

THE CITY OF HARKER HEIGHTS, TEXAS  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



FISCAL YEAR ENDING SEPTEMBER 30, 2020





**CITY OF HARKER HEIGHTS  
TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**

**PREPARED BY THE  
FINANCE DEPARTMENT**

**Ayesha Lealiiee  
Finance Director**



**CITY OF HARKER HEIGHTS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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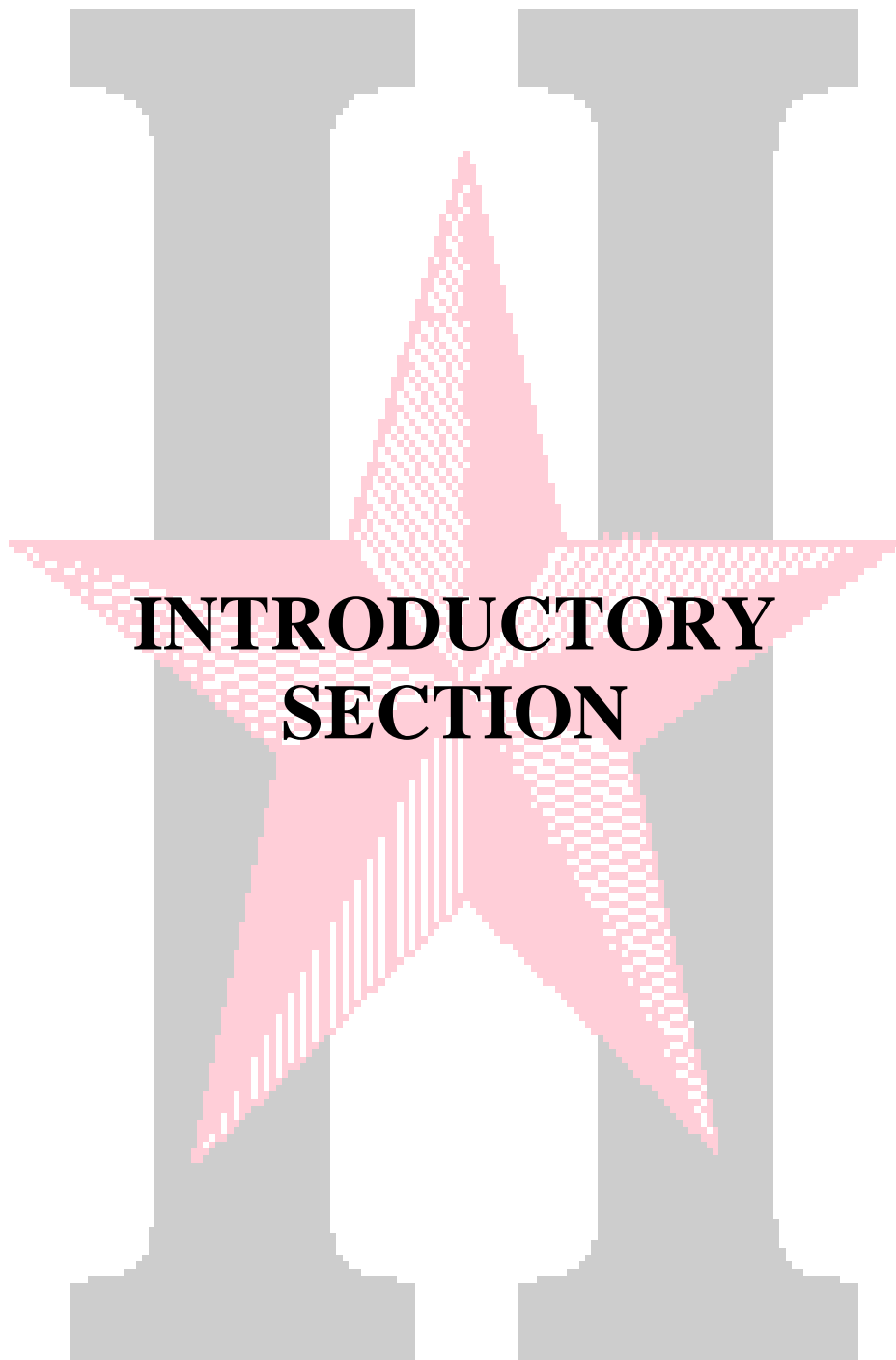
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**INTRODUCTORY  
SECTION**





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  
Michael Blomquist

City Council  
Jennifer McCann  
Jackeline Soriano  
Fountain  
Lynda Nash  
Jody Nicholas

April 27, 2021

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of audited financial statements presented in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report ("financial report") of the City of Harker Heights for the fiscal year ended September 30, 2020.

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

The City of Harker Heights' financial statement have been audited by Lott, Vernon & Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Harker Heights' MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Harker Heights, incorporated in 1960, is located in Bell County on U.S. Highway 190/Interstate 14, approximately twelve miles west of Interstate 35, between Belton and Killeen. The City currently occupies a land area of 15.7 square miles and serves a population of approximately 30,535. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

The City of Harker Heights provides a full range of services, including police, fire and EMS protection, the construction and maintenance of streets and other infrastructures, and 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 functions, in essence, as a department of the City and therefore has been included as an integral part of the City of Harker Heights’ financial statements.

The annual budget serves as the foundation for the City of Harker Heights’ financial planning and control. All agencies of the City are required to submit request for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than September 27; the close of the City’s fiscal year is September 30. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). 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 23-24 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 87.

**Local Economy**

In the last ten years, the average unemployment rate for the City of Harker Heights has fallen from 7.6% in 2011 to 6.9% in 2020. The unemployment rate average in 2019 was 3.6%, 3.3% lower than the current year’s rate. This rise in the unemployment rate over a year’s time could be contributed to the COVID-19 pandemic. Many people lost jobs during the pandemic and especially during April to June 2020 when unemployment rates were the highest at 11.6%, 10.9% and 7.4% respectively. In comparison, Bell County’s 2020 unemployment rate is 7.1% and the State of Texas’ 2020 unemployment rate is 7.7%, both higher 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:

**Permit Valuation Comparison**

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)
Type of permit:			
Fence	\$ 1,142,274	\$ 1,561,590	\$ (419,316)
Home improvement / other	21,204,045	20,478,785	725,260
New Commercial	1,256,750	47,848,026	(46,591,276)
New Residence	28,425,038	38,648,138	(10,223,100)
Plumbing	175,652	423,951	(248,299)
<b>Total permit valuation</b>	<b>\$ 52,203,759</b>	<b>\$ 108,960,490</b>	<b>\$ (56,756,731)</b>

Fiscal Year 2020 saw a decrease in permits due to the COVID-19 pandemic however, as shown above, many residents remained active with home improvement projects during this time. New commercial permits are down with the completion of Killeen Independent School District’s fourteenth middle school during the 2019 fiscal year. New residences continue to be built in the City of Harker Heights but a decrease in permits shows the rate in which growth is slowing down; last year the difference was a decrease of \$5.3 million.

Due to its “adequate economy with a local stabilizing institutional influence”, the City of Harker Heights was issued a credit rating of “AA” from Standard & Poor’s for its Series 2019 Combination Tax and Revenue Certificates of Obligation and has held this rating 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 36.0%. 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 currently at 43.5%.

In fiscal year 2020, grants and contributions consisted of 52.8% of the governmental activities program revenues received by the City of Harker Heights. In comparison to total governmental revenues, grants and contributions were 10.0% and charges for services were 8.6% of revenues received.

### **Long-Term Financial Planning**

The fiscal year 2021 Capital Improvement Program anticipates \$7.1 million in capital projects. \$3.7 million of this is for drainage projects, \$822 is for wastewater projects, \$739 is for street projects, and \$668 is for building projects. The remainder of program funding is for water projects, sidewalk projects and park projects.

In May 2020, the City issued Series 2020 General Obligation Refunding Bonds as an advance refund for the Series 2011 Combination Tax and Utility System Revenue Certificates of Obligation.

### **Relevant Financial Policies**

During the 2006 fiscal year, the City Council approved raising the General Fund reserve requirement to three months of operating expenses to be accomplished over a five-year period. This goal was achieved during the 2009-2010 fiscal year. At the end of Fiscal Year 2019-20, the general fund had five-and-a-half-months fund balance or 47.2% of operating expenditures. The utility fund, which already had this requirement, had five months of fund balance or 41.1% of operating expenses.

### **Major Initiatives**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Harker Heights operates.

- Foster the image of Harker Heights as a clean, safe, well-maintained, and progressive City.
- Stimulate creation and growth of locally owned businesses.
- Enhance and extend infrastructure in anticipation of further planned growth.
- Expand street maintenance and sewer rehabilitation projects throughout the City.
- Maintain a long-range Capital Improvement Plan.
- Maintain a multi-year equipment replacement program.
- Determine and implement methods to better communicate with citizens.

### **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 comprehensive annual financial report (“financial report”) for the fiscal year ended September 30, 2019. This was the twenty-fifth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized financial report. This report satisfied both GAAP and applicable legal 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 Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2019. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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 department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Harker Heights' finances.

Respectfully submitted,



David R. Mitchell  
City Manager



Ayesha Lealiiee  
Finance Director





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

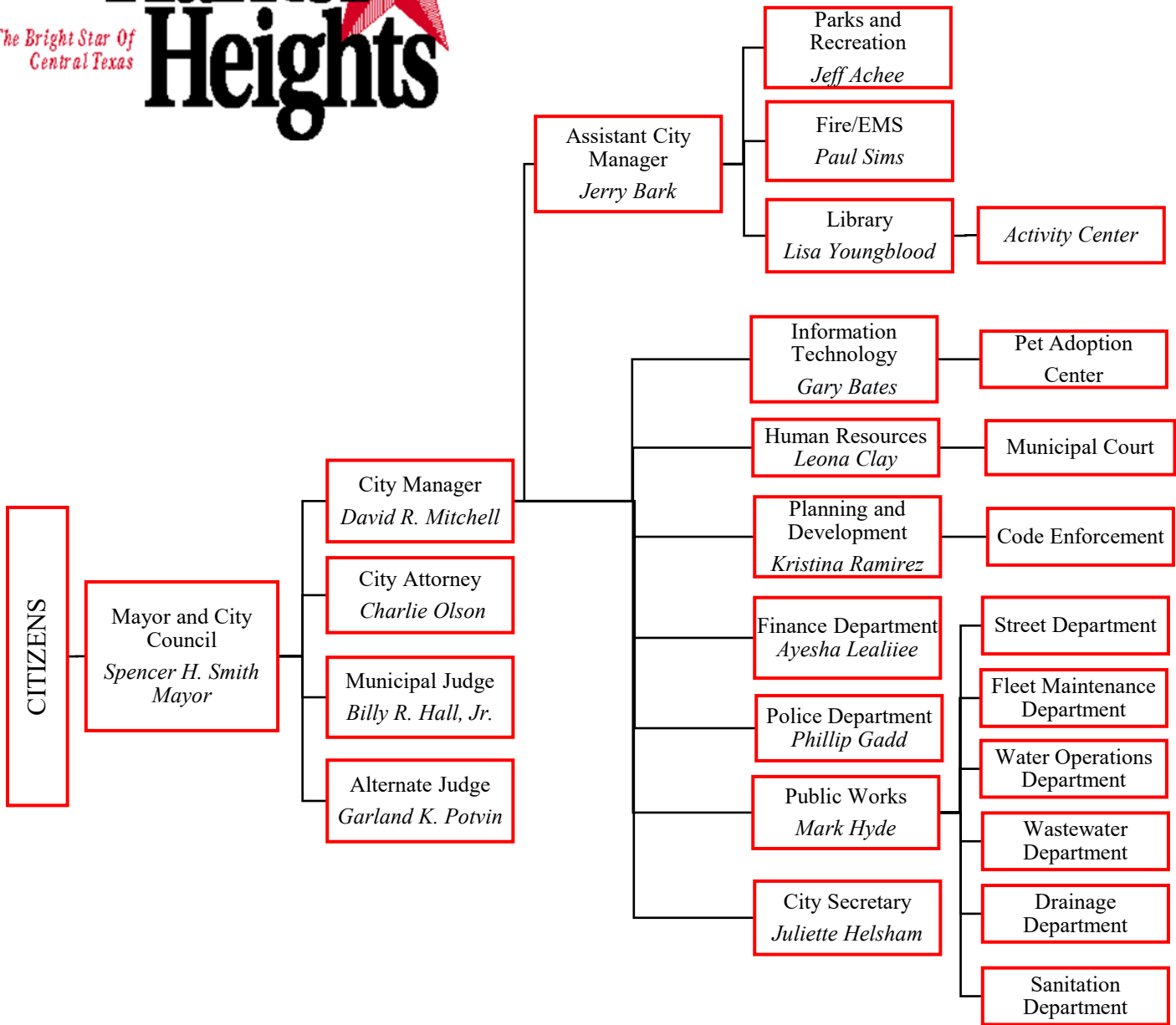
**City of Harker Heights  
Texas**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

September 30, 2019

*Christopher P. Morill*

Executive Director/CEO



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

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

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

**CITY COUNCIL**

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

**APPOINTED OFFICIALS**

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







**FINANCIAL  
SECTION**



**LOTT, VERNON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783  
POST OFFICE BOX 160 800/460/4783  
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

*Member of  
American Institute & Texas Society of  
Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the General Fund, and the aggregate remaining fund information of City of Harker Heights, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison and the aggregate remaining fund information of the City of Harker Heights, Texas, as of September 30, 2020, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefits schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2021, on our consideration of the City of Harker Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City of Harker Heights, Texas' 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, Texas' internal control over financial reporting and compliance.



Killeen, Texas  
April 2, 2021

**City of Harker Heights, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying 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, 2020 by \$81.6 million (*net position*). Of this amount, \$0.7 million is restricted and \$10.0 million is unrestricted revenues.
- The City's total net position increased by over \$5.8 million for the year ended September 30, 2020. \$2.8 million of the increase in net position can be attributed to the increase in capital assets.
- As of September 30, 2020, the City of Harker Heights' governmental funds reported combined ending fund balances of \$19.1 million, a decrease of \$1.4 million in comparison with the prior year. Most of the decrease is due to the completion of the Warrior's Path Reconstruction capital improvement project. Of the governmental fund's reported combined fund balances, \$13.4 million or 70 percent is available for spending within the City's guidelines (*unassigned fund balance*).
- Residential growth overall has seen a decrease in numbers and in valuation. Single family permits decreased by 29 permits and had a decrease in value of \$10.2 million. Two family residential permits increased by 24 permits and had an increase in value of \$4.0 million. New commercial permits decreased by 7 permits and decreased in value by \$46.6 million due to Killeen Independent School District's new middle school #14.
- The City completed a small drainage project on Tahuaya Drive in the amount of \$18.
- \$270 was spent on the completion of the Rattlesnake Road Waterline Replacement, \$148 on the Trimmier Lift Station Ferrous Chloride Dosing System, \$91 on the Thoroughbred Lift Station 8-inch Wastewater Line and \$63 on the Wastewater Line Extension for Fire Station #2.
- During this fiscal year, the City completed the Warrior's Path Reconstruction in the amount of \$2.6 million and an additional \$79 to complete miscellaneous street projects.
- The City completed several repairs and replacements at the police department headquarters in the amount of \$24.
- The City has very strong liquidity providing for very strong cash levels as well as good management with good financial policies and practices. In fiscal year 2006, the City Council approved reserve requirements of three months operating expenses in the General Fund providing for strong budgetary flexibility and strong budgetary performance. At the end of fiscal year 2020, the General Fund had and \$13.4 million unassigned fund balance which equates to over six months of operating fund balance.

**Overview of the Financial Statements**

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

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

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



**City of Harker Heights  
Management's Discussion and Analysis (continued)  
September 30, 2020**

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 14-16 of this report.

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

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

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

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

The 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 17-24 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.

**City of Harker Heights  
Management's Discussion and Analysis (continued)  
September 30, 2020**

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 25-29 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 30-75 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 77-82 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 84-123 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 \$81.6 million at the close of the most recent fiscal year.

A portion of the City of Harker Heights' net position (0.8 percent) represents resources that are subject to external restrictions on how they may be used.

**Table 1  
Condensed Statement of Net Position  
(in thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 21,368	\$ 24,732	\$ 5,819	\$ 4,083	\$ 27,187	\$ 28,815
Capital assets	68,217	65,494	48,987	49,744	117,204	115,238
Total assets	89,585	90,226	54,806	53,827	144,391	144,053
Deferred outflows of resources	1,933	3,887	394	592	2,327	4,479
Other liabilities	2,268	7,011	458	2,174	2,726	9,185
Long-term liabilities	40,554	43,176	19,751	19,997	60,305	63,173
Total liabilities	42,822	50,187	20,209	22,171	63,031	72,358
Deferred inflows of resources	1,930	342	148	27	2,078	369
Net position:						
Invested in capital assets	37,854	35,751	33,061	32,324	70,915	68,075
Restricted	622	531	48	47	670	578
Unrestricted	8,290	7,302	1,734	(150)	10,024	7,152
Total net position	\$ 46,766	\$ 43,584	\$ 34,843	\$ 32,221	\$ 81,609	\$ 75,805

**City of Harker Heights  
Management's Discussion and Analysis (continued)  
September 30, 2020**

An additional portion of the City of Harker Heights' net position (87 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 \$5.8 million increase. Key elements of this increase are as follows:

**Table 2  
Changes in Net Position  
(in thousands)**

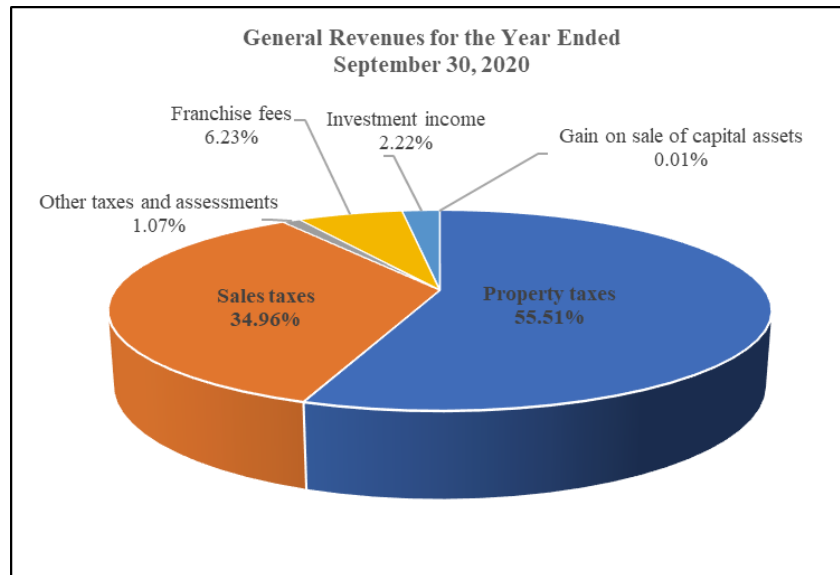
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,408	\$ 2,612	\$ 13,633	\$ 12,487	\$ 16,041	\$ 15,099
Operating grants and contributions	1,569	343			1,569	343
Capital grants and contributions	1,125				1,125	0
General revenues:						
Property taxes	12,281	11,754			12,281	11,754
Sales taxes	7,733	8,081			7,733	8,081
Other taxes	236	246			236	246
Franchise fees	1,378	1,403	197	134	1,575	1,537
Investment earnings	491	650	40	51	531	701
Gain from sale of capital assets	3	1			3	1
Total revenues	<u>27,224</u>	<u>25,090</u>	<u>13,870</u>	<u>12,672</u>	<u>41,094</u>	<u>37,762</u>
Expenses:						
General government	4,528	4,414			4,528	4,414
Public safety	14,107	13,883			14,107	13,883
Highways and streets	1,799	1,707			1,799	1,707
Culture and recreation	2,967	3,557			2,967	3,557
Economic development	398	388			398	388
Interest on long-term debt	1,118	1,121			1,118	1,121
Water and sewer			7,919	7,309	7,919	7,309
Sanitation			2,057	1,959	2,057	1,959
Drainage			397	326	397	326
Total expenses	<u>24,917</u>	<u>25,070</u>	<u>10,373</u>	<u>9,594</u>	<u>35,290</u>	<u>34,664</u>
Increase (decrease) in net position before transfers	2,307	20	3,497	3,078	5,804	3,098
Transfers	<u>875</u>	<u>2,446</u>	<u>(875)</u>	<u>(2,446)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net position	3,182	2,466	2,622	632	5,804	3,098
Net position - beginning of year	43,584	41,118	32,221	31,589	75,805	72,707
Net position - end of year	<u>\$ 46,766</u>	<u>\$ 43,584</u>	<u>\$ 34,843</u>	<u>\$ 32,221</u>	<u>\$ 81,609</u>	<u>\$ 75,805</u>

**City of Harker Heights  
Management’s Discussion and Analysis (continued)  
September 30, 2020**

**Governmental activities.** The City’s general revenues decreased when compared to the prior year by \$13. This decrease can be attributed to the Coronavirus Pandemic that began in February 2020. As shown in Table 3, the categories depicting decreases were those that are dependent on the economy (i.e. assessments, franchise fees, and investment income) and residents shopping (i.e. sales taxes). Major decreases to revenues were in sales taxes (\$348) and investment income (\$159); property tax revenue increased by \$527 although the rate remained the same at \$0.6770 per \$100 valuation.

**Table 3  
General Revenues Comparison  
(in thousands)**

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 12,281	\$ 11,754	\$ 527
Sales taxes	7,733	8,081	(348)
Other taxes and assessments	236	246	(10)
Franchise fees	1,378	1,403	(25)
Investment income	491	650	(159)
Gain on sale of capital assets	3	1	2
<b>Total governmental activities</b>	<b>\$ 22,122</b>	<b>\$ 22,135</b>	<b>\$ (13)</b>



The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$14.1 million. These expenses were offset by revenues collected from a variety of sources, with the largest consisting of property taxes which are \$12.3 million, sales tax revenues of \$7.7 million, franchise fees of \$1.4 million and court fines of \$1.0 million for the fiscal year ended September 30, 2020. The major components of public safety are Police and Fire / Emergency Medical Services (EMS). Police accounted for \$6.4 million in public safety expense of which \$5.3 million was incurred for salary and benefits. Fire / EMS accounted for \$5.0 million in public safety expense, of which \$4.3 million was incurred for salary and benefits.

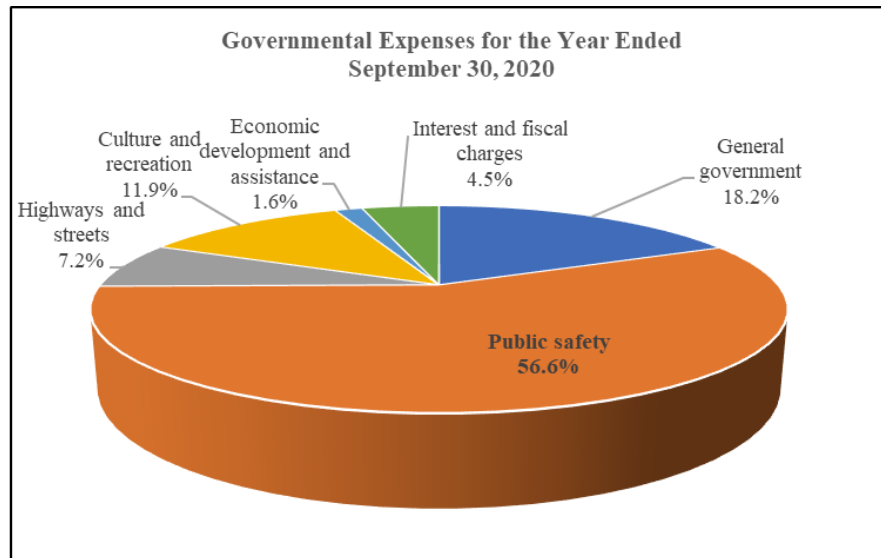
The City’s general expenses decreased by \$153 when compared to the prior year. This decrease is due to the City’s efforts to scale back on expenses during the pandemic as it was unknown how long it would last or to what extent funds would be available. Examples of the tactics that the City took include holding some positions vacant until the 2021 fiscal year (no positions were furloughed and no staff were laid off) and holding recreational programs until it was safe.



**City of Harker Heights  
Management’s Discussion and Analysis (continued)  
September 30, 2020**

**Table 4  
Governmental Expenses by Activity  
(in thousands)**

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)
Governmental activities:			
General government	\$ 4,528	\$ 4,414	\$ 114
Public safety	14,107	13,883	224
Highways and streets	1,799	1,707	92
Culture and recreation	2,967	3,557	(590)
Economic development and assistance	398	388	10
Interest and fiscal charges	1,118	1,121	(3)
Total governmental activities	<u>\$ 24,917</u>	<u>\$ 25,070</u>	<u>\$ (153)</u>

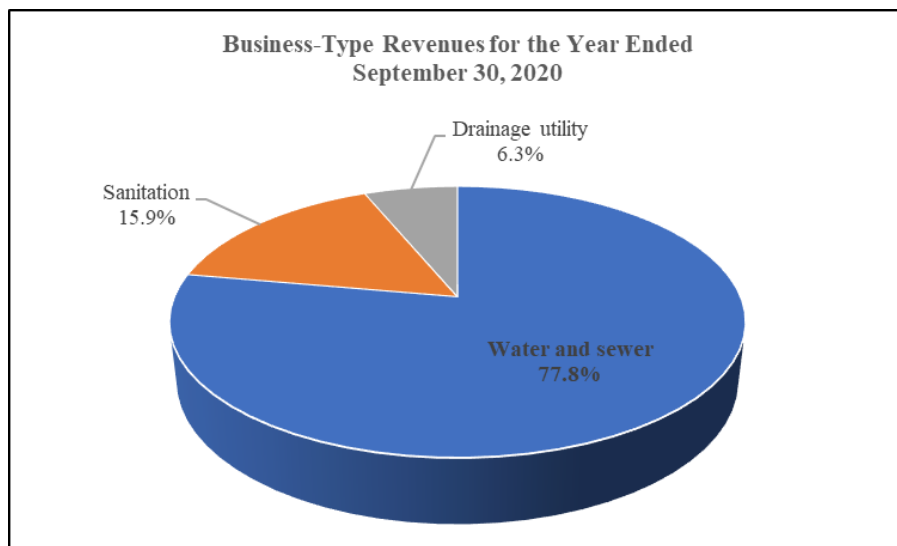


**Business-type activities.** Business-type activities increased the City of Harker Heights’ net position by \$2,622. Revenues of the City’s business-type activities were \$13.6 million for the fiscal year ended September 30, 2020.

Water and sewer rates were not increased for Fiscal Year 2019-2020 and the City saw an increase from fiscal year 2019 in water and sewer income of \$1,039. Sanitation revenues saw an increase of \$86 with rates increased by 2% for residential garbage pickup. Drainage utility income saw an increase of \$21.

