

THE CITY OF HARKER HEIGHTS, TEXAS ANNUAL COMPREHENSIVE FINANCIAL REPORT



*THE BRIGHT STAR OF
CENTRAL TEXAS*



ESTABLISHED 1960

FISCAL YEAR ENDING SEPTEMBER 30, 2022



**CITY OF HARKER HEIGHTS
TEXAS**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022**

**PREPARED BY THE
FINANCE DEPARTMENT**

**Ayesha Lealiiee
Finance Director**



CITY OF HARKER HEIGHTS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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The image features a large, stylized graphic of the letters 'IA' in a grey, serif font. A large, five-pointed pink star is superimposed over the center of the letters. The star has a textured, halftone-like pattern. The text 'INTRODUCTORY SECTION' is written in a bold, black, sans-serif font across the middle of the star.

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 14, 2023

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

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2022.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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, 2022. 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 15.6 square miles and serves a population of approximately 34,745.

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 by their fellow council members to serve as Mayor Pro Tem. 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 72-73 as part of the basic financial statements for the governmental funds. The comparison for a newly created fund, the Coronavirus Fund, can be found on page 75. For governmental funds, other than the General and Coronavirus Funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 88.

Local Economy

In the last ten years, the average unemployment rate for the City of Harker Heights has fallen from 7.0% in 2013 to an average rate of 4.3% in 2022. During this time, the lowest rate was 3.7% in 2019. The unemployment rate in 2021 was 5.5%, 1.2% higher than the current year’s average. In comparison, Bell County’s 2022 average unemployment rate is 4.4% and the State of Texas’ rate is 4.1%, each slightly higher and slightly lower respectively than the City’s.

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 2022	Fiscal Year 2021	Increase (Decrease)
Fence	\$ 1,694,751	\$ 1,005,273	\$ 689,478
Home improvement / other	28,351,302	24,880,738	3,470,564
New commercial	18,760,011	10,878,006	7,882,005
New residential	48,656,361	39,251,858	9,404,503
Plumbing	643,143	344,382	298,761
Total	\$ 98,105,568	\$ 76,360,257	\$ 21,745,311

New residential permits have increased by \$9.4 million in value with additional homes going in the Cedarbrook Ridge subdivision. Of the \$48.7 million valuation in new residential permits, \$12.5 million is for new duplexes being built in the City. New commercial permits also increased and include a rehabilitation hospital, a nine-suite retail and office commercial center, and a Dutch Bros Coffee. An overall increase in permit valuations of \$21.7 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 29.3%. 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 46.3%.

In fiscal year 2022, grants and contributions consisted of 56.2% of the governmental activities program revenues received by the City of Harker Heights. In comparison to total governmental revenues, grants and contributions were 10.2% and charges for services were 7.9% of revenues received.

Long-Term Financial Planning

The fiscal year 2023 Capital Improvement Program anticipates \$15.7 million in capital projects. \$5.0 million of this is for street projects, \$3.8 million is for drainage projects, \$4.7 million is for wastewater projects, and \$1.4 million is for water projects. The remainder of program funding is for building projects, park projects, and sidewalk projects. Funding for these capital projects will come from transfers in from other funds (\$5.9 million), previous bond issuances (\$3.0 million), Coronavirus State and Local Fiscal Recovery (American Relief Plan Act) funds (\$2.9 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. With the guidance of an outside consulting firm, the CIAC made recommendations to the City Council of an impact fee for wastewater facilities in the service basin along FM 2410 east of Warrior's Path. On November 15, 2022, the City Council adopted its first Impact Fee Ordinance which included an impact fee assessment and collection rate of \$6,133 per service unit.

Relevant Financial Policies

Reserve requirements for the General and Utility Funds are three months of operating expenses. The General Fund had nine months fund balance or 76.7% of operating expenditures. One of the contributing factors was vacancies in departments creating a personnel service expense variance of \$607,800. Transfers out from the General Fund to other funds are not considered operating expenses and totaled \$4.8 million, \$1.5 million of that was used to create the Coronavirus Fund. The utility funds had eight and a half months fund balance or 69.7% of operating expenses. Again, the contributing factor was vacancies in the fund's departments resulting in a variance of \$323,300 from the budgeted amount for personnel service. Transfers out in the amount of \$1.8 million are not excluded from 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, \$2.9 million is anticipated to be spent on capital projects which encompasses water, wastewater, and drainage projects during the 2023 fiscal year. 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, 2021. This was the twenty-eighth 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, 2021. 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

David R. Mitchell
City Manager

Ayesha Lealiiee

Ayesha Lealiiee
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

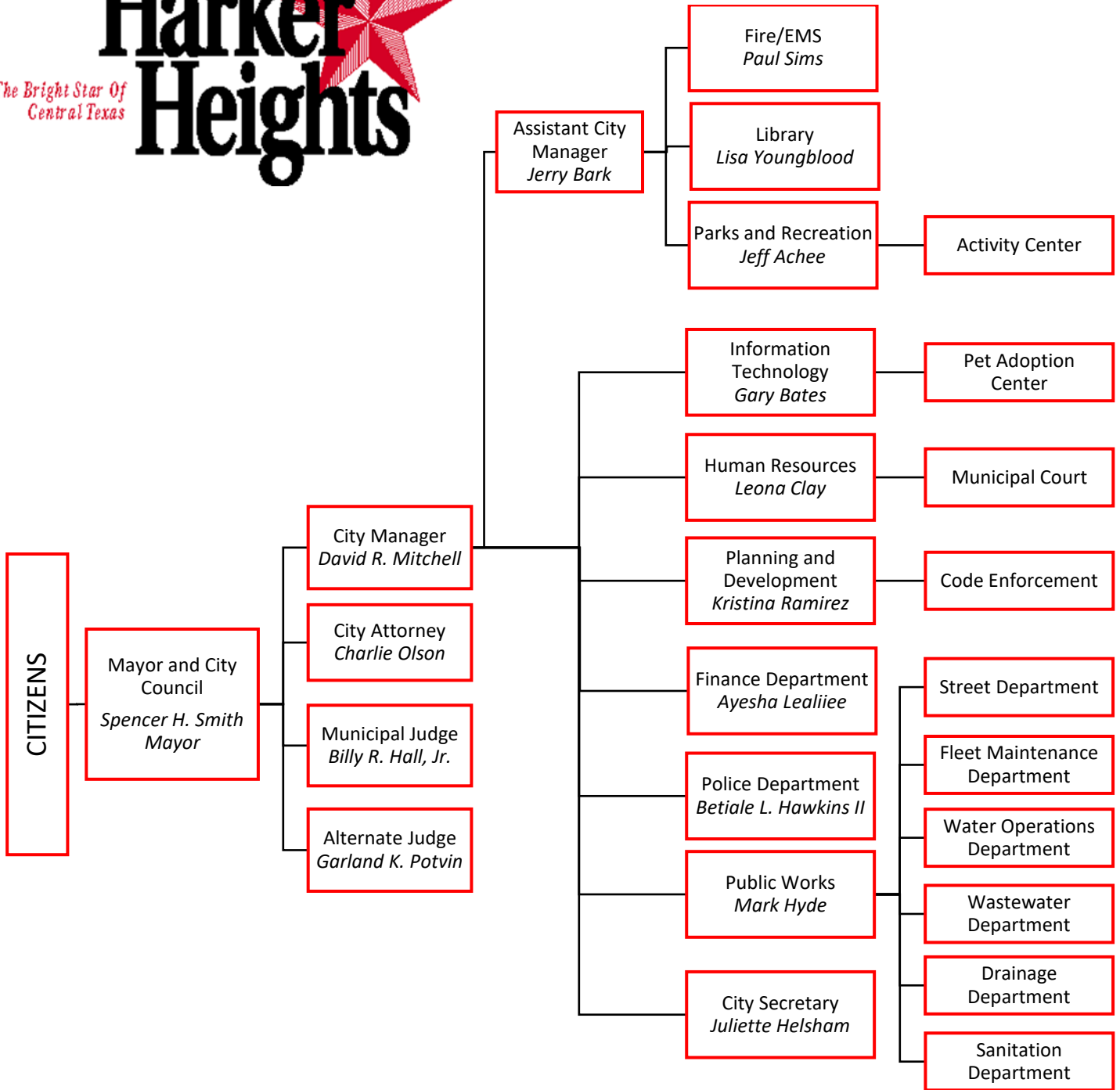
**City of Harker Heights
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO



Commissions and Boards are appointed yearly by the City Council and include a Department Representative:
 Planning and Zoning Commission/Building and Standards Commission – Planning and Development Department
 Zoning Board of Adjustments – Planning and Development Department
 Public Safety Commission – Police Department
 Library Board – Library
 Parks and Recreation Advisory Board – Parks and Recreation Department
 Animal Advisory Committee – Pet Adoption Center
 Economic Development Corporation Board – City Manager
 Capital Improvements Advisory Committee – Planning and Development Department
 Arts Commission – Library

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

CITY COUNCIL

Spencer H. Smith Mayor
Jennifer McCann Mayor Protem
Michael Blomquist Council Member
Tony Canterino 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
Betiale L. Hawkins II Police Chief
Kristina Ramirez Development & Planning Director
Paul Sims Fire Chief
Gary Bates Information Technology Director
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 City Council
City of Harker Heights, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harker Heights, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements 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 City of Harker Heights, Texas as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Harker Heights, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City of Harker Heights, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Harker Heights, Texas' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Harker Heights's ability to continue as a going concern for one year after the date that the financial statements are issued.

OFFICE LOCATIONS

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Harker Heights’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Harker Heights’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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, as listed in the table of contents, to 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.

Supplementary Information

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

The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section, and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023 on our consideration of City of Harker Heights's 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 solely 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 the effectiveness of 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 City of Harker Heights's internal control over financial reporting and compliance.

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

Waco, Texas
March 14, 2023



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, 2022. 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, 2022, by \$102.7 million (*net position*). Of this amount, \$1.5 million is restricted and \$19.5 million is unrestricted.
- The City's total net position increased by over \$11.7 million for the year ended September 30, 2022. There was a \$4.5 million increase in current assets which includes cash, investments, and receivables. Capital assets also increased by \$3.5 million.
- As of September 30, 2022, the City of Harker Heights' governmental funds reported combined ending fund balances of \$25.1 million, an increase of \$2.0 million in comparison with the prior year. Of the governmental fund's reported combined fund balances, \$16.0 million or 64 percent is available for spending within the City's guidelines (*unassigned fund balance*).
- 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. The General Fund's \$16.0 million unassigned fund balance equates to eight months of operating expenses. This additional savings assists the city in utilizing these reserves for new capital projects rather than issuing new debt.
- 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.

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 24-26 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, Capital Projects Fund, and Coronavirus Fund, all of which are considered to be major funds. Data from the other two 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 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 basic governmental fund financial statements can be found on pages 27-32 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 33-37 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 38-71 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 77-87 of this report.

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 88-89 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 \$102.7 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	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 33,661	\$ 30,083	\$ 7,808	\$ 6,889	\$ 41,469	\$ 36,972
Capital assets	68,760	67,647	50,742	48,343	119,502	115,990
Total assets	102,421	97,730	58,550	55,232	160,971	152,962
Deferred outflows of resources	2,545	1,883	374	351	2,919	2,234
Liabilities						
Other liabilities	7,754	5,998	456	456	8,210	6,454
Long-term liabilities	33,244	38,031	15,658	17,804	48,902	55,835
Total liabilities	40,998	44,029	16,113	18,260	57,111	62,289
Deferred inflows of resources	3,803	1,823	323	141	4,126	1,964
Net position:						
Invested in capital assets	45,819	42,223	35,829	31,490	81,648	73,713
Restricted	1,506	3,604	29	29	1,535	3,633
Unrestricted	12,840	7,934	6,630	5,663	19,470	13,597
Total net position	\$ 60,165	\$ 53,761	\$ 42,488	\$ 37,182	\$ 102,653	\$ 90,943

A portion of the City of Harker Heights' net position (4 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 (80 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 \$8.8 million increase. Key elements of this increase are as follows:

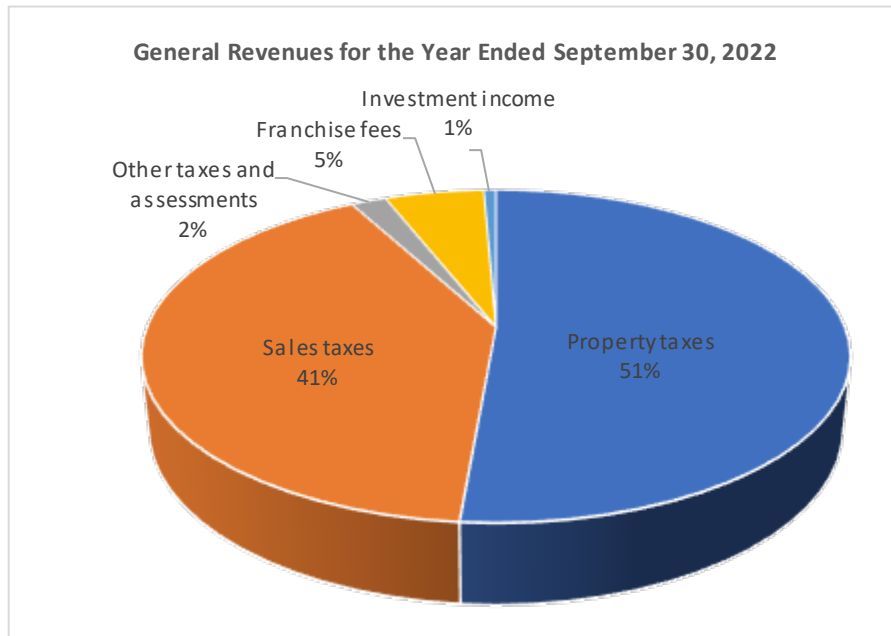
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,477	\$ 3,064	\$ 14,829	\$ 13,659	\$ 17,306	\$ 16,723
Operating grants and contributions	67	1,108		29	67	1,137
Capital grants and contributions	3,115				3,115	-
General revenues:						
Property taxes	13,580	13,261			13,580	13,261
Sales taxes	10,765	11,194			10,765	11,194
Other taxes	307	265			307	265
Franchise fees	1,415	1,389	194	175	1,609	1,564
Investment earnings	173	120	14	19	187	139
Miscellaneous	194	173			194	
Gain on sale of assets		16			-	16
Total revenues	<u>32,093</u>	<u>30,590</u>	<u>15,037</u>	<u>13,882</u>	<u>47,130</u>	<u>44,299</u>
Expenses:						
General government	4,106	4,406			4,106	4,406
Public safety	13,780	13,609			13,780	13,609
Highways and streets	2,204	2,171			2,204	2,171
Culture and recreation	3,410	3,209			3,410	3,209
Economic development	412	410			412	410
Interest on long-term debt	844	911			844	911
Water and sewer			8,018	7,927	8,018	7,927
Sanitation			2,272	2,127	2,272	2,127
Drainage			375	367	375	367
Total expenses	<u>24,756</u>	<u>24,716</u>	<u>10,665</u>	<u>10,421</u>	<u>35,421</u>	<u>35,137</u>
Increase (decrease) in net position before transfers	<u>7,337</u>	<u>5,874</u>	<u>4,372</u>	<u>3,461</u>	<u>11,709</u>	<u>9,162</u>
Transfers	(933)	1,121	933	(1,121)	0	0
Increase (decrease) in net position	<u>6,404</u>	<u>6,995</u>	<u>5,305</u>	<u>2,340</u>	<u>11,709</u>	<u>9,162</u>
Net position - beginning	53,761	46,766	37,183	34,843	90,944	81,609
Net position - ending	<u>\$ 60,165</u>	<u>\$ 53,761</u>	<u>\$ 42,488</u>	<u>\$ 37,183</u>	<u>\$ 102,653</u>	<u>\$ 90,771</u>

Governmental activities. The City's general revenues increased when compared to the prior year by \$16. This increase can be attributed to strong economic growth with the major increase, as shown in Table 3 below, in property taxes (\$319). The decrease of \$429 in sales taxes is a result of the change in posting of sales tax receipts to the general ledger during the 2021 fiscal year and not a result of actual revenue received.

Table 3
General Revenues Comparison
(in thousands)

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 13,580	\$ 13,261	\$ 319
Sales taxes	10,765	11,194	\$ (429)
Other taxes and assessments	501	438	\$ 63
Franchise fees	1,415	1,389	\$ 26
Investment income	173	120	\$ 53
Gain on sale of assets		16	\$ (16)
Total governmental activities	\$ 26,434	\$ 26,418	\$ 16

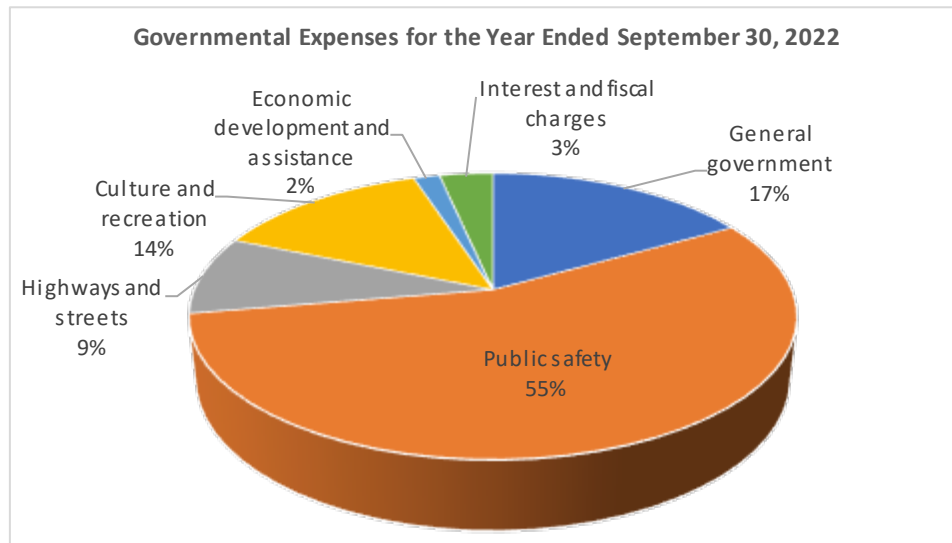


The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$13.7 million. These expenses were offset by revenues collected from a variety of sources, with the largest consisting of property taxes which are \$13.6 million, sales tax revenues of \$10.8 million, and franchise fees of \$1.4 million for the fiscal year ended September 30, 2022. The major components of public safety are Police and Fire / Emergency Medical Services (EMS). Police accounted for \$7.7 million in public safety expense of which \$5.6 million was incurred for salary and benefits. Fire / EMS accounted for \$5.3 million in public safety expense, of which \$4.6 million was incurred for salary and benefits.

