$ 16,142</u></u>

*Commitments – 380 Development Agreement*

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

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

CITY OF BALCONES HEIGHTS, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2012

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, 2012 were \$3,896,433 and \$1,872,006 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.

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, 2012 amounted to \$52,222.

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>
2013	3.00%	\$ 55,000	\$ 225,000
2014	3.00%	55,000	150,000
2015	3.00%	55,000	75,000
2016	2.00%	50,000	-
2017	2.00%	50,000	-
2018	2.00%	50,000	-
2019	2.00%	50,000	-
2020	2.00%	50,000	-
Minimum Guaranteed Future Revenue		<u>\$ 415,000</u>	

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2012

NOTE N -- CONVENTION CENTER DEVELOPMENT AGREEMENT (Continued)

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, 2012 and 2011 were \$265,250 and \$267,200, respectively.

NOTE P -- RELATED PARTY

Madeline Slay, Councilwoman is the spouse of the President of Slay Engineering. The City paid Slay Engineering \$83,445 for services during the year.

NOTE Q -- SUBSEQUENT EVENT

Subsequent to year end, the City approved a resolution to contract services for economic development in the amount of \$65,000.

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## REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Crime Control & 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, 2012  
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

REVENUES	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<i>Taxes:</i>					
Ad Valorem Tax	\$ 1,080,149	\$ 1,111,000	\$ 1,110,626	\$ (374)	\$ 1,089,998
Penalty & Interest	6,000	8,000	8,355	355	7,446
City Sales Tax	1,130,000	1,155,787	1,225,331	69,544	1,110,077
Franchise Taxes	266,000	293,583	289,779	(3,804)	285,523
Mixed Beverage	35,000	25,000	29,259	4,259	34,467
<i>Total Taxes</i>	<u>2,517,149</u>	<u>2,593,370</u>	<u>2,663,350</u>	<u>69,980</u>	<u>2,527,511</u>
<i>Licenses and Permits</i>	<u>223,350</u>	<u>128,505</u>	<u>128,798</u>	<u>293</u>	<u>173,175</u>
<i>Intergovernmental Revenues</i>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,947</u>
<i>Charges for Services:</i>					
Court Fees & Charges	88,000	72,000	68,351	(3,649)	85,627
Other	13,510	21,975	22,184	209	12,346
<i>Total Charges for Services</i>	<u>101,510</u>	<u>93,975</u>	<u>90,535</u>	<u>(3,440)</u>	<u>97,973</u>
<i>Fines and Forfeitures</i>	<u>1,254,617</u>	<u>1,154,123</u>	<u>1,052,937</u>	<u>(101,186)</u>	<u>1,144,145</u>
<i>Other Sources:</i>					
Interest	800	1,175	1,257	82	1,115
Miscellaneous	68,500	72,550	63,536	(9,014)	72,020
<i>Total Other Sources</i>	<u>69,300</u>	<u>73,725</u>	<u>64,793</u>	<u>(8,932)</u>	<u>73,135</u>
<b>Total Revenues</b>	<u>\$ 4,167,926</u>	<u>\$ 4,043,698</u>	<u>\$ 4,000,413</u>	<u>\$ (43,285)</u>	<u>\$ 4,017,886</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, 2012  
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

