

The City of Harker Heights, Texas
ANNUAL COMPREHENSIVE
FINANCIAL REPORT



FISCAL YEAR ENDING SEPTEMBER 30, 2021



**CITY OF HARKER HEIGHTS
TEXAS**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021**

**PREPARED BY THE
FINANCE DEPARTMENT**

**Ayesha Lealiiee
Finance Director**



CITY OF HARKER HEIGHTS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

	Page #
INTRODUCTORY SECTION	
Transmittal Letter	1
GFOA Certificate of Achievement.....	5
Organizational Chart.....	6
Principal Officials	7
FINANCIAL SECTION	
Independent Auditors' Report.....	8
Management's Discussion and Analysis	10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Position – Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Notes to the Financial Statements	36
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	68
Notes to Budgetary Information	70
Schedule of Changes in Net Pension Liability and Related Ratios.....	71
Schedule of Contributions	73
Schedule of Changes in Other Post-Employment Benefit (OPEB) Liability and Related Ratios – Supplemental Death.....	75
Schedule of Contributions	76
Schedule of Changes in Other Post-Employment Benefit (OPEB) Liability and Related Ratios – Health Benefits.....	77

Required Supplementary Information (continued):

Schedule of Contributions 78

Combining and Individual Nonmajor Fund Statements and Schedules:

Combining Financial Statements – Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Governmental Funds 79

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – Nonmajor Governmental Funds 80

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Debt Service Fund 81

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Hotel/Motel (Special Revenue) Fund 82

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Restricted Court (Special Revenue) Fund 83

Capital Assets Used in the Operation of Governmental Funds:

Comparative Schedules by Source 84

Schedule by Function and Activity 85

Schedule of Changes by Function and Activity 87

STATISTICAL SECTION (UNAUDITED)

Financial Trends:

Net Position by Component 88

Changes in Net Position 90

General Government Tax Revenues by Source 94

Fund Balances, Governmental Funds 95

Changes in Fund Balances, Governmental Funds 97

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property 99

Direct and Overlapping Property Tax Rates 100

Principal Taxpayers 101

Property Tax Levies and Collections 102

Municipal Sales Tax History 103

Own Source Revenues, Special Assessment Billings and Collections 104

Debt Capacity:

Ratios of Outstanding Debt by Type 105

Ratios of General Bonded Debt Outstanding 106

Computation of Direct and Overlapping Bonded Debt 107

STATISTICAL SECTION (UNAUDITED) (continued)

Debt Capacity: (continued)

Computation of Self-Supporting Drainage System Debt 108

Legal Debt Margin Information 109

Pledged - Revenue Coverage 110

Interest and Sinking Fund Budget Projections 111

Authorized but Unissued Unlimited Tax Bonds 112

Tax Adequacy 113

Demographic and Economic Information:

Demographic and Economic Statistics 114

Principal Employers 115

Principal Water Customers 116

Property Value, Construction and Bank Deposits 117

Operating Information:

Full-Time Equivalent City Employees by Function/Program 118

Operating Indicators by Function/Program 119

Capital Assets by Function/Program 120

Water Usage (Gallons) 121

COMPLIANCE SECTION

Independent Auditors' 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* 122



INTRODUCTORY SECTION





The City of Harker Heights
305 Miller's Crossing
Harker Heights, Texas 76548
Phone 254/953-5600
Fax 254/953-5614

Mayor
Spencer H. Smith

Mayor Pro Tem
Jennifer McCann

City Council
Michael Blomquist
Jackeline Soriano Fountain
Lynda Nash
Sam Halabi

March 22, 2022

To the Honorable Mayor, Members of the City Council and Citizens of the City of Harker Heights:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP). Pursuant to that requirement, we hereby issue the annual comprehensive financial report (financial report) of the City of Harker Heights for the fiscal year ended September 30, 2021.

This report consists of management's representations concerning the finances of the City of Harker Heights. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2021. 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 letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Harker Heights, incorporated in 1960, is located in Bell County on U.S. Highway 190/Interstate 14, approximately twelve miles west of Interstate 35, between Belton and Killeen. The City currently occupies a land area of 15.7 square miles and serves a population of approximately 34,383. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Harker Heights is a home rule City which operates under a Council-Manager form of government. All powers of the City are vested in the elected Council which consists of a Mayor and five council members; one of which is elected to serve as Mayor Protem. The City Council enacts local legislation, adopts budgets, determines policies, and employs the City Manager. The City Manager is responsible for executing the laws and administering the government of the City.

The City of Harker Heights provides a full range of services, including police, fire and EMS protection, the construction and maintenance of streets and other infrastructures, licenses and permits, library services, recreational activities and cultural events. Sanitation services are contracted out to a private company. Water, sewer, and drainage utility services are provided through legally separate Utility and Drainage Utility Funds, which function, in essence, as a department of the City and therefore have been included as an integral part of the City of Harker Heights’ financial statements.

Per City Charter, the City Council is required to adopt a final budget for the upcoming fiscal year, which begins October 1, no later than September 27. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Each department within the City is required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget to present to the City Council for approval. Once the budget is approved, department heads may make transfers of appropriations within their department.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 31-32 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 85.

Local Economy

In the last ten years, the average unemployment rate for the City of Harker Heights has fallen from 7.2% in 2012 to an average rate of 5.9% in 2021. The unemployment rate in 2020 was 6.8%, 0.9% higher than the current year’s average. In comparison, Bell County’s 2021 average unemployment rate is 6.1% and the State of Texas’ rate is 6.0%, both slightly higher than the City’s. During the period of 2012 to 2021, the lowest rate was 3.7% in 2019.

A basic growth indicator of a community is the value of building permits. The following chart shows the value of building permits issued by category for each of the past two fiscal years:

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)
Fence	\$ 1,005,273	\$ 1,142,274	\$ (137,001)
Home improvement / other	24,880,738	21,204,045	3,676,693
New commercial	10,878,006	1,256,750	9,621,256
New residential	39,251,858	28,425,038	10,826,820
Plumbing	344,382	175,652	168,730
Total	\$ 76,360,257	\$ 52,203,759	\$ 24,156,498

New residential permits have increased by \$10.8 million in value with additional homes going in the Cedarbrook Ridge subdivision. New commercial permits also increased and include a four-story hotel, a RV park, and an entertainment center. An overall increase in permit valuations of \$24.2 million reflects a thriving economy for the City.

Due to its “adequate economy with a local stabilizing institutional influence”, the City of Harker Heights has maintained a credit rating of “AA” from Standard & Poor’s since 2012. An “AA” rating is the second highest bond rating given and reflects the city’s very strong capacity to meet its financial commitments on the obligation.

During the past ten years, the City’s expenditures related to public safety have increased by 34.1%. Much of this increase reflects the trend of increased salaries and benefits for police and firefighters. As a percentage of total expenditures in governmental funds, the public safety expenditures are at 48.1%.

In fiscal year 2021, grants and contributions consisted of 41.5% of the governmental activities program revenues received by the City of Harker Heights. In comparison to total governmental revenues, grants and contributions were 5.7% and charges for services were 8.0% of revenues received.

Long-Term Financial Planning

The fiscal year 2022 Capital Improvement Program anticipates \$14.2 million in capital projects. \$4.8 million of this is for drainage projects, \$4.1 million is for street projects, \$2.9 million is for wastewater projects, and \$1.3 million is for sidewalk projects. The remainder of program funding is for water projects, building projects and park projects. Funding for these capital projects will come from transfers in from other funds (\$4.2 million), previous bond issuances (\$3.0 million), Coronavirus State and Local Fiscal Recovery (American Relief Plan Act) funds (\$3.8 million), and fund balance remaining in the Capital Projects Fund.

In accordance with Chapter 395 of the Texas Local Government Code, a Capital Improvement Advisory Committee (CIAC) was created in 2021. The CIAC is currently overseeing the City's 2022 Wastewater Impact Fee study. With the guidance of an outside consulting firm, the CIAC will make recommendations to the City Council of an impact fee for wastewater facilities in the service basin along FM 2410 east of Warrior's Path.

Relevant Financial Policies

Reserve requirements for the General and Utility Funds are three months of operating expenses. The general fund had seven and a half months fund balance or 66.5% of operating expenditures. This was due to a change in the policy of posting sales tax payments to the month reported instead of the month the City received it. The utility fund had four months fund balance or 34.5% of operating expenses.

Major Initiatives

During the 2021 fiscal year, the City of Harker Heights, much like many local and other governments, received funding from the American Relief Plan Act known as the Coronavirus State and Local Fiscal Recovery Funds. This funding is restricted in use and management has worked diligently to formulate a plan regarding City infrastructure and future planning. As mentioned above, \$3.8 million is anticipated to be spent on capital projects which encompasses water, wastewater, and drainage projects. These projects will strengthen the City's infrastructure as the city continues to grow.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Harker Heights for its annual comprehensive financial report (financial report) for the fiscal year ended September 30, 2020. This was the twenty-seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized financial report that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current financial report continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2020. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Both the financial report and the budget document can be found on the City of Harker Heights' website at www.harkerheights.gov.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Harker Heights' finances.

Respectfully submitted,



David R. Mitchell
City Manager



Ayesha Lealiiee
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

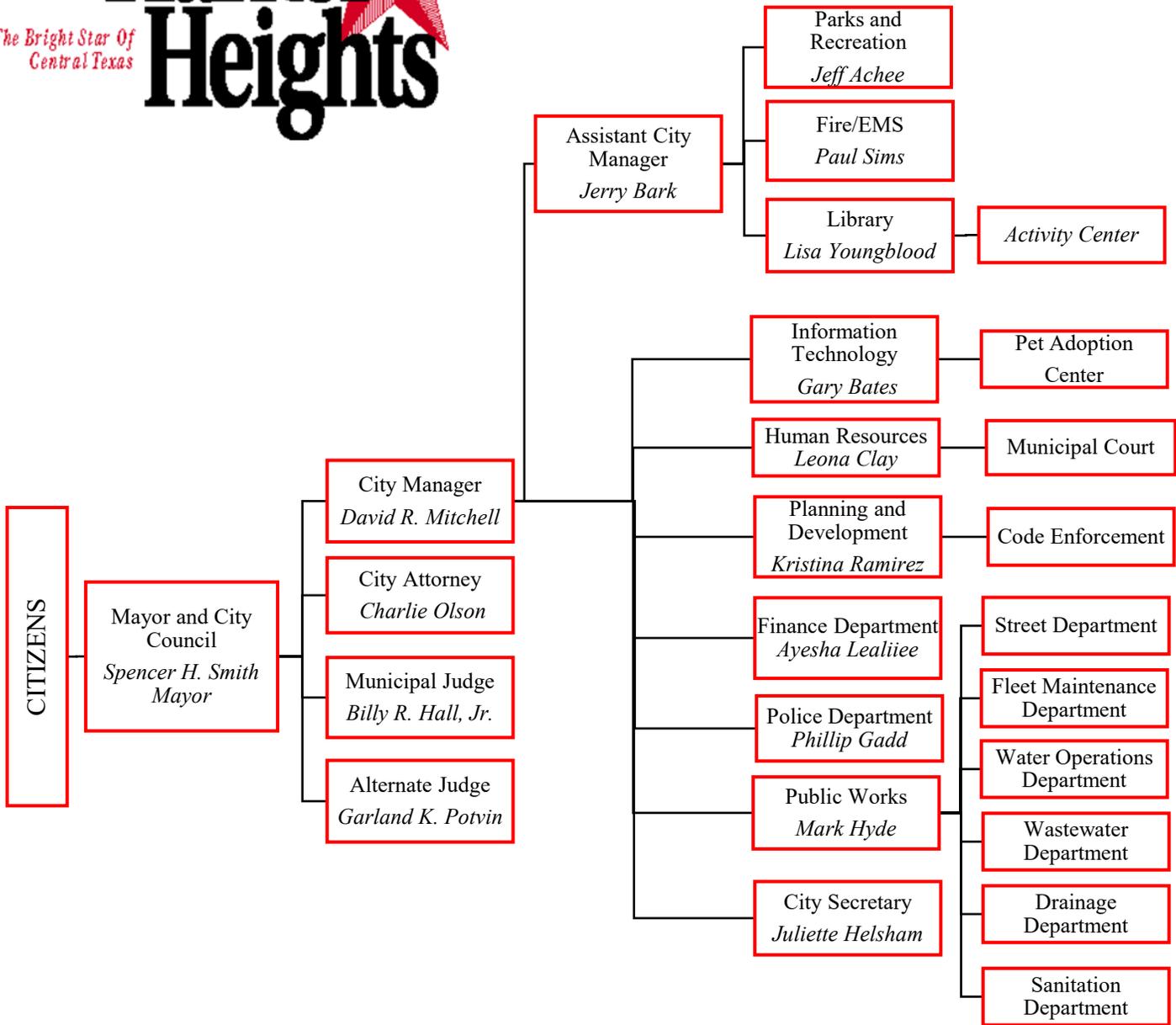
**City of Harker Heights
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO



Commissions and Boards are appointed yearly by the City Council and include a Department Representative:

- Economic Development Board – City Manager
- Animal Advisory Committee – Pet Adoption Center
- Library Board – Library
- Parks and Recreation Advisory Board – Parks and Recreation Department
- Public Safety Commission – Police Department
- Zoning Board of Adjustments – Planning and Development Department
- Planning and Zoning Commission/Building and Standards Commission – Planning and Development Department

**CITY OF HARKER HEIGHTS
LIST OF PRINCIPAL OFFICIALS**

CITY COUNCIL

Spencer H. Smith..... Mayor
Jennifer McCann..... Mayor Protem
Michael Blomquist..... Council Member
Jackeline Soriano Fountain Council Member
Lynda Nash Council Member
Sam Halabi..... Council Member

APPOINTED OFFICIALS

David R. Mitchell..... City Manager
Jerry Bark Assistant City Manager
Juliette Helsham City Secretary
Billy R. Hall, Jr. City Judge
Leona Clay Human Resource Director
Ayesha Lealiiee Finance Director
Phillip Gadd Police Chief
Kristina Ramirez Development & Planning Director
Paul Sims..... Fire Chief
Lisa Youngblood..... Library Director
Jeffrey Achee..... Parks & Recreation Director
Mark Hyde Public Works Director



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Harker Heights, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Harker Heights, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Harker Heights, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 from material misstatement.

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 Harker Heights, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harker Heights, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022, on our consideration of the City of Harker 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 and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Harker Heights, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 22, 2022

As management of the City of Harker Heights, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Harker Heights for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars, and include a comparative analysis of government-wide data.

Financial Highlights

- The assets and deferred outflows of the City of Harker Heights exceeded its liabilities and deferred inflows at the close of the fiscal year ending September 30, 2021 by \$90.9 million (*net position*). Of this amount, \$0.8 million is restricted and \$16.4 million is unrestricted net position.
- The City's total net position increased by over \$9.3 million for the year ended September 30, 2021. There was a \$9.8 million increase in current assets which includes cash, investments, and receivables.
- As of September 30, 2021, the City of Harker Heights' governmental funds reported combined ending fund balances of \$23.1 million, an increase of \$4.0 million in comparison with the prior year. This increase is due to significant increases in property and other tax revenues. Of the governmental fund's reported combined fund balances, \$14.5 million or 63 percent is available for spending within the City's guidelines (*unassigned fund balance*).
- Residential growth overall has seen an increase in numbers and in valuation. Single family permits increased by 3 permits and had an increase in value of \$10.8 million. Two family residential (duplex) permits decreased by 1 permit and had an increase in value of \$1.4 million. New commercial permits increased by 2 permits and increased in value by \$9.6 million due in part to the start of construction on a new four-story hotel and a new entertainment center.
- The City has strong liquidity providing for very strong cash levels as well as good management and financial policies and practices. In fiscal year 2006, the City Council approved reserve requirements of three months operating expenses in the General Fund providing for strong budgetary flexibility and strong budgetary performance. At the end of fiscal year 2021, the General Fund had a \$14.5 million unassigned fund balance which equates to over seven months of operating fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Harker Heights' basic financial statements. The City of Harker Heights' basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Harker Heights' finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Harker Heights' assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Harker Heights is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Harker Heights that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Harker Heights include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Harker Heights include a Water and Sewer Fund, Sanitation Fund, and Drainage Utility Fund.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Harker Heights, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Harker Heights can be divided into two categories: governmental and proprietary funds.

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 26-30 of this report.

Proprietary funds. The City of Harker Heights maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Harker Heights maintains three individual enterprise funds: water and sewer, sanitation, and drainage utility. These funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, sanitation, and drainage utility.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Harker Heights' progress in funding its obligation to provide pension benefits to its employees and to provide other postemployment benefits for its employees. Required supplementary information can be found on pages 68-78 of this report.

The City of Harker Heights adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other postemployment benefits. Combining and individual fund statements and schedules can be found on pages 79-83 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Harker Heights, assets and deferred outflows exceeded liabilities and deferred inflows by \$90.9 million at the close of the most recent fiscal year.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 30,083	\$ 21,368	\$ 6,889	\$ 5,819	\$ 36,972	\$ 27,187
Capital assets	67,648	68,218	48,343	48,987	115,991	117,205
Total assets	97,731	89,586	55,232	54,806	152,963	144,392
Deferred outflows of resources	1,883	1,933	351	394	2,234	2,327
Liabilities						
Other liabilities	5,998	2,268	456	458	6,454	2,726
Long-term liabilities	38,031	40,554	17,804	19,751	55,835	60,305
Total liabilities	44,029	42,822	18,260	20,209	62,289	63,031
Deferred inflows of resources	1,823	1,930	141	148	1,964	2,078
Net position:						
Net investment in capital assets	42,223	37,854	31,490	33,061	73,713	70,915
Restricted	769	622	29	48	798	670
Unrestricted	10,769	8,290	5,663	1,734	16,432	10,024
Total net position	\$ 53,761	\$ 46,766	\$ 37,182	\$ 34,843	\$ 90,943	\$ 81,609

A portion of the City of Harker Heights' net position (0.9 percent) represents resources that are subject to external restrictions on how they may be used.

An additional portion of the City of Harker Heights' net position (81 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Harker Heights uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Harker Heights' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total net position for the City of Harker Heights reflects a \$9.3 million increase. Key elements of this increase are as follows:

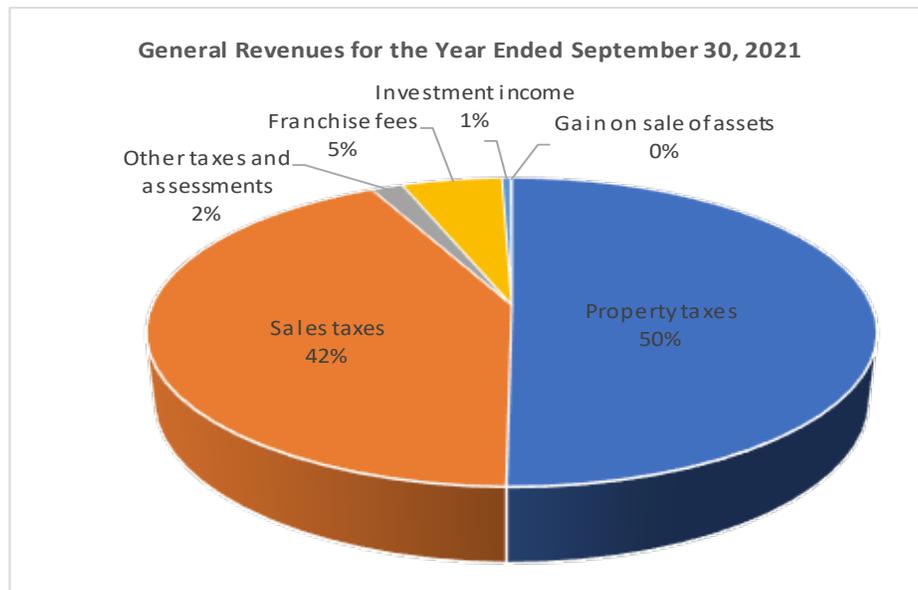
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 3,064	\$ 2,408	\$ 13,659	\$ 13,633	\$ 16,723	\$ 16,041
Operating grants and contributions	1,108	1,569	29		1,137	1,569
Capital grants and contributions		1,125				1,125
General revenues:						
Property taxes	13,261	12,281			13,261	12,281
Sales taxes	11,194	7,733			11,194	7,733
Other taxes	265	236			265	236
Franchise fees	1,389	1,378	176	197	1,565	1,575
Investment earnings	120	491	19	40	139	531
Miscellaneous	173				173	
Gain on sale of assets	16	3			16	3
Total revenues	<u>30,590</u>	<u>27,224</u>	<u>13,883</u>	<u>13,870</u>	<u>44,473</u>	<u>41,094</u>
Expenses:						
General government	4,406	4,528			4,406	4,528
Public safety	13,609	14,107			13,609	14,107
Highways and streets	2,171	1,799			2,171	1,799
Culture and recreation	3,209	2,967			3,209	2,967
Economic development	410	398			410	398
Interest on long-term debt	911	1,118			911	1,118
Water and sewer			7,927	7,919	7,927	7,919
Sanitation			2,128	2,057	2,128	2,057
Drainage			367	398	367	398
Total expenses	<u>24,716</u>	<u>24,917</u>	<u>10,422</u>	<u>10,374</u>	<u>35,138</u>	<u>35,291</u>
Increase (decrease) in net position before transfers	<u>5,874</u>	<u>2,307</u>	<u>3,461</u>	<u>3,496</u>	<u>9,335</u>	<u>5,803</u>
Transfers	1,121	875	(1,121)	(875)		
Increase (decrease) in net position	<u>6,995</u>	<u>3,182</u>	<u>2,340</u>	<u>2,621</u>	<u>9,335</u>	<u>5,803</u>
Net position - beginning	46,766	43,584	34,842	32,222	81,608	75,806
Net position - ending	<u>\$ 53,761</u>	<u>\$ 46,766</u>	<u>\$ 37,182</u>	<u>\$ 34,843</u>	<u>\$ 90,943</u>	<u>\$ 81,609</u>

Governmental activities. The City's general revenues increased when compared to the prior year by \$4.3 million. This increase can be attributed to strong economic growth and major increases, as shown in Table 3 below, are in sales taxes (\$3.5 million) and property taxes (\$980). A decrease of \$371 is shown in investment income as interest rates remained low during the fiscal year.

Table 3
General Revenues Comparison
(in thousands)

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 13,261	\$ 12,281	\$ 980
Sales taxes	11,194	7,733	\$ 3,461
Other taxes and assessments	438	236	\$ 202
Franchise fees	1,389	1,378	\$ 11
Investment income	120	491	\$ (371)
Gain on sale of assets	16	3	\$ 13
Total governmental activities	\$ 26,418	\$ 22,122	\$ 4,296

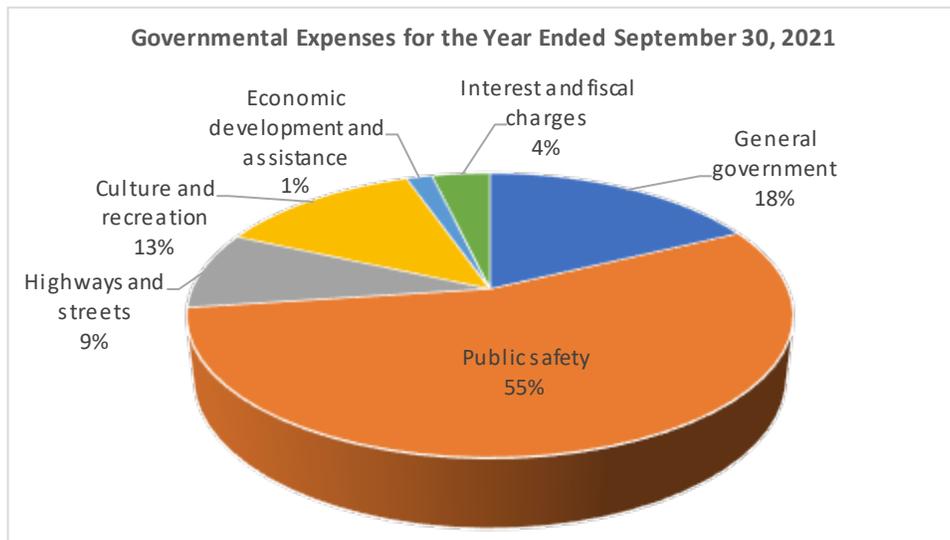


The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$13.6 million. These expenses were offset by revenues collected from a variety of sources, with the largest consisting of property taxes which are \$13.3 million, sales tax revenues of \$11.2 million, franchise fees of \$1.4 million and court fines of \$1.6 million for the fiscal year ended September 30, 2021. The major components of public safety are Police and Fire / Emergency Medical Services (EMS). Police accounted for \$6.6 million in public safety expense of which \$5.4 million was incurred for salary and benefits. Fire / EMS accounted for \$5.0 million in public safety expense, of which \$4.4 million was incurred for salary and benefits.