The City's general expenses increased by \$40 when compared to the prior year. The \$171 increase in public safety was due to the payment of the pumper refurbishment (\$227) in the fire department and an increase in personnel expenses in the Police Department as retirements and new hires occurred. In culture and recreation, the increase of \$201 is primarily due to an increase in personnel expenses (\$193) as vacancies were filled.

Table 4
Governmental Expenses by Activity
(in thousands)

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)
Governmental activities:			
General government	\$ 4,106	\$ 4,406	\$ (300)
Public safety	13,780	13,609	171
Highways and streets	2,204	2,171	33
Culture and recreation	3,410	3,209	201
Economic development and assistance	412	410	2
Interest and fiscal charges	844	911	(67)
Total governmental activities	\$ 24,756	\$ 24,716	\$ 40

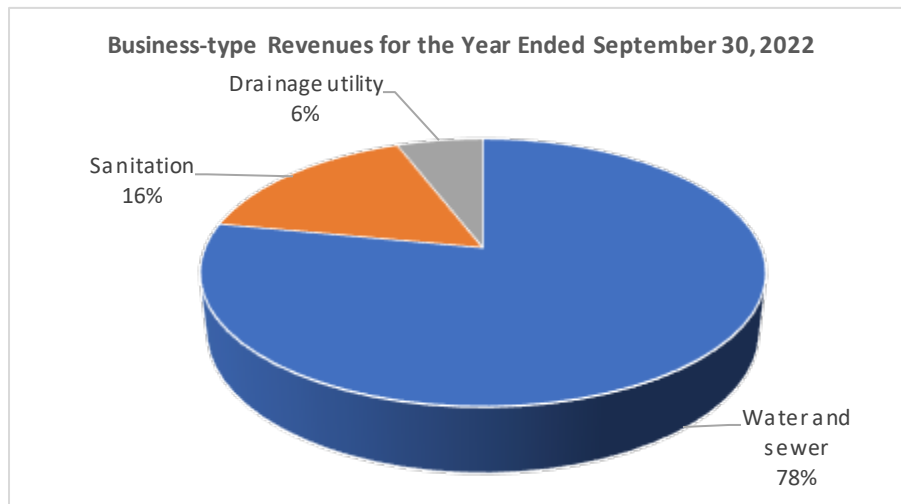


Business-type activities. Business-type activities increased the City of Harker Heights' net position by \$3.5 million. Revenues of the City's business-type activities were \$14.8 million for the fiscal year ended September 30, 2022.

Water and sewer rates were increased by 3 percent for Fiscal Year 2021-2022. As a result, there was an increase in water and sewer income of \$1,020 over the prior year. Sanitation revenues saw an increase of \$142 with no rate increase for residential garbage pickup but the addition of a \$1 monthly drop site fee was implemented for residential customers. Drainage utility income saw an increase of \$8 and there was no rate increase in this flat monthly fee.

Table 5
Business-type Revenues Comparison
(in thousands)

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)
Business-type activities:			
Water and sewer	\$ 11,573	\$ 10,553	\$ 1,020
Sanitation	2,381	2,239	142
Drainage utility	875	867	8
Total business-type activities	<u>\$ 14,829</u>	<u>\$ 13,659</u>	<u>\$ 1,170</u>

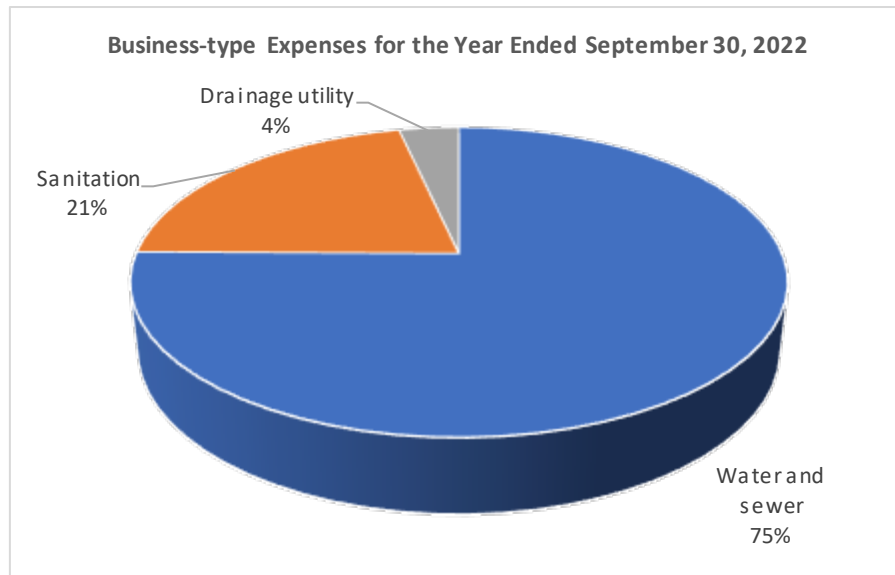


Expenses for the City's business-type activities were \$10.6 million for the year, resulting in net revenues of \$4.2 million and an increase in net position of \$3.5 million. The changes in net position are the result of several factors, including the following:

- In the water and sewer system, the City recorded charges for services of \$11.6 million. The most significant expenses were \$3.3 million for water purchases, \$1.3 million in salaries and benefits, and \$578 for contractual services 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 \$2.4 million and the major expense for sanitation is \$2.2 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 \$875 in charges for services. The major operating expense in this fund is salaries and benefits of \$83.

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

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)
Business-type activities:			
Water and sewer	\$ 8,018	\$ 7,927	\$ 91
Sanitation	2,272	2,127	145
Drainage utility	375	367	8
Total business-type activities	<u>\$ 10,665</u>	<u>\$ 10,421</u>	<u>\$ 244</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 \$25.1 million, an increase of \$2.0 million in comparison with the prior year. Approximately 64 percent or \$16.0 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$4.7 million is assigned for a specific purpose (\$2.7 million to capital projects, \$465 to culture and recreation, and \$1.6 million for the FY 2023 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 (\$19); (c) debt service (\$48); (d) economic development (\$544); (e) pet adoption center (\$25); and (f) public safety (\$212).

General Fund. The General Fund is the chief operating fund of the City of Harker Heights. At the end of the 2022 fiscal year, unassigned fund balance of the General Fund was \$16.0 million, while total fund balance reached \$18.1 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 71 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 \$137 during the current fiscal year.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$48, 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 \$5.5 million of which \$2.9 million is restricted for capital projects funded by bonds and \$2.6 million is assigned for capital projects that are funded from non-bond revenue. This fund had a \$1.1 million increase in fund balance from the previous year. This increase is due to amounts transferred in to fund projects. During the 2022 fiscal year, the City had \$2.8 million in capital project expenditures which were for streets (\$2.7 million), buildings (\$43) and parks (\$94) projects.

Coronavirus Fund. The Coronavirus Fund has a total fund balance of \$657, all of which is restricted. Fund balance increased by \$657 during the year.

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 \$42.5 million, an increase of \$5.3 million or 14.3 percent over the prior year. Unrestricted net position totals \$6.6 million and restricted net position totals \$29. A total of \$35.8 million of net position is net investment in capital assets.

Water and Sewer Fund. At the end of the 2022 fiscal year, unrestricted net position for the Water and Sewer Fund was \$4.0 million, restricted net position was \$21 while total net position was \$37.4 million. Total net position for the Water and Sewer Fund was increased by \$5.0 million during the current fiscal year.

Sanitation Fund. The Sanitation Fund has total net position \$212, a increase of \$5 from the prior year. Current assets, which include cash and investments, decreased by \$48 from the prior year.

Drainage utility fund. The Drainage Utility Fund shows a total net position of \$4.9 million. Total liabilities in the Drainage Utility Fund total \$4.3 million and include due to other funds (\$827), accrued compensated absences (\$5), accrued interest payable (\$14), general obligation bonds (\$78), certificates of obligation (\$3.3 million), net pension liability (\$82), and other post-employment benefits (\$9).

General Fund Budgetary Highlights

Original budget compared to final budget. During Fiscal Year 2022, there was no need for any significant amendments to the original budgeted revenues or budgeted expenditures / expenses.

Final budget compared to actual results. For the 2022 fiscal year, actual revenues were \$25.8 million as compared to the budget amount of \$23.2 million. The \$2.6 million positive variance was due to the difference between the budgeted and actual amount in sales tax of \$2.5 million with sales tax revenue having an unprecedented increase state-wide over the last two years. Future forecasts have been adjusted to accommodate this trend.

Actual expenditures in the General Fund were \$22.4 million compared to the final budget amount of \$24.2 million. The \$1.8 million under budget resulted from a net decrease in the public safety (\$926), highways and streets (\$486) and culture and recreation (\$181) categories.

The City of Harker Heights has an actual General Fund ending fund balance of \$18.1 million as of the fiscal year end, compared to the final budgeted fund balance amount of \$9.4 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, 2022, amounts to \$119.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and lift stations, machinery and equipment, right-to-use lease equipment, park facilities, vehicles, furniture and fixtures, streets, and infrastructure. The City's investment in capital assets for the current fiscal year saw a 2 percent increase for governmental activities and a 5 percent increase for business-type activities.

Table 7
Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Capital assets:						
Land	\$ 15,743	\$ 15,705	\$ 292	\$ 292	\$ 16,035	\$ 15,997
Buildings and lift stations	12,177	13,299	1,309	1,298	13,486	14,597
Improvements other than buildings	153	152			153	152
Machinery and equipment	1,594	1,445	1,004	506	2,598	1,951
Right-to-use lease equipment	14				14	
Vehicles	1,337	1,095	112	110	1,449	1,205
Furniture and fixtures	68	130			68	130
Infrastructure	34,694	34,894	44,822	45,455	79,516	80,349
Construction in progress	2,980	928	3,203	682	6,183	1,610
Total capital assets	<u>\$ 68,760</u>	<u>\$ 67,648</u>	<u>\$ 50,742</u>	<u>\$ 48,343</u>	<u>\$ 119,502</u>	<u>\$ 115,991</u>

Major capital asset events during the fiscal year included:

Governmental activities. Capital assets increased by \$1.1 million for governmental activities. The largest increases were seen in the following:

- Machinery and equipment had a \$149 increase to include the purchase of a dump truck (\$118), three LifePaks (\$104), and three SCAG mowers (\$33);
- Vehicle increased by \$242 to include the purchase of a chassis (\$227), three Ford Explorers (\$180), and two Ford Fusions (\$46); and
- Construction in progress's increase of \$2.0 million includes the 2021 (Winter Storm) Street Improvements (\$2.0 million), Warrior's Path Phase 2 (\$158), and sidewalk projects (\$520).

Business-type activities. The amount of increase in capital assets for business-type activities was \$2.4 million. Categories with the greatest increase include:

- Machinery and equipment with an increase of \$498 that includes a Vector Truck (\$424), trailer mounted diesel generator (\$156), and three new pumps (\$78); and

- Construction in progress’s increase of \$2.5 million that includes Rummel Road Lift Station (\$1.8 million) and the Second Belt Press at the Sludge Dewatering Building (\$818).

Additional information on the City of Harker Heights’ capital assets can be found in Note III. C on pages 50-51 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	
	2022	2021	2022	2021	2022	2021
Outstanding debt:						
Certificates of obligation	\$ 17,315	\$ 18,350	\$ 8,420	\$ 9,070	\$ 25,735	\$ 27,420
General obligation	8,071	9,347	6,369	7,633	14,440	16,980
Premium on bonds	282	367	307	376	589	743
Discount on bonds	(19)	(22)	(9)	(11)	(28)	(33)
Finance purchase agreement	243	423			243	423
Leases	13				13	
Compensated absences	870	867	40	42	910	909
Total outstanding debt	<u>\$ 26,775</u>	<u>\$ 29,332</u>	<u>\$ 15,127</u>	<u>\$ 17,110</u>	<u>\$ 41,902</u>	<u>\$ 46,442</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 \$168.2 million which is \$142.6 million more than the City’s outstanding indebtedness of \$25.6 million for governmental activities.

Additional information on the City of Harker Heights’ long-term debt can be found in Note III. G. on pages 63-69 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 2022-2023 fiscal year budget:

- The annual unemployment rate for Harker Heights in 2021 was 5.5% which is a decrease of 1.5% from a rate of 7.0% in 2020. This is lower than Bell County’s 2021 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 2022 annual unemployment rate show Harker Heights at 4.3%.
- Impact of COVID-19 pandemic to residents’ and municipal government.
- Increase in disabled veteran’s property tax exemptions.
- Rising property valuations and how that affects residents.
- Receipt of second tranche of Coronavirus State and Local Recovery Funds.
- Interest rates are slowly rising.
- Health insurance premiums and ways to save the City and its employees money.

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 2023 fiscal year budget is \$0.5800 per \$100 valuation. Of this tax rate, 77.78 percent or \$0.4511 is utilized for maintenance and operations (General Fund). The remaining 22.22 percent or \$0.1289 is used for interest and sinking (Debt Service Fund). The General Fund's portion of property tax revenue is estimated to be \$11.2 million while the Debt Service Fund's portion is estimated at \$3.2 million.

Sales tax revenue (General Fund) for FY 2022-2023 is budgeted at \$10.7 million.

The largest revenue source for the Water and Sewer Fund is water income which is budgeted at \$6.5 million for the 2023 fiscal year. Sewer income, the second largest revenue source, is budgeted at \$4.1 million.

Next Year's Rates. Rates were not increased for the 2023 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.

The \$1 drop site fee is a flat fee that remains unchanged for FY 2023.

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.



CITY OF HARKER HEIGHTS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,718,099	\$ 3,294,014	\$ 7,012,113
Investments	18,954,035	1,704,904	20,658,939
Receivables (net of allowance for uncollectibles):			
Property taxes	112,072		112,072
Accounts	31,991	1,529,392	1,561,383
Ambulance	334,670		334,670
Court fines	625,079		625,079
Intergovernmental	34,265		34,265
Sales tax	1,920,126		1,920,126
Interest	2,947	2,096	5,043
Due from other governments	-		-
Internal balances	(632,988)	632,988	
Inventory of supplies, first-in, first-out cost		83,324	83,324
Restricted cash	7,577,540	36,627	7,614,167
Restricted investments	983,587	524,384	1,507,971
Capital assets, not being depreciated	18,723,321	3,495,549	22,218,870
Capital assets, being depreciated	50,036,904	47,246,730	97,283,634
Total assets	<u>102,421,648</u>	<u>58,550,008</u>	<u>160,971,656</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to refunding debt	108,523	173,512	282,035
Related to pensions	2,217,008	178,565	2,395,573
Related to OPEB - supplemental death benefits	137,637	11,489	149,126
Related to OPEB - health	82,320	10,213	92,533
Total deferred outflows of resources	<u>2,545,488</u>	<u>373,779</u>	<u>2,919,267</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,739,692		2,739,692
Developer deposits payable	24,994		24,994
Unearned revenue	4,892,449		4,892,449
Refundable meter deposits		395,785	395,785
Accrued interest payable	97,468	59,797	157,265
Long-term liabilities:			
Due within one year			
Bonds, finance agreements, leases, compensated absences	3,040,926	2,028,262	5,069,188
Due in more than one year			
Bonds, finance agreements, leases, compensated absences	23,734,354	13,098,950	36,833,304
Net pension liability (City's share)	5,146,185	414,488	5,560,673
Total OPEB liability - supplemental death benefits	775,959	59,162	835,121
Total OPEB liability - health	547,168	56,771	603,939
Total liabilities	<u>40,999,195</u>	<u>16,113,215</u>	<u>57,112,410</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	3,520,562	283,555	3,804,117
Related to OPEB - supplemental death benefits	26,232	3,219	29,451
Related to OPEB - health	255,996	36,064	292,060
Total deferred inflows of resources	<u>3,802,790</u>	<u>322,838</u>	<u>4,125,628</u>
FUND BALANCES			
Net investment in capital assets	45,819,594	35,828,579	81,648,173
Restricted for:			
Cemetery	19,054		19,054
Debt service	48,253	29,321	77,574
Economic development	544,046		544,046
Federal grant	656,677		656,677
Pet adoption center	25,040		25,040
Public safety	212,488		212,488
Unrestricted	12,839,999	6,629,834	19,469,833
Total fund balances	<u>\$ 60,165,151</u>	<u>\$ 42,487,734</u>	<u>\$ 102,652,885</u>