EXPENDITURES	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<i>General Government:</i>					
Mayor/City Council	\$ 43,350	\$ 74,028	\$ 74,968	\$ (940)	\$ 48,839
Secretary/Treasurer	401,063	419,782	416,544	3,238	372,125
Municipal Court	262,325	275,751	253,048	22,703	232,393
Public Facilities	46,700	41,835	38,225	3,610	35,381
Non-Departmental	141,645	63,920	55,727	8,193	73,574
<i>Total General Government</i>	<u>895,083</u>	<u>875,316</u>	<u>838,512</u>	<u>36,804</u>	<u>762,312</u>
<i>Public Safety:</i>					
Police Department	1,094,195	1,053,680	1,073,658	(19,978)	820,498
Traffic Safety Administration	829,117	818,998	718,437	100,561	786,112
Communications	283,972	253,644	247,288	6,356	180,057
Fire Department	1,234,773	1,177,716	1,149,073	28,643	1,096,395
<i>Total Public Safety</i>	<u>3,442,057</u>	<u>3,304,038</u>	<u>3,188,456</u>	<u>115,582</u>	<u>2,883,062</u>
<i>Public Works:</i>					
Building Department	126,034	59,288	55,874	3,414	132,854
Streets & Grounds	147,425	129,226	121,917	7,309	122,386
Animal Control	2,200	500	313	187	2,015
Weed and Pest Control	250	50	41	9	168
<i>Total Public Works</i>	<u>275,909</u>	<u>189,064</u>	<u>178,145</u>	<u>10,919</u>	<u>257,423</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	6,750	4,520	4,018	502	2,723
Community Center	4,200	3,100	2,495	605	3,418
<i>Total Culture &amp; Recreation</i>	<u>10,950</u>	<u>7,620</u>	<u>6,513</u>	<u>1,107</u>	<u>6,141</u>
<b>Total Expenditures</b>	<u>\$ 4,635,999</u>	<u>\$ 4,388,038</u>	<u>\$ 4,223,626</u>	<u>\$ 164,412</u>	<u>\$ 3,920,938</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, 2012  
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	<u>Budget Amounts</u>		<u>Actual 2012</u>	Variance With Final Budget-	<u>Actual 2011</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (468,073)</u>	<u>\$ (344,340)</u>	<u>\$ (223,213)</u>	<u>\$ 121,127</u>	<u>\$ 96,948</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	465,075	357,885	<b>357,885</b>	-	70,800
Proceeds from Disposal of Assets	<u>-</u>	<u>9,400</u>	<u>23,375</u>	<u>13,975</u>	<u>3,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>465,075</u>	<u>367,285</u>	<u><b>381,260</b></u>	<u>13,975</u>	<u>73,800</u>
<b>Net Change in Fund Balance</b>	(2,998)	22,945	<b>158,047</b>	135,102	170,748
Fund Balance - October 1	<u>1,411,363</u>	<u>1,411,363</u>	<u><b>1,411,363</b></u>	<u>-</u>	<u>1,240,615</u>
Fund Balance - September 30	<u><u>\$ 1,408,365</u></u>	<u><u>\$ 1,434,308</u></u>	<u><u><b>\$ 1,569,410</b></u></u>	<u><u>\$ 135,102</u></u>	<u><u>1,411,363</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, 2012  
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<b>REVENUES</b>					
Sales Tax	\$ 630,000	\$ 630,000	\$ 671,977	\$ 41,977	\$ 605,666
Interest Income	150	150	122	(28)	140
Miscellaneous Income	-	-	-	-	523
<b>TOTAL REVENUES</b>	<u>630,150</u>	<u>630,150</u>	<u>672,099</u>	<u>41,949</u>	<u>606,329</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Personnel	288,963	290,722	286,770	3,952	218,401
Administrative	9,069	7,285	7,234	51	6,638
Facilities Operating	66,868	100,000	112,222	(12,222)	122,778
<b>TOTAL EXPENDITURES</b>	<u>364,900</u>	<u>398,007</u>	<u>406,226</u>	<u>(8,219)</u>	<u>347,817</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>265,250</u>	<u>232,143</u>	<u>265,873</u>	<u>33,730</u>	<u>258,512</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer (Out) to Primary Government	(265,250)	(257,750)	(257,750)	-	(267,200)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(265,250)</u>	<u>(257,750)</u>	<u>(257,750)</u>	<u>-</u>	<u>(267,200)</u>
<b>Net Change in Fund Balance</b>	-	(25,607)	8,123	33,730	(8,688)
Fund Balance - October 1	267,192	267,192	267,192	-	275,880
Fund Balance - September 30	<u>\$ 267,192</u>	<u>\$ 241,585</u>	<u>\$ 275,315</u>	<u>\$ 33,730</u>	<u>\$ 267,192</u>

CITY OF BALCONES HEIGHTS, TEXAS  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2012

**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. The actual expenditures for the Crime Control and Prevention District exceeded the appropriated budget for 2012.

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
2009	\$ 3,705,140	\$ 6,762,909	54.8%	\$ 3,057,769	\$ 2,047,469	149.3%
2010	9,168,695	11,705,899	78.3%	2,537,204	2,089,265	121.4%
2011	9,826,383	12,466,605	78.8%	2,640,222	2,341,958	112.7%

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

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

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## OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF BALCONES HEIGHTS, TEXAS  
 COMPARATIVE BALANCE SHEETS  
 GENERAL FUND  
 SEPTEMBER 30, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and Investments	\$ 1,820,719	\$ 1,746,102
Receivables (net of allowances for uncollectibles):		
Taxes	17,954	13,828
Miscellaneous	4,127	8,579
Due from Other Governments	246,491	196,227
Due from Other Funds	52,027	11,830
Prepaid Items	-	335
	<b>\$ 2,141,318</b>	<b>\$ 1,976,901</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 126,463	\$ 78,191
Accrued Expenditures	44,434	42,185
Sales Tax Refund Payable	85,773	80,105
Advance from Other Funds	105,939	125,125
Due to Other Governments	191,345	226,104
Deferred/Unearned Revenues	17,954	13,828
<i>Total Liabilities</i>	<b>571,908</b>	<b>565,538</b>
 <i>Fund Balances:</i>		
Nonspendable:		
Prepays	-	335
Restricted:		
Police & Security	10,008	16,582
PEG Capital Fees	6,782	-
Assigned:		
Street Maintenance	294,767	279,455
Unassigned	1,257,853	1,114,991
<i>Total Fund Balances</i>	<b>1,569,410</b>	<b>1,411,363</b>
 <b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 2,141,318</b>	<b>\$ 1,976,901</b>

CITY OF BALCONES HEIGHTS, TEXAS  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
<b>REVENUES</b>		
Taxes	\$ 2,663,350	\$ 2,527,511
Licenses and Permits	128,798	173,175
Charges for Services	90,535	97,973
Fines and Forfeits	1,052,937	1,144,145
Intergovernmental	-	1,947
Interest	1,257	1,115
Miscellaneous	63,536	72,020
<b>TOTAL REVENUES</b>	<b>4,000,413</b>	<b>4,017,886</b>
<b>EXPENDITURES</b>		
Current:		
General Government	838,512	762,312
Public Safety	3,188,456	2,883,062
Public Works	178,145	257,423
Health & Welfare	12,000	12,000
Culture & Recreation	6,513	6,141
Capital Projects/Outlay	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,223,626</b>	<b>3,920,938</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(223,213)</b>	<b>96,948</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	357,885	70,800
Proceeds from Disposal of Assets	23,375	3,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>381,260</b>	<b>73,800</b>
Net Change in Fund Balances	<b>158,047</b>	<b>170,748</b>
Fund Balances at Beginning of Year	<b>1,411,363</b>	<b>1,240,615</b>
Fund Balances at End of Year	<b>\$ 1,569,410</b>	<b>\$ 1,411,363</b>