**Table 5  
Business-Type Revenues Comparison  
(in thousands)**

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)
Water and sewer	\$ 10,606	\$ 9,567	\$ 1,039
Sanitation	2,173	2,087	86
Drainage utility	854	833	21
Total business-type activities	<u>\$ 13,633</u>	<u>\$ 12,487</u>	<u>\$ 1,146</u>

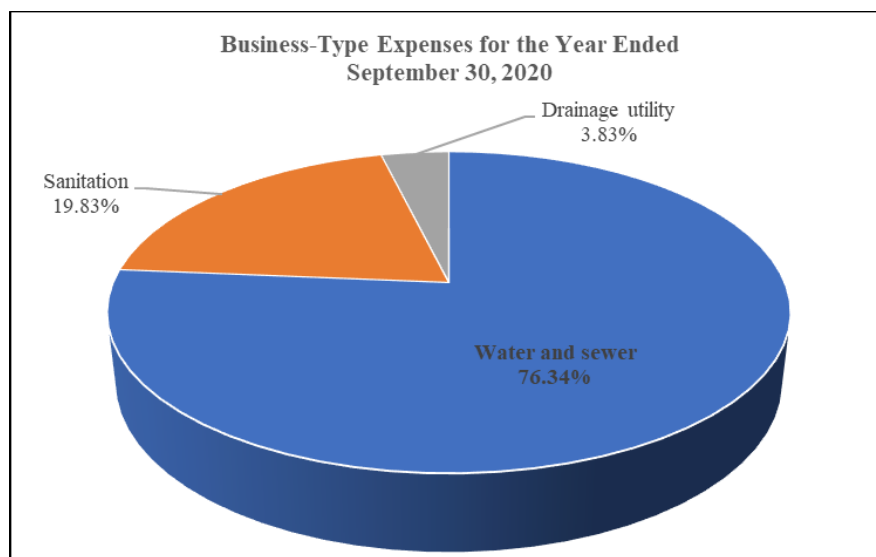


Expenses for the City’s business-type activities were \$10.4 million for the year, resulting in net revenues of \$3.3 million and an increase in net position of \$2,622. The changes in net position are the result of several factors, including the following:

- In the water and sewer system, the City recorded charges for services of \$10.6 million. The most significant expenses were \$3.0 million for water purchases, \$1.5 million in salaries and benefits, and \$516 for repairs and maintenance throughout the city.
- Sanitation services are contracted out to Waste Management of Texas, Inc. Total revenues taken in by the City for sanitation services equaled \$2.2 million and the major expense for sanitation is \$2.0 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 \$854 in charges for services. The major operating expense in this fund is salaries and benefits of \$124.

**Table 6**  
**Business-Type Expenses by Activity**  
 (in thousands)

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)
Water and sewer	\$ 7,919	\$ 7,309	\$ 610
Sanitation	2,057	1,959	98
Drainage utility	397	326	71
Total business-type activities	\$ 10,373	\$ 9,594	\$ 779



**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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Harker Heights' governmental funds reported combined ending fund balances of \$19.1 million, a decrease of \$1.4 million in comparison with the prior year. Approximately 70 percent or \$13.4 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$3.4 million is committed to capital projects and \$1.7 million is assigned to a specific purpose (\$438 to culture and recreation and \$1.3 million to capital projects). The remainder of the fund balance is *restricted* to indicate that it is not available for new spending because it has already been restricted for (a) debt service (\$51), (b) federal or state grant restrictions (\$536), (d) cemetery (\$19), and (e) pet adoption center (\$17).

The general fund is the chief operating fund of the City of Harker Heights. At the end of the 2020 fiscal year, unassigned fund balance of the general fund was \$13.4 million, while total fund balance reached \$13.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund

**City of Harker Heights  
Management's Discussion and Analysis (continued)  
September 30, 2020**

balance to total fund expenditures. Unassigned fund balance represents 63 percent of total general fund expenditures, while total fund balance represents 65 percent of that same amount. The fund balance of the City of Harker Heights' general fund has increased by \$2,386 during the current fiscal year. Key factors for this increase are higher property tax revenue, sales tax revenue, and fine revenue.

The debt service fund has a total fund balance of \$51, all of which is restricted for the payment of debt service.

The capital projects fund balance is \$4.7 million of which \$3.4 million is committed for capital improvement projects, and \$1.3 million is for capital improvement projects that are funded from non-bond revenue. This fund had a \$3.8 million decrease in fund balance from the previous year. During this past fiscal year, the City had \$5.1 million in capital project fund expenditures which were park projects of \$97, building projects of \$1.8 million, street projects of \$3.2 million, and water and sewer projects of \$12.

**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 current fiscal year, the City of Harker Heights' proprietary funds reported combined net position of \$34.8 million, an increase of \$2,622 or 8 percent over the prior year. Unrestricted net position totals \$1.7 million. Restricted net position totals \$48. A total of \$33.1 million of net position is net investment in capital assets.

At the end of the current fiscal year, unrestricted net position for the water and sewer fund was \$1.6 million, restricted net position was \$40 while total net position was \$30.4 million. Total net position for the water and sewer fund was increased by \$2.4 million during the current fiscal year.

The sanitation fund has total net position \$118, an increase of \$65 from the prior year. This increase is due to an increase in operating revenues.

The drainage utility fund shows a total net position of \$4.4 million. Total liabilities in the drainage utility fund total \$4.7 million and includes due to other funds (\$641), accrued compensated absences (\$6), accrued interest payable (\$16), general obligation bonds (\$227), certificates of obligation (\$3.7 million), net pension liability (\$102), and other post-employment benefits (\$10).

**General Fund Budgetary Highlights**

Actual expenditures in the General Fund were \$21.3 million compared to the budget amount of \$22.5 million. The \$1.2 million under budget is due to decreased expenditures as follows: culture and recreation expenditures - \$404, general government expenditures - \$336, public safety - \$281, and highways and street - \$171. As stated earlier, due to the pandemic, a city-wide effort was made during the 2020 fiscal year to cut expenditures.

For fiscal year 2019-20, actual revenues were \$22.8 million as compared to the budget amount of \$20.7 million. Most of the \$2,127 positive variance was due to an increase of \$871 in other taxes, \$1,445 in intergovernmental revenues (thanks in part to Coronavirus Relief Funding), and \$94 in property taxes.

The City of Harker Heights has an actual General Fund balance of \$13.8 million as of the fiscal year end, compared to the budgeted fund balance of \$10.6 million. The variance in fund balance is primarily due to the items stated above along with transfers in / out.

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Harker Heights' investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$117.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and lift stations, machinery and equipment, park facilities, vehicles, furniture and fixtures, streets, and infrastructure. The City's investment in capital assets for the current fiscal year saw a 4.2 percent increase for governmental activities and a 1.5 percent decrease for business-type activities. These changes are attributed to the following:

**City of Harker Heights  
Management's Discussion and Analysis (continued)  
September 30, 2020**

- Major capital asset increases in governmental activities were seen in the infrastructure and construction in progress categories. The infrastructure category increased by \$1,915 with the completion of the Warrior's Path Road Reconstruction project. \$1,809 was added to the construction in progress category as the Fire Station #2 Renovation / Remodel project began in fiscal year 2020 and is scheduled to be complete in 2021.
- Business-type activities decreased by \$757 over the prior year. Infrastructure had a decrease of \$394 and machinery and equipment a decrease of \$229.

**Table 7  
Capital Assets  
(in thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 15,715	\$ 15,693	\$ 285	\$ 285	\$ 16,000	\$ 15,978
Buildings and lift stations	12,189	12,831	1,370	1,417	13,559	14,248
Improvements other than buildings	125	124			125	124
Machinery and equipment	1,083	1,275	691	920	1,774	2,195
Vehicles	1,472	1,609	149	146	1,621	1,755
Furniture and fixtures	140	193			140	193
Infrastructure	34,335	32,420	45,512	45,906	79,847	78,326
Construction in progress	3,158	1,349	980	1,070	4,138	2,419
Total capital assets	<u>\$ 68,217</u>	<u>\$ 65,494</u>	<u>\$ 48,987</u>	<u>\$ 49,744</u>	<u>\$ 117,204</u>	<u>\$ 115,238</u>

Additional information on the City of Harker Heights' capital assets can be found in Note IV. C on pages 44-45 of this report.

**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	
	2020	2019	2020	2019	2020	2019
Certificates of obligation	\$ 19,365	\$ 24,235	\$ 9,675	\$ 12,285	\$ 29,040	\$ 36,520
General obligation bonds	10,576	7,516	8,864	7,914	19,440	15,430
Premium on bonds	464	581	451	537	915	1,118
Discount on bonds	(24)	(27)	(12)	(13)	(36)	(40)
Capital leases payable	198	437			198	437
Compensated absences	896	859	50	37	946	896
Net pension liability	7,873	11,114	603	839	8,476	11,953
Other post-employment supplemental death benefit obligation	573	458	44	36	617	494
Other post-employment benefit obligation	633	738	76	86	709	824
Total outstanding debt	<u>\$ 40,554</u>	<u>\$ 45,911</u>	<u>\$ 19,751</u>	<u>\$ 21,721</u>	<u>\$ 60,305</u>	<u>\$ 67,632</u>

**City of Harker Heights  
Management's Discussion and Analysis (continued)  
September 30, 2020**

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 \$146.1 million which is \$116.2 million more than the City's outstanding indebtedness of \$29.9 million for governmental activities.

Additional information on the City of Harker Heights' long-term debt can be found in Note IV. F. on pages 47-60 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 the developing the 2020-2021 fiscal year budget.

- The annual unemployment rate for Harker Heights in 2019 was 3.6% which is a decrease of 0.3% from a rate of 3.9% in 2018. This is lower than Bell County's 2019 annual unemployment rate of 3.8%, the national rate of 3.7% and higher than the State of Texas' rate of 3.5%.
- Unofficial numbers for the 2020 annual unemployment rate show Harker Heights at 6.9%.
- Impact of COVID-19 pandemic to residents' and municipal government.

**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 2021 fiscal year budget is \$0.6770 per \$100 valuation. Of this tax rate, 75.97 percent of \$0.5143 is utilized for maintenance and operations (General Fund). The remaining 24.03 percent or \$0.1627 is used for interest and sinking (Debt Service Fund). The General Fund's portion of property tax revenue is estimated to be \$10.1 million while the Debt Service Fund's portion is estimated at \$3.2 million.

Sales tax revenue (General Fund) for FY 2020-21 is budgeted at \$6.9 million.

The largest revenue source for the water and sewer fund is water income which is budgeted at \$6.3 million for the 2021 fiscal year. Sewer income, the second largest revenue source, is budgeted at \$3.9 million.

**Next Year's Rates.** The water rate for the 2021 fiscal year is \$10.91 as a base rate and \$3.40 per 1,000 gallons used. Sewer rates are a base rate of \$19.66 (and include usage up to 3,000 gallons) plus \$3.29 per 1,000 gallons over 3,000 gallons of usage. Sewer "per 1,000 gallons" charges cap at 10,000 gallons for residential customers. These rates did not increase from the rates set for FY 2020.

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 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, 2020**

	Primary Government		Total
	Governmental Activities	Busines-type Activities	
<b>ASSETS</b>			
Cash	\$ 5,294,327	\$ 1,483,990	\$ 6,778,317
Investments	11,483,900	923,686	12,407,586
Receivables (net of allowance for uncollectibles):			
Taxes	82,532		82,532
Accounts	764,438	1,576,787	2,341,225
Special assessments	12		12
Internal balances	(1,195,824)	1,195,824	0
Due from other governments	1,077,562		1,077,562
Inventory of supplies, first-in, first-out cost		69,978	69,978
Restricted assets:			
Restricted cash	787,369	52,317	839,686
Restricted investments	3,073,528	516,588	3,590,116
Capital assets (net of accumulated depreciation):			
Land and improvements	15,715,042	284,683	15,999,725
Buildings and lift stations	12,189,154	1,370,048	13,559,202
Improvements other than buildings	125,184		125,184
Furniture and fixtures	140,212		140,212
Machinery and equipment	1,082,560	691,437	1,773,997
Vehicles	1,472,380	148,891	1,621,271
Infrastructure	34,335,078	45,511,814	79,846,892
Construction in progress	3,157,573	979,958	4,137,531
Total assets	<u>89,585,027</u>	<u>54,806,001</u>	<u>144,391,028</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred amount on refunding debt	215,737	263,388	479,125
Deferred outflow related to pensions	1,502,168	109,578	1,611,746
Deferred outflow related to other post-employment benefit obligations	214,947	21,009	235,956
Total deferred outflows of resources	<u>1,932,852</u>	<u>393,975</u>	<u>2,326,827</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,788,346		1,788,346
Accrued interest payable	114,616	73,960	188,576
Refundable meter deposits		384,378	384,378
Unearned revenue	364,629		364,629
Long-term liabilities:			
Due within one year	2,986,222	1,878,779	4,865,001
Due in more than one year	28,488,960	17,148,980	45,637,940
Net pension liability (City's share)	7,873,463	603,429	8,476,892
Other post-employment benefit obligations	1,205,648	120,216	1,325,864
Total liabilities	<u>42,821,884</u>	<u>20,209,742</u>	<u>63,031,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to pensions	1,732,483	129,551	1,862,034
Deferred inflow related to other post-employment benefit obligations	197,034	18,472	215,506
Total deferred inflows of resources	<u>1,929,517</u>	<u>148,023</u>	<u>2,077,540</u>
<b>NET POSITION</b>			
Net investment in capital assets	37,853,738	33,060,798	70,914,536
Restricted for:			
Cemetery	18,881		18,881
Debt service	50,917	47,928	98,845
Economic development	361,295		361,295
Pet Adoption Center	16,898		16,898
Public safety	174,482		174,482
Unrestricted	8,290,267	1,733,485	10,023,752
Total net position	<u>\$ 46,766,478</u>	<u>\$ 34,842,211</u>	<u>\$ 81,608,689</u>

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

**CITY OF HARKER HEIGHTS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<b>FUNCTION / PROGRAM ACTIVITY:</b>	Program Revenues			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 4,527,819	\$ 87,978	\$ 1,536,042	
Public safety	14,106,726	1,950,590	13,049	
Highways and streets	1,798,696			1,125,175
Culture and recreation	2,967,176	122,920	19,363	
Economic development as assistance	398,296	245,992		
Interest and fiscal charges	1,118,152			
Total governmental activities	24,916,865	2,407,480	1,568,454	1,125,175
Business-type activities:				
Water and sewer	7,918,982	10,606,219		
Sanitation	2,057,357	2,172,632		
Drainage utility	396,913	853,941		
Total business-type activities	10,373,252	13,632,792	0	0
Total primary government	\$ 35,290,117	\$ 16,040,272	\$ 1,568,454	\$ 1,125,175

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

Change in net position

Net position - beginning

Net position - ending

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

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,903,799)		\$ (2,903,799)
(12,143,087)		(12,143,087)
(673,521)		(673,521)
(2,824,893)		(2,824,893)
(152,304)		(152,304)
(1,118,152)		(1,118,152)
<u>(19,815,756)</u>	<u>0</u>	<u>(19,815,756)</u>
	2,687,237	2,687,237
	115,275	115,275
	457,028	457,028
<u>0</u>	<u>3,259,540</u>	<u>3,259,540</u>
<u>\$ (19,815,756)</u>	<u>\$ 3,259,540</u>	<u>\$ (16,556,216)</u>
12,281,342		12,281,342
7,733,153		7,733,153
92,891		92,891
38,552		38,552
104,514		104,514
1,377,574	196,922	1,574,496
491,285	40,243	531,528
3,380		3,380
875,121	(875,121)	0
<u>22,997,812</u>	<u>(637,956)</u>	<u>22,359,856</u>
3,182,056	2,621,584	5,803,640
<u>43,584,422</u>	<u>32,220,627</u>	<u>75,805,049</u>
<u>\$ 46,766,478</u>	<u>\$ 34,842,211</u>	<u>\$ 81,608,689</u>

**FUNCTION / PROGRAM ACTIVITY:**

**Primary government:**

Governmental activities:

General government  
Public safety  
Highways and streets  
Culture and recreation  
Economic development as 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  
Mixed drink taxes  
Bingo taxes  
Hotel / motel taxes  
Franchise fees  
Investment earnings  
Gain from sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

**CITY OF HARKER HEIGHTS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	General	Debt Service	Capital Projects
<b>ASSETS</b>			
Cash	\$ 3,881,841	\$ 30,890	\$ 1,279,253
Investments	9,050,200	67,722	1,948,851
Receivables (net of allowance for uncollectibles):			
Taxes	63,503	19,029	
Accounts	748,435		3,404
Special assessments	12		
Due from other funds	1,049,450		1,623,310
Due from other governments	1,072,255	5,307	
Restricted assets:			
Cash	80,276		707,093
Investments	396,263		2,677,265
Total assets	\$ 16,342,235	\$ 122,948	\$ 8,239,176
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,707,637		\$ 80,709
Due to other funds	366,902	20,024	3,482,345
Unearned revenue	364,629		
Total liabilities	2,439,168	20,024	3,563,054
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax not yet available	53,426	52,007	
Total deferred inflows of resources	53,426	52,007	0
<b>FUND BALANCES</b>			
Nonspendable			
Restricted for:			
Capital projects			
Cemetery	18,881		
Debt service		50,917	
Economic development			
Pet adoption center	16,898		
Public safety	3,021		
Committed:			
Capital projects			3,384,358
Assigned to:			
Capital projects			1,291,764
Culture and recreation	437,739		
Unassigned	13,373,102		
Total fund balances	13,849,641	50,917	4,676,122
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 16,342,235</b>	<b>\$ 122,948</b>	<b>\$ 8,239,176</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 102,343	\$ 5,294,327
417,127	11,483,900
	82,532
12,599	764,438
	12
687	2,673,447
	1,077,562
	787,369
	3,073,528
<u>\$ 532,756</u>	<u>\$ 25,237,115</u>
	\$ 1,788,346
	3,869,271
	364,629
<u>0</u>	<u>6,022,246</u>
	105,433
<u>0</u>	<u>105,433</u>
	18,881
	50,917
361,295	361,295
	16,898
171,461	174,482
	3,384,358
	1,291,764
	437,739
	13,373,102
<u>532,756</u>	<u>19,109,436</u>
<u>\$ 532,756</u>	<u>\$ 25,237,115</u>

#### ASSETS

Cash
Investments
Receivables (net of allowance for uncollectibles):
Taxes
Accounts
Special Assessments
Due from other funds
Due from other governments
Restricted assets:
Cash
Investments
Total assets

#### LIABILITIES

Accounts payable and accrued liabilities
Due to other funds
Unearned revenue
Total liabilities

#### DEFERRED INFLOWS OF RESOURCES

Property tax not yet available
Total deferred inflows of resources

#### FUND BALANCES

Nonspendable
Restricted for:
Capital projects
Cemetery
Debt service
Economic development
Pet adoption center
Public safety
Committed:
Capital projects
Assigned to:
Capital projects
Culture and recreation
Unassigned
Total fund balances

#### 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, 2020**

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

Total fund balance per balance sheet	\$	19,109,436
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		68,217,183
Deferred inflow of resources that are not available to pay for current period expenditures and, therefore, are deferred in the funds.		105,432
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.		(40,453,172)
Deferred outflows and inflows related to pension obligation and other post-employment benefit obligation.		(212,401)
Net position of governmental activities	<u>\$</u>	<u>46,766,478</u>



**CITY OF HARKER HEIGHTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General	Debt Service	Capital Projects
<b>REVENUES</b>			
Taxes and special assessments:			
Property	\$ 9,539,509	\$ 2,844,418	
Other taxes and special assessments	9,242,161		
Licenses and permits	305,580		
Fines	1,034,794		
Charges for services	810,512		
Intergovernmental	1,542,839		2,013
Investment earnings	284,414	8,138	164,980
Contributions and donations	23,603		1,125,175
Miscellaneous	64,349	3,012	28,688
Total revenues	22,847,761	2,855,568	1,320,856
<b>EXPENDITURES</b>			
Current:			
General government	3,943,304		
Public safety	12,827,314		
Highways and streets	1,311,432		
Culture and recreation	2,591,089		
Economic development and assistance	363,233		
Debt service:			
Principal	239,271	1,869,748	
Interest and fiscal charges	10,868	1,014,073	
Tax collection fees		31,639	
Bond issuance cost		48,331	
Capital outlay			5,058,955
Total expenditures	21,286,511	2,963,791	5,058,955
Excess (deficiency) of revenues over (under) expenditures	1,561,250	(108,223)	(3,738,099)
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital leases			
Issuance of certificates of obligation			
Premium on certificates of obligation			
Issuance of refunding bonds		4,075,000	
Premium on refunding bonds			
Payment to refunding bond escrow agent		(4,090,243)	
Transfers in	975,000	150,000	200,000
Transfers out	(150,000)		(299,879)
Total other financing sources (uses)	825,000	134,757	(99,879)
Net change in fund balances	2,386,250	26,534	(3,837,978)
Fund balances - beginning	11,463,391	24,383	8,514,100
Fund balances - ending	\$ 13,849,641	\$ 50,917	\$ 4,676,122

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

Other Governmental Funds	Total Governmental Funds
	\$ 12,383,927
104,514	9,346,675
	305,580
109,735	1,144,529
	810,512
	1,544,852
5,086	462,618
	1,148,778
	96,049
219,335	27,243,520
	3,943,304
129,280	12,956,594
	1,311,432
	2,591,089
22,500	385,733
	2,109,019
	1,024,941
	31,639
	48,331
	5,058,955
151,780	29,461,037
67,555	(2,217,517)
0	859,878
67,555	(1,357,639)
465,201	20,467,075
\$ 532,756	\$ 19,109,436

**REVENUES**

Taxes and special assessments:
Property
Other taxes and special assessments
Licenses and permits
Fines
Charges for services
Intergovernmental
Investment earnings
Contributions and donations
Miscellaneous
Total revenues

**EXPENDITURES**

Current:
General government
Public safety
Highways and streets
Culture and recreation
Economic development and assistance
Debt service:
Principal
Interest and fiscal charges
Tax collection fees
Bond issuance cost
Capital outlay
Total expenditures

Excess (deficiency) of revenues  
over (under) expenditures

**OTHER FINANCING SOURCES (USES)**

Capital leases
Issuance of certificates of obligation
Premium on certificates of obligation
4,075,000
Issuance of refunding bonds
Premium on refunding bonds
(4,090,243)
Payment to refunding bond escrow agent
Transfers in
1,325,000
Transfers out
(449,879)
Total other financing sources (uses)

Net change in fund balances

Fund balances - beginning

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**  
**SEPTEMBER 30, 2020**

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

Net change in fund balance - total governmental funds	\$ (1,357,639)
 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.	 5,656,263
 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.	 (2,910,924)
 The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, transfers, disposals, and donations) is to increase net position.	 (22,186)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	 (19,729)
 Compensated absences are accrued on the government-wide statement of net position, but do not require the use of current financial resources. The current period change in compensated absences is reported in the government-wide statement of activities and changes in net position. This is the net decrease in absences not reported as an expenditure in governmental funds.	 (37,000)
 Net pension obligation is accrued on the government-wide statement of net position, but does not require the use of current financial resources. The current period change in net pension obligation is reported in the government-wide statement of activities and changes in net position. This is an increase to net position of governmental funds.	 (159,710)
 The increase in the other post-employment benefit obligation ("OPEB") is not reported in the funds.	 (78,048)
 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.	 2,124,262
 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.	 (35,101)
 Accrued interest expense on long-term debt 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, accrued interest expense is not reported as an expenditure in governmental funds.	 21,868
 Change in net position of governmental activities	 <u><u>\$ 3,182,056</u></u>

**CITY OF HARKER HEIGHTS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and special assessments:				
Property	\$ 9,445,800	\$ 9,445,800	\$ 9,539,509	\$ 93,709
Other taxes and special assessments	8,371,600	8,371,600	9,242,161	870,561
Licenses and permits	416,000	416,000	305,580	(110,420)
Fines	950,000	950,000	1,034,794	84,794
Charges for services	990,000	990,000	810,512	(179,488)
Intergovernmental	97,800	97,800	1,542,839	1,445,039
Investment earnings	425,000	425,000	284,414	(140,586)
Contributions and donations	20,000	20,000	23,603	3,603
Miscellaneous	5,000	5,000	64,349	59,349
Total revenues	<u>20,721,200</u>	<u>20,721,200</u>	<u>22,847,761</u>	<u>2,126,561</u>
<b>EXPENDITURES</b>				
Current:				
General Government				
Council	210,100	210,100	131,253	78,847
Administration	1,888,400	1,888,400	1,889,710	(1,310)
Finance	705,500	705,500	600,682	104,818
Pet adoption center	934,000	934,000	821,644	112,356
Information technology	541,200	541,200	500,015	41,185
Public Safety:				
Police	6,663,700	6,663,700	6,438,981	224,719
Courts	1,046,100	1,046,100	888,752	157,348
Code enforcement	547,200	547,200	501,267	45,933
Fire/EMS	4,850,900	4,850,900	4,998,314	(147,414)
Highways and streets:				
Streets	1,217,400	1,217,400	1,034,838	182,562
Maintenance	265,300	265,300	276,594	(11,294)
Culture and recreation:				
Library	752,700	752,700	729,937	22,763
Activity center	280,900	280,900	275,807	5,093
Parks and recreation	1,961,900	1,961,900	1,585,345	376,555
Economic development and assistance	370,900	370,900	363,233	7,667
Debt Service:				
Principal	239,300	239,300	239,271	29
Interest and fiscal charges	10,900	10,900	10,868	32
Total expenditures	<u>22,486,400</u>	<u>22,486,400</u>	<u>21,286,511</u>	<u>1,199,889</u>

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

**CITY OF HARKER HEIGHTS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>(1,765,200)</u>	<u>(1,765,200)</u>	<u>1,561,250</u>	<u>3,326,450</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital leases				
Sale of capital asset proceeds				
Transfers in	890,000	890,000	975,000	85,000
Transfers out			<u>(150,000)</u>	<u>(150,000)</u>
Total other financing sources (uses)	<u>890,000</u>	<u>890,000</u>	<u>825,000</u>	<u>(65,000)</u>
Net change in fund balances	(875,200)	(875,200)	2,386,250	3,261,450
Fund balances - beginning	<u>11,463,391</u>	<u>11,463,391</u>	<u>11,463,391</u>	
Fund balances - ending	<u>\$ 10,588,191</u>	<u>\$ 10,588,191</u>	<u>\$ 13,849,641</u>	<u>\$ 3,261,450</u>