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, 2022

<u>FUNCTION / PROGRAM:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,105,933	\$ 55,653	\$ 12,167	
Public safety	13,780,028	1,787,970	9,413	3,115,479
Highways and streets	2,203,620			
Culture and recreation	3,410,420	418,209		
Economic development and assistance	412,222	215,184	45,537	
Interest and fiscal charges	843,817			
Total governmental activities	<u>24,756,040</u>	<u>2,477,016</u>	<u>67,117</u>	<u>3,115,479</u>
Business-type activities:				
Water and sewer	8,018,412	11,573,411		
Sanitation	2,271,554	2,381,063		
Drainage utility	374,624	874,729		
Total business-type activities	<u>10,664,590</u>	<u>14,829,203</u>		
Total primary government	<u>\$ 35,420,630</u>	<u>\$ 17,306,219</u>	<u>\$ 67,117</u>	<u>\$ 3,115,479</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

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements 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>
\$ (4,038,113)		\$ (4,038,113)
(8,867,166)		(8,867,166)
(2,203,620)		(2,203,620)
(2,992,211)		(2,992,211)
(151,501)		(151,501)
(843,817)		(843,817)
<u>(19,096,428)</u>		<u>(19,096,428)</u>
	3,554,999	3,554,999
	109,509	109,509
	500,105	500,105
	<u>4,164,613</u>	<u>4,164,613</u>
<u>\$ (19,096,428)</u>	<u>\$ 4,164,613</u>	<u>\$ (14,931,815)</u>
13,579,852		13,579,852
10,765,363		10,765,363
1,415,239	193,789	1,609,028
150,076		150,076
43,366		43,366
113,566		113,566
172,647	14,152	186,799
193,473		193,473
(932,775)	932,775	
<u>25,500,807</u>	<u>1,140,716</u>	<u>26,641,523</u>
6,404,379	5,305,329	11,709,708
<u>53,760,772</u>	<u>37,182,405</u>	<u>90,943,177</u>
<u>\$ 60,165,151</u>	<u>\$ 42,487,734</u>	<u>\$ 102,652,885</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

General revenues and transfers:

General revenues:

Property taxes
Sales taxes
Franchise taxes
Mixed drink beverage taxes
Bingo taxes
Hotel / motel taxes
Investment earnings
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

CITY OF HARKER HEIGHTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash	\$ 1,464,525	\$ 26,166	\$ 1,269,363
Investments	14,871,562	42,416	3,303,350
Receivables (net of allowance for uncollectibles):			
Property taxes	86,639	25,433	
Accounts	11,970		
Ambulance	334,670		
Court fines	625,079		
Intergovernmental	23,616	10,649	
Sales tax	1,920,126		
Interest	685		1,269
Due from other funds	1,737,946		4,289,238
Restricted cash	450,750		1,932,682
Restricted investments	60,143		923,444
Total assets	<u>21,587,711</u>	<u>104,664</u>	<u>11,719,346</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,500,520		116,644
Developer deposits payable	24,994		
Due to other funds	52,812	39,179	6,085,017
Unearned revenue			
Total liabilities	<u>2,578,326</u>	<u>39,179</u>	<u>6,201,661</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	58,113	17,232	
Unavailable revenue - ambulance	232,323		
Unavailable revenue - court fines	625,079		
Unavailable revenue - other	9,413		
Total deferred inflows of resources	<u>924,928</u>	<u>17,232</u>	
FUND BALANCES			
Restricted for:			
Capital projects			2,856,126
Cemetery	19,054		
Debt service		48,253	
Economic development			
Federal grant			
Pet adoption center	25,040		
Public safety	1,478		
Assigned for:			
Capital projects			2,661,559
Culture and recreation	465,320		
Subsequent year's budget	1,616,700		
Unassigned	15,956,865		
Total fund balances	<u>18,084,457</u>	<u>48,253</u>	<u>5,517,685</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,587,711</u>	<u>\$ 104,664</u>	<u>\$ 11,719,346</u>

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

Coronavirus	Total Nonmajor Funds	Total Governmental Funds	
\$ 660,416	\$ 297,629	\$ 3,718,099	ASSETS
300,000	436,707	18,954,035	Cash
			Investments
			Receivables (net of allowance for uncollectibles):
		112,072	Property taxes
	20,021	31,991	Accounts
		334,670	Ambulance
		625,079	Court fines
		34,265	Intergovernmental
		1,920,126	Sales tax
602	391	2,947	Interest
	308	6,027,492	Due from other funds
5,194,108		7,577,540	Restricted cash
		983,587	Restricted investments
<u>6,155,126</u>	<u>755,056</u>	<u>40,321,903</u>	Total assets
			LIABILITIES
122,528		2,739,692	Accounts payable and accrued liabilities
		24,994	Developer deposits payable
483,472		6,660,480	Due to other funds
<u>4,892,449</u>		<u>4,892,449</u>	Unearned revenue
<u>5,498,449</u>		<u>14,317,615</u>	Total liabilities
			DEFERRED INFLOWS OF RESOURCES
		75,345	Unavailable revenue - property taxes
		232,323	Unavailable revenue - ambulance
		625,079	Unavailable revenue - court fines
		9,413	Unavailable revenue - other
		<u>942,160</u>	Total deferred inflows of resources
			FUND BALANCES
			Restricted for:
		2,856,126	Capital projects
		19,054	Cemetery
		48,253	Debt service
	544,046	544,046	Economic development
656,677		656,677	Federal grant
		25,040	Pet adoption center
	211,010	212,488	Public safety
			Assigned for:
		2,661,559	Capital projects
		465,320	Culture and recreation
		1,616,700	Subsequent year's budget
		15,956,865	Unassigned
<u>656,677</u>	<u>755,056</u>	<u>25,062,128</u>	Total fund balances
<u>\$ 6,155,126</u>	<u>\$ 755,056</u>	<u>\$ 40,321,903</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, 2022

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

Total fund balance per balance sheet	\$ 25,062,128
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,760,225
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	2,217,008
Deferred outflows - OPEB supplemental death benefits related	137,637
Deferred outflows - OPEB health related	82,320
Deferred inflows - pension related	(3,520,562)
Deferred inflows - OPEB supplemental death benefits related	(26,232)
Deferred inflows - OPEB health related	(255,996)
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	(17,315,000)
Less: discount on issuance of bonds	18,909
General obligation refunding	(8,070,538)
Plus: premium on issuance of bonds	(282,053)
Less: deferred charge for advance refunding costs	108,523
Finance purchase agreement	(242,842)
Accrued interest payable	(97,468)
Compensated absences	(870,000)
Lease payable	(13,756)
Net pension liability	(5,146,185)
Total OPEB liability - supplemental death benefits	(775,959)
Total OPEB liability - health	(547,168)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	75,345
Ambulance	232,323
Court fines	625,079
Net position of governmental activities	<u>\$ 60,165,151</u>

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, 2022

	General	Debt Service	Capital Projects
REVENUES			
Property taxes	\$ 10,529,685	\$ 3,028,759	
Sales and other taxes	12,374,044		
Licenses and permits	486,083		
Fines	709,537		
Charges for services	1,184,388		
Intergovernmental	127,187		
Investment earnings	110,777	2,775	43,099
Contributions and donations	56,293		
Miscellaneous	193,108		355
Total revenues	<u>25,771,102</u>	<u>3,031,534</u>	<u>43,454</u>
EXPENDITURES			
Current:			
General government	3,916,739		
Public safety	13,555,335		
Highways and streets	1,288,576		
Culture and recreation	3,049,752		
Economic development and assistance	427,789		
Debt service:			
Principal	184,646	2,311,064	
Interest and fiscal charges	6,746	848,688	
Tax collection fees		31,018	
Capital outlay			
Culture and recreation			93,656
General government			28,929
Highways and streets			2,712,961
Public safety			13,887
Total expenditures	<u>22,429,583</u>	<u>3,190,770</u>	<u>2,849,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,341,519</u>	<u>(159,236)</u>	<u>(2,805,979)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	955,255	125,000	4,200,000
Transfers out	(4,177,919)		(254,568)
Leases issued	18,402		
Sale of capital assets	10		
Total other financing sources (uses)	<u>(3,204,252)</u>	<u>125,000</u>	<u>3,945,432</u>
Net change in fund balances	137,267	(34,236)	1,139,453
Fund balances - beginning	<u>17,947,190</u>	<u>82,489</u>	<u>4,378,232</u>
Fund balances - ending	<u>\$ 18,084,457</u>	<u>\$ 48,253</u>	<u>\$ 5,517,685</u>

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

Coronavirus	Total Nonmajor Funds	Total Governmental Funds	
		\$ 13,558,444	REVENUES
	113,566	12,487,610	Property taxes
		486,083	Sales and other taxes
	93,620	803,157	Licenses and permits
		1,184,388	Fines
3,115,479		3,242,666	Charges for services
12,776	3,220	172,647	Intergovernmental
		56,293	Investment earnings
		193,463	Contributions and donations
			Miscellaneous
<u>3,128,255</u>	<u>210,406</u>	<u>32,184,751</u>	Total revenues
			EXPENDITURES
			Current:
		3,916,739	General government
	84,360	13,639,695	Public safety
		1,288,576	Highways and streets
		3,049,752	Culture and recreation
	22,500	450,289	Economic development and assistance
			Debt service:
		2,495,710	Principal
		855,434	Interest and fiscal charges
		31,018	Tax collection fees
			Capital outlay
		93,656	Culture and recreation
119,300		148,229	General government
118,029		2,830,990	Highways and streets
454,346		468,233	Public safety
<u>691,675</u>	<u>106,860</u>	<u>29,268,321</u>	Total expenditures
			Excess (deficiency) of revenues
<u>2,436,580</u>	<u>103,546</u>	<u>2,916,430</u>	over (under) expenditures
			OTHER FINANCING SOURCES (USES)
1,552,919		6,833,174	Transfers in
(3,332,822)	(640)	(7,765,949)	Transfers out
		18,402	Leases issued
		10	Sale of capital assets
<u>(1,779,903)</u>	<u>(640)</u>	<u>(914,363)</u>	Total other financing sources (uses)
656,677	102,906	2,002,067	Net change in fund balances
	652,150	23,060,061	Fund balances - beginning
<u>\$ 656,677</u>	<u>\$ 755,056</u>	<u>\$ 25,062,128</u>	Fund balances - ending

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, 2022

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

Net change in fund balance - total governmental funds	\$	2,002,067
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.		4,165,541
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.		(3,137,629)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, transfers, disposals, and donations) is to increase net position.		84,465
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		21,420
Ambulance		(222,747)
Court fines		3,387
Other		9,346
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.		
Issuance of lease		(18,402)
Principal paid on bonds		2,495,710
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.		
Premiums		85,322
Discounts		(2,654)
Deferred charge for advance refunding costs		(48,843)
Accrued interest on long-term debt		8,810
Compensated absences		(3,000)
Changes in pension liability and related deferred inflows and outflows of resources		1,060,440
Changes in OPEB liabilities and related deferred inflows and outflows of resources		(98,854)
Change in net position of governmental activities	<u>\$</u>	<u>6,404,379</u>

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, 2022

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Sanitation	Drainage Utility	
ASSETS				
Current assets:				
Cash	\$ 3,025,572	\$ 135,186	\$ 133,256	\$ 3,294,014
Investments	1,651,623	27,040	26,241	1,704,904
Interest receivable	2,096			2,096
Receivables (net of allowance for uncollectibles):				
Accounts	1,197,651	245,212	86,529	1,529,392
Due from other funds	2,858,400	1,488	3,143,091	6,002,979
Inventory of supplies, first-in, first-out cost	83,324			83,324
Restricted cash	31,856		4,771	36,627
Restricted investments	521,029		3,355	524,384
Total current assets	<u>9,371,551</u>	<u>408,926</u>	<u>3,397,243</u>	<u>13,177,720</u>
Noncurrent assets:				
Capital assets:				
Land and improvements	167,076		125,160	292,236
Buildings and lift stations	3,257,749			3,257,749
Furniture and fixtures	12,375			12,375
Machinery and equipment	3,186,232	40,730	283,554	3,510,516
Vehicles	683,873		95,604	779,477
Water, sewer and drainage system	54,540,793		6,495,563	61,036,356
Other improvements	1,144	23,728		24,872
Construction in progress	2,911,034		292,279	3,203,313
Less accumulated depreciation	<u>(19,854,681)</u>	<u>(61,248)</u>	<u>(1,458,686)</u>	<u>(21,374,615)</u>
Total noncurrent assets	<u>44,905,595</u>	<u>3,210</u>	<u>5,833,474</u>	<u>50,742,279</u>
Total assets	<u>54,277,146</u>	<u>412,136</u>	<u>9,230,717</u>	<u>63,919,999</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Related to refunding debt	173,512			173,512
Related to pensions	142,967	247	35,351	178,565
Related to OPEB - supplemental death benefits	9,796	497	1,196	11,489
Related to OPEB - health	9,600	570	43	10,213
Total deferred outflows of resources	<u>335,875</u>	<u>1,314</u>	<u>36,590</u>	<u>373,779</u>

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

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Drainage Utility	Total Enterprise Funds
LIABILITIES				
Current liabilities:				
Compensated absences	18,000	2,000	5,000	25,000
Due to other funds	4,353,964	188,657	827,370	5,369,991
Refundable meter deposits	395,785			395,785
Accrued interest payable	46,214		13,583	59,797
General obligation bonds payable	1,226,614		77,848	1,304,462
Certificates of obligation payable	470,000		220,000	690,000
Total current liabilities	<u>6,510,577</u>	<u>190,657</u>	<u>1,143,801</u>	<u>7,845,035</u>
Noncurrent liabilities:				
Compensated absences	13,000	2,000		15,000
Net pension liability	331,859	572	82,057	414,488
Total OPEB liability - supplemental death benefits	49,374	2,360	7,428	59,162
Total OPEB liability - health	51,753	3,207	1,811	56,771
General obligation bonds payable	5,065,000			5,065,000
Certificates of obligation payable (net of unamortized discounts and premiums)	4,932,850		3,094,900	8,027,750
Total noncurrent liabilities	<u>10,443,836</u>	<u>8,139</u>	<u>3,186,196</u>	<u>13,638,171</u>
Total liabilities	<u>16,954,413</u>	<u>198,796</u>	<u>4,329,997</u>	<u>21,483,206</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	227,028	391	56,136	283,555
Related to OPEB - supplemental death benefits	2,676	129	414	3,219
Related to OPEB - health	24,581	2,110	9,373	36,064
Total deferred inflows of resources	<u>254,285</u>	<u>2,630</u>	<u>65,923</u>	<u>322,838</u>
NET POSITION				
Net investment in capital assets	33,384,643	3,210	2,440,726	35,828,579
Restricted for debt service	21,195		8,126	29,321
Unrestricted	3,998,485	208,814	2,422,535	6,629,834
Total net position	<u>\$ 37,404,323</u>	<u>\$ 212,024</u>	<u>\$ 4,871,387</u>	<u>\$ 42,487,734</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, 2022

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Sanitation	Drainage Utility	
OPERATING REVENUES				
Charges for services	\$ 11,412,955	\$ 2,380,009	\$ 873,811	\$ 14,666,775
Franchise fees		193,789		193,789
Other	160,456	1,054	918	162,428
Total operating revenues	<u>11,573,411</u>	<u>2,574,852</u>	<u>874,729</u>	<u>15,022,992</u>
OPERATING EXPENSES				
Water purchases	3,283,166			3,283,166
Contractual services	577,614	2,199,255	5,070	2,781,939
Personnel services	1,314,529	53,159	104,225	1,471,913
Utilities and telephone	327,580	898		328,478
Repairs and maintenance	445,115	1,672	21,705	468,492
Supplies	160,874	3,643	5,715	170,232
Uncollectible accounts	48,033	8,581	2,723	59,337
Professional fees	174,391		9,955	184,346
Depreciation	1,282,120	4,281	112,294	1,398,695
Other	2,670	65	350	3,085
Total operating expenses	<u>7,616,092</u>	<u>2,271,554</u>	<u>262,037</u>	<u>10,149,683</u>
Operating income (loss)	<u>3,957,319</u>	<u>303,298</u>	<u>612,692</u>	<u>4,873,309</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	12,665	827	660	14,152
Loss on disposal of assets	(10,804)			(10,804)
Interest expense	(391,516)		(112,587)	(504,103)
Total nonoperating revenues (expenses)	<u>(389,655)</u>	<u>827</u>	<u>(111,927)</u>	<u>(500,755)</u>
Income before transfers	3,567,664	304,125	500,765	4,372,554
Transfers in	3,239,495	1,200	42,080	3,282,775
Transfers out	<u>(1,800,000)</u>	<u>(300,000)</u>	<u>(250,000)</u>	<u>(2,350,000)</u>
Change in net position	5,007,159	5,325	292,845	5,305,329
Net position, beginning	<u>32,397,164</u>	<u>206,699</u>	<u>4,578,542</u>	<u>37,182,405</u>
Net position, ending	<u>\$ 37,404,323</u>	<u>\$ 212,024</u>	<u>\$ 4,871,387</u>	<u>\$ 42,487,734</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, 2022

