

THE CITY OF HARKER HEIGHTS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING SEPTEMBER 30, 2019

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

OF THE

CITY OF HARKER HEIGHTS

For the Fiscal Year Ended September 30, 2019

Prepared by the
Finance Department
Alberta S. Barrett, Finance Director

City of Harker Heights
305 Miller's Crossing
Harker Heights, TX 76548



CITY OF HARKER HEIGHTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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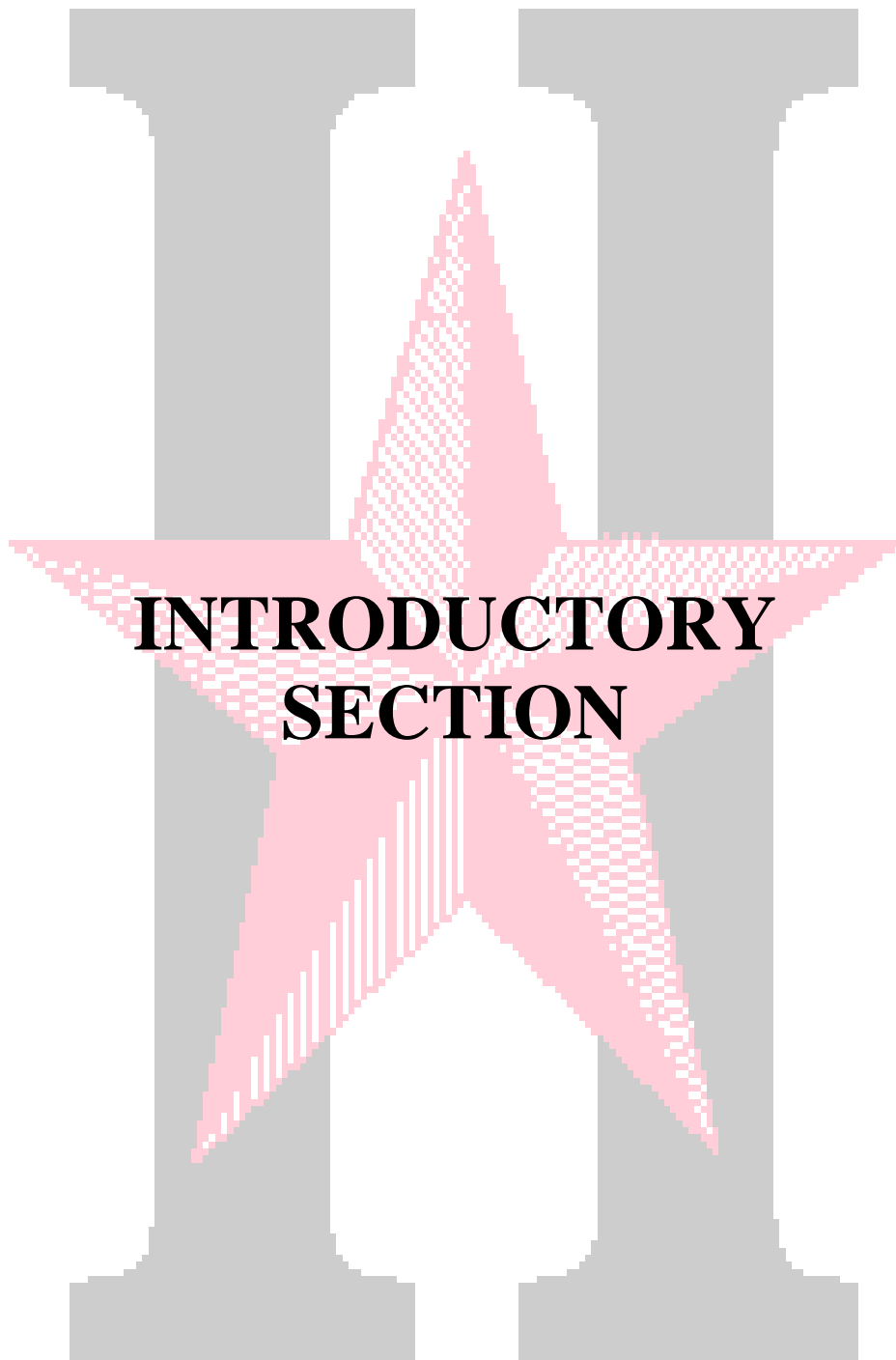
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**INTRODUCTORY
SECTION**



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 Protem
Michael Blomquist

City Council
Jennifer McCann
Jackeline Soriano Fountain
John Reider
Jody Nicholas

February 25, 2020

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 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 of the City of Harker Heights for the fiscal year ended September 30, 2019.

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's 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 statements 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, 2019, 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 opinion that the City's financial statements for the fiscal year ended September 30, 2019, 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 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 US 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 elective Council which consists of a Mayor and five council members; one of which is elected to serve as Mayor Pro-tem. The City Council enacts local legislation, adopts budgets, determines policies and employs the City Manager. The City Manager is responsible for executing the laws and administering the government of the City.

The City of Harker Heights provides a full range of services, including police, fire and EMS protection; the construction and maintenance of streets and other infrastructures; and recreational activities and cultural events. Sanitation services are contracted out to a private company. Water, sewer, and drainage utility are provided through a legally separate Utility and Drainage Utility fund, 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 requests 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 a 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 page 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 89.

Local Economy

In 2019, the average unemployment rate for Harker Heights was 3.9%, an increase from a rate of 3.6% in 2018. This is higher than the average rate for Bell County of 3.8% and the state average of 3.5 %.

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 years:

	Fiscal Year 2019	Fiscal Year 2018	Difference
Fence	\$1,561,590	\$1,002,801	\$558,789
Home Improvement/Other	20,478,785	12,176,043	8,302,742
New Commercial	47,848,026	4,665,961	43,182,065
New Residence	38,648,138	43,984,889	(5,336,751)
Plumbing	423,951	332,050	91,901
Total:	\$108,960,490	\$62,161,744	\$46,798,746

Fiscal Year 2019 saw the beginning of Killeen Independent School District's fourteenth middle school in the new commercial permits. New residential permits are down as the building of new homes and duplexes begin to slow down.

Long-Term Financial Planning

In 2019, the City issued the Series 2019 Combination Tax and Revenue Certificates of Obligation in the amount of \$4.0 million to fund the cost of street reconstruction and improvements, drainage facilities, improvements to City buildings, and water and wastewater improvements.

Capital improvements are budgeted at over \$11.0 million which include various water, wastewater, drainage, park, and street projects, as well as building renovations.

Relevant Financial Policies

In FY 2005-06, 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 2009-10 fiscal year. At the end of FY 2018-19, the general fund had a six and a half months fund balance or 54% of operating expenditures. The Utility Fund had five and a half months fund balance or 45% of its operating expenditures.

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 multi-year equipment replacement program.
- Determine and implement methods to better communicate with citizens.

Awards and Acknowledgements

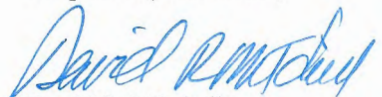
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Harker Heights for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2018. This was the twenty-fourth consecutive year that 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 CAFR. 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 CAFR 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, 2018. 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 department. 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