The City's general expenses decreased by \$201 when compared to the prior year. This decrease was due to the following occurring during the 2020 fiscal year: (1) an ambulance was purchased (\$213), final payment of a fire truck lease (\$100), and police equipment purchases with grant funds to include a throw phone and total station (\$55). The increase of \$242 in culture and recreation is primarily due to City sponsored events and activities getting back on track as the pandemic eases up. Utilities, supplies, and maintenance of facilities are all required to provide the quality programs our citizens expect. With the streets still in need of repair after Winter Storm Uri, the highways and streets expenses have increased by \$372 in order to provide patches for those streets waiting for repair and to fix those that are being repaired in-house.

Table 4
Governmental Expenses by Activity
 (in thousands)

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)
Governmental activities:			
General government	\$ 4,406	\$ 4,528	\$ (122)
Public safety	13,609	14,107	\$ (498)
Highways and streets	2,171	1,799	\$ 372
Culture and recreation	3,209	2,967	\$ 242
Economic development and assistance	410	398	\$ 12
Interest and fiscal charges	911	1,118	\$ (207)
Total governmental activities	<u>\$ 24,716</u>	<u>\$ 24,917</u>	<u>\$ (201)</u>

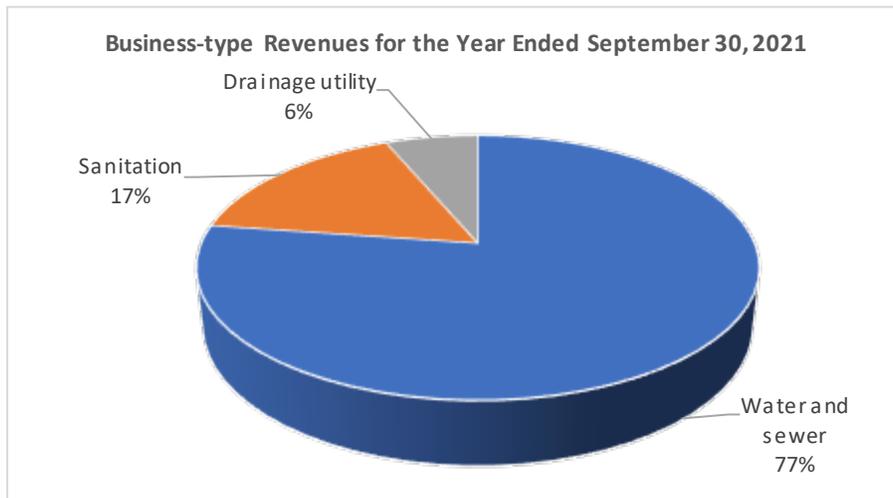


Business-type activities. Business-type activities increased the City of Harker Heights' net position by \$2.3 million. Revenues of the City's business-type activities were \$13.7 million for the fiscal year ended September 30, 2021.

Water and sewer rates were not increased for Fiscal Year 2020-2021 and the City saw a slight decrease from fiscal year 2020 in water and sewer income of \$53. Sanitation revenues saw an increase of \$66 with no rate increase for residential garbage pickup. Drainage utility income saw an increase of \$13 and there was no rate increase in this flat monthly fee.

Table 5
Business-type Revenues Comparison
(in thousands)

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)
Business-type activities:			
Water and sewer	\$ 10,553	\$ 10,606	\$ (53)
Sanitation	2,239	2,173	66
Drainage utility	867	854	13
Total business-type activities	<u>\$ 13,659</u>	<u>\$ 13,633</u>	<u>\$ 26</u>

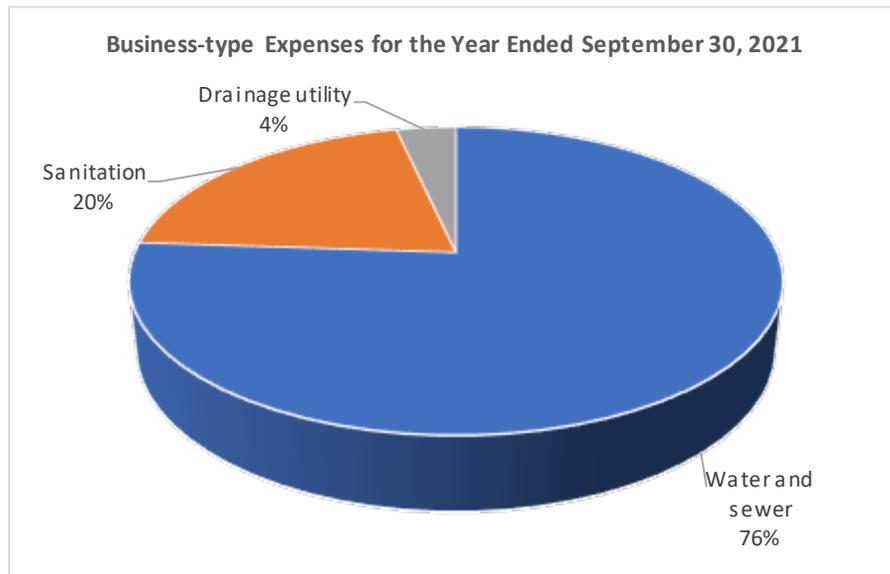


Expenses for the City's business-type activities were \$10.4 million for the year, resulting in net revenues of \$3.2 million and an increase in net position of \$2.3 million. The changes in net position are the result of several factors, including the following:

- In the water and sewer system, the City recorded charges for services of \$10.6 million. The most significant expenses were \$3.0 million for water purchases, \$1.4 million in salaries and benefits, and \$513 for repairs and maintenance throughout the city.
- Sanitation services are contracted out to Waste Management of Texas, Inc. Total revenues taken in by the City for sanitation services equaled \$2.2 million and the major expense for sanitation is \$2.1 million in contractual services. An additional expense is the operation of the City's Recycling Drop Center to include personnel, materials, and utilities.
- Drainage utility revenues totaled \$867 in charges for services. The major operating expense in this fund is salaries and benefits of \$102.

Table 6
Business-type Expenses by Activity
 (in thousands)

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)
Business-type activities:			
Water and sewer	\$ 7,927	\$ 7,919	\$ 8
Sanitation	2,127	2,057	70
Drainage utility	367	397	(30)
Total business-type activities	<u>\$ 10,421</u>	<u>\$ 10,373</u>	<u>\$ 48</u>



Financial Analysis of the Government's Funds

As noted earlier, the City of Harker Heights uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Harker Heights' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited or restricted to use for a particular purpose.

As of September 30, 2021, the City of Harker Heights' governmental funds reported combined fund balances of \$23.1 million, an increase of \$4.0 million in comparison with the prior year. Approximately 63 percent or \$14.5 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$4.9 million is assigned for a specific purpose (\$492 to culture and recreation, \$1.5 million to capital projects, and \$2.9 million for the FY 2022 Budget). The remainder of the fund balance is *restricted* indicating that it is not available for spending because it has already been restricted for (a) capital projects (\$2.9 million); (b) cemetery (\$18); (c) debt service (\$82); (d) economic development (\$451); (e) pet adoption center (\$11); and (f) public safety (\$206).

General fund. The general fund is the chief operating fund of the City of Harker Heights. At the end of the 2021 fiscal year, unassigned fund balance of the general fund was \$14.5 million, while total fund balance reached \$17.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 65 percent of total general fund expenditures, while total fund balance represents 81 percent of that same amount. The fund balance of the City of Harker Heights' general fund has increased by \$4.1 million during the current fiscal year. The major factor for this increase was the increase in sales tax revenue.

Debt service fund. The debt service fund has a total fund balance of \$82, all of which is restricted for the payment of debt service. Most receipts from taxes is received during the first quarter of the fiscal year (October – December) and debt payments are made in February and August.

Capital projects fund. The capital projects fund balance is \$4.4 million of which \$2.9 million is restricted for capital projects funded by bonds and \$1.5 million is assigned for capital projects that are funded from non-bond revenue. This fund had a \$298 decrease in fund balance from the previous year. During the 2021 fiscal year, the City had \$1.6 million in capital project expenditures which were for streets (\$836), buildings (\$728) and parks (\$53) projects.

Proprietary funds. The City of Harker Heights' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the most recent fiscal year, the City of Harker Heights' proprietary funds reported combined net position of \$37.2 million, an increase of \$2.3 million or 7 percent over the prior year. Unrestricted net position totals \$5.7 million and restricted net position totals \$29. A total of \$31.5 million of net position is net investment in capital assets.

Water and sewer fund. At the end of the 2021 fiscal year, unrestricted net position for the water and sewer fund was \$3.1 million, restricted net position was \$21 while total net position was \$32.4 million. Total net position for the water and sewer fund was increased by \$2.0 million during the current fiscal year.

Sanitation fund. The sanitation fund has total net position \$207, an increase of \$88 from the prior year. This increase is due to an increase in charges for services as additional single-family homes are built. Residential customers are also able to purchase an additional polycart at the rate of \$5 per month if one is not enough.

Drainage utility fund. The drainage utility fund shows a total net position of \$4.6 million. Total liabilities in the drainage utility fund total \$4.6 million and include due to other funds (\$802), accrued compensated absences (\$6), accrued interest payable (\$15), general obligation bonds (\$154), certificates of obligation (\$3.5 million), net pension liability (\$98), and other post-employment benefits (\$11).

General Fund Budgetary Highlights

Original budget compared to final budget. During Fiscal Year 2021, there was a need to address the receipt of federal grant funds and the use of those funds by departments. The budget amendment, approved by the City Council on July 13, 2021, added \$4.4 million to grant revenues and \$359 to transfers.

Final budget compared to actual results. For fiscal year 2020-2021, actual revenues were \$26.0 million as compared to the budget amount of \$25.6 million. The \$406 positive variance was due to the increase of \$4.3 million in sales taxes offsetting the negative variances.

Actual expenditures in the General Fund were \$22.2 million compared to the final budget amount of \$22.8 million. The \$547 under budget resulted from a net decrease in the public safety (\$550), highways and streets (\$145) and culture and recreation (\$321) categories. The fire department (public safety) had a pumper refurbishment on order and pending delivery at the end of the fiscal year which was paid for during the 2022 fiscal year (\$227).

The City of Harker Heights has an actual General Fund ending fund balance of \$17.9 million as of the fiscal year end, compared to the final budgeted fund balance amount of \$16.6 million. The variance in fund balance is primarily due to the items stated above along with transfers in / out.

Capital Asset and Debt Administration

Capital Assets. The City of Harker Heights' investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$116.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and lift stations, machinery and equipment, park facilities, vehicles, furniture and fixtures, streets, and infrastructure. The City's investment in capital assets for the current fiscal year saw a 1 percent decrease for governmental activities and a 1 percent decrease for business-type activities. These changes are attributed to the following:

Governmental activities. As the pandemic eased up during the 2021 fiscal year, the City was able to begin many projects and order vehicles and equipment. The difficulty in receiving those vehicles and equipment made it difficult to complete orders. As mentioned earlier, a pumper refurbishment was moved to the 2022 fiscal year due to the inability to complete it prior to the close of Fiscal Year 2021. Some projects that were stalled were begun during the fiscal year however many were stalled again due to lack of necessary supplies. The result was a \$569 decrease from the prior year.

Business-type activities. The amount of decrease in capital assets for business-type activities was \$644. As mentioned above, supply backorders delayed some projects and orders in business-type activities as well. A truck ordered for the water department was also moved to the 2022 fiscal year due to the inability to complete the order prior to the close of the fiscal year.

Table 7
Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Capital assets:						
Land	\$ 15,705	\$ 15,715	\$ 292	\$ 285	\$ 15,997	\$ 16,000
Buildings and lift stations	13,299	12,189	1,298	1,370	14,597	13,559
Improvements other than buildings	152	125			152	125
Machinery and equipment	1,445	1,083	506	691	1,951	1,774
Vehicles	1,095	1,472	110	149	1,205	1,621
Furniture and fixtures	130	140			130	140
Infrastructure	34,894	34,335	45,455	45,512	80,349	79,847
Construction in progress	928	3,158	682	980	1,610	4,138
Total capital assets	<u>\$ 67,648</u>	<u>\$ 68,217</u>	<u>\$ 48,343</u>	<u>\$ 48,987</u>	<u>\$ 115,991</u>	<u>\$ 117,204</u>

Additional information on the City of Harker Heights' capital assets can be found in Note III. C on pages 48-49 of this report.

Long-term debt. In February 2012, the City was assigned a long-term rating of "AA" by Standard & Poor's Rating Service. This rating was raised from the "AA-" rating received in 2009. In 2019, Standard & Poor's considered the City's economy to be adequate with strong city management. The rating reflects how the City's budgetary flexibility remains very strong and the budgetary performance has been strong overall. In their opinion, the City has very strong liquidity providing very strong cash levels to cover debt service and expenditures as well as good management with good financial policies. The City maintains an "A2" rating from Moody's Investors Service for tax supported debt. The City also has several outstanding issues which are rated "Aaa" by Moodys and "AAA" by Standard & Poor's by virtue of insurance policies issued by various commercial insurance companies.

Table 8
Outstanding Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Outstanding debt:						
Certificates of obligation	\$ 18,350	\$ 19,365	\$ 9,070	\$ 9,675	\$ 27,420	\$ 29,040
General obligation	9,347	10,576	7,633	8,864	16,980	19,440
Premium on bonds	367	464	376	451	743	915
Discount on bonds	(22)	(24)	(11)	(12)	(33)	(36)
Finance purchase agreement	423	198			423	198
Compensated absences	867	896	42	50	909	946
Total outstanding debt	<u>\$ 29,332</u>	<u>\$ 31,475</u>	<u>\$ 17,110</u>	<u>\$ 19,028</u>	<u>\$ 46,442</u>	<u>\$ 50,503</u>

The constitutional debt limit is 7 percent of the five-year average full valuation of taxable real property. The current debt limitation for the City of Harker Heights is \$156.1 million which is \$128.1 million more than the City's outstanding indebtedness of \$28.0 million for governmental activities.

Additional information on the City of Harker Heights' long-term debt can be found in Note III. H. on pages 60-66 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors. The following economic factors currently affect the City of Harker Heights and were considered in developing the 2021-2022 fiscal year budget:

- The annual unemployment rate for Harker Heights in 2020 was 6.8% which is an increase of 3.1% from a rate of 3.7% in 2019. This is lower than Bell County's 2020 annual unemployment rate of 7.0%, the State of Texas' rate of 7.6%, and the national rate of 8.1%.
- Unofficial numbers for the 2021 annual unemployment rate show Harker Heights at 5.7%.
- Impact of COVID-19 pandemic to residents' and municipal government.
- Increase in disabled veteran's property tax exemptions.
- Receipt of second tranche of Coronavirus State and Local Recovery Funds.

Next Year's Budget. The largest revenue sources for the City of Harker Heights include property tax, sales tax, water income and sewer income.

The property tax rate for the 2022 fiscal year budget is \$0.6519 per \$100 valuation. Of this tax rate, 77.67 percent or \$0.5063 is utilized for maintenance and operations (General Fund). The remaining 22.33 percent or \$0.1456 is used for interest and sinking (Debt Service Fund). The General Fund's portion of property tax revenue is estimated to be \$11.0 million while the Debt Service Fund's portion is estimated at \$3.2 million.

Sales tax revenue (General Fund) for FY 2021-2022 is budgeted at \$8.3 million. This will be the first year that the entire year is posted as of the date reported (i.e. October 2022 report date will be posted to FY 2022 although it will be received in November 2022).

The largest revenue source for the water and sewer fund is water income which is budgeted at \$6.1 million for the 2022 fiscal year. Sewer income, the second largest revenue source, is budgeted at \$4.1 million.

Next Year's Rates. Rates increased by 3% for the 2022 fiscal year. The water rate is \$11.24 as a base rate and \$3.50 per 1,000 gallons used. Sewer rates are a base rate of \$20.25 (and include usage up to 3,000 gallons) plus \$3.39 per 1,000 gallons over 3,000 gallons of usage. Sewer "per 1,000 gallons" charges cap at 10,000 gallons for residential customers.

Sanitation fees for residential and light commercial pickup are \$18.88 per month which is the same rate as the prior year. In March 2021, the City's sanitation contractor began utilizing polycarts and an automated pickup system versus hand pickup. A new revenue source, a \$1 drop site fee, was implemented as of October 1, 2021, to offset expenses incurred at the city run recycle drop off center.

The drainage utility fee remains at \$6.00 per single family dwelling per month.

Requests for Information

This financial report is designed to provide a general overview of the City of Harker Heights' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Harker Heights, Finance Director, 305 Miller's Crossing, Harker Heights, Texas, 76548.



BASIC FINANCIAL STATEMENTS



CITY OF HARKER HEIGHTS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,696,569	\$ 3,506,183	\$ 8,202,752
Investments	15,985,329	102,019	16,087,348
Receivables (net of allowance for uncollectibles):			
Property taxes	115,975		115,975
Accounts	10,954	1,578,680	1,589,634
Ambulance	557,942		557,942
Court fines	621,692		621,692
Intergovernmental	58,167		58,167
Sales tax	1,663,795		1,663,795
Interest	1,737		1,737
Due from other governments	8,280		8,280
Internal balances	(1,064,510)	1,064,510	
Inventory of supplies, first-in, first-out cost		85,192	85,192
Restricted cash	5,527,547	41,089	5,568,636
Restricted investments	1,899,197	511,814	2,411,011
Capital assets, not being depreciated	16,633,364	974,542	17,607,906
Capital assets, being depreciated	51,014,484	47,368,250	98,382,734
Total assets	97,730,522	55,232,279	152,962,801
DEFERRED OUTFLOWS OF RESOURCES:			
Related to refunding debt	157,366	215,440	372,806
Related to pensions	1,464,054	110,342	1,574,396
Related to OPEB - supplemental death benefits	167,619	12,601	180,220
Related to OPEB - health	94,038	12,215	106,253
Total deferred outflows of resources	1,883,077	350,598	2,233,675
LIABILITIES			
Accounts payable and accrued liabilities	1,794,615		1,794,615
Developer deposits payable	121,927		121,927
Unearned revenue	3,975,317		3,975,317
Refundable meter deposits		388,754	388,754
Accrued interest payable	106,278	67,034	173,312
Long-term liabilities:			
Due within one year			
Bonds, finance agreements, compensated absences	3,114,164	1,947,736	5,061,900
Due in more than one year			
Bonds, finance agreements, compensated absences	26,218,092	15,162,270	41,380,362
Net pension liability (City's share)	7,335,872	562,834	7,898,706
Total OPEB liability - supplemental death benefits	693,193	53,559	746,752
Total OPEB liability - health	669,970	77,766	747,736
Total liabilities	44,029,428	18,259,953	62,289,381
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	1,638,361	122,444	1,760,805
Related to OPEB - supplemental death benefits	61,651	4,682	66,333
Related to OPEB - health	123,387	13,393	136,780
Total deferred inflows of resources	1,823,399	140,519	1,963,918
NET POSITION			
Net investment in capital assets	42,222,615	31,490,226	73,712,841
Restricted for:			
Cemetery	18,902		18,902
Debt service	82,489	29,091	111,580
Economic development	450,811		450,811
Pet adoption center	10,853		10,853
Public safety	206,333		206,333
Unrestricted	10,768,769	5,663,088	16,431,857
Total net position	\$ 53,760,772	\$ 37,182,405	\$ 90,943,177

The notes to financial statements are an integral part of this statement.

CITY OF HARKER HEIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FUNCTION / PROGRAM:	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 4,406,456	\$ 55,851	\$ 15,613
Public safety	13,609,197	2,596,907	1,060,806
Highways and streets	2,170,559	-	-
Culture and recreation	3,208,982	270,693	-
Economic development and assistance	410,167	140,614	31,221
Interest and fiscal charges	911,418	-	-
Total governmental activities	<u>24,716,779</u>	<u>3,064,065</u>	<u>1,107,640</u>
Business-type activities:			
Water and sewer	7,926,843	10,553,148	27,860
Sanitation	2,127,429	2,239,010	362
Drainage utility	366,766	866,538	1,061
Total business-type activities	<u>10,421,038</u>	<u>13,658,696</u>	<u>29,283</u>
Total primary government	<u>\$ 35,137,817</u>	<u>\$ 16,722,761</u>	<u>\$ 1,136,923</u>

General revenues and transfers:
 General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Mixed drink beverage taxes
 Bingo taxes
 Hotel / motel taxes
 Investment earnings
 Miscellaneous
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statement are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,334,992)		\$ (4,334,992)
(9,951,484)		(9,951,484)
(2,170,559)		(2,170,559)
(2,938,289)		(2,938,289)
(238,332)		(238,332)
(911,418)		(911,418)
<u>(20,545,074)</u>	<u>-</u>	<u>(20,545,074)</u>
	2,654,165	2,654,165
	111,943	111,943
	500,833	500,833
	<u>3,266,941</u>	<u>3,266,941</u>
<u>\$ (20,545,074)</u>	<u>\$ 3,266,941</u>	<u>\$ (17,278,133)</u>

FUNCTION / PROGRAM:

Primary government:

Governmental activities:

General government
Public safety
Highways and streets
Culture and recreation
Economic development and assistance
Interest and fiscal charges
Total governmental activities

Business-type activities:

Water and sewer
Sanitation
Drainage utility
Total business-type activities

Total primary government

13,260,622		13,260,622	General revenues and transfers:
11,193,921		11,193,921	General revenues:
1,388,750	175,544	1,564,294	Property taxes
119,256		119,256	Sales taxes
111,479		111,479	Franchise taxes
34,914		34,914	Mixed drink beverage taxes
120,403	19,160	139,563	Bingo taxes
172,623		172,623	Hotel / motel taxes
16,000		16,000	Investment earnings
1,121,400	(1,121,400)	-	Miscellaneous
<u>27,539,368</u>	<u>(926,696)</u>	<u>26,612,672</u>	Gain on sale of capital assets
			Transfers
6,994,294	2,340,245	9,334,539	Total general revenues and transfers
<u>46,766,478</u>	<u>34,842,160</u>	<u>81,608,638</u>	Change in net position
<u>\$ 53,760,772</u>	<u>\$ 37,182,405</u>	<u>\$ 90,943,177</u>	Net position - beginning
			Net position - ending

The notes to the financial statement are an integral part of this statement.