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Sanitation	Drainage Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 11,458,859	\$ 2,377,536	\$ 875,395	\$ 14,711,790
Cash payments to suppliers	(5,017,575)	(2,252,370)	(17,798)	(7,287,743)
Cash payments to employees	(1,374,506)	(63,707)	(89,229)	(1,527,442)
Franchise fees		193,789		193,789
Other operating cash receipts (payments)	610,237	2,859	2,695	615,791
Net cash provided (used) by operating activities	<u>5,677,015</u>	<u>258,107</u>	<u>771,063</u>	<u>6,706,185</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	3,239,495	1,200	42,080	3,282,775
Transfers out	(1,800,000)	(300,000)	(250,000)	(2,350,000)
Net cash provided (used) by noncapital financing activities	<u>1,439,495</u>	<u>(298,800)</u>	<u>(207,920)</u>	<u>932,775</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of debt				
Acquisition and construction of capital assets	(3,663,774)		(64,008)	(3,727,782)
Principal paid on debt	(1,643,192)		(270,744)	(1,913,936)
Interest paid on debt	(397,612)		(117,800)	(515,412)
Proceeds from the sale of capital assets	3,739			3,739
Net cash provided (used) by capital and related financing activities	<u>(5,700,839)</u>		<u>(452,552)</u>	<u>(6,157,130)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(4,156,479)	(175)	(191)	(4,156,845)
Proceeds from sales and maturities of investments	2,440,493			2,440,493
Interest and penalties received on investments	12,665	827	660	14,152
Net cash provided (used) by investing activities	<u>(1,703,321)</u>	<u>652</u>	<u>469</u>	<u>(1,702,200)</u>
Net increase (decrease) in cash	(287,650)	(40,041)	111,060	(216,631)
Cash, beginning	<u>3,345,078</u>	<u>175,227</u>	<u>26,967</u>	<u>3,547,272</u>
Cash, ending	<u>\$ 3,057,428</u>	<u>\$ 135,186</u>	<u>\$ 138,027</u>	<u>\$ 3,330,641</u>
RECONCILIATION OF CASH				
Cash	3,025,572	135,186	133,256	3,294,014
Restricted cash	31,856		4,771	36,627
Total cash	<u>\$ 3,057,428</u>	<u>\$ 135,186</u>	<u>\$ 138,027</u>	<u>\$ 3,330,641</u>

The notes to 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, 2022

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Drainage Utility	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 3,957,319	\$ 303,298	\$ 612,692	\$ 4,873,309
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,282,120	4,281	112,294	1,398,695
(Increase) decrease in accounts receivable	38,873	6,108	4,307	49,288
(Increase) decrease in due from other funds	(1,732,139)	1,805	1,777	(1,728,557)
(Increase) decrease in inventory	1,868			1,868
(Increase) decrease in deferred outflow in net pension obligation	(49,079)	4,230	(23,374)	(68,223)
(Increase) decrease in deferred outflow in other post-employment benefit obligations	2,638	102	374	3,114
Increase (decrease) in due to other funds	2,181,919	(46,837)	24,997	2,160,079
Increase (decrease) in compensated absences	(8,000)		(1,000)	(9,000)
Increase (decrease) in refundable deposits	7,031			7,031
Increase (decrease) in net pension obligation	(125,562)	(6,898)	(15,886)	(148,346)
Increase (decrease) in other post-employment supplemental death benefit obligation	4,745	257	601	5,603
Increase (decrease) in other post-employment benefit obligation	(17,788)	(532)	(2,675)	(20,995)
Increase (decrease) in deferred inflow in net pension obligation	115,101	(8,215)	54,225	161,111
Increase (decrease) in deferred inflow in other post-employment benefit obligations	17,969	508	2,731	21,208
Total adjustments	1,719,696	(45,191)	158,371	1,832,876
Net cash provided by (used for) operating activities	\$ 5,677,015	\$ 258,107	\$ 771,063	\$ 6,706,185

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 *Coronavirus Fund* accounts for funding received under the Coronavirus State and Local Fiscal Reserve Fund, which is intended to support the City in its response to and recovery from the COVID-19 public health emergency.

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 funds:

Special revenue funds are 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 the 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 lease 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 approximately 60% 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
Right-to-use	3 – 5 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 and court fines receivable are 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. These amounts are only reported in the government-wide financial statements and the proprietary funds.

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. These amounts are only reported in the government-wide financial statements and the proprietary funds.

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. Leases

Lessee: The City of Harker Heights is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses the prime rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

O. 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, 2022 was \$0.6519 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.

P. New Governmental Accounting Standards Board Pronouncements

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

1. Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.
2. Statement No. 99, "Omnibus 2022". The requirements of this Statement are effective as follows: (1) The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
3. Statement No. 100, "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62". For fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
4. Statement No. 101, "Compensated Absences". The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

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, cryptocurrency, 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, 2022, TexSTAR was rated "AAAm" by Standard & Poor's.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

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, 2022, 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, 2022, LoneStar was rated “AAAm” 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 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, 2022, the carrying amount of the City’s bank deposits was \$14,624,482, and the respective bank balances totaled \$15,450,123. 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 \$20,890,988 at September 30, 2022.

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, 2022, the City of Harker Heights had the following investments:

Investment Type	Fair Value/Carrying Value		Investment Maturities
	Governmental	Business-Type	(in Years) Less than 1 year
Non-negotiable CDs	\$ 6,354,274		\$ 6,354,274
Negotiable CDs	1,465,000	985,000	2,450,000
Investment pools	12,118,348	1,244,288	13,362,636
Total investments	<u>\$ 19,937,622</u>	<u>\$2,229,288</u>	<u>\$ 22,166,910</u>

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

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, 2022, the City had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Total
Negotiable CDs	\$ 2,450,000		\$ 2,450,000
Non-negotiable CDs		6,354,274	6,354,274
Total certificates of deposits	\$ 2,450,000	\$ 6,354,274	\$ 8,804,274

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

Cash on hand	\$ 1,798
Carrying amount of deposits	14,642,482
Carrying amount of investments	22,166,910
Total cash and investments	\$ 36,793,190
Cash	\$ 7,012,113
Restricted cash	7,614,167
Investments – short-term	20,658,939
Investments – long-term	
Restricted investments – short-term	1,507,971
Restricted investments – long-term	
Total cash and investments	\$ 36,793,190

B. Receivables

Receivables at September 30, 2022 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	Coronavirus	Total Governmental
Receivables						
Property taxes	\$ 220,639		\$ 63,433			\$ 284,072
Sales taxes	1,920,126					1,920,126
Accounts	402,062			20,021		422,083
Ambulance	1,876,823					1,876,823
Court fines	2,083,598					2,083,598
Interest	685	1,269		391	602	2,948
Intergovernmental	23,616		10,649			34,265
Gross receivables	6,527,549	1,269	74,082	20,412	602	6,623,915
Less: allowance for uncollectibles	3,524,764		38,000			3,562,764
Net receivables	\$ 3,002,785	\$ 1,269	\$ 36,082	\$ 20,412	\$ 602	\$ 3,061,151

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

The intergovernmental amount of \$23,616 in the general fund is for the reimbursable expenses incurred for grants during the 2022 fiscal year whose funding is expected to be received within the next year. Also, approximately \$1,500,000 of the outstanding balance of ambulance receivable is not anticipated to be collected within the next year.

Receivables at September 30, 2022 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	\$ 1,232,305	\$ 247,212	\$ 88,529	\$ 1,568,046
Special assessments	20,726			20,726
Interest	2,096			2,096
Gross receivables	1,255,127	247,212	88,529	1,590,868
Less: allowance for uncollectibles	55,380	2,000	2,000	59,380
Net receivables	<u>\$ 1,199,747</u>	<u>\$ 245,212</u>	<u>\$ 86,529</u>	<u>\$ 1,531,488</u>

The enterprise funds (Water and Sewer, Sanitation, and Drainage Utility) allowance for uncollectibles is \$59,380 and is related to charges for services.

C. Capital Assets

Capital assets activity for the year ended September 30, 2022 was as follows:

	Balance 10/01/2021	Increases	Decreases	Transfers	Balance 09/30/2022
Governmental Activities:					
Capital assets, not depreciated:					
Land	\$15,705,162	\$ 49,150	\$ (11,239)		\$15,743,073
Construction in progress	928,202	2,867,772	(815,726)		2,980,248
Total capital assets, not depreciated:	<u>16,633,364</u>	<u>2,916,922</u>	<u>(826,965)</u>		<u>18,723,321</u>
Capital assets, being depreciated					
Buildings	24,926,738	46,501			24,973,239
Improv other than buildings	310,559	32,541			343,100
Machinery and equipment	7,721,619	683,111	(466,211)		7,938,519
Right-to-use lease equipment		18,402			18,402
Vehicles	5,933,857	589,649	(442,377)		6,081,129
Furniture and fixtures	1,182,189				1,182,189
Street, drainage improvements	44,347,916	694,142			45,042,058
Total capital assets, depreciated	<u>84,422,878</u>	<u>2,064,346</u>	<u>(908,588)</u>		<u>85,578,636</u>
Less accumulated depreciation for:					
Buildings	(11,627,876)	(1,168,123)			(12,795,999)
Improv other than buildings	(158,487)	(31,321)			(189,808)
Machinery and equipment	(6,276,761)	(527,730)	460,012		(6,344,524)
Right-to-use lease equipment		(4,645)			(4,645)
Vehicles	(4,839,129)	(449,783)	544,279		(4,744,633)
Furniture and fixtures	(1,052,278)	(62,043)			(1,114,321)
Street, drainage improvements	(9,453,863)	(893,984)			(10,347,847)
Total accumulated depreciation	<u>(33,408,394)</u>	<u>(3,137,629)</u>	<u>1,004,291</u>		<u>(35,541,732)</u>
Total capital assets, being depreciated net	<u>51,014,484</u>	<u>(1,073,283)</u>	<u>95,703</u>		<u>50,036,904</u>
Total net governmental activities capital assets	<u>\$67,647,848</u>	<u>\$ 1,843,639</u>	<u>\$ (731,262)</u>		<u>\$68,760,225</u>

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

Business-Type Activities:

Capital assets, not depreciated:					
Land	\$ 292,236				\$ 292,236
Construction in progress	682,306	3,002,744	(481,737)		3,203,313
Total capital assets, not depreciated	<u>974,542</u>	<u>3,002,744</u>	<u>(481,737)</u>		<u>3,495,549</u>
Capital assets, being depreciated:					
Buildings and lift stations	3,174,511	83,238			3,257,749
Improv other than buildings	24,872				24,872
Machinery and equipment	2,769,582	745,897	(4,963)		3,510,516
Vehicles	808,824	57,697	(87,044)		779,477
Furniture and fixtures	12,375				12,375
Water, sewer, drainage systems	60,635,209	401,147			61,036,356
Total capital assets, depreciated	<u>67,425,373</u>	<u>1,287,979</u>	<u>(92,007)</u>		<u>68,621,345</u>
Less accumulated depreciated for:					
Buildings and lift stations	(1,876,598)	(72,135)			(1,948,733)
Improv other than buildings	(24,872)				(24,872)
Machinery and equipment	(2,263,522)	(248,201)	4,963		(2,506,760)
Vehicles	(699,140)	(44,382)	76,240		(667,282)
Furniture and fixtures	(12,375)				(12,375)
Water, sewer, drainage systems	(15,180,616)	(1,033,977)			(16,214,593)
Total accumulated depreciation	<u>(20,057,123)</u>	<u>(1,398,695)</u>	<u>81,203</u>		<u>(21,374,615)</u>
Total capital assets, being depreciated net	<u>47,368,250</u>	<u>(110,716)</u>	<u>(10,804)</u>		<u>47,246,730</u>
Total net business-type activities capital assets	<u>\$48,342,792</u>	<u>\$ 2,892,028</u>	<u>\$ (492,541)</u>		<u>\$50,742,279</u>

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

Governmental activities:

General governmental	\$ 546,235
Public safety	1,043,897
Highways and streets, including depreciation of infrastructure	979,038
Culture and recreation	564,360
Economic development and assistance	4,099
Total depreciation expense – governmental activities	<u>\$ 3,137,629</u>

Business-type activities:

Water and sewer, drainage utility, and sanitation	\$ 1,398,695
Total depreciation expense – business-type activities	<u>\$ 1,398,695</u>

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 901 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, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	109
Inactive employees entitled to but not yet receiving benefits	166
<u>Active employees</u>	<u>215</u>
Total	490

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 1:1 (1 to 1), 1.5:1 (1 ½ to 1), or 2:1 (2 to 1), 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 14.96% and 14.78% in calendar years 2021 and 2022 respectively. The city’s contribution to TMRS for the year ended September 30, 2022, was \$2,024,428 and were equal to the required contributions.

d. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% 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 increases 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 disabled 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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 payments 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%	1.84%

*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 12/31/2020	\$61,730,170	\$53,831,464	\$7,898,706
Changes for the year:			
Service Cost	2,317,840		2,317,840
Interest	4,168,219		4,168,219
Difference between expected and actual experience	1,132,541		1,132,541
Contributions – employer		2,014,509	(2,014,509)
Contributions – employee		952,165	(952,165)
Net investment income		7,022,208	(7,022,208)
Benefit payments, incl. refunds of employee contributions	(2,275,395)	(2,275,395)	
Administrative expense		(32,471)	32,471
Other changes		222	(222)
Net changes	5,343,205	7,681,238	(2,338,033)
Balance at 12/31/2021	\$67,073,375	\$61,512,702	\$5,560,673

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	\$16,437,786	\$5,560,673	\$(3,184,777)

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, 2022, the city recognized pension expense of \$923,434.

At September 30, 2022, 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	\$ 864,166	\$ (209,930)
Changes in actuarial assumptions	63,258	
Difference between projected and actual investment earnings		(3,594,187)
Contributions subsequent to the measurement date	1,468,149	
Total	\$ 2,395,573	\$ (3,804,117)

\$1,468,149 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, 2023. 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:	
2023	(497,913)
2024	(1,259,210)
2025	(500,895)
2026	(618,675)
Total	\$ (2,876,693)

Additional schedules can be found in the required supplementary information section on pages 77-80.

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

Inactive employees or beneficiaries currently receiving benefits	86
Inactive employees entitled to but not yet receiving benefits	59
<u>Active employees</u>	<u>215</u>
Total	360

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)
2022	0.15%	0.07%
2021	0.15%	0.06%
2020	0.15%	0.02%
2019	0.14%	0.02%
2018	0.14%	0.02%

d. Actuarial Assumptions

The actuarial assumptions used in the December 31, 2021 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, 2021.

Inflation	2.50% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
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 (0.84%)	Discount Rate (1.84)	1% Increase in Discount Rate (2.84%)
City’s Total OPEB SDB Liability	\$1,050,395	\$835,121	\$673,206

For the year ended September 30, 2022, the City recognized Supplemental Death OPEB expense of \$95,746. The combined supplemental death benefit OPEB expense and health OPEB expense is \$166,577.

TOTAL OPEB SDB EXPENSE	
Changes for the year:	
Service Cost	\$ 46,248
Interest on total OPEB liability	15,316
Recognition of deferred outflows / inflows of resources:	
Differences between expected and actual experience	(9,404)
Changes in assumptions or other inputs ¹	43,586
Total OPEB SDB expense	\$ 95,746

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 12/31/2020	\$ 746,752
Changes for the year:	
Service Cost	46,248
Interest on total OPEB liability	15,316
Difference between expected and actual experience	5,921
Changes in assumptions or other inputs	29,045
Benefit payments*	(8,161)
Net changes	88,369
Total OPEB SDB Liability at 12/31/2021	\$ 835,121

*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, 2022, 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		\$ (29,451)
Changes in actuarial assumptions	\$ 142,173	
Contributions subsequent to the measurement date	6,953	
Total	\$ 149,126	\$ (29,451)

\$6,953 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, 2023. 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:	
2023	\$ 34,182
2024	28,696
2025	30,057
2026	15,496
2027	4,291
Total	\$ 112,722

Additional schedules can be found in the required supplementary information section on pages 81-84.

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 \$4,461,853 as September 30, 2022.

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	223
<u>Retired employees</u>	<u>7</u>
Total	230

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, 2021 for each plan are shown below:

Rate Tier	Health (Preferred)	Health (Plus)	Dental	Vision
Subscriber Only	\$ 521.24	\$ 561.66	\$ 22.90	\$ 3.85
Subscriber and Spouse	1,222.14	1,316.92	45.61	7.23
Subscriber and Child(ren)	886.65	955.40	61.95	7.64
Subscriber and Family	1,509.07	1,626.10	92.58	11.91

d. Actuarial Assumptions

The other post-employment benefit (OPEB) liability in September 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	4.77%, including inflation
Salary increase rate	3.50% including inflation
Inflation rate	3.00% per year
Healthcare cost trend rate	7.10% initial trend rate for pre-65 retirees decreasing to an ultimate rate of 4.14% in the year 2041
Mortality rates	Public Plan mortality Study with generational mortality improvement scale MP-2021
Actuarial method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary

The following medical and pharmacy healthcare trend rates are based upon recent experience and projected future cost increases made of components such as price inflation, utilization, and new treatments and pharmacy offerings. The initial year includes a component for expected increases in costs due to COVID-19.

Healthcare Trend Rates	
<u>Year Ending</u>	<u>Rate</u>
2022	7.10%
2023	6.80%
2024	6.51%
2025	6.21%
2026	5.92%
2027	5.72%
2028	5.42%
2029	5.13%
2030	4.83%
2031	4.63%
2032	4.34%
2033-2040	4.24%
2041+	4.14%

Additional healthcare assumptions include per capita benefit costs, participation rate assumptions, administrative expenses, and stop loss premiums.