Alberta S. Barrett
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

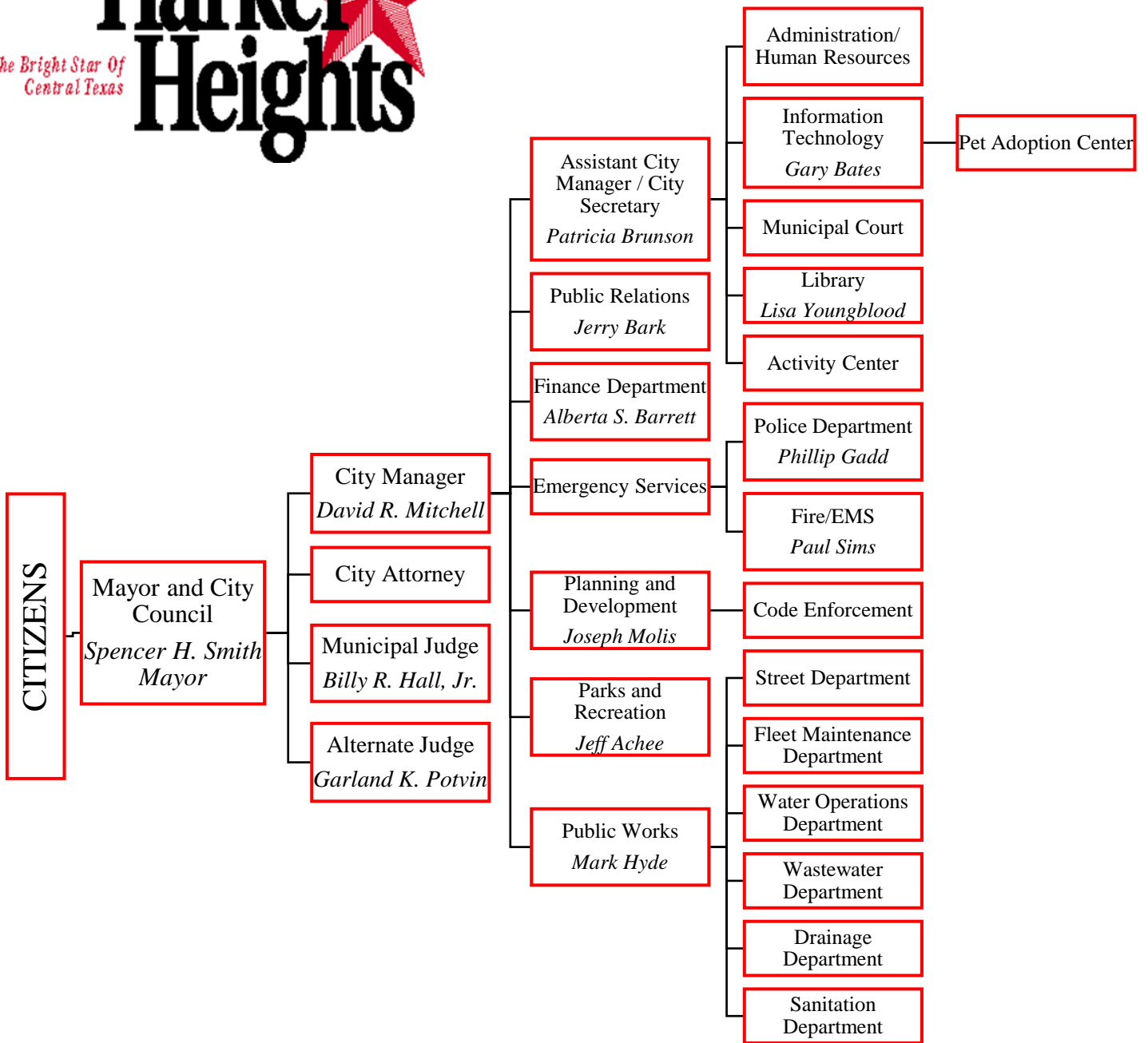
**City of Harker Heights
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

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

A list of committee/board members are on pages 47-48.

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

CITY COUNCIL

Spencer H. Smith..... Mayor
Michael Blomquist Mayor Protempore
Jennifer McCann Council Member
Jackeline Soriano Fountain Council Member
John Reider..... Council Member
Jody Nicholas Council Member

APPOINTED OFFICIALS

David R. Mitchell..... City Manager
Billy R. Hall, Jr. City Judge
Patricia Brunson Assistant City Manager/City Secretary
Alberta S. Barrett..... Finance Director
Phillip Gadd Police Chief
Paul Sims..... Fire Chief
Jeffrey Achee..... Parks & Recreation Director
Lisa Youngblood..... Library Director
Mark Hyde Public Works Director
Joseph Molis..... Development & Planning Director
Jerry Bark..... Public Relations Officer



**FINANCIAL
SECTION**



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

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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, 2019, 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, 2019, 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 management's discussion and analysis and 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 February 7, 2020, on our consideration of the City of Harker Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Harker Heights, Texas' internal control over financial reporting and compliance.

Jett, Vernon & Co., P.C.

Killeen, Texas
February 7, 2020

City of Harker Heights, Texas
Management's Discussion and Analysis
September 30, 2019

As management of the City of Harker Heights, 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, 2019. 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, 2019 by \$75.8 million (*net position*). Of this amount, \$0.6 million is restricted and \$7.2 million is unrestricted revenues.
- The City's total net position increased by over \$3.1 million for the year ended September 30, 2019. The majority of the increase in net position can be attributed to an increase in capital assets and deferred outflow of resources.
- As of September 30, 2019, the City of Harker Heights' governmental funds reported combined ending fund balances of \$20.5 million, an increase of \$1.0 million in comparison with the prior year. The majority of the increase is due to the payoff of the Texas Department of Transportation (TxDOT) pass through funding grant. Of the governmental fund's reported combined fund balances, \$11.0 million or 54 percent is available for spending within the City's guidelines (*unassigned fund balance*).
- At fiscal year end, the general fund unassigned fund balance was \$11.0 million, or 52.4 percent of total general fund expenditures.
- Residential growth overall has seen a decrease in numbers and in valuation. Single family permits decreased by 27 permits and had a decrease in value of \$5.3 million. Two family residential permits decreased by 11 permits and had a decrease in value of \$1.4 million. New commercial permits increased by 5 permits and increased in value by \$43.1 million due to Killeen Independent School District's new middle school #14.
- The City completed one phase of a multi-phase drainage project in the amount of \$442.
- A total of \$1.1 million was spent on the completion of ground storage and pump station rehabilitation projects and a water main extension along with a total of \$165 in miscellaneous wastewater projects.
- During this fiscal year, the City completed street improvements in the amount of \$4.5 million and \$107 was spent to complete sidewalks along Verna Lee to Indian Trail.
- The City completed a small renovation project in the amount of \$79 within the City Administration municipal building.
- 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 providing for strong budgetary flexibility and strong budgetary performance. At the end of fiscal year 2019, the General Fund had an \$11.0 million unassigned fund balance which equates to a 6.7 month 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, 2019**

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, Drainage Utility Fund and Sanitation 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 of the funds of the City of Harker Heights can be divided into two categories: governmental funds 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 the 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, 2019**

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. The City uses enterprise funds to account for its 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 30-79 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 80-86 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 87-128 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 \$75.8 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 24,732	\$ 21,596	\$ 4,083	\$ 5,483	\$ 28,815	\$ 27,079
Capital assets	65,494	62,350	49,744	48,313	115,238	110,663
Total assets	90,226	83,946	53,827	53,796	144,053	137,742
Deferred outflows of resources	3,887	1,842	592	507	4,479	2,349
Other liabilities	7,011	4,765	2,174	2,110	9,185	6,875
Long-term liabilities	43,176	38,752	19,997	20,501	63,173	59,253
Total liabilities	50,187	43,517	22,171	22,611	72,358	66,128
Deferred inflows resources	342	1,153	27	103	369	1,256
Net position:						
Invested in capital assets	35,751	33,592	32,324	30,393	68,075	63,985
Restricted	531	457	47	45	578	502
Unrestricted	7,302	7,069	(150)	1,151	7,152	8,220
Total net position	\$43,584	\$41,118	\$32,221	\$31,589	\$75,805	\$72,707

**City of Harker Heights
Management's Discussion and Analysis (continued)
September 30, 2019**

An additional portion of the City of Harker Heights' net position (90 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 \$3.1 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$2,612	\$2,393	\$12,487	\$13,140	\$15,099	\$15,533
Operating grants and contributions	343	247			343	247
Capital grants and contributions						
General revenues:						
Property taxes	11,754	11,734			11,754	11,734
Sales taxes	8,081	6,828			8,081	6,828
Other taxes	246	229			246	229
Franchise fees	1,403	1,397	134	153	1,537	1,550
Investment earnings	650	312	51	40	701	352
Gain from sale of capital assets	1	12		2	1	14
Total revenues	25,090	23,152	12,672	13,335	37,762	36,487
Expenses:						
General government	4,414	4,009			4,414	4,009
Public safety	13,883	12,701			13,883	12,701
Highways/streets	1,707	1,986			1,707	1,986
Culture and recreation	3,557	3,508			3,557	3,508
Economic development	388	379			388	379
Interest on long-term debt	1,121	1,060			1,121	1,060
Water and sewer			7,309	7,206	7,309	7,206
Sanitation			1,959	1,843	1,959	1,843
Drainage			326	365	326	365
Total expenses	25,070	23,643	9,594	9,414	34,664	33,057
Increase (decrease) in net position before transfers	20	(491)	3,078	3,921	3,098	3,430
Transfers	2,446	3,271	(2,446)	(3,271)		
Increase (decrease) in net position	2,466	2,780	632	650	3,098	3,430
Net position (beginning of year)	41,118	38,338	31,589	30,939	72,707	69,277
Net position (end of year)	\$43,584	\$41,118	\$32,221	\$31,589	\$75,805	\$72,707