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

**CITY OF HARKER HEIGHTS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,396,875	\$ 80,439	\$ 6,676	\$ 1,483,990
Investments	820,789	76,836	26,061	923,686
Receivables (net of allowance for uncollectibles):				
Accounts	1,229,333	254,384	93,070	1,576,787
Due from other funds	30,235	853	3,142,943	3,174,031
Inventory of supplies, first-in, first-out cost	69,978			69,978
Restricted cash	47,608		4,709	52,317
Restricted investments	513,256		3,332	516,588
Total current assets	<u>4,108,074</u>	<u>412,512</u>	<u>3,276,791</u>	<u>7,797,377</u>
Long-term assets:				
Capital assets:				
Land and improvements	159,523		125,160	284,683
Buildings and lift stations	3,174,512			3,174,512
Furniture and fixtures	12,375			12,375
Machinery and equipment	2,344,525	40,730	283,554	2,668,809
Vehicles	713,219		95,604	808,823
Water, sewer and drainage system	53,412,588		6,281,354	59,693,942
Other improvements	1,144	23,728		24,872
Construction in progress	769,629		210,330	979,959
Less accumulated depreciation	<u>(17,377,584)</u>	<u>(52,686)</u>	<u>(1,230,874)</u>	<u>(18,661,144)</u>
Total capital assets (net of depreciation)	<u>43,209,931</u>	<u>11,772</u>	<u>5,765,128</u>	<u>48,986,831</u>
Total long-term assets	<u>43,209,931</u>	<u>11,772</u>	<u>5,765,128</u>	<u>48,986,831</u>
Total assets	<u>47,318,005</u>	<u>424,284</u>	<u>9,041,919</u>	<u>56,784,208</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amount on refunding debt	263,388			263,388
Deferred outflow related to pensions	93,692	5,491	10,395	109,578
Deferred outflow related to other post-employment benefits	18,729	1,003	1,277	21,009
Total deferred outflows of resources	<u>375,809</u>	<u>6,494</u>	<u>11,672</u>	<u>393,975</u>

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



**CITY OF HARKER HEIGHTS**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities				
Due to other funds	1,052,927	284,126	641,154	1,978,207
Refundable meter deposits	384,378			384,378
Accrued interest payable	58,223		15,737	73,960
Accrued compensated absences - current	35,000	2,000	6,000	43,000
Capital leases payable - current				
General obligation bonds - current	1,157,665		73,114	1,230,779
Certificates of obligation - current	440,000		165,000	605,000
Total current liabilities	<u>3,128,193</u>	<u>286,126</u>	<u>901,005</u>	<u>4,315,324</u>
Long-term liabilities:				
Accrued compensated absences	6,000	1,000	0	7,000
Net pension liability	491,955	9,120	102,354	603,429
Other post-employment supplemental death benefit obligation	36,902	1,728	5,843	44,473
Other post-employment benefit obligation	68,020	3,684	4,039	75,743
Capital leases payable				
General obligation bonds	7,479,805		153,592	7,633,397
Certificates of obligation (net of unamortized discounts and premiums)	5,989,688		3,518,895	9,508,583
Total long-term liabilities	<u>14,072,370</u>	<u>15,532</u>	<u>3,784,723</u>	<u>17,872,625</u>
Total liabilities	<u>17,200,563</u>	<u>301,658</u>	<u>4,685,728</u>	<u>22,187,949</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow related to pensions	117,973	8,894	2,684	129,551
Deferred inflow related to other post-employment benefits	9,497	1,729	7,246	18,472
Total deferred inflows of resources	<u>127,470</u>	<u>10,623</u>	<u>9,930</u>	<u>148,023</u>
<b>NET POSITION</b>				
Net investment in capital assets	28,699,824	11,772	4,349,202	33,060,798
Restricted for debt service	39,887		8,041	47,928
Unrestricted	1,626,070	106,725	690	1,733,485
Total net position	<u>\$ 30,365,781</u>	<u>\$ 118,497</u>	<u>\$ 4,357,933</u>	<u>\$ 34,842,211</u>

The notes to the financial statement 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, 2020**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 10,606,078	\$ 2,171,584	\$ 851,897	\$ 13,629,559
Franchise fees		196,922		196,922
Other	141	1,048	2,044	3,233
Total operating revenues	<u>10,606,219</u>	<u>2,369,554</u>	<u>853,941</u>	<u>13,829,714</u>
<b>OPERATING EXPENSES</b>				
Water purchases	3,008,972			3,008,972
Contractual services	405,093	1,976,594	5,188	2,386,875
Personnel services	1,537,818	51,999	123,676	1,713,493
Utilities and telephone	340,010	1,026		341,036
Repairs and maintenance	516,227	7,504	19,701	543,432
Supplies	145,715	629	4,342	150,686
Uncollectible accounts	82,446	15,249	5,944	103,639
Professional fees	61,918		400	62,318
Depreciation	1,262,319	4,281	111,217	1,377,817
Other	2,064	75	275	2,414
Total operating expenses	<u>7,362,582</u>	<u>2,057,357</u>	<u>270,743</u>	<u>9,690,682</u>
Operating income (loss)	<u>3,243,637</u>	<u>312,197</u>	<u>583,198</u>	<u>4,139,032</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	35,369	2,619	2,255	40,243
Interest expense	(531,596)		(126,171)	(657,767)
Bond issuance costs	(23,602)			(23,602)
Gain on sale of capital assets				
Loss on sale of capital assets	(1,201)			(1,201)
Total nonoperating revenues (expenses)	<u>(521,030)</u>	<u>2,619</u>	<u>(123,916)</u>	<u>(642,327)</u>
Income before transfers	2,722,607	314,816	459,282	3,496,705
Transfers in	283,520		16,359	299,879
Transfers out	(600,000)	(250,000)	(325,000)	(1,175,000)
Change in net position	2,406,127	64,816	150,641	2,621,584
Net position, beginning	<u>27,959,654</u>	<u>53,681</u>	<u>4,207,292</u>	<u>32,220,627</u>
Net position, ending	<u>\$ 30,365,781</u>	<u>\$ 118,497</u>	<u>\$ 4,357,933</u>	<u>\$ 34,842,211</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 FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 10,780,631	\$ 2,138,465	\$ 848,907	\$ 13,768,003
Cash payments to suppliers	(4,508,746)	(2,027,985)	16,940	(6,519,791)
Cash payments to employees	(1,507,501)	(52,208)	(115,982)	(1,675,691)
Franchise fees		196,922		196,922
Other operating cash receipts (payments)	(778,933)	1,010	1,876	(776,047)
Net cash provided by operating activities	<u>3,985,451</u>	<u>256,204</u>	<u>751,741</u>	<u>4,993,396</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	283,520		16,359	299,879
Transfers out	(600,000)	(250,000)	(325,000)	(1,175,000)
Net cash provided (used) by noncapital financing activities	<u>(316,480)</u>	<u>(250,000)</u>	<u>(308,641)</u>	<u>(875,121)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(504,451)		(104,799)	(609,250)
Proceeds from issuance of debt	1,929,654			1,929,654
Principal repayments	(3,444,243)		(206,010)	(3,650,253)
Interest paid on long-term debt	(507,464)		(132,968)	(640,432)
Net cash provided (used) by capital and related financing activities	<u>(2,526,504)</u>		<u>(443,777)</u>	<u>(2,970,281)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	527,742			527,742
Purchase of investments	(1,370,052)	(75,834)	(25,670)	(1,471,556)
Interest and penalties received	35,369	2,619	2,255	40,243
Net cash provided (used) by investing activities	<u>(806,941)</u>	<u>(73,215)</u>	<u>(23,415)</u>	<u>(903,571)</u>
Net increase (decrease) in cash	335,526	(67,011)	(24,092)	244,423
Cash, beginning	<u>1,108,957</u>	<u>147,450</u>	<u>35,477</u>	<u>1,291,884</u>
Cash, ending	<u>\$ 1,444,483</u>	<u>\$ 80,439</u>	<u>\$ 11,385</u>	<u>\$ 1,536,307</u>
<b>RECONCILIATION OF CASH</b>				
Cash	1,396,875	80,439	6,676	1,483,990
Restricted cash	47,608		4,709	52,317
Total cash	<u>\$ 1,444,483</u>	<u>\$ 80,439</u>	<u>\$ 11,385</u>	<u>\$ 1,536,307</u>

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

**CITY OF HARKER HEIGHTS**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 3,243,637	\$ 312,197	\$ 583,198	\$ 4,139,032
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,262,319	4,281	111,217	1,377,817
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	152,709	(17,870)	(2,715)	132,124
(Increase) decrease in deferred outflow in net pension obligation	113,030	3,254	29,343	145,627
(Increase) decrease in deferred inflow in net pension obligation	100,824	8,235	(384)	108,675
Increase (decrease) in net pension obligation	(201,632)	(12,167)	(21,901)	(235,700)
(Increase) decrease in deferred outflow in other post-employment benefit obligation	(4,478)	(136)	182	(4,432)
(Increase) decrease in deferred inflow in other post-employment benefit obligation	4,380	1,430	6,521	12,331
Increase in allowance for doubtful account				0
(Increase) decrease in inventory	53,699			53,699
Increase (decreases) in accounts payable and accrued liabilities				
Increase (decrease) in refundable meter deposits	21,844			21,844
(Increase) decrease in due from other funds	6,092,746	(38)	(168)	6,092,540
Increase (decrease) in due to other funds	(6,871,820)	(42,157)	52,515	(6,861,462)
Increase (decrease) in compensated absences	14,000		(1,000)	13,000
Increase (decrease) in other post-employment supplemental death benefit obligation	7,123	417	772	8,312
Increase (decrease) in other post-employment benefit obligation	(2,930)	(1,242)	(5,839)	(10,011)
Total adjustments	<u>741,814</u>	<u>(55,993)</u>	<u>168,543</u>	<u>854,364</u>
Net cash provided by (used for) operating activities	<u>\$ 3,985,451</u>	<u>\$ 256,204</u>	<u>\$ 751,741</u>	<u>\$ 4,993,396</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>				
Decrease in fair value of investments				
Gain on sale of capital assets	\$ 1,201			\$ 1,201
Loss on sale of capital assets				
Amortization of deferred amount on advanced refunding of certificates of obligation	56,679			56,679
Amortization of bond premium	80,586		5,730	86,316
Amortization of bond discount	1,419			1,419
Total noncash investing, capital and financing activities	<u>\$ 139,885</u>	<u></u>	<u>\$ 5,730</u>	<u>\$ 145,615</u>

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

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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 more significant of the government’s accounting and reporting policies are described below.

**A. Reporting Entity and Component Units**

The City of Harker Heights, Texas, a municipal corporation in Bell County, Texas, 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 and sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. 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 of Harker Heights. The criteria for including organizations as component units within the City’s reporting entity 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.



**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (continued)**

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.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 revenue to be available if they are collected within 60 days of the end of the fiscal year. 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.

Property taxes, 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 state at year-end on behalf of the City are also recognized as revenue. 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 on 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, then unrestricted resources as they are needed.

The following major funds are used by the City:

1. *Governmental Funds*

The focus of governmental fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in other funds.
- b. The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest, and related costs on long-term general obligation debt of governmental funds paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts are restricted exclusively for debt service expenditures.
- c. The Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects other than those financed by proprietary or trust funds.
- d. Other Governmental Funds is a summarization of all the non-major governmental funds.

2. *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, cost incurred and / or net income is necessary for management accountability. Enterprise funds include the following funds:

- a. The Water and Sewer Fund account for the distribution of treated water and the collection and treatment of sewage activities. Activities of the fund 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 if necessary, to ensure integrity of the Fund.
- b. The Sanitation Fund accounts for the collection and disposal of garbage activities. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.
- c. The Drainage Utility Fund accounts for the receipt of storm water utility fees for construction, operations, and maintenance of the City's storm water drainage system.

D. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 governing council. The legal level of budgetary control is the department level. The budget was approved September 10, 2019.

All annual appropriations lapse at fiscal year-end even if they have related encumbrances except for encumbrances in the capital projects fund. The capital projects fund is budgeted in a multi-year manner and therefore, its encumbrances (i.e., purchase orders, contracts, and commitments related to goods or services) 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 reestablished by the responsible department in the next fiscal year.

E. Cash and Investments

Cash includes cash on hand, amounts in demand deposits and money market fund deposits.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Cash and Investments (continued)**

The City is authorized to make investments in accordance with the “Public Funds Investment Act of 1987”. The City is also authorized by the Interlocal Cooperation Act, Articles 4413(32c) and 4413(34c), Vernon’s Texas Civil Statutes, as amended, to invest in shares of a public fund investment pool. The City’s investment policy authorized certain investments that may be purchased by the City.

A detail listing of authorized investments is included in Part IV, Note A titled “Deposits and Investments”.

The City adopted GASB Statement No. 31 “Accounting and Financial Reporting for Certain Investments and for External Investment Pools” during the year ended September 30, 1998. Under GASB Statement No. 31, investments are reported at their fair value based on 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 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 term “short-term” refers to investments that have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

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

The City has implemented GASB Statement No. 40 entitled “Deposit and Investment Risk Disclosures”. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk as well as modifying custodial credit risk disclosures.

**F. 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 non-routine 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 statements of activities and as capital contributions in the proprietary fund operating statements.

All service receivables are shown net of an allowance for uncollectibles. Service accounts receivable in excess of 90 days comprise the service accounts receivable allowance with the exception of ambulance receivable, which is 120 days. Property tax receivable allowance is equal to 65% of outstanding property taxes at the end of the fiscal year.

**G. Inventories**

Inventories are valued at cost, which approximates market, using the first-in / first-out (“FIFO”) method. Proprietary Fund type inventories are recorded as expenses when consumed rather than when purchased.

**H. Restricted Assets**

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

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Capital Assets**

Capital assets (i.e., land, buildings, equipment, improvements other than buildings, which includes the City’s infrastructure, and construction in progress) of all funds are stated at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The City has implemented GASB Statement No. 89 entitled “Accounting for Interest Cost Incurred Before the End of a Construction Period”. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic measurement focus. As a result of this recognition, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

Machinery and equipment	3 – 12 years
Buildings	20 – 50 years
Improvements other than buildings	20 – 60 years
Infrastructure	20 – 60 years

**J. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (“TMRS”) and additions 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.

**K. Deferred Outflows of Resources**

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. Deferred outflows of resources reported in this year’s financial statements include (1) a deferred amount on refunding debt, (2) a deferred outflow relating to pensions, (3) a deferred outflow related to other post-employment benefits (“OPEB”), and (4) deferred outflows related to the City’s single-employer defined benefit fund.

The deferred amount from the bond refunding is amortized over the remaining life of the refunding bond as part of interest expense. The deferred amounts related to pension, OPEB, and the City’s single-employer defined benefit fund relate to the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension, OPEB, and single-employer defined benefit fund.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L. Deferred Inflows of Resources

The City's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the City's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense and deferred inflows related to other post-employment benefits (OPEB). This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and grants are reported in the governmental funds balance sheet.

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave, which is not vested. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Typically, the General Fund has been used in prior years to liquidate such amounts in the governmental funds.

N. Net Position

For government-wide reporting as well as in proprietary funds on the statements of net position, 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:

1. Net investment in capital assets – Capital assets net of accumulated depreciation / amortization and reduced further by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows / inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
2. Restricted – Restricted assets minus the liabilities and deferred inflows or resources related to those assets.
3. Unrestricted – Total of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of the two other 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.

O. Fund Balance Classifications

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources on the governmental fund balance sheets are organized into the following fund balance classifications:

1. Nonspendable – Not in a spendable form, such as inventory, or required to be maintained intact such as the principal of a permanent fund. As of September 30, 2020, the City did not have any nonspendable fund balances.
2. Restricted – Resources that are subject to constraints that are either imposed by law through constitutional provisions or enabling legislation, or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. As of September 30, 2020, the City had restricted funds for economic development, public safety, pet adoption center, debt service, and cemetery.
3. Committed – Amounts that can only be used for specific purposes determined by formal approval of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it used to commit the amounts. As of September 30, 2020, the City had committed funds for capital improvement projects.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Fund Balance Classifications (continued)

4. Assigned – Amounts that the City intends to use for a specific purpose and are neither restricted nor committed to do so. The intent to assign amounts for a specific purpose shall be expressed by the City Council. As of September 30, 2020, the City had assigned funds for culture and recreation and capital improvement projects.
5. Unassigned – This is the residual classification for the general fund balance, including amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

When the City incurs an expense for which it 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.

P. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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.

Q. Revenues and Expenditures / Expenses

1. *Program revenues*

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 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, 2020 was \$0.6770 per \$100 valuation.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Revenues and Expenditures / Expenses (continued)**

*3. Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are usually the result from providing services and producing and delivering goods in connection with their principal ongoing operation. 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 services, administrative expenses, and depreciation on capital assets. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**R. New Accounting Pronouncements**

The Governmental Accounting Standards Board (“GASB”) has issued the following statements:

1. Statement No. 83, “Certain Asset Retirement Obligations.” The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.
2. Statement No. 84, “Fiduciary Activities.” The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
3. Statement No. 87, “Leases.” The requirements of this Statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
4. Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.
5. Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period.” The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.
6. Statement No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.” The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
7. Statement No. 91, “Conduit Debt Obligations.” The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.
8. Implementation Guide No. 2018-1, “Implementation Guidance Update – 2018.” The requirements of the Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2020.
9. Implementation Guide No. 2019-1, “Implementation Guidance Update – 2019.” The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2021.
10. Implementation Guide No. 2019-2, “Fiduciary Activities.” The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends December 31, 2020.
11. Implementation Guide No. 2019-3, “Leases.” The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$40,453,172 difference are as follows:

Certificates of obligation	\$ 19,365,000
Less: issuance discount (to be amortized as interest expense)	(24,315)
General obligation refunding	10,575,824
Plus: premium on issuance	464,673
Less: deferred charge for advanced refunding costs (to be amortized as interest expense)	(215,737)
Accrued interest payable	114,616
Capital leases payable	198,000
Compensated absences	896,000
Net pension obligation	7,873,463
Other post-employment supplemental death benefit obligation	572,846
Other post-employment benefit obligation	632,802
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$ 40,453,172

Another element of this reconciliation explains the “deferred outflows and deferred inflows as related to pension and post-employment benefit obligations”. The details of this \$(212,401) difference are as follows:

Deferred outflows related to pension	\$ 1,502,168
Deferred outflows related to post-employment benefit obligation	107,049
Deferred outflows related to post-employment supplemental death benefit obligation	107,899
Deferred inflows related to pension	(1,732,483)
Deferred inflows related to post-employment benefit obligation	(147,483)
Deferred inflows related to post-employment supplemental death benefit obligation	(49,551)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$ (212,401)



**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that “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”. The details of this \$2,124,262 difference are as follows:

Current Year Issuance:	
Certificates of obligation (net of discount)	\$ (4,075,000)
Capital leases	
Bond premium	_____
Principal repayments:	
Payments to be refunded	4,090,244
Certificates of obligation	855,000
General obligation refunding	1,014,747
Capital leases	239,271
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 2,124,262

Another element of that reconciliation state that “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”. The details of this \$(35,101) difference are as follows:

Amortization of bond discounts	\$ (2,847)
Amortization of bond premium	115,943
Amoritzation of advanced refunding costs	(72,953)
Other interest costs	(75,244)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (35,101)

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**IV. DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

Chapter 2256 of the Texas Government Code (the “Public Funds Investment Act”) authorizes the City of Harker Heights to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City’s deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. 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 that they meet the guidelines of the investment policy:

1. A certificate of deposit or share certificate that is guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Share Insurance Fund through a depository institution that has its main office or a branch office in the State of Texas.
2. A certificate of deposit or share certificate that is invested through a broker that has its main office or branch office in the State of Texas, is on the list of broker / dealers adopted by the City Council, and who utilizes a federally insured depository institution for the account of the City.
3. Interest bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Share Insurance Fund.
4. Interest bearing banking deposits, other than those listed above, which are invested through a broker or depository institution that has its main office or a branch office in the State of Texas.
5. Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256-016-2256-019) if the City Council by resolution authorized investment in that particular pool. An investment pool shall invest the funds it receives from the City in authorized investments permitted by the Public Funds Investment Act.
6. Obligations, including letters of credit, of the United States or its agencies and instrumentalities including the Federal Home Loan Banks.
7. Direct obligations of the United States Government of the State of Texas or their respective agencies and instrumentalities, which have a final maturity date of two years or less from the date of purchase.
8. Obligations of the Government National Mortgage Association (“GNMA”), Federal National Mortgage Association (“FNMA”), Federal Home Loan Bank (“FHLB”), Federal Farm Credit Bank (“FFCB”), Tennessee Valley Authority (“TVA”), or the Federal Home Loan Mortgage Corporation (“FHLMC”), which have a final maturity date of two years or less from the date of purchase and do not exceed 50% of the portfolio.
9. 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.
10. 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.

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

The City has invested in certificates of deposit at local banking institutions as well as through a broker / dealer. Investments made through an authorized broker / dealer 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 of deposit at local institutions are included with bank balances in determining collateral requirements. See deposit section for further discussion.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Deposits and Investments (continued)

The City has invested in TexSTAR, an interlocal governmental investment pool. TexSTAR operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexSTAR is the same as the value of the TexSTAR shares.

The City has invested in Texas Class, which enables local governments to pool funds with other units of government. Texas Class is administered by Public Trust Advisors. Texas Class uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in Texas Class is the same as the value of the Texas Class shares.

The City has invested in Lone Star Investment Pool, a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star Investment Pool's Government Overnight Fund uses a dollar weighted average maturity of 60 days or fewer and the net asset value of the shares invested are expected to maintain a net asset value of approximately \$1.00. The net asset value of the shares invested in the fund is determined daily to ensure that the fair value of the Fund's assets is maintained at one dollar.

The City does not own specific, identifiable investments with TexSTAR, Texas Class, or Lone Star Investment Pool. The City considers the holdings in these pools to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

**Deposits** – Custodial credit risk for deposits is the risk in the event of a bank failure, 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. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. The City's deposits, including certificates of deposit, were fully insured or collateralized with securities held by the City or its agent in the City's name or by the pledging financial institution's trust department or agent in the City's name at September 30, 2020.

At September 30, 2020, the carrying amount of the City's bank deposits was \$7,616,255, and the respective bank balances totaled \$7,684,445. Of the bank balances, \$500,000 was covered by federal depository insurance. Collateral for the bank balances and certificates of deposit balances over the federal depository insurance amount consisted of securities with a fair value of \$20,461,671 at September 30, 2020.

**Investments** – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment policy requires that securities be insured and registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the City's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy provides that, to the extent practicable, investments are marched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. In accordance with its investment policy, the City manages its interest rate risk by limiting the maturity of its investment portfolio to two years or less. Also, the City may not invest more than 20% of the investment portfolio for a period greater than one year. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy requires multiple broker / dealers for its investment portfolio. The City may not invest more than 50% of the portfolio in one agency.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Deposits and Investments (continued)

The following table displays the portfolio balances of all investment types of the City at September 30, 2020.

	Fair Value/Carrying Value			Cost	Weighted Average Days to Maturity <sup>(1)</sup>
	Governmental Activities	Business- type Activities	Total		
Investments:					
Certificates of deposit	\$ 10,085,265	\$ 1,157,706	\$ 11,242,971	\$ 11,242,971	175
Local government investment pools					
TexSTAR	454,908	176,024	630,932	630,932	105
Texas Class	3,198,179	93,783	3,291,962	3,291,962	89
Lone Star Investment Pool	819,076	12,761	831,837	831,837	105
Total local government investment pools	4,472,163	282,568	4,754,731	4,754,731	
Total Investments	\$ 14,557,428	\$ 1,440,274	\$ 15,997,702	\$ 15,997,702	

<sup>(1)</sup> Interest rate risk is estimated using weighted average days to maturity.

The City measures and records its investments using fair values measurement guidelines established by generally accepted accounting principles (“GAAP”). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets
  - Valued using prices quoted in active markets for those securities
- Level 2: Observable inputs other than those in Level 1
  - Debt securities are normally valued based on price data obtained from broker dealers and / or pricing vendors; equity securities are valued using fair value per share for each fund, and certificates of deposit are 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

At September 30, 2020, the City had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Certificates of deposit				
Negotiable	\$ 1,633,000			\$ 1,633,000
Non-negotiable		9,609,971		9,609,971
Total certificates of deposit	1,633,000	9,609,971		11,242,971
Total Investments	\$ 1,633,000	\$ 9,609,971		\$ 11,242,971

Credit risk is the risk that an issue or other counterparty will not fulfill its obligations. Such risk shall be controlled by investing in compliance with the City’s investment policy, qualifying the broker and financial institution with whom the City will transact, portfolio diversification, and limiting maturity.

As of September 30, 2020, the investment pools used by the City of Harker Heights’ were rated by Standard & Poor’s as follows: (1) TexSTAR – AAAM, (2) Texas Class – AAAM, and (3) Lone Star – AAA.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Deposits and Investments (continued)

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

Cash on hand	\$	1,748
Carrying amount of deposits		7,616,255
Carrying amount of investments		15,997,702
<b>Total Cash and Investments</b>	<b>\$</b>	<b><u>23,615,705</u></b>
Cash	\$	6,778,317
Cash - restricted		839,686
Investments		
Short-Term		12,407,586
Long-Term		
Investments - restricted		
Short-Term		3,590,116
Long-Term		
<b>Total Cash and Investments</b>	<b>\$</b>	<b><u>23,615,705</u></b>

B. Receivables

Receivables at September 30, 2020, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Hotel / Motel</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Drainage Utility</u>	<u>Total</u>
Receivables:								
Taxes	\$ 183,503		\$ 55,029					\$ 238,532
Accounts	2,062,250	3,404		12,599	1,322,333	271,384	99,070	3,771,040
Special								
assessments	16,212				17,657			33,869
Intergovernmental	1,072,255		5,307					1,077,562
Gross receivables	3,334,220	3,404	60,336	12,599	1,339,990	271,384	99,070	5,121,003
Less:								
Allowance for uncollectibles	1,450,015		36,000		110,657	17,000	6,000	1,619,672
Net total receivables	<u>\$ 1,884,205</u>	<u>\$ 3,404</u>	<u>\$ 24,336</u>	<u>\$ 12,599</u>	<u>\$ 1,229,333</u>	<u>\$ 254,384</u>	<u>\$ 93,070</u>	<u>\$ 3,501,331</u>

The intergovernmental amount of \$1,072,255 in the General Fund is for the reimbursable expenses incurred for the Coronavirus Relief Fund grant during the 2020 fiscal year which is expected to be received within the next year.