At September 30, 2022, the City’s OPEB expense is as follows:

TOTAL OPEB EXPENSE	
Changes for the year:	
Service Cost	\$ 50,652
Interest on total OPEB liability	17,496
Difference between expected and actual experience	(6,296)
Change in assumptions	(31,204)
Change in benefit terms	40,183
Total OPEB expense	\$ 70,831

At September 30, 2022, the City’s OPEB liability is as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at 10/01/2021	\$ 747,736		\$ 747,736
Changes for the year:			
Service Cost	50,652		50,652
Interest on total OPEB liability	17,496		17,496
Difference between expected and actual experience	(50,367)		(50,367)
Change in assumptions	(156,133)		(156,133)
Contributions – employer		45,628	(45,628)
Change in benefit terms	40,183		40,183
Benefit payments	(45,628)	(45,628)	
Net changes	(143,797)		(143,797)
Total OPEB Liability	\$ 603,939		\$ 603,939

Assumption Changes: Since the prior valuation, the discount rate has increased to 4.77% from 2.25%; the mortality improvement scale was updated from 2019 to 2021; and per capita claims costs and how they escalate in the future were also updated.

The two tables below show the Net OPEB liability along with the liability if a 100-basis point change was made to the discount rate and the healthcare trend rate as of September 30, 2022. The purpose of showing the liability sensitivity information below is to help the statement user understand the volatility in the plan liability resulting from changes in these two key assumptions.

Discount Rate Sensitivity			
	1% Decrease in Discount Rate (3.77%)	Discount Rate (4.77%)	1% Increase in Discount Rate (5.77%)
City's Total OPEB Liability	\$655,354	\$603,939	\$557,198

Healthcare Cost Trend Rate			
	1% Decrease for All Years	Trend Rate for All Years	1% Increase for All Years
City's Total OPEB Liability	\$543,370	\$603,939	\$676,837

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

For the year ended September 30, 2022, the City recognized health OPEB expense of \$70,831. The combined supplemental death OPEB expense and health OPEB expense is \$166,577.

At September 30, 2022, 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
Differences between expected and actual experiences		\$ (44,071)
Changes of assumptions	92,533	(247,989)
Total	\$ 92,533	\$ (292,060)

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:	
2023	\$ (37,500)
2024	(37,500)
2025	(37,500)
2026	(37,500)
2027	(18,768)
2028	(15,163)
2029	(15,596)
Total	\$ (199,527)

Additional schedules can be found in the required supplementary information section on pages 85-87.

E. Construction and other significant commitments

Construction commitments. The City has active construction projects as of September 30, 2022 with contractors as follows:

<u>Project</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment (Encumbrance)</u>
Mountain Lion Road Drainage Flume at Pontiac Trail - Engineering	\$4,000	\$6,400
Beeline Drive Waterline Replacement - Engineering	19,550	65,600
Beeline Drive Sewer Replacement - Engineering	72,696	72,285
Warrior's Path Phase 2 - Engineering	158,243	313,476
2022 Street Improvements - Engineering	64,200	59,100
2022 Street Improvements - Construction	0	814,138
Mechanical Bar Screen - Construction	17,119	5,406
Emergency Generator and Aeration Blower Replacement - Engineering	45,000	135,000
Roy Reynolds Bridge Stabilization - Engineering	18,000	12,000
2021 Street Improvements (Winter Storm) - Engineering	213,640	43,670
2021 Street Improvements (Winter Storm) - Construction	1,784,228	1,549,975
Public Works Street Yard Building - Architectural Design	8,172	7,428
CIP Priority #2 Phases 2, 3 and 4 - Engineering	148,773	87,228
CIP Priority #1 Goode Connell Detention Pond - Engineering	25,000	34,000
FM 3481 Sidewalk (Prospector Trail to Vineyard Trail) - Engineering	86,000	2,500
FM 3481 Sidewalk (Prospector Trail to Vineyard Trail) - Construction	432,002	93,088
FM 3481 East Side Phases 1 and 3 - Engineering	31,210	29,990
FM 3481 East Side Phases 1 and 3 - Construction	0	275,078
Rummel Road Lift Station Upgrade - Engineering	186,254	50,746
Rummel Road Lift Station Upgrade - Construction	1,561,844	907,421
Second Belt Press @ Sludge Dewatering Building - Engineering	59,096	9,904
Second Belt Press @ Sludge Dewatering Building - Construction	749,058	149,442
City Hall Renovations (Carpet and Furniture)	19,289	67,197
Fuller Lane/Tye Valley Culvert Replacement - Engineering	11,350	22,350
Preswick/Cedar Oaks Channel Improvements - Engineering	10,270	22,930
Total	<u>\$5,724,994</u>	<u>\$4,836,352</u>

As discussed in Note I.D. 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.

Other significant commitments. At year end, the City also had encumbrances that were expected to be honored upon performance by the vendor in the next year as follows:

<u>Item Description</u>	<u>Fund</u>	<u>Encumbrance</u>
Ford F150 Super Cab	General	\$ 49,564
Fire Alarm Replacement	General	24,965
Dell Power Switch	General	7,425
Subtotal General Fund		81,954
Nidec 40 HP Motor	Water and sewer	6,072
Paco Split Case Pump	Water and sewer	9,535
Subtotal Water and Sewer Fund		15,607
Security Camera System	Coronavirus	63,603
Ford F350 Diesel Crew Cab	Coronavirus	59,851
Subtotal Coronavirus Fund		123,454
Total		<u>\$ 221,015</u>

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, 2022, the City purchased 1,921,798,000 gallons of water from WCID No. 1 for a total charge of \$2,816,416. The City also paid \$152,422 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 \$311,080 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 disabled 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. 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.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

<u>Purpose</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Outstanding at 09/30/2022</u>
Governmental activities					
Municipal improvements	2005	2025	\$1,000,000	4.550%	\$ 220,000
Municipal improvements	2008	2028	6,000,000	4.190%	2,590,000
Municipal improvements	2014	2034	6,000,000	1.500-4.000%	4,375,000
Municipal improvements	2017	2037	5,000,000	3.250-4.000%	4,495,000
Municipal improvements	2018	2038	3,000,000	3.000-3.125%	2,635,000
Municipal improvements	2019	2039	3,000,000	3.000-3.500%	3,000,000
Total governmental activities					<u><u>\$17,315,000</u></u>
Business-type activities					
Utility improvements	2004	2024	2,000,000	3.980-4.837%	\$ 305,000
Utility improvements	2008	2028	2,000,000	4.190%	835,000
Utility improvements	2014	2034	3,000,000	1.500-4.000%	2,090,000
Utility improvements	2017	2037	1,000,000	3.250-4.000%	895,000
Utility improvements	2019	2039	1,000,000	3.000-3.500%	1,000,000
Subtotal water / sewer					<u>5,125,000</u>
Drainage improvements	2008	2028	1,500,000	4.190%	585,000
Drainage improvements	2018	2038	3,000,000	3.000-3.125%	2,710,000
Subtotal drainage					<u>3,490,000</u>
Total business-type activities					<u><u>\$ 8,420,000</u></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.

<u>Purpose</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Outstanding at 09/30/2022</u>
Governmental activities					
Refund 1999, 2003, 2003A	2012	2023	\$6,250,000	0.350-3.000%	\$ 350,538
Refund 2003, 2003A	2013	2023	1,460,000	1.500%	55,000
Refund 2006	2015	2027	8,400,000	3.000-4.000%	3,925,000
Refund 2011	2020	2031	6,065,000	1.192%	3,740,000
Total governmental activities					<u><u>\$ 8,070,538</u></u>
Business-type activities					
Refund 1999, 2003, 2003A	2012	2023	6,250,000	0.350-3.000%	\$ 311,614
Refund 2003, 2003A	2013	2023	1,460,000	1.500%	125,000
Refund 2006	2015	2027	8,400,000	3.000-4.000%	1,720,000
Refund 2006, 2009	2016	2029	6,620,000	2.000-4.000%	2,465,000
Refund 2011	2020	2031	6,065,000	1.192%	1,670,000
Subtotal water / sewer					<u>6,291,614</u>
Refund 1999, 2003, 2003A	2012	2023	6,250,000	0.350-3.000%	77,848
Subtotal drainage					<u>77,848</u>
Total business-type activities					<u><u>\$ 6,369,462</u></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.

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.

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, 2022 is \$129,331 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.

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, 2022 is \$104,133 for governmental activities and \$40,069 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, 2022.

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, 2022 is \$501 for governmental activities and \$721 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, 2022.

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, 2022 is \$3,889 for governmental activities and \$3,391 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, 2022, that amount was \$168,230,120. As of September 30, 2022, the total outstanding debt applicable to the limit was \$25,600,429, which is 84.78% of the total debt limit.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

Changes in long-term liabilities. Changes in the City's long-term liabilities for the year ended September 30, 2022, are as follows:

	Balance 10/01/2021	Additions	Reductions	Balance 09/30/2022	Due Within One Year
Governmental activities					
Certificates of obligation					
Competitive placement	\$ 15,105,000		\$ (600,000)	\$ 14,505,000	\$ 580,000
Private placement	3,245,000		(435,000)	2,810,000	460,000
General obligations					
Competitive placement	5,431,602		(1,101,064)	4,330,538	1,130,538
Private placement	3,915,000		(175,000)	3,740,000	175,000
Premium on bonds	367,375		(85,322)	282,053	
Discount on bonds	(21,563)		2,654	(18,909)	
Net governmental bonds payable	<u>28,042,414</u>		<u>(2,393,732)</u>	<u>25,648,682</u>	<u>2,345,538</u>
Finance purchase agreement	422,842		(180,000)	242,842	81,000
Leases		18,402	(4,646)	13,756	388
Compensated absences	<u>867,000</u>	<u>739,000</u>	<u>(736,000)</u>	<u>870,000</u>	<u>614,000</u>
Total governmental long-term liabilities	<u>29,332,256</u>	<u>757,402</u>	<u>(3,314,378)</u>	<u>26,775,280</u>	<u>3,040,926</u>
Business-type activities					
Certificates of obligation					
Competitive placement	6,980,000		(285,000)	6,695,000	315,000
Private placement	2,090,000		(365,000)	1,725,000	375,000
General obligations					
Competitive placement	5,803,398		(1,103,936)	4,699,462	1,139,462
Private placement	1,830,000		(160,000)	1,670,000	165,000
Premium on bonds	375,362		(68,182)	307,180	
Discount on bonds	(10,754)		1,324	(9,430)	
Net business-type bonds payable	<u>17,068,006</u>		<u>(1,980,794)</u>	<u>15,087,212</u>	<u>1,994,462</u>
Compensated absences	<u>42,000</u>	<u>33,000</u>	<u>(35,000)</u>	<u>40,000</u>	<u>33,800</u>
Total business-type long-term liabilities	<u>17,110,006</u>	<u>33,000</u>	<u>(2,015,794)</u>	<u>15,127,212</u>	<u>2,028,262</u>
Total government liabilities	<u>\$ 46,442,262</u>	<u>\$ 790,402</u>	<u>\$ (5,330,172)</u>	<u>\$ 41,902,492</u>	<u>\$ 5,069,188</u>

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	
2023	\$ 580,000	\$ 451,939	\$ 315,000	\$ 207,413	\$ 1,554,352
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	750,000	362,315	365,000	167,793	1,645,108
2028-2032	5,290,000	1,392,085	2,420,000	642,451	9,744,536
2033-2037	4,765,000	551,706	2,150,000	254,466	7,721,172
2038-2042	780,000	37,069	405,000	16,888	1,238,957
Total	<u>\$ 14,505,000</u>	<u>\$ 4,026,260</u>	<u>\$ 6,695,000</u>	<u>\$ 1,855,011</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	
2023	\$ 460,000	\$ 116,939	\$ 375,000	\$ 74,252	\$ 626,191
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	57,612	245,000	32,054	774,666
2027	460,000	39,176	255,000	21,788	775,964
2028-2032	475,000	19,903	265,000	11,103	771,006
Total	<u>\$ 2,810,000</u>	<u>\$ 407,846</u>	<u>\$ 1,725,000</u>	<u>\$ 238,471</u>	<u>\$ 4,781,317</u>

General Obligation Payable – Competitive Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
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	845,000	33,800	740,000	61,200	1,680,000
2028-2032			790,000	47,800	837,800
Total	<u>\$ 4,330,538</u>	<u>\$ 482,841</u>	<u>\$ 4,699,462</u>	<u>\$ 630,759</u>	<u>\$ 10,143,600</u>

General Obligation Payable – Private Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2023	175,000	44,581	165,000	19,906	404,487
2024	420,000	42,494	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	445,000	27,178	185,000	11,384	668,562
2028-2032	1,835,000	55,130	770,000	23,005	2,683,135
Total	<u>\$ 3,740,000</u>	<u>\$ 239,234</u>	<u>\$ 1,670,000</u>	<u>\$ 101,677</u>	<u>\$ 5,750,911</u>

Finance Purchase Agreement Payable:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 81,000	2,843	\$ 83,843
2024	81,000	1,895	82,895
2025	80,842	948	81,790
Total	\$ 242,842	\$ 5,686	\$ 248,527

Leases

1. Rentals not covered under noncancellable leases

Rental expenditures during the fiscal year ended September 30, 2022, including equipment rentals not covered under noncancellable leases, were \$86,756.

2. Lease payable

During the year ended September 30, 2022, the City implemented GASB Statement No. 87, "Leases", the primary objective of which is to enhance the relevance and consistency of information about governments' leasing activities. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

An initial lease liability was recorded in the amount of \$18,402 during the current fiscal year. As of September 30, 2022, the value of the lease liability was \$13,756. The City is required to make monthly principal and interest payments of \$613. The lease has an interest rate of 0.916%. The lessor is the sole owner of the equipment and the City has no intention of purchasing the equipment at the end of the lease term. The value of the right-to-use asset as of September 30, 2022 was \$18,402 with accumulated amortization of \$4,645.

The future principal and interest lease payments as of September 30, 2022 were as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 4,676	\$ 106	\$ 4,782
2024	4,718	64	4,782
2025	4,362	20	4,382
Total	\$ 13,756	\$ 190	\$ 13,946

H. Interfund receivables and payables

Due to/from other funds. The composition of interfund balances as of September 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 889,392
	Sanitation Fund	188,657
	Drainage Utility Fund	4,065
	Capital Projects Fund	133,180
	Debt Service Fund	39,179
	Coronavirus Fund	483,473
	Water and Sewer Fund	47,476
Drainage Utility Fund	Capital Projects Fund	2,810,924
	General Fund	2,177
Sanitation Fund	Capital Projects Fund	3,140,914
	General Fund	1,488
Capital Projects Fund	General Fund	1,361
	Water and Sewer Fund	3,464,572
	Drainage Utility Fund	823,305
Restricted Courts Fund	General Fund	308
Total		<u>\$ 12,030,471</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 Utility 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.

I. Interfund transfers

Transfers to/from other funds. The composition of interfund transfers for the year ended September 30, 2022 is as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 250,000
	Drainage Utility Fund	100,000
	Restricted Court Fund	640
	Sanitation Fund	300,000
	Coronavirus Fund	304,615
Water and Sewer Fund	Capital Projects Fund	235,908
	Coronavirus Fund	3,003,587
Sanitation Fund	Coronavirus Fund	1,200
Drainage Utility Fund	Capital Projects Fund	18,660
	Coronavirus Fund	23,420
Capital Projects Fund	General Fund	2,500,000
	Water and Sewer Fund	1,550,000
	Drainage Utility Fund	150,000
Debt Service Fund	General Fund	125,000
Coronavirus Fund	General Fund	1,552,919
Total		<u>\$ 10,115,949</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. The transfer to the Coronavirus Fund of \$1,552,919 was to establish that fund.

J. 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.

K. 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 taxes paid for the year if they have met the requirements outlined in the agreement. For the fiscal year ended September 30, 2022, 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, 2022 as employees utilize city issued credit cards as payment to this vendor. Total payments made to the business during the 2022 fiscal year were \$765.