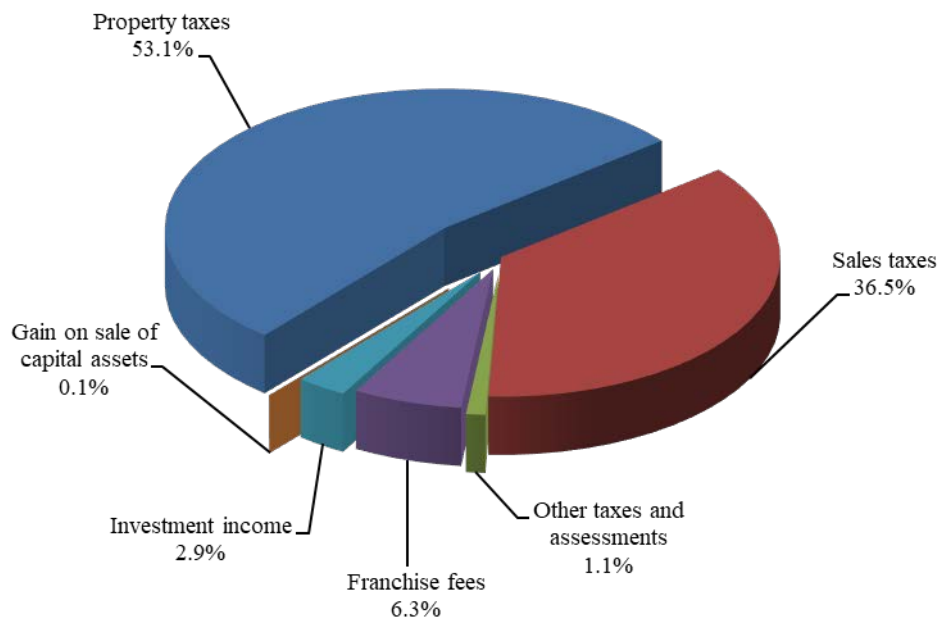
**City of Harker Heights
Management's Discussion and Analysis (continued)
September 30, 2019**

Governmental activities. The City's general revenues increased when compared to the prior year by 7.9 percent or \$1,623. The major increase was due to a \$1,253 increase in sales tax revenues. Investment income increased by \$338 due to higher interest rates.

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

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Governmental activities			
Property taxes	\$11,754	\$11,734	\$20
Sales taxes	8,081	6,828	1,253
Other taxes and assessments	246	229	17
Franchise fees	1,403	1,397	6
Investment income	650	312	338
Gain on sale of capital assets	1	12	(11)
Total governmental activities	\$22,135	\$20,512	\$1,623

**General Revenues for the Year Ended
September 30, 2019**



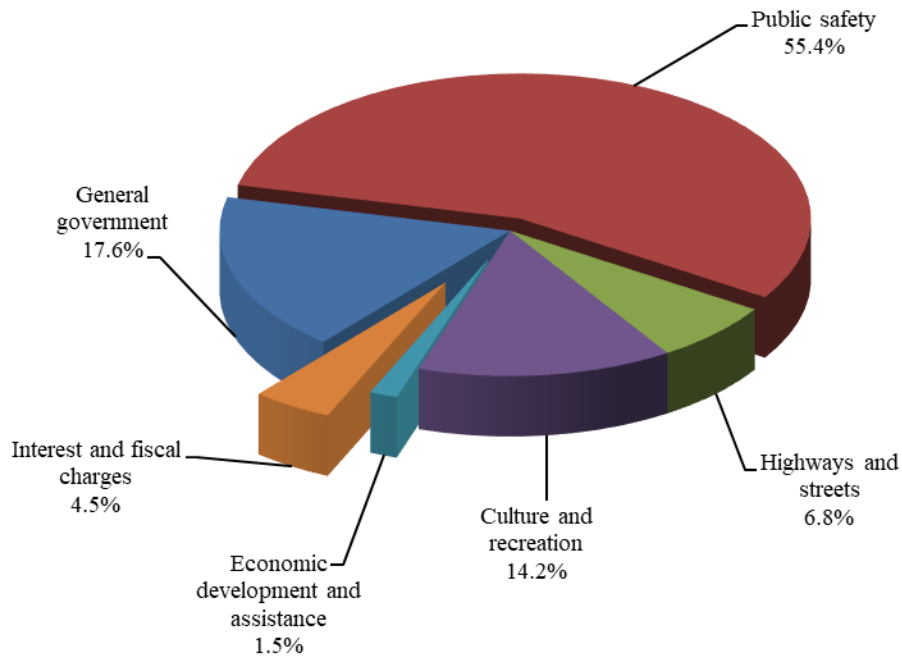
**City of Harker Heights
Management’s Discussion and Analysis (continued)
September 30, 2019**

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$13.9 million. These expenses were offset by revenues collected from a variety of sources, with the largest consisting of court fines of \$1.0 million, property taxes which are \$11.8 million, sales tax revenues of \$8.1 million and franchise fees of \$1.4 million for the fiscal year ending September 30, 2019. The major components of public safety are Police and Fire and Emergency Medical Services (EMS). Police accounted for \$6.0 million in public safety expense of which \$4.8 million was incurred for salary and benefits. Fire and EMS accounted for \$4.7 million in public safety expense, of which \$4.2 million was incurred for salary and benefits.

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

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Governmental activities			
General government	\$4,414	\$4,009	\$405
Public safety	13,883	12,701	1,182
Highways and streets	1,707	1,986	(279)
Culture and recreation	3,557	3,508	49
Economic development and assistance	388	379	9
Interest and fiscal charges	1,121	1,060	61
Total governmental activities	\$25,070	\$23,643	\$1,427

**Governmental Expenses for the Year Ended
September 30, 2019**



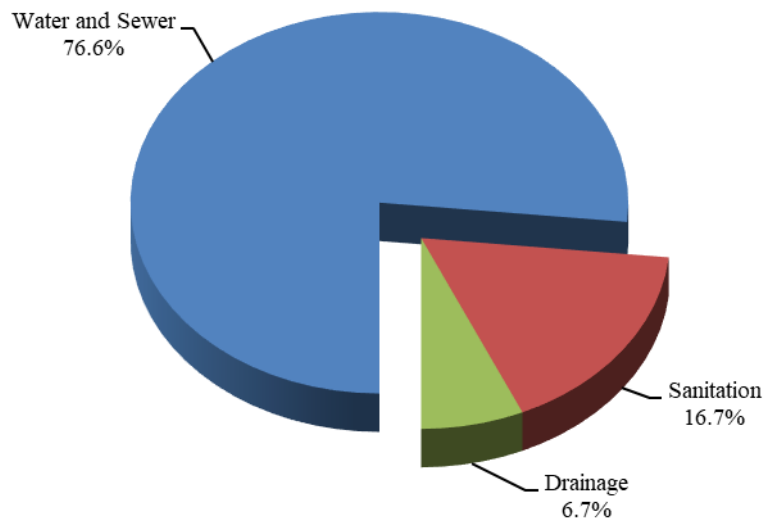
**City of Harker Heights
Management's Discussion and Analysis (continued)
September 30, 2019**

Business-type activities. Business-type activities increased the City of Harker Heights' net position by \$0.6 million. Revenues of the City's business-type activities were \$12.5 million for the fiscal year ending September 30, 2019.

**Table 5
Business Type Revenue Comparison
(in thousands)**

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Water and Sewer	\$9,567	\$10,269	(\$702)
Sanitation	2,087	2,023	64
Drainage	833	848	(15)
	<u>\$12,487</u>	<u>\$13,140</u>	<u>(\$653)</u>

**Business Type Revenues for the Year Ended
September 30, 2019**



Water and Sewer rates were not increased for FY 2018-19 and the City saw a decrease due to the weather which lowered water and sewer income by \$702 from FY 2017-18. Sanitation revenues saw an increase of \$64. Drainage income saw a decrease of \$15.