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

DEBT SERVICE FUND

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

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

CITY OF BALCONES HEIGHTS, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012

	Debt Service Fund	Federal Asset Forfeiture	State Asset Forfeiture	Traffic Safety Fund
<b>ASSETS</b>				
Cash and Investments	\$ 115,587	\$ 7,504	\$ 25,172	\$ 49,484
Taxes Receivable	699	-	-	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	-
Advance to Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 116,286</b>	<b>\$ 7,504</b>	<b>\$ 25,172</b>	<b>\$ 49,484</b>
 <b>LIABILITIES AND FUND BALANCE</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 6,000
Accrued Expenditures	-	-	-	7,854
Due to Other Funds	-	-	-	-
Deferred/Unearned Revenues	699	-	-	-
<i>Total Liabilities</i>	<i>699</i>	<i>-</i>	<i>-</i>	<i>13,854</i>
 <i>Fund Balance:</i>				
Non Spendable:				
Interfund Advance	-	-	-	-
Restricted:				
Debt Service	115,587	-	-	-
Hotel/Motel	-	-	-	-
Impound Facility & Auction	-	-	-	-
Police & Security	-	7,504	25,172	-
Traffic Safety	-	-	-	35,630
Unassigned	-	-	-	-
<i>Total Fund Balance</i>	<i>115,587</i>	<i>7,504</i>	<i>25,172</i>	<i>35,630</i>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b>\$ 116,286</b>	 <b>\$ 7,504</b>	 <b>\$ 25,172</b>	 <b>\$ 49,484</b>

<u>Hotel/Motel Tax Fund</u>	<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Impound Auction Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2012</u>
\$ 200,135	\$ 19,571	\$ 119,528	\$ 19,166	\$ 34,198	\$ -	\$ 590,345
13,904	-	-	-	-	-	14,603
-	259	-	38	-	-	297
-	-	-	-	-	52,027	52,027
105,939	-	-	-	-	-	105,939
<u>\$ 319,978</u>	<u>\$ 19,830</u>	<u>\$ 119,528</u>	<u>\$ 19,204</u>	<u>\$ 34,198</u>	<u>\$ 52,027</u>	<u>\$ 763,211</u>
\$ 1,473	\$ -	\$ 4,860	\$ 1,125	\$ 126	\$ -	\$ 13,584
2,581	-	-	-	-	-	10,435
-	-	-	-	-	52,027	52,027
-	-	-	-	-	-	699
<u>4,054</u>	<u>-</u>	<u>4,860</u>	<u>1,125</u>	<u>126</u>	<u>52,027</u>	<u>76,745</u>
86,754	-	-	-	-	-	86,754
-	-	-	-	-	-	115,587
229,170	-	-	-	-	-	229,170
-	-	114,668	18,079	-	-	132,747
-	19,830	-	-	41,114	-	93,620
-	-	-	-	-	-	35,630
-	-	-	-	(7,042)	-	(7,042)
<u>315,924</u>	<u>19,830</u>	<u>114,668</u>	<u>18,079</u>	<u>34,072</u>	<u>-</u>	<u>686,466</u>
<u>\$ 319,978</u>	<u>\$ 19,830</u>	<u>\$ 119,528</u>	<u>\$ 19,204</u>	<u>\$ 34,198</u>	<u>\$ 52,027</u>	<u>\$ 763,211</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, 2012

	Debt Service Fund	Federal Asset Forfeiture	State Asset Forfeiture	Traffic Safety Fund
<b>REVENUES</b>				
Ad Valorem Tax	\$ 58,627	\$ -	\$ -	\$ -
Occupancy Tax	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	8,467	2,600	232,084
Intergovernmental	-	-	-	-
Interest/Misc. Income	81	-	2	1
<b>TOTAL REVENUES</b>	<u>58,708</u>	<u>8,467</u>	<u>2,602</u>	<u>232,085</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	2,059	2,410	252,977
Health & Welfare	-	-	-	-
Culture & Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	293,000	-	-	-
Interest and Fiscal Charges	44,377	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>337,377</u>	<u>2,059</u>	<u>2,410</u>	<u>252,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(278,669)</u>	<u>6,408</u>	<u>192</u>	<u>(20,892)</u>
<b>OTHER FINANCING</b>				
<b>SOURCES (USES)</b>				
Transfer In	265,250	-	-	-
Transfer Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>265,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(13,419)	6,408	192	(20,892)
Beginning Fund Balance - October 1	<u>129,006</u>	<u>1,096</u>	<u>24,980</u>	<u>56,522</u>
Ending Fund Balance - September 30	<u>\$ 115,587</u>	<u>\$ 7,504</u>	<u>\$ 25,172</u>	<u>\$ 35,630</u>