CITY OF HARKER HEIGHTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General	Debt Service	Capital Projects
ASSETS			
Cash	\$ 3,716,408	\$ 26,018	\$ 863,739
Investments	12,813,396	56,912	2,564,050
Receivables (net of allowance for uncollectibles):			
Property taxes	87,651	28,324	
Accounts	1,160		
Ambulance	557,942		
Court fines	621,692		
Intergovernmental	58,167		
Sales tax	1,663,795		
Interest	1,158		579
Due from other governments		8,280	
Due from other funds	823,384		2,493,778
Restricted cash	4,034,434		1,493,113
Restricted investments	509,653		1,389,544
Total assets	<u>24,888,840</u>	<u>119,534</u>	<u>8,804,803</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,749,807		44,808
Developer deposits payable			121,927
Due to other funds	98,506	24,311	4,259,836
Unearned revenue	3,975,317		
Total liabilities	<u>5,823,630</u>	<u>24,311</u>	<u>4,426,571</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	41,191	12,734	
Unavailable revenue - ambulance	455,070		
Unavailable revenue - court fines	621,692		
Unavailable revenue - other	67		
Total deferred inflows of resources	<u>1,118,020</u>	<u>12,734</u>	
FUND BALANCES			
Restricted for:			
Capital projects			2,882,657
Cemetery	18,902		
Debt service		82,489	
Economic development			
Pet adoption center	10,853		
Public safety	4,994		
Assigned for:			
Subsequent year's budget	2,943,783		
Capital projects			1,495,575
Culture and recreation	492,009		
Unassigned	14,476,649		
Total fund balances	<u>17,947,190</u>	<u>82,489</u>	<u>4,378,232</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,888,840</u>	<u>\$ 119,534</u>	<u>\$ 8,804,803</u>

The notes to the financial statements are an integral part of this statement.

Total Nonmajor Funds	Total Governmental Funds	
\$ 90,404	\$ 4,696,569	ASSETS
550,971	15,985,329	Cash
		Investments
		Receivables (net of allowance for uncollectibles):
	115,975	Property taxes
9,794	10,954	Accounts
	557,942	Ambulance
	621,692	Court fines
	58,167	Intergovernmental
	1,663,795	Sales tax
	1,737	Interest
	8,280	Due from other governments
981	3,318,143	Due from other funds
	5,527,547	Restricted cash
	1,899,197	Restricted investments
<u>652,150</u>	<u>34,465,327</u>	Total assets
		LIABILITIES
	1,794,615	Accounts payable and accrued liabilities
	121,927	Developer deposits payable
	4,382,653	Due to other funds
	3,975,317	Unearned revenue
	<u>10,274,512</u>	Total liabilities
		DEFERRED INFLOWS OF RESOURCES
	53,925	Unavailable revenue - property taxes
	455,070	Unavailable revenue - ambulance
	621,692	Unavailable revenue - court fines
	67	Unavailable revenue - other
	<u>1,130,754</u>	Total deferred inflows of resources
		FUND BALANCES
		Restricted for:
	2,882,657	Capital projects
	18,902	Cemetery
	82,489	Debt service
450,811	450,811	Economic development
	10,853	Pet adoption center
201,339	206,333	Public safety
		Assigned for:
	2,943,783	Subsequent year's budget
	1,495,575	Capital projects
	492,009	Culture and recreation
	14,476,649	Unassigned
<u>652,150</u>	<u>23,060,061</u>	Total fund balances
<u>\$ 652,150</u>	<u>\$ 34,465,327</u>	Total liabilities, deferred inflows of resources, and fund balances

The notes to the financial statements are an integral part of this statement.

CITY OF HARKER HEIGHTS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	\$ 23,060,061
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,647,848
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the OPEB and pension plans are recognized as deferred outflows and inflows of resources on the statement of net position.	
Deferred outflows - pension related	1,464,054
Deferred outflows - OPEB (SDB) related	167,619
Deferred outflows - OPEB (Health) related	94,038
Deferred inflows - pension related	(1,638,361)
Deferred inflows - OPEB (SDB) related	(61,651)
Deferred inflows - OPEB (Health) related	(123,387)
Long-term liabilities, certain liabilities and deferred outflow of resources, are not due and payable in the current period and, therefore, are not reported in the funds.	
Certificates of obligation	(18,350,000)
Less: issuance discount	21,563
General obligation refunding	(9,346,602)
Plus: premium on issuance	(367,375)
Less: deferred charge for advance refunding costs	157,366
Finance purchase agreement	(422,842)
Accrued interest payable	(106,278)
Compensated absences	(867,000)
Net pension liability	(7,335,872)
Total OPEB liability (SDB)	(693,193)
Total OPEB liability (Health)	(669,970)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	53,925
Ambulance	455,070
Court fines	621,692
Other	67
Net position of governmental activities	\$ 53,760,772

The notes to the financial statements are an integral part of this statement.

CITY OF HARKER HEIGHTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 10,088,024	\$ 3,224,105			\$ 13,312,129
Sales and other taxes	12,736,841			111,479	12,848,320
Licenses and permits	336,057				336,057
Fines	1,006,852			112,982	1,119,834
Charges for services	986,482				986,482
Intergovernmental	613,311				613,311
Investment earnings	78,119	933	40,418	933	120,403
Contributions and donations	39,192				39,192
Miscellaneous	114,571	529	57,523		172,623
Total revenues	<u>25,999,449</u>	<u>3,225,567</u>	<u>97,941</u>	<u>225,394</u>	<u>29,548,351</u>
EXPENDITURES					
Current:					
General government	4,398,245				4,398,245
Public safety	13,056,011			83,500	13,139,511
Highways and streets	1,390,215				1,390,215
Culture and recreation	2,799,264				2,799,264
Economic development and assistance	392,850			22,500	415,350
Debt service:					
Principal	180,159	2,244,221			2,424,380
Interest and fiscal charges	6,156	917,334			923,490
Tax collection fees		32,440			32,440
Capital outlay:					
General government			6,500		6,500
Public safety			722,043		722,043
Highways and streets			835,680		835,680
Culture and recreation			53,008		53,008
Total expenditures	<u>22,222,900</u>	<u>3,193,995</u>	<u>1,617,231</u>	<u>106,000</u>	<u>27,140,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,776,549</u>	<u>31,572</u>	<u>(1,519,290)</u>	<u>119,394</u>	<u>2,408,225</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	400,000		1,700,000		2,100,000
Transfers out	(500,000)		(478,600)		(978,600)
Finance purchase agreement	405,000				405,000
Sale of capital assets	16,000				16,000
Total other financing sources (uses)	<u>321,000</u>		<u>1,221,400</u>		<u>1,542,400</u>
Net change in fund balances	4,097,549	31,572	(297,890)	119,394	3,950,625
Fund balances - beginning	<u>13,849,641</u>	<u>50,917</u>	<u>4,676,122</u>	<u>532,756</u>	<u>19,109,436</u>
Fund balances - ending	<u>\$ 17,947,190</u>	<u>\$ 82,489</u>	<u>\$ 4,378,232</u>	<u>\$ 652,150</u>	<u>\$ 23,060,061</u>

The notes to the financial statements are an integral part of this statement.



CITY OF HARKER HEIGHTS
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, 2021

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

Net change in fund balance - total governmental funds	\$	3,950,625
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		
		2,475,675
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.</p>		
		(3,045,010)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		(51,507)
Ambulance		455,070
Court fines		621,692
Other		67
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas 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.</p>		
Issuance of finance purchase agreement		(405,000)
Principal paid on bonds		2,424,380
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Premiums		97,298
Discounts		(2,752)
Deferred charge for advance refunding costs		(58,371)
Accrued interest on long-term debt		8,337
Compensated absences		29,000
Changes in pension liability and related deferred inflows and outflows of resources		593,599
Changes in OPEB liabilities and related deferred inflows and outflows of resources		(98,809)
Change in net position of governmental activities	\$	6,994,294

The notes to the financial statements are an integral part of this statement.

CITY OF HARKER HEIGHTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	
ASSETS				
Current assets:				
Cash	\$ 3,308,731	\$ 175,227	\$ 22,225	\$ 3,506,183
Investments	49,083	26,865	26,071	102,019
Receivables (net of allowance for uncollectibles):				
Accounts	1,236,524	251,320	90,836	1,578,680
Due from other funds	1,126,261	3,293	3,144,868	4,274,422
Inventory of supplies, first-in, first-out cost	85,192			85,192
Restricted cash	36,347		4,742	41,089
Restricted investments	508,481		3,333	511,814
Total current assets	<u>6,350,619</u>	<u>456,705</u>	<u>3,292,075</u>	<u>10,099,399</u>
Noncurrent assets:				
Capital assets:				
Land and improvements	167,076		125,160	292,236
Buildings and lift stations	3,174,511			3,174,511
Furniture and fixtures	12,375			12,375
Machinery and equipment	2,445,298	40,730	283,554	2,769,582
Vehicles	713,220		95,604	808,824
Water, sewer and drainage system	54,353,855		6,281,354	60,635,209
Other improvements	1,144	23,728		24,872
Construction in progress	239,826		442,480	682,306
Less accumulated depreciation	<u>(18,653,764)</u>	<u>(56,967)</u>	<u>(1,346,392)</u>	<u>(20,057,123)</u>
Total noncurrent assets	<u>42,453,541</u>	<u>7,491</u>	<u>5,881,760</u>	<u>48,342,792</u>
Total assets	<u>48,804,160</u>	<u>464,196</u>	<u>9,173,835</u>	<u>58,442,191</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Related to refunding debt	215,440			215,440
Related to pensions	93,888	4,477	11,977	110,342
Related to OPEB - supplemental death benefits	10,737	548	1,316	12,601
Related to OPEB - health	11,297	621	297	12,215
Total deferred outflows of resources	<u>331,362</u>	<u>5,646</u>	<u>13,590</u>	<u>350,598</u>

The notes to the financial statements are an integral part of this statement.

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Enterprise Funds
LIABILITIES				
Current liabilities:				
Compensated absences	26,000	3,000	6,000	35,000
Due to other funds	2,172,045	235,494	802,373	3,209,912
Refundable meter deposits	388,754			388,754
Accrued interest payable	52,310		14,724	67,034
General obligation bonds payable	1,188,192		75,744	1,263,936
Certificates of obligation payable	455,000		195,000	650,000
Total current liabilities	<u>4,282,301</u>	<u>238,494</u>	<u>1,093,841</u>	<u>5,614,636</u>
Noncurrent liabilities:				
Compensated absences	6,000	1,000		7,000
Net pension liability	457,421	7,470	97,943	562,834
Total OPEB liability - supplemental death benefits	44,629	2,103	6,827	53,559
Total OPEB liability - health	69,541	3,739	4,486	77,766
General obligation bonds payable	6,291,614		77,848	6,369,462
Certificates of obligation payable (net of unamortized discounts and premiums)	5,465,637		3,318,971	8,784,608
Total noncurrent liabilities	<u>12,334,842</u>	<u>14,312</u>	<u>3,506,075</u>	<u>15,855,229</u>
Total liabilities	<u>16,617,143</u>	<u>252,806</u>	<u>4,599,916</u>	<u>21,469,865</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	111,927	8,606	1,911	122,444
Related to OPEB - supplemental death benefits	3,915	196	571	4,682
Related to OPEB - health	5,373	1,535	6,485	13,393
Total deferred inflows of resources	<u>121,215</u>	<u>10,337</u>	<u>8,967</u>	<u>140,519</u>
NET POSITION				
Net investment in capital assets	29,268,538	7,491	2,214,197	31,490,226
Restricted for debt service	21,016		8,075	29,091
Unrestricted	3,107,610	199,208	2,356,270	5,663,088
Total net position	<u>\$ 32,397,164</u>	<u>\$ 206,699</u>	<u>\$ 4,578,542</u>	<u>\$ 37,182,405</u>

The notes to the financial statements are an integral part of this statement.



CITY OF HARKER HEIGHTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	
OPERATING REVENUES				
Charges for services	\$ 10,390,779	\$ 2,237,808	\$ 865,760	\$ 13,494,347
Franchise fees		175,544		175,544
Intergovernmental	27,860	362	1,061	29,283
Other	162,369	1,202	778	164,349
Total operating revenues	<u>10,581,008</u>	<u>2,414,916</u>	<u>867,599</u>	<u>13,863,523</u>
OPERATING EXPENSES				
Water purchases	3,030,374			3,030,374
Contractual services	537,160	2,051,679	5,864	2,594,703
Personnel services	1,356,007	58,831	101,917	1,516,755
Utilities and telephone	491,033	1,013		492,046
Repairs and maintenance	512,623	4,730	12,247	529,600
Supplies	152,073	359	6,994	159,426
Uncollectible accounts	33,231	6,536	3,587	43,354
Professional fees	96,695		400	97,095
Depreciation	1,276,181	4,281	115,518	1,395,980
Other	2,701		280	2,981
Total operating expenses	<u>7,488,078</u>	<u>2,127,429</u>	<u>246,807</u>	<u>9,862,314</u>
Operating income (loss)	<u>3,092,930</u>	<u>287,487</u>	<u>620,792</u>	<u>4,001,209</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	17,804	715	641	19,160
Interest expense	(438,765)		(119,959)	(558,724)
Total nonoperating revenues (expenses)	<u>(420,961)</u>	<u>715</u>	<u>(119,318)</u>	<u>(539,564)</u>
Income before transfers	2,671,969	288,202	501,474	3,461,645
Transfers in	409,465		69,135	478,600
Transfers out	(1,050,000)	(200,000)	(350,000)	(1,600,000)
Change in net position	2,031,434	88,202	220,609	2,340,245
Net position, beginning	<u>30,365,730</u>	<u>118,497</u>	<u>4,357,933</u>	<u>34,842,160</u>
Net position, ending	<u>\$ 32,397,164</u>	<u>\$ 206,699</u>	<u>\$ 4,578,542</u>	<u>\$ 37,182,405</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARKER HEIGHTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 10,387,964	\$ 2,234,336	\$ 864,407	\$ 13,486,707
Cash payments to suppliers	(4,871,104)	(2,106,413)	(25,785)	(7,003,302)
Cash payments to employees	(1,400,049)	(58,489)	(107,779)	(1,566,317)
Franchise fees		175,544		175,544
Other operating cash receipts (payments)	213,321	(876)	(86)	212,359
Net cash provided (used) by operating activities	<u>4,330,132</u>	<u>244,102</u>	<u>730,757</u>	<u>5,304,991</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	409,465		69,135	478,600
Transfers out	(1,050,000)	(200,000)	(350,000)	(1,600,000)
Net cash provided (used) by noncapital financing activities	<u>(640,535)</u>	<u>(200,000)</u>	<u>(280,865)</u>	<u>(1,121,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of debt				
Acquisition and construction of capital assets	(519,792)		(70,931)	(590,723)
Principal paid on debt	(1,597,665)		(238,114)	(1,835,779)
Interest paid on debt	(444,678)		(125,895)	(570,573)
Net cash provided (used) by capital and related financing activities	<u>(2,562,135)</u>		<u>(434,940)</u>	<u>(2,997,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(463,727)		(11)	(463,738)
Sale of investments		49,971		
Proceeds from sales and maturities of investments	1,219,056			1,219,056
Interest and penalties received on investments	17,804	715	641	19,160
Net cash provided (used) by investing activities	<u>773,133</u>	<u>50,686</u>	<u>630</u>	<u>774,478</u>
Net increase (decrease) in cash	1,900,595	94,788	15,582	2,010,965
Cash, beginning	<u>1,444,483</u>	<u>80,439</u>	<u>11,385</u>	<u>1,536,307</u>
Cash, ending	<u>\$ 3,345,078</u>	<u>\$ 175,227</u>	<u>\$ 26,967</u>	<u>\$ 3,547,272</u>
RECONCILIATION OF CASH				
Cash	3,308,731	175,227	22,225	3,506,183
Restricted cash	36,347		4,742	41,089
Total cash	<u>\$ 3,345,078</u>	<u>\$ 175,227</u>	<u>\$ 26,967</u>	<u>\$ 3,547,272</u>

The notes to financial statements are an integral part of this statement.

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	<u>\$ 3,092,930</u>	<u>\$ 287,487</u>	<u>\$ 620,792</u>	<u>\$ 4,001,209</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,276,181	4,281	115,518	1,395,980
(Increase) decrease in accounts receivable	(7,191)	3,064	2,234	(1,893)
(Increase) decrease in due from other funds	(1,096,026)	(2,440)	(1,925)	(1,100,391)
(Increase) decrease in inventory	(15,214)			(15,214)
(Increase) decrease in deferred outflow in net pension obligation	(196)	1,014	(1,582)	(764)
(Increase) decrease in deferred outflow in other post-employment benefit obligations	(3,305)	(166)	(336)	(3,807)
Increase (decrease) in due to other funds	1,119,118	(48,632)		1,070,486
Increase (decrease) in compensated absences	(9,000)	1,000		(8,000)
Increase (decrease) in refundable deposits	4,376			4,376
Increase (decrease) in net pension obligation	(34,534)	(1,650)	(4,411)	(40,595)
Increase (decrease) in other post-employment supplemental death benefit obligation	7,727	375	984	9,086
Increase (decrease) in other post-employment benefit obligation	1,521	55	446	2,022
Increase (decrease) in deferred inflow in net pension obligation	(6,046)	(288)	(773)	(7,107)
Increase (decrease) in deferred inflow in other post-employment benefit obligations	(209)	2	(190)	(397)
Total adjustments	<u>1,237,202</u>	<u>(43,385)</u>	<u>109,965</u>	<u>1,303,782</u>
Net cash provided by (used for) operating activities	<u>\$ 4,330,132</u>	<u>\$ 244,102</u>	<u>\$ 730,757</u>	<u>\$ 5,304,991</u>

The notes to financial statements are an integral part of this statement.



I. Summary of significant accounting policies

The financial statements of the City of Harker Heights have been prepared to conform with generally accepted accounting principles (GAAP) in the United States of America as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting and reporting policies:

A. Reporting entity and component units

The City of Harker Heights, Texas, a municipal corporation in Bell County, was incorporated under the general laws of the State of Texas in 1960. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, water service, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City Council, which is elected at large, consists of a mayor and five council members constituting an ongoing entity and is the level of government that has governance responsibilities over all activities related to the City.

In evaluating how to define the City for financial reporting purposes, management has considered whether to include or exclude potential component units in the reporting entity by applying the criteria set forth in GAAP. The criteria for including organizations as component units include whether (1) the organization is legally separate (can sue and be sued in their own name), (2) the City holds the corporate powers of the organization, (3) the City appoints a voting majority of the organization's board, (4) the City is able to impose its will on the organization, (5) the organization has the potential to impose a financial benefit / burden on the City, and (6) there is fiscal dependency by the organization on the City. There are no component units that qualify for inclusion in the City's reporting entity.

B. Government-wide and fund financial statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the reporting model as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, culture and recreation, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, debt service fund, and capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures / expenses of either fund category for the governmental and proprietary funds combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

B. Financial statement presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City of Harker Heights' enterprise functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the City's funds and separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City of Harker Heights reports the following governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal, interest, and related costs on long-term obligations of governmental funds paid primarily from taxes levied by the City.

The *capital projects fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The City of Harker Heights reports the following enterprise funds:

The *water and sewer fund* accounts for the distribution of treated water and the collection and treatment of sewage. Fund activities include administration, operation, and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, as needed, to ensure the integrity of the Fund.

The *sanitation fund* accounts for the collection and disposal of garbage activities. Residential and commercial hand-pick up customers are billed monthly at a rate sufficient to cover the cost of providing the service through a third-party.

The *drainage utility fund* accounts for the receipt of stormwater utility fees for the operations, maintenance, and construction of the City's stormwater drainage system.

Additionally, the City of Harker Heights reports the following fund:

The *special revenue fund* is used to account for and report the proceeds and expenditures of specific revenue sources that are legally restricted or committed for specified purposes. For the City this includes the Hotel / Motel Fund and Restricted Court Fund.

C. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year and other revenues, with the exception of grant revenues, to be available if they are collected within 45 days. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments, however, are recorded only when the liability has matured, and payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Franchise taxes, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes collected by Bell County Appraisal District at year-end on behalf of the City and sales taxes collected and held by the Comptroller's Office at year-end on behalf of the City are also recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the City receives the cash.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund, the sanitation enterprise fund, and the drainage utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

D. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except the capital projects fund. The capital projects fund is budgeted in a multi-year manner.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department with approval of the City Manager. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

All budgeted appropriations lapse at fiscal year-end even if they have related encumbrances except for encumbrances in the capital projects fund. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Since the capital projects fund is budgeted in a multi-year manner, its encumbrances (projects) can stretch over fiscal years before completion. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

E. Cash and investments

The City of Harker Heights' cash and cash equivalents include cash on hand, amounts in demand deposits and money market fund deposits.

Currently the City invests in three Investment Pools. TexSTAR is administered by Hilltop Securities and Texas CLASS is administered by Public Trust Advisors LLC. Both are open to local governments in Texas to pool their funds for investment purposes. These investments are valued at book value. LoneStar is administered by First Public LLC and is open to local governments as well. Investments in LoneStar, however, are valued at market price.

Investments are reported at their fair value based on the quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Short-term, one year or less, nonparticipating interest earning investment contracts (to include certificates of deposit) are reported using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

The gain / loss resulting from valuation of investments is reported in the revenue account "investment earnings" on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.

F. Cash and investments – restricted assets

Cash and investments are classified as restricted on the balance sheet when their use is limited to paying debt, repaying refundable deposits, cemetery maintenance, public safety, culture and recreation, and specific construction projects.

G. Receivables and payables and interfund transactions

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

All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or nonroutine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds – are accounted for as transfers in the government-wide statement of activities and as capital contributions in the proprietary fund operating statements.

All service receivables are shown net of an allowance for uncollectibles. Service accounts receivable in excess of 90 days comprise the service accounts receivable allowance with the exception of ambulance receivable, which is 120 days. Property tax receivable allowance is equal to 58% of outstanding property taxes at the end of the fiscal year.

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in / first-out (FIFO) method and consist of repair parts for water emergencies. The proprietary fund records the costs of such inventories as expenses when consumed rather than when purchased.

I. Capital assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), that are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

Land and construction in progress are not depreciated. All other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Estimated Life</u>
Buildings	20 – 50 years
Improvements other than buildings	5 – 60 years
Infrastructure	20 – 60 years
Machinery and equipment	3 – 12 years
Vehicles	5 – 10 years

J. Deferred outflows / inflows of resources

In addition to assets, the statements of financial position include a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has three items that qualify for reporting in this category.

The deferred amount on refunding debt resulting from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred amount related to pensions resulting from differences in expected and actual experience, differences due to changes in actuarial assumptions, differences in projected and actual earnings, and pension contributions made after the measurement date.

The *deferred amount related to other post-employment benefits (OPEB)* resulting from differences between expected and actual experiences, changes of assumptions or other inputs, and amounts associated with transactions subsequent to the measurement date.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following items that qualify for reporting in this category.

Property tax not yet available is reported only in the governmental funds balance sheet. This amount of property tax payments is deferred and recognized as an inflow of resources in the period that the amounts become available.

Ambulance receipts not yet available is reported only in the governmental funds balance sheet. This amount of emergency medical service billing is deferred and recognized as an inflow of resources in the period that the amounts become available.

Receivables not yet available is reported only in the governmental funds balance sheet. This amount of miscellaneous accounts receivable is deferred and recognized as an inflow of resources in the period that the amounts become available.

The *deferred amount related to pensions* resulting from differences in expected and actual experience, differences due to changes in actuarial assumptions, differences in projected and actual earnings, and pension contributions made after the measurement date.

The *deferred amount related to other post-employment benefits (OPEB)* resulting from differences between expected and actual experiences, changes of assumptions or other inputs, and amounts associated with transactions subsequent to the measurement date.

K. Long-term obligations

In the government-wide financial statements and proprietary fund type's fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs incurred are fully expensed in that reporting period.

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.

L. Net position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation / amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

If an expense is incurred for which the City may use either restricted (e.g., restricted bond or grant proceeds) or unrestricted resources, the City shall consider the restricted resources to be depleted before applying unrestricted resources.