The enterprise funds (water and sewer, sanitation, and drainage utility) allowance for uncollectibles total is \$133,657 and is related to charges for services.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance 10/01/2019	Increases	Transfers and Decreases	Balance 09/30/2020
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,693,112	\$ 21,930		\$ 15,715,042
Construction in progress	1,349,318	5,058,955	(3,250,700)	3,157,573
Total capital assets, not being depreciated	17,042,430	5,080,885	(3,250,700)	18,872,615
Capital Assets, being depreciated:				
Buildings	22,206,409	452,574		22,658,983
Improvements other than buildings	233,632	19,779		253,411
Machinery and equipment	6,659,246	277,175	(39,729)	6,896,692
Vehicles	5,757,963	353,925	(33,235)	6,078,653
Furniture and fixtures	1,139,250			1,139,250
Street and drainage improvements	40,203,944	2,722,625		42,926,569
Total capital assets, being depreciated	76,200,444	3,826,078	(72,964)	79,953,558
Less accumulated depreciation for:				
Buildings	(9,375,837)	(1,093,992)		(10,469,829)
Improvements other than buildings	(110,067)	(18,160)		(128,227)
Machinery and equipment	(5,384,311)	(447,364)	17,543	(5,814,132)
Vehicles	(4,149,263)	(490,245)	33,235	(4,606,273)
Furniture and fixtures	(945,796)	(53,242)		(999,038)
Street and drainage improvements	(7,783,570)	(807,921)		(8,591,491)
Total accumulated depreciation	(27,748,844)	(2,910,924)	50,778	(30,608,990)
Total capital assets, being depreciated, net	48,451,600	915,154	(22,186)	49,344,568
Governmental activities capital assets, net	\$ 65,494,030	\$ 5,996,039	\$ (3,272,886)	\$ 68,217,183
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 284,683			\$ 284,683
Construction in progress	1,070,300	504,128	(594,470)	979,958
Total capital assets, not being depreciated	1,354,983	504,128	(594,470)	1,264,641
Capital assets, being depreciated:				
Buildings and lift stations	3,150,949	23,562		3,174,511
Improvements other than buildings	24,872			24,872
Machinery and equipment	2,624,991	57,900	(14,083)	2,668,808
Vehicles	772,235	36,589		808,824
Furniture and fixtures	12,375			12,375
Water, sewer, and drainage systems	59,099,472	594,470		59,693,942
Total capital assets, being depreciated	65,684,894	712,521	(14,083)	66,383,332
Less accumulated depreciation for:				
Buildings and lift stations	(1,734,291)	(70,172)		(1,804,463)
Improvements other than buildings	(24,872)			(24,872)
Machinery and equipment	(1,704,851)	(285,402)	12,882	(1,977,371)
Vehicles	(626,269)	(33,664)		(659,933)
Furniture and fixtures	(12,375)			(12,375)
Water, sewer, and drainage systems	(13,193,549)	(988,579)		(14,182,128)
Total accumulated depreciation	(17,296,207)	(1,377,817)	12,882	(18,661,142)
Total capital assets, being depreciated, net	48,388,687	(665,296)	(1,201)	47,722,190
Business-type activities capital assets, net	\$ 49,743,670	\$ (161,168)	\$ (595,671)	\$ 48,986,831

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Capital Assets (continued)

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

Governmental Activities:		
General government	\$	574,380
Public safety		1,016,208
Highways and streets, including depreciation of infrastructure		893,986
Culture and recreation		418,804
Economic development and assistance		7,546
Total depreciation expense - governmental activities	\$	<u>2,910,924</u>
Business-type Activities:		
Water, sewer, drainage, and sanitation	\$	1,377,817
Total depreciation expense - business-type activities	\$	<u>1,377,817</u>

Effective October 1, 2009, the City implemented GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires that all intangible assets be classified as capital assets. Many of the intangible assets are easements and rights-of-way. The procedure was already in place to capitalize any intangible asset purchased. No restatements were necessary due to the indefinite life of the intangible assets.

D. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 369,043
	Drainage Utility Fund	2,564
	Sanitation Fund	283,273
	Capital Projects Fund	8,332
	Debt Service Fund	20,024
Drainage Utility Fund	Capital Projects Fund	2,504,351
Capital Projects Fund	Water and Sewer Fund	653,649
Restricted Court Funds	General Fund	687
Total		<u>\$ 3,841,923</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 Drainage Fund receivable represents the outstanding amount for capital projects pending completion funded through the issuance of the 2018 Certificates of Obligation.

Transfers between funds during the year ended September 30, 2020, were as follows:

Transfer In Fund	Transfer Out Fund	Amount
General Fund	Water and Sewer Fund	\$ 500,000
	Sanitation Fund	250,000
	Drainage Utility Fund	225,000
Water and Sewer Fund	Capital Projects Fund	283,520
Drainage Utility Fund	Capital Projects Fund	16,359
Capital Projects Fund	Water and Sewer Fund	100,000
	Drainage Utility Fund	100,000
Debt Service Fund	General Fund	150,000
Total		<u>\$ 1,624,879</u>

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

D. Interfund Transactions (continued)

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. Transfers to the Debt Service Fund are used to assist in covering debt payments.

E. Leases

1. Noncancellable Operating Leases

Rental expenditures during the fiscal year ended September 30, 2020, including equipment rentals not covered under noncancellable leases, were \$89,941.

2. Capital Leases

The City entered into a lease agreement as lessee for financing the acquisition of COBAN equipment for the police and court departments during fiscal year 2017 – 2018. Prior lease agreements that have been completed include five copiers, two fire trucks, an ambulance, computers, computer servers, and a sewer cleaner truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Machinery and equipment	\$ 1,080,383	\$ 3,421
Vehicles	1,014,072	248,673
Less: accumulated depreciation	(1,324,943)	(251,985)
Total:	\$ 769,512	\$ 109

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020 were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	Total
2021	\$ 104,644		\$ 104,644
2022	101,822		101,822
2023			
Total minimum lease payments	206,466		206,466
Less: amount representing interest	(8,466)		(8,466)
Present value of minimum lease payments	\$ 198,000		\$ 198,000



**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt

At September 30, 2020, long-term debt of the City consists of the following:

Certificates of Obligation:	<u>Governmental</u>	<u>Business-type</u>
<p>Combination tax and utility system revenue certificates of obligation, Series 2004, to be used for the cost of water and sewer system improvements and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$2,000,000. The certificates bear interest at 4.837% per annum through August 15, 2024. Principal is payable in annual installments of \$125,000 to \$180,000 through August 15, 2024.</p>		650,000
<p>Combination tax and utility system revenue certificates of obligation, Series 2005, to be used for the cost of construction of a police department building, library/community center building, senior citizens building, recreation center, and including land relating thereto, and the cost of related professional services. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$1,000,000. The certificates bear interest at 4.55% per annum through February 15, 2025. Principal is payable in annual installments of \$60,000 to \$75,000 through February 15, 2025.</p>	350,000	
<p>Combination tax and utility system revenue certificates of obligation, Series 2008, to be used for improvements to streets and bridges, renovation and construction of a City building, construction or improvement of a City athletic complex and City parks, and acquisition of land for any of the above named purposes. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$6,000,000. The certificates bear interest at 4.19% per annum through August 15, 2028. Principal is payable in annual installments of \$330,000 to \$475,000 through August 15, 2028.</p>	3,315,000	

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

	<u>Governmental</u>	<u>Business-type</u>
<p>Combination tax and utility system revenue certificates of obligation, Series 2008, to be used for the extension and improvements to the water and sewer system and the acquisition of land for the above named purpose. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$2,000,000. The certificates bear interest at 4.19% per annum through August 15, 2028. Principal is payable in annual installments of \$95,000 to \$155,000 through August 15, 2028.</p>		1,040,000
<p>Combination tax and utility system revenue certificates of obligation, Series 2008, to be used for the improvements to the drainage system and the acquisition of land for the above named purpose. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$1,500,000. The certificates bear interest at 4.19% per annum through August 15, 2028. Principal is payable in annual installments of \$75,000 to \$110,000 through August 15, 2028.</p>		750,000
<p>Combination tax and utility system revenue certificates of obligation, Series 2014, to be used for the cost of improvements to the City's water system improvements, including new construction, relocation, repairs, and maintenance of City water lines and repairs or improvements to pump station(s); sewer system improvements, including construction of new sewer lines, repairs and improvements to lift stations, and purchase and installation of new controls and data systems for the City sewer system; expansion, improvements, and reconstruction to streets and roads; expansion and renovations to City Hall; improvements, construction, and equipment for city park projects; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$6,000,000. The certificates bear interest at 1.750% to 4.00% per annum through August 15, 2034. Principal is payable in annual installments of \$245,000 to \$455,000 through August 15, 2034.</p>	4,915,000	

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

	<u>Governmental</u>	<u>Business-type</u>
<p>Combination tax and utility system revenue certificates of obligation, Series 2014, to be used for the cost of improvements to the City's water system improvements, including new construction, relocation, repairs, and maintenance of City water lines and repairs or improvements to pump station(s); sewer system improvements, including construction of new sewer lines, repairs and improvements to lift stations, and purchase and installation of new controls and data systems for the City sewer system; expansion, improvements, and reconstruction to streets and roads; expansion and renovations to City Hall; improvements, construction, and equipment for city park projects; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$3,000,000. The certificates bear interest at 1.750% to 4.00% per annum through August 15, 2034. Principal is payable in annual installments of \$115,000 to \$215,000 through August 15, 2034.</p>		2,345,000
<p>Combination tax and utility system revenue certificates of obligation, Series 2017, to be used for the cost of improvements to the City's water and sewer system rehabilitation and improvements; renovation, construction of additions, or new construction to City buildings, including but not limited to City fire station and pet adoption center; miscellaneous improvements to City parks; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$5,000,000. The certificates bear interest at 2.850% to 4.00% per annum through August 15, 2037. Principal is payable in annual installments of \$215,000 to \$360,000 through August 15, 2037.</p>	4,930,000	

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

	<u>Governmental</u>	<u>Business-type</u>
<p>Combination tax and utility system revenue certificates of obligation, Series 2017, to be used for the cost of improvements to the City's water and sewer system rehabilitation and improvements; renovation, construction of additions, or new construction to City buildings, including but not limited to City fire station and pet adoption center; miscellaneous improvements to City parks; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$1,000,000. The certificates bear interest at 2.850% to 4.00% per annum through August 15, 2037. Principal is payable in annual installments of \$45,000 to \$70,000 through August 15, 2037.</p>		985,000
<p>Combination tax and utility system revenue certificates of obligation, Series 2018, to be used for all or any part of the cost of street reconstruction and improvements and drainage improvements; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$3,000,000. The certificates bear interest at 3.00% to 3.125% per annum through August 15, 2038. Principal is payable in annual installments of \$75,000 to \$230,000 through August 15, 2038.</p>	2,855,000	
<p>Combination tax and utility system revenue certificates of obligation, Series 2018, to be used for all or any part of the cost of street reconstruction and improvements and drainage improvements; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$3,000,000. The certificates bear interest at 3.00% to 3.125% per annum through August 15, 2038. Principal is payable in annual installments of \$35,000 to \$210,000 through August 15, 2038.</p>		2,905,000

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

	<u>Governmental</u>	<u>Business-type</u>
<p>Combination tax and utility system revenue certificates of obligation, Series 2019, to be used for all or any part of the cost of street reconstruction and improvements; drainage facilities, improvements to City buildings, and water and wastewater improvements including but not limited to fire station renovation and expansion, street intersection and traffic light at Cedar Knob &amp; FM 3481, street turn lane at Fuller Lane along FM 3481, waterline replacement and upgrade along Rattlesnake Road, installation of wastewater interceptor line on Warrior's Path Road; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$4,000,000 which includes \$3,000,000 for governmental activities and \$1,000,000 for business type activities. The certificates bear interest at 3.00% to 3.50% per annum through August 15, 2039. Principal is payable in annual installments of \$210,000 to \$300,000 through August 15, 2039.</p>	3,000,000	
<p>Combination tax and utility system revenue certificates of obligation, Series 2019, to be used for all or any part of the cost of street reconstruction and improvements; drainage facilities, improvements to City buildings, and water and wastewater improvements including but not limited to fire station renovation and expansion, street intersection and traffic light at Cedar Knob &amp; FM 3481, street turn lane at Fuller Lane along FM 3481, waterline replacement and upgrade along Rattlesnake Road, installation of wastewater interceptor line on Warrior's Path Road; and the cost of professional services incurred in connection therewith. The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all taxable property in the City and from net revenues of the system. The certificates are additionally secured by a pledge of the net revenues of the system. The original principal balance was \$4,000,000 which includes \$3,000,000 for governmental activities and \$1,000,000 for business type activities. The certificates bear interest at 3.00% to 3.50% per annum through August 15, 2039. Principal is payable in annual installments of \$210,000 to \$300,000 through August 15, 2039.</p>		1,000,000
Total certificates of obligation	19,365,000	9,675,000
Plus: Net unamortized issuance premium (discount)	440,358	438,583
Total certificates of obligation, net	19,805,358	10,113,583

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

General Obligation Bonds Payable:	<u>Governmental</u>	<u>Business-type</u>
<p>General Obligation Refunding Bonds, Series 2012, to be used to advance refund a portion of the City’s outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2003 and General Obligation Refunding Bonds Series 1999 and Series 2003A. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance across all funds was \$6,250,000. The bonds bear interest at 3.00% payable in annual installments of \$307,905 to \$350,538 through August 15, 2023.</p>	1,020,824	
<p>General Obligation Refunding Bonds, Series 2012, to be used to advance refund a portion of the City’s outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2003 and General Obligation Refunding Bonds Series 1999 and Series 2003A. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance across all funds was \$6,250,000. The bonds bear interest at 3.00% payable in annual installments of \$273,715 to \$311,614 through August 15, 2023.</p>		907,470
<p>General Obligation Refunding Bonds, Series 2012, to be used to advance refund a portion of the City’s outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2003 and General Obligation Refunding Bonds Series 1999 and Series 2003A. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance across all funds was \$6,250,000. The bonds bear interest at 3.00% payable in annual installments of \$68,380 to \$77,848 through August 15, 2023.</p>		226,706
<p>General Refunding Bonds, Series 2013, to be used to advance refund a portion of the City’s outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2003 and General Obligation Refunding Bonds Series 2003A. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$1,460,000. The bonds bear interest at 2.00% payable in annual installments of \$50,000 to \$55,000 through August 15, 2023.</p>	165,000	
<p>General Refunding Bonds, Series 2013, to be used to advance refund a portion of the City’s outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2003 and General Obligation Refunding Bonds Series 2003A. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$1,460,000. The bonds bear interest at 2.00% payable in annual installments of \$120,000 to \$125,000 through August 15, 2023.</p>		375,000

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

	<u>Governmental</u>	<u>Business-type</u>
General Refunding Bonds, Series 2015, to be used to advance refund a portion of the City's outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2006. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$8,400,000. The bonds bear interest between 3.00% and 4.00% payable in annual installments of \$530,000 to \$845,000 through August 15, 2027.	5,315,000	
General Refunding Bonds, Series 2015, to be used to advance refund a portion of the City's outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2006. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$8,400,000. The bonds bear interest between 3.00% and 4.00% payable in annual installments of \$230,000 to \$370,000 through August 15, 2027.		2,325,000
General Refunding Bonds, Series 2016, to be used to advance refund a portion of the City's outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2006 and a portion of the City's outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2009. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$6,620,000. The bonds bear interest between 2.00% and 4.00% payable in annual installments of \$280,000 to \$555,000 through August 15, 2029.		3,040,000
General Refunding Bonds, Series 2020, to be used to advance refund a portion of the City's outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2011. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$6,065,000. The bonds bear interest of 1.19% payable in annual installments of \$160,000 to \$470,000 through August 15, 2031.	4,075,000	
General Refunding Bonds, Series 2020, to be used to advance refund a portion of the City's outstanding Combination Tax and Utility System Revenue Certificates of Obligation, Series 2011. The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal balance was \$6,065,000. The bonds bear interest of 1.19% payable in annual installments of \$160,000 to \$195,000 through August 15, 2031.		1,990,000
Total general obligation bonds payable	10,575,824	8,864,176

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

	<u>Governmental</u>	<u>Business-type</u>
Capital Leases Payable:		
Capital lease payable to First National Bank Texas to finance the acquisition of video mobile data equipment. The lease is secured by the equipment and is paid by the General Fund. The lease bears interest of 2.85%. The original principal balance was \$495,000. The lease is payable in annual payments of \$101,822 to \$104,644 through July 15, 2022.	198,000	
Total capital leases payable	<u>198,000</u>	<u>0</u>
Total debt before compensated absences, net pension liability, and other post-employment benefits, net	30,579,182	18,977,759
Compensated absences	896,000	50,000
Net pension liability	7,873,463	603,429
Other post-employment supplemental death benefit obligation	572,846	44,473
Other post-employment benefit obligation	<u>632,802</u>	<u>75,743</u>
Total long-term debt	<u>40,554,293</u>	<u>19,751,404</u>
Reconciliation to Government-wide Statement of Net Position:		
Long-term liabilities:		
Due within one year	2,986,222	1,878,779
Due in more than one year	28,488,960	17,148,980
Net pension liability	7,873,463	603,429
Total other post-employment benefit obligations	<u>1,205,648</u>	<u>120,216</u>
Total long-term debt, net	<u>40,554,293</u>	<u>19,751,404</u>



**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2020 is as follows:

	Balance 10/01/2019	Additions	Reductions	Balance 09/30/2020	Due Within One Year
<b>Governmental Activities:</b>					
Certificates of obligation	\$ 24,235,000		\$ (4,870,000)	\$ 19,365,000	\$ 1,015,000
General obligation bonds	7,515,571	4,075,000	(1,014,747)	10,575,824	1,229,222
Premium on bonds	580,615		(115,942)	464,673	0
Discount on bonds	(27,162)		2,847	(24,315)	0
Net governmental bonds payable	<u>32,304,024</u>	<u>4,075,000</u>	<u>(5,997,842)</u>	<u>30,381,182</u>	<u>2,244,222</u>
Capital leases payable	437,271		(239,271)	198,000	99,000
Compensated absences	859,000	37,000		896,000	643,000
Net pension liability	11,114,158		(3,240,695)	7,873,463	0
Other post-employment supplemental death benefit obligation	458,559	114,287		572,846	0
Other post-employment benefit obligation	737,897		(105,095)	632,802	0
Total governmental long-term liabilities	<u>45,910,909</u>	<u>4,226,287</u>	<u>(9,582,903)</u>	<u>40,554,293</u>	<u>2,986,222</u>
<b>Business-type activities:</b>					
Certificates of obligation	12,285,000		(2,610,000)	9,675,000	605,000
General obligation bonds	7,914,429	1,990,000	(1,040,253)	8,864,176	1,230,779
Premium on bonds	537,027		(86,317)	450,710	0
Discount on bonds	(13,546)		1,419	(12,127)	0
Net business-type bonds payable	<u>20,722,910</u>	<u>1,990,000</u>	<u>(3,735,151)</u>	<u>18,977,759</u>	<u>1,835,779</u>
Compensated absences	37,000	13,000		50,000	43,000
Net pension liability	839,129		(235,700)	603,429	0
Other post-employment supplemental death benefit obligation	36,161	8,312		44,473	0
Other post-employment benefit obligation	85,754		(10,011)	75,743	0
Total business-type long-term liabilities	<u>21,720,954</u>	<u>2,011,312</u>	<u>(3,980,862)</u>	<u>19,751,404</u>	<u>1,878,779</u>
Total government liabilities	<u>\$ 67,631,863</u>	<u>\$ 6,237,599</u>	<u>\$ (13,563,765)</u>	<u>\$ 60,305,697</u>	<u>\$ 4,865,001</u>

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

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

**Certificates of Obligation Payable**

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,015,000	\$ 640,085	\$ 605,000	\$ 328,406	\$ 2,588,491
2022	1,035,000	604,903	650,000	305,791	2,595,694
2023	1,040,000	568,879	690,000	281,665	2,580,544
2024	1,245,000	531,676	685,000	255,900	2,717,576
2025	1,285,000	487,820	580,000	230,782	2,583,602
2026-2030	5,990,000	1,796,655	2,895,000	841,267	11,522,922
2031-2035	5,355,000	880,025	2,445,000	405,664	9,085,689
2036-2040	2,400,000	169,050	1,125,000	78,206	3,772,256
Total	<u>\$ 19,365,000</u>	<u>\$ 5,679,093</u>	<u>\$ 9,675,000</u>	<u>\$ 2,727,681</u>	<u>\$ 37,446,774</u>

**General Obligation Bonds Payable**

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,229,222	\$ 277,273	\$ 1,230,779	\$ 263,271	\$ 3,000,545
2022	1,276,064	243,840	1,263,936	230,491	3,014,331
2023	1,305,538	209,272	1,304,462	196,714	3,015,986
2024	1,175,000	166,570	825,000	158,615	2,325,185
2025	1,215,000	131,363	860,000	130,669	2,337,032
2026-2030	3,905,000	209,268	3,185,000	244,113	7,543,381
2031-2035	470,000	5,602	195,000	2,324	672,926
Total	<u>\$ 10,575,824</u>	<u>\$ 1,243,188</u>	<u>\$ 8,864,177</u>	<u>\$ 1,226,197</u>	<u>\$ 21,909,386</u>

**Capital Leases Payable**

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 99,000	\$ 5,644			\$ 104,644
2022	99,000	2,822			101,822
Total	<u>\$ 198,000</u>	<u>\$ 8,466</u>			<u>\$ 206,466</u>

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

1. Advance Refunding – 2020

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$75,252 for governmental activities and \$36,744 for the water and sewer fund. 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 2031 using the proportionate-to-stated interest method.

2. Advance Refunding – 2016

On March 21, 2016, the City issued \$6,470,000 in general obligation refunding bonds from the debt service fund and the water and sewer fund with interest rates of 2.000% to 4.000% to advance refund \$6,620,000 of outstanding bonds. The \$6,620,000 refunded \$1,995,000 of 2006 Series Tax and Utility System Revenue Certificates of Obligation with interest rates of 4.000% to 4.250% which was governmental activity debt and \$4,625,000 in the water and sewer fund which included \$875,000 of 2006 Series Tax and Utility System Revenue Certificates of Obligation with interest rates from 4.000% to 4.250% and \$3,750,000 of 2009 Series Tax and Utility System Revenue Certificates of Obligation with interest rates from 3.500% to 4.500%. The net proceeds of \$6,987,863 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of \$6,620,000 of refunded debt. As a result, the refunded certificates of obligation are considered to be defeased and the liability has been removed from the long-term debt of the water and sewer fund and government-wide statement of activities.

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

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, 2020 is \$165,015 for the water and sewer fund.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

3. Advance Refunding – 2015

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$457,001 for governmental activities and \$175,770 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2027 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2020 is \$187,953 for governmental activities and \$72,319 for the water and sewer fund.

4. Advance Refunding – 2013

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, 2020.

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, 2020 is \$3,222 for governmental activities and \$4,638 for the water and sewer fund.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

5. Advance Refunding – 2012

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, 2020.

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, 2020 is \$24,562 for governmental activities and \$21,417 for the water and sewer fund.

6. Compliance with Debt-Service Requirements

- a. Combination Tax and Utility System Revenue Certificates of Obligation, Series 2004; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2005; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2006; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2008; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2009; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2011; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2014; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2017; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2018; and Combination Tax and Utility System Revenue Certificates of Obligation, Series 2019.

The ordinances require a separate interest and sinking fund for the payment of interest and principal of the certificates. The City is required to compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the bonds as interest becomes due and to provide and maintain an interest and sinking fund adequate to pay the principal as such principal matures (but never less than 2% of the original amount of the bonds as a sinking fund each year).

If surplus net revenues of the City's combined waterworks and sewer system are actually on deposit in the interest and sinking fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied may be reduced to that extent and by the amount of the surplus net revenues then on deposit in the interest and sinking fund or budgeted for deposit therein.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Long-term Debt (continued)

6. Compliance with Debt-Service Requirements (continued)

- a. Combination Tax and Utility System Revenue Certificates of Obligation, Series 2004; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2005; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2006; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2008; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2009; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2011; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2014; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2017; Combination Tax and Utility System Revenue Certificates of Obligation, Series 2018; and Combination Tax and Utility System Revenue Certificates of Obligation, Series 2019. (continued)

Any proceeds of the certificates not spent on the project shall promptly be deposited to the credit of the Interest and Sinking Fund.

- b. General Obligation Refunding Bonds, Series 2005; General Obligation Refunding Bonds, Series 2012; General Obligation Refunding Bonds, Series 2013, General Obligation Refunding Bonds, Series 2015; General Obligation Refunding Bonds, Series 2016; and General Obligation Refunding Bonds, Series 2020.

The ordinance requires a separate interest and sinking fund for the payment of interest and principal of the certificates. The City is required to compute and ascertain a rate and amount of ad valorem tax rate which will be sufficient to raise and produce the money required to pay the interest on the bonds as interest becomes due and to provide and maintain an interest and sinking fund adequate to pay the principal as such principal matures (but never less than 2% of the original amount of the bonds as a sinking fund each year).

G. Interest Expense

Interest expense during the year ended September 30, 2020 is as follows:

General fund	\$	10,868
Debt service fund		1,014,073
Proprietary Fund Type		
Water and sewer fund		494,852
Drainage utility fund		126,171
Total interest expense	\$	1,645,964

Interest accrued in the Water and Sewer Fund at September 30, 2020, was \$58,223. Amortization of deferred amount on advance refunding of certificates of obligation in the Water and Sewer Fund was \$56,679 for the year ended September 30, 2020. Amortization of bond discount in the Water and Sewer Fund was \$1,419 for the year ended September 30, 2020. Amortization of bond premium of refunding bonds in the Water and Sewer Fund was \$(80,586) for the year ended September 30, 2020.

Interest accrued in the Drainage Utility Fund at September 30, 2020 was \$15,737. Amortization of bond premium of refunding bonds in the Drainage Utility Fund was \$(5,730) for the year ended September 30, 2020.

Interest accrued in the governmental activities on the government-wide statement of net position at September 30, 2020, was \$114,616 and amortization of bond discount was \$2,847. Amortization of deferred amount on advance refunding costs was \$72,953.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

H. 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 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 debt and cover maintenance and operating expenses. During the fiscal year ended September 30, 2020, the City purchased 1,780,222,000 gallons of water from WCID No. 1 for a total charge of \$2,580,129. The City also paid \$149,579 for an option to purchase future water from WCID No. 1. This amount is included in current year purchased water expenditures. 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 times 3,235-acre feet and 300-acre feet of water per fiscal year 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 Brazos River Authority \$279,265 for water which can be pumped directly into the South Water Plant.

I. Sanitation Service Contract

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

**V. OTHER INFORMATION**

A. 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 coverage, real and personal property coverage, liability coverage, and workers compensation coverage. The agreement for formation for TML-IRP provides that TML-IRP will be self-sustaining through member premiums.

B. Employee Benefit Plans

1. Texas Municipal Retirement System Plan

a. Plan Description

The City of Harker Heights participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

**B. Employee Benefit Plans (continued)**

1. Texas Municipal Retirement System Plan (continued)

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 benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credit with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Upon retirement, benefits depend upon the sum of the employee’s contributions, with interest, and the city financed monetary credits, with interest. City financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At inception, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount of at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years of service. The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	150
<u>Active employees</u>	<u>219</u>
<u>Total</u>	<u>457</u>

c. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200% both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (“EAN”) actuarial cost method. The actuarially determined rate is the estimated amounts necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Harker Heights were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Harker Heights were 15.03% and 14.92% in calendar years 2019 and 2020, respectively. The city’s contributions to TMRS for the year ended September 30, 2020, were \$1,930,325, and were equal to the required contributions.

d. Net Pension Liability

The City’s Net Pension Liability was measured as of December 31, 2019, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.