<u>Hotel/Motel Tax Fund</u>	<u>Child Safety Fund</u>	<u>Impound Facility Fund</u>	<u>Impound Auction Fund</u>	<u>Security and Technology Fund</u>	<u>Grant Funds</u>	<u>Total 2012</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,627
196,051	-	-	-	-	-	196,051
-	-	428,580	129,730	-	-	558,310
-	3,353	-	-	16,320	-	262,824
-	-	-	-	-	202,027	202,027
252	2	16	23	4	-	381
<u>196,303</u>	<u>3,355</u>	<u>428,596</u>	<u>129,753</u>	<u>16,324</u>	<u>202,027</u>	<u>1,278,220</u>
-	-	-	-	33,900	-	33,900
-	-	131,594	14,539	-	-	403,579
-	1,354	-	-	-	-	1,354
242,238	-	-	-	-	-	242,238
-	-	-	76,277	-	202,027	278,304
-	-	-	-	-	-	-
-	-	-	-	-	-	293,000
-	-	-	-	-	-	44,377
<u>242,238</u>	<u>1,354</u>	<u>131,594</u>	<u>90,816</u>	<u>33,900</u>	<u>202,027</u>	<u>1,296,752</u>
<u>(45,935)</u>	<u>2,001</u>	<u>297,002</u>	<u>38,937</u>	<u>(17,576)</u>	<u>-</u>	<u>(18,532)</u>
-	-	-	-	-	-	265,250
-	-	(294,165)	(60,000)	-	-	(354,165)
-	-	(294,165)	(60,000)	-	-	(88,915)
(45,935)	2,001	2,837	(21,063)	(17,576)	-	(107,447)
<u>361,859</u>	<u>17,829</u>	<u>111,831</u>	<u>39,142</u>	<u>51,648</u>	<u>-</u>	<u>793,913</u>
<u>\$ 315,924</u>	<u>\$ 19,830</u>	<u>\$ 114,668</u>	<u>\$ 18,079</u>	<u>\$ 34,072</u>	<u>\$ -</u>	<u>\$ 686,466</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<b>REVENUES</b>					
Ad Valorem Tax	\$ 63,242	\$ 63,242	\$ 58,627	\$ (4,615)	\$ 57,432
Interest Income	200	200	81	(119)	264
<b>TOTAL REVENUES</b>	<u>63,442</u>	<u>63,442</u>	<u>58,708</u>	<u>(4,734)</u>	<u>57,696</u>
<b>EXPENDITURES</b>					
<i>Debt Service:</i>					
Principal	293,000	293,000	293,000	-	281,726
Interest and Fiscal Charges	38,595	44,395	44,377	18	64,139
Bond Issue Costs	-	-	-	-	27,345
<b>TOTAL EXPENDITURES</b>	<u>331,595</u>	<u>337,395</u>	<u>337,377</u>	<u>18</u>	<u>373,210</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(268,153)</u>	<u>(273,953)</u>	<u>(278,669)</u>	<u>(4,716)</u>	<u>(315,514)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	265,250	265,250	265,250	-	281,504
Proceeds from Refunding Bonds	-	-	-	-	584,000
Payment to Refund Agent	-	-	-	-	(656,655)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>265,250</u>	<u>265,250</u>	<u>265,250</u>	<u>-</u>	<u>208,849</u>
<b>Net Change in Fund Balance</b>	(2,903)	(8,703)	(13,419)	(4,716)	(106,665)
Fund Balance - October 1	129,006	129,006	129,006	-	235,671
Fund Balance - September 30	<u>\$ 126,103</u>	<u>\$ 120,303</u>	<u>\$ 115,587</u>	<u>\$ (4,716)</u>	<u>\$ 129,006</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
FEDERAL ASSET FORFEITURE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	<u>Budget Amounts</u>		<u>Actual 2012</u>	Variance With	<u>Actual 2011</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
<b>REVENUES</b>					
Fines and Forfeits	\$ 10,000	\$ 8,500	\$ 8,467	\$ (33)	\$ 7,313
Interest Income	-	-	-	-	1
<b>TOTAL REVENUES</b>	<u>10,000</u>	<u>8,500</u>	<u>8,467</u>	<u>(33)</u>	<u>7,314</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public Safety	2,900	2,200	2,059	141	8,003
Capital Outlay	8,830	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>11,730</u>	<u>2,200</u>	<u>2,059</u>	<u>141</u>	<u>8,003</u>
<b>Net Change in Fund Balance</b>	(1,730)	6,300	6,408	108	(689)
Fund Balance - October 1	1,096	1,096	1,096	-	1,785
Fund Balance - September 30	<u>\$ (634)</u>	<u>\$ 7,396</u>	<u>\$ 7,504</u>	<u>\$ 108</u>	<u>\$ 1,096</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
STATE ASSET FORFEITURE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	<u>Budget Amounts</u>		<u>Actual 2012</u>	Variance With	<u>Actual 2011</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
<b>REVENUES</b>					
Fines and Forfeits	\$ 10,000	\$ 10,000	\$ 2,600	\$ (7,400)	\$ 19,703
Interest Income	-	-	2	2	3
<b>TOTAL REVENUES</b>	<u>10,000</u>	<u>10,000</u>	<u>2,602</u>	<u>(7,398)</u>	<u>19,706</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public Safety	10,000	10,000	2,410	7,590	289
<b>TOTAL EXPENDITURES</b>	<u>10,000</u>	<u>10,000</u>	<u>2,410</u>	<u>7,590</u>	<u>289</u>
<b>Net Change in Fund Balance</b>	-	-	192	192	19,417
Fund Balance - October 1	24,980	24,980	24,980	-	5,563
Fund Balance - September 30	<u>\$ 24,980</u>	<u>\$ 24,980</u>	<u>\$ 25,172</u>	<u>\$ 192</u>	<u>\$ 24,980</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
TRAFFIC SAFETY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<b>REVENUES</b>					
Fines and Forfeits	\$ 305,136	\$ 252,000	\$ 232,084	\$ (19,916)	\$ 284,200
Interest Income	50	50	1	(49)	4
<b>TOTAL REVENUES</b>	305,186	252,050	232,085	(19,965)	284,204
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public Safety	305,186	248,025	252,977	(4,952)	306,940
<b>TOTAL EXPENDITURES</b>	305,186	248,025	252,977	(4,952)	306,940
<b>Net Change in Fund Balance</b>	-	4,025	(20,892)	(24,917)	(22,736)
Fund Balance - October 1	56,522	56,522	56,522	-	79,258
Fund Balance - September 30	\$ 56,522	\$ 60,547	\$ 35,630	\$ (24,917)	\$ 56,522