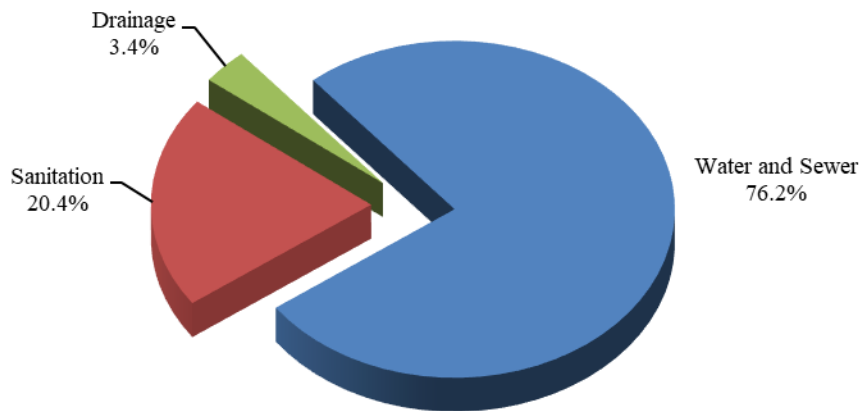
Expenses for the City's business-type activities were \$9.6 million for the year, resulting in net revenues of \$2.9 million and an increase in net position of \$0.6 million. The changes in net position are the result of several factors, including the following:

- The City recorded charges for services of \$9.6 million from the water and sewer system. The most significant expenses were \$2.8 million to purchase water and \$1.4 million in salaries and benefits.
- Sanitation services are contracted out. Total revenue equaled \$2.2 million with the majority of the revenue from collections for sanitation services of \$2.1 million; the major expense for sanitation is \$1.9 million in contractual services for a total operating expenses of \$2.0 million.
- Drainage revenues totaled \$833 in charges for services. The major operating expenses include salaries and benefits of \$114 for a total operating expenses of \$284.

Table 6
Business Type Expenses by Activity
 (in thousands)

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Water and Sewer	\$7,309	\$7,206	\$103
Sanitation	1,959	1,843	116
Drainage	326	364	(38)
	<u>\$9,594</u>	<u>\$9,413</u>	<u>\$181</u>

**Business Type Expenses for the Year Ended
 September 30, 2019**



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 \$20.5 million, an increase of \$1.0 million in comparison with the prior year. Approximately 54 percent or \$11.0 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$4.2 million is committed to capital projects and \$2.3 million is assigned to culture and recreation (\$378) and capital projects (\$1.9 million). 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 1) debt service (\$24), 2) capital assets (\$2.4 million) related to the bond issue, 3) federal or state grant restrictions (\$469), 4) cemetery (\$19), and 5) pet adoption center (\$19).

The general fund is the chief operating fund of the City of Harker Heights. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11.0 million, while total fund balance reached \$11.5 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, 2019**

balance to total fund expenditures. Unassigned fund balance represents 52 percent of total general fund expenditures, while total fund balance represents 54 percent of that same amount. The fund balance of the City of Harker Heights' general fund has increased by \$416 during the current fiscal year. Key factors for this increase are higher sales tax revenue, interest income and fine revenue.

The debt service fund has a total fund balance of \$24, all of which is restricted for the payment of debt service.

The capital projects fund balance is \$8.5 million of which \$2.4 million is restricted for capital improvement projects financed by bonded debt, \$4.2 million is committed for capital improvement projects, and \$1.9 million is for capital improvement projects that are funded from non-bond revenue. This fund had a \$0.5 million increase in fund balance from the previous year. During this past fiscal year, the City completed street projects of \$4.5 million, park projects of \$18, building projects of \$79, drainage projects of \$442, and \$0.9 million in water and sewer projects.

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

As of the end of the current fiscal year, the City of Harker Heights' proprietary funds reported combined net position of \$32.2 million, an increase of \$632 or 2 percent over the prior year. Unrestricted net position totals \$(150). Restricted net position totals \$47. A total of \$32.3 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 \$(192), restricted net position was \$39 while total net position was \$28.0 million. Total net position for the water and sewer fund has increased by \$507 during the current fiscal year.

The sanitation fund has total net position of \$54, a decrease of \$37 from the prior year. The majority of this decrease is due to an increase in due to other funds.

Drainage fund reflects a liability of \$4.9 million for capital improvements and total net position in the drainage utility system of \$4.2 million.

General Fund Budgetary Highlights

Actual expenditures in the General Fund were \$21.1 million compared to the budget amount of \$21.7 million. The \$621 under budget is mainly due to decreased public safety expenditures and smaller decreases in expenditures in general government, highways and streets, culture and recreation and economic development.

For FY 2018-19, actual revenues were \$21.6 million as compared to the budget amount of \$20.0 million. The majority of the \$1,591 positive variance was due to an increase of \$506 in other taxes, \$712 in intergovernmental revenues and \$184 in investment earnings.

The City of Harker Heights has an actual General Fund balance of \$11.5 million as of the fiscal year end, compared to the budgeted fund balance of \$10.2 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, 2019, amounts to \$115.2 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 total increases in the City's investment in capital assets for the current fiscal year was 4.0 percent (3.0 percent increase for governmental activities and a 1 percent increase for business-type activities) and is attributed to the following:

- Capital assets in governmental activities increased in several categories, however, the major increases were in infrastructure with an increase of \$3.9 million and an increase of \$705 in construction in progress.

**City of Harker Heights
Management's Discussion and Analysis (continued)
September 30, 2019**

- Infrastructure in business-type activities had an increase of \$798 and an increase of \$575 in construction in progress. Overall, the total business-type activities increased by \$1,431 over the prior year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 15,693	\$ 15,586	\$ 285	\$ 285	\$15,978	\$15,871
Buildings and lift stations	12,831	13,864	1,417	1,456	14,248	15,320
Improvements other than buildings	124	128		1	124	129
Furniture and fixtures	193	267			193	267
Machinery and equipment	1,275	1,628	920	866	2,195	2,494
Vehicles	1,609	1,719	146	102	1,755	1,821
Infrastructure	32,420	28,514	45,906	45,108	78,326	73,622
Construction in progress	1,349	644	1,070	495	2,419	1,139
Total	\$65,494	\$62,350	\$49,744	\$48,313	\$115,238	\$110,663

Additional information on the City of Harker Heights' capital assets can be found in note IV.3 on pages 45-46 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 considers the City's economy to be adequate with strong city management. The rating reflects that 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 Moody's and "AAA" by Standard and 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$7,516	\$8,508	\$7,914	\$8,932	\$15,430	\$17,440
Certificates of obligation	24,235	22,065	12,285	11,890	36,520	33,955
Premium on bonds	581	714	537	633	1,118	1,347
Discount on bonds	(27)	(30)	(13)	(15)	(40)	(45)
Capital leases payable	437	675			437	675
Compensated absences	859	820	37	50	896	870
Net pension liability	11,114	7,633	839	568	11,953	8,201
Other post-employment supplemental death benefit obligation	458	451	36	35	494	486
Other post-employment benefit obligation	738	578	86	67	824	645
Total	\$45,911	\$41,414	\$21,721	\$22,160	\$67,632	\$63,574

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 \$138.0 million which is \$106.3 million more than the City's outstanding indebtedness of \$31.7 million for governmental activities.

**City of Harker Heights
Management's Discussion and Analysis (continued)
September 30, 2019**

Additional information on the City of Harker Heights' long-term debt can be found in note IV.6 on pages 48-62 of this report.

Economic Factors and Next Year's Budgets and Rates

The annual unemployment rate for Harker Heights in 2018 was 3.9% which is a decrease of 0.3% from a rate of 4.2% in 2017. This is lower than Bell County's annual unemployment rate of 4.2%, and the same as the state and national annual unemployment rates of 3.9%.

All of these factors were considered in preparing the fiscal year 2019-20 budget for the City of Harker Heights.

During the current fiscal year, the fund balance in the general fund is projected to increase to \$11.0 million. The General Fund's largest single revenue source is property taxes. The property tax rate for FY 2019-20 is \$0.6770 per \$100 valuation. Of this tax rate 76.93 percent or \$0.5208 is utilized for General Fund activities. The remaining 23.07 percent or \$0.1562 is used for debt service. The General Fund's portion of property tax revenue for FY 2019-20 is estimated to be \$9.4 million. Sales tax revenue for FY 2019-20 is budgeted at \$6.8 million.

The largest revenue source for the water and sewer fund is water sales at \$6.2 million. The rate for FY 2019-20 is \$10.91 as a base rate and \$3.40 per 1,000 gallons used. The second largest revenue source for the water and sewer fund is sewer charges at \$3.8 million based on a FY 2019-20 base rate of \$19.66 plus \$3.29 per 1,000 gallons over 3,000 gallons and caps at 10,000 gallons for residential customers. These rates are an increase of 3 percent over the rates set for FY 2018-19.