M. Fund balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the council adopts another ordinance to remove or revise the limitation.

Assigned fund balance represents amounts that are intended to be used by the city for specific purposes but do not meet the criteria to be classified as committed. The City Council can do this when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally only temporary.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

If an expense is incurred for which the City may use either restricted, committed, assigned, or unassigned assets, the City shall reduce restricted, committed, and assigned assets first, in that order, unless unassigned assets would have to be returned because they were not used.

N. Revenues and expenditures / expenses

1. Program revenues

Amounts reported as program revenues include (1) fees, fines, and charges for services imposed by a given function or program / activity, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function / segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1. Property taxes are assessed and collected by the Tax Appraisal District of Bell County and are due on January 31 of the year following the tax year without any penalty. Early discounts are available for residents who pay prior to January 31.

The adopted tax rate during the fiscal year ended September 30, 2021 was \$0.6770 per \$100 valuation.

3. Compensated absences

Vacation – It is the City’s policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for the amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Typically, the general fund has been used in prior years to liquidate such amounts in the governmental funds.

Sick – Accumulated sick leave lapses when employees leave the City of Harker Heights and, upon separation, no monetary obligation exists.

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Principal operating revenues of the water and sewer, sanitation, and drainage utility funds are charges to customers for sales and service. The water and sewer fund also recognizes water and sewer tap fees to recover the cost of new customer connections. Operating expenses for these enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

O. New Governmental Accounting Standards Board Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statement(s):

1. Statement No. 92, “Omnibus 2020”. The requirements related to the effective date of Statement 87 and Implementation Guide 2013-3 reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.
2. Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
3. Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance”. The requirements of this Statement are effective immediately.
4. Statement No. 96, “Subscription-Based Information Technology Arrangements”. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

5. Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6-9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
6. Statement No. 98, "The Annual Comprehensive Financial Report". The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

II. Stewardship, compliance, and accountability

A. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

III. Detailed notes on all funds

A. Deposits and investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act or PFIA) authorizes the City of Harker Heights to invest its funds in compliance with a written investment policy approved by the City Council and governed by the preservation and safety of principal, liquidity, and yield. The investment policy defines what the City may invest in and may exclude certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to its investment policy which is approved and adopted by the City Council annually. The investment policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "investment strategy statement" that specifically addresses each fund's investment strategy and maximum maturity of each fund's individual investments.

The Finance Director submits an investment report each quarter to the City Council. The report details the investment position of the City and the compliance of the investment portfolio as it relates to the investment policy and Texas State law.

The City is authorized to invest in the following investment instruments provided they meet the guidelines of the investment policy:

1. A certificate of deposit or share certificate issued by a deposit institution that is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund.
2. A certificate of deposit or share certificate that is invested through a broker who utilizes a federally insured depository institution for the account of the City and who is on the list of broker / dealers adopted by the City Council.
3. Obligations, including letters of credit, of the United States or its agencies and instrumentalities including the Federal Home Loan Banks.
4. Direct obligations of the State of Texas or its respective agencies and instrumentalities.
5. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
6. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.

7. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than "A" or its equivalent.
8. Interest bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund or their successors.
9. Interest bearing banking deposits, other than those above, which are invested through a broker or depository institution.
10. Investment pools authorized by resolution by the City Council.

Under the City's investment policy, the City may not invest in repurchase agreements, collateralized mortgage obligations, and any other investment instrument that is not specifically listed as an authorized investment.

The City invests in certificates of deposit at local banking institutions as well as through authorized broker / dealers. Investments made through broker / dealers are in increments of less than the FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance coverage. Certificates at local institutions are included with any applicable bank balances in determining collateral requirements.

The City invests in Texas Short Term Asset Reserve Program, an interlocal governmental investment pool. TexSTAR has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, chapter 2256 of the Texas Government Code. TexSTAR is governed by a board of directors and co-administered by J.P. Morgan Investment Management Inc. and Hilltop Securities Inc. The objective of the TexSTAR Cash Reserve Fund is to maintain a stable value of \$1.00 per unit and is designed to be used by participants for investment of funds requiring daily liquidity. Although all securities in the Fund are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of securities is utilized. As of September 30, 2021, TexSTAR was rated "AAAm" by Standard & Poor's.

The City invests in Texas Cooperative Liquid Assets Securities System (Texas CLASS) which enables local governments to pool funds with other units of government. Texas CLASS is administered by Public Trust advisors, LLC and governed by a board or trustees. The intent of Texas CLASS is to maintain a net asset value of \$1.00, however, there is no guarantee of a net asset value of \$1.00 being maintained due to the risk of market price fluctuation. As of September 30, 2021, Texas CLASS was rate "AAAm" by Standard & Poor's.

The City invests in LoneStar Investment Pool which is administered by First Public who is directed and overseen by the Lone Star Investment Pool Board. Lone Star was created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The Government Overnight Fund, which the City invests in, has a net asset value of \$1.00. All investments are stated at amortized cost, which in most cases approximates the market value of the securities due to the short-term nature of the investments. Gains and losses generated by the sale of a security held by the Fund are allocated over a period not to exceed 30 days, based on the straight-line amortization method. As of September 30, 2021, LoneStar was rated "AAA" by Standard & Poor's.

Credit risk. Generally, credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. The City controls such risk by investing in compliance with its investment policy, qualifying the broker and financial institutions with whom the City transacts with, portfolio diversification, and limiting maturity.

Custodial credit risk for deposits. The custodial credit risk for deposits is the risk in the event of a bank failure that the City's deposits may not be returned or that the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires that all deposits in financial institutions be fully collateralized by the Federal Deposit Insurance Corporation or Letter of Credit. At September 30, 2021, the carrying amount of the City's bank deposits was \$13,769,641, and the respective bank balances totaled \$13,849,733. Of the bank balances, \$500,000 was covered by FDIC. Collateral for the bank balances and certificates of deposit balances over the FDIC amount consisted of securities with a fair value of \$24,639,346 at September 30, 2021.

Custodial credit risk for investments. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the City’s investment policy requires that all security transactions that are exposed to custodial credit risk be processed on a delivery versus payment basis with the underlying investments held by a third party acting as the City’s agent separate from where the investment was purchased, in the City’s name.

Concentration of credit risk. The concentration of credit risk is the risk of loss that may be caused by investing in a single issuer. The City’s investment policy limits the investment in one agency to not more than 50% to limit this risk.

Interest rate risk. Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City’s investment policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, single issue, or in individual class of securities. The City may not invest more than 20% of the investment portfolio for a period greater than one year.

As of September 30, 2021, the City of Harker Heights had the following investments:

Investment Type	Fair Value/Carrying Value		Investment Maturities
	Governmental	Business-Type	(in Years)
Non-negotiable CDs	\$9,435,909	\$400,000	Less than 1 year
Negotiable CDs	247,000		247,000
Investment pools	8,201,617	213,833	8,415,450
Total investments	<u>\$17,884,526</u>	<u>\$613,833</u>	<u>\$18,498,359</u>

Fair value of investment. The city measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered hierarchy: as follows:

- Level 1: Quoted prices for identical investments in active markets;
 - Valued using prices quoted in active markets
- Level 2: Observable inputs other than those in Level 1; and
 - Debt securities valued based on price data obtained from broker / dealers and / or pricing vendors
 - Equity securities valued using fair value per share for each fund
 - Certificates of deposit valued using broker quotes that utilize observable market inputs
- Level 3: Unobservable inputs.
 - Valued or priced using the last trade price or estimated using recent trade prices due to limited trade information

As of September 30, 2021, the City had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Total
Negotiable CDs	\$ 247,000		\$ 47,000
Non-negotiable CDs		9,835,909	9,835,909
Total certificates of deposits	<u>\$ 247,000</u>	<u>\$9,835,909</u>	<u>\$10,082,909</u>

A reconciliation of cash investments as shown on the Statement of Net Position for the City is shown below:

Cash on hand	\$ 1,748
Carrying amount of deposits	13,769,641
Carrying amount of investments	18,498,359
Total cash and investments	\$ 32,269,747
Cash	\$ 8,202,752
Restricted cash	5,568,636
Investments – short-term	16,087,348
Investments – long-term	
Restricted investments – short-term	2,411,011
Restricted investments – long-term	
Total cash and investments	\$ 32,269,747

B. Receivables

Receivables at September 30, 2021 for the City’s individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, consist of the following:

	General	Capital Projects	Debt Service	Hotel / Motel	Total Governmental
Receivables					
Property taxes	\$ 209,651		\$ 66,324		\$ 275,975
Sales taxes	1,663,795				1,663,795
Accounts	423,660			9,794	433,454
Ambulance	1,675,742				1,675,742
Court fines	2,072,307				2,072,307
Interest	1,158	579			1,737
Intergovernmental	58,167		8,280		66,447
Gross receivables	6,104,480	579	74,604	9,794	6,189,457
Less: allow for uncollectibles	3,112,915		38,000		3,150,915
Net receivables	\$ 2,991,565	\$ 579	\$ 36,604	\$ 9,794	\$ 3,038,542

The intergovernmental amount of \$58,167 in the general fund is for the reimbursable expenses incurred for grants during the 2021 fiscal year whose funding is expected to be received within the next year. Also, approximately \$1,100,000 of the outstanding balance of ambulance receivable is not anticipated to be collected within the next year.

Receivables at September 30, 2021 for the City’s business-type funds, including the applicable allowances for uncollectible accounts, consist of the following:

	Water and Sewer	Sanitation	Drainage Utility	Total Business-Type
Receivables				
Accounts	\$ 1,265,289	\$ 253,320	\$ 92,836	\$ 1,611,445
Special assessments	19,130			19,130
Gross receivables	1,284,419	253,320	92,836	1,630,575
Less: allow for uncollectibles	47,895	2,000	2,000	51,895
Net receivables	\$ 1,236,524	\$ 251,320	\$ 90,836	\$ 1,578,680

The enterprise funds (water and sewer, sanitation, and drainage utility) allowance for uncollectibles is \$51,895 and is related to charges for services.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2021

C. Capital Assets

Capital assets activity for the year ended September 30, 2021 was as follows:

	Balance 10/01/2020	Increases	Decreases	Transfers	Balance 09/30/2021
Governmental Activities:					
Capital assets, not depreciated:					
Land	\$15,715,042			\$ (9,880)	\$15,705,162
Construction in progress	3,157,573	1,617,231	(3,846,602)		928,202
Total capital assets, not depreciated:	18,872,615	1,617,231	(3,846,602)	(9,880)	16,633,364
Capital assets, being depreciated					
Buildings	22,658,983	2,267,755			24,926,738
Improv other than buildings	253,411	47,268		9,880	310,559
Machinery and equipment	6,896,692	824,927			7,721,619
Vehicles	6,078,653	100,810	(245,606)		5,933,857
Furniture and fixtures	1,139,250	42,939			1,182,189
Street, drainage improvements	42,926,569	1,421,347			44,347,916
Total capital assets, being depreciated	79,953,558	4,705,046	(245,606)	9,880	84,422,878
Less accumulated depreciated for:					
Buildings	(10,469,829)	(1,158,047)			(11,627,876)
Improv other than buildings	(128,227)	(30,260)			(158,487)
Machinery and equipment	(5,814,132)	(462,629)			(6,276,761)
Vehicles	(4,606,273)	(478,462)	245,606		(4,839,129)
Furniture and fixtures	(999,038)	(53,240)			(1,052,278)
Street, drainage improvements	(8,591,491)	(862,372)			(9,453,863)
Total accumulated depreciation	(30,608,990)	(3,045,010)	245,606		(33,408,394)
Total capital assets, being depreciated net	49,344,568	1,660,036		9,880	51,014,484
Total net governmental activities capital assets	\$68,217,183	\$3,277,267	\$(3,846,602)		\$67,647,848
Business-Type Activities:					
Capital assets, not depreciated:					
Land	\$ 284,683	\$ 7,553			\$ 292,236
Construction in progress	979,958	720,555	(1,018,207)		682,306
Total capital assets, not depreciated	1,264,641	728,108	(1,018,207)		974,542
Capital assets, being depreciated:					
Buildings and lift stations	3,174,511				3,174,511
Improv other than buildings	24,872				24,872
Machinery and equipment	2,668,808	100,774			2,769,582
Vehicles	808,824				808,824
Furniture and fixtures	12,375				12,375
Water, sewer, drainage systems	59,693,942	941,267			60,635,209
Total capital assets, being depreciated	66,383,332	1,042,041			67,425,373
Less accumulated depreciated for:					
Buildings and lift stations	(1,804,463)	(72,135)			(1,876,598)
Improv other than buildings	(24,872)				(24,872)
Machinery and equipment	(1,977,372)	(286,150)			(2,263,522)
Vehicles	(659,933)	(39,207)			(699,140)
Furniture and fixtures	(12,375)				(12,375)
Water, sewer, drainage systems	(14,182,128)	(998,488)			(15,180,616)
Total accumulated depreciation	(18,661,143)	(1,395,980)			(20,057,123)
Total capital assets, being depreciated net	47,722,189	(353,939)			47,368,250
Total net business-type activities capital assets	\$48,986,830	\$ 374,169	\$(1,018,207)		\$48,342,792

Depreciation expense was charged to the functions / programs of the primary government as follows:

Governmental activities:	
General governmental	\$ 590,600
Public safety	994,461
Highways and streets, including depreciation of infrastructure	943,526
Culture and recreation	511,614
Economic development and assistance	4,809
Total depreciation expense – governmental activities	\$ 3,045,010
Business-type activities:	
Water and sewer, drainage utility, and sanitation	\$ 1,395,980
Total depreciation expense – business-type activities	\$ 1,395,980

D. Defined benefit pension plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and addition to / deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. Texas Municipal Retirement System Plan

a. Plan Description

The City of Harker Heights participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at tmrs.com.

All eligible employees of the city are required to participate in TMRS.

b. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

As an employee with the City, you are vested after five years of service. Members reach retirement eligibility once they are vested and age 60 or they have served twenty years and have reached any age. Employees have a 7% deposit rate and the City matches that 2 to 1.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	158
<u>Active employees</u>	<u>220</u>
Total	475

c. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Harker Heights were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.92% and 14.96% in calendar years 2020 and 2021 respectively. The city’s contribution to TMRS for the year ended September 30, 2021, was \$1,976,479 and were equal to the required contributions.

d. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumption. The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increase are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disable annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Forfeiture rates (withdrawal of Member deposits) for vested members vary by age and employer match and end at first eligibility for retirement. The withdrawal rates for cities with a 2 to 1 match are shown below:

Age	Percent of Terminating Employees Choosing to Take a Refund
25	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payment of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Development of Single Discount Rate		
Single Discount Rate	Long-Term Expected Rate of Return	Long-Term Municipal Bond Rate*
6.75%	6.75%	2.00%

*The rate is based on the Fidelity 20-Year Municipal GO AA Index daily rate closes to but not later than the Measurement Date.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2019	\$57,630,882	\$49,153,990	\$8,476,892
Changes for the year:			
Service Cost	2,239,859		2,239,859
Interest	3,902,055		3,902,055
Difference between expected and actual experience	(157,434)		(157,434)
Contributions – employer		1,936,925	(1,936,925)
Contributions – employee		917,975	(917,975)
Net investment income		3,732,850	(3,732,850)
Benefit payments, incl. refunds of employee contributions	(1,885,192)	(1,885,192)	
Administrative expense		(24,143)	24,143
Other changes		(941)	941
Net changes	4,099,288	4,677,474	(578,186)
Balance at 12/31/2020	\$61,730,170	\$53,831,464	\$7,898,706

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Net Pension Liability of the city, calculated using the discount rate of 6.75%, as well as what the city’s Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s Net Pension Liability	\$18,001,492	\$7,898,706	\$(222,310)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position by Participating City. That report may be obtained at tmrs.com.

e. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the city recognized pension expense of \$1,334,416.

At September 30, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 20,248	\$ (379,231)
Changes in actuarial assumptions	110,818	
Difference between projected and actual investment earnings		(1,381,574)
Contributions subsequent to the measurement date	1,443,330	
Total	\$ 1,574,396	\$ (1,760,805)

\$1,443,330 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ (599,743)
2023	(88,571)
2024	(849,872)
2025	(91,553)
Total	\$ (1,629,739)

Additional schedules can be found in the required supplementary information section on pages 69-72.

2. Supplemental Death Benefits Plan

a. Plan Description

The Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities elect, by ordinance, to provide supplemental death benefits for their active Members with optional coverage for their retirees. The death benefit for active Members provides a lump-sum payment approximately equal to the Member’s annual salary (calculated based on the Member’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The Funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis.

b. Benefits Provided

TMRS will pay an employee’s designated beneficiary or estate a benefit approximately equal to their current annual salary plus any retirement benefits due if they pass away while employed with the city. If an employee retires with TMRS, a supplemental death benefit in the amount of \$7,500 will be paid upon their death in addition to any remaining retirement benefits.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	55
<u>Active employees</u>	<u>220</u>
Total	351

c. Contributions

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees. In order to determine the retiree portion of the City’s Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation: Total covered payroll * Retiree portion of SDB contribution (rate)

Consideration should be given to the time period of contributions incurred (i.e. City’s fiscal year versus calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Plan / Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2021	0.15%	0.06%
2020	0.15%	0.02%
2019	0.14%	0.02%
2018	0.14%	0.02%
2017	0.15%	0.02%

d. Actuarial Assumptions

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. The discount rate shown was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2020.

Inflation	2.50% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables
Mortality rates – disable retirees	2019 Municipal Retirees of Texas Mortality Tables with 4-year set-forward for males and 3-year set-forward for females.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the Total OPEB Liability of the city, calculated using the discount rate of 2.00%, as well as what the city’s OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City’s Total OPEB SDB Liability	\$930,807	\$746,752	\$605,535

For the year ended September 30, 2021, the City recognized Supplemental Death OPEB expense of \$80,882. The combined supplemental death benefit OPEB expense and health OPEB expense is \$136,611.

TOTAL OPEB SDB EXPENSE	
Changes for the year:	
Service Cost	\$ 35,408
Interest on total OPEB liability	17,427
Recognition of deferred outflows / inflows of resources:	
Differences between expected and actual experience	(10,443)
Changes in assumptions or other inputs ¹	38,490
Total OPEB SDB expense	\$ 80,882

¹Generally, this will only be the annual change in the municipal bond index rate.

As of the valuation date, total supplemental death benefit OPEB liability was as follows:

TOTAL OPEB SDB LIABILITY	
Balance at 12/31/2019	\$ 617,319
Changes for the year:	
Service Cost	35,408
Interest on total OPEB liability	17,427
Difference between expected and actual experience	(30,172)
Changes in assumptions or other inputs	109,393
Benefit payments*	(2,623)
Net changes	129,433
Total OPEB SDB Liability at 12/31/2020	\$ 746,752

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

e. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Total OPEB Liability

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to total OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 1,033	\$ (45,809)
Changes in actuarial assumptions	177,238	(20,524)
Contributions subsequent to the measurement date	1,949	
Total	\$ 180,220	\$ (66,333)

\$1,949 reported as deferred outflows of resources related to total OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ 28,047
2023	28,047
2024	22,561
2025	23,922
2026	9,361
Total	\$ 111,938

Additional schedules can be found in the required supplementary information section on pages 73-74.

3. Deferred Compensation Plan

On July 29, 1986, the City entered into an agreement with the United States Conference of Mayors to participate in the administration of a deferred compensation plan derived from Section 457 of the Internal Revenue Code. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Investments, other than annuity contracts, are held in a custodial account, the assets of which are held by Bank One Trust Company, N.A. as custodian for the exclusive benefit of participants and the beneficiaries thereof of the Plan. The City’s USCM Deferred Compensation Program is administered by Nationwide Retirement Solutions. Except as may otherwise be permitted or required by law, no assets or income of the Plan shall be used for, or diverted to, purposes other than for the expenses of the administration of the Plan. The assets amounted to \$4,975,554 as September 30, 2021.

It is the opinion of the City’s management that the City has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The City provides limited administrative duties. In accordance with GASB Statement No. 32, the Plan is not included in the City’s financial statements.

4. Other Post-Employment Benefit (OPEB) Plan

a. Plan Description

In addition to the pension benefits described above, as required by state law and defined by City Policy, the City makes available health care benefits to all employees who retire from the City through a single employer defined benefit healthcare plan. This plan covers both active and retiree benefits with no segregation of assets, and therefore, does not meet the definition of a trust under GASB No. 75, paragraph 4b (i.e., no assets are accumulated for OPEB). This health care plan provides lifetime insurance, or until age 65 if eligible for Medicare, to eligible retirees, their spouses and dependents through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established and administered by management.

b. Covered Employees

At the September 30, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	206
<u>Retired employees</u>	<u>6</u>
Total	212

Future retirees are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants.

c. Contributions

The full monthly premium rates for retirees as of October 1, 2020 for each plan are shown below:

Rate Tier	Health (Preferred)	Health (HMO/PPO)	Dental	Vision
Subscriber Only	\$ 526.02	\$ 566.81	\$ 23.16	\$ 3.85
Subscriber and Spouse	1,233.35	1,329.00	46.13	7.23
Subscriber and Child(ren)	894.78	964.17	62.65	7.64
Subscriber and Family	1,522.92	1,641.02	93.61	11.91

d. Actuarial Assumptions

The other post-employment benefit (OPEB) liability in September 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	2.25%, including inflation
Salary increase rate	3.50%
Inflation rate	3.00%
Healthcare cost trend rate	4.50%
Mortality rates	RPH-2014 Total Table with Projection MP-2019
Actuarial method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary

The following presents the other post-employment benefit (OPEB) liability of the City, calculated using the discount rate of 2.25% as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.25%) or 1 percentage higher (3.25%) than the current rate:

	1% Decrease in Discount Rate (1.25%)	Discount Rate (2.25%)	1% Increase in Discount Rate (3.25%)
City’s Total OPEB Liability	\$ 670,260	\$747,736	\$835,355
Percent Difference	-10.40%		11.70%

At September 30, 2021, the City’s OPEB expense is as follows:

TOTAL OPEB EXPENSE	
Changes for the year:	
Service Cost	\$ 50,652
Interest on total OPEB liability	16,764
Recognition of deferred outflows / inflows of resources:	
Changes in assumptions or other inputs ¹	(11,687)
Total OPEB expense	\$ 55,729

At September 30, 2021, the City’s OPEB liability is as follows:

TOTAL OPEB LIABILITY	
Balance at 10/01/2020	\$ 708,545
Changes for the year:	
Service Cost	50,652
Interest on total OPEB liability	16,764
Benefit payments*	(28,225)
Net changes	39,191
Total OPEB Liability	\$ 747,736

Following is the OPEB liability of the City using the healthcare cost trend sensitivity analysis rate of 4.50%:

	1% Decrease in Current Trend (3.50%)	Current Trend (4.50%)	1% Increase in Current Trend (5.50%)
City’s Total OPEB Liability	\$ 647,839	\$ 747,736	\$ 870,159
Percent Difference	-13.40%		16.40%

Termination rates were developed from the withdrawal assumption used in the 2017 actuarial report for the Texas Municipal Retirement System (TMRS). The rates are a 9 year select and ultimate table. The following are representative rates used in this valuation:

Employee Termination Rates							
Male				Female			
	1 st Year	5 th Year	Ultimate		1 st Year	5 th Year	Ultimate
Age 30	24.51%	9.98%	6.21%	Age 30	25.74%	13.48%	8.04%
Age 40	24.67%	9.43%	5.77%	Age 40	22.44%	10.97%	7.33%
Age 50	20.78%	8.87%	5.78%	Age 50	22.01%	8.81%	6.17%

The following retirement rates were developed from the assumption used in the 2017 actuarial report for the TMRS retirement plans:

Employee Retirement Rates		
Age	Male	Female
60	18.00%	14.00%
61	27.00%	27.00%
62	27.00%	22.00%
63	27.00%	22.00%
64	33.00%	25.00%
65	32.00%	27.00%

- e. Total OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized health OPEB expense of \$55,729. The combined supplemental death OPEB expense and health OPEB expense is \$136,611.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions / inputs	\$ 106,253	\$ (136,780)
Total	\$ 106,253	\$ (136,780)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ (11,687)
2023	(11,687)
2024	(11,687)
2025	(11,687)
2026	(11,687)
2027+	27,908
Total	\$ (30,527)

Additional schedules can be found in the required supplementary information section on pages 75-76.