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
HOTEL/MOTEL TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	<u>Budget Amounts</u>		<u>Actual 2012</u>	Variance With	<u>Actual 2011</u>
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)	
<b>REVENUES</b>					
Occupancy Tax	\$ 179,500	\$ 179,500	\$ 196,051	\$ 16,551	\$ 167,319
Interest Income	500	500	232	(268)	375
Miscellaneous Income	-	-	20	20	20
<b>TOTAL REVENUES</b>	<u>180,000</u>	<u>180,000</u>	<u>196,303</u>	<u>16,303</u>	<u>167,714</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Culture & Recreation	290,092	260,536	242,238	18,298	327,472
Capital Outlay	1,500	1,500	-	1,500	-
<b>TOTAL EXPENDITURES</b>	<u>291,592</u>	<u>262,036</u>	<u>242,238</u>	<u>19,798</u>	<u>327,472</u>
<b>Net Change in Fund Balance</b>	(111,592)	(82,036)	(45,935)	36,101	(159,758)
Fund Balance - October 1	<u>361,859</u>	<u>361,859</u>	<u>361,859</u>	-	521,617
Fund Balance - September 30	<u>\$ 250,267</u>	<u>\$ 279,823</u>	<u>\$ 315,924</u>	<u>\$ 36,101</u>	<u>\$ 361,859</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
CHILD SAFETY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<b>REVENUES</b>					
Fines and Forfeits	\$ 3,000	\$ 3,100	\$ 3,353	\$ 253	\$ 3,370
Interest Income	15	3	2	(1)	13
<b>TOTAL REVENUES</b>	3,015	3,103	3,355	252	3,383
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public Safety	1,500	1,500	1,354	146	8,423
<b>TOTAL EXPENDITURES</b>	1,500	1,500	1,354	146	8,423
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,515	1,603	2,001	398	(5,040)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Disposal of Assets	-	-	-	-	3,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-	3,000
<b>Net Change in Fund Balance</b>	1,515	1,603	2,001	398	(2,040)
Fund Balance - October 1	17,829	17,829	17,829	-	19,869
Fund Balance - September 30	\$ 19,344	\$ 19,432	\$ 19,830	\$ 398	\$ 17,829

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
IMPOUND FACILITY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	<u>Budget Amounts</u>		<u>Actual 2012</u>	Variance With Final Budget-	<u>Actual 2011</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
<b>REVENUES</b>					
Charges for Services	\$ 588,125	\$ 428,730	\$ 428,580	\$ (150)	\$ 572,260
Interest Income	100	15	16	1	90
<b>TOTAL REVENUES</b>	<u>588,225</u>	<u>428,745</u>	<u>428,596</u>	<u>(149)</u>	<u>572,350</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General Government	169,900	134,575	131,594	2,981	471,292
Capital Outlay	1,000	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>170,900</u>	<u>134,575</u>	<u>131,594</u>	<u>2,981</u>	<u>471,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>417,325</u>	<u>294,170</u>	<u>297,002</u>	<u>2,832</u>	<u>101,058</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer Out	<u>(417,325)</u>	<u>(294,165)</u>	<u>(294,165)</u>	<u>-</u>	<u>(214,108)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(417,325)</u>	<u>(294,165)</u>	<u>(294,165)</u>	<u>-</u>	<u>(214,108)</u>
<b>Net Change in Fund Balance</b>	-	5	<b>2,837</b>	2,832	(113,050)
Fund Balance - October 1	<u>111,831</u>	<u>111,831</u>	<u>111,831</u>	<u>-</u>	<u>224,881</u>
Fund Balance - September 30	<u>\$ 111,831</u>	<u>\$ 111,836</u>	<u>\$ 114,668</u>	<u>\$ 2,832</u>	<u>\$ 111,831</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
IMPOUND AUCTION FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	<u>Budget Amounts</u>		<b>Actual 2012</b>	Variance With Final Budget-	Actual 2011
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
<b>REVENUES</b>					
Charges for Services	\$ 210,330	\$ 129,800	\$ <b>129,730</b>	\$ (70)	\$ 236,030
Interest Income	100	25	<b>23</b>	(2)	971
<b>TOTAL REVENUES</b>	<u>210,430</u>	<u>129,825</u>	<u><b>129,753</b></u>	<u>(72)</u>	<u>237,001</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General Government	7,000	13,541	<b>14,539</b>	(998)	10,493
Capital Outlay	84,400	76,277	<b>76,277</b>	-	214,014
<b>TOTAL EXPENDITURES</b>	<u>91,400</u>	<u>89,818</u>	<u><b>90,816</b></u>	<u>(998)</u>	<u>224,507</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,030</u>	<u>40,007</u>	<u><b>38,937</b></u>	<u>(1,070)</u>	<u>12,494</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	-	-	-	-	83,848
Transfer Out	(119,030)	(40,000)	<b>(60,000)</b>	(20,000)	(74,304)
Proceeds from Disposal of Assets	-	-	-	-	17,104
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(119,030)</u>	<u>(40,000)</u>	<u><b>(60,000)</b></u>	<u>(20,000)</u>	<u>26,648</u>
<b>Net Change in Fund Balance</b>	-	7	<b>(21,063)</b>	(21,070)	39,142
Fund Balance - October 1	39,142	39,142	<b>39,142</b>	-	-
Fund Balance - September 30	<u>\$ 39,142</u>	<u>\$ 39,149</u>	<u><b>\$ 18,079</b></u>	<u>\$ (21,070)</u>	<u>\$ 39,142</u>