Sanitation fees for residential garbage are \$18.88 per month which is a two percent increase over the rate of \$18.51 set for FY 2018-19.

The drainage fee remained at \$6.00 per single family dwellings 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,409,180	\$ 1,200,866	\$ 4,610,046
Investments	14,063,254	32,818	14,096,072
Receivables (net of allowance for uncollectibles)			
Taxes	96,152		96,152
Accounts	504,742	1,708,911	2,213,653
Special assessments	64		64
Internal Balances	(426,952)	426,952	0
Due from other governments	44,333		44,333
Inventory of supplies, at first in, first out		123,677	123,677
Restricted Assets:			
Restricted cash	979,151	91,018	1,070,169
Restricted investments	6,062,185	499,010	6,561,195
Capital assets (net of accumulated depreciation):			
Land	15,693,112	284,683	15,977,795
Building and lift stations	12,830,572	1,416,658	14,247,230
Improvements other than buildings	123,565		123,565
Furniture and fixtures	193,454		193,454
Machinery and equipment	1,274,935	920,140	2,195,075
Vehicles	1,608,700	145,966	1,754,666
Infrastructure	32,420,374	45,905,923	78,326,297
Construction in progress	1,349,318	1,070,300	2,419,618
Total Assets	<u>90,226,139</u>	<u>53,826,922</u>	<u>144,053,061</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding of debt	288,690	320,067	608,757
Deferred outflows related to pensions	3,448,525	255,205	3,703,730
Deferred outflows related to other post-employment benefit obligations	149,970	16,577	166,547
Total Deferred Outflows of Resources	<u>3,887,185</u>	<u>591,849</u>	<u>4,479,034</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,749,333		3,749,333
Accrued interest payable	136,484	87,639	224,123
Refundable meter deposit		362,534	362,534
Unearned revenue	390,540		390,540
Long-term liabilities:			
Due within one year	2,735,018	1,723,753	4,458,771
Due in more than one year	30,865,277	19,036,157	49,901,434
Net pension liability (City's share)	11,114,158	839,129	11,953,287
Other post-employment benefit obligations	1,196,456	121,915	1,318,371
Total Liabilities	<u>50,187,266</u>	<u>22,171,127</u>	<u>72,358,393</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	278,435	20,876	299,311
Deferred inflows related to other post-employment benefit obligations	63,201	6,141	69,342
Total Deferred Inflows of Resources	<u>341,636</u>	<u>27,017</u>	<u>368,653</u>
NET POSITION			
Net investment in capital assets	35,751,479	32,323,794	68,075,273
Restricted for:			
Economic development	276,380		276,380
Public safety	192,773		192,773
Pet Adoption Center	19,192		19,192
Debt service	24,383	46,995	71,378
Cemetery	18,653		18,653
Unrestricted	7,301,562	(150,162)	7,151,400
Total Net Position	<u>\$ 43,584,422</u>	<u>\$ 32,220,627</u>	<u>\$ 75,805,049</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, 2019

FUNCTION/PROGRAM ACTIVITY	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 4,414,298	\$ 104,374	\$ 39,472	
Public safety	13,882,981	1,935,452	279,481	
Highways and streets	1,707,264			
Culture and recreation	3,556,605	271,452	24,353	
Economic development and assistance	388,195	301,186		
Interest and fiscal charges	1,120,744			
Total governmental activities	25,070,087	2,612,464	343,306	
Business-type Activities:				
Water and Sewer	7,309,054	9,567,457		
Sanitation	1,959,296	2,086,581		
Drainage	325,350	833,148		
Total business-type activities	9,593,700	12,487,186		
Total primary government	\$ 34,663,787	\$ 15,099,650	\$ 343,306	

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.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,270,452)		\$ (4,270,452)
(11,668,048)		(11,668,048)
(1,707,264)		(1,707,264)
(3,260,800)		(3,260,800)
(87,009)		(87,009)
(1,120,744)		(1,120,744)
<u>(22,114,317)</u>		<u>(22,114,317)</u>
	2,258,403	2,258,403
	127,285	127,285
	507,798	507,798
	<u>2,893,486</u>	<u>2,893,486</u>
<u>\$ (22,114,317)</u>	<u>\$ 2,893,486</u>	<u>\$ (19,220,831)</u>
11,753,669		11,753,669
8,080,668		8,080,668
103,910		103,910
45,226		45,226
97,442		97,442
1,402,574	133,591	1,536,165
649,566	51,005	700,571
768		768
2,446,202	(2,446,202)	0
<u>24,580,025</u>	<u>(2,261,606)</u>	<u>22,318,419</u>
2,465,708	631,880	3,097,588
<u>41,118,714</u>	<u>31,588,747</u>	<u>72,707,461</u>
<u>\$ 43,584,422</u>	<u>\$ 32,220,627</u>	<u>\$ 75,805,049</u>

FUNCTION/PROGRAM ACTIVITY

Primary Government:

Governmental Activities:

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

Total governmental activities

Business-type Activities:

Water and Sewer
 Sanitation
 Drainage

Total business-type activities

Total primary government

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, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash	\$ 1,024,754	\$ 27,228	\$ 2,082,859
Investments	10,040,033	48,694	3,791,571
Receivables (net of allowance for uncollectibles):			
Taxes	73,932	22,220	
Accounts	496,947		51
Special Assessments	64		
Due from other funds	3,596,876		7,176,926
Due from other governments	26,059	18,274	
Restricted assets:			
Cash	401,441		577,710
Investments	18,115		6,044,070
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 15,678,221</u>	<u>\$ 116,416</u>	<u>\$ 19,673,187</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 3,686,666		\$ 62,667
Due to other funds	72,123	32,373	11,096,420
Unearned revenue	390,540		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,149,329</u>	<u>32,373</u>	<u>11,159,087</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax not yet available	65,501	59,660	
	<u> </u>	<u> </u>	
Total deferred inflows of resources	<u>65,501</u>	<u>59,660</u>	
FUND BALANCES			
Nonspendable			
Restricted for:			
Economic development			
Public safety	3,952		
Pet adoption center	19,192		
Debt service		24,383	
Capital projects			2,420,108
Cemetery	18,653		
Committed			
Capital projects			4,201,672
Assigned to:			
Culture and recreation	377,759		
Capital projects			1,892,320
Unassigned	11,043,835		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>11,463,391</u>	<u>24,383</u>	<u>8,514,100</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 15,678,221</u>	<u>\$ 116,416</u>	<u>\$ 19,673,187</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 274,339	\$ 3,409,180
182,956	14,063,254
	96,152
7,744	504,742
	64
329	10,774,131
	44,333
	979,151
	6,062,185
<u>\$ 465,368</u>	<u>\$ 35,933,192</u>
	\$ 3,749,333
167	11,201,083
	390,540
<u>167</u>	<u>15,340,956</u>
	125,161
	<u>125,161</u>
276,380	276,380
188,821	192,773
	19,192
	24,383
	2,420,108
	18,653
	4,201,672
	377,759
	1,892,320
	11,043,835
<u>465,201</u>	<u>20,467,075</u>
<u>\$ 465,368</u>	<u>\$ 35,933,192</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:
Economic development
Public safety
Pet adoption center
Debt service
Capital projects
Cemetery
Committed
Capital projects
Assigned to:
Culture and recreation
Capital projects
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 GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

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

Total fund balance per balance sheet	\$ 20,467,075
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,494,030
Deferred inflow of resources that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	125,161
Long-term liabilities, certain current liabilities and deferred outflow of resources, are not due and payable in the current period and, therefore, are not reported in the funds.	(45,758,703)
Deferred outflows and inflows related to pension obligation and other post-employment benefit obligations	<u>3,256,859</u>
Net position of governmental activities	<u><u>\$ 43,584,422</u></u>