**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

**B. Employee Benefit Plans (continued)**

1. Texas Municipal Retirement System Plan (continued)

d. Net Pension Liability (continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were 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 is 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 forfeiture 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 actuarial 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 to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

**B. Employee Benefit Plans (continued)**

**1. Texas Municipal Retirement System Plan (continued)**

**d. Net Pension Liability (continued)**

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 of 2.5 %. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

**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 employee 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 employees. 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.

<b>Development of the Single Discount Rate</b>	
Single Discount Rate	6.75%
Long-Term Expected Rate of Return	6.75%
Long-Term Municipal Bond Rate*	2.75%

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

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

**B. Employee Benefit Plans (continued)**

1. Texas Municipal Retirement System Plan (continued)

d. Net Pension Liability (continued)

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 53,554,190	\$ 41,600,903	\$ 11,953,287
Changes for the year:			
Service cost	2,249,478	0	2,249,478
Interest	3,631,948	0	3,631,948
Changes in current period benefits*		0	0
Difference between expected and actual experience	(266,087)	0	(266,087)
Changes in assumptions	205,942	0	205,942
Contributions - employer	0	1,973,761	(1,973,761)
Contributions - employee	0	927,893	(927,893)
Net investment income	0	6,433,455	(6,433,455)
Benefit payments, including refunds of employee contributions	(1,744,589)	(1,744,589)	0
Administrative expense	0	(36,340)	36,340
Other changes	0	(1,093)	1,093
Net changes	\$ 4,076,692	\$ 7,553,087	\$ (3,476,395)
<b>Balance at 12/31/2019</b>	<b>\$ 57,630,882</b>	<b>\$ 49,153,990</b>	<b>\$ 8,476,892</b>

\*For TMRS, the "changes in current period benefits" includes substantively automatic benefit status changes, if applicable.

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-point higher (7.75%) than the current rate:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability	\$ 17,992,041	\$ 8,476,892	\$ 821,068

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. The report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2020, the city recognized pension expense of \$2,108,540.

At September 30, 2020, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

**B. Employee Benefit Plans (continued)**

1. Texas Municipal Retirement System Plan (continued)

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	49,590	(396,614)
Changes in actuarial assumptions	158,380	0
Difference between projected and actual investment earnings	0	(1,465,420)
Contributions subsequent to the measurement date	1,403,776	0
<b>Total</b>	<b>\$ 1,611,746</b>	<b>\$ (1,862,034)</b>

\$1,403,776 reported as deferred outflows of resources related to pensions 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, 2020. 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:	
2020	\$ (476,505)
2021	(479,534)
2022	31,638
2023	(729,663)
2024	0
Thereafter	0
<b>Total</b>	<b>\$ (1,654,064)</b>

Additional schedule of funding progress for TMRS can be found in the required supplementary information on pages 77-78.

2. 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 administration of the Plan. The assets amounted to \$3,943,189 at September 30, 2020.

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.

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

**C. Postemployment Benefits Other than Pensions**

**1. Supplemental Death Benefits Fund**

**a. Plan Description**

Texas Municipal Retirement System (“TMRS”) also administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the twelve-month period preceding the month of death). The death benefit for retirees is considered other post-employment 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 member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s SDBF is administered through the Texas Municipal Retirement System. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

There is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	69
Inactive employees entitled to but not yet receiving benefits	53
<u>Active employees</u>	<u>219</u>
<u>Total</u>	<u>341</u>

**b. Contributions**

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

Note 1: Due to the 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**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

C. Postemployment Benefits Other than Pensions (continued)

2. Supplemental Death Benefits Fund (continued)

c. Actuarial Assumptions

The Total OPEB Liability (TOL) in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females.

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

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

Forfeiture rates (withdrawal of member deposits) for vested members vary by age and employer match and end at first eligibility for retirement. The forfeiture 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 following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the discount rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	\$ 768,752	\$ 617,319	\$ 502,578

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

C. Postemployment Benefits Other than Pensions (continued)

2. Supplemental Death Benefits Fund (continued)

c. Actuarial Assumptions (continued)

At September 30, 2020, the OPEB expense and liability is as follows:

	<b>OPEB Expense</b>
Changes for the year:	
Service cost	\$ 29,162
Interest on total OPEB liability	18,846
Changes in benefit terms including TMRS plan participation	0
Employer administrative costs	0
Recognition of deferred outflows / inflows of resources	
Differences between expected and actual experience	(5,122)
Changes in assumptions or other inputs <sup>1</sup>	19,197
<b>Total OPEB expense</b>	<b>\$ 62,083</b>

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

However, for this valuation, the changes in assumption also include the changes in the actuarial assumptions adopted in 2019.

	<b>OPEB Liability</b>
Balance at 12/31/2018	\$ 494,720
Changes for the year:	
Service cost	29,162
Interest on total OPEB liability	18,846
Changes in benefit terms including TMRS plan participation	0
Difference between expected and actual experience	(31,844)
Changes in assumptions or other inputs	109,086
Benefit payments**	(2,651)
Net changes	\$ 122,599
<b>Balance at 12/31/2019</b>	<b>\$ 617,319</b>

\*\*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.

d. Total OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TOL

For the year ended September 30, 2020, the City recognized Supplemental Death OPEB expense of \$62,083. The combined supplemental death and health OPEB expense is \$115,079.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	1,354	(26,401)
Changes in actuarial assumptions	112,729	(26,918)
Difference between projected and actual investment earnings	0	0
Contributions subsequent to the measurement date	1,901	
<b>Total</b>	<b>\$ 115,984</b>	<b>\$ (53,319)</b>

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

C. Postemployment Benefits Other than Pensions (continued)

2. Supplemental Death Benefits Fund (continued)

d. Total OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TOL (continued)

\$1,901 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, 2021. 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:	
2020	\$ 14,075
2021	14,075
2022	14,075
2023	8,589
2024	9,950
Thereafter	0
<b>Total</b>	<b>\$ 60,764</b>

Additional schedule of funding progress on Supplemental Death Benefits can be found in the required supplementary information on pages 79-80.

3. Other Post-Employment Benefit (OPEB) Plan

a. Plan Description

In addition to the pension benefits described in Note V. Part B. 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.

As of the valuation date, there are six retirees on the City's health plan. Future retirees are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants.

b. Plan Description

At the September 30, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

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



**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

C. Postemployment Benefits Other than Pensions (continued)

3. Other Post-Employment Benefit (OPEB) Plan (continued)

c. Contributions

The full monthly premium rates for retirees as of October 1, 2019 for each plan are shown below:

<b>Rate Tier</b>	<b>Health</b>	<b>Dental</b>	<b>Vision</b>
Subscriber Only	\$ 481.67	\$ 21.07	\$ 3.85
Subscriber and Spouse	\$ 1,129.38	\$ 41.97	\$ 7.23
Subscriber and Child(ren)	\$ 819.34	\$ 57.01	\$ 7.64
Subscriber and Family	\$ 1,394.52	\$ 85.18	\$ 11.91

d. Actuarial Assumptions

The other post-employment benefit (OPEB) liability in September 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

C. Postemployment Benefits Other than Pensions (continued)

3. Other Post-Employment Benefit (OPEB) Plan (continued)

c. Actuarial Assumptions (continued)

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

	<b>1% Decrease in Discount Rate (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase in Discount Rate (3.25%)</b>
Total OPEB liability	\$ 791,572	\$ 708,545	\$ 635,130

At September 30, 2020, the OPEB expense and liability is as follows:

	<b>OPEB Expense</b>
Changes for the year:	
Service cost	\$ 42,031
Interest cost	22,652
Changes of benefit terms	0
Current recognized deferred outflows / inflows	
Difference between expected and actual experience	0
Changes in assumptions or other inputs (Other changes, if applicable)	(11,687)
Difference of projected investment earnings	0
<b>Total OPEB expense</b>	<b>\$ 52,996</b>

	<b>OPEB Liability</b>
Balance at 10/01/2019	\$ 823,651
Changes for the year:	
Service cost	42,031
Interest cost	22,652
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes in assumptions	(151,564)
Other changes	0
Contributions - employer	0
Net investment income	0
Benefit payments	(28,225)
Administrative expense	0
Net change in total OPEB liability	(115,106)
<b>Balance at 12/31/2019</b>	<b>\$ 708,545</b>

Following is the OPEB liability of the City using the health care trend sensitivity analysis rate of 4.50%:

	<b>1% Decrease in Current Trend (3.50%)</b>	<b>Current Trend (4.50%)</b>	<b>1% Increase in Current Trend (5.50%)</b>
Total OPEB liability	\$ 613,884	\$ 708,545	\$ 824,551
% Difference	-13.40%	N/A	16.40%

**CITY OF HARKER HEIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**V. OTHER INFORMATION (CONTINUED)**

C. Postemployment Benefits Other than Pensions (continued)

3. Other Post-Employment Benefit (OPEB) Plan (continued)

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

For the year ended September 30, 2020, the City recognized health OPEB expense of \$52,996. The combined supplemental death and health OPEB expense is \$115,079.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	0	0
Changes in assumptions / inputs	119,973	(162,187)
Net difference between projected and actual investments	0	0
<b>Total</b>	<b>\$ 119,973</b>	<b>\$ (162,187)</b>

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:	
2021	\$ (11,687)
2022	(11,687)
2023	(11,687)
2024	(11,687)
2025	(11,687)
Thereafter	16,221

Additional schedule of funding progress for OPEB benefits can be found in the required supplementary information on pages 81-82.

D. Grants

1. Texas Department of Transportation approved a grant for the Harker Heights Commercial Drive Roundabout project at the federal level of \$391,399. As of September 30, 2020, the City recognized \$2,013 in grant proceeds to close out this project.
2. The City's police department received \$4,225 during the year ending September 30, 2019 from a Law Enforcement Officer Standards and Education grant. During fiscal year 2020, the remaining \$3,749 was expended. The City's police and fire departments received \$4,186 and \$963 respectively. Of these amounts, \$3,065 was expended by the police department and \$963 was expended by the fire department during fiscal year 2020.
3. During the year ending September 30, 2019, the City's police department received a police vest grant from the U.S. Department of Justice in the amount of \$6,460 of which \$2,113 in grant proceeds and expenditures were recognized in fiscal year 2020. An additional police vest grant was awarded during the year ending September 30, 2020 in the amount of \$2,656 in which the City did not recognize any grant proceeds or expenditures.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**V. OTHER INFORMATION (CONTINUED)**

**D. Grants (continued)**

4. The City's fire department was awarded a U.S. Department of Agriculture Forest Department grant in the amount of \$10,000 for the 2019 State-Wide Community Wildfire Protection Plan during fiscal year 2020. As of September 30, 2020, the City recognized \$10,000 in grant proceeds and expenditures for the completion of writing this plan.
5. During the year ending September 30, 2020, the City's library department was awarded the Interlibrary Loan Lends Reimbursement Grant for 2018 and 2019 in the amount of \$1,800 and \$1,117 respectively. The grant proceeds received from the Texas State Library and Archives Commission were recognized in fiscal year 2020 as were the expenditures.
6. The U.S. Department of Health and Human Services awarded the City's fire department an HHS Stimulus grant in the amount of \$17,299 during fiscal year 2020. As of September 30, 2020, grant proceeds and expenditures of \$17,299 were recognized.
7. The City's police department received a grant from the U.S. Department of Homeland Security for the purchase of a throw phone in the amount of \$20,000 during the year ending September 30, 2020. As of September 30, 2020, the City recognized \$20,000 in grant proceeds and expenditures.
8. The City's police department received a grant from the U.S. Department of Homeland Security for the purchase of a pole camera in the amount of \$18,800 during the year ending September 30, 2020. As of September 30, 2020, the City recognized \$18,800 in grant proceeds and expenditures.
9. The City's police department received a grant from the U.S. Department of Justice for the purchase of a total station in the amount of \$16,371 during the year ending September 30, 2020. As of September 30, 2020, the City recognized \$16,371 in grant proceeds and expenditures.
10. The U.S. Department of Justice awarded the City's Healthy Homes Division (part of the police department) a Victims of Crime Grant in the amount of \$16,550. The City recognized \$10,807 in grant proceeds and expenditures as of September 30, 2020.
11. The U.S. Department of Transportation awarded the City's police department a Selective Traffic Enforcement Program ("STEP") Grant in the amount of \$11,993. The City recognized \$10,081 in grant proceeds and expenditures as of September 30, 2020.
12. The City was awarded a Coronavirus Relief Fund grant from the U.S. Department of the Treasury in the amount of \$1,789,370. As of September 30, 2020, \$1,417,375 in grant proceeds and expenditures were recognized.

**E. Commitments**

1. The City has an agreement with WCID No. 1 for the expansion of treatment facilities for the City and another water district. The overall costs for the expansion are being funded by a bond issued by WCID No. 1. The associated debt payments are allocated to the City and the other water district by the additional increase of treated water to each. These debt payments are included in the monthly billing received from WCID No. 1.
2. The City has two commitments to the Brazos River Authority ("BRA") to pay the BRA annually for the water made available to the City hereunder at a price equal to the product of multiplying the system rate times 3,235 acre-feet and 300 acre-feet of water per fiscal year, regardless of whether, or how much of, said water is diverted and used by the City. Current rate is \$79.00 per acre-foot of water.
3. The City has a commitment to Central Texas 4C, Inc. to allow them the exclusive use, occupancy and right to operate a Head Start Center for the Harker Heights area on the designated City land rent-free for period of ten years starting August 24, 2015.

**CITY OF HARKER HEIGHTS**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**V. OTHER INFORMATION (CONTINUED)**

E. Commitments (continued)

4. On August 1, 2006, the City had entered a 20-year joint-use operating lease agreement with Killeen Independent School District on five acres of land adjacent to Skipcha Estates Elementary School for the development of a public park. The City has agreed to construct and maintain the buildings and playground equipment over the lease period that expires on July 31, 2026.
5. The City has three contracts for the engineering of building improvements which include (1) the renovation and remodel of Fire Station #2 in the amount of \$22,091 with \$11,361 remaining at September 30, 2020; (2) the Public Works Street Yard in the amount of \$15,600 with \$7,428 remaining at September 30, 2020; and (3) the Waste Water Treatment Plant and Grating Safety Improvements in the amount of \$15,000 with \$12,000.
6. The City has a contract for the construction work on the renovation and remodel of Fire Station #2 in the amount of \$2,201,330. At September 30, 2020, \$455,938 was remaining on this contract.
7. City street projects that have engineering contracts include (1) the Mountain Lion Road Drainage Flume project in the amount of \$10,400 with \$6,400 remaining at September 30, 2020; (2) the Warrior's Path ROW project in the amount of \$4,950 with \$1,700 remaining at September 30, 2020; (3) the FY 2020 Street Projects in the amount of \$67,890 with \$32,040 remaining at September 30, 2020; (4) the Miller's Crossing Guard Rail project in the amount of \$1,580 with \$980 remaining at September 30, 2020; and the Central Fire Station Pavement Replacement in the amount of \$14,500 with \$5,000 remaining at September 30, 2020. Construction on these projects is expected to begin during fiscal year 2021.
8. The City has a contract for the engineering of a sidewalk from Prospector Trail to Vineyard Trail in the amount of \$88,500 with \$55,500 remaining at September 30, 2020.
9. The Wastewater Interceptor Line project engineering contract was in the amount of \$151,500 and at September 30, 2020, \$32,442 is remaining. The construction contract for this project was in the amount of \$646,571 and is complete.
10. City drainage projects with engineering contracts include (1) the Pinewood Drive Retaining Wall project in the amount of \$29,500 with \$12,500 remaining at September 30, 2020; (2) the Roy Reynolds Stabilization project in the amount of \$30,000 with \$15,500 remaining at September 30, 2020; (3) Goode Connell Park Detention Pond Improvements (FEMA #1) in the amount of \$59,000 with \$33,556 remaining at September 30, 2020; and (4) FEMA #2 Phases 2, 3 and 4 in the amount of \$236,000 with \$82,614 remaining at September 30, 2020. Construction on these projects had not begun by the end of fiscal year 2020.
11. Engineering for the Connell Property Low Water Crossing Project was completed in the amount of \$3,000 at September 30, 2020. Construction is expected to occur during fiscal year 2021.
12. The Ferrous Chloride Dosing System project at Rummel Road was completed during the 2019 fiscal year and a final payment was made to the engineering firm in the amount of \$1,000 prior to September 30, 2020.

F. Contingencies

During the year, the City will mail items through a business that is owned and operated by a City Council member. The total amount billed to the City for this service during the year was \$57 of which none was outstanding at September 30, 2020.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.



REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF HARKER HEIGHTS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TEN YEARS (will ultimately be displayed)**  
**SEPTEMBER 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>						
Service cost	\$ 2,249,478	\$ 2,066,988	\$ 2,016,004	\$ 1,930,469	\$ 1,805,969	\$ 1,607,778
Interest (on the Total Pension Liability)	3,631,948	3,393,226	3,130,839	2,885,469	2,746,611	2,509,002
Changes of benefit terms	0	0	0	0	0	0
Defference between expected and actual experience	(266,087)	(327,716)	137,616	(36,619)	(196,637)	(48,522)
Change of assumptions	205,942	0	0	0	97,704	0
Benefit payments, including refunds of employee contributions	(1,744,589)	(1,629,672)	(1,215,783)	(1,158,162)	(852,850)	(693,040)
<b>Net Change in Total Pension Liability</b>	<b>4,076,692</b>	<b>3,502,826</b>	<b>4,068,676</b>	<b>3,621,157</b>	<b>3,600,797</b>	<b>3,375,218</b>
<b>Total Pension Liability - Beginning</b>	<b>53,554,190</b>	<b>50,051,364</b>	<b>45,982,688</b>	<b>42,361,531</b>	<b>38,760,734</b>	<b>35,385,516</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 57,630,882</b>	<b>\$ 53,554,190</b>	<b>\$ 50,051,364</b>	<b>\$ 45,982,688</b>	<b>\$ 42,361,531</b>	<b>\$ 38,760,734</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 1,973,761	\$ 1,809,675	\$ 1,756,482	\$ 1,688,302	\$ 1,618,783	\$ 1,483,963
Contributions - Employee	927,893	849,613	825,748	795,835	757,958	728,453
Net Investment Income	6,433,455	(1,254,116)	4,931,608	2,170,104	45,109	1,573,307
Benefit payments, including refunds of employee contributions	(1,744,589)	(1,629,672)	(1,215,783)	(1,158,162)	(852,850)	(693,040)
Administrative expense	(36,340)	(24,229)	(25,556)	(24,508)	(27,475)	(16,421)
Other	(1,093)	(1,264)	(1,295)	(1,320)	(1,356)	(1,350)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>7,553,087</b>	<b>(249,993)</b>	<b>6,271,204</b>	<b>3,470,251</b>	<b>1,540,169</b>	<b>3,074,912</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>41,600,903</b>	<b>41,850,896</b>	<b>35,579,692</b>	<b>32,109,441</b>	<b>30,569,272</b>	<b>27,494,360</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 49,153,990</b>	<b>\$ 41,600,903</b>	<b>\$ 41,850,896</b>	<b>\$ 35,579,692</b>	<b>\$ 32,109,441</b>	<b>\$ 30,569,272</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 8,476,892</b>	<b>\$ 11,953,287</b>	<b>\$ 8,200,468</b>	<b>\$ 10,402,996</b>	<b>\$ 10,252,090</b>	<b>\$ 8,191,462</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.29%	77.68%	83.62%	77.38%	75.80%	78.87%
Covered Payroll	\$ 13,255,614	\$ 12,137,335	\$ 11,796,397	\$ 11,369,073	\$ 10,827,153	\$ 10,406,469
Net Pension Liability as a Percentage of Covered Payroll	63.95%	98.48%	69.52%	91.50%	94.69%	78.72%

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



**CITY OF HARKER HEIGHTS**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN YEARS (will ultimately be displayed)**  
**SEPTEMBER 30, 2020**

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	\$ 1,930,325	\$ 1,876,020	\$ 1,798,799	\$ 1,743,446	\$ 1,651,050	\$ 1,639,697
Contribution in relation of the actuarially determined contribution	1,930,325	1,876,020	1,798,799	1,761,021	1,686,650	1,589,154
Contribution deficiency (excess)	0	0	0	(17,575)	(35,600)	50,543
Covered Payroll	\$ 13,040,498	\$ 12,595,331	\$ 12,068,147	\$ 11,716,161	\$ 11,228,815	\$ 11,100,618
 Contributions as a percentage of Covered Payroll	 14.80%	 14.89%	 14.91%	 15.03%	 15.02%	 14.32%

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	26 Years
Asset Valuation Method	10 Year smoothed market; 15% 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 CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY**  
**AND RELATED RATIOS - SUPPLEMENTAL DEATH**  
**SEPTEMBER 30, 2020**

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

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

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

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

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

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

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

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

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

**CITY OF HARKER HEIGHTS**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN YEARS (will ultimately be displayed)**  
**SEPTEMBER 30, 2020**

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

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

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

**Valuation Date:**

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

**Methods and Assumption Used to Determine Contribution Rates:**

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
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 under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.50% and 3.00% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

**CITY OF HARKER HEIGHTS**  
**SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY**  
**AND RELATED RATIOS - HEALTH BENEFITS**  
**SEPTEMBER 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Health Benefits OPEB Liability</b>			
Service Cost	\$ 42,031	\$ 42,031	\$ 40,356
Interest Cost	22,652	27,704	28,107
Changes in benefit terms	0	0	0
Difference between expected and actual experience	0	0	0
Changes in assumptions or other inputs (Other changes, separately identified if significant)	(151,564)	147,413	(44,270)
Contributions - employer	0	0	0
Net Investment Income	0	0	0
Benefit payments	(28,225)	(38,064)	(33,069)
Administrative expense	0	0	0
<b>Net change in total OPEB liability</b>	<u>(115,106)</u>	<u>179,084</u>	<u>(8,876)</u>
<b>Total OPEB Liability - Start of year</b>	<u>\$ 823,651</u>	<u>\$ 644,567</u>	<u>\$ 653,443</u>
<b>Total OPEB Liability - End of year</b>	<u><u>\$ 708,545</u></u>	<u><u>\$ 823,651</u></u>	<u><u>\$ 644,567</u></u>
 <b>Covered Payroll</b>	 \$ 11,869,724	 \$ 11,426,910	 \$ 11,040,493
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 5.97%	 7.21%	 5.84%

Note: The amounts above are based on September 30, 2020 measurement date.

**Schedule of Contributions**

Current Premium Rates:

Rate Tier	CC80	Dental	Vision
Single	\$ 481.67	\$ 21.07	\$ 3.85
Subscriber and Spouse	\$ 1,129.38	\$ 41.97	\$ 7.23
Subscriber and Child(ren)	\$ 819.34	\$ 57.01	\$ 7.64
Family	\$ 1,394.52	\$ 85.18	\$ 11.91

Retiree Contributions

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

**CITY OF HARKER HEIGHTS**  
**SCHEDULE OF CONTRIBUTIONS**  
 LAST TEN YEARS (will ultimately be displayed)  
 SEPTEMBER 30, 2020

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Legally required contributions	\$ 28,225	\$ 38,064	\$ 33,069
Actual contributions	38,067	38,064	33,069
Contribution deficiency (excess)	<u>(9,842)</u>	<u>0</u>	<u>0</u>
Covered Payroll	\$ 11,869,724	\$ 11,426,910	\$ 11,040,493
Contributions as a percentage of Covered Payroll	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, 2020
Discount rate	2.25%
Salary Scale	3.50%
Inflation Rate	3.00%
Health Care Cost Trend	4.50%
Census Data	Provided by the City as of September 2020
Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 30% of all actives who currently have healthcare coverage will continue with coverage upon retirement. 10% of those with spouse coverage will continue with spouse coverage and the balance with individual coverage only.
Mortality Rates	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report.



**COMBINING FINANCIAL STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS**

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**SPECIAL REVENUE FUNDS**

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes

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**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.

**CITY OF HARKER HEIGHTS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel / Motel Fund	Restricted Court Fund	
<b>ASSETS</b>			
Cash	\$ 63,933	\$ 38,410	\$ 102,343
Investments	284,763	132,364	417,127
Receivables (net of allowance for uncollectibles):			
Accounts	12,599		12,599
Due from other funds		687	687
Total assets	\$ 361,295	\$ 171,461	\$ 532,756
<b>LIABILITIES</b>			
Liabilities:			
Due to other funds			
Total liabilities	0	0	0
<b>FUND BALANCES</b>			
Nonspendable			
Restricted for:			
Economic development	361,295		361,295
Public safety		171,461	171,461
Committed			
Assigned			
Unassigned			
Total fund balances	361,295	171,461	532,756
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 361,295	\$ 171,461	\$ 532,756



**CITY OF HARKER HEIGHTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel / Motel Fund	Restricted Court Fund	
<b>REVENUES</b>			
Taxes and special assessments			
Other taxes and special assessments	\$ 104,514		\$ 104,514
Fines		109,735	109,735
Investment earnings	2,901	2,185	5,086
Total revenues	107,415	111,920	219,335
<b>EXPENDITURES</b>			
Current:			
Public Safety:			
Courts		100,000	100,000
School safety expenditures		29,280	29,280
Economic development and assistance	22,500		22,500
Total expenditures	22,500	129,280	151,780
Excess (deficiency) of revenues over (under) expenditures	84,915	(17,360)	67,555
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out			
Total other financing sources (uses)	0	0	0
Net change in fund balance	84,915	(17,360)	67,555
Fund balances - beginning	276,380	188,821	465,201
Fund balances - ending	\$ 361,295	\$ 171,461	\$ 532,756



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

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**DEBT SERVICE AND SPECIAL REVENUE FUNDS**

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**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, 2020**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,833,000	\$ 2,833,000	\$ 2,844,418	\$ 11,418
Investment earnings	20,000	20,000	8,138	(11,862)
Miscellaneous income			3,012	3,012
Total revenues	<u>2,853,000</u>	<u>2,853,000</u>	<u>2,855,568</u>	<u>2,568</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal	1,869,700	1,869,700	1,869,748	(48)
Interest and fiscal charges	1,078,700	1,078,700	1,014,073	64,627
Tax collection fees	31,000	31,000	31,639	(639)
Bond issuance cost			48,331	(48,331)
Total expenditures	<u>2,979,400</u>	<u>2,979,400</u>	<u>2,963,791</u>	<u>15,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,400)</u>	<u>(126,400)</u>	<u>(108,223)</u>	<u>18,177</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of refunding bonds			4,075,000	4,075,000
Premium on refunding bonds				
Payment to refunded bond escrow agent			(4,090,243)	(4,090,243)
Transfers in	100,000	100,000	150,000	50,000
Transfers out				
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>134,757</u>	<u>34,757</u>
Net change in fund balances	(26,400)	(26,400)	26,534	52,934
Fund balances - beginning	<u>24,383</u>	<u>24,383</u>	<u>24,383</u>	
Fund balances - ending	<u>\$ (2,017)</u>	<u>\$ (2,017)</u>	<u>\$ 50,917</u>	<u>\$ 52,934</u>

**CITY OF HARKER HEIGHTS**  
**HOTEL / MOTEL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Hotel / Motel tax	\$ 99,000	\$ 99,000	\$ 104,514	\$ 5,514
Investment earnings	3,900	3,900	2,901	(999)
Total revenues	<u>102,900</u>	<u>102,900</u>	<u>107,415</u>	<u>4,515</u>
<b>EXPENDITURES</b>				
Current:				
Economic development				
Advertising	12,500	12,500	12,500	0
Events	12,500	12,500	7,500	5,000
Promotion of the Arts	2,500	2,500	2,500	0
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	<u>75,400</u>	<u>75,400</u>	<u>84,915</u>	<u>9,515</u>
Fund balances - beginning	<u>276,380</u>	<u>276,380</u>	<u>276,380</u>	
Fund balances - ending	<u>\$ 351,780</u>	<u>\$ 351,780</u>	<u>\$ 361,295</u>	<u>\$ 9,515</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Fines	\$ 104,300	\$ 104,300	\$ 109,735	\$ 5,435
Investment earnings	4,000	4,000	2,185	(1,815)
Total revenues	<u>108,300</u>	<u>108,300</u>	<u>111,920</u>	<u>3,620</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Court			100,000	(100,000)
School safety expenditures			29,280	(29,280)
Total expenditures	<u>0</u>	<u>0</u>	<u>129,280</u>	<u>(129,280)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,300</u>	<u>108,300</u>	<u>(17,360)</u>	<u>(125,660)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(90,000)	(90,000)	0	90,000
Total other financing sources (uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>0</u>	<u>90,000</u>
Net change in fund balances	18,300	18,300	(17,360)	(35,660)
Fund balances - beginning	<u>188,821</u>	<u>188,821</u>	<u>188,821</u>	
Fund balances - ending	<u>\$ 207,121</u>	<u>\$ 207,121</u>	<u>\$ 171,461</u>	<u>\$ (35,660)</u>

**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

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**GENERAL FUND**

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These supplementary statements are included to provide management additional information for financial analysis.