CITY OF BALCONES HEIGHTS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SECURITY AND TECHNOLOGY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011)

	Budget Amounts		Actual 2012	Variance With Final Budget- Positive (Negative)	Actual 2011
	Original	Final			
<b>REVENUES</b>					
Fines and Forfeits	\$ 22,600	\$ 16,500	\$ 16,320	\$ (180)	\$ 19,484
Interest Income	20	5	4	(1)	10
<b>TOTAL REVENUES</b>	22,620	16,505	16,324	(181)	19,494
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public Safety	21,996	34,300	33,900	400	15,526
Capital Outlay	-	-	-	-	690
<b>TOTAL EXPENDITURES</b>	21,996	34,300	33,900	400	16,216
<b>Net Change in Fund Balance</b>	624	(17,795)	(17,576)	(219)	3,278
Fund Balance - October 1	51,648	51,648	51,648	-	48,370
Fund Balance - September 30	\$ 52,272	\$ 33,853	\$ 34,072	\$ (219)	\$ 51,648

CITY OF BALCONES HEIGHTS, TEXAS  
STATISTICAL SECTION  
SEPTEMBER 30, 2012

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 NINE FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
<b>NET ASSETS</b>				
<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	2012
\$ 2,533,252	\$ 2,981,397	\$ 3,251,453	\$ 3,480,618	\$ 4,412,898
328,270	285,014	491,639	559,418	532,320
<u>3,302,167</u>	<u>3,029,187</u>	<u>3,124,305</u>	<u>2,925,252</u>	<u>2,652,072</u>
<u>\$ 6,163,689</u>	<u>\$ 6,295,598</u>	<u>\$ 6,867,397</u>	<u>\$ 6,965,288</u>	<u>\$ 7,597,290</u>
\$ 87,700	\$ 85,317	\$ 82,935	\$ 80,553	\$ 78,171
-	-	-	-	-
<u>165,648</u>	<u>91,278</u>	<u>64,799</u>	<u>78,455</u>	<u>64,914</u>
<u>\$ 253,348</u>	<u>\$ 176,595</u>	<u>\$ 147,734</u>	<u>\$ 159,008</u>	<u>\$ 143,085</u>
\$ 2,620,952	\$ 3,066,714	\$ 3,334,388	\$ 3,561,171	\$ 4,491,069
328,270	285,014	491,639	559,418	532,320
<u>3,467,815</u>	<u>3,120,465</u>	<u>3,189,104</u>	<u>3,003,707</u>	<u>2,716,986</u>
<u>\$ 6,417,037</u>	<u>\$ 6,472,193</u>	<u>\$ 7,015,131</u>	<u>\$ 7,124,296</u>	<u>\$ 7,740,375</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
<i>Governmental Activities:</i>				
General Government	\$ 846,942	\$ 697,119	\$ 703,850	\$ 871,185
Public Safety	1,512,513	1,832,246	1,957,249	2,157,766
Public Works	140,260	148,637	256,804	153,150
Health and Welfare	14,500	12,039	12,000	12,000
Culture and Recreation	136,306	190,392	184,110	267,544
Capital Outlay	93,551	831,189	-	44,483
Interest on Long-Term Debt	134,507	124,547	111,721	136,114
<i>Total Governmental Activities Expenses</i>	<u>2,878,579</u>	<u>3,836,169</u>	<u>3,225,734</u>	<u>3,642,242</u>
 <i>Business-Type Activities:</i>				
Wastewater	282,302	364,146	376,964	356,735
<i>Total Business-Type Activities Expenses</i>	<u>282,302</u>	<u>364,146</u>	<u>376,964</u>	<u>356,735</u>
<b>Total Primary Government Expenses</b>	<u><u>\$ 3,160,881</u></u>	<u><u>\$ 4,200,315</u></u>	<u><u>\$ 3,602,698</u></u>	<u><u>\$ 3,998,977</u></u>
 <b>Program Revenues</b>				
<i>Governmental Activities:</i>				
Charges for Service:				
General Government	\$ 111,294	\$ 54,056	\$ 61,975	\$ 55,756
Public Safety	271,372	241,361	317,505	726,540
Public Works	8,229	6,125	1,679	2,800
Culture and Recreation	4,628	4,580	5,066	5,415
Operating Grants and Contributions	54,429	121,194	40,464	85,255
Capital Grant and Contributions	-	530,691	78,900	408,425
<i>Total Governmental Activities Program Revenues</i>	<u>449,952</u>	<u>958,007</u>	<u>505,589</u>	<u>1,284,191</u>
 <i>Business-Type Activities:</i>				
Charges for Service:				
Wastewater	326,376	387,970	430,027	399,160
<i>Total Business-Type Activities Program Revenues</i>	<u>326,376</u>	<u>387,970</u>	<u>430,027</u>	<u>399,160</u>
<b>Total Primary Government Program Revenues</b>	<u><u>\$ 3,487,257</u></u>	<u><u>\$ 4,588,285</u></u>	<u><u>\$ 4,032,725</u></u>	<u><u>\$ 4,398,137</u></u>