CITY OF HARKER HEIGHTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes and special assessments:				
Property	\$ 10,994,600	\$ 10,994,600	\$ 10,529,685	\$ (464,915)
Sales and other taxes	9,724,000	9,724,000	12,374,044	2,650,044
Licenses and permits	253,000	253,000	486,083	233,083
Fines	1,000,000	1,000,000	709,537	(290,463)
Charges for services	941,600	941,600	1,184,388	242,788
Intergovernmental	149,500	149,500	127,187	(22,313)
Investment earnings	75,000	75,000	110,777	35,777
Contributions and donations	15,000	15,000	56,293	41,293
Miscellaneous	(1,500)	(1,500)	193,108	194,608
Total revenues	<u>23,151,200</u>	<u>23,151,200</u>	<u>25,771,102</u>	<u>2,619,902</u>
EXPENDITURES				
Current:				
General government				
Council	182,100	182,100	167,653	14,447
Administration	1,464,500	1,464,500	1,459,068	5,432
Finance	645,000	645,000	646,118	(1,118)
Pet adoption center	1,089,600	1,089,600	1,018,199	71,401
Information technology	702,200	702,200	625,701	76,499
Total general government	<u>4,083,400</u>	<u>4,083,400</u>	<u>3,916,739</u>	<u>166,661</u>
Public safety:				
Police	7,666,300	7,666,300	6,861,365	804,935
Courts	927,500	927,500	683,278	244,222
Code enforcement	597,300	597,300	621,199	(23,899)
Fire/EMS	5,290,400	5,290,400	5,389,493	(99,093)
Total public safety	<u>14,481,500</u>	<u>14,481,500</u>	<u>13,555,335</u>	<u>926,165</u>
Highways and streets:				
Streets	1,459,500	1,459,500	976,388	483,112
Maintenance	315,300	315,300	312,188	3,112
Total highways and streets	<u>1,774,800</u>	<u>1,774,800</u>	<u>1,288,576</u>	<u>486,224</u>
Culture and recreation:				
Library	790,400	790,400	804,260	(13,860)
Activity center	301,900	301,900	254,627	47,273
Parks and recreation	2,138,800	2,138,800	1,990,865	147,935
Total culture and recreation	<u>3,231,100</u>	<u>3,231,100</u>	<u>3,049,752</u>	<u>181,348</u>
Economic development and assistance	<u>407,900</u>	<u>407,900</u>	<u>427,789</u>	<u>(19,889)</u>
Debt service:				
Principal	180,000	180,000	184,646	(4,646)
Interest and fiscal charges	6,700	6,700	6,746	(46)
Total debt service	<u>186,700</u>	<u>186,700</u>	<u>191,392</u>	<u>(4,692)</u>
Total expenditures	<u>24,165,400</u>	<u>24,165,400</u>	<u>22,429,583</u>	<u>1,735,817</u>

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, 2022

	<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>(1,014,200)</u>	<u>(1,014,200)</u>	<u>3,341,519</u>	<u>4,355,719</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	725,200	725,200	955,255	230,055
Transfers out	(8,249,300)	(8,249,300)	(4,177,919)	4,071,381
Leases issued			18,402	18,402
Sale of capital assets			10	10
Total other financing sources (uses)	<u>(7,524,100)</u>	<u>(7,524,100)</u>	<u>(3,204,252)</u>	<u>4,319,848</u>
Net change in fund balances	(8,538,300)	(8,538,300)	137,267	8,675,567
Fund balances - beginning	<u>17,947,190</u>	<u>17,947,190</u>	<u>17,947,190</u>	
Fund balances - ending	<u>\$ 9,408,890</u>	<u>\$ 9,408,890</u>	<u>\$ 18,084,457</u>	<u>\$ 8,675,567</u>

CITY OF HARKER HEIGHTS
CORONAVIRUS FUND
SCHEDULE OF REVEUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental payments	\$ 4,000,000	\$ 4,000,000	\$ 3,115,479	\$ (884,521)
Investment earnings	2,000	2,000	12,776	10,776
Total revenues	<u>4,002,000</u>	<u>4,002,000</u>	<u>3,128,255</u>	<u>(873,745)</u>
EXPENDITURES				
Capital outlay				
General government			119,300	(119,300)
Highways and streets	316,100	316,100	118,029	198,071
Public safety	723,800	723,800	454,346	269,454
Public works	4,623,400	868,400		868,400
Total capital outlay	<u>5,663,300</u>	<u>1,908,300</u>	<u>691,675</u>	<u>1,216,625</u>
Total expenditures	<u>5,663,300</u>	<u>1,908,300</u>	<u>691,675</u>	<u>1,216,625</u>
Excess (deficiency) of revenues over (under) expenditures	(1,661,300)	2,093,700	2,436,580	342,880
OTHER FINANCING SOURCES (USES)				
Transfers in	5,150,700	5,150,700	1,552,919	(3,597,781)
Transfers out	(240,200)	(3,995,200)	(3,332,822)	662,378
Total other financing sources (uses)	<u>4,910,500</u>	<u>1,155,500</u>	<u>(1,779,903)</u>	<u>(2,935,403)</u>
Net change in fund balance	3,249,200	3,249,200	656,677	(2,592,523)
Fund balance - beginning				
Fund balance - ending	<u>\$ 3,249,200</u>	<u>\$ 3,249,200</u>	<u>\$ 656,677</u>	<u>\$ (2,592,523)</u>



CITY OF HARKER HEIGHTS
NOTES TO BUDGETARY INFORMATION
SEPTEMBER 30, 2022

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 one 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, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 2,317,840	\$ 2,239,859	\$ 2,249,478	\$ 2,066,988
Interest (on the Total Pension Liability)	4,168,219	3,902,055	3,631,948	3,393,226
Difference between expected and actual experience	1,132,541	(157,434)	(266,087)	(327,716)
Change of assumptions			205,942	
Benefit payments, including refunds of employee contributions	(2,275,395)	(1,885,192)	(1,744,589)	(1,629,672)
Net Change in Total Pension Liability	5,343,205	4,099,288	4,076,692	3,502,826
Total Pension Liability - Beginning	61,730,170	57,630,882	53,554,190	50,051,364
Total Pension Liability - Ending (a)	<u>\$ 67,073,375</u>	<u>\$ 61,730,170</u>	<u>\$ 57,630,882</u>	<u>\$ 53,554,190</u>
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 2,014,509	\$ 1,936,925	\$ 1,973,761	\$ 1,809,675
Contributions - Employee	952,165	917,975	927,893	849,613
Net Investment Income	7,022,208	3,732,850	6,433,455	(1,254,116)
Benefit payments, including refunds of employee contributions	(2,275,395)	(1,885,192)	(1,744,589)	(1,629,672)
Administrative expense	(32,471)	(24,143)	(36,340)	(24,229)
Other	222	(941)	(1,093)	(1,264)
Net Change in Plan Fiduciary Net Position	7,681,238	4,677,474	7,553,087	(249,993)
Plan Fiduciary Net Position - Beginning	53,831,464	49,153,990	41,600,903	41,850,896
Plan Fiduciary Net Position - Ending (b)	<u>\$ 61,512,702</u>	<u>\$ 53,831,464</u>	<u>\$ 49,153,990</u>	<u>\$ 41,600,903</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 5,560,673</u>	<u>\$ 7,898,706</u>	<u>\$ 8,476,892</u>	<u>\$ 11,953,287</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.71%	87.20%	85.29%	77.68%
 Covered Payroll	\$ 13,602,350	\$ 13,113,929	\$ 13,255,614	\$ 12,137,335
 Net Pension Liability as a Percentage of Covered Payroll	40.88%	60.23%	63.95%	98.48%

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, 2022

2017	2016	2015	2014	
				Total pension liability
\$ 2,016,004	\$ 1,930,469	\$ 1,805,969	\$ 1,607,778	Service cost
3,130,839	2,885,469	2,746,611	2,509,002	Interest (on the Total Pension Liability)
137,616	(36,619)	(196,637)	(48,522)	Difference between expected and actual experience
		97,704		Change of assumptions
(1,215,783)	(1,158,162)	(852,850)	(693,040)	Benefit payments, including refunds of employee contributions
4,068,676	3,621,157	3,600,797	3,375,218	Net Change in Total Pension Liability
45,982,688	42,361,531	38,760,734	35,385,516	Total Pension Liability - Beginning
\$ 50,051,364	\$ 45,982,688	\$ 42,361,531	\$ 38,760,734	Total Pension Liability - Ending (a)
				Plan Fiduciary Net Position
\$ 1,756,482	\$ 1,688,302	\$ 1,618,783	\$ 1,483,963	Contributions - Employer
825,748	795,835	757,958	728,453	Contributions - Employee
4,931,608	2,170,104	45,109	1,573,307	Net Investment Income
(1,215,783)	(1,158,162)	(852,850)	(693,040)	Benefit payments, including refunds of employee contributions
(25,556)	(24,508)	(27,475)	(16,421)	Administrative expense
(1,295)	(1,320)	(1,356)	(1,350)	Other
6,271,204	3,470,251	1,540,169	3,074,912	Net Change in Plan Fiduciary Net Position
35,579,692	32,109,441	30,569,272	27,494,360	Plan Fiduciary Net Position - Beginning
\$ 41,850,896	\$ 35,579,692	\$ 32,109,441	\$ 30,569,272	Plan Fiduciary Net Position - Ending (b)
\$ 8,200,468	\$ 10,402,996	\$ 10,252,090	\$ 8,191,462	Net Pension Liability - Ending (a) - (b)
83.62%	77.38%	75.80%	78.87%	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
\$ 11,796,397	\$ 11,369,073	\$ 10,827,153	\$ 10,406,469	Covered Payroll
69.52%	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 (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2022

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Actuarially determined contribution	\$ 2,024,428	\$ 1,976,479	\$ 1,930,325	\$ 1,876,020
Contribution in relation of the actuarially determined contribution	2,024,428	1,976,479	1,930,325	1,876,020
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	\$ 13,790,064	\$ 13,355,319	\$ 13,040,498	\$ 12,595,331
Cotributions as a percentage of Covered Payroll	14.68%	14.80%	14.80%	14.89%

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	24 Years (longest amortization ladder)
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, 2022

Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	
\$ 1,798,799	\$ 1,743,446	\$ 1,651,050	\$ 1,639,697	Actuarially determined contribution
1,798,799	1,761,021	1,686,650	1,589,154	Contribution in relation of the actuarially determined contribution
0	(17,575)	(35,600)	50,543	Contribution deficiency (excess)
\$ 12,068,147	\$ 11,716,161	\$ 11,228,815	\$ 11,100,618	Covered Payroll
14.91%	15.03%	15.02%	14.32%	Cotributions as a percentage of Covered Payroll

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - SUPPLEMENTAL DEATH (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Supplemental Death Benefit OPEB Liability				
Service Cost	\$ 46,248	\$ 35,408	\$ 29,162	\$ 31,557
Interest (on the Total Pension Liability)	15,316	17,427	18,846	16,592
Difference between expected and actual experience	5,921	(30,172)	(31,844)	1,996
Changes in assumptions or other inputs	29,045	109,393	109,086	(39,706)
Benefit payments	(8,161)	(2,623)	(2,651)	(2,427)
Net Change in Total Pension Liability	88,369	129,433	122,599	8,012
Total OPEB Liability - Beginning of year	\$ 746,752	\$ 617,319	\$ 494,720	\$ 486,708
Total OPEB Liability - End of year	\$ 835,121	\$ 746,752	\$ 617,319	\$ 494,720
Covered Payroll	\$ 13,602,350	\$ 13,113,929	\$ 13,255,614	\$ 12,137,335
Total OPEB Liability as a Percentage of Covered Payroll	6.14%	5.69%	4.66%	4.08%

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

This plan covers both active and retiree benefits with no segregation of assets, and therefore, there are no assets accumulated in a trust as defined under GASB No. 75, paragraph 4b.

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

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2022	0.15%	0.07%
2021	0.15%	0.06%
2020	0.15%	0.02%
2019	0.14%	0.02%
2018	0.14%	0.02%

Note 1: 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.

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 CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
 AND RELATED RATIOS - SUPPLEMENTAL DEATH (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2022

<u>2017</u>	
	Supplemental Death Benefit OPEB Liability
\$ 25,952	Service Cost
15,727	Interest (on the Total Pension Liability)
0	Difference between expected and actual experience
43,122	Changes in assumptions or other inputs
<u>(2,359)</u>	Benefit payments
82,442	Net Change in Total Pension Liability
\$ 404,266	Total OPEB Liability - Beginning of year
<u>\$ 486,708</u>	Total OPEB Liability - End of year
\$ 11,796,397	Covered Payroll
	Total OPEB Liability as a Percentage of
4.13%	Covered Payroll

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2022

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Actuarially determined contribution	\$ 9,267	\$ 2,671	\$ 2,608	\$ 2,519
Contribution in relation of the actuarially determined contribution	9,267	2,671	2,608	2,519
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	\$ 13,790,064	\$ 13,355,319	\$ 13,040,498	\$ 12,595,331
Contributions as a percentage of Covered Payroll	0.07%	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*	1.84%
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	<p><i>Service Retirees.</i> 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.</p> <p><i>Disabled Retirees.</i> 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.</p>

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.
Note: The actuarial assumptions used in the December 31, 2021 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 CONTRIBUTIONS (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2022

	Fiscal Year		
	2018		
\$	2,414		Actuarially determined contribution
			Contribution in relation of the actuarially
	2,414		determined contribution
	0		Contribution deficiency (excess)
\$	12,068,147		Covered Payroll
			Contributions as a percentage of
	0.02%		Covered Payroll

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

CITY OF HARKER HEIGHTS
 SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
 AND RELATED RATIOS - HEALTH BENEFITS (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Health Benefits OPEB Liability				
Service Cost	\$ 50,652	\$ 50,652	\$ 42,031	\$ 42,031
Interest Cost	17,496	16,764	22,652	27,704
Changes in benefit terms	40,183	0	0	0
Difference between expected and actual exper	(50,367)	0	0	0
Changes in assumptions or other inputs	(156,133)	0	(151,564)	147,413
Benefit payments	(45,628)	(28,225)	(28,225)	(38,064)
Administrative expense	0	0	0	0
Net change in total OPEB liability	<u>(143,797)</u>	<u>39,191</u>	<u>(115,106)</u>	<u>179,084</u>
Total OPEB Liability - Start of year	<u>\$ 747,736</u>	<u>\$ 708,545</u>	<u>\$ 823,651</u>	<u>\$ 644,567</u>
Total OPEB Liability - End of year	<u>\$ 603,939</u>	<u>\$ 747,736</u>	<u>\$ 708,545</u>	<u>\$ 823,651</u>
Covered Payroll	\$ 13,144,022	\$ 12,285,164	\$ 11,869,724	\$ 11,426,910
Total OPEB Liability as a Percentage of Covered Payroll	4.59%	6.09%	5.97%	7.21%

Note: The amounts above are based on September 30, 2022 measurement date.

This plan covers both active and retiree benefits with no segregation of assets, and therefore, there are no assets accumulated in a trust as defined under GASB No. 75, paragraph 4b.

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 CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
 AND RELATED RATIOS - HEALTH BENEFITS (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2022

<u>2018</u>		
		Health Benefits OPEB Liability
\$ 40,356		Service Cost
28,107		Interest Cost
0		Changes in benefit terms
0		Difference between expected and actual experience
(44,270)		Changes in assumptions or other inputs
(33,069)		Benefit payments
0		Administrative expense
<u>(8,876)</u>		Net change in total OPEB liability
\$ 653,443		Total OPEB Liability - Start of year
<u>\$ 644,567</u>		Total OPEB Liability - End of year
\$ 11,040,493		Covered Payroll
		Total OPEB Liability as a Percentage of
5.84%		Covered Payroll

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2022

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Legally required contributions	\$ 45,628	\$ 28,225	\$ 28,225	\$ 38,064	\$ 33,069
Actual contributions	80,183	57,038	38,067	38,064	33,069
Contribution deficiency (excess)	(34,555)	(28,813)	(9,842)	0	0
Covered Payroll	\$ 13,144,022	\$ 12,285,164	\$ 11,869,724	\$ 11,426,910	\$ 11,040,493
Contributions as a percentage of Covered-Employee Payroll	0.61%	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, 2022
Discount rate	4.77% per annum which includes inflation
Salary Scale	3.50% average which includes inflation
Inflation Rate	2.50% per annum
Health Care Cost Trend	7.10% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 4.14% in the year 2041
Census Data	Provided by the City as of September 30, 2022
Actuarial Cost Method	Entry Age Normal (EAN) funding method assuming a level salary percentage
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 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	For those eligible for OPEB benefits, 30% are elected to keep their same benefit plan upon retirement (with 1/3 of those electing spouse coverage).
Mortality Rates	<i>Non-Annuitants:</i> Sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2021 <i>Annuitants:</i> Sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2021
Turnover	Withdrawal and retirement rates are based upon the TMRS assumptions.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Hotel / Motel Fund - This fund is used to account for the accumulation of resources of the hotel / motel occupancy tax. These monies are to be spent in accordance with the requirements of state law.

Restricted Court Fund - This fund is used to account for fees collected to maintain security for municipal court buildings, state mandated court costs for time payments restricted for judicial efficiency expenditures, and costs restricted for municipal court technology expenditures.

MAJOR GOVERNMENTAL FUNDS

The debt service fund is used to account for the accumulation of resources that are for the payment of principal and interest on the City's general long-term debt.