**CITY OF HARKER HEIGHTS**  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 3,881,841	\$ 1,024,754
Investments	9,050,200	10,040,033
Receivables (net of allowance for uncollectibles):		
Taxes	63,503	73,932
Accounts	748,435	496,947
Special assessments	12	64
Due from other funds	1,049,450	3,596,876
Due from other governments	1,072,255	26,059
Restricted assets:		
Cash	80,276	401,441
Investments	396,263	18,115
Total assets	\$ 16,342,235	\$ 15,678,221
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,707,637	\$ 3,686,666
Due to other funds	366,902	72,123
Unearned revenue	364,629	390,540
Total liabilities	2,439,168	4,149,329
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property tax not yet available	53,426	65,501
Total deferred inflows of resources	53,426	65,501
<b>FUND BALANCES</b>		
Nonspendable		
Restricted for:		
Capital projects		
Cemetery	18,881	18,653
Debt service		
Economic development		
Pet adoption center	16,898	19,192
Public safety	3,021	3,952
Committed:		
Capital projects		
Assigned to:		
Capital projects		
Culture and recreation	437,739	377,759
Unassigned	13,373,102	11,043,835
Total fund balances	13,849,641	11,463,391
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
	\$ 16,342,235	\$ 15,678,221



**CITY OF HARKER HEIGHTS**

**GENERAL FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Taxes and special assessments:		
Property	\$ 9,539,509	\$ 9,065,643
Other taxes and special assessments	9,242,161	8,746,277
Licenses and permits	305,580	395,991
Fines	1,034,794	965,276
Charges for services	810,512	1,058,337
Intergovernmental	1,542,839	928,710
Investment earnings	284,414	399,443
Contributions and donations	23,603	29,413
Miscellaneous	64,349	31,455
Total revenues	<u>22,847,761</u>	<u>21,620,545</u>
 <b>EXPENDITURES</b>		
Current:		
General government	3,943,304	3,798,617
Public safety	12,827,314	12,203,813
Highways and streets	1,311,432	1,453,041
Culture and recreation	2,591,089	3,039,048
Economic development and assistance	363,233	344,397
Debt service:		
Principal	239,271	237,788
Interest and fiscal charges	10,868	16,074
Total expenditures	<u>21,286,511</u>	<u>21,092,778</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>1,561,250</u>	 <u>527,767</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Capital leases		
Transfers in	975,000	1,412,778
Transfers out	<u>(150,000)</u>	<u>(1,525,000)</u>
Total other financing sources (uses)	<u>825,000</u>	<u>(112,222)</u>
 Net change in fund balances	 2,386,250	 415,545
 Fund balances - beginning	 <u>11,463,391</u>	 <u>11,047,846</u>
 Fund balances - ending	 <u><u>\$ 13,849,641</u></u>	 <u><u>\$ 11,463,391</u></u>



**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

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**DEBT SERVICE FUND**

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These supplementary statements are included to provide management additional information for financial analysis.

**CITY OF HARKER HEIGHTS**  
**DEBT SERVICE FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 30,890	\$ 27,228
Investments	67,722	48,694
Receivables (net of allowance for uncollectibles):		
Taxes	19,029	22,220
Due from other governments	5,307	18,274
Total assets	\$ 122,948	\$ 116,416
<b>LIABILITIES</b>		
Liabilities:		
Due to other funds	\$ 20,024	\$ 32,373
Total liabilities	20,024	32,373
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property tax not yet available	52,007	59,660
Total deferred inflows of resources	52,007	59,660
<b>FUND BALANCES</b>		
Nonspendable		
Restricted for:		
Debt service	50,917	24,383
Committed		
Assigned		
Unassigned		
Total fund balances	50,917	24,383
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
	\$ 122,948	\$ 116,416

**CITY OF HARKER HEIGHTS**

**DEBT SERVICE FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Taxes and special assessments:		
Property	\$ 2,844,418	\$ 2,744,354
Investment earnings	8,138	14,860
Miscellaneous	<u>3,012</u>	<u>506</u>
Total revenues	<u>2,855,568</u>	<u>2,759,720</u>
 <b>EXPENDITURES</b>		
Debt Service:		
Principal	1,869,748	1,822,905
Interest and fiscal charges	1,014,073	1,078,731
Tax collection fees	31,639	30,942
Bond issuance costs	<u>48,331</u>	
Total expenditures	<u>2,963,791</u>	<u>2,932,578</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(108,223)</u>	<u>(172,858)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of debt		
Issuance of refunding bonds	4,075,000	
Premium on refunding bonds		
Payment to refunded bond escrow agent	(4,090,243)	
Transfers in	150,000	150,000
Transfers out		
Total other financing sources (uses)	<u>134,757</u>	<u>150,000</u>
 Net change in fund balances	26,534	(22,858)
 Fund balances - beginning	<u>24,383</u>	<u>47,241</u>
 Fund balances - ending	<u>\$ 50,917</u>	<u>\$ 24,383</u>



**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

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**CAPITAL PROJECTS FUND**

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These supplementary statements are included to provide management additional information for financial analysis.

**CITY OF HARKER HEIGHTS**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 1,279,253	\$ 2,082,859
Investments	1,948,851	3,791,571
Restricted assets:		
Cash	707,093	577,710
Investments	2,677,265	6,044,070
Receivables	3,404	51
Due from other funds	1,623,310	7,176,926
Total assets	\$ 8,239,176	\$ 19,673,187
 <b>LIABILITIES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 80,709	\$ 62,667
Due to other funds	3,482,345	11,096,420
Total liabilities	3,563,054	11,159,087
 <b>FUND BALANCES</b>		
Nonspendable		
Restricted for:		
Capital projects		2,420,108
Committed		
Capital projects	3,384,358	4,201,672
Assigned		
Capital projects	1,291,764	1,892,320
Unassigned		
Total fund balances	4,676,122	8,514,100
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,239,176</b>	<b>\$ 19,673,187</b>



**CITY OF HARKER HEIGHTS**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Investment earnings	\$ 164,980	\$ 227,094
Contributions and donations	1,125,175	
Miscellaneous	28,688	
Intergovernmental	2,013	271,284
Total revenues	<u>1,320,856</u>	<u>498,378</u>
<b>EXPENDITURES</b>		
Debt service:		
Bond issuance costs		40,816
Capital outlay	5,058,955	5,422,054
Total expenditures	<u>5,058,955</u>	<u>5,462,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,738,099)</u>	<u>(4,964,492)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of certificates of obligation		3,027,685
Sale of capital asset proceeds		
Transfers in	200,000	2,900,000
Transfers out	(299,879)	(478,798)
Total other financing sources (uses)	<u>(99,879)</u>	<u>5,448,887</u>
Net change in fund balances	(3,837,978)	484,395
Fund balances - beginning	<u>8,514,100</u>	<u>8,029,705</u>
Fund balances - ending	<u>\$ 4,676,122</u>	<u>\$ 8,514,100</u>



**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

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**SPECIAL REVENUE FUNDS**

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**HOTEL / MOTEL FUND  
RESTRICTED COURT FUND**

These supplementary statements are included to provide management additional information for financial analysis.

**CITY OF HARKER HEIGHTS**  
**HOTEL / MOTEL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 63,933	\$ 172,781
Investments	284,763	95,855
Receivables (net of allowance for uncollectibles):		
Accounts	12,599	7,744
Total assets	<u>\$ 361,295</u>	<u>\$ 276,380</u>
 <b>LIABILITIES</b>		
Liabilities:		
Due to other funds		
Total liabilities	<u>0</u>	<u>0</u>
 <b>FUND BALANCES</b>		
Nonspendable		
Restricted for:		
Economic development	361,295	276,380
Committed		
Assigned		
Unassigned		
Total fund balances	<u>361,295</u>	<u>276,380</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	 <u>\$ 361,295</u>	 <u>\$ 276,380</u>

**CITY OF HARKER HEIGHTS**

**HOTEL / MOTEL FUND**

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Taxes and special assessments		
Other taxes and special assessments	\$ 104,514	\$ 97,443
Investment earnings	<u>2,901</u>	<u>4,363</u>
Total revenues	<u>107,415</u>	<u>101,806</u>
<b>EXPENDITURES</b>		
Current:		
Economic development and assistance	<u>22,500</u>	<u>17,412</u>
Total expenditures	<u>22,500</u>	<u>17,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,915</u>	<u>84,394</u>
Fund balances - beginning	<u>276,380</u>	<u>191,986</u>
Fund balances - ending	<u>\$ 361,295</u>	<u>\$ 276,380</u>

**CITY OF HARKER HEIGHTS  
RESTRICTED COURT FUND  
COMPARATIVE BALANCE SHEET  
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 38,410	\$ 101,558
Investments	132,364	87,101
Due from other funds	687	329
Total assets	\$ 171,461	\$ 188,988
 <b>LIABILITIES</b>		
Liabilities:		
Due to other funds		\$ 167
Total liabilities	0	167
 <b>FUND BALANCES</b>		
Nonspendable		
Restricted for:		
Public safety	171,461	188,821
Committed		
Assigned		
Unassigned		
Total fund balances	171,461	188,821
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
	\$ 171,461	\$ 188,988

**CITY OF HARKER HEIGHTS**  
**RESTRICTED COURT FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>REVENUES</b>		
Fines	\$ 109,735	\$ 103,066
Investment earnings	2,185	3,819
Total Revenues	111,920	106,885
 <b>EXPENDITURES</b>		
Current:		
Public Safety:		
Courts	100,000	90,000
School safety expenditures	29,280	
Total Expenditures	129,280	90,000
Excess (deficiency) of revenues over (under) expenditures	(17,360)	16,885
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfer out		(12,778)
Total other financing sources (uses)	0	(12,778)
Net change in fund balance	(17,360)	4,107
Fund balances - beginning	188,821	184,714
Fund balances - ending	\$ 171,461	\$ 188,821





**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

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**PROPRIETARY FUNDS**

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**ENTERPRISE FUNDS:**

**WATER AND SEWER FUND  
SANITATION FUND  
DRAINAGE FUND**

These supplementary statements are included to provide management additional information for financial analysis.

**CITY OF HARKER HEIGHTS**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,396,875	\$ 1,022,570
Investments	820,789	31,397
Receivables (net of allowance for uncollectibles):		
Accounts	1,229,333	1,382,042
Due from other funds	30,235	6,122,981
Inventory of supplies, first-in, first-out cost	69,978	123,677
Restricted cash	47,608	86,387
Restricted investments	513,256	495,707
Total current assets	<u>4,108,074</u>	<u>9,264,761</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	159,523	159,523
Buildings and lift stations	3,174,512	3,150,950
Furniture and fixtures	12,375	12,375
Machinery and equipment	2,344,525	2,325,404
Vehicles	713,219	679,880
Water and sewer system	53,412,588	52,836,477
Other improvements	1,144	1,144
Construction in progress	769,629	918,464
Less accumulated depreciation	<u>(17,377,584)</u>	<u>(16,128,147)</u>
Total noncurrent assets	<u>43,209,931</u>	<u>43,956,070</u>
Total assets	<u>47,318,005</u>	<u>53,220,831</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred amount on refunding debt	263,388	320,067
Deferred outflow related to pensions	93,692	206,722
Deferred outflow related to other post-employment benefits	18,729	14,251
Total deferred outflows of resources	<u>375,809</u>	<u>541,040</u>

**CITY OF HARKER HEIGHTS**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities		
Due to other funds	\$ 1,052,927	\$ 7,924,697
Accrued compensated absences	35,000	25,000
Refundable meter deposits	384,378	362,534
Accrued interest payable	58,223	70,835
Capital leases payable - current		
General obligation bonds - current	1,157,665	969,243
Certificates of obligation - current	440,000	515,000
Total current liabilities	3,128,193	9,867,309
Noncurrent liabilities:		
Accrued compensated absences	6,000	2,000
Net pension liability	491,955	693,587
Other post-employment supplemental death benefit obligation	36,902	29,779
Other post-employment benefit obligation	68,020	70,950
Capital leases payable		
General obligation bonds	7,479,805	6,647,471
Certificates of obligation (net of unamortized discounts and premiums)	5,989,688	8,468,855
Total noncurrent liabilities	14,072,370	15,912,642
Total liabilities	17,200,563	25,779,951
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to pensions	117,973	17,149
Deferred inflow related to other post-employment benefits	9,497	5,117
Total deferred inflows of resources	127,470	22,266
<b>NET POSITION</b>		
Net investment in capital assets	28,699,824	28,112,410
Restricted for debt service	39,887	39,061
Unrestricted	1,626,070	(191,817)
Total net position	\$ 30,365,781	\$ 27,959,654



**CITY OF HARKER HEIGHTS**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 10,606,078	\$ 9,556,952
Other	141	10,505
Total operating revenues	<u>10,606,219</u>	<u>9,567,457</u>
<b>OPERATING EXPENSES</b>		
Water purchases	3,008,972	2,808,967
Contractual services	405,093	406,715
Personnel services	1,537,818	1,415,116
Utilities and telephone	340,010	324,152
Repairs and maintenance	516,227	385,567
Supplies	145,715	150,018
Uncollectible accounts	82,446	61,238
Professional fees	61,918	49,975
Depreciation	1,262,319	1,188,520
Other	2,064	2,364
Total operating expenses	<u>7,362,582</u>	<u>6,792,632</u>
Operating income (loss)	<u>3,243,637</u>	<u>2,774,825</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	35,369	46,810
Interest expense	(531,596)	(502,817)
Bond issuance costs	(23,602)	(13,605)
Gain on sale of capital assets		
Loss on sale of capital assets	(1,201)	
Total nonoperating revenues (expenses)	<u>(521,030)</u>	<u>(469,612)</u>
Income before transfers	2,722,607	2,305,213
Transfers in	283,520	476,798
Transfers out	<u>(600,000)</u>	<u>(2,275,000)</u>
Change in net position	2,406,127	507,011
Net position, beginning	<u>27,959,654</u>	<u>27,452,643</u>
Net position, ending	<u><u>\$ 30,365,781</u></u>	<u><u>\$ 27,959,654</u></u>

**CITY OF HARKER HEIGHTS**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 10,780,631	\$ 9,306,283
Cash payments to suppliers	(4,508,746)	(4,212,804)
Cash payments to employees	(1,507,501)	(1,376,003)
Other operating cash receipts (payments)	(778,933)	1,533,403
Net cash provided by operating activities	3,985,451	5,250,879
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in	283,520	476,798
Transfers out	(600,000)	(2,275,000)
Net cash provided (used) by noncapital financing activities	(316,480)	(1,798,202)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(504,451)	(2,435,960)
Proceeds from issuance of debt	1,929,654	995,623
Principal repayments	(3,444,243)	(1,443,715)
Interest paid on long-term debt	(507,464)	(555,524)
Net cash provided (used) by capital and related financing activities	(2,526,504)	(3,439,576)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	527,742	878,657
Purchase of investments	(1,370,052)	(300,000)
Interest and penalties received	35,369	46,810
Net cash provided (used) by investing activities	(806,941)	625,467
Net increase (decrease) in cash	335,526	638,568
Cash, beginning	1,108,957	470,389
Cash, ending	\$ 1,444,483	\$ 1,108,957
<b>RECONCILIATION OF CASH</b>		
Cash	1,396,875	1,022,570
Restricted cash	47,608	86,387
Total cash	\$ 1,444,483	\$ 1,108,957

**CITY OF HARKER HEIGHTS**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 3,243,637	\$ 2,774,825
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,262,319	1,188,520
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	152,709	(251,248)
(Increase) decrease in deferred outflow in net pension obligation	113,030	(63,802)
(Increase) decrease in deferred inflow in net pension obligation	100,824	(115,147)
Increase (decrease) in net pension obligation	(201,632)	222,543
(Increase) decrease in deferred outflow in other post-employment benefit obligation	(4,478)	(11,872)
(Increase) decrease in deferred inflow in other post-employment benefit obligation	4,380	1,600
Increase in allowance for doubtful account		
(Increase) decrease in inventory	53,699	(23,808)
Increase (decreases) in accounts payable and accrued liabilities		
Increase (decrease) in refundable meter deposits	21,844	579
(Increase) decrease in due from other funds	6,092,746	(6,044,445)
Increase (decrease) in due to other funds	(6,871,820)	7,567,343
Increase (decrease) in compensated absences	14,000	(11,000)
Increase (decrease) in other post-employment supplemental death benefit obligation	7,123	475
Increase (decrease) in other post-employment benefit obligation	(2,930)	16,316
Total adjustments	741,814	2,476,054
Net cash provided by (used for) operating activities	\$ 3,985,451	\$ 5,250,879
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Decrease in fair value of investments		
Gain on sale of capital assets	\$ 1,201	
Loss on sale of capital assets		
Amortization of deferred amount on advanced refunding of certificates of obligation	56,679	71,506
Amortization of bond premium	80,586	99,176
Amortization of bond discount	1,419	1,459
Total noncash investing, capital and financing activities	\$ 139,885	\$ 172,141

**CITY OF HARKER HEIGHTS**  
**SANITATION FUND**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 80,439	\$ 147,450
Investments	76,836	1,001
Receivables (net of allowance for uncollectibles):		
Accounts	254,384	236,514
Due from other funds	853	815
Total current assets	412,512	385,780
Noncurrent assets:		
Capital assets:		
Machinery and equipment	40,730	40,730
Improvements other than buildings	23,728	23,728
Less accumulated depreciation	(52,686)	(48,404)
Total noncurrent assets	11,772	16,054
Total assets	424,284	401,834
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflow related to pensions	5,491	8,745
Deferred outflow related to other post-employment benefits	1,003	867
Total deferred outflows of resources	6,494	9,612
<b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	284,126	326,283
Accrued compensated absences	2,000	2,000
Total current liabilities	286,126	328,283
Noncurrent liabilities:		
Accrued compensated absences	1,000	1,000
Net pension liability	9,120	21,287
Other post-employment supplemental death benefit obligation	1,728	1,311
Other post-employment benefit obligation	3,684	4,926
Total noncurrent liabilities	15,532	28,524
Total liabilities	301,658	356,807
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to pensions	8,894	659
Deferred inflow related to other post-employment benefits	1,729	299
Total deferred inflows of resources	10,623	958
<b>NET POSITION</b>		
Net investment in capital assets	11,772	16,054
Unrestricted	106,725	37,627
Total net position	\$ 118,497	\$ 53,681



**CITY OF HARKER HEIGHTS**  
**SANITATION FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,171,584	\$ 2,085,585
Franchise fees	196,922	133,591
Other	<u>1,048</u>	<u>996</u>
Total operating revenues	<u>2,369,554</u>	<u>2,220,172</u>
<b>OPERATING EXPENSES</b>		
Contractual services	1,976,594	1,875,677
Personnel services	51,999	58,571
Utilities and telephone	1,026	877
Repairs and maintenance	7,504	10,557
Supplies	629	1,433
Uncollectible accounts	15,249	7,259
Professional fees		
Depreciation	4,281	4,847
Other	<u>75</u>	<u>75</u>
Total operating expenses	<u>2,057,357</u>	<u>1,959,296</u>
Operating income (loss)	<u>312,197</u>	<u>260,876</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	<u>2,619</u>	<u>2,278</u>
Total nonoperating revenues (expenses)	<u>2,619</u>	<u>2,278</u>
Income before transfers	314,816	263,154
Transfers in		
Transfers out	<u>(250,000)</u>	<u>(300,000)</u>
Change in net position	64,816	(36,846)
Net position, beginning	<u>53,681</u>	<u>90,527</u>
Net position, ending	<u>\$ 118,497</u>	<u>\$ 53,681</u>

**CITY OF HARKER HEIGHTS**  
**SANITATION FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 2,138,465	\$ 2,076,593
Cash payments to suppliers	(2,027,985)	(1,855,529)
Cash payments to employees	(52,208)	(55,771)
Franchise fees	196,922	133,591
Other operating cash receipts (payments)	1,010	2,677
Net cash provided by operating activities	256,204	301,561
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in		
Transfers out	(250,000)	(300,000)
Net cash provided (used) by noncapital financing activities	(250,000)	(300,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets		
Net cash provided (used) by capital and related financing activities	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments		
Purchase of investments	(75,834)	(23)
Interest and penalties received	2,619	2,278
Net cash provided (used) by investing activities	(73,215)	2,255
Net increase (decrease) in cash	(67,011)	3,816
Cash, beginning	147,450	143,634
Cash, ending	\$ 80,439	\$ 147,450
<b>RECONCILIATION OF CASH</b>		
Cash	80,439	147,450
Total cash	\$ 80,439	\$ 147,450

**CITY OF HARKER HEIGHTS**  
**SANITATION FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 312,197	\$ 260,876
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	4,281	4,847
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(17,870)	(1,733)
(Increase) decrease in deferred outflow in net pension obligation	3,254	(3,985)
(Increase) decrease in deferred inflow in net pension obligation	8,235	(4,342)
(Increase) decrease in deferred outflow in other post-employment benefit obligation	(136)	(775)
(Increase) decrease in deferred inflow in other post-employment benefit obligation	1,430	66
Increase in allowance for doubtful account		
(Increase) decrease in due from other funds	(38)	1,681
Increase (decrease) in due to other funds	(42,157)	33,090
Increase (decrease) in compensated absences		1,000
Increase (decrease) in net pension obligation	(12,167)	9,757
Increase (decrease) in other post-employment supplemental death benefit obligation	417	22
Increase (decrease) in other post-employment benefit obligation	(1,242)	1,057
Total adjustments	(55,993)	40,685
Net cash provided by (used for) operating activities	\$ 256,204	\$ 301,561

**CITY OF HARKER HEIGHTS**  
**DRAINAGE FUND**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 6,676	\$ 30,846
Investments	26,061	420
Receivables (net of allowance for uncollectibles):		
Accounts	93,070	90,355
Due from other funds	3,142,943	3,142,775
Restricted cash	4,709	4,631
Restricted investments	3,332	3,303
Total current assets	3,276,791	3,272,330
Noncurrent assets:		
Capital assets:		
Land and improvements	125,160	125,160
Machinery and equipment	283,554	258,857
Vehicles	95,604	92,354
Drainage system	6,281,354	6,262,995
Construction in progress	210,330	151,836
Less accumulated depreciation	(1,230,874)	(1,119,656)
Total noncurrent assets	5,765,128	5,771,546
Total assets	9,041,919	9,043,876
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflow related to pensions	10,395	39,738
Deferred outflow related to other post-employment benefits	1,277	1,459
Total deferred outflows of resources	11,672	41,197

**CITY OF HARKER HEIGHTS**  
**DRAINAGE FUND**  
**COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)**  
**SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	641,154	588,639
Accrued compensated absences	6,000	6,500
Accrued interest payable	15,737	16,804
General obligation bonds - current	73,114	71,010
Certificates of obligation - current	<u>165,000</u>	<u>135,000</u>
Total current liabilities	<u>901,005</u>	<u>817,953</u>
Noncurrent liabilities:		
Accrued compensated absences		500
Net pension liability	102,354	124,255
Other post-employment supplemental death benefit obligation	5,843	5,071
Other post-employment benefit obligation	4,039	9,878
General obligation bonds	153,592	226,706
Certificates of obligation (net of unamortized discounts)	<u>3,518,895</u>	<u>3,689,625</u>
Total noncurrent liabilities	<u>3,784,723</u>	<u>4,056,035</u>
Total liabilities	<u>4,685,728</u>	<u>4,873,988</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to pensions	2,684	3,068
Deferred inflow related to other post-employment benefits	<u>7,246</u>	<u>725</u>
Total deferred inflows of resources	<u>9,930</u>	<u>3,793</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,349,202	4,195,330
Restricted for debt service	8,041	7,934
Unrestricted	690	4,028
Total net position	<u>\$ 4,357,933</u>	<u>\$ 4,207,292</u>



**CITY OF HARKER HEIGHTS**

**DRAINAGE FUND**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 851,897	\$ 833,148
Other	2,044	
Total operating revenues	<u>853,941</u>	<u>833,148</u>
<b>OPERATING EXPENSES</b>		
Contractual services	5,188	4,384
Personnel services	123,676	113,601
Repairs and maintenance	19,701	30,480
Supplies	4,342	9,848
Uncollectible accounts	5,944	4,338
Professional fees	400	8,033
Depreciation	111,217	112,857
Other	275	265
Total operating expenses	<u>270,743</u>	<u>283,806</u>
Operating income (loss)	<u>583,198</u>	<u>549,342</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	2,255	1,917
Interest expense	(126,171)	(41,544)
Bond issuance costs		
Total nonoperating revenues (expenses)	<u>(123,916)</u>	<u>(39,627)</u>
Income before transfers	459,282	509,715
Transfers in	16,359	2,000
Transfers out	<u>(325,000)</u>	<u>(350,000)</u>
Change in net position	150,641	161,715
Net position, beginning	<u>4,207,292</u>	<u>4,045,577</u>
Net position, ending	<u>\$ 4,357,933</u>	<u>\$ 4,207,292</u>

**CITY OF HARKER HEIGHTS**  
**DRAINAGE FUND**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 848,907	\$ 833,577
Cash payments to suppliers	16,940	240,483
Cash payments to employees	(115,982)	(110,322)
Other operating cash receipts (payments)	1,876	(88,422)
Net cash provided by operating activities	751,741	875,316
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in	16,359	2,000
Transfers out	(325,000)	(350,000)
Net cash provided (used) by noncapital financing activities	(308,641)	(348,000)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(104,799)	(300,607)
Proceeds from issuance of debt		
Principal repayments	(206,010)	(178,380)
Interest paid on long-term debt	(132,968)	(48,826)
Net cash provided (used) by capital and related financing activities	(443,777)	(527,813)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments		
Purchase of investments	(25,670)	(85)
Interest and penalties received	2,255	1,917
Net cash provided (used) by investing activities	(23,415)	1,832
 Net increase (decrease) in cash	(24,092)	1,335
 Cash, beginning	35,477	34,142
 Cash, ending	\$ 11,385	\$ 35,477
 <b>RECONCILIATION OF CASH</b>		
Cash	6,676	30,846
Restricted cash	4,709	4,631
Total cash	\$ 11,385	\$ 35,477



**CITY OF HARKER HEIGHTS**  
**DRAINAGE FUND**  
**COMPARATIVE STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 583,198	\$ 549,342
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	111,217	112,857
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,715)	694
(Increase) decrease in deferred outflow in net pension obligation	29,343	(16,624)
(Increase) decrease in defrred inflow in net pension obligation	(384)	(16,964)
(Increase) decrease in deferred outflow in other post-employment benefit obligation	182	(1,096)
(Increase) decrease in deferred inflow in other post-employment benefit obligation	6,521	311
Increase in allowance for doubtful account		
(Increase) decrease in due from other funds	(168)	(88,422)
Increase (decrease) in due to other funds	52,515	297,566
Increase (decrease) in compensated absences	(1,000)	(3,000)
Increase (decrease) in net pension obligation	(21,901)	39,029
Increase (decrease) in other post-employment supplemental death benefit obligation	772	83
Increase (decrease) in other post-employment benefit obligation	(5,839)	1,540
Total adjustments	168,543	325,974
Net cash provided by (used for) operating activities	\$ 751,741	\$ 875,316
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Amortization of bond premium	5,730	6,492
Amortization of bond discount		
Amortization of bond issuance costs		
Total noncash investing, capital, and financing activities	\$ 5,730	\$ 6,492



**CAPITAL ASSETS  
USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

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**CITY OF HARKER HEIGHTS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>Governmental Funds Capital Assets:</b>		
Land	\$ 15,715,042	\$ 15,693,112
Buildings	22,658,983	22,206,409
Improvements other than buildings	253,411	233,632
Machinery and equipment	6,896,692	6,659,246
Vehicles	6,078,653	5,757,963
Furniture and fixtures	1,139,250	1,139,250
Street and drainage improvements	42,926,569	40,203,944
Construction in progress	3,157,573	1,349,318
 Total governmental funds capital assets	 \$ 98,826,173	 \$ 93,242,874
 <b>Investment in Governmental Funds Capital Assets by Source:</b>		
General fund	\$ 24,436,451	\$ 20,716,578
Special revenue funds	908,883	908,883
Capital projects fund	66,374,057	64,565,802
Donations	2,360,166	2,360,166
Grants, revenue sharing	4,746,616	4,691,445
 Total governmental funds capital assets	 \$ 98,826,173	 \$ 93,242,874

**Note:**

This schedule presents only the capital asset balances related to governmental funds. The City's infrastructure capital assets are included in the above street and drainage improvements.