CITY OF HARKER HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
REVENUES			
Taxes and special assessments:			
Property	\$ 9,065,643	\$ 2,744,354	
Other taxes and special assessments	8,746,277		
Licenses and permits	395,991		
Fines	965,276		
Charges for services	1,058,337		
Intergovernmental	928,710		271,284
Investment earnings	399,443	14,860	227,094
Contributions and donations	29,413		
Miscellaneous	31,455	506	
	<u>21,620,545</u>	<u>2,759,720</u>	<u>498,378</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	3,798,617		
Public safety	12,203,813		
Highways and streets	1,453,041		
Culture and recreation	3,039,048		
Economic development and assistance	344,397		
Debt service:			
Principal	237,788	1,822,905	
Interest and fiscal charges	16,074	1,078,731	
Tax collection fees		30,942	
Bond issuance cost			40,816
Capital outlay			5,422,054
	<u>21,092,778</u>	<u>2,932,578</u>	<u>5,462,870</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>527,767</u>	<u>(172,858)</u>	<u>(4,964,492)</u>
OTHER FINANCING SOURCES (USES)			
Capital Leases			
Premium on certificates of obligation			
Issuance of certificates of obligation			3,027,685
Premium on refunding bonds			
Payment to refunded bond escrow agent			
Transfers in	1,412,778	150,000	2,900,000
Transfers out	<u>(1,525,000)</u>		<u>(478,798)</u>
	<u>(112,222)</u>	<u>150,000</u>	<u>5,448,887</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	415,545	(22,858)	484,395
Fund Balances -Beginning	<u>11,047,846</u>	<u>47,241</u>	<u>8,029,705</u>
Fund Balances - Ending	<u>\$ 11,463,391</u>	<u>\$ 24,383</u>	<u>\$ 8,514,100</u>

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

Other Governmental Funds	Total Governmental Fund	
	\$ 11,809,997	REVENUES
97,443	8,843,720	Taxes and special assessments:
	395,991	Property
103,066	1,068,342	Other taxes and special assessments
	1,058,337	Licenses and permits
	1,199,994	Fines
8,182	649,579	Charges for services
	29,413	Intergovernmental
	31,961	Investment earnings
		Contributions and donations
		Miscellaneous
208,691	25,087,334	Total Revenues
		EXPENDITURES
	3,798,617	Current:
90,000	12,293,813	General government
	1,453,041	Public safety
	3,039,048	Highways and streets
17,412	361,809	Culture and recreation
		Economic development and assistance
	2,060,693	Debt service:
	1,094,805	Principal
	30,942	Interest and fiscal charges
	40,816	Tax collection fees
	5,422,054	Bond Issuance Cost
		Capital outlay
107,412	29,595,638	Total Expenditures
		Excess (Deficiency) of Revenues
101,279	(4,508,304)	Over (Under) Expenditures
		OTHER FINANCING SOURCES (USES)
		Capital Leases
	3,027,685	Premium on certificates of obligation
		Issuance of certificates of obligation
		Premium on refunding bonds
		Payment to refunded bond escrow agent
	4,462,778	Transfers in
(12,778)	(2,016,576)	Transfers out
(12,778)	5,473,887	Total Other Financing Sources (Uses)
88,501	965,583	Net Change in Fund Balances
376,700	19,501,492	Fund Balances – Beginning
\$ 465,201	\$ 20,467,075	Fund Balances - Ending

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



CITY OF HARKER HEIGHTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances – total governmental funds	\$965,583
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.	6,095,780
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.	(2,876,548)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, transfers, disposals, and donations) is to increase net position.	(75,679)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,260
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.	(39,000)
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.	(605,467)
The increase in the other post-employment benefit obligation (OPEB) is not reported in the funds.	(80,046)
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.	(966,992)
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.	51,625
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.	<u>(5,808)</u>
Change in net position of governmental activities	<u><u>\$ 2,465,708</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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes and special assessments:				
Property	\$ 9,033,900	\$ 9,033,900	\$ 9,065,643	\$ 31,743
Other taxes and special assessments	8,240,700	8,240,700	8,746,277	505,577
Licenses and permits	307,000	307,000	395,991	88,991
Fines	1,000,000	1,000,000	965,276	(34,724)
Charges for services	990,000	990,000	1,058,337	68,337
Intergovernmental	216,400	216,400	928,710	712,310
Investment earnings	215,000	215,000	399,443	184,443
Contributions and donations	20,000	20,000	29,413	9,413
Miscellaneous	6,100	6,100	31,455	25,355
	<u>20,029,100</u>	<u>20,029,100</u>	<u>21,620,545</u>	<u>1,591,445</u>
EXPENDITURES				
Current:				
General government:				
Council	226,500	226,500	223,927	2,573
Administration	2,167,000	1,653,400	1,730,638	(77,238)
Finance	764,500	764,500	668,469	96,031
Pet Adoption Center	715,300	715,300	689,655	25,645
Information Technology		513,600	485,928	27,672
Public safety:				
Police	6,399,900	6,399,900	6,000,988	398,912
Courts	1,066,300	1,066,300	960,904	105,396
Code enforcement	601,900	601,900	563,672	38,228
Fire/EMS	4,491,100	4,491,100	4,678,249	(187,149)
Highways and streets:				
Streets	1,205,800	1,205,800	1,160,112	45,688
Maintenance	296,500	296,500	292,929	3,571
Culture and recreation:				
Library	743,400	743,400	717,018	26,382
Activity Center		312,000	298,916	13,084
Parks and recreation	2,420,000	2,108,000	2,023,114	84,886
Economic development and assistance	361,600	361,600	344,397	17,203
Debt Service:				
Principal	237,700	237,700	237,788	(88)
Interest and fiscal charges	16,100	16,100	16,074	26
	<u>21,713,600</u>	<u>21,713,600</u>	<u>21,092,778</u>	<u>620,822</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ (1,684,500)</u>	<u>\$ (1,684,500)</u>	<u>\$ 527,767</u>	<u>\$ 2,212,267</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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Capital Leases				
Sale of capital assets proceeds				
Transfers in	890,000	890,000	1,412,778	522,778
Transfers out			(1,525,000)	(1,525,000)
	<u>890,000</u>	<u>890,000</u>	<u>(112,222)</u>	<u>(1,002,222)</u>
Total Other Financing Sources (Uses)				
	<u>890,000</u>	<u>890,000</u>	<u>(112,222)</u>	<u>(1,002,222)</u>
Net Change in Fund Balances	(794,500)	(794,500)	415,545	1,210,045
Fund Balances – Beginning	<u>11,047,846</u>	<u>11,047,846</u>	<u>11,047,846</u>	
Fund Balances – Ending	<u>\$ 10,253,346</u>	<u>\$ 10,253,346</u>	<u>\$ 11,463,391</u>	<u>\$ 1,210,045</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, 2019

	Business-type Activities – Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash	\$ 1,022,570	\$ 147,450	\$ 30,846	\$ 1,200,866
Investments	31,397	1,001	420	32,818
Receivables (net of allowance for uncollectibles):				
Accounts	1,382,042	236,514	90,355	1,708,911
Due from other funds	6,122,981	815	3,142,775	9,266,571
Inventory of supplies, at first-in, first-out cost	123,677			123,677
Restricted cash	86,387		4,631	91,018
Restricted investments	495,707		3,303	499,010
 Total Current Assets	 <u>9,264,761</u>	 <u>385,780</u>	 <u>3,272,330</u>	 <u>12,922,871</u>
Long-term Assets:				
Capital Assets				
Land and improvements	159,523		125,160	284,683
Buildings and lift stations	3,150,950			3,150,950
Improvements other than buildings	1,144	23,728		24,872
Furniture and fixtures	12,375			12,375
Machinery and equipment	2,325,404	40,730	258,857	2,624,991
Vehicles	679,880		92,354	772,234
Water, sewer, and drainage systems	52,836,477		6,262,995	59,099,472
Construction in progress	918,464		151,836	1,070,300
Less accumulated depreciation	<u>(16,128,147)</u>	<u>(48,404)</u>	<u>(1,119,656)</u>	<u>(17,296,207)</u>
 Total Capital Assets (Net of Depreciation)	 <u>43,956,070</u>	 <u>16,054</u>	 <u>5,771,546</u>	 <u>49,743,670</u>
 Total Long-term Assets	 <u>43,956,070</u>	 <u>16,054</u>	 <u>5,771,546</u>	 <u>49,743,670</u>
 Total Assets	 <u>\$ 53,220,831</u>	 <u>\$ 401,834</u>	 <u>\$ 9,043,876</u>	 <u>\$ 62,666,541</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding of debt	320,067			320,067
Deferred outflows related to pensions	206,722	8,745	39,738	255,205
Deferred outflows related to other post- employment benefits	14,251	867	1,459	16,577
 Total Deferred Outflows of Resources	 <u>\$ 541,040</u>	 <u>\$ 9,612</u>	 <u>\$ 41,197</u>	 <u>\$ 591,849</u>