E. Construction and other significant commitments

Construction commitments. The City has active construction projects as of September 30, 2021 with contractors as follows:

<u>Project</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment (Encumbrance)</u>
2021 Street Improvements (Winter Storm) – Engineering	\$ 148,950	\$ 107,350
2021 Street Improvements (Winter Storm) – Construction		2,752,753
2020 Street Improvements – Construction	607,157	487
Mountain Lion Drainage Flume at Pontiac Trail – Engineering	4,000	6,400
FM 3481 Sidewalk (Prospector Trail to Vineyard Trail) – Engineering	51,500	37,000
Public Works Street Yard Building – Architectural Design	8,172	7,428
Wastewater Treatment Plant Stairwell and Grating Safety – Engineering	13,450	1,550
Wastewater Treatment Plant Stairwell and Grating Safety – Construction	62,490	1,510
FM 2410 Utility Conflicts (I-14 to FM 3481) – Engineering	13,300	10,140
Beeline Drive Sewer Replacement – Engineering	3,370	141,611
Rummel Road Lift Station Upgrade – Engineering	65,000	150,000
Rummel Road Lift Station Upgrade – Impact Study	22,891	41,109
Second Belt Press at Sludge Dewatering Building – Engineering	30,500	24,500
Second Belt Press at Sludge Dewatering Building – Construction		898,500
CIP Priority #2 Phases 2, 3, and 4 – Engineering	147,113	88,887
CIP Priority #1 Goode Connell Detention Pond – Engineering	24,000	35,000
Roy Reynolds Bridge Stabilization – Engineering	18,000	12,000
Pinewood Drive Retaining Wall – Engineering	27,462	2,038
Pinewood Drive Retaining Wall – Construction	164,019	21,307

As discussed in Note I.E. Budgetary Information, encumbrances in the capital projects fund stretch over fiscal years and become part of the subsequent fiscal year’s budget. This allows for effective budgetary control and accountability and to facilitate effective cash planning and control.

Water service contracts. The City has an agreement to purchase water service from Bell County Water Control and Improvement District No. 1 (WCID No. 1), Killeen, Texas, until December 31, 2041, when WCID No. 1’s bonds are paid. WCID No. 1 agrees to deliver and meter water required by the city. WCID No. 1 bills for water purchased at rates that are reviewed and adjusted periodically. The rates are determined by amounts necessary to retire WCID No. 1’s debt and to cover maintenance and operating expenses. During the fiscal year ended September 30, 2021, the City purchased 1,692,745,000 gallons of water from WCID No. 1 for a total charge of \$2,586,548. The City also paid \$150,421 for an option to purchase future water from WCID No. 1.

In addition, the City has two contracts with the Brazos River Authority (BRA) to pay annually for the water made available to the City at a price equal to the product of multiplying the system rate time 3,235-acre feet and 300-acre feet of water per fiscal year. This was agreed to be made available to the City by the BRA from the system regardless of whether, or how much of, said water is diverted and used by the City. The City paid the BRA \$293,405 for water which can be pumped directly into the South Water Plant.

Sanitation service contract. On February 11, 2020, the City amended its sanitation contract with Waste Management of Texas, Inc. (WM) to begin polycart services for residential and light commercial collections. Polycarts are rubber-wheeled receptacles designed for automated or semi-automated solid waste collection systems. WM also provides for “garage door” special collection services to disable residents that have received approval. Residential and light commercial billing will be handled by the City and WM will handle commercial and industrial billing as well as remit a five percent franchise fee to the City.

F. Risk management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (TML-IRP), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to TML-IRP for its general insurance, real and personal property, liability, worker’s compensation, errors and omissions, and supplemental sewer coverages. The agreement for formation for TML-IRP provides that TML-IRP will be self-sustaining through member premiums.

G. Leases

1. Rentals not covered under noncancellable leases

Rental expenditures during the fiscal year ended September 30, 2021, including equipment rentals not covered under noncancellable leases, were \$65,145.

H. Long-term liabilities

Revenue bonds are payable from a specific source of revenue and do not affect the tax rate. Revenue bonds typically have a “coverage” requirement pursuant to the bond covenants. Coverage is the ratio of net pledged revenues to related debt service for a specific year.

<u>Purpose</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Outstanding at 09/30/2021</u>
Governmental activities					
Municipal improvements	2005	2025	\$1,000,000	4.550%	\$ 85,000
Municipal improvements	2008	2028	6,000,000	4.190%	2,960,000
Municipal improvements	2014	2034	6,000,000	1.500-4.000%	4,650,000
Municipal improvements	2017	2037	5,000,000	3.250-4.000%	4,715,000
Municipal improvements	2018	2038	3,000,000	3.000-3.125%	2,740,000
Municipal improvements	2019	2039	3,000,000	3.000-3.500%	3,000,000
Total governmental activities					<u>\$18,350,000</u>
Business-type activities					
Utility improvements	2004	2024	2,000,000	3.980-4.837%	\$ 480,000
Utility improvements	2008	2028	2,000,000	4.190%	940,000
Utility improvements	2014	2034	3,000,000	1.500-4.000%	2,220,000
Utility improvements	2017	2037	1,000,000	3.250-4.000%	940,000
Utility improvements	2019	2039	1,000,000	3.000-3.500%	1,000,000
Subtotal water / sewer					<u>5,580,000</u>
Drainage improvements	2008	2028	1,500,000	4.190%	670,000
Drainage improvements	2018	2038	3,000,000	3.000-3.125%	2,820,000
Subtotal drainage					<u>3,490,000</u>
Total business-type activities					<u>\$9,070,000</u>

General obligation bonds are backed by the full faith and credit of the City; in other words, the bonds are guaranteed by a pledge of taxes. The original borrowing shown is the original principal balance across all funds.

Purpose	Year of Issue	Final Maturity	Original Borrowing	Interest Rate	Outstanding at 09/30/2021
Governmental activities					
Refund 1999, 2003, 2003A	2012	2023	\$6,250,000	0.350-3.000%	\$ 691,602
Refund 2003, 2003A	2013	2023	1,460,000	1.500%	110,000
Refund 2006	2015	2027	8,400,000	3.000-4.000%	4,630,000
Refund 2011	2020	2031	6,065,000	1.192%	3,915,000
Total governmental activities					<u>\$9,346,602</u>
Business-type activities					
Refund 1999, 2003, 2003A	2012	2023	6,250,000	0.350-3.000%	\$ 614,806
Refund 2003, 2003A	2013	2023	1,460,000	1.500%	250,000
Refund 2006	2015	2027	8,400,000	3.000-4.000%	2,025,000
Refund 2006, 2009	2016	2029	6,620,000	2.000-4.000%	2,760,000
Refund 2011	2020	2031	6,065,000	1.192%	1,830,000
Subtotal water / sewer					<u>7,479,806</u>
Refund 1999, 2003, 2003A	2012	2023	6,250,000	0.350-3.000%	153,592
Subtotal drainage					<u>153,592</u>
Total business-type activities					<u>\$7,633,398</u>

The City's combination tax and revenue certificates of obligation are secured by a lien on ad valorem taxes on all taxable property within the City. The certificates are additionally payable from and secured by a limited pledge of \$1,000 on the net revenues of the City's waterworks and sewer system. Should the City default on these bonds, any registered owner of the certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

The City's direct borrowings (financed purchase agreement) are secured by the financed equipment as collateral.

Advance refunding:

Series 2020 General Obligation Refunding Bonds. On May 21, 2020, the City issued \$6,065,000 in general obligation refunding bonds from the debt service fund and the water and sewer fund with an interest rate of 1.192% to advance refund \$5,975,000 of outstanding bonds. The \$5,975,000 refunded \$4,015,000 of 2011 Series Tax and Utility System Revenue Certificates of Obligation with interest rates of 2.750% to 4.000% which was governmental activity debt and \$1,960,000 which was water and sewer fund debt. The net proceeds of \$6,086,988 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$5,975,000 of refunded debt. As a result, the refunded certificates of obligation are considered to be defeased and the liability has been removed from the long-term debt of the water and sewer fund and government-wide statement of activities.

Original maturity dates for the defeased debt remaining are August 15, 2020. All maturities were redeemed prior to original maturity on August 15, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$75,252 for governmental activities and \$36,744 for the water and sewer fund. These amounts were expensed as interest.

Series 2016 General Obligation Refunding Bonds. On March 21, 2016, the City issued \$6,470,000 in general obligation refunding bonds from the debt service fund and the water and sewer fund with interest rates of 2.000% to 4.000% to advance refund \$6,620,000 of outstanding bonds. The \$6,620,000 refunded \$1,995,000 of 2006 Series Tax and Utility

System Revenue Certificates of Obligation with interest rates of 4.000% to 4.250% which was governmental activity debt and \$4,625,000 in the water and sewer fund which included \$875,000 of 2006 Series Tax and Utility System Revenue Certificates of Obligation with interest rates from 4.000% to 4.250% and \$3,750,000 of 2009 Series Tax and Utility System Revenue Certificates of Obligation with interest rates from 3.500% to 4.500%. The net proceeds of \$6,987,863 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$6,620,000 of refunded debt. As a result, the refunded certificates of obligation are considered to be defeased and the liability has been removed from the long-term debt of the water and sewer fund and government-wide statement of activities.

Original maturity dates for the defeased debt remaining are August 15, 2016 to August 15, 2020. All maturities were redeemed prior to original maturity on August 15, 2021.

The reacquisition price exceeded the net carrying amount of the old debt by \$113,561 for governmental activities and \$257,948 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2020 for the governmental and 2029 for the water and sewer fund using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2021 is \$147,320 for the water and sewer fund.

Series 2015 General Obligation Refunding Bonds. On March 11, 2015, the City issued \$8,400,000 in general obligation refunding bonds from the debt service fund and the water and sewer fund with interest rates of 3.000% to 4.000% to advance refund \$8,870,000 of outstanding bonds. The \$8,870,000 refunded \$6,175,000 of 2006 Series Tax and Utility System Revenue Certificates of Obligation with interest rates of 4.375% to 4.500% which was governmental activity debt and \$2,695,000 in the water and sewer fund of 2006 Series General Obligation Refunding Bonds with an interest rate of 4.375% to 4.500%. The net proceeds of \$9,409,776 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$8,870,000 of refunded debt. As a result, the refunded certificates of obligation and general obligation refunding bonds are considered to be defeased and the liability has been removed from the long-term debt of the water and sewer fund and government-wide statement of activities.

Original maturity dates for the defeased debt remaining are August 15, 2015 to August 15, 2020. All maturities were redeemed prior to original maturity on August 15, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$457,001 for governmental activities and \$175,770 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2027 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2021 is \$143,666 for governmental activities and \$55,280 for the water and sewer fund.

Series 2013 General Obligation Refunding Bonds. On June 13, 2013, the City issued \$1,460,000 in general obligation refunding bonds from the debt service fund and the water and sewer fund with interest rates of 1.500% to 2.000% to advance refund \$1,415,000 of outstanding bonds. The \$1,415,000 refunded \$425,000 of 2003 Series Tax and Utility System Revenue Certificates of Obligation with an interest rate of 4.200% which was governmental activity debt and \$990,000 in the water and sewer fund which included \$85,000 of 2003 Series General Obligation Refunding Bonds with an interest rate of 4.000% and \$905,000 of 2003 Series Tax and Utility System Revenue Certificates of Obligation with an interest rates from 4.200%. The net proceeds of \$1,449,717 (after payment of \$37,574 in issuance costs and \$3,603 net cash received by the City) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$1,415,000 of refunded debt. As a result, the refunded certificates of obligation and general obligation refunding bonds are considered to be defeased and the liability has been removed from the long-term debt of the water and sewer fund and government-wide statement of activities.

Original maturity dates for the defeased debt remaining are August 15, 2004 to August 15, 2023. All maturities were redeemed prior to original maturity on August 15, 2014. There is no defeased debt remaining outstanding at September 30, 2021.

The reacquisition price exceeded the net carrying amount of the old debt by \$28,630 for governmental activities and \$41,634 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2023 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2021 is \$1,575 for governmental activities and \$2,267 for the water and sewer fund.

Series 2012 General Obligation Refunding Bonds. On March 6, 2012, the City issued \$6,250,000 in general obligation refunding bonds from the debt service fund and the water and sewer fund with interest rates of 0.350% to 3.000% to advance refund \$6,230,000 of outstanding bonds. The \$6,230,000 refunded \$3,430,000 of 2003 Series Tax and Utility System Revenue Certificates of Obligation with interest rates of 4.200% to 5.000% which was governmental activity debt and \$2,800,000 in the water and sewer fund which included \$575,000 of 1999 Series General Obligation Refunding Bonds with an interest rate of 4.450%; \$1,895,000 of 2003 Series Tax and Utility System Revenue Certificates of Obligation with interest rates from 4.200% to 5.000%; and \$330,000 of 2003A Series General Obligation Refunding Bonds with interest rates from 3.875% to 5.000%. The net proceeds of \$6,62,811 (after payment of \$76,000 in issuance costs and \$19,016 net cash received by the City) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$6,230,000 of refunded debt. As a result, the refunded certificates of obligation and general obligation refunding bonds are considered to be defeased and the liability has been removed from the long-term debt of the water and sewer fund and government-wide statement of activities.

Original maturity dates for the defeased debt remaining are August 15, 2004 to August 15, 2023. All maturities were redeemed prior to original maturity on August 15, 2014. There is no defeased debt remaining outstanding at September 30, 2021.

The reacquisition price exceeded the net carrying amount of the old debt by \$258,663 for governmental activities and \$225,545 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2023 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2021 is \$12,125 for governmental activities and \$10,573 for the water and sewer fund.

Legal debt margin. The City is subject to a debt limit that is 7% of the five-year average of the full valuation of taxable real property. At September 30, 2021, that amount was \$156,140,179. As of September 30, 2021, the total outstanding debt applicable to the limit was \$27,662,425, which is 82.28% of the total debt limit.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2021

Changes in long-term liabilities. Changes in the City's long-term liabilities for the year ended September 30, 2021, are as follows:

	Balance 10/01/2020	Additions	Reductions	Balance 09/30/2021	Due Within One Year
Governmental activities					
Certificates of obligation					
Competitive placement	\$ 15,700,000		\$ (595,000)	\$15,105,000	\$ 600,000
Private placement	3,665,000		(420,000)	3,245,000	435,000
General obligations					
Competitive placement	6,500,824		(1,069,222)	5,431,602	1,101,064
Private placement	4,075,000		(160,000)	3,915,000	175,000
Premium on bonds	464,673		(97,298)	367,375	
Discount on bonds	(24,315)		2,752	(21,563)	
Net governmental bonds payable	<u>30,381,182</u>		<u>(2,338,768)</u>	<u>28,042,414</u>	<u>2,311,064</u>
Finance purchase agreement	198,000	405,000	(180,158)	422,842	180,000
Compensated absences	<u>896,000</u>	<u>746,100</u>	<u>(775,100)</u>	<u>867,000</u>	<u>623,100</u>
Total governmental long-term liabilities	<u>31,475,182</u>	<u>1,151,100</u>	<u>(3,294,026)</u>	<u>29,332,256</u>	<u>3,114,164</u>
Business-type activities					
Certificates of obligation					
Competitive placement	7,235,000		(255,000)	6,980,000	285,000
Private placement	2,440,000		(350,000)	2,090,000	365,000
General obligations					
Competitive placement	6,874,176		(1,070,778)	5,803,398	1,103,936
Private placement	1,990,000		(160,000)	1,830,000	160,000
Premium on bonds	450,710		(75,348)	375,362	
Discount on bonds	(12,127)		1,373	(10,754)	
Net business-type bonds payable	<u>18,977,759</u>		<u>(1,909,753)</u>	<u>17,068,006</u>	<u>1,913,936</u>
Compensated absences	<u>50,000</u>	<u>48,800</u>	<u>(56,800)</u>	<u>42,000</u>	<u>33,800</u>
Total business-type long-term liabilities	<u>19,027,759</u>	<u>48,800</u>	<u>(1,966,553)</u>	<u>17,110,006</u>	<u>1,947,736</u>
Total government liabilities	<u>\$ 50,502,941</u>	<u>\$1,199,900</u>	<u>\$ (5,260,579)</u>	<u>\$ 46,442,262</u>	<u>\$ 5,061,900</u>

The City's combination tax and revenue certificates of obligation are secured by a lien on ad valorem taxes on all taxable property within the City. The certificates are additionally payable from and secured by a limited pledge of \$1,000 on the net revenues of the City's waterworks and sewer system. Should the City default on these bonds, any registered owner of the certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

The City's direct borrowings (financed purchase agreement) are secured by the financed equipment as collateral.

The annual debt service requirements to maturity for each bond or debt type are as follows:

Certificates of Obligation Payable – Competitive Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 600,000	\$ 469,390	\$ 285,000	\$ 215,113	\$ 1,569,503
2023	580,000	451,940	315,000	207,413	1,554,353
2024	765,000	434,378	335,000	198,525	1,732,903
2025	790,000	410,903	345,000	188,881	1,734,784
2026	785,000	385,865	360,000	178,594	1,709,459
2027-2031	4,915,000	1,541,300	2,265,000	711,841	9,433,141
2032-2036	5,065,000	710,975	2,305,000	327,651	8,408,626
2037-2041	1,605,000	90,900	770,000	42,106	2,508,006
Total	<u>\$ 15,105,000</u>	<u>\$ 4,495,651</u>	<u>\$ 6,980,000</u>	<u>\$ 2,070,124</u>	<u>\$ 28,650,775</u>

Certificates of Obligation Payable – Private Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 435,000	\$ 135,513	\$ 365,000	\$ 90,678	\$ 1,026,191
2023	460,000	116,939	375,000	74,252	1,026,191
2024	480,000	97,299	350,000	57,374	984,673
2025	495,000	76,917	235,000	41,900	848,817
2026	440,000	57,613	245,000	32,054	774,667
2027-2031	935,000	59,079	520,000	32,892	1,546,971
Total	<u>\$ 3,245,000</u>	<u>\$ 543,360</u>	<u>\$ 2,090,000</u>	<u>\$ 329,150</u>	<u>\$ 6,207,510</u>

General Obligation Payable – Competitive Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 1,101,064	\$ 197,173	\$ 1,103,936	\$ 208,677	\$ 2,610,850
2023	1,130,538	164,691	1,139,462	176,809	2,611,500
2024	755,000	124,075	645,000	140,675	1,664,750
2025	785,000	93,875	680,000	114,875	1,673,750
2026	815,000	66,400	705,000	89,400	1,675,800
2027-2031	845,000	33,800	1,530,000	109,000	2,517,800
Total	<u>\$ 5,431,602</u>	<u>\$ 680,014</u>	<u>\$ 5,803,398</u>	<u>\$ 839,436</u>	<u>\$ 12,754,450</u>

General Obligation Payable – Private Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 175,000	\$ 46,667	\$ 160,000	\$ 21,814	\$ 403,480
2023	175,000	44,581	165,000	19,906	404,487
2024	420,000	42,495	180,000	17,940	660,434
2025	430,000	37,488	180,000	15,794	663,282
2026	435,000	32,363	190,000	13,648	671,011
2027-2031	2,280,000	82,308	955,000	34,389	3,351,697
Total	<u>\$ 3,915,000</u>	<u>\$ 285,901</u>	<u>\$ 1,830,000</u>	<u>\$ 123,491</u>	<u>\$ 6,154,392</u>

Finance Purchase Agreement Payable:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 180,000	\$ 6,613			\$ 186,613
2023	81,000	2,843			83,843
2024	81,000	1,895			82,895
2025	80,841	948			81,789
Total	<u>\$ 422,841</u>	<u>\$ 12,299</u>			<u>\$ 435,140</u>

I. Interfund receivables and payables

Due to/from other funds. The composition of interfund balances as of September 30, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 480,075
	Sanitation Fund	235,494
	Drainage Utility Fund	2,795
	Capital Projects Fund	80,709
	Debt Service Fund	24,311
Water and Sewer Fund	General Fund	88,048
	Capital Projects Fund	1,038,213
Drainage Utility Fund	General Fund	3,894
	Water and Sewer Fund	60
	Capital Projects Fund	3,140,914
Sanitation Fund	General Fund	3,244
	Water and Sewer Fund	49
Capital Projects Fund	General Fund	2,339
	Water and Sewer Fund	1,691,862
	Drainage Utility Fund	799,577
Restricted Courts Fund	General Fund	981
Total		<u>\$ 7,592,565</u>

The General Fund receivables represent outstanding amounts for direct costs for the operations of the payable funds but are paid through the General Fund. The Water and Sewer Fund receivable from the Capital Project Fund represents the outstanding amount for the capital projects pending completion funded through the issuance of the Series 2019 Certificates of Obligation. The Drainage Fund receivable from the Capital Project Fund represents the outstanding amount for capital projects pending completion funded through the issuance of the Series 2018 Certificates of Obligation. The Capital Projects receivable is the amount of Water and Sewer and Drainage Fund projects that have already been completed using the bonds that have been issued.

J. Interfund transfers

Transfers to/from other funds. The composition of interfund transfers for the year ended September 30, 2021 is as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 200,000
	Drainage Utility Fund	200,000
Water and Sewer Fund	Capital Projects Fund	409,465
Drainage Utility Fund	Capital Projects Fund	69,135
Capital Projects Fund	General Fund	500,000
	Water and Sewer Fund	1,050,000
	Drainage Utility Fund	150,000
Total		<u>\$ 2,578,600</u>

Transfers to the General Fund are used for indirect costs deemed necessary for operations of the transferring funds but are paid through the General Fund. Transfers to the Capital Projects Fund are used for the funding of capital assets.

K. Contingencies

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

L. Chapter 380 Agreements

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. It specifically provides for the use of public money to promote local economic development and to stimulate business and commercial activity within the city. Businesses with a 380 Agreement with the City are eligible to receive a reimbursement of property and/or sales and use taxed paid for the year if they have met the requirements outlined in the agreement. For the fiscal year ended September 30, 2021, the City did not issue any reimbursements.

IV. OTHER INFORMATION

A. Related party

During the year, the City will mail items through a business that is owned and operated by a City Council member. There is no amount outstanding as owed to the business at September 30, 2021 as employees utilize city issued credit cards as payment to this vendor. Total payments made to the business during the 2021 fiscal year were \$628.