**CITY OF HARKER HEIGHTS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2020**

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment
General government:				
Council				\$ 19,798
Administration	1,355,546	4,195,606	2,129	1,499,374
Finance				168,485
Information Technology				48,947
Pet Adoption Center		3,198,946		142,897
<b>Total general government</b>	<b>1,355,546</b>	<b>7,394,552</b>	<b>2,129</b>	<b>1,879,501</b>
Public Safety:				
Police	75,158	2,926,719	49,415	1,259,793
Fire and EMS	27,578	5,440,815		1,494,546
Code Enforcement		125		20,606
Courts				248,673
<b>Total public safety</b>	<b>102,736</b>	<b>8,367,659</b>	<b>49,415</b>	<b>3,023,618</b>
Highways and streets:				
Maintenance	119,437	207,756	1,995	632,242
Street and drainage system				
<b>Total highways and streets</b>	<b>119,437</b>	<b>207,756</b>	<b>1,995</b>	<b>632,242</b>
Culture and recreation:				
Parks and recreation	14,119,960	2,541,359	153,319	1,006,488
Activity Center				10,937
Library	17,363	4,147,657	1,203	185,566
<b>Total culture and recreation</b>	<b>14,137,323</b>	<b>6,689,016</b>	<b>154,522</b>	<b>1,202,991</b>
Economic development and assistance			45,350	158,340
Construction in progress				
<b>Total governmental funds capital assets</b>	<b>\$ 15,715,042</b>	<b>\$ 22,658,983</b>	<b>\$ 253,411</b>	<b>\$ 6,896,692</b>

Note:

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

<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Streets and Drainage Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
	\$ 3,755			\$ 23,553
	185,213			7,237,868
	5,501			173,986
				48,947
<u>110,489</u>	<u>71,243</u>			<u>3,523,575</u>
<u>110,489</u>	<u>265,712</u>			<u>11,007,929</u>
2,475,439	211,391			6,997,915
2,462,067	109,939			9,534,945
53,472				74,203
	<u>8,979</u>			<u>257,652</u>
<u>4,990,978</u>	<u>330,309</u>			<u>16,864,715</u>
698,655				1,660,085
		<u>42,926,569</u>		<u>42,926,569</u>
<u>698,655</u>		<u>42,926,569</u>		<u>44,586,654</u>
278,531	189,219			18,288,876
	<u>351,300</u>			<u>10,937</u>
				<u>4,703,089</u>
<u>278,531</u>	<u>540,519</u>			<u>23,002,902</u>
	<u>2,710</u>			<u>206,400</u>
			<u>3,157,573</u>	<u>3,157,573</u>
<u>\$ 6,078,653</u>	<u>\$ 1,139,250</u>	<u>\$ 42,926,569</u>	<u>\$ 3,157,573</u>	<u>\$ 98,826,173</u>

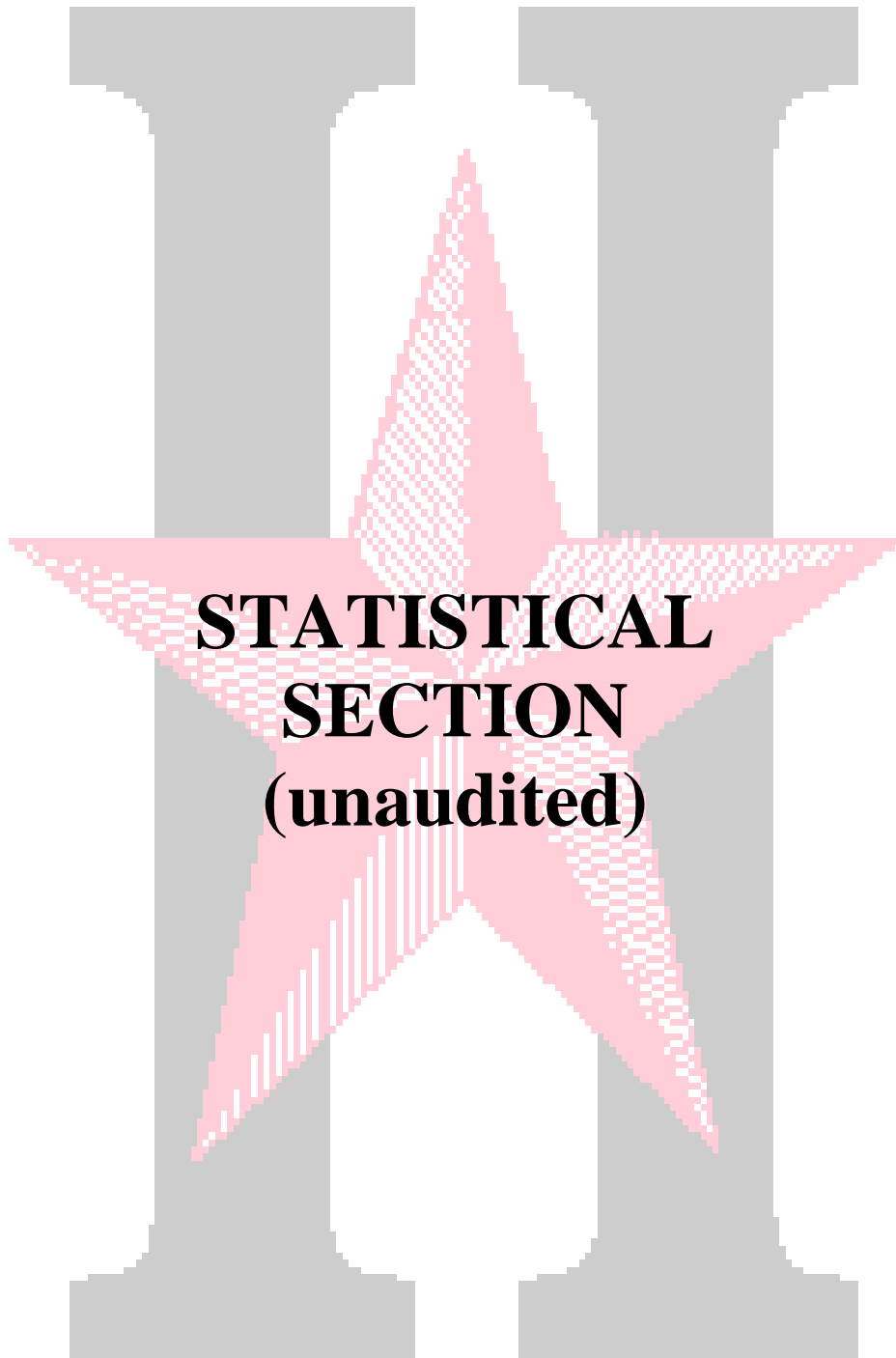
**CITY OF HARKER HEIGHTS**  
**CAPTIAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2020**

Function and Activity	Capital Assets October 1, 2019	Additions	Deletions	Transfers	Capital Assets September 30, 2020
General government:					
Council	\$ 23,553				\$ 23,553
Administration	7,211,449	38,480	3,140	(8,921)	7,237,868
Finance	173,986				173,986
Information Technology	12,778	22,981	1,448	14,636	48,947
Pet Adoption Center	3,494,556	37,223	8,204		3,523,575
Total general government	<u>10,916,322</u>	<u>98,684</u>	<u>12,792</u>	<u>5,715</u>	<u>11,007,929</u>
Public safety:					
Police	6,694,564	244,401	21,672	80,622	6,997,915
Fire and EMS	9,266,580	268,950		(585)	9,534,945
Code Enforcement	75,651			(1,448)	74,203
Courts	375,083	1,125	33,053	(85,503)	257,652
Total public safety	<u>16,411,878</u>	<u>514,476</u>	<u>54,725</u>	<u>(6,914)</u>	<u>16,864,715</u>
Highways and streets:					
Maintenance	1,621,956	42,129	4,000		1,660,085
Street and drainage system	40,203,944	2,722,625			42,926,569
Total highways and streets	<u>41,825,900</u>	<u>2,764,754</u>	<u>4,000</u>		<u>44,586,654</u>
Culture and recreation:					
Parks and recreation	17,824,454	466,919	1,447	(1,050)	18,288,876
Activity Center	9,813			1,124	10,937
Library	4,698,789	3,175		1,125	4,703,089
Total culture and recreation	<u>22,533,056</u>	<u>470,094</u>	<u>1,447</u>	<u>1,199</u>	<u>23,002,902</u>
Economic development and assistance	<u>206,400</u>				<u>206,400</u>
Construction in progress	<u>1,349,318</u>	<u>5,058,955</u>	<u>3,250,700</u>		<u>3,157,573</u>
Total governmental funds capital assets	<u>\$ 93,242,874</u>	<u>\$ 8,906,963</u>	<u>\$ 3,323,664</u>		<u>\$ 98,826,173</u>

Note:

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





**STATISTICAL  
SECTION  
(unaudited)**

## STATISTICAL SECTION

This part of the City of Harker Heights' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends:</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	125
<b>Revenue Capacity:</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	130
<b>Debt Capacity:</b> 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.	136
<b>Demographic and Economic Information:</b> 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.	145
<b>Operating Information:</b> 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.	149

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in 2003; schedules presenting government-wide information include information beginning in that year.



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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 37,854	\$ 35,751	\$ 33,592	\$ 29,424	\$ 30,534	\$ 26,705	\$ 24,343	\$ 23,247	\$ 21,839	\$ 19,802
Restricted	622	531	457	6,192	1,828	12,894	12,000	4,921	8,773	15,953
Assigned				2,482	3,099		179	146	91	
Unrestricted	8,290	7,302	7,069	434	769	(3,716)	3,358	7,721	5,695	2,911
Total governmental activities net position	46,766	43,584	41,118	38,532	36,230	35,883	39,880	36,035	36,398	38,666
Business-type activities										
Net investment in capital assets	33,061	32,324	30,393	29,055	28,727	27,659	25,968	25,078	22,756	21,717
Restricted	48	47	45	953	710	57	56	32	34	
Unrestricted	1,733	(150)	1,151	939	1,706	(322)	384	1,657	1,310	(3,873)
Total business-type activities net position	34,842	32,221	31,589	30,947	31,143	27,394	26,408	26,767	24,100	17,844
Primary Government										
Net investment in capital assets	70,915	68,075	63,985	58,479	59,261	54,364	50,311	48,325	44,595	41,519
Restricted	670	578	502	7,145	2,538	12,951	12,056	4,953	8,807	15,953
Assigned				2,482	3,099		179	146	91	
Unrestricted	10,023	7,152	8,220	1,373	2,475	(4,038)	3,742	9,378	7,005	(962)
Total primary government net position	\$ 81,608	\$ 75,805	\$ 72,707	\$ 69,479	\$ 67,373	\$ 63,277	\$ 66,288	\$ 62,802	\$ 60,498	\$ 56,510

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 4,528	\$ 4,414	\$ 4,009	\$ 4,053	\$ 3,866	\$ 3,967	\$ 2,862	\$ 3,247	\$ 2,818	\$ 2,869
Public safety	14,107	13,883	12,701	12,726	12,715	10,478	11,137	10,553	10,383	10,216
Highways/streets	1,799	1,707	1,986	1,771	880	1,768	1,828	1,734	1,782	1,541
Economic development	2,967	388	379	438	410	447	538	483	468	362
Culture and recreation	398	3,557	3,508	3,338	3,378	3,051	3,077	2,932	2,928	2,732
Interest on long-term debt	1,118	1,121	1,060	1,038	1,032	988	1,214	1,094	1,237	1,225
Other										
Total Governmental Activities	24,917	25,070	23,643	23,364	22,281	20,699	20,656	20,043	19,616	18,945
Business-type Activities:										
Water and sewer	7,919	7,309	7,206	6,771	6,356	6,662	6,397	6,088	5,862	6,593
Drainage	397	326	364	369	359	364	304	325	283	283
Sanitation	2,057	1,959	1,843	1,779	1,743	1,649	1,577	1,536	1,529	1,475
Total Business-type Activities	10,373	9,594	9,413	8,919	8,458	8,675	8,278	7,949	7,674	8,351
Total Expenses	\$35,290	\$34,664	\$33,056	\$32,283	\$30,739	\$29,374	\$28,934	\$27,992	\$27,290	\$27,296
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General government	\$ 88	\$ 104	\$ 131	\$ 89	\$ 249	\$ 111	\$ 61	\$ 56	\$ 87	\$ 67
Public safety	1,951	1,936	1,810	1,698	1,554	1,672	1,831	1,858	1,998	2,029
Culture and recreation	123	272	268	259	291	293	311	291	306	246
Other activities	246	301	184	212	278	296	546	249	164	157
Operating grants and contributions	1,568	343	247	220	1,083	792	66	477	598	246
Capital Grants and contributions	1,125									234
Total Governmental Activities	5,101	2,956	2,640	2,478	3,455	3,164	2,815	2,931	3,153	2,979
Business-type Activities:										
Charges for services	13,633	12,487	13,140	12,200	12,091	11,435	11,189	11,553	11,586	11,833
Total Business-type Activities	13,633	12,487	13,140	12,200	12,091	11,435	11,189	11,553	11,586	11,833
Total Program Revenues	\$18,734	\$15,443	\$15,780	\$14,678	\$15,546	\$14,599	\$14,004	\$14,484	\$14,739	\$14,812
Net (Expense)/Revenue										
Governmental Activities	\$ (19,816)	\$ (22,114)	\$ (21,003)	\$ (20,886)	\$ (18,826)	\$ (17,535)	\$ (17,841)	\$ (17,112)	\$ (16,463)	\$ (15,966)
Business-type Activities	3,260	2,893	3,727	3,281	3,633	2,760	2,911	3,604	3,912	3,482
Total Net Expense	\$ (16,556)	\$ (19,221)	\$ (17,276)	\$ (17,605)	\$ (15,193)	\$ (14,775)	\$ (14,930)	\$ (13,508)	\$ (12,551)	\$ (12,484)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$12,281	\$11,754	\$11,734	\$11,100	\$10,833	\$10,419	\$10,051	\$ 9,189	\$ 9,167	\$ 8,965
Sales taxes	7,733	8,081	6,828	6,672	6,627	6,594	6,186	5,232	5,426	4,859
Mixed drink taxes	93	104	100	113	111	141	116	98	97	126
Bingo taxes	39	45	42	50	52	64	77	101	105	101
Hotel/Motel taxes	105	97	86	95	75	75	100	84	93	92
Special assessments										
Other taxes										
Franchise fees	1,378	1,403	1,397	1,333	1,297	1,342	1,312	1,265	1,436	1,271
Investment earnings	491	650	312	162	115	48	132	40	64	48
Gain on sale of capital assets	3		12	22			12	9	9	
Transfers	875	2,446	3,272	3,641	63	1,480	3,483	928	(2,203)	3,019
Total Governmental Activities	22,998	24,580	23,783	23,188	19,173	20,163	21,469	16,946	14,194	18,481
Business-type activities										
Franchise fees	197	134	153	148	161	125	140	137	130	124
Investment earnings	40	51	40	17	18	10	10	13	11	8
Miscellaneous										
Gain on sale of capital assets			2							
Transfers	(875)	(2,446)	(3,272)	(3,641)	(63)	(1,480)	(3,483)	(928)	2,203	(3,019)
Total Business-type Activities	(638)	(2,261)	(3,077)	(3,476)	116	(1,345)	(3,333)	(778)	2,344	(2,887)
Total General Revenues and Other Changes in Net Position	\$22,360	\$22,319	\$20,706	\$19,712	\$19,289	\$18,818	\$18,136	\$16,168	\$16,538	\$15,594
Change in Net Position										
Governmental Activities	\$ 3,182	\$ 2,466	\$ 2,780	\$ 2,302	\$ 347	\$ 2,628	\$ 3,628	\$ (166)	\$ (2,269)	\$ 2,515
Business-type Activities	2,622	632	650	(195)	3,749	1,415	(422)	2,826	6,256	595
Total Change in Net Position	\$ 5,804	\$ 3,098	\$ 3,430	\$ 2,107	\$ 4,096	\$ 4,043	\$ 3,206	\$ 2,660	\$ 3,987	\$ 3,110

**CITY OF HARKER HEIGHTS  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE<sup>1</sup>  
LAST TEN FISCAL YEARS  
(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Bingo Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Hotel/Motel Tax</b>	<b>Other Tax</b>	<b>Total</b>
2020	12,281	7,733	1,378	39	93	105		21,629
2019	11,754	8,081	1,403	45	104	97		21,484
2018	11,734	6,828	1,397	42	100	86		20,187
2017	11,100	6,672	1,333	50	113	95		19,363
2016	10,833	6,627	1,297	52	111	75		18,995
2015	10,419	6,594	1,342	64	141	75		18,635
2014	10,051	6,186	1,312	78	116	100		17,843
2013	9,189	5,232	1,265	101	98	84		15,969
2012	9,167	5,426	1,436	105	97	93		16,324
2011	8,965	4,859	1,271	101	126	92		15,414

**Source: Audited Financial Statements.**

<sup>1</sup>Includes general, debt services, 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable										
Restricted for:										
Economic development										39
Public safety	3	3	6	3	3	3	1	1	3	3
Pet Adoption Center	17	19	9	5						
Debt service										
Capital projects										
Cemetery	19	19	18	18	18	18	18	18		
Committed										
Assigned to:										
Culture and recreation	438	378	328	271	243	220	179	146	91	
Unassigned	13,373	11,044	10,686	9,997	9,660	9,962	9,486	8,256	8,342	7,339
Total general fund	<u>\$ 13,850</u>	<u>\$ 11,463</u>	<u>\$ 11,047</u>	<u>\$ 10,294</u>	<u>\$ 9,924</u>	<u>\$ 10,203</u>	<u>\$ 9,684</u>	<u>\$ 8,421</u>	<u>\$ 8,436</u>	<u>\$ 7,381</u>
All Other Governmental Funds										
Nonspendable										
Restricted for:										
Economic development	361	276	192	122	85	106	189	206	222	233
Public safety	171	189	185	212	171	167	216	202	191	194
Debt service	51	24	47	191	55	108	106	61	48	106
Capital projects		2,420	2,779	5,640	1,496	8,321	11,470	4,433	8,291	15,611
Committed										
Capital projects	3,384	4,202	3,399							
Assigned to:										
Culture and recreation										
Capital projects	1,292	1,892	1,852	2,212	2,856	3,952				
Unassigned							3,860	2,995	2,583	2,407
Total all other governmental funds	<u>\$ 5,259</u>	<u>\$ 9,003</u>	<u>\$ 8,454</u>	<u>\$ 8,377</u>	<u>\$ 4,663</u>	<u>\$ 12,654</u>	<u>\$ 15,841</u>	<u>\$ 7,897</u>	<u>\$ 11,335</u>	<u>\$ 18,551</u>

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues</b>										
Taxes	\$21,731	\$20,654	\$20,073	\$19,226	\$18,877	\$18,555	\$17,784	\$16,019	\$16,365	\$15,464
Licenses and permits	306	396	280	247	320	330	591	286	204	191
Fines	1,145	1,068	1,005	877	822	1,145	1,541	1,405	1,472	1,399
Charges for services	811	1,058	949	990	857	795	787	797	721	708
Intergovernmental	1,545	1,200	392	361	447	932	198	443	432	397
Investment earnings	463	650	310	158	90	48	32	39	41	48
Contributions and donations	1,149	29	25	29	811	32	41	39	171	26
Miscellaneous	96	32	106	111	256	107	143	144	74	54
<b>Total revenues</b>	<b>27,246</b>	<b>25,087</b>	<b>23,140</b>	<b>21,999</b>	<b>22,480</b>	<b>21,944</b>	<b>21,117</b>	<b>19,172</b>	<b>19,480</b>	<b>18,287</b>
<b>Expenditures</b>										
General government	3,943	3,799	3,725	3,778	3,669	4,102	2,734	3,072	2,659	3,023
Public safety	12,957	12,294	12,400	11,456	12,076	11,340	10,492	10,550	9,823	9,485
Highways and streets	1,311	1,453	1,372	1,489	1,541	1,288	1,321	1,302	1,558	1,172
Culture and recreation	2,591	3,039	3,043	2,903	2,922	2,837	2,726	2,727	2,541	2,348
Economic development and assistance	386	362	374	421	466	474	526	466	452	337
Debt service										
Principal	2,109	2,061	1,932	1,926	1,893	1,550	1,677	1,509	1,409	1,122
Interest	1,025	1,095	1,039	982	1,010	1,059	1,077	1,053	1,169	1,153
Tax collection fees	32	31	29	30	29	28	28	28	27	22
Bond issuance costs	48	40	34	55	25	64	6	19	36	42
Capital outlay	5,059	5,422	5,157	3,571	7,432	3,849	851	3,296	3,325	2,577
<b>Total expenditures</b>	<b>29,461</b>	<b>29,596</b>	<b>29,105</b>	<b>26,611</b>	<b>31,063</b>	<b>26,591</b>	<b>21,438</b>	<b>24,022</b>	<b>22,999</b>	<b>21,281</b>
Excess of revenues over (under) expenditures	(2,215)	(4,509)	(5,965)	(4,612)	(8,583)	(4,647)	(321)	(4,850)	(3,519)	(2,994)
<b>Other Financing Sources (Uses)</b>										
Issuance of certificates of obligation	4,075	3,028	3,029	5,055			6,046			5,000
Issuance of refunding bonds					1,985	6,569		455	3,200	
Premium on refunding bonds					164					
Bond discount										
Payment to refunded bond escrow agent	(4,090)				(2,106)	(6,551)		(435)	(3,650)	
Capital leases			495		208	478		270		199
Sale of capital assets proceeds									10	1
Transfers in	1,325	4,463	3,990	4,554	3,600	4,150	7,278	3,436	3,034	5,925
Transfers out	(450)	(2,017)	(718)	(913)	(3,537)	(2,670)	(3,795)	(2,508)	(5,237)	(2,906)
<b>Total other financing sources (uses)</b>	<b>860</b>	<b>5,474</b>	<b>6,796</b>	<b>8,696</b>	<b>314</b>	<b>1,976</b>	<b>9,529</b>	<b>1,218</b>	<b>(2,643)</b>	<b>8,219</b>
<b>Net change in fund balances</b>	<b>\$ (1,355)</b>	<b>\$965</b>	<b>\$831</b>	<b>\$4,084</b>	<b>(\$8,269)</b>	<b>(\$2,671)</b>	<b>\$9,208</b>	<b>(\$3,632)</b>	<b>(\$6,162)</b>	<b>\$ 5,225</b>
Debt service as a percentage of noncapital expenditures	13.17%	13.43%	12.97%	12.98%	13.42%	12.10%	13.69%	13.00%	13.51%	12.57%