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

CITY OF HARKER HEIGHTS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Business-type Activities – Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
LIABILITIES				
Current Liabilities:				
Due to other funds	\$ 7,924,697	\$ 326,283	\$ 588,639	\$ 8,839,619
Refundable meter deposits	362,534			362,534
Accrued interest payable	70,835		16,804	87,639
Capital leases payable - current				
Accrued compensated absences - current	25,000	2,000	6,500	33,500
General obligation bonds - current	969,243		71,010	1,040,253
Certificates of obligation - current	515,000		135,000	650,000
Total Current Liabilities	9,867,309	328,283	817,953	11,013,545
Long-term Liabilities:				
Accrued compensated absences	2,000	1,000	500	3,500
Net pension liability	693,587	21,287	124,255	839,129
Other post-employment supplemental death benefit obligation	29,779	1,311	5,071	36,161
Other postemployment benefit obligation	70,950	4,926	9,878	85,754
Capital leases payable				
General obligation bonds	6,647,471		226,706	6,874,177
Certificates of obligation (net of unamortized discounts and premiums)	8,468,855		3,689,625	12,158,480
Total Long-term Liabilities	15,912,642	28,524	4,056,035	19,997,201
Total Liabilities	\$ 25,779,951	\$ 356,807	\$ 4,873,988	\$ 31,010,746
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 17,149	\$ 659	\$ 3,068	\$ 20,876
Deferred inflows related to other post-employment benefits	5,117	299	725	6,141
Total Deferred Inflows of Resources	\$ 22,266	\$ 958	\$ 3,793	\$ 27,017
NET POSITION				
Net investment in capital assets	28,112,410	16,054	4,195,330	32,323,794
Restricted for debt service	39,061		7,934	46,995
Unrestricted	(191,817)	37,627	4,028	(150,162)
Total Net Position	\$ 27,959,654	\$ 53,681	\$ 4,207,292	\$ 32,220,627

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



CITY OF HARKER HEIGHTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities – Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 9,556,952	\$ 2,085,585	\$ 833,148	\$ 12,475,685
Franchise fees		133,591		133,591
Other	10,505	996		11,501
Total Operating Revenues	<u>9,567,457</u>	<u>2,220,172</u>	<u>833,148</u>	<u>12,620,777</u>
OPERATING EXPENSES				
Water purchases	2,808,967			2,808,967
Contractual services	406,715	1,875,677	4,384	2,286,776
Personnel services	1,415,116	58,571	113,601	1,587,288
Utilities and telephone	324,152	877		325,029
Repairs and maintenance	385,567	10,557	30,480	426,604
Supplies	150,018	1,433	9,848	161,299
Uncollectible accounts	61,238	7,259	4,338	72,835
Professional fees	49,975		8,033	58,008
Depreciation	1,188,520	4,847	112,857	1,306,224
Other	2,364	75	265	2,704
Total Operating Expenses	<u>6,792,632</u>	<u>1,959,296</u>	<u>283,806</u>	<u>9,035,734</u>
Operating Income	<u>2,774,825</u>	<u>260,876</u>	<u>549,342</u>	<u>3,585,043</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	46,810	2,278	1,917	51,005
Taxes & assessments				
Interest expense	(502,817)		(41,544)	(544,361)
Bond issuance costs	(13,605)			(13,605)
Gain on sale of capital assets				
Loss on sale of capital assets				
Total Nonoperating Revenues (Expenses)	<u>(469,612)</u>	<u>2,278</u>	<u>(39,627)</u>	<u>(506,961)</u>
Income Before Transfers	2,305,213	263,154	509,715	3,078,082
Transfers In	476,798		2,000	478,798
Transfers Out	(2,275,000)	(300,000)	(350,000)	(2,925,000)
Change in Net Position	507,011	(36,846)	161,715	631,880
Total Net Position - Beginning	27,452,643	90,527	4,045,577	31,588,747
Total Net Position – Ending	<u>\$ 27,959,654</u>	<u>\$ 53,681</u>	<u>\$ 4,207,292</u>	<u>\$ 32,220,627</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, 2019

Business-type Activities - Enterprise Funds

	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 9,306,283	\$ 2,076,593	\$ 833,577	\$ 12,216,453
Cash payments to suppliers	(4,212,804)	(1,855,529)	240,483	(5,827,850)
Cash payments to employees	(1,376,003)	(55,771)	(110,322)	(1,542,096)
Franchise fees		133,591		133,591
Other operating cash receipts (payments)	1,533,403	2,677	(88,422)	1,447,658
Net Cash Provided By Operating Activities	<u>5,250,879</u>	<u>301,561</u>	<u>875,316</u>	<u>6,427,756</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	476,798		2,000	478,798
Transfers out	(2,275,000)	(300,000)	(350,000)	(2,925,000)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(1,798,202)</u>	<u>(300,000)</u>	<u>(348,000)</u>	<u>(2,446,202)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(2,435,960)		(300,607)	(2,736,567)
Proceeds from issuance of debt	995,623			995,623
Principal repayments	(1,443,715)		(178,380)	(1,622,095)
Interest paid on long-term debt	(555,524)		(48,826)	(604,350)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(3,439,576)</u>	<u>0</u>	<u>(527,813)</u>	<u>(3,967,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	878,657			878,657
Purchase of investments	(300,000)	(23)	(85)	(300,108)
Interest & penalties received	46,810	2,278	1,917	51,005
Net Cash Provided (Used) By Investing Activities	<u>625,467</u>	<u>2,255</u>	<u>1,832</u>	<u>629,554</u>
Net Increase (Decrease) in Cash For The Year	638,568	3,816	1,335	643,719
Cash - Beginning	470,389	143,634	34,142	648,165
Cash - Ending	<u>\$ 1,108,957</u>	<u>\$ 147,450</u>	<u>\$ 35,477</u>	<u>\$ 1,291,884</u>
Reconciliation of cash:				
Cash	\$ 1,022,570	\$ 147,450	\$ 30,846	\$ 1,200,866
Restricted Cash	86,387	0	4,631	91,018
Total Cash	<u>\$ 1,108,957</u>	<u>\$ 147,450</u>	<u>\$ 35,477</u>	<u>\$ 1,291,884</u>

The notes to the 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, 2019

Business-type Activities - Enterprise Funds

	Water and Sewer Fund	Sanitation Fund	Drainage Utility Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income	\$ 2,774,825	\$ 260,876	\$ 549,342	\$ 3,585,043
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,188,520	4,847	112,857	1,306,224
Change in Assets and Liabilities:				
(Increase) Decrease in accounts receivable	(251,248)	(1,733)	694	(252,287)
(Increase) Decrease in deferred outflow in net pension obligation	(63,802)	(3,985)	(16,624)	(84,411)
(Increase) Decrease in deferred outflow in other post-employment benefit obligation	(11,872)	(775)	(1,096)	(13,743)
Increase in allowance for doubtful accounts				
(Increase) Decrease in due from other funds	(6,044,445)	1,681	(88,422)	(6,131,186)
(Increase) Decrease in inventory	(23,808)		297,566	273,758
Increase (Decrease) in accounts payable and accrued liabilities				
Increase (Decrease) in refundable meter deposits	579			579
Increase (Decrease) in due to other funds	7,567,343	33,090		7,600,433
Increase (Decrease) in compensated absences	(11,000)	1,000	(3,000)	(13,000)
(Increase) Decrease in deferred inflow in net pension obligation	(115,147)	(4,342)	(16,964)	(136,453)
(Increase) Decrease in deferred inflow in other post-employment benefit obligation	1,600	66	311	1,977
Increase (Decrease) in net pension obligation	222,543	9,757	39,029	271,329
Increase (Decrease) in other post-employment supplemental death benefit obligation	475	22	83	580
Increase (Decrease) in other post-employment benefit obligation	16,316	1,057	1,540	18,913
Total Adjustments	2,476,054	40,685	325,974	2,842,713
Net cash Provided By Operating Activities:	\$ 5,250,879	\$ 301,561	\$ 875,316	\$ 6,427,756
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Gain on sale of capital assets	\$0			\$0
Amortization of deferred amount on advanced refunding of certificates of obligation	71,506			71,506
Amortization of bond premium	99,176		\$ 6,492	105,668
Amortization of bond discount	1,459			1,459
Total Noncash Investing, Capital and Financing Activities	\$ 172,141	\$	\$ 6,492	\$ 178,633

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

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Harker Heights have been prepared to conform with generally accepted accounting principles in the United States of America (GAAP) 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

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 of the activities of the City. For the most part, the effect of inter-fund 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.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, 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 funds 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 enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

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

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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

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.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

- 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 of 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.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Enterprise funds include the following funds:

- a. The Water and Sewer Fund accounts 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. Cash and Investments

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

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 funds investment pool. The City's investment policy authorizes certain investments that may be purchased by the City.