CITY OF HARKER HEIGHTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Special Revenue Funds		
	Hotel / Motel Fund	Restricted Court Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 193,632	\$ 103,997	\$ 297,629
Investments	330,002	106,705	436,707
Receivables (net of allowance for uncollectibles):			
Accounts	20,021		20,021
Interest receivable	391		391
Due from other funds		308	308
Total assets	<u>544,046</u>	<u>211,010</u>	<u>755,056</u>
LIABILITIES			
Total liabilities			
FUND BALANCES			
Restricted for:			
Economic development and assistance	544,046		544,046
Public safety		211,010	211,010
Total fund balances	<u>544,046</u>	<u>211,010</u>	<u>755,056</u>
Total liabilities and fund balances	<u>\$ 544,046</u>	<u>\$ 211,010</u>	<u>\$ 755,056</u>

CITY OF HARKER HEIGHTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds		
	Hotel / Motel Fund	Restricted Court Fund	Total Nonmajor Governmental Funds
REVENUES			
Other taxes and special assessments	\$ 113,566		\$ 113,566
Fines		93,620	93,620
Investment earnings	2,169	1,051	3,220
Total revenues	<u>115,735</u>	<u>94,671</u>	<u>210,406</u>
EXPENDITURES			
Current:			
Economic development and assistance	22,500		22,500
Public Safety:			
Courts		84,360	84,360
Total expenditures	<u>22,500</u>	<u>84,360</u>	<u>106,860</u>
Excess (deficiency) of revenues over (under) expenditures	93,235	10,311	103,546
OTHER FINANCING SOURCES (USES)			
Transfers out		(640)	(640)
Total other financing sources (uses)		<u>(640)</u>	<u>(640)</u>
Net change in fund balance	93,235	9,671	102,906
Fund balances - beginning	<u>450,811</u>	<u>201,339</u>	<u>652,150</u>
Fund balances - ending	<u>\$ 544,046</u>	<u>\$ 211,010</u>	<u>\$ 755,056</u>

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

**DEBT SERVICE FUND
SPECIAL REVENUE FUNDS**

CITY OF HARKER HEIGHTS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,160,900	\$ 3,160,900	\$ 3,028,759	\$ (132,141)
Investment earnings	1,000	1,000	2,775	1,775
Total revenues	<u>3,161,900</u>	<u>3,161,900</u>	<u>3,031,534</u>	<u>(130,366)</u>
EXPENDITURES				
Debt Service:				
Principal	2,311,100	2,311,100	2,311,064	36
Interest and fiscal charges	848,700	848,700	848,688	12
Tax collection fees	33,000	33,000	31,018	1,982
Total expenditures	<u>3,192,800</u>	<u>3,192,800</u>	<u>3,190,770</u>	<u>2,030</u>
Excess (deficiency) of revenues over (under) expenditures	(30,900)	(30,900)	(159,236)	(128,336)
OTHER FINANCING SOURCES (USES)				
Transfers in			125,000	125,000
Total other financing sources (uses)			<u>125,000</u>	<u>125,000</u>
Net change in fund balance	(30,900)	(30,900)	(34,236)	(3,336)
Fund balance - beginning	<u>82,489</u>	<u>82,489</u>	<u>82,489</u>	
Fund balance - ending	<u>\$ 51,589</u>	<u>\$ 51,589</u>	<u>\$ 48,253</u>	<u>\$ (3,336)</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, 2022

	<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	\$ 109,500	\$ 109,500	\$ 113,566	\$ 4,066
Investment earnings	400	400	2,169	1,769
Total revenues	<u>109,900</u>	<u>109,900</u>	<u>115,735</u>	<u>5,835</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	82,400	82,400	93,235	10,835
Fund balance - beginning	<u>450,811</u>	<u>450,811</u>	<u>450,811</u>	
Fund balance - ending	<u>\$ 533,211</u>	<u>\$ 533,211</u>	<u>\$ 544,046</u>	<u>\$ 10,835</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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines	\$ 107,600	\$ 107,600	\$ 93,620	\$ (13,980)
Investment earnings	400	400	1,051	651
Total revenues	108,000	108,000	94,671	(13,329)
EXPENDITURES				
Current:				
Public safety:				
Court			84,360	(84,360)
Total expenditures			84,360	(84,360)
Excess (deficiency) of revenues over (under) expenditures	108,000	108,000	10,311	(97,689)
OTHER FINANCING SOURCES (USES)				
Transfers out	(85,000)	(85,000)	(640)	84,360
Total other financing sources (uses)	(85,000)	(85,000)	(640)	84,360
Net change in fund balance	23,000	23,000	9,671	(13,329)
Fund balance - beginning	201,339	201,339	201,339	
Fund balance - ending	\$ 224,339	\$ 224,339	\$ 211,010	\$ (13,329)



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.	93
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.	104
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.	110
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.	119
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.	123

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				
	2022	2021	2020	2019	2018
Governmental activities					
Net investment in capital assets	\$ 45,820	\$ 42,223	\$ 37,854	\$ 35,751	\$ 33,592
Restricted	1,506	769	622	531	457
Assigned					
Unrestricted	12,840	10,769	8,290	7,302	7,069
Total governmental activities net position	<u>\$ 60,166</u>	<u>\$ 53,761</u>	<u>\$ 46,766</u>	<u>\$ 43,584</u>	<u>\$ 41,118</u>
Business-type activities					
Net investment in capital assets	\$ 35,829	\$ 31,490	\$ 33,061	\$ 32,324	\$ 30,393
Restricted	29	29	48	47	45
Unrestricted	6,630	5,663	1,733	(150)	1,151
Total business-type activities net position	<u>\$ 42,488</u>	<u>\$ 37,182</u>	<u>\$ 34,842</u>	<u>\$ 32,221</u>	<u>\$ 31,589</u>
Primary Government					
Net investment in capital assets	\$ 81,649	\$ 73,713	\$ 70,915	\$ 68,075	\$ 63,985
Restricted	1,535	798	670	578	502
Assigned					
Unrestricted	19,470	16,432	10,023	7,152	8,220
Total primary government net position	<u>\$ 102,654</u>	<u>\$ 90,943</u>	<u>\$ 81,608</u>	<u>\$ 75,805</u>	<u>\$ 72,707</u>

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

Fiscal Year				
2017	2016	2015	2014	2013
\$ 29,424	\$ 30,534	\$ 26,705	\$ 24,343	\$ 23,247
6,192	1,828	12,894	12,000	4,921
2,482	3,099		179	146
434	769	(3,716)	3,358	7,721
<u>\$ 38,532</u>	<u>\$ 36,230</u>	<u>\$ 35,883</u>	<u>\$ 39,880</u>	<u>\$ 36,035</u>
\$ 29,055	\$ 28,727	\$ 27,659	\$ 25,968	\$ 25,078
953	710	57	56	32
939	1,706	(322)	384	1,657
<u>\$ 30,947</u>	<u>\$ 31,143</u>	<u>\$ 27,394</u>	<u>\$ 26,408</u>	<u>\$ 26,767</u>
\$ 58,479	\$ 59,261	\$ 54,364	\$ 50,311	\$ 48,325
7,145	2,538	12,951	12,056	4,953
2,482	3,099		179	146
1,373	2,475	(4,038)	3,742	9,378
<u>\$ 69,479</u>	<u>\$ 67,373</u>	<u>\$ 63,277</u>	<u>\$ 66,288</u>	<u>\$ 62,802</u>

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Expenses					
Governmental Activities:					
General government	\$ 4,190	\$ 4,406	\$ 4,528	\$ 4,414	\$ 4,009
Public safety	13,780	13,609	14,107	13,883	12,701
Highways/streets	2,204	2,171	1,799	1,707	1,986
Economic development	412	410	2,967	388	379
Culture and recreation	3,410	3,209	398	3,557	3,508
Interest on long-term debt	844	911	1,118	1,121	1,060
Other					
Total Governmental Activities	<u>24,840</u>	<u>24,717</u>	<u>24,917</u>	<u>25,070</u>	<u>23,643</u>
Business-type Activities:					
Water and sewer	8,018	7,927	7,919	7,309	7,206
Drainage	375	367	397	326	364
Sanitation	2,272	2,127	2,057	1,959	1,843
Total Business-type Activities	<u>10,665</u>	<u>10,421</u>	<u>10,373</u>	<u>9,594</u>	<u>9,413</u>
Total Expenses	<u>\$ 35,505</u>	<u>\$ 35,138</u>	<u>\$ 35,290</u>	<u>\$ 34,664</u>	<u>\$ 33,056</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	\$ 56	\$ 56	\$ 88	\$ 104	\$ 131
Public safety	1,788	2,597	1,951	1,936	1,810
Culture and recreation	418	271	123	272	268
Other activities	215	141	246	301	184
Operating grants and contributions	67	1,108	1,568	343	247
Capital grants and contributions	3,115		1,125		
Total Governmental Activities	<u>5,659</u>	<u>4,172</u>	<u>5,101</u>	<u>2,956</u>	<u>2,640</u>
Business-type Activities:					
Charges for services	14,829	13,659	13,633	12,487	13,140
Operating grants and contributions		29			
Total Business-type Activities	<u>14,829</u>	<u>13,688</u>	<u>13,633</u>	<u>12,487</u>	<u>13,140</u>
Total Program Revenues	<u>\$ 20,488</u>	<u>\$ 17,860</u>	<u>\$ 18,734</u>	<u>\$ 15,443</u>	<u>\$ 15,780</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (19,181)	\$ (20,545)	\$ (19,816)	\$ (22,114)	\$ (21,003)
Business-type Activities	4,164	3,267	3,260	2,893	3,727
Total Net Expense	<u>\$ (15,017)</u>	<u>\$ (17,278)</u>	<u>\$ (16,556)</u>	<u>\$ (19,221)</u>	<u>\$ (17,276)</u>

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

Fiscal Year				
2017	2016	2015	2014	2013
\$ 4,053	\$ 3,866	\$ 3,967	\$ 2,862	\$ 3,247
12,726	12,715	10,478	11,137	10,553
1,771	880	1,768	1,828	1,734
438	410	447	538	483
3,338	3,378	3,051	3,077	2,932
1,038	1,032	988	1,214	1,094
<u>23,364</u>	<u>22,281</u>	<u>20,699</u>	<u>20,656</u>	<u>20,043</u>
6,771	6,356	6,662	6,397	6,088
369	359	364	304	325
1,779	1,743	1,649	1,577	1,536
<u>8,919</u>	<u>8,458</u>	<u>8,675</u>	<u>8,278</u>	<u>7,949</u>
<u>\$ 32,283</u>	<u>\$ 30,739</u>	<u>\$ 29,374</u>	<u>\$ 28,934</u>	<u>\$ 27,992</u>
\$ 89	\$ 249	\$ 111	\$ 61	\$ 56
1,698	1,554	1,672	1,831	1,858
259	291	293	311	291
212	278	296	546	249
220	1,083	792	66	477
<u>2,478</u>	<u>3,455</u>	<u>3,164</u>	<u>2,815</u>	<u>2,931</u>
12,200	12,091	11,435	11,189	11,553
<u>12,200</u>	<u>12,091</u>	<u>11,435</u>	<u>11,189</u>	<u>11,553</u>
<u>\$ 14,678</u>	<u>\$ 15,546</u>	<u>\$ 14,599</u>	<u>\$ 14,004</u>	<u>\$ 14,484</u>
\$ (20,886)	\$ (18,826)	\$ (17,535)	\$ (17,841)	\$ (17,112)
3,281	3,633	2,760	2,911	3,604
<u>\$ (17,605)</u>	<u>\$ (15,193)</u>	<u>\$ (14,775)</u>	<u>\$ (14,930)</u>	<u>\$ (13,508)</u>

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

	Fiscal Year				
	2022	2021	2020	2019	2018
General Revenues					
Governmental Activities					
Taxes					
Property taxes	\$ 13,580	\$ 13,261	\$ 12,281	\$ 11,754	\$ 11,734
Sales taxes	10,765	11,194	7,733	8,081	6,828
Mixed drink taxes	151	119	93	104	100
Bingo taxes	43	111	39	45	42
Hotel/Motel taxes	114	35	105	97	86
Franchise taxes	1,415	1,389	1,378	1,403	1,397
Investment earnings	173	120	491	650	312
Miscellaneous	193	173			
Gain on sale of capital assets	84	16	3		12
Transfers	(933)	1,121	875	2,446	3,272
Total Governmental Activities	<u>25,585</u>	<u>27,539</u>	<u>22,998</u>	<u>24,580</u>	<u>23,783</u>
Business-type Activities					
Franchise taxes	194	176	197	134	153
Investment earnings	14	19	40	51	40
Miscellaneous					
Gain on sale of capital assets					2
Transfers	933	(1,121)	(875)	(2,446)	(3,272)
Total Business-type Activities	<u>1,141</u>	<u>(927)</u>	<u>(638)</u>	<u>(2,261)</u>	<u>(3,077)</u>
Total general revenues and transfers	<u>\$ 26,726</u>	<u>\$ 26,612</u>	<u>\$ 22,360</u>	<u>\$ 22,319</u>	<u>\$ 20,706</u>
Change in Net Position					
Governmental Activities	\$ 6,404	\$ 6,994	\$ 3,182	\$ 2,466	\$ 2,780
Business-type Activities	5,305	2,340	2,622	632	650
Total Change in Net Position	<u>\$ 11,709</u>	<u>\$ 9,335</u>	<u>\$ 5,804</u>	<u>\$ 3,098</u>	<u>\$ 3,430</u>

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

Fiscal Year				
2017	2016	2015	2014	2013
\$ 11,100	\$ 10,833	\$ 10,419	\$ 10,051	\$ 9,189
6,672	6,627	6,594	6,186	5,232
113	111	141	116	98
50	52	64	77	101
95	75	75	100	84
1,333	1,297	1,342	1,312	1,265
162	115	48	132	40
22			12	9
3,641	63	1,480	3,483	928
<u>23,188</u>	<u>19,173</u>	<u>20,163</u>	<u>21,469</u>	<u>16,946</u>
148	161	125	140	137
17	18	10	10	13
(3,641)	(63)	(1,480)	(3,483)	(928)
(3,476)	116	(1,345)	(3,333)	(778)
<u>\$ 19,712</u>	<u>\$ 19,289</u>	<u>\$ 18,818</u>	<u>\$ 18,136</u>	<u>\$ 16,168</u>
\$ 2,302	\$ 347	\$ 2,628	\$ 3,628	\$ (166)
(195)	3,749	1,415	(422)	2,826
<u>\$ 2,107</u>	<u>\$ 4,096</u>	<u>\$ 4,043</u>	<u>\$ 3,206</u>	<u>\$ 2,660</u>



CITY OF HARKER HEIGHTS
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE¹
 LAST TEN FISCAL YEARS

(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Bingo Tax	Alcoholic Beverage Tax	Hotel/Motel Tax	Other Tax	Total
2022	\$ 13,558	\$ 10,765	\$ 1,415	\$ 43	\$ 150	\$ 114		\$ 26,045
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

Source: Audited Financial Statements.

¹Includes general, debt service, capital projects, and hotel/motel funds.

CITY OF HARKER HEIGHTS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year				
	2022	2021	2020	2019	2018
General Fund					
Nonspendable					
Restricted for:					
Economic development					
Public safety	\$ 1	\$ 5	\$ 3	\$ 3	\$ 6
Pet Adoption Center	25	11	17	19	9
Debt service					
Capital projects					
Cemetery	19	19	19	19	18
Committed					
Assigned to:					
Subsequent year's budget	1,617	2,944			
Culture and recreation	465	492	438	378	328
Unassigned	15,957	14,476	13,373	11,044	10,686
Total general fund	<u>\$ 18,084</u>	<u>\$ 17,947</u>	<u>\$ 13,850</u>	<u>\$ 11,463</u>	<u>\$ 11,047</u>
All Other Governmental Funds					
Nonspendable					
Restricted for:					
Economic development	\$ 544	\$ 451	\$ 361	\$ 276	\$ 192
Federal Grant	657				
Public safety	211	201	171	189	185
Debt service	48	82	51	24	47
Capital projects	2,856	2,883		2,420	2,779
Committed					
Capital projects			3,384	4,202	3,399
Assigned to:					
Culture and recreation					
Capital projects	2,662	1,496	1,292	1,892	1,852
Unassigned					
Total all other governmental funds	<u>\$ 6,978</u>	<u>\$ 5,113</u>	<u>\$ 5,259</u>	<u>\$ 9,003</u>	<u>\$ 8,454</u>

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

		Fiscal Year							
2017	2016	2015	2014	2013					
\$	3	\$	3	\$	3	\$	1	\$	1
	5								
	18		18		18		18		18
	271		243		220		179		146
	9,997		9,660		9,962		9,486		8,256
	<u>\$ 10,294</u>		<u>\$ 9,924</u>		<u>\$ 10,203</u>		<u>\$ 9,684</u>		<u>\$ 8,421</u>
\$	122	\$	85	\$	106	\$	189	\$	206
	212		171		167		216		202
	191		55		108		106		61
	5,640		1,496		8,321		11,470		4,433
	2,212		2,856		3,952		3,860		2,995
	<u>\$ 8,377</u>		<u>\$ 4,663</u>		<u>\$ 12,654</u>		<u>\$ 15,841</u>		<u>\$ 7,897</u>

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
Taxes	\$ 26,046	\$ 26,160	\$ 21,731	\$ 20,654	\$ 20,073
Licenses and permits	486	336	306	396	280
Fines	803	1,120	1,145	1,068	1,005
Charges for services	1,184	986	811	1,058	949
Intergovernmental	3,243	613	1,545	1,200	392
Investment earnings	173	120	463	650	310
Contributions and donations	56	39	1,149	29	25
Miscellaneous	194	173	96	32	106
Total revenues	<u>32,185</u>	<u>29,547</u>	<u>27,246</u>	<u>25,087</u>	<u>23,140</u>
Expenditures					
General government	3,917	4,398	3,943	3,799	3,725
Public safety	13,640	13,140	12,957	12,294	12,400
Highways and streets	1,289	1,390	1,311	1,453	1,372
Culture and recreation	3,050	2,799	2,591	3,039	3,043
Economic development and assistance	450	415	386	362	374
Debt service					
Principal	2,496	2,424	2,109	2,061	1,932
Interest	855	923	1,025	1,095	1,039
Tax collection fees	31	32	32	31	29
Bond issuance costs			48	40	34
Capital outlay	3,541	1,617	5,059	5,422	5,157
Total expenditures	<u>29,269</u>	<u>27,138</u>	<u>29,461</u>	<u>29,596</u>	<u>29,105</u>
Excess of revenues over (under) expenditures	<u>2,916</u>	<u>2,409</u>	<u>(2,215)</u>	<u>(4,509)</u>	<u>(5,965)</u>
Other Financing Sources (Uses)					
Issuance of certificates of obligation			4,075	3,028	3,029
Issuance of refunding bonds					
Premium on refunding bonds					
Bond discount					
Payment to refunded bond escrow agent			(4,090)		
Leases					495
Finance purchase agreement	18	405			
Sale of capital assets proceeds		16			
Transfers in	6,833	2,100	1,325	4,463	3,990
Transfers out	(7,765)	(979)	(450)	(2,017)	(718)
Total other financing sources (uses)	<u>(914)</u>	<u>1,542</u>	<u>860</u>	<u>5,474</u>	<u>6,796</u>
Net change in fund balances	<u>\$ 2,002</u>	<u>\$ 3,951</u>	<u>\$ (1,355)</u>	<u>\$ 965</u>	<u>\$ 831</u>
Debt service as a percentage of noncapital expenditures	13.35%	13.57%	13.17%	13.43%	12.97%