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

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

Fiscal Year				
2008	2009	2010	2011	2012
\$ 1,230,688	\$ 1,156,651	\$ 753,441	\$ 911,411	\$ 1,000,171
2,508,393	3,050,580	3,856,095	4,156,989	4,096,781
218,044	330,237	241,882	331,523	244,048
12,000	12,000	14,949	20,423	13,354
291,314	309,416	277,075	344,481	256,667
80,264	20,604	39,460	61,052	-
129,072	109,770	89,193	82,651	58,525
<u>4,469,775</u>	<u>4,989,258</u>	<u>5,272,095</u>	<u>5,908,530</u>	<u>5,669,546</u>
<u>340,655</u>	<u>376,660</u>	<u>410,710</u>	<u>404,744</u>	<u>458,527</u>
<u>340,655</u>	<u>376,660</u>	<u>410,710</u>	<u>404,744</u>	<u>458,527</u>
<u>\$ 4,810,430</u>	<u>\$ 5,365,918</u>	<u>\$ 5,682,805</u>	<u>\$ 6,313,274</u>	<u>\$ 6,128,073</u>
\$ 157,775	\$ 98,040	\$ 173,610	\$ 219,926	\$ 156,698
986,414	1,287,773	2,224,942	2,329,625	1,919,566
3,920	450	1,034	1,250	11,806
8,355	12,330	7,720	6,852	5,335
1,895	1,990	37,470	8,909	-
49,686	281,080	75,763	5,000	404,886
<u>1,208,045</u>	<u>1,681,663</u>	<u>2,520,539</u>	<u>2,571,562</u>	<u>2,498,291</u>
<u>383,695</u>	<u>391,671</u>	<u>381,841</u>	<u>416,003</u>	<u>442,596</u>
<u>383,695</u>	<u>391,671</u>	<u>381,841</u>	<u>416,003</u>	<u>442,596</u>
<u>\$ 5,194,125</u>	<u>\$ 5,757,589</u>	<u>\$ 6,064,646</u>	<u>\$ 6,729,277</u>	<u>\$ 6,570,669</u>

CITY OF BALCONES HEIGHTS, TEXAS  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS (CONTINUED)

	Fiscal Year			
	2004	2005	2006	2007
<b>Net (Expenses) Revenues</b>				
Governmental Activities	\$(2,428,627)	\$(2,878,162)	\$(2,720,145)	\$(2,358,051)
Business-Type Activities	44,074	23,824	53,063	42,425
<b>Total Primary Government Net (Expenses) Revenues</b>	<u>(2,384,553)</u>	<u>(2,854,338)</u>	<u>(2,667,082)</u>	<u>(2,315,626)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
<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>
<b>Change in Net Assets</b>				
Governmental Activities	403,781	27,354	724,185	1,210,372
Business-Type Activities	48,347	36,832	78,661	75,500
<i>Total Primary Government</i>	<u>\$ 452,128</u>	<u>\$ 64,186</u>	<u>\$ 802,846</u>	<u>\$ 1,285,872</u>

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

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

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

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

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

*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	2012
\$ 2,992	\$ 2,100	\$ 27,706	\$ 335	\$ -
-	144,296	125,110	105,939	86,754
<u>2,992</u>	<u>146,396</u>	<u>152,816</u>	<u>106,274</u>	<u>86,754</u>
379,067	326,069	275,880	267,192	275,315
238,243	231,914	235,671	129,006	115,587
688,959	455,515	395,054	255,920	229,170
-	23,672	143,919	150,973	132,747
111,521	68,505	174,394	112,135	103,628
58,079	32,612	79,258	56,522	35,630
-	-	-	-	6,782
<u>1,475,869</u>	<u>1,138,287</u>	<u>1,304,176</u>	<u>971,748</u>	<u>898,859</u>
1,085,206	1,181,435	1,183,682	1,304,632	972,119
<u>247,253</u>	<u>262,333</u>	<u>263,363</u>	<u>279,455</u>	<u>294,767</u>
<u>1,332,459</u>	<u>1,443,768</u>	<u>1,447,045</u>	<u>1,584,087</u>	<u>1,266,886</u>
<u>940,660</u>	<u>706,017</u>	<u>933,154</u>	<u>1,114,991</u>	<u>1,250,811</u>
<u>\$ 3,751,980</u>	<u>\$ 3,434,468</u>	<u>\$ 3,837,191</u>	<u>\$ 3,777,100</u>	<u>\$ 3,503,310</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues</b>				
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
<b>Total Revenues</b>	<u>3,288,634</u>	<u>3,862,955</u>	<u>4,154,046</u>	<u>4,855,518</u>
<b>Expenditures</b>				
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	-	-	-	-
<b>Total Expenditures</b>	<u>3,182,616</u>	<u>4,436,379</u>	<u>4,187,146</u>	<u>4,438,241</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>106,018</u>	<u>(573,424)</u>	<u>(33,100)</u>	<u>417,277</u>
<b>Other Financing Sources (Uses)</b>				
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	-	-	-	-
Contributions for Capital Outlay	-	-	-	-
Proceeds of Long-Term Financing	168,022	-	791,698	-
Payments to Refund Agent	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>168,592</u>	<u>-</u>	<u>791,698</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<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	2012
\$ 3,396,284	\$ 3,231,593	\$ 3,238,770	\$ 3,357,928	\$ 3,590,005
135,113	74,074	141,558	173,175	128,798
51,581	283,070	113,233	13,909	202,027
257,443	351,861	870,482	906,263	648,845
763,907	972,658	1,395,266	1,478,215	1,315,761
100,442	16,888	4,813	3,568	2,854
92,746	101,381	77,496	73,486	178,633
<u>4,797,516</u>	<u>5,031,525</u>	<u>5,841,618</u>	<u>6,006,544</u>	<u>6,066,923</u>
-	-	-	-	-
1,219,301	1,120,597	739,080	907,593	984,644
2,313,565	2,867,116	3,641,037	3,905,118	3,886,039
149,612	299,351	172,519	257,423	178,145
26,548	17,119	14,949	20,423	13,354
280,725	299,253	264,784	333,613	248,751
388,289	436,818	218,954	219,704	947,137
258,763	284,652	322,298	281,725	293,000
126,622	127,420	65,274	64,140	44,377
-	27,492	-	27,345	-
<u>4,763,425</u>	<u>5,479,818</u>	<u>5,438,895</u>	<u>6,017,084</u>	<u>6,595,447</u>
<u>34,091</u>	<u>(448,293)</u>	<u>402,723</u>	<u>(10,540)</u>	<u>(528,524)</u>
1,097,681	483,135	324,909	566,412	630,635
(491,681)	(391,054)	(324,909)	(566,412)	(630,635)
-	-	-	23,104	51,875
-	-	-	-	202,859
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>254,734</u>
<u>\$ 800,043</u>	<u>\$ (317,512)</u>	<u>\$ 402,723</u>	<u>\$ (60,091)</u>	<u>\$ (273,790)</u>
8.81%	8.72%	7.42%	6.38%	5.97%