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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Exemptions<sup>1</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Taxable Assessed Value as a Percentage of Estimated Actual Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Total Direct Rate</b>
2020	2,223,496,798	124,600,298	467,495,054	1,880,602,042	80.09%	2,348,097,096	0.6770
2019	2,054,007,820	126,591,843	377,119,500	1,803,480,163	82.71%	2,180,599,663	0.6770
2018	1,988,778,889	124,001,875	313,770,080	1,799,010,684	85.15%	2,112,780,764	0.6770
2017	1,813,068,923	127,224,231	245,257,629	1,695,035,525	87.36%	1,940,293,154	0.6770
2016	1,726,337,444	129,371,982	201,721,179	1,653,988,247	89.13%	1,855,709,426	0.6770
2015	1,644,815,946	123,164,489	172,716,271	1,595,264,164	90.23%	1,767,980,435	0.6770
2014	1,580,544,133	84,592,701	154,085,334	1,511,051,500	90.75%	1,665,136,834	0.6770
2013	1,466,874,488	77,734,371	141,980,105	1,402,628,754	90.81%	1,544,608,859	0.6770
2012	1,449,939,258	76,917,735	131,985,034	1,394,871,959	91.36%	1,526,856,993	0.6770
2011	1,411,513,611	76,746,575	127,060,247	1,361,199,939	91.46%	1,488,260,186	0.6770

**Source: Bell County Appraisal District**

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

<sup>1</sup>Amount 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**

<b>Fiscal Year</b>	<b>City of Harker Heights</b>			<b>Overlapping Rates</b>					<b>Total Direct and Overlapping</b>
	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total Direct Rate</b>	<b>Killeen Independent School District</b>	<b>Central Texas College</b>	<b>Bell County</b>	<b>Road District</b>	<b>Clearwater UWCD</b>	
2020	0.52080	0.15620	0.67700	1.16110	0.12790	0.42080	0.02920	0.00357	2.41957
2019	0.51930	0.15770	0.67700	1.26000	0.13860	0.42120	0.02990	0.00383	2.53053
2018	0.52850	0.14850	0.67700	1.11000	0.13990	0.42120	0.02990	0.00385	2.38185
2017	0.51980	0.15720	0.67700	1.12600	0.13660	0.42120	0.02990	0.00392	2.39462
2016	0.51740	0.15960	0.67700	1.12800	0.13660	0.42120	0.02990	0.00395	2.39665
2015	0.51670	0.16030	0.67700	1.12800	0.13660	0.42120	0.02990	0.00400	2.39670
2014	0.51160	0.16540	0.67700	1.12800	0.13700	0.42120	0.02990	0.00400	2.39710
2013	0.49880	0.17820	0.67700	1.13100	0.14000	0.42120	0.02990	0.00400	2.40310
2012	0.50240	0.17460	0.67700	1.14119	0.14090	0.40960	0.02990	0.00400	2.40259
2011	0.53110	0.14590	0.67700	1.14119	0.14090	0.38200	0.02990	0.00400	2.37499

**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)**

<b>Taxpayer</b>	<b>2020</b>			<b>2011</b>		
	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
HH/Killeen Health System LLC	\$ 53,189	1	2.83%			
Cole MT Harker Heights TX LLC	33,969	2	1.81%			
HH/Killeen Health System LLC	25,500	3	1.36%			
Oncor Electric Delivery Co LLC	12,420	4	0.66%	10,570	3	0.78%
Wal-Mart Real Estate Business Trust	10,627	5	0.57%	16,361	2	1.20%
HH/Killeen Health System LLC	9,500	6	0.51%			
Wal-Mart Stores Texas LLC	8,039	7	0.43%			
Lions Run Investments LLC	7,600	8	0.40%			
Sam's Real Estate Business Trust	7,200	9	0.38%			
Sam's East Inc.	6,911	10	0.37%			
Market Heights Ltd				22,622	1	1.66%
HEB Grocery Company LP				5,917	4	0.43%
Target Corporation				5,032	5	0.37%
Boose Properties Ltd.				4,349	6	0.32%
Omni Lions Run LP				4,267	7	0.31%
Target Stores, Inc.				3,522	8	0.26%
House, Charles etal				3,422	9	0.25%
Rancier All Star Development LP				3,189	10	0.23%
	<b>\$ 174,955</b>		<b>9.32%</b>	<b>\$ 79,251</b>		<b>5.81%</b>

Source: Bell County Appraisal District

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

Fiscal Year	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
	Total Tax Levy	Amount Collected	Percentage of Levy	Less Refunds	Amount Disbursed	Percentage of Levy			
2020	12,732	12,532	98.43%	140	12,392	97.33%	219	239	1.88%
2019	12,210	11,945	97.83%	121	11,824	96.84%	164	267	2.19%
2018	12,179	11,919	97.87%	126	11,793	96.83%	182	260	2.13%
2017	11,475	11,248	98.02%	88	11,160	97.25%	134	251	2.19%
2016	11,198	10,957	97.85%	87	10,870	97.07%	111	227	2.03%
2015	10,800	10,589	98.05%	76	10,513	97.34%	95	222	2.06%
2014	10,230	10,286	100.55%	112	10,174	99.45%	161	213	2.08%
2013	9,496	9,327	98.22%	98	9,229	97.19%	114	257	2.71%
2012	9,443	9,265	98.12%	59	9,206	97.49%	121	242	2.56%
2011	9,215	9,057	98.29%	41	9,016	97.84%	143	252	2.73%

Source: Bell County Appraisal District

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

<b>Fiscal Year</b>	<b>Total Sales Tax Collected</b>	<b>Percentage of Ad Valorem Tax Levy<sup>1</sup></b>	<b>Equivalent of Ad Valorem Tax Rate<sup>2</sup></b>	<b>Per Capita<sup>3</sup></b>
2020	7,733,153	60.74%	\$ 0.4112	\$ 251.40
2019	7,194,566	58.92%	\$ 0.3989	\$ 235.77
2018	6,658,409	54.67%	\$ 0.3701	\$ 222.64
2017	6,501,937	56.66%	\$ 0.3836	\$ 214.13
2016	6,451,743	57.62%	\$ 0.3901	\$ 207.94
2015	6,421,009	59.45%	\$ 0.4025	\$ 217.33
2014	6,012,836	58.78%	\$ 0.3979	\$ 207.70
2013	5,227,669	55.05%	\$ 0.3727	\$ 185.68
2012	5,420,826	57.41%	\$ 0.3886	\$ 196.02
2011	4,855,167	52.69%	\$ 0.3567	\$ 177.77

**Sources:** <sup>1</sup>See the Schedule of Property Tax Levies and Collections (page 133) for tax levy data.

<sup>2</sup>See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (page 130) for assessed value data.

<sup>3</sup>See the Schedule of Demographic and Economic Statistics (page 145) for population data.

**CITY OF HARKER HEIGHTS**  
**OWN SOURCE REVENUES<sup>1</sup>, 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 <sup>6</sup>	
	Program Revenues	Water Rate <sup>2</sup>	Sewer Rate <sup>3</sup>	Program Revenues	Residential Rate <sup>4</sup>	Commercial Rate <sup>5</sup>		Billings	Collected
2020	10,606	10.91 / 3.40	19.66 / 3.29	854	6.00	7.20 / 14.40	11,313	34	18
2019	9,567	10.59 / 3.30	19.09 / 3.19	833	6.00	7.20 / 14.40	11,215	31	11
2018	10,269	10.59 / 3.30	19.09 / 3.19	848	6.00	7.20 / 14.40	11,111	35	20
2017	9,418	10.28 / 3.20	18.53 / 3.10	809	6.00	7.20 / 14.40	10,887	32	28
2016	9,353	10.28 / 3.20	18.53 / 3.10	797	6.00	7.20 / 14.40	10,638	30	18
2015	8,776	9.98 / 3.11	17.99 / 3.01	772	6.00	7.20 / 14.40	10,384	25	16
2014	8,588	9.98 / 3.11	17.99 / 3.01	775	6.00	7.20 / 14.40	10,006	36	5
2013	8,990	9.98 / 3.11	17.99 / 3.01	738	6.00	7.20 / 14.40	9,666	37	5
2012	9,099	9.98 / 3.11	17.99 / 3.01	729	6.00	7.20 / 14.40	9,740	49	5
2011	9,381	9.98 / 3.11	17.99 / 3.01	716	6.00	7.20 / 14.40	9,533	46	6

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

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

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

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

<sup>4</sup>Rate shown is for single family homes, fee is paid per billing cycle.

<sup>5</sup>Rates 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.

<sup>6</sup>The 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	Capital Leases	Bonded Debt	Capital Leases	Total Outstanding Debt	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	Governmental Activities			Business-type Activities				
2020	30,381		198	18,978		49,557	n/a	1,598.61
2019	32,304		437	20,723		53,464	0.27%	1,724.65
2018	31,258		675	21,440		53,373	0.28%	1,779.10
2017	24,911		416	19,985		45,312	0.25%	1,510.40
2016	26,972		552	20,426		47,950	0.28%	1,546.77
2015	28,586	69	571	21,513		50,739	0.30%	1,691.30
2014	29,512	138	185	22,413		52,248	0.32%	1,801.66
2013	25,054	205	322	20,397	54	46,032	0.29%	1,644.00
2012	26,485		107	21,552	106	48,250	0.30%	1,723.21
2011	28,220		243	22,246	156	50,865	0.32%	1,883.89

**Source: Audited Financial Statements**

<sup>1</sup>See the Schedule of Demographic and Economic Statistics (page 145) for population and personal income data.

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

<b>Fiscal Year</b>	<b>Bonded Debt<sup>1</sup></b>	<b>Less: Amounts Available in Debt Service Fund<sup>2</sup></b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property<sup>3</sup></b>	<b>Per Capita<sup>4</sup></b>
2020	49,359	99	49,260	2.10%	1,589.03
2019	53,027	71	52,956	2.43%	1,708.26
2018	52,698	92	52,606	2.49%	1,753.53
2017	44,895	233	44,662	2.30%	1,488.73
2016	47,399	95	47,304	2.55%	1,525.94
2015	50,099	165	49,934	2.82%	1,664.47
2014	51,925	161	51,764	3.11%	1,784.97
2013	45,451	94	45,357	2.94%	1,619.89
2012	48,037	81	47,956	3.14%	1,712.71
2011	50,466	107	50,359	3.38%	1,865.15

**Source: Audited Financial Statements.**

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

<sup>2</sup>This is the amount restricted for debt service.

<sup>3</sup>See Schedule of Assessed and Estimated Value of Property (page 130) for property data

<sup>4</sup>See Schedule of Demographic and Economic Statistics (page 145) for population data



**CITY OF HARKER HEIGHTS  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
AS OF SEPTEMBER 30, 2020**

<u>Government Subdivisions</u>	<u>Debt Amount<sup>1</sup></u>	<u>Estimated Percentage Applicable</u>	<u>City's Overlapping Debt</u>
Bell County	\$ 104,405,000	9.40%	\$ 9,814,070
Killeen Independent School District	413,710,000	23.39%	96,766,769
Subtotal, overlapping debt			106,580,839
City of Harker Heights Direct Debt			30,579,182
Total direct and overlapping net funded debt			<u>\$ 137,160,021</u>

**Source: Municipal Advisory Council of Texas and Audited Financial Statements**

<sup>1</sup>Gross 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, 2020**

Net System Revenue from Drainage Fund	\$ 696,670
Less: Requirements for Drainage System Supported Tax Bonds	<u>364,009</u>
Balance	\$ 332,661

**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>
2020	1,880,602,042	80.09%	2,348,097,096
2019	1,803,480,163	82.71%	2,180,599,663
2018	1,799,010,684	85.15%	2,112,780,764
2017	1,695,035,525	87.36%	1,940,293,154
2016	1,653,988,247	89.13%	1,855,709,426
Total Five Year Valuation			<u>10,437,480,103</u>
Five Year Average Full Valuation of Taxable Real Property			<u>2,087,496,021</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>146,124,721</u>
Outstanding Indebtness as of September 30, 2020			
Total Bonded Debt			48,480,001
Less: Revenue bonds			18,539,177
Less: Amount available for repayment of general obligation bonds			50,917
Net indebtedness subject to debt limit			<u>29,889,907</u>
Net debt contracting margin			116,234,814
Percentage of net debt contracting margin available			79.54%
Percentage of net debt contracting power exhausted			20.46%

**Last Ten Fiscal Years**

<u>Year</u>	<u>Constitutional Debt Limit</u>	<u>Outstanding Indebtness September 30</u>	<u>Percentage of Net Debt Contracting Margin Available</u>
2020	146,124,721	29,889,907	79.54%
2019	138,003,088	31,710,188	77.02%
2018	130,786,609	30,526,236	76.66%
2017	122,832,202	29,077,083	76.33%
2016	117,044,096	26,074,077	77.72%
2015	111,899,806	27,697,306	75.25%
2014	107,541,872	29,487,215	72.58%
2013	103,162,838	25,072,017	75.70%
2012	98,614,432	26,524,950	73.10%
2011	92,101,940	28,209,000	69.37%

**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 <sup>1</sup>	Net Revenue Available for Debt Service	Gross Revenues	Operating Expenses <sup>1</sup>	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2020	10,606	6,100	4,506	854	160	694	3,650	621	4,271	1.22
2019	9,567	5,604	3,963	833	171	662	1,622	544	2,166	2.14
2018	10,269	5,547	4,722	848	169	679	1,534	596	2,130	2.54
2017	9,418	5,227	4,191	809	202	607	1,315	677	1,992	2.41
2016	9,353	4,996	4,357	797	188	609	5,884	707	6,591	0.75
2015	8,776	5,201	3,575	772	180	592	1,216	791	2,007	2.08
2014	8,588	4,911	3,677	775	183	592	1,019	800	1,819	2.35
2013	8,988	4,925	4,063	738	204	534	1,171	814	1,985	2.32
2012	9,098	4,719	4,379	729	165	564	4,101	912	5,013	0.99
2011	9,381	4,875	4,506	716	189	527	1,133	405	1,538	3.27

Source: Audited Financial Statements.

<sup>1</sup>Total operating expenses, exclusive of depreciation.

**CITY OF HARKER HEIGHTS  
 INTEREST AND SINKING FUND BUDGET PROJECTION  
 AS OF SEPTEMBER 30, 2020**

Net Tax Supported Debt Service Requirements for Fiscal Year Ending September 30, 2020		\$ 3,161,580
Interest and Sinking Fund Balance - September 30, 2020	116,770	
Interest and Fund Tax Levy @ 98% Collection	<u>3,247,907</u>	<u>3,364,677</u>
Estimated Interest and Sinking Balance - September 30, 2021		\$ 203,097

**CITY OF HARKER HEIGHTS  
 AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS  
 AS OF SEPTEMBER 30, 2020**

<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, 2020**

Average Annual Principal and Interest Requirements, 2021-2039	\$ 1,940,163
\$0.0982 Tax Rate at 97% Collection Produces	\$ 1,940,319
Maximum Principal and Interest Requirements, 2021	\$ 3,161,580
\$0.1601 Tax Rate at 97% Collection Produces	\$ 3,163,392

NOTE: Excludes self-supporting debt.

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

Fiscal Year	Population <sup>1</sup>	Median Age <sup>2</sup>	Per Capita Income <sup>3</sup>	Personal Income <sup>3</sup>	Education Attainment, 25 Years and Over <sup>2</sup>		Peak School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>
					High School Graduate or Higher	Four or More Years of College		
2020	30,760		n/a	n/a			45,492	6.9%
2019	30,515		42,855	19,726,228			45,091	3.6%
2018	29,906		41,661	18,800,567			44,319	3.9%
2017	30,365		40,937	18,135,175			43,832	4.2%
2016	31,027		39,634	17,297,242			43,428	4.5%
2015	29,545		39,653	17,153,266			42,929	4.7%
2014	28,950		38,426	16,385,637			41,414	5.6%
2013	28,154		37,546	15,917,085			41,969	6.9%
2012	27,654		38,140	16,151,189			41,172	7.2%
2011	27,312	31.6	38,727	15,969,008	90.70%	27.50%	40,609	7.6%

**Sources:** <sup>1</sup> Population is estimated by the City of Harker Heights Planning Department.

<sup>2</sup> Census 2010.

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

<sup>4</sup> Killeen Independent School District.

<sup>5</sup> Texas Workforce Commission Local Area Unemployment Statistics (LAUS) for Harker Heights.



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

Employer	2020			2011		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Seton Healthcare	840.0	1	6.60%			
Killeen Independent School District <sup>1</sup>	769.0	2	6.04%	719.0	1	6.30%
Walmart Supercenter	530.0	3	4.17%	537.0	2	4.71%
HEB Store	306.0	4	2.41%	225.0	3	1.97%
City of Harker Heights	237.0	5	1.86%	220.0	4	1.93%
Indian Oaks	186.0	6	1.46%	186.0	5	1.63%
Target	155.0	7	1.22%	155.0	6	1.36%
Cheddar's Restaurant	140.0	8	1.10%	132.0	7	1.16%
Bass Electric	135.0	9	1.06%			
Cracker Barrel	101.0	10	0.79%			
McDonald's				62.0	8	0.54%
Cinemark				55.0	9	0.48%
Pizza Hut				50.0	10	0.44%
	<u>3,399.0</u>		<u>26.71%</u>	<u>2,341.0</u>		<u>20.52%</u>

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

<sup>1</sup>Killeen 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	2020			2011		
	Usage In Gallons	Rank	Percentage of Total Usage	Usage In Gallons	Rank	Percentage of Total Usage
Today's Car Wash II LLC	103,479	1	6.70%			
Big Oaks Mobile Home Park	89,144	2	5.77%	86,481	2	6.12%
Ancient Oaks Mobile Home Park	89,089	3	5.77%	100,356	1	7.10%
Pleasant View Mobile Home Park	78,562	4	5.09%			
Lookout Ridge Apartments	78,349	5	5.07%			
Seton Medical Center	69,687	6	4.51%			
Biomedical Applications of Texas	62,035	7	4.02%			
Wells Laundry, Inc.	54,140	8	3.50%	50,997	4	3.61%
Harker Heights High School	42,595	9	2.76%	78,386	3	5.55%
J & C Mobile Home Park	42,402	10	2.74%			
Walmart Stores				33,759	5	2.39%
Cheddar's Casual Café, Inc.				30,823	6	2.18%
Cracker Barrel Old Country Store				21,302	7	1.51%
HEB				19,341	8	1.37%
J R's Mobile Home Park				18,376	9	1.30%
Indian Oaks Nursing Home				17,986	10	1.27%
	<u>709,482</u>		<u>45.93%</u>	<u>457,807</u>		<u>32.40%</u>

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

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

Fiscal Year	Property Value <sup>1</sup>				Commercial Construction <sup>2</sup>		Residential Construction <sup>2</sup>		Bank Deposits <sup>4</sup>
	Commercial	Residential	Exemptions	Total	Number of Units <sup>3</sup>	Value	Number of Units <sup>3</sup>	Value	
2020	413,381	1,843,319	443,648	1,813,052	7	1,256	138	34,777	1,781,318,245 <sup>(d)</sup>
2019	392,883	1,700,175	372,506	1,720,552	14	47,848	134	38,648	1,348,876,827 <sup>(d)</sup>
2018	386,605	1,639,341	306,759	1,719,187	9	4,666	181	47,734	64,908,662 <sup>(d)</sup>
2017	362,632	1,513,435	240,147	1,635,920	10	3,338	194	47,456	1,345,966,097 <sup>(c)</sup>
2016	360,466	1,432,212	197,181	1,595,497	6	2,688	201	48,340	1,258,610,983 <sup>(c)</sup>
2015	338,112	1,367,445	169,171	1,536,386	8	20,715	209	45,616	1,251,633,606 <sup>(c)</sup>
2014	288,694	1,313,510	149,488	1,452,716	10	15,887	221	46,070	1,190,961,291 <sup>(b)</sup>
2013	223,105	1,257,787	137,688	1,343,204	9	21,801	219	45,655	1,081,249,810 <sup>(b)</sup>
2012	213,902	1,250,016	127,787	1,336,131	41	12,329	184	41,389	1,045,296,830 <sup>(a)</sup>
2011	212,744	1,212,457	122,373	1,302,828	34	112,383	113	24,058	999,452,924 <sup>(a)</sup>

**Sources:** <sup>1</sup>Bell County Appraisal District

<sup>2</sup>Harker Heights Planning and Development Department

<sup>3</sup>Amounts are as shown

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

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

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

Function/Program	As of September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General Government:</b>										
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	43.5	41.0	39.5	36.5	33.5	31.5	26.5	26.5	26.5	26.0
Planning and Building	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0
<b>Public Safety:</b>										
Police	65.5	64.5	62.0	61.0	61.0	60.0	62.0	62.0	62.0	61.0
Fire	46.0	46.0	45.5	44.5	44.5	44.5	43.5	43.5	43.5	43.5
Streets	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<b>Culture and Recreation:</b>										
Parks and Recreation	36.0	36.5	46.0	46.0	47.5	47.5	47.5	46.0	45.0	45.0
Library/Activity Center	14.0	20.5	11.0	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Public Works	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water and Sewer	20.0	20.0	19.0	18.0	18.0	18.0	17.0	17.0	16.0	16.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Sanitation	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Total</b>	<b>259.5</b>	<b>261.5</b>	<b>256.0</b>	<b>249.5</b>	<b>248.0</b>	<b>245.0</b>	<b>240.0</b>	<b>238.5</b>	<b>235.5</b>	<b>234.0</b>

**Source: City of Harker Heights Finance Department**

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

<u>Function/Program</u>	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Planning and Building</b>										
Building Permits Issued	2,190	2,104	1,757	1,518	2,109	2,386	4,665	1,763	1,502	1,479
Value of Building Permits <sup>1</sup>	52,253	109,012	62,162	59,557	75,212	79,598	96,333	75,077	59,115	144,518
<b>Police</b>										
Physical Arrest	526	730	916	1,168	2,386	1,173	1,496	1,320	1,593	1,528
Parking Violations	2	54	47	43	27	42	27	58	139	30
Traffic Violations	5,766	6,078	5,487	4,127	2,979	3,916	8,800	8,800	8,776	7,989
<b>Fire</b>										
Calls Answered	4,527	4,305	4,336	3,970	3,930	4,049	3,547	3,627	3,643	3,405
Fire and Emergency Responses	4,527	4,305	4,207	3,858	3,823	3,931	3,469	3,558	3,582	3,300
Fires Extinguished	88	57	122	100	82	103	133	91	111	193
Inspections	396	749	616	500	444	600	800	933	540	561
<b>Parks and Recreation</b>										
Aquatic Center Usage	0	15,424	10,963	11,953	14,469	20,443	12,470	12,773	13,069	15,498
Program Participants	1,515	6,393	7,409	7,026	8,058	8,118	7,933	9,948	9,497	8,780
<b>Library</b>										
Annual Circulation	92,766	154,541	139,124	164,372	176,788	199,529	166,256	165,405	152,117	146,130
<b>Water and Sewer</b>										
Average daily water consumption in gallons <sup>1</sup>	4,500	4,400	4,300	4,207	4,163	4,000	3,954	4,325	4,534	4,940
Residential water rate - inside city limits										
Base	\$10.91	\$10.59	\$10.59	\$10.28	\$10.28	\$9.98	\$9.98	\$9.98	\$9.98	\$9.98
Per 1,000 gallons	\$3.40	\$3.30	\$3.30	\$3.20	\$3.20	\$3.11	\$3.11	\$3.11	\$3.11	\$3.11
Residential water rate - outside city limits										
Base	\$21.82	\$21.18	\$21.18	\$20.56	\$20.56	\$19.96	\$19.96	\$19.96	\$19.96	\$19.96
Per 1,000 gallons	\$6.80	\$6.60	\$6.60	\$6.40	\$6.40	\$6.22	\$6.22	\$6.22	\$6.22	\$6.22
Average daily sewage treatment in gallons <sup>1</sup>	1,880	2,600	1,740	1,990	2,780	1,940	1,790	1,880	1,760	1,900
Residential sewer rates - inside city limits										
1,000 - 3,000 gallons	\$19.66	\$19.09	\$19.09	\$18.53	\$18.53	\$17.99	\$17.99	\$17.99	\$17.99	\$17.99
Per 1,000 gallons (3,000 - 10,000 gallons)	\$3.29	\$3.19	\$3.19	\$3.10	\$3.10	\$3.01	\$3.01	\$3.01	\$3.01	\$3.01
Residential sewer rates - outside city limits										
1,000 - 3,000 gallons	\$39.32	\$38.18	\$38.18	\$37.06	\$37.06	\$35.98	\$35.98	\$35.98	\$35.98	\$35.98
Per 1,000 gallons (3,000 - 10,000 gallons)	\$6.58	\$6.38	\$6.38	\$6.20	\$6.20	\$6.02	\$6.02	\$6.02	\$6.02	\$6.02

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

Source: Various City of Harker Heights departments.

<sup>1</sup>expressed in thousands

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

<u>Function/Program</u>	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Area (square miles)	15.65	15.65	15.65	15.65	15.65	15.4	15.4	15.4	15.4	15.4
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Cars	27	25	21	21	20	20	20	17	17	33
<b>Fire</b>										
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	1	1	1	1	1	1	1	1	1
Street (miles)	151	153.4	150.55	145.3	145.4	145.64	140	140	166.49	164.65
Street lights	1,547	1,547	1,541	1,480	1,470	1,445	1,438	1,379	1,262	1,275
<b>Parks and Recreation</b>										
Recreation/community center	1	1	1	1	1	1	1	1	1	1
Parks	7	7	6	8	8	8	8	7	6	8
Acreage	192	192	192	194	194	194	194	194	177	194
Baseball/softball diamonds	9	9	9	9	9	9	9	9	8	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
<b>Library/Activity Center</b>										
Building	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles)	189	187.45	183.89	183.77	187.1	179.13	177.55	172.66	171.13	168.06
Service connections	11,308	11,215	11,111	10,887	10,638	10,384	10,006	9,666	9,740	9,533
Fire hydrants	1,185	1,185	1,185	1,181	1,102	1,102	1,101	1,090	1,080	1,060
Maximum daily capacity <sup>1</sup>	16,250	16,250	16,250	13,500	13,500	13,500	13,500	13,500	13,500	10,000
<b>Sewer</b>										
Sanitary sewer (miles)	138	135.55	132.26	132.07	131.33	130.36	125.92	121.43	120.62	116.97
Service connections	10,138	9,829	9,685	9,486	9,228	8,959	8,842	8,586	8,580	8,314
Storm sewer (miles)	10.0	10.0	10.0	9.6	9.5	9.5	9.5	9.0	9.0	8.5
Treatment capacity (gallons) <sup>1</sup>	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.**

<sup>1</sup> expressed in thousands

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

<b>Fiscal Year</b>	<b>Peak Day Usage</b>	<b>Average Day Usage</b>	<b>Total Usage</b>
2020	10,360,000	4,555,000	1,713,770,000
2019	9,280,000	4,221,667	1,544,780,000
2018	10,460,000	4,560,000	1,665,713,000
2017	8,090,000	4,207,136	1,535,605,000
2016	9,040,000	4,162,500	1,489,060,000
2015	9,250,000	4,105,833	1,484,095,000
2014	8,070,000	4,006,667	1,443,064,000
2013	9,340,000	4,237,500	1,566,775,000
2012	8,530,000	4,530,000	1,655,008,000
2011	8,930,000	4,944,658	1,804,800,000

**Source: City of Harker Heights Public Works Department**