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF HARKER HEIGHTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Taxes and special assessments:				
Property	\$ 10,143,100	\$ 10,143,100	\$ 10,088,024	\$ (55,076)
Sales and other taxes	8,385,400	8,385,400	12,736,841	4,351,441
Licenses and permits	340,000	340,000	336,057	(3,943)
Fines	1,000,000	1,000,000	1,006,852	6,852
Charges for services	932,000	932,000	986,482	54,482
Intergovernmental	144,800	4,516,800	613,311	(3,903,489)
Investment earnings	250,000	250,000	78,119	(171,881)
Contributions and donations	15,000	15,000	39,192	24,192
Miscellaneous	11,000	11,000	114,571	103,571
Total revenues	<u>21,221,300</u>	<u>25,593,300</u>	<u>25,999,449</u>	<u>406,149</u>
EXPENDITURES				
Current:				
General government				
Council	177,500	177,500	174,929	2,571
Administration	1,337,900	1,337,900	1,668,784	(330,884)
Finance	649,300	649,300	594,930	54,370
Pet adoption center	1,030,300	1,030,300	977,903	52,397
Information technology	532,200	744,900	981,699	(236,799)
Total general government	<u>3,727,200</u>	<u>3,939,900</u>	<u>4,398,245</u>	<u>(458,345)</u>
Public safety:				
Police	7,044,600	7,044,600	6,608,541	436,059
Courts	807,500	807,500	799,901	7,599
Code enforcement	762,800	762,800	639,282	123,518
Fire/EMS	4,991,600	4,991,600	5,008,287	(16,687)
Total public safety	<u>13,606,500</u>	<u>13,606,500</u>	<u>13,056,011</u>	<u>550,489</u>
Highways and streets:				
Streets	1,262,600	1,262,600	1,112,105	150,495
Maintenance	272,600	272,600	278,110	(5,510)
Total highways and streets	<u>1,535,200</u>	<u>1,535,200</u>	<u>1,390,215</u>	<u>144,985</u>
Culture and recreation:				
Library	774,900	774,900	730,391	44,509
Activity center	295,000	295,000	282,466	12,534
Parks and recreation	2,049,900	2,049,900	1,786,407	263,493
Total culture and recreation	<u>3,119,800</u>	<u>3,119,800</u>	<u>2,799,264</u>	<u>320,536</u>
Economic development and assistance	<u>374,200</u>	<u>374,200</u>	<u>392,850</u>	<u>(18,650)</u>
Debt service:				
Principal	189,000	189,000	180,159	8,841
Interest and fiscal charges	5,600	5,600	6,156	(556)
Total debt service	<u>194,600</u>	<u>194,600</u>	<u>186,315</u>	<u>8,285</u>
Total expenditures	<u>22,557,500</u>	<u>22,770,200</u>	<u>22,222,900</u>	<u>547,300</u>

The notes to the financial statement are an integral part of this statement.

CITY OF HARKER HEIGHTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>(1,336,200)</u>	<u>2,823,100</u>	<u>3,776,549</u>	<u>953,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	783,500	783,500	400,000	(383,500)
Transfers out	(500,000)	(859,300)	(500,000)	359,300
Finance purchase agreement			405,000	405,000
Sale of capital assets			16,000	16,000
Total other financing sources (uses)	<u>283,500</u>	<u>(75,800)</u>	<u>321,000</u>	<u>396,800</u>
Net change in fund balances	(1,052,700)	2,747,300	4,097,549	1,350,249
Fund balances - beginning	<u>13,849,641</u>	<u>13,849,641</u>	<u>13,849,641</u>	
Fund balances - ending	<u>\$ 12,796,941</u>	<u>\$ 16,596,941</u>	<u>\$ 17,947,190</u>	<u>\$ 1,350,249</u>

The notes to the financial statement are an integral part of this statement.



CITY OF HARKER HEIGHTS
NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2021

BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The City Manager prepares a proposed budget and submits it to the City Council no later than 30 days prior to the property tax is levied.
2. Following submission of the proposed budget, the City Council will set the date for a public hearing to be held 15 days after the budget is submitted and five days after the public notice of the hearing is published.
3. After holding the public hearing, the budget shall be adopted by a favorable vote of the majority of the members of the City Council and upon adoption shall be in effect for the fiscal year.
4. The City Manager has the authority, without City Council approval, to transfer appropriated balances from the expenditure account of department of the City to another.
5. Budgetary integration is employed as a management control device during the fiscal year for the General, Proprietary, Special Revenue, and Debt Service funds. Budgetary integration is not employed by the Capital Projects Fund because effective budgetary control is achieved through grant, bond ordinance, and/or construction contract provisions.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting in accordance with U.S. generally accepted accounting principles.
7. While all budgeted amounts expire at year-end, valid outstanding encumbrances (those for which performance under an executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to State regulations.

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 2,239,859	\$ 2,249,478	\$ 2,066,988	\$ 2,016,004
Interest (on the Total Pension Liability)	3,902,055	3,631,948	3,393,226	3,130,839
Difference between expected and actual experience	(157,434)	(266,087)	(327,716)	137,616
Change of assumptions	0	205,942	0	0
Benefit payments, including refunds of employee contributions	(1,885,192)	(1,744,589)	(1,629,672)	(1,215,783)
Net Change in Total Pension Liability	4,099,288	4,076,692	3,502,826	4,068,676
Total Pension Liability - Beginning	57,630,882	53,554,190	50,051,364	45,982,688
Total Pension Liability - Ending (a)	\$ 61,730,170	\$ 57,630,882	\$ 53,554,190	\$ 50,051,364
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,936,925	\$ 1,973,761	\$ 1,809,675	\$ 1,756,482
Contributions - Employee	917,975	927,893	849,613	825,748
Net Investment Income	3,732,850	6,433,455	(1,254,116)	4,931,608
Benefit payments, including refunds of employee contributions	(1,885,192)	(1,744,589)	(1,629,672)	(1,215,783)
Administrative expense	(24,143)	(36,340)	(24,229)	(25,556)
Other	(941)	(1,093)	(1,264)	(1,295)
Net Change in Plan Fiduciary Net Position	4,677,474	7,553,087	(249,993)	6,271,204
Plan Fiduciary Net Position - Beginning	49,153,990	41,600,903	41,850,896	35,579,692
Plan Fiduciary Net Position - Ending (b)	\$ 53,831,464	\$ 49,153,990	\$ 41,600,903	\$ 41,850,896
Net Pension Liability - Ending (a) - (b)	\$ 7,898,706	\$ 8,476,892	\$ 11,953,287	\$ 8,200,468
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.20%	85.29%	77.68%	83.62%
Covered Payroll	\$ 13,113,929	\$ 13,255,614	\$ 12,137,335	\$ 11,796,397
Net Pension Liability as a Percentage of Covered Payroll	60.23%	63.95%	98.48%	69.52%

The amounts presented above are as of the measurement date of the collective net pension liability.

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2021

2016	2015	2014	
			Total pension liability
\$ 1,930,469	\$ 1,805,969	\$ 1,607,778	Service cost
2,885,469	2,746,611	2,509,002	Interest (on the Total Pension Liability)
(36,619)	(196,637)	(48,522)	Difference between expected and actual experience
0	97,704	0	Change of assumptions
(1,158,162)	(852,850)	(693,040)	Benefit payments, including refunds of employee contributions
3,621,157	3,600,797	3,375,218	Net Change in Total Pension Liability
42,361,531	38,760,734	35,385,516	Total Pension Liability - Beginning
\$ 45,982,688	\$ 42,361,531	\$ 38,760,734	Total Pension Liability - Ending (a)
			Plan Fiduciary Net Position
\$ 1,688,302	\$ 1,618,783	\$ 1,483,963	Contributions - Employer
795,835	757,958	728,453	Contributions - Employee
2,170,104	45,109	1,573,307	Net Investment Income
(1,158,162)	(852,850)	(693,040)	Benefit payments, including refunds of employee contributions
(24,508)	(27,475)	(16,421)	Administrative expense
(1,320)	(1,356)	(1,350)	Other
3,470,251	1,540,169	3,074,912	Net Change in Plan Fiduciary Net Position
32,109,441	30,569,272	27,494,360	Plan Fiduciary Net Position - Beginning
\$ 35,579,692	\$ 32,109,441	\$ 30,569,272	Plan Fiduciary Net Position - Ending (b)
\$ 10,402,996	\$ 10,252,090	\$ 8,191,462	Net Pension Liability - Ending (a) - (b)
77.38%	75.80%	78.87%	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
\$ 11,369,073	\$ 10,827,153	\$ 10,406,469	Covered Payroll
91.50%	94.69%	78.72%	Net Pension Liability as a Percentage of Covered Payroll

The amounts presented above are as of the measurement date of the collective net pension liability.

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2021

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially determined contribution	\$ 1,976,479	\$ 1,930,325	\$ 1,876,020	\$ 1,798,799
Contribution in relation of the actuarially determined contribution	1,976,479	1,930,325	1,876,020	1,798,799
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	\$ 13,355,319	\$ 13,040,498	\$ 12,595,331	\$ 12,068,147
Contributions as a percentage of Covered Payroll	14.80%	14.80%	14.89%	14.91%

The amounts presented above are as of the City's most recent fiscal year end.

**NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS AND SCHEDULE OF CONTRIBUTIONS**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective January 13 months later.

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	<i>Post-retirement:</i> 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. <i>Pre-retirement:</i> PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF HARKER HEIGHTS
 SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2021

Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	
\$ 1,743,446	\$ 1,651,050	\$ 1,639,697	Actuarially determined contribution
<u>1,761,021</u>	<u>1,686,650</u>	<u>1,589,154</u>	Contribution in relation of the actuarially determined contribution
<u>(17,575)</u>	<u>(35,600)</u>	<u>50,543</u>	Contribution deficiency (excess)
\$ 11,716,161	\$ 11,228,815	\$ 11,100,618	Covered Payroll
15.03%	15.02%	14.32%	Cotributions as a percentage of Covered Payroll

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - SUPPLEMENTAL DEATH
SEPTEMBER 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental Death Benefit OPEB Liability				
Service Cost	\$ 35,408	\$ 29,162	\$ 31,557	\$ 25,952
Interest (on the Total Pension Liability)	17,427	18,846	16,592	15,727
Difference between expected and actual experience	(30,172)	(31,844)	1,996	0
Changes in assumptions or other inputs	109,393	109,086	(39,706)	43,122
Benefit payments	(2,623)	(2,651)	(2,427)	(2,359)
Net Change in Total Pension Liability	129,433	122,599	8,012	82,442
Total OPEB Liability - Beginning of year	\$ 617,319	\$ 494,720	\$ 486,708	\$ 404,266
Total OPEB Liability - End of year	\$ 746,752	\$ 617,319	\$ 494,720	\$ 486,708
Covered-employee Payroll	\$ 13,113,929	\$ 13,255,614	\$ 12,137,335	\$ 11,796,397
Total OPEB Liability as a Percentage of Covered-employee Payroll	5.69%	4.66%	4.08%	4.13%

Note: The amounts above are as of the measurement date of the collective supplemental death benefit OPEB liability.

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2021	0.15%	0.06%
2020	0.15%	0.02%
2019	0.14%	0.02%
2018	0.14%	0.02%
2017	0.15%	0.02%

Note 1: Due to the SDBR being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

$$\text{Total covered payroll} * \text{Retiree Portion of SDB Contribution (Rate)}$$

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2021

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially determined contribution	\$ 2,671	\$ 2,608	\$ 2,519	\$ 2,414
Contribution in relation of the actuarially determined contribution	2,671	2,608	2,519	2,414
Contribution deficiency (excess)	0	0	0	0
Covered-employee Payroll	\$ 13,355,319	\$ 13,040,498	\$ 12,595,331	\$ 12,068,147
Contributions as a percentage of Covered-employee Payroll	0.02%	0.02%	0.02%	0.02%

The amounts presented above are as of the City's most recent fiscal year-end.

**NOTES TO SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT (OPEB) LIABILITY
AND RELATED RATIOS AND SCHEDULE OF CONTRIBUTIONS - SUPPLEMENTAL DEATH**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective January 13 months later.

Methods and Assumption Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.50% and 3.00% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - HEALTH BENEFITS
SEPTEMBER 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Health Benefits OPEB Liability				
Service Cost	\$ 50,652	\$ 42,031	\$ 42,031	\$ 40,356
Interest Cost	16,764	22,652	27,704	28,107
Changes in assumptions or other inputs	0	(151,564)	147,413	(44,270)
Benefit payments	<u>(28,225)</u>	<u>(28,225)</u>	<u>(38,064)</u>	<u>(33,069)</u>
Net change in total OPEB liability	<u>39,191</u>	<u>(115,106)</u>	<u>179,084</u>	<u>(8,876)</u>
Total OPEB Liability - Start of year	<u>\$ 708,545</u>	<u>\$ 823,651</u>	<u>\$ 644,567</u>	<u>\$ 653,443</u>
Total OPEB Liability - End of year	<u>\$ 747,736</u>	<u>\$ 708,545</u>	<u>\$ 823,651</u>	<u>\$ 644,567</u>
Covered-employee Payroll	\$ 12,285,164	\$ 11,869,724	\$ 11,426,910	\$ 11,040,493
Total OPEB Liability as a Percentage of Covered-employee Payroll	6.09%	5.97%	7.21%	5.84%

Note: The amounts above are based on September 30, 2021 measurement date.

Schedule of Contributions

Current Premium Rates:

Rate Tier	Health (Preferred)	Health (HMO/PPO)	Dental	Vision
Subscriber Only	526.02	566.81	23.16	3.85
Subscriber and Spouse	1,233.35	1,329.00	46.13	7.23
Subscriber and Child(ren)	894.78	964.17	62.65	7.64
Subscriber and Family	1,522.92	1,641.02	93.61	11.91

Retiree Contributions

All employees are required to contribute the full premium in order to continue coverage at retirement.

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2021

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Legally required contributions	\$ 28,225	\$ 28,225	\$ 38,064	\$ 33,069
Actual contributions	57,038	38,067	38,064	33,069
Contribution deficiency (excess)	(28,813)	(9,842)	0	0
Covered Payroll	\$ 12,285,164	\$ 11,869,724	\$ 11,426,910	\$ 11,040,493
Contributions as a percentage of Covered Payroll	0.46%	0.32%	0.33%	0.30%

**NOTES TO SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT (OPEB) LIABILITY
AND RELATED RATIOS AND SCHEDULE OF CONTRIBUTIONS**

Methods and Assumption Used to Determine Contribution Rates:

Valuation Date	September 30, 2021
Discount rate	2.25%
Salary Scale	3.50%
Inflation Rate	3.00%
Health Care Cost Trend	4.50%
Census Data	Provided by the City as of September 2020
Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 30% of all actives who currently have healthcare coverage will continue with coverage upon retirement. 10% of those with spouse coverage will continue with spouse coverage and the balance with individual coverage only.
Mortality Rates	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report.



COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES



CITY OF HARKER HEIGHTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel / Motel Fund	Restricted Court Fund	
ASSETS			
Cash	\$ 11,060	\$ 79,344	\$ 90,404
Investments	429,957	121,014	550,971
Receivables (net of allowance for uncollectibles):			
Accounts	9,794		9,794
Due from other funds		981	981
Total assets	<u>450,811</u>	<u>201,339</u>	<u>652,150</u>
LIABILITIES			
FUND BALANCES			
Restricted for:			
Economic development and assistance	450,811		450,811
Public safety		201,339	201,339
Total fund balances	<u>450,811</u>	<u>201,339</u>	<u>652,150</u>
Total liabilities and fund balances	<u>\$ 450,811</u>	<u>\$ 201,339</u>	<u>\$ 652,150</u>

CITY OF HARKER HEIGHTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel / Motel Fund	Restricted Court Fund	
REVENUES			
Other taxes and special assessments	\$ 111,479		\$ 111,479
Fines		112,982	112,982
Investment earnings	537	396	933
Total revenues	<u>112,016</u>	<u>113,378</u>	<u>225,394</u>
EXPENDITURES			
Current:			
Economic development and assistance	22,500		22,500
Public Safety:			
Courts		83,500	83,500
Total expenditures	<u>22,500</u>	<u>83,500</u>	<u>106,000</u>
Net change in fund balance	89,516	29,878	119,394
Fund balances - beginning	<u>361,295</u>	<u>171,461</u>	<u>532,756</u>
Fund balances - ending	<u>\$ 450,811</u>	<u>\$ 201,339</u>	<u>\$ 652,150</u>

SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL



CITY OF HARKER HEIGHTS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR TE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,208,400	\$ 3,208,400	\$ 3,224,105	\$ 15,705
Investment earnings	7,000	7,000	933	(6,067)
Miscellaneous income			529	529
Total revenues	<u>3,215,400</u>	<u>3,215,400</u>	<u>3,225,567</u>	<u>10,167</u>
EXPENDITURES				
Debt Service:				
Principal	2,244,200	2,244,200	2,244,221	(21)
Interest and fiscal charges	917,300	917,300	917,334	(34)
Tax collection fees	32,500	32,500	32,440	60
Total expenditures	<u>3,194,000</u>	<u>3,194,000</u>	<u>3,193,995</u>	<u>5</u>
Net change in fund balance	21,400	21,400	31,572	10,162
Fund balance - beginning	<u>50,917</u>	<u>50,917</u>	<u>50,917</u>	
Fund balance - ending	<u>\$ 72,317</u>	<u>\$ 72,317</u>	<u>\$ 82,489</u>	<u>\$ 10,162</u>

CITY OF HARKER HEIGHTS
HOTEL / MOTEL (SPECIAL REVENUE) FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Hotel / Motel tax	\$ 89,000	\$ 89,000	\$ 111,479	\$ 22,479
Investment earnings	2,500	2,500	537	(1,963)
Total revenues	<u>91,500</u>	<u>91,500</u>	<u>112,016</u>	<u>20,516</u>
EXPENDITURES				
Current:				
Economic development and assistance				
Advertising	12,500	12,500	12,500	
Events	12,500	12,500	7,500	5,000
Promotion of the arts	2,500	2,500	2,500	
Total expenditures	<u>27,500</u>	<u>27,500</u>	<u>22,500</u>	<u>5,000</u>
Excess (deficiency) of revenues over (under) expenditures	64,000	64,000	89,516	15,516
Fund balance - beginning	<u>361,295</u>	<u>361,295</u>	<u>361,295</u>	
Fund balance - ending	<u>\$ 425,295</u>	<u>\$ 425,295</u>	<u>\$ 450,811</u>	<u>\$ 15,516</u>

CITY OF HARKER HEIGHTS
RESTRICTED COURT (SPECIAL REVENUE) FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Fines	\$ 127,800	\$ 127,800	\$ 112,982	\$ (14,818)
Investment earnings	1,800	1,800	396	(1,404)
Total revenues	<u>129,600</u>	<u>129,600</u>	<u>113,378</u>	<u>(16,222)</u>
EXPENDITURES				
Current:				
Public safety:				
Courts			83,500	(83,500)
Total expenditures			<u>83,500</u>	<u>(83,500)</u>
Excess (deficiency) of revenues over (under) expenditures	129,600	129,600	29,878	(99,722)
OTHER FINANCING SOURCES (USES)				
Transfers out	(83,500)	(83,500)		83,500
Total other financing sources (uses)	<u>(83,500)</u>	<u>(83,500)</u>		<u>83,500</u>
Net change in fund balance	46,100	46,100	29,878	(16,222)
Fund balance - beginning	<u>171,461</u>	<u>171,461</u>	<u>171,461</u>	
Fund balance - ending	<u>\$ 217,561</u>	<u>\$ 217,561</u>	<u>\$ 201,339</u>	<u>\$ (16,222)</u>



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS



CITY OF HARKER HEIGHTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Governmental Funds Capital Assets:		
Land	\$ 15,705,162	\$ 15,715,042
Buildings	24,926,738	22,658,983
Improvements other than buildings	310,559	253,411
Machinery and equipment	7,721,619	6,896,692
Vehicles	5,933,857	6,078,653
Furniture and fixtures	1,182,189	1,139,250
Street and drainage improvements	44,347,916	42,926,569
Construction in progress	928,202	3,157,573
Total governmental funds capital assets	<u>\$ 101,056,242</u>	<u>\$ 98,826,173</u>
Investment in Governmental Funds Capital Assets by Source:		
General fund	\$ 25,009,194	\$ 24,436,451
Special revenue funds	908,883	908,883
Capital projects fund	67,991,288	66,374,057
Donations	2,367,934	2,360,166
Grants, revenue sharing	4,778,943	4,746,616
Total governmental funds capital assets	<u>\$ 101,056,242</u>	<u>\$ 98,826,173</u>

CITY OF HARKER HEIGHTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2021

Function and Activity	Land	Buildings	Improv other than Buildings	Machinery and Equipment	Vehicles
General government:					
Council		\$ 50,130		\$ 19,798	
Administration	1,355,546	4,156,225	2,129	1,495,623	
Finance				169,933	
Information Technology				520,374	
Pet Adoption Center		3,198,946		142,747	110,489
Total general government	<u>1,355,546</u>	<u>7,405,301</u>	<u>2,129</u>	<u>2,348,475</u>	<u>110,489</u>
Public Safety:					
Police	75,157	2,956,219	76,279	1,277,156	2,692,383
Fire and EMS	27,578	7,661,872	7,985	1,626,448	2,115,426
Code Enforcement		125		18,385	38,374
Courts				245,585	-
Total public safety	<u>102,735</u>	<u>10,618,216</u>	<u>84,264</u>	<u>3,167,574</u>	<u>4,846,183</u>
Highways and streets:					
Maintenance	119,438	207,756	1,995	776,494	698,654
Street and drainage system					
Total highways and streets	<u>119,438</u>	<u>207,756</u>	<u>1,995</u>	<u>776,494</u>	<u>698,654</u>
Culture and recreation:					
Parks and recreation	14,110,080	2,547,808	167,850	1,082,593	278,531
Activity Center				10,937	
Library	17,363	4,147,657	8,971	176,538	
Total culture and recreation	<u>14,127,443</u>	<u>6,695,465</u>	<u>176,821</u>	<u>1,270,068</u>	<u>278,531</u>
Economic development and assistance			45,350	159,008	
Construction in progress					
Total governmental funds capital assets	<u>\$ 15,705,162</u>	<u>\$ 24,926,738</u>	<u>\$ 310,559</u>	<u>\$ 7,721,619</u>	<u>\$ 5,933,857</u>

CITY OF HARKER HEIGHTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2021

Furniture and Fixtures	Streets and Drainage Improvements	Constr in Progress	Total	Function and Activity
				General government:
\$ 3,755			\$ 73,683	Council
185,213			7,194,736	Administration
5,501			175,434	Finance
			520,374	Information Technology
71,243			3,523,425	Pet Adoption Center
<u>265,712</u>			<u>11,487,652</u>	Total general government
				Public Safety:
211,391			7,288,585	Police
152,878			11,592,187	Fire and EMS
			56,884	Code Enforcement
8,979			254,564	Courts
<u>373,248</u>			<u>19,192,220</u>	Total public safety
				Highways and streets:
			1,804,337	Maintenance
	44,347,916		44,347,916	Street and drainage system
	<u>44,347,916</u>		<u>46,152,253</u>	Total highways and streets
				Culture and recreation:
189,219			18,376,081	Parks and recreation
			10,937	Activity Center
351,300			4,701,829	Library
<u>540,519</u>			<u>23,088,847</u>	Total culture and recreation
2,710			207,068	Economic development and assistance
		928,202	928,202	Construction in progress
<u>\$ 1,182,189</u>	<u>\$ 44,347,916</u>	<u>\$ 928,202</u>	<u>\$ 101,056,242</u>	Total governmental funds capital assets

CITY OF HARKER HEIGHTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2021

Function and Activity	Balance as of October 1, 2020	Additions	Deletions	Transfers	Balance as of September 30, 2021
General government:					
Council	\$ 73,683				\$ 73,683
Administration	7,184,710	10,750		(724)	7,194,736
Finance	175,434				175,434
Information Technology	49,996	470,378			520,374
Pet Adoption Center	3,523,425				3,523,425
Total general government	<u>11,007,248</u>	<u>481,128</u>		<u>(724)</u>	<u>11,487,652</u>
Public safety:					
Police	7,001,225	171,226	(63,508)	179,642	7,288,585
Fire and EMS	9,544,936	2,393,169	(167,000)	(178,918)	11,592,187
Code Enforcement	71,982		(15,098)		56,884
Courts	254,564				254,564
Total public safety	<u>16,872,707</u>	<u>2,564,395</u>	<u>(245,606)</u>	<u>724</u>	<u>19,192,220</u>
Highways and streets:					
Maintenance	1,661,133	143,204			1,804,337
Street and drainage system	42,926,569	1,421,347			44,347,916
Total highways and streets	<u>44,587,702</u>	<u>1,564,551</u>			<u>46,152,253</u>
Culture and recreation:					
Parks and recreation	18,288,876	87,205			18,376,081
Activity Center	10,937				10,937
Library	4,694,062	7,767			4,701,829
Total culture and recreation	<u>22,993,875</u>	<u>94,972</u>			<u>23,088,847</u>
Economic development and assistance	<u>207,068</u>				<u>207,068</u>
Construction in progress	<u>3,157,573</u>	<u>1,617,231</u>	<u>(3,846,602)</u>	<u>-</u>	<u>928,202</u>
Total governmental funds capital assets	<u>\$ 98,826,173</u>	<u>\$ 6,322,277</u>	<u>\$ (4,092,208)</u>	<u>\$ -</u>	<u>\$ 101,056,242</u>

Note:

This schedule presents only the capital asset balances related to governmental funds.