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

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

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

Source: State Comptroller

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

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

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2003	\$ 585,053	\$ 579,456	99.0%	3,215	\$ 582,671	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%	5,131	931,014	99.8%
2007	977,009	970,513	99.3%	3,311	973,824	99.7%
2008	1,040,807	1,036,119	99.5%	4,535	1,040,654	100.0%
2009	1,096,650	1,093,231	99.7%	3,208	1,096,439	100.0%
2010	1,127,647	1,121,762	99.5%	5,637	1,127,399	100.0%
2011	1,154,886	1,150,015	99.6%	4,096	1,154,111	99.9%
2012	1,176,278	1,167,814	99.3%	-	1,167,814	99.3%

CITY OF BALCONES HEIGHTS, TEXAS  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST NINE 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
2012	0.541586	0.030613	0.572199	1.402900	1.307600	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 EIGHT FISCAL YEARS  
 (UNAUDITED)

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

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	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Methodist Healthcare System	\$ 39,916,900	1	19.42%	N/A	N/A	N/A
Target Corporation	17,390,340	2	8.46%	N/A	N/A	N/A
Crossroads Mall Partners, LTD	15,342,489	3	7.46%	N/A	N/A	N/A
Williams Bros Construction Co.	8,412,130	4	2.77%	N/A	N/A	N/A
SFP Apartments, LLC	5,906,990	5	2.87%	N/A	N/A	N/A
IH-10 Heart Plaza, Ltd.	5,700,000	6	4.09%	N/A	N/A	N/A
Savings Square Partners, LTD	5,390,054	7	2.62%	N/A	N/A	N/A
Hallmark Apartments, Ltd.	4,941,450	8	2.40%	N/A	N/A	N/A
Leon Springs Associates, LLC	3,722,960	9	1.81%	N/A	N/A	N/A
Duke Charles W. Trustee	3,566,390	10	1.73%	N/A	N/A	N/A
Total	<u>\$ 110,289,703</u>		<u>53.65%</u>	N/A	N/A	N/A
Total Taxable Assessed Value	<u>\$ 205,571,553</u>					

Source: Bexar Appraisal District

Data for 2012 was based on 2011 Certified Totals

Data for 2003 was not available.

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

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

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 NINE FISCAL YEARS  
 (UNAUDITED)

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value		<u>\$ 205,571,553</u>
*Debt limit (10% of assessed value)		20,557,155
Outstanding Debt	\$ 1,043,000	
Less: amount set aside for repayment of general obligation debt	<u>(115,587)</u>	
Total net debt applicable to limit		<u>(927,413)</u>
 Economic Debt Margin		 <u><u>\$ 19,629,742</u></u>

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 20,557,155
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>	<u>(927,413)</u>
Legal Debt Margin	<u><u>\$ 10,723,523</u></u>	<u><u>\$ 13,616,587</u></u>	<u><u>\$ 14,336,021</u></u>	<u><u>\$ 16,237,477</u></u>	<u><u>\$ 18,850,402</u></u>	<u><u>\$ 20,550,117</u></u>	<u><u>\$ 20,635,181</u></u>	<u><u>\$ 19,448,396</u></u>	<u><u>\$ 19,629,742</u></u>

*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 NINE FISCAL YEARS  
 (UNAUDITED)

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

*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	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland AFB	37,097	1	3.66%	N/A	N/A	N/A
Fort Sam Houston	32,000	2	3.16%	N/A	N/A	N/A
USAA	15,000	3	1.48%	N/A	N/A	N/A
HEB Food Stores	14,588	4	1.44%	N/A	N/A	N/A
Northside ISD	12,751	5	1.26%	N/A	N/A	N/A
Randolph AFB	11,068	6	1.09%	N/A	N/A	N/A
North East ISD	10,522	7	1.04%	N/A	N/A	N/A
City of San Antonio	9,145	8	0.90%	N/A	N/A	N/A
Methodist Healthcare System	7,747	9	0.77%	N/A	N/A	N/A
San Antonio ISD	7,000	10	0.69%	N/A	N/A	N/A
Total	<u>156,918</u>		<u>15.49%</u>	N/A	N/A	N/A

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

*Source: San Antonio Economic Development Foundation*

*Data for 2003 was not available.*

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

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

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 NINE FISCAL YEARS  
 (UNAUDITED)

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

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

*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, 2012, which collectively comprise the City of Balcones Heights, Texas' basic financial statements and have issued our report thereon dated January 10, 2013. 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*.

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.

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

Armstrong, Vaughan & Associates, P.C.

January 10, 2013

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