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

Fiscal Year				
2017	2016	2015	2014	2013
\$ 19,226	\$ 18,877	\$ 18,555	\$ 17,784	\$ 16,019
247	320	330	591	286
877	822	1,145	1,541	1,405
990	857	795	787	797
361	447	932	198	443
158	90	48	32	39
29	811	32	41	39
111	256	107	143	144
<u>21,999</u>	<u>22,480</u>	<u>21,944</u>	<u>21,117</u>	<u>19,172</u>
3,778	3,669	4,102	2,734	3,072
11,456	12,076	11,340	10,492	10,550
1,489	1,541	1,288	1,321	1,302
2,903	2,922	2,837	2,726	2,727
421	466	474	526	466
1,926	1,893	1,550	1,677	1,509
982	1,010	1,059	1,077	1,053
30	29	28	28	28
55	25	64	6	19
3,571	7,432	3,849	851	3,296
<u>26,611</u>	<u>31,063</u>	<u>26,591</u>	<u>21,438</u>	<u>24,022</u>
<u>(4,612)</u>	<u>(8,583)</u>	<u>(4,647)</u>	<u>(321)</u>	<u>(4,850)</u>
5,055			6,046	
	1,985	6,569		455
	164			
	(2,106)	(6,551)		(435)
	208	478		270
4,554	3,600	4,150	7,278	3,436
(913)	(3,537)	(2,670)	(3,795)	(2,508)
<u>8,696</u>	<u>314</u>	<u>1,976</u>	<u>9,529</u>	<u>1,218</u>
<u>\$ 4,084</u>	<u>\$ (8,269)</u>	<u>\$ (2,671)</u>	<u>\$ 9,208</u>	<u>\$ (3,632)</u>
12.98%	13.42%	12.10%	13.69%	13.00%

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

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Less: Exemptions¹</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>	<u>Total Direct Rate</u>
2022	\$ 2,685,764,398	\$ 118,095,980	\$ 647,955,215	\$ 2,155,905,163	76.89%	\$ 2,803,860,378	0.6519
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

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	
2022	\$ 0.51000	\$ 0.14560	\$ 0.65560	\$ 1.04320	\$ 0.11160	\$ 0.36800	\$ 0.02630	\$ 0.00310	\$ 2.20780
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

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	2022			2013		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
DRP Market Heights Property Owner LLC	\$ 63,409	1	2.94%			
HH/Killeen Health System LLC	55,825	2	2.59%			
HH/Killeen Health System LLC	21,000	3	0.97%			
Oncor Electric Delivery Co LLC	16,750	4	0.78%	10,275	3	0.73%
Wal-Mart Real Estate Business Trust	11,632	5	0.54%	18,501	2	1.32%
HH/Killeen Health System LLC	11,326	6	0.53%	4,986	5	0.36%
Lions Run Investments LLC	10,223	7	0.47%			
Wal-Mart Stores Texas LLC	9,331	8	0.43%			
Target Corporation	8,100	9	0.38%	4,945	6	0.35%
Sam's Real Estate Business Trust	7,501	10	0.35%			
Market Heights Ltd				25,132	1	1.79%
HEB Grocery Company LP				6,222	4	0.44%
Omni Lions Run LP				3,836	7	0.27%
Target Stores, Inc.				3,413	8	0.24%
House, Charles etal				3,338	9	0.24%
Boose Properties Ltd.				3,075	10	0.22%
	\$ 215,097		9.98%	\$ 83,723		5.96%

Source: Bell County Appraisal District

CITY OF HARKER HEIGHTS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

(amounts expressed in thousands)

Collected within the Fiscal Year of
the Levy

Total Collections to Date

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				
2022	\$ 14,054	\$ 13,782	98.06%	\$ 202	\$ 13,580	96.63%	\$ 225	\$ 284	2.02%	
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%	

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>
2022	\$ 10,765,363	76.60%	\$ 0.4993	\$ 309.84
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

Sources: ¹See the Schedule of Property Tax Levies and Collections (page 100) for tax levy data.

²See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (page 97) for assessed value data.

³See the Schedule of Demographic and Economic Statistics (page 112) 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
2022	\$ 11,573	\$11.24 / \$3.50	\$20.25 / \$3.39	\$ 875	\$6.00	\$7.20 / \$14.40	\$ 11,660	\$ 40	\$ 21
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

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	Leases	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>				
2022	\$ 25,649		14	\$ 243	\$ 15,087		\$ 40,993	n/a	\$ 1,171.23
2021	28,042			423	17,068		45,533	0.20%	1,422.91
2019	32,304			437	20,723		53,464	0.25%	1,724.65
2018	31,258			675	21,440		53,373	0.28%	1,721.71
2017	24,911			416	19,985		45,312	0.24%	1,510.40
2016	26,972			552	20,426		47,950	0.26%	1,598.33
2015	28,586	69		571	21,513		50,739	0.29%	1,636.74
2014	29,512	138		185	22,413		52,248	0.30%	1,741.60
2013	25,054	205		322	20,397	54	46,032	0.28%	1,587.31

Source: Audited Financial Statements

¹See the Schedule of Demographic and Economic Statistics (page 118) 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>
2022	\$ 40,736	\$ 78	\$ 40,658	1.45%	\$ 1,161.66
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

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 103) for property data

⁴See Schedule of Demographic and Economic Statistics (page 118) for population data

CITY OF HARKER HEIGHTS
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 AS OF SEPTEMBER 30, 2022

<u>Government Subdivisions</u>	<u>Debt Amount¹</u>	<u>Estimated Percentage Applicable</u>	<u>City's Overlapping Debt</u>
Bell County	\$ 147,845,000	9.10%	\$ 13,453,895
Killeen Independent School District	393,750,000	23.24%	<u>91,507,500</u>
Subtotal, overlapping debt			104,961,395
City of Harker Heights Direct Debt			<u>25,905,280</u>
Total direct and overlapping net funded debt			<u><u>\$ 130,866,675</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, 2022

Net System Revenue from Drainage Fund	\$ 746,988
Less: Requirements for Drainage System Supported Tax Bonds	<u>406,514</u>
Balance	\$ 340,474

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>
2022	\$ 2,155,905,163	76.89%	\$ 2,803,860,378
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
Total Five Year Valuation			<u>12,016,437,177</u>
Five Year Average Full Valuation of Taxable Real Property			<u>2,403,287,435</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>168,230,120</u>
Outstanding Indebtness as of September 30, 2022			
Total Bonded Debt			40,735,894
Less: Revenue bonds			15,087,212
Less: Amount available for repayment of general obligation bonds			48,253
Net indebtness subject to debt limit			<u>\$ 25,600,429</u>
Net debt contracting margin			142,629,691
Percentage of net debt contracting margin available			84.78%
Percentage of net debt contracting power exhausted			15.22%

<u>Last Ten Fiscal Years</u>			
<u>Year</u>	<u>Constitutional Debt Limit</u>	<u>Outstanding Indebtness September 30</u>	<u>Percentage of Net Debt Contracting Margin Available</u>
2022	\$ 168,230,120	\$ 25,600,429	84.78%
2021	156,140,179	27,959,925	79.54%
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%

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
2022	\$ 11,573	\$ 6,342	\$ 5,231	\$ 875	\$ 128	\$ 747	\$ 1,914	\$ 504	\$ 2,418	2.47
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

Source: Audited Financial Statements.

¹Total operating expenses, exclusive of depreciation.

CITY OF HARKER HEIGHTS
INTEREST AND SINKING FUND BUDGET PROJECTION
AS OF SEPTEMBER 30, 2022

Net Tax Supported Debt Service Requirements for Fiscal Year Ending September 30, 2022		\$ 3,123,688
Interest and Sinking Fund Balance - September 30, 2022	71,700	
Interest and Fund Tax Levy @ 98% Collection	<u>3,156,032</u>	<u>3,227,732</u>
Estimated Interest and Sinking Balance - September 30, 2023		\$ 104,044

CITY OF HARKER HEIGHTS
 AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS
 AS OF SEPTEMBER 30, 2022

<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		<u>\$ 545,000</u>	<u>\$ 250,000</u>		<u>\$ 295,000</u>

CITY OF HARKER HEIGHTS
TAX ADEQUACY
AS OF SEPTEMBER 30, 2022

Average Annual Principal and Interest Requirements, 2023-2039	\$ 1,796,572
\$0.0742 Tax Rate at 97% Collection Produces	\$ 179,800
Maximum Principal and Interest Requirements, 2023	\$ 3,123,688
\$0.1289 Tax Rate at 97% Collection Produces	\$ 3,123,827

NOTE: Excludes self-supporting debt.

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

Education Attainment, 25 Years and
 Over²

Fiscal Year	Population ¹	Median Age ²	Per Capita Income ³	Personal Income ³	High School Graduate or Higher	Four or More Years of College	Peak School Enrollment ⁴	Unemployment Rate ⁵
2022	34,745		n/a	n/a			44,109	4.3%
2021	31,734		47,755	23,213,690			44,017	5.5%
2020	30,760	35	44,892	21,403,605	90.70%	35.00%	45,492	6.8%
2019	30,515		42,265	19,002,099			45,091	3.7%
2018	29,906		41,476	19,002,099			44,319	3.9%
2017	30,365		41,001	18,413,631			43,832	4.2%
2016	31,027		39,649	17,516,714			43,428	4.5%
2015	29,545		39,793	17,395,591			42,929	4.7%
2014	28,950		38,708	16,648,075			41,414	5.7%
2013	28,154		37,947	16,194,348			41,969	7.0%

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	2022			2013		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Seton Healthcare	1,027.0	1	7.76%			
Killeen Independent School District ¹	773.0	2	5.84%	690.0	1	5.94%
Walmart Supercenter	530.0	3	4.01%	537.0	2	4.63%
HEB Store	330.0	4	2.49%	243.0	3	2.09%
City of Harker Heights	230.0	5	1.74%	235.0	4	2.02%
Indian Oaks	186.0	6	1.41%	186.0	5	1.60%
Target	155.0	7	1.17%	155.0	6	1.34%
Cheddar's Restaurant	140.0	8	1.06%	140.0	7	1.21%
Bass Electric	135.0	9	1.02%			
Cracker Barrel	101.0	10	0.76%	101.0	8	0.87%
Razzoo's Cajun Cafe				76.0	9	0.65%
McDonald's				58.0	10	0.50%
	<u>3,607.0</u>		<u>27.26%</u>	<u>2,421.0</u>		<u>20.85%</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	2022			2013		
	Usage In Gallons	Rank	Percentage of Total Usage	Usage In Gallons	Rank	Percentage of Total Usage
Today's Car Wash II, LLC	153,833	1	9.96%	27,610	8	
Ancient Oaks Mobile Home Park	109,883	2	7.11%	92,430	2	6.54%
TXHA Indian MHP, LLC	85,212	3	5.52%			
Big Oaks Mobile Home Park	80,342	4	5.20%	80,041	4	5.67%
Seton Medical Center	73,889	5	4.78%	106,314	1	7.53%
Pleasant View MHP	70,038	6	4.53%	83,892	3	5.94%
Wells Laundry, Inc.	64,819	7	4.20%	55,863	5	3.95%
Indian Oaks Nursing Center	59,488	8	3.85%			
Dana Peak Park	49,399	9	3.20%			
Biomedical Applications of Texas	41,463	10	2.68%			
Cracker Barrel Old Country Store				30,873	6	2.19%
Cheddar's Casual Café, Inc.				29,977	7	2.12%
HEB				18,525	9	1.31%
Hazel Park				17,248	10	1.22%
	788,366		51.03%	542,773		36.47%

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	
2022	\$ 482,325	\$ 2,216,715	\$ 59,203	\$ 2,639,837	5	\$ 18,760	212	\$ 48,768	\$ 2,128,212,370 ^(d)
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)

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, Union State Bank merged with VeraBank in 2018 and BancorpSouth Bank merged with Cadence Bank in 2022.

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

Function/Program	As of September 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	44.0	43.5	41.0	39.5	36.5	33.5	31.5	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	9.0
Public Safety:										
Police	70.0	68.5	65.5	64.5	62.0	61.0	61.0	60.0	62.0	62.0
Fire	46.0	46.0	46.0	46.0	45.5	44.5	44.5	44.5	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	35.0	36.0	36.5	46.0	46.0	47.5	47.5	47.5	46.0
Library/Activity Center	12.0	12.0	14.0	20.5	11.0	10.5	10.5	10.5	10.5	10.5
Public Works	7.5	7.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water and Sewer	21.0	20.0	20.0	20.0	19.0	18.0	18.0	18.0	17.0	17.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Sanitation	1.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	261.5	259.0	259.5	261.5	256.0	249.5	248.0	245.0	240.0	238.5

Source: City of Harker Heights Finance Department

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

Function/Program	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Planning and Building										
Building Permits Issued	2,286	2,185	2,190	2,104	1,757	1,518	2,109	2,386	4,665	1,763
Value of Building Permits ¹	\$115,553	\$55,201	\$52,253	\$109,012	\$62,162	\$59,557	\$75,212	\$79,598	\$96,333	\$75,077
Police										
Physical Arrest	618	932	526	730	916	1,168	2,386	1,173	1,496	1,320
Parking Violations	2	44	2	54	47	43	27	42	27	58
Traffic Violations	3,735	4,030	5,766	6,078	5,487	4,127	2,979	3,916	8,800	8,800
Fire										
Calls Answered	5,914	5,504	4,527	4,305	4,336	3,970	3,930	4,049	3,547	3,627
Fire and Emergency Responses	5,914	5,504	4,527	4,305	4,207	3,858	3,823	3,931	3,469	3,558
Fires Extinguished	79	120	88	57	122	100	82	103	133	91
Inspections	915	600	396	749	616	500	444	600	800	933
Parks and Recreation										
Aquatic Center Usage	6,012	3,555	0*	15,424	10,963	11,953	14,469	20,443	12,470	12,773
Program Participants	6,124	5,701	1,515	6,393	7,409	7,026	8,058	8,118	7,933	9,948
Library										
Annual Circulation	134,532	117,549	92,766	154,541	139,124	164,372	176,788	199,529	166,256	165,405
Water and Sewer										
Average daily water consumption in gallons ¹	4,750	4,900	4,500	4,400	4,300	4,207	4,163	4,000	3,954	4,325
Residential water rate - inside city limits										
Base	\$11.24	\$10.91	\$10.91	\$10.59	\$10.59	\$10.28	\$10.28	\$9.98	\$9.98	\$9.98
Per 1,000 gallons	\$3.50	\$3.40	\$3.40	\$3.30	\$3.30	\$3.20	\$3.20	\$3.11	\$3.11	\$3.11
Residential water rate - outside city limits										
Base	\$22.48	\$21.82	\$21.82	\$21.18	\$21.18	\$20.56	\$20.56	\$19.96	\$19.96	\$19.96
Per 1,000 gallons	\$7.00	\$6.80	\$6.80	\$6.60	\$6.60	\$6.40	\$6.40	\$6.22	\$6.22	\$6.22
Average daily sewage treatment in gallons ¹	2,070	2,120	1,880	2,600	1,740	1,990	2,780	1,940	1,790	1,880
Residential sewer rates - inside city limits										
1,000 - 3,000 gallons	\$20.25	\$19.66	\$19.66	\$19.09	\$19.09	\$18.53	\$18.53	\$17.99	\$17.99	\$17.99
Per 1,000 gallons (3,000 - 10,000 gallons)	\$3.39	\$3.29	\$3.29	\$3.19	\$3.19	\$3.10	\$3.10	\$3.01	\$3.01	\$3.01
Residential sewer rates - outside city limits										
1,000 - 3,000 gallons	\$40.50	\$39.32	\$39.32	\$38.18	\$38.18	\$37.06	\$37.06	\$35.98	\$35.98	\$35.98
Per 1,000 gallons (3,000 - 10,000 gallons)	\$6.78	\$6.58	\$6.58	\$6.38	\$6.38	\$6.20	\$6.20	\$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

* In 2020 the City shuttered the aquatic center as a result of the global COVID-19 pandemic.

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

Function/Program	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Area (square miles)	15.60	15.65	15.65	15.65	15.65	15.65	15.65	15.40	15.40	15.40
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Cars	23	23	27	25	21	21	20	20	20	17
Command Van	1	1	1	0	0	0	0	0	0	0
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	0	1	1	1	1	1	1	1
Street (miles)	150	153	151	153.4	150.55	145.3	145.4	145.64	140	140
Street lights	1,575	1,555	1,547	1,547	1,541	1,480	1,470	1,445	1,438	1,379
Parks and Recreation										
Recreation/community center	1	1	1	1	1	1	1	1	1	1
Parks	7	7	7	7	6	8	8	8	8	7
Acreage	192	192	192	192	192	194	194	194	194	194
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	9
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)	192	191	189	187.45	183.89	183.77	187.1	179.13	177.55	172.66
Service connections	11,658	11,383	11,308	11,215	11,111	10,887	10,638	10,384	10,006	9,666
Fire hydrants	1,207	1,190	1,185	1,185	1,185	1,181	1,102	1,102	1,101	1,090
Maximum daily capacity ¹	16,250	16,250	16,250	16,250	16,250	13,500	13,500	13,500	13,500	13,500
Sewer										
Sanitary sewer (miles)	140	139	138	135.55	132.26	132.07	131.33	130.36	125.92	121.43
Service connections	10,276	10,128	10,138	9,829	9,685	9,486	9,228	8,959	8,842	8,586
Storm sewer (miles)	10.0	10.0	10.0	10.0	10.0	9.6	9.5	9.5	9.5	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.

¹ expressed 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>
2022	11,560,000	5,149,166	1,888,700,000
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

Source: City of Harker Heights Public Works Department