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Harker Heights' annual comprehensive 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 the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends: These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	88
Revenue Capacity: These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	99
Debt Capacity: 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.	105
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	114
Operating Information: These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information related to the services the City provides and the activities it performs.	118

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF HARKER HEIGHTS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Governmental activities					
Net investment in capital assets	\$ 42,223	\$ 37,854	\$ 35,751	\$ 33,592	\$ 29,424
Restricted	769	622	531	457	6,192
Unrestricted	10,769	8,290	7,302	7,069	2,916
Total governmental activities net position	<u>53,761</u>	<u>46,766</u>	<u>43,584</u>	<u>41,118</u>	<u>38,532</u>
Business-type activities					
Net investment in capital assets	31,490	33,061	32,324	30,393	29,055
Restricted	29	48	47	45	953
Unrestricted	5,663	1,733	(150)	1,151	939
Total business-type activities net position	<u>37,182</u>	<u>34,842</u>	<u>32,221</u>	<u>31,589</u>	<u>30,947</u>
Primary Government					
Net investment in capital assets	73,713	70,915	68,075	63,985	58,479
Restricted	798	670	578	502	7,145
Unrestricted	16,432	10,023	7,152	8,220	3,855
Total primary government net position	<u>\$ 90,943</u>	<u>\$ 81,608</u>	<u>\$ 75,805</u>	<u>\$ 72,707</u>	<u>\$ 69,479</u>

CITY OF HARKER HEIGHTS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year				
2016	2015	2014	2013	2012
\$ 30,534	\$ 26,705	\$ 24,343	\$ 23,247	\$ 21,839
1,828	12,894	12,000	4,921	8,773
3,868	(3,716)	3,537	7,867	5,786
<u>36,230</u>	<u>35,883</u>	<u>39,880</u>	<u>36,035</u>	<u>36,398</u>
28,727	27,659	25,968	25,078	22,756
710	57	56	32	34
1,706	(322)	384	1,657	1,310
<u>31,143</u>	<u>27,394</u>	<u>26,408</u>	<u>26,767</u>	<u>24,100</u>
59,261	54,364	50,311	48,325	44,595
2,538	12,951	12,056	4,953	8,807
5,574	(4,038)	3,921	9,524	7,096
<u>\$ 67,373</u>	<u>\$ 63,277</u>	<u>\$ 66,288</u>	<u>\$ 62,802</u>	<u>\$ 60,498</u>

CITY OF HARKER HEIGHTS
 CHANGES IN NET POSITION LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Expenses					
Governmental Activities:					
General government	\$ 4,406	\$ 4,528	\$ 4,414	\$ 4,009	\$ 4,053
Public safety	13,609	14,107	13,883	12,701	12,726
Highways/streets	2,171	1,799	1,707	1,986	1,771
Economic development	410	2,967	388	379	438
Culture and recreation	3,209	398	3,557	3,508	3,338
Interest on long-term debt	911	1,118	1,121	1,060	1,038
Total Governmental Activities	<u>24,717</u>	<u>24,917</u>	<u>25,070</u>	<u>23,643</u>	<u>23,364</u>
Business-type Activities:					
Water and sewer	7,927	7,919	7,309	7,206	6,771
Drainage	367	397	326	364	369
Sanitation	2,127	2,057	1,959	1,843	1,779
Total Business-type Activities	<u>10,421</u>	<u>10,373</u>	<u>9,594</u>	<u>9,413</u>	<u>8,919</u>
Total Expenses	<u>\$ 35,138</u>	<u>\$ 35,290</u>	<u>\$ 34,664</u>	<u>\$ 33,056</u>	<u>\$ 32,283</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	\$ 56	\$ 88	\$ 104	\$ 131	\$ 89
Public safety	2,597	1,951	1,936	1,810	1,698
Culture and recreation	271	123	272	268	259
Other activities	141	246	301	184	212
Operating grants and contributions	1,108	1,568	343	247	220
Capital Grants and contributions		1,125			
Total Governmental Activities	<u>4,172</u>	<u>5,101</u>	<u>2,956</u>	<u>2,640</u>	<u>2,478</u>
Business-type Activities:					
Charges for services	13,659	13,633	12,487	13,140	12,200
Operating grants and contributions	29				
Total Business-type Activities	<u>13,688</u>	<u>13,633</u>	<u>12,487</u>	<u>13,140</u>	<u>12,200</u>
Total Program Revenues	<u>\$ 17,860</u>	<u>\$ 18,734</u>	<u>\$ 15,443</u>	<u>\$ 15,780</u>	<u>\$ 14,678</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (20,545)	\$ (19,816)	\$ (22,114)	\$ (21,003)	\$ (20,886)
Business-type Activities	3,267	3,260	2,893	3,727	3,281
Total Net Expense	<u>\$ (17,278)</u>	<u>\$ (16,556)</u>	<u>\$ (19,221)</u>	<u>\$ (17,276)</u>	<u>\$ (17,605)</u>

CITY OF HARKER HEIGHTS
 CHANGES IN NET POSITION LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

Fiscal Year				
2016	2015	2014	2013	2012
\$ 3,866	\$ 3,967	\$ 2,862	\$ 3,247	\$ 2,818
12,715	10,478	11,137	10,553	10,383
880	1,768	1,828	1,734	1,782
410	447	538	483	468
3,378	3,051	3,077	2,932	2,928
1,032	988	1,214	1,094	1,237
<u>22,281</u>	<u>20,699</u>	<u>20,656</u>	<u>20,043</u>	<u>19,616</u>
6,356	6,662	6,397	6,088	5,862
359	364	304	325	283
1,743	1,649	1,577	1,536	1,529
<u>8,458</u>	<u>8,675</u>	<u>8,278</u>	<u>7,949</u>	<u>7,674</u>
<u>\$ 30,739</u>	<u>\$ 29,374</u>	<u>\$ 28,934</u>	<u>\$ 27,992</u>	<u>\$ 27,290</u>
\$ 249	\$ 111	\$ 61	\$ 56	\$ 87
1,554	1,672	1,831	1,858	1,998
291	293	311	291	306
278	296	546	249	164
1,083	792	66	477	598
<u>3,455</u>	<u>3,164</u>	<u>2,815</u>	<u>2,931</u>	<u>3,153</u>
12,091	11,435	11,189	11,553	11,586
<u>12,091</u>	<u>11,435</u>	<u>11,189</u>	<u>11,553</u>	<u>11,586</u>
<u>\$ 15,546</u>	<u>\$ 14,599</u>	<u>\$ 14,004</u>	<u>\$ 14,484</u>	<u>\$ 14,739</u>
\$ (18,826)	\$ (17,535)	\$ (17,841)	\$ (17,112)	\$ (16,463)
3,633	2,760	2,911	3,604	3,912
<u>\$ (15,193)</u>	<u>\$ (14,775)</u>	<u>\$ (14,930)</u>	<u>\$ (13,508)</u>	<u>\$ (12,551)</u>

CITY OF HARKER HEIGHTS
 CHANGES IN NET POSITION LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	\$ 13,261	\$ 12,281	\$ 11,754	\$ 11,734	\$ 11,100
Sales taxes	11,194	7,733	8,081	6,828	6,672
Mixed drink taxes	119	93	104	100	113
Bingo taxes	111	39	45	42	50
Hotel/Motel taxes	35	105	97	86	95
Franchise taxes	1,389	1,378	1,403	1,397	1,333
Investment earnings	120	491	650	312	162
Miscellaneous	173				
Gain on sale of capital assets	16	3		12	22
Transfers	1,121	875	2,446	3,272	3,641
Total Governmental Activities	27,539	22,998	24,580	23,783	23,188
Business-type activities					
Franchise taxes	176	197	134	153	148
Investment earnings	19	40	51	40	17
Gain on sale of capital assets				2	
Transfers	(1,121)	(875)	(2,446)	(3,272)	(3,641)
Total Business-type Activities	(927)	(638)	(2,261)	(3,077)	(3,476)
Total General Revenues and Other Changes in Net Position	\$ 26,612	\$ 22,360	\$ 22,319	\$ 20,706	\$ 19,712
Change in Net Position					
Governmental Activities	\$ 6,994	\$ 3,182	\$ 2,466	\$ 2,780	\$ 2,302
Business-type Activities	2,340	2,622	632	650	(195)
Total Change in Net Position	\$ 9,335	\$ 5,804	\$ 3,098	\$ 3,430	\$ 2,107

CITY OF HARKER HEIGHTS
 CHANGES IN NET POSITION LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

Fiscal Year				
2016	2015	2014	2013	2012
\$ 10,833	\$ 10,419	\$ 10,051	\$ 9,189	\$ 9,167
6,627	6,594	6,186	5,232	5,426
111	141	116	98	97
52	64	77	101	105
75	75	100	84	93
1,297	1,342	1,312	1,265	1,436
115	48	132	40	64
		12	9	9
63	1,480	3,483	928	(2,203)
<u>19,173</u>	<u>20,163</u>	<u>21,469</u>	<u>16,946</u>	<u>14,194</u>
161	125	140	137	130
18	10	10	13	11
(63)	(1,480)	(3,483)	(928)	2,203
<u>116</u>	<u>(1,345)</u>	<u>(3,333)</u>	<u>(778)</u>	<u>2,344</u>
<u>\$ 19,289</u>	<u>\$ 18,818</u>	<u>\$ 18,136</u>	<u>\$ 16,168</u>	<u>\$ 16,538</u>
\$ 347	\$ 2,628	\$ 3,628	\$ (166)	\$ (2,269)
3,749	1,415	(422)	2,826	6,256
<u>\$ 4,096</u>	<u>\$ 4,043</u>	<u>\$ 3,206</u>	<u>\$ 2,660</u>	<u>\$ 3,987</u>



CITY OF HARKER HEIGHTS
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Bingo Tax	Alcoholic Beverage Tax	Hotel/Motel Tax	Total
2021	13,261	11,194	1,389	111	119	35	26,109
2020	12,281	7,733	1,378	39	93	105	21,629
2019	11,754	8,081	1,403	45	104	97	21,484
2018	11,734	6,828	1,397	42	100	86	20,187
2017	11,100	6,672	1,333	50	113	95	19,363
2016	10,833	6,627	1,297	52	111	75	18,995
2015	10,419	6,594	1,342	64	141	75	18,635
2014	10,051	6,186	1,312	78	116	100	17,843
2013	9,189	5,232	1,265	101	98	84	15,969
2012	9,167	5,426	1,436	105	97	93	16,324

Source: Audited Financial Statements.

CITY OF HARKER HEIGHTS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
General Fund					
Restricted for:					
Public safety	5	3	3	6	3
Pet Adoption Center	11	17	19	9	5
Cemetery	19	19	19	18	18
Assigned to:					
Subsequent year's budget	2,944				
Culture and recreation	492	438	378	328	271
Unassigned	14,476	13,373	11,044	10,686	9,997
Total general fund	<u>\$ 17,947</u>	<u>\$ 13,850</u>	<u>\$ 11,463</u>	<u>\$ 11,047</u>	<u>\$ 10,294</u>
All Other Governmental Funds					
Restricted for:					
Economic development	451	361	276	192	122
Public safety	201	171	189	185	212
Debt service	82	51	24	47	191
Capital projects	2,883		2,420	2,779	5,640
Committed					
Capital projects		3,384	4,202	3,399	
Assigned to:					
Culture and recreation					
Capital projects	1,496	1,292	1,892	1,852	2,212
Unassigned					
Total all other governmental funds	<u>\$ 5,113</u>	<u>\$ 5,259</u>	<u>\$ 9,003</u>	<u>\$ 8,454</u>	<u>\$ 8,377</u>

CITY OF HARKER HEIGHTS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

Fiscal Year				
2016	2015	2014	2013	2012
3	3	1	1	3
18	18	18	18	
243	220	179	146	91
9,660	9,962	9,486	8,256	8,342
<u>\$ 9,924</u>	<u>\$ 10,203</u>	<u>\$ 9,684</u>	<u>\$ 8,421</u>	<u>\$ 8,436</u>
85	106	189	206	222
171	167	216	202	191
55	108	106	61	48
1,496	8,321	11,470	4,433	8,291
2,856	3,952			
		3,860	2,995	2,583
<u>\$ 4,663</u>	<u>\$ 12,654</u>	<u>\$ 15,841</u>	<u>\$ 7,897</u>	<u>\$ 11,335</u>

CITY OF HARKER HEIGHTS
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Revenues					
Taxes	\$ 26,160	\$ 21,731	\$20,654	\$20,073	\$19,226
Licenses and permits	336	306	396	280	247
Fines	1,120	1,145	1,068	1,005	877
Charges for services	986	811	1,058	949	990
Intergovernmental	613	1,545	1,200	392	361
Investment earnings	120	463	650	310	158
Contributions and donations	39	1,149	29	25	29
Miscellaneous	173	96	32	106	111
Total revenues	<u>29,547</u>	<u>27,246</u>	<u>25,087</u>	<u>23,140</u>	<u>21,999</u>
Expenditures					
General government	4,398	3,943	3,799	3,725	3,778
Public safety	13,140	12,957	12,294	12,400	11,456
Highways and streets	1,390	1,311	1,453	1,372	1,489
Culture and recreation	2,799	2,591	3,039	3,043	2,903
Economic development and assistance	415	386	362	374	421
Debt service					
Principal	2,424	2,109	2,061	1,932	1,926
Interest	923	1,025	1,095	1,039	982
Tax collection fees	32	32	31	29	30
Bond issuance costs		48	40	34	55
Capital outlay	1,617	5,059	5,422	5,157	3,571
Total expenditures	<u>27,138</u>	<u>29,461</u>	<u>29,596</u>	<u>29,105</u>	<u>26,611</u>
Excess of revenues over (under) expenditures	<u>2,409</u>	<u>(2,215)</u>	<u>(4,509)</u>	<u>(5,965)</u>	<u>(4,612)</u>
Other Financing Sources (Uses)					
Issuance of certificates of obligation		4,075	3,028	3,029	5,055
Issuance of refunding bonds					
Premium on refunding bonds					
Payment to refunded bond escrow agent		(4,090)			
Capital leases				495	
Finance purchase agreement	405				
Sale of capital assets proceeds	16				
Transfers in	2,100	1,325	4,463	3,990	4,554
Transfers out	(979)	(450)	(2,017)	(718)	(913)
Total other financing sources (uses)	<u>1,542</u>	<u>860</u>	<u>5,474</u>	<u>6,796</u>	<u>8,696</u>
Net change in fund balances	<u>\$ 3,951</u>	<u>\$ (1,355)</u>	<u>\$965</u>	<u>\$831</u>	<u>\$4,084</u>
Debt service as a percentage of noncapital expenditures	13.57%	13.17%	13.43%	12.97%	12.98%

CITY OF HARKER HEIGHTS
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

Fiscal Year				
2016	2015	2014	2013	2012
\$18,877	\$18,555	\$17,784	\$16,019	\$16,365
320	330	591	286	204
822	1,145	1,541	1,405	1,472
857	795	787	797	721
447	932	198	443	432
90	48	32	39	41
811	32	41	39	171
256	107	143	144	74
<u>22,480</u>	<u>21,944</u>	<u>21,117</u>	<u>19,172</u>	<u>19,480</u>
3,669	4,102	2,734	3,072	2,659
12,076	11,340	10,492	10,550	9,823
1,541	1,288	1,321	1,302	1,558
2,922	2,837	2,726	2,727	2,541
466	474	526	466	452
1,893	1,550	1,677	1,509	1,409
1,010	1,059	1,077	1,053	1,169
29	28	28	28	27
25	64	6	19	36
7,432	3,849	851	3,296	3,325
<u>31,063</u>	<u>26,591</u>	<u>21,438</u>	<u>24,022</u>	<u>22,999</u>
<u>(8,583)</u>	<u>(4,647)</u>	<u>(321)</u>	<u>(4,850)</u>	<u>(3,519)</u>
		6,046		
1,985	6,569		455	3,200
164				
(2,106)	(6,551)		(435)	(3,650)
208	478		270	
				10
3,600	4,150	7,278	3,436	3,034
(3,537)	(2,670)	(3,795)	(2,508)	(5,237)
<u>314</u>	<u>1,976</u>	<u>9,529</u>	<u>1,218</u>	<u>(2,643)</u>
<u>(\$8,269)</u>	<u>(\$2,671)</u>	<u>\$9,208</u>	<u>(\$3,632)</u>	<u>(\$6,162)</u>
13.42%	12.10%	13.69%	13.00%	13.51%

CITY OF HARKER HEIGHTS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Less: Exemptions¹	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Rate
2021	\$ 2,449,956,127	\$ 121,143,149	\$ 550,486,382	\$ 2,020,612,894	78.59%	\$ 2,571,099,276	0.6770
2020	2,223,496,798	124,600,298	467,495,054	1,880,602,042	80.09%	2,348,097,096	0.6770
2019	2,054,007,820	126,591,843	377,119,500	1,803,480,163	82.71%	2,180,599,663	0.6770
2018	1,988,778,889	124,001,875	313,770,080	1,799,010,684	85.15%	2,112,780,764	0.6770
2017	1,813,068,923	127,224,231	245,257,629	1,695,035,525	87.36%	1,940,293,154	0.6770
2016	1,726,337,444	129,371,982	201,721,179	1,653,988,247	89.13%	1,855,709,426	0.6770
2015	1,644,815,946	123,164,489	172,716,271	1,595,264,164	90.23%	1,767,980,435	0.6770
2014	1,580,544,133	84,592,701	154,085,334	1,511,051,500	90.75%	1,665,136,834	0.6770
2013	1,466,874,488	77,734,371	141,980,105	1,402,628,754	90.81%	1,544,608,859	0.6770
2012	1,449,939,258	76,917,735	131,985,034	1,394,871,959	91.36%	1,526,856,993	0.6770

Source: Bell County Appraisal District

NOTE: Tax rates are per \$100 of assessed values.

¹Amount includes productivity loss and the homestead cap as well as local and state exemptions.

CITY OF HARKER HEIGHTS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Harker Heights			Overlapping Rates					Total Direct and Overlapping
	Operating Millage	Debt Service Millage	Total Direct Rate	Killeen Independent School District	Central Texas College	Bell County	Road District	Clearwater UWCD	
2021	0.51430	0.16270	0.67700	1.08950	0.12180	0.39680	0.02850	0.00327	2.31687
2020	0.52080	0.15620	0.67700	1.16110	0.12790	0.42080	0.02920	0.00357	2.41957
2019	0.51930	0.15770	0.67700	1.26000	0.13860	0.42120	0.02990	0.00383	2.53053
2018	0.52850	0.14850	0.67700	1.11000	0.13990	0.42120	0.02990	0.00385	2.38185
2017	0.51980	0.15720	0.67700	1.12600	0.13660	0.42120	0.02990	0.00392	2.39462
2016	0.51740	0.15960	0.67700	1.12800	0.13660	0.42120	0.02990	0.00395	2.39665
2015	0.51670	0.16030	0.67700	1.12800	0.13660	0.42120	0.02990	0.00400	2.39670
2014	0.51160	0.16540	0.67700	1.12800	0.13700	0.42120	0.02990	0.00400	2.39710
2013	0.49880	0.17820	0.67700	1.13100	0.14000	0.42120	0.02990	0.00400	2.40310
2012	0.50240	0.17460	0.67700	1.14119	0.14090	0.40960	0.02990	0.00400	2.40259

Source: Bell County Appraisal District

Note: Property tax rates per \$100 of assessed value.

CITY OF HARKER HEIGHTS
 PRINCIPAL TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (amounts expressed in thousands)

Taxpayer	2021			2012		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
DRP Market Heights Property Owner LLC	\$ 62,934	1	3.11%			
HH/Killeen Health System LLC	55,000	2	2.72%			
HH/Killeen Health System LLC	21,000	3	1.04%			
Oncor Electric Delivery Co LLC	14,753	4	0.73%	10,314	3	0.74%
Wal-Mart Real Estate Business Trust	11,504	5	0.57%	16,386	2	1.17%
HH/Killeen Health System LLC	11,270	6	0.56%			
Lions Run Investments LLC	10,160	7	0.50%			
Target Corporation	10,078	8	0.50%	5,006	5	0.36%
Wal-Mart Stores Texas LLC	9,608	9	0.48%			
Sam's Real Estate Business Trust	7,384	10	0.37%			
Market Heights Ltd				23,816	1	1.71%
HEB Grocery Company LP				6,115	4	0.44%
Boose Properties Ltd.				4,549	6	0.33%
Omni Lions Run LP				4,051	7	0.29%
Target Stores, Inc.				3,430	8	0.25%
House, Charles etal				3,373	9	0.24%
Rancier All Star Development LP				2,950	10	0.21%
	\$ 213,691		10.58%	\$ 79,990		5.74%

Source: Bell County Appraisal District

CITY OF HARKER HEIGHTS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date		Delinquent Taxes Collected	Outstanding Delinquent Taxes	Ratio of Outstanding Delinquent Taxes to Total Tax Levy
		Amount Collected	Percentage of Levy	Less Refunds	Amount Disbursed	Percentage of Levy			
2021	\$ 13,680	\$ 13,431	98.18%	\$ 207	\$ 13,224	96.67%	\$ 167	\$ 276	2.02%
2020	12,732	12,532	98.43%	140	12,392	97.33%	219	239	1.88%
2019	12,210	11,945	97.83%	121	11,824	96.84%	164	267	2.19%
2018	12,179	11,919	97.87%	126	11,793	96.83%	182	260	2.13%
2017	11,475	11,248	98.02%	88	11,160	97.25%	134	251	2.19%
2016	11,198	10,957	97.85%	87	10,870	97.07%	111	227	2.03%
2015	10,800	10,589	98.05%	76	10,513	97.34%	95	222	2.06%
2014	10,230	10,286	100.55%	112	10,174	99.45%	161	213	2.08%
2013	9,496	9,327	98.22%	98	9,229	97.19%	114	257	2.71%
2012	9,443	9,265	98.12%	59	9,206	97.49%	121	242	2.56%

Source: Bell County Appraisal District

CITY OF HARKER HEIGHTS
MUNICIPAL SALES TAX HISTORY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Sales Tax Collected</u>	<u>Percentage of Ad Valorem Tax Levy¹</u>	<u>Equivalent of Ad Valorem Tax Rate²</u>	<u>Per Capita³</u>
2021	\$ 11,193,921	81.83%	\$ 0.5540	\$ 352.74
2020	7,733,153	60.74%	0.4112	251.40
2019	7,194,566	58.92%	0.3989	235.77
2018	6,658,409	54.67%	0.3701	222.64
2017	6,501,937	56.66%	0.3836	214.13
2016	6,451,743	57.62%	0.3901	207.94
2015	6,421,009	59.45%	0.4025	217.33
2014	6,012,836	58.78%	0.3979	207.70
2013	5,227,669	55.05%	0.3727	185.68
2012	5,420,826	57.41%	0.3886	196.02

Sources: ¹See the Schedule of Property Tax Levies and Collections (page 103) for tax levy data.

²See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (page 100) for assessed value data.

³See the Schedule of Demographic and Economic Statistics (page 115) for population data.

CITY OF HARKER HEIGHTS
OWN SOURCE REVENUES¹, SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands except rates and meters)

Fiscal Year	Water & Sewer			Drainage			Number of Water Meters	Special Assessments ⁶	
	Program Revenues	Water Rate ²	Sewer Rate ³	Program Revenues	Residential Rate ⁴	Commercial Rate ⁵		Billings	Collected
2021	\$ 10,553	10.91 / 3.40	19.66 / 3.29	\$ 867	6.00	7.20 / 14.40	11,508	\$ 37	\$ 19
2020	10,606	10.91 / 3.40	19.66 / 3.29	854	6.00	7.20 / 14.40	11,313	34	18
2019	9,567	10.59 / 3.30	19.09 / 3.19	833	6.00	7.20 / 14.40	11,215	31	11
2018	10,269	10.59 / 3.30	19.09 / 3.19	848	6.00	7.20 / 14.40	11,111	35	20
2017	9,418	10.28 / 3.20	18.53 / 3.10	809	6.00	7.20 / 14.40	10,887	32	28
2016	9,353	10.28 / 3.20	18.53 / 3.10	797	6.00	7.20 / 14.40	10,638	30	18
2015	8,776	9.98 / 3.11	17.99 / 3.01	772	6.00	7.20 / 14.40	10,384	25	16
2014	8,588	9.98 / 3.11	17.99 / 3.01	775	6.00	7.20 / 14.40	10,006	36	5
2013	8,990	9.98 / 3.11	17.99 / 3.01	738	6.00	7.20 / 14.40	9,666	37	5
2012	9,099	9.98 / 3.11	17.99 / 3.01	729	6.00	7.20 / 14.40	9,740	49	5

Source: Audited Financial Statements, Annual Fee Schedules, and Utility Reports.

¹The Sanitation Fund is not included because, although funds are received for this service, garbage collection is outsourced.

²Rates are for within City limits (base rate/per 1,000 gallon rate).

³Residential customers are capped at 10,000 gallons for sewer charges (First 3,000 gallons rate/3-10,000 gallons per gallon rate).

⁴Rate shown is for single family homes, fee is paid per billing cycle.

⁵Rates shown is for commercial buildings up to 2,500 square feet/2,501 to 10,000 square feet, our two largest categories. Fee is paid per billing cycle.

⁶The special assessment billings and collection amounts include the general and proprietary funds.

CITY OF HARKER HEIGHTS
RATIOS OF OUSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Bonded Debt	Notes Payable	Finance Purchase Agreement	Bonded Debt	Finance Purchase Agreement	Total Outstanding Debt	Percentage of Personal Income ¹	Per Capita ¹
	<u>Governmental Activities</u>			<u>Business-type Activities</u>				
2021	28,042		423	17,068		45,533	(2)	1,422.91
2020	30,381		198	18,978		49,557	0.23%	1,598.61
2019	32,304		437	20,723		53,464	0.27%	1,724.65
2018	31,258		675	21,440		53,373	0.28%	1,779.10
2017	24,911		416	19,985		45,312	0.25%	1,510.40
2016	26,972		552	20,426		47,950	0.27%	1,546.77
2015	28,586	69	571	21,513		50,739	0.29%	1,691.30
2014	29,512	138	185	22,413		52,248	0.31%	1,801.66
2013	25,054	205	322	20,397	54	46,032	0.28%	1,644.00
2012	26,485		107	21,552	106	48,250	0.29%	1,723.21

Source: Audited Financial Statements

¹See the Schedule of Demographic and Economic Statistics (page 115) for population and personal income data.

CITY OF HARKER HEIGHTS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Bonded Debt¹</u>	<u>Less: Amounts Available in Debt Service Fund²</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property³</u>	<u>Per Capita⁴</u>
2021	45,109	63	45,046	1.75%	1,407.69
2020	49,359	99	49,260	2.10%	1,589.03
2019	53,027	71	52,956	2.43%	1,708.26
2018	52,698	92	52,606	2.49%	1,753.53
2017	44,895	233	44,662	2.30%	1,488.73
2016	47,399	95	47,304	2.55%	1,525.94
2015	50,099	165	49,934	2.82%	1,664.47
2014	51,925	161	51,764	3.11%	1,784.97
2013	45,451	94	45,357	2.94%	1,619.89
2012	48,037	81	47,956	3.14%	1,712.71

Source: Audited Financial Statements.

¹This is the general bonded debt of both governmental and business-type activities.

²This is the amount restricted for debt service.

³See Schedule of Assessed and Estimated Value of Property (page 99) for property data

⁴See Schedule of Demographic and Economic Statistics (page 114) for population data

CITY OF HARKER HEIGHTS
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 AS OF SEPTEMBER 30, 2021

<u>Government Subdivisions</u>	<u>Debt Amount¹</u>	<u>Estimated Percentage Applicable</u>	<u>City's Overlapping Debt</u>
Bell County	\$ 159,610,000	9.10%	\$ 14,524,510
Killeen Independent School District	403,295,000	23.24%	<u>93,725,758</u>
Subtotal, overlapping debt			108,250,268
City of Harker Heights Direct Debt			<u>28,464,573</u>
Total direct and overlapping net funded debt			<u><u>\$ 136,714,841</u></u>

Source: Municipal Advisory Council of Texas and Audited Financial Statements

¹Gross Debt.

Methodology for Deriving Overlapping Percentages:

- (1) Determine the estimated shared assessed valuation of taxable property within both the overlapping taxing body(s) and the municipality.
- (2) Divide that shared value by the total assessed value of taxable property within the overlapping taxing body.

CITY OF HARKER HEIGHTS
COMPUTATION OF SELF-SUPPORTING DRAINAGE SYSTEM DEBT
AS OF SEPTEMBER 30, 2021

Net System Revenue from Drainage Fund	\$ 736,951
Less: Requirements for Drainage System Supported Tax Bonds	<u>388,544</u>
Balance	\$ 348,407

CITY OF HARKER HEIGHTS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Actual Value</u>	<u>Estimated Actual Taxable Value</u>
2021	2,020,612,894	78.59%	2,571,099,276
2020	1,880,602,042	80.09%	2,348,097,096
2019	1,803,480,163	82.71%	2,180,599,663
2018	1,799,010,684	85.15%	2,112,780,764
2017	1,695,035,525	87.36%	1,940,293,154
Total Five Year Valuation			<u>11,152,869,953</u>
Five Year Average Full Valuation of Taxable Real Property			<u>2,230,573,991</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>156,140,179</u>
Outstanding Indebtness as of September 30, 2021			
Total Bonded Debt			45,110,420
Less: Revenue bonds			17,068,006
Less: Amount available for repayment of general obligation bonds			82,489
Net indebtness subject to debt limit			<u>27,959,925</u>
Net debt contracting margin			128,180,254
Percentage of net debt contracting margin available			82.09%
Percentage of net debt contracting power exhausted			17.91%

<u>Last Ten Fiscal Years</u>			<u>Percentage of</u>
<u>Year</u>	<u>Constitutional Debt Limit</u>	<u>Outstanding Indebtness September 30</u>	<u>Net Debt Contracting Margin Available</u>
2021	156,140,179	27,959,925	82.09%
2020	146,124,721	29,889,907	79.54%
2019	138,003,088	31,710,188	77.02%
2018	130,786,609	30,526,236	76.66%
2017	122,832,202	29,077,083	76.33%
2016	117,044,096	26,074,077	77.72%
2015	111,899,806	27,697,306	75.25%
2014	107,541,872	29,487,215	72.58%
2013	103,162,838	25,072,017	75.70%
2012	98,614,432	26,524,950	73.10%

CITY OF HARKER HEIGHTS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

Fiscal Year	Water and Sewer Fund			Drainage Fund			Debt Service Requirements			
	Gross Revenues	Operating Expenses ¹	Net Revenue Available for Debt Service	Gross Revenues	Operating Expenses ¹	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2021	10,581	6,212	4,369	868	131	737	1,836	522	2,358	2.17
2020	10,606	6,100	4,506	854	160	694	3,650	621	4,271	1.22
2019	9,567	5,604	3,963	833	171	662	1,622	544	2,166	2.14
2018	10,269	5,547	4,722	848	169	679	1,534	596	2,130	2.54
2017	9,418	5,227	4,191	809	202	607	1,315	677	1,992	2.41
2016	9,353	4,996	4,357	797	188	609	5,884	707	6,591	0.75
2015	8,776	5,201	3,575	772	180	592	1,216	791	2,007	2.08
2014	8,588	4,911	3,677	775	183	592	1,019	800	1,819	2.35
2013	8,988	4,925	4,063	738	204	534	1,171	814	1,985	2.32
2012	9,098	4,719	4,379	729	165	564	4,101	912	5,013	0.99

Source: Audited Financial Statements.

¹Total operating expenses, exclusive of depreciation.

CITY OF HARKER HEIGHTS
 INTEREST AND SINKING FUND BUDGET PROJECTION
 AS OF SEPTEMBER 30, 2021

Net Tax Supported Debt Service Requirements for Fiscal Year Ending September 30, 2021		\$	3,159,807
Interest and Sinking Fund Balance - September 30, 2021	71,166		
Interest and Fund Tax Levy @ 98% Collection	<u>3,095,750</u>		<u>3,166,916</u>
Estimated Interest and Sinking Balance - September 30, 2022		\$	7,109

CITY OF HARKER HEIGHTS
 AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS
 AS OF SEPTEMBER 30, 2021

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Previously Issued</u>	<u>Authorization Being Used</u>	<u>Unissued Balance</u>
Gas System	11/15/1962	\$ 245,000			\$ 245,000
Streets	9/10/1963	300,000	250,000		50,000
Total		\$ 545,000	\$ 250,000		\$ 295,000

CITY OF HARKER HEIGHTS
TAX ADEQUACY
AS OF SEPTEMBER 30, 2021

Average Annual Principal and Interest Requirements, 2022-2039	\$ 1,872,307
\$0.0890 Tax Rate at 97% Collection Produces	\$ 1,873,010
Maximum Principal and Interest Requirements, 2022	\$ 3,159,807
\$0.1502 Tax Rate at 97% Collection Produces	\$ 3,160,968

NOTE: Excludes self-supporting debt.

CITY OF HARKER HEIGHTS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Population ¹	Median Age ²	Per Capita Income ³	Personal Income ³	Education Attainment, 25 Years and Over ²		Peak School Enrollment ⁴	Unemployment Rate ⁵
					High School Graduate or Higher	Four or More Years of College		
2021	31,734		n/a	n/a			44,017	5.7%
2020	30,760	35	45,574	21,349,269	90.70%	35.00%	45,492	6.8%
2019	30,515		43,033	19,866,978			45,091	3.7%
2018	29,906		42,169	19,046,101			44,319	3.9%
2017	30,365		41,586	18,440,800			43,832	4.2%
2016	31,027		40,142	17,539,283			43,428	4.5%
2015	29,545		40,214	17,414,358			42,929	4.7%
2014	28,950		39,036	16,659,964			41,414	5.7%
2013	28,154		38,174	16,194,348			41,969	7.0%
2012	27,654		38,742	16,415,125			41,172	7.2%

Sources: ¹ Population is estimated by the City of Harker Heights Planning Department.

² Census 2020.

³ Bureau of Economic Analysis for Killeen-Temple Metropolitan Statistical Area (personal income is shown in thousands).

⁴ Killeen Independent School District.

⁵ Texas Workforce Commission Local Area Unemployment Statistics (LAUS) for Harker Heights.

CITY OF HARKER HEIGHTS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Employer	2021			2012		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Seton Healthcare	1027.0	1	7.87%			
Killeen Independent School District ¹	780.0	2	5.97%	734.0	1	6.41%
Walmart Supercenter	530.0	3	4.06%	537.0	2	4.69%
HEB Store	327.0	4	2.50%	243.0	3	2.12%
City of Harker Heights	237.0	5	1.82%	235.0	4	2.05%
Indian Oaks	186.0	6	1.42%	186.0	5	1.63%
Target	155.0	7	1.19%	155.0	6	1.35%
Cheddar's Restaurant	140.0	8	1.07%	140.0	7	1.22%
Bass Electric	135.0	9	1.03%			
Cracker Barrel	101.0	10	0.77%	101.0	8	0.88%
Razzoo's Cajun Cafe				76.0	9	0.66%
McDonald's				58.0	10	0.51%
	<u>3,618.0</u>		<u>27.70%</u>	<u>2,465.0</u>		<u>21.52%</u>

Source: Municipal Advisory Council of Texas (or person) of each business.

¹Killeen Independent School District numbers only include campuses in Harker Heights.

CITY OF HARKER HEIGHTS
 PRINCIPAL WATER CUSTOMERS
 CURRENT YEAR AND NINE YEARS AGO
 (usage shown in thousands)

Customer Name	2021			2012		
	Usage In Gallons	Rank	Percentage of Total Usage	Usage In Gallons	Rank	Percentage of Total Usage
Today's Car Wash II, LLC	120,082	1	7.77%			
Ancient Oaks Mobile Home Park	104,473	2	6.76%	91,957	1	6.51%
TXHA Indian MHP, LLC	89,816	3	5.81%			
Big Oaks Mobile Home Park	86,884	4	5.62%	88,681	2	6.28%
Pleasant View MHP	69,986	5	4.53%	28,171	6	1.99%
Seton Medical Center	65,001	6	4.21%	54,040	4	3.83%
Wells Laundry, Inc.	64,315	7	4.16%	56,699	3	4.01%
Indian Oaks Nursing Center	57,615	8	3.73%			
Dana Peak Park	49,847	9	3.23%			
Biomedical Applications of Texas	47,223	10	3.06%			
Cheddar's Casual Café, Inc.				33,564	5	2.38%
Cracker Barrel Old Country Store				24,723	7	1.75%
Harker Heights High School				22,965	8	1.63%
HEB				21,328	9	1.51%
Walmart Stores				18,799	10	1.33%
	<u>755,242</u>		<u>48.88%</u>	<u>440,927</u>		<u>31.22%</u>

Source: City of Harker Heights Public Works Department and Utility Billing Department.

CITY OF HARKER HEIGHTS
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Property Value ¹				Commercial Construction ²		Residential Construction ²		Bank Deposits ⁴
	Commercial	Residential	Exemptions	Total	Number of Units ³	Value	Number of Units ³	Value	
2021	471,127	1,997,202	516,568	1,951,761	9	10,878	140	47,036	2,123,711,425 ^(d)
2020	413,381	1,843,319	443,648	1,813,052	7	1,256	138	34,777	1,781,318,245 ^(d)
2019	392,883	1,700,175	372,506	1,720,552	14	47,848	134	38,648	1,348,876,827 ^(d)
2018	386,605	1,639,341	306,759	1,719,187	9	4,666	181	47,734	64,908,662 ^(d)
2017	362,632	1,513,435	240,147	1,635,920	10	3,338	194	47,456	1,345,966,097 ^(c)
2016	360,466	1,432,212	197,181	1,595,497	6	2,688	201	48,340	1,258,610,983 ^(c)
2015	338,112	1,367,445	169,171	1,536,386	8	20,715	209	45,616	1,251,633,606 ^(c)
2014	288,694	1,313,510	149,488	1,452,716	10	15,887	221	46,070	1,190,961,291 ^(b)
2013	223,105	1,257,787	137,688	1,343,204	9	21,801	219	45,655	1,081,249,810 ^(b)
2012	213,902	1,250,016	127,787	1,336,131	41	12,329	184	41,389	1,045,296,830 ^(a)

Sources: ¹Bell County Appraisal District

²Harker Heights Planning and Development Department

³Amounts are as shown

⁴FDIC Call Report for (a) Extraco Bank, VeraBank (formerly Union State Bank) and First National Bank Texas, Chase Bank and Bank of America, (b) add BancorpSouth Bank (formerly First State Bank Central Texas), (c) add SouthStar Bank, and (d) remove Bank of America

NOTE: First State Bank Central Texas merged with BancorpSouth Bank in 2017 and Union State Bank merged with VeraBank in 2018.

CITY OF HARKER HEIGHTS
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	As of September 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government:										
Mayor and Council	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Municipal Services	44.0	43.5	41.0	39.5	36.5	33.5	31.5	26.5	26.5	26.5
Planning and Building	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0
Public Safety:										
Police	68.5	65.5	64.5	62.0	61.0	61.0	60.0	62.0	62.0	62.0
Fire	46.0	46.0	46.0	45.5	44.5	44.5	44.5	43.5	43.5	43.5
Streets	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Culture and Recreation:										
Parks and Recreation	35.0	36.0	36.5	46.0	46.0	47.5	47.5	47.5	46.0	45.0
Library/Activity Center	12.0	14.0	20.5	11.0	10.5	10.5	10.5	10.5	10.5	10.5
Public Works	7.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water and Sewer	20.0	20.0	20.0	19.0	18.0	18.0	18.0	17.0	17.0	16.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Sanitation	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	259.0	259.5	261.5	256.0	249.5	248.0	245.0	240.0	238.5	235.5

Source: City of Harker Heights Finance Department

CITY OF HARKER HEIGHTS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Planning and Building										
Building Permits Issued	2,185	2,190	2,104	1,757	1,518	2,109	2,386	4,665	1,763	1,502
Value of Building Permits ¹	55,201	52,253	109,012	62,162	59,557	75,212	79,598	96,333	75,077	59,115
Police										
Physical Arrest	932	526	730	916	1,168	2,386	1,173	1,496	1,320	1,593
Parking Violations	44	2	54	47	43	27	42	27	58	139
Traffic Violations	4,030	5,766	6,078	5,487	4,127	2,979	3,916	8,800	8,800	8,776
Fire										
Calls Answered	5,504	4,527	4,305	4,336	3,970	3,930	4,049	3,547	3,627	3,643
Fire and Emergency Responses	5,504	4,527	4,305	4,207	3,858	3,823	3,931	3,469	3,558	3,582
Fires Extinguished	120	88	57	122	100	82	103	133	91	111
Inspections	600	396	749	616	500	444	600	800	933	540
Parks and Recreation										
Aquatic Center Usage	3,555	0	15,424	10,963	11,953	14,469	20,443	12,470	12,773	13,069
Program Participants	5,701	1,515	6,393	7,409	7,026	8,058	8,118	7,933	9,948	9,497
Library										
Annual Circulation	117,549	92,766	154,541	139,124	164,372	176,788	199,529	166,256	165,405	152,117
Water and Sewer										
Average daily water consumption in gallons ¹	4,900	4,500	4,400	4,300	4,207	4,163	4,000	3,954	4,325	4,534
Residential water rate - inside city limits										
Base	\$10.91	\$10.91	\$10.59	\$10.59	\$10.28	\$10.28	\$9.98	\$9.98	\$9.98	\$9.98
Per 1,000 gallons	\$3.40	\$3.40	\$3.30	\$3.30	\$3.20	\$3.20	\$3.11	\$3.11	\$3.11	\$3.11
Residential water rate - outside city limits										
Base	\$21.82	\$21.82	\$21.18	\$21.18	\$20.56	\$20.56	\$19.96	\$19.96	\$19.96	\$19.96
Per 1,000 gallons	\$6.80	\$6.80	\$6.60	\$6.60	\$6.40	\$6.40	\$6.22	\$6.22	\$6.22	\$6.22
Average daily sewage treatment in gallons ¹	2,120	1,880	2,600	1,740	1,990	2,780	1,940	1,790	1,880	1,760
Residential sewer rates - inside city limits										
1,000 - 3,000 gallons	\$19.66	\$19.66	\$19.09	\$19.09	\$18.53	\$18.53	\$17.99	\$17.99	\$17.99	\$17.99
Per 1,000 gallons (3,000 - 10,000 gallons)	\$3.29	\$3.29	\$3.19	\$3.19	\$3.10	\$3.10	\$3.01	\$3.01	\$3.01	\$3.01
Residential sewer rates - outside city limits										
1,000 - 3,000 gallons	\$39.32	\$39.32	\$38.18	\$38.18	\$37.06	\$37.06	\$35.98	\$35.98	\$35.98	\$35.98
Per 1,000 gallons (3,000 - 10,000 gallons)	\$6.58	\$6.58	\$6.38	\$6.38	\$6.20	\$6.20	\$6.02	\$6.02	\$6.02	\$6.02

NOTE: The City of Harker Heights was incorporated in 1961 as a Home Rule form of government.

Source: Various City of Harker Heights departments.

¹expressed in thousands

CITY OF HARKER HEIGHTS
CAPITAL ASSETS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Area (square miles)	15.65	15.65	15.65	15.65	15.65	15.65	15.4	15.4	15.4	15.4
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Cars	23	27	25	21	21	20	20	20	17	17
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Fire Trucks	5	5	5	5	5	5	5	5	5	5
Ambulances	3	3	3	3	3	3	3	3	3	3
Command Van	0	0	1	1	1	1	1	1	1	1
Street (miles)	153	151	153.4	150.55	145.3	145.4	145.64	140	140	166.49
Street lights	1,555	1,547	1,547	1,541	1,480	1,470	1,445	1,438	1,379	1,262
Parks and Recreation										
Recreation/community center	1	1	1	1	1	1	1	1	1	1
Parks	7	7	7	6	8	8	8	8	7	6
Acreage	192	192	192	192	194	194	194	194	194	177
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	8
Soccer/football fields	6	6	6	6	6	6	6	6	6	6
Swimming pools	1	1	1	1	1	1	1	1	1	1
Library/Activity Center										
Building	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	191	189	187.45	183.89	183.77	187.1	179.13	177.55	172.66	171.13
Service connections	11,383	11,308	11,215	11,111	10,887	10,638	10,384	10,006	9,666	9,740
Fire hydrants	1,190	1,185	1,185	1,185	1,181	1,102	1,102	1,101	1,090	1,080
Maximum daily capacity ¹	16,250	16,250	16,250	16,250	13,500	13,500	13,500	13,500	13,500	13,500
Sewer										
Sanitary sewer (miles)	139	138	135.55	132.26	132.07	131.33	130.36	125.92	121.43	120.62
Service connections	10,128	10,138	9,829	9,685	9,486	9,228	8,959	8,842	8,586	8,580
Storm sewer (miles)	10.0	10.0	10.0	10.0	9.6	9.5	9.5	9.5	9.0	9.0
Treatment capacity (gallons) ¹	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000

Source: Various City of Harker Heights departments.

¹expressed in thousands

CITY OF HARKER HEIGHTS
 WATER USAGE (GALLONS)
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Peak Day Usage</u>	<u>Average Day Usage</u>	<u>Total Usage</u>
2021	9,250,000	4,230,000	1,550,210,000
2020	10,360,000	4,555,000	1,713,770,000
2019	9,280,000	4,221,667	1,544,780,000
2018	10,460,000	4,560,000	1,665,713,000
2017	8,090,000	4,207,136	1,535,605,000
2016	9,040,000	4,162,500	1,489,060,000
2015	9,250,000	4,105,833	1,484,095,000
2014	8,070,000	4,006,667	1,443,064,000
2013	9,340,000	4,237,500	1,566,775,000
2012	8,530,000	4,530,000	1,655,008,000

Source: City of Harker Heights Public Works Department

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S 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

Honorable Mayor
and Members of City Council
City of Harker Heights, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harker Heights, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Harker Heights, Texas' basic financial statements, and have issued our report thereon dated March 22, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harker Heights, Texas' financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 22, 2022