A detail listing of authorized investments is included in Part IV, Note 1 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.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 statement.

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 61% of outstanding property taxes at the end of the fiscal year.

F. 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.

G. Restricted Assets

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

H. 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 \$1,000 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. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

I. 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 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 governmental funds.

J. 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.

K. Fund Equity

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.

L. 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, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance Classifications

The difference between assets and liabilities in the governmental fund balance sheets shall be organized into the following classifications:

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, 2019, the City did not have any nonspendable fund balances.

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, 2019, the City had restricted funds for economic development, public safety, pet adoption center, debt service, and cemetery.

Committed – Amounts that can only be used for specific purposes determined by formal approval of the Council. These amounts shall not be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it used to commit the amounts. As of September 30, 2019, the City had committed funds for capital improvement projects.

Assigned – Amounts that the City intends to use for a specific purpose and are neither restricted nor committed. The intent to assign amounts for a specific purpose shall be expressed by the Council. As of September 30, 2019, the City had assigned funds for culture and recreation and capital improvement projects.

Unassigned – 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.

N. Use of Restricted, Committed, Assigned, and Unassigned Assets

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.

O. 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 will take effect for financial statements starting with the fiscal year that ends June 30, 2019.
2. Statement No. 84, “Fiduciary Activities.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.
3. Statement No. 87, “Leases.” The requirements of this Statement will take effect for financial statements starting with the fiscal year the ends December 31, 2020.
4. Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2019.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. New Accounting Pronouncements (Continued)

5. Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.
6. Statement No. 90, "Majority Equity Interests-an amendment of GASB Statement No. 14 and No. 61." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.

P. 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.

Q. 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 funds statements of net position. Deferred outflows of resources reported in this year's financial statements include (1) a deferred amount arising from the refunding of bonds, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the city's fiscal year, (3) a deferred outflow of resources related to other post-employment benefits (OPEB), and (4) deferred outflows of resources related to the differences between the expected and actual demographics for the City's single-employer defined benefit fund. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amount related to the actuarial assumptions for demographic factors in the pension fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

R. 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.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

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 \$45,758,703 difference are as follows:

Certificates of obligation	\$	24,235,000
Less: Issuance discount		(27,162)
(to be amortized as interest expense)		
General obligation refunding		7,515,571
Plus: Premium on issuance		580,615
Less: Deferred charge for advanced refunding costs		(288,690)
(to be amortized as interest expense)		
Accrued interest payable		136,484
Capital leases payable		437,271
Compensated absences		859,000
Net pension obligation		11,114,158
Other post-employment supplemental death benefit obligation		458,559
Other post-employment benefit obligation		737,897
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$	45,758,703

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 \$3,256,859 difference are as follows:

Deferred outflows related to pension		3,448,525
Deferred outflows related to post-employment benefit obligation		119,575
Deferred outflows related to post-employment supplemental death benefit obligation		30,395
Deferred inflows related to pension		(278,435)
Deferred inflows related to post-employment benefit obligation		(32,301)
Deferred inflows related to post-employment supplemental death benefit obligation		(30,900)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		3,256,859

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

**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 \$(966,992) difference are as follows:

Current Year Issuance:	
Certificates of obligation (net of discount)	\$ (3,000,000)
Capital Leases	
Bond Premium	<u>(27,685)</u>
Principal repayments:	
Payments to be refunded	
Certificates of obligation	830,000
General obligation refunding	992,905
Capital leases	<u>237,788</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$ (966,992)</u></u>

**A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities
 (Continued)**

Another element of that reconciliation states 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 \$51,625 difference are as follows:

Amortization of bond discounts	(2,928)
Amortization of bond premium	161,584
Amortization of advanced refunding costs	<u>(107,031)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$ 51,625</u></u>

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital project fund. The capital projects fund is budgeted in a multi-year manner. All annual appropriations lapse at fiscal year-end.

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 11, 2018.

IV. DETAILED NOTES ON ALL FUNDS

1. 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 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.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

1. Deposits and Investments (Continued)

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 or 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 certificate of deposits at local banking institutions as well as through a broker. 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. Certificate of deposits at local institutions are included with bank balances in determining collateral requirements. See deposit section for further discussion.

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 market 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 market 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 market value of the Fund's assets is maintained at one dollar.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

1. Deposits and Investments (Continued)

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 market 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, 2019.

At September 30, 2019, the carrying amount of the City's bank deposits was \$5,678,467, and the respective bank balances totaled \$5,644,260. Of the bank balances, \$500,000 was covered by federal depository insurance. Collateral for the bank balances and certificate of deposit balances over the federal depository insurance amount consisted of securities with a fair market value of \$10,288,418 at September 30, 2019.

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 matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, 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 brokers/dealers for its investment portfolio. The City may not invest more than 50% of the portfolio in one agency.

Credit risk is the risk that an issuer 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.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

1. Deposits and Investments (Continued)

The following table includes the portfolio balances of all investment types of the City at September 30, 2019.

	<u>Fair Value/Carrying Value</u>			Cost	Weighted Average Days to Maturity ⁽¹⁾
	Governmental Activities	Business- type Activities	Total		
Investments:					
Certificates of deposit	14,091,952	300,000	14,391,952	14,391,952	229
Local government investment pools					
TexSTAR	1,429,697	42,754	1,472,451	1,472,451	111
Texas Class	3,978,506	122,306	4,100,812	4,100,812	80
Lone Star Investment Pool	<u>625,284</u>	<u>66,768</u>	<u>692,052</u>	<u>692,052</u>	99
Total local government investment pools	<u>6,033,487</u>	<u>231,828</u>	<u>6,265,315</u>	<u>6,265,315</u>	
Total Investments	<u>20,125,439</u>	<u>531,828</u>	<u>20,657,267</u>	<u>20,657,267</u>	

⁽¹⁾ Interest rate risk is estimated using weighted average days to maturity.

As of September 30, 2019, the City of Harker Heights' investments were rated by Standard & Poor's as follows:

	<u>Average Credit Quality/ Ratings</u>
TexSTAR	AAAm
Texas Class	AAAm
Lone Star Investment Pool	AAAm

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

1. Deposits and Investments (Continued)

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

Cash on hand	1,748
Carrying amount of deposits	5,678,467
Carrying amount of investments	20,657,267
Total Cash and Investments	26,337,482
Cash	4,610,046
Cash - restricted	1,070,169
Investments	
Short-Term	14,096,072
Investments - restricted	
Short-Term	6,561,195
Total Cash and Investments	26,337,482

2. Receivables

Receivables at September 30, 2019, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	General	Capital Projects	Debt Service	Hotel/ Motel	Water and Sewer	Sanitation	Drainage Utility	Total
Receivables:								
Taxes	\$ 204,932		\$ 62,220					\$ 267,152
Accounts	1,283,447	\$ 51		7,744	1,404,967	238,514	91,355	3,026,078
Special								
assessments	14,964				16,442			31,406
Intergovernmental	26,059		18,274					44,333
Gross receivables	1,529,402	51	80,494	7,744	1,421,409	238,514	91,355	3,368,969
Less:								
Allowance for								
uncollectibles	932,400		40,000		39,367	2,000	1,000	1,014,767
Net total								
receivables	\$ 597,002	\$ 51	\$ 40,494	\$ 7,744	\$1,382,042	\$ 236,514	\$ 90,355	\$ 2,354,202

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS

3. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance 10/01/2018	Increases	Transfers and Decreases	Balance 09/30/2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$15,585,970	\$8,626	\$98,516	\$15,693,112
Construction in progress	643,744	5,174,169	(4,468,595)	1,349,318
Total capital assets, not being depreciated	16,229,714	5,182,795	(4,370,079)	17,042,430
Capital Assets, being depreciated:				
Buildings	22,154,088	154,447	(102,126)	22,206,409
Improvements other than buildings	221,520	8,502	3,610	233,632
Machinery and equipment	7,161,028	230,619	(732,401)	6,659,246
Vehicles	5,389,523	368,440		5,757,963
Furniture and fixtures	1,144,883		(5,633)	1,139,250
Street and drainage improvements	35,584,372	4,619,572		40,203,944
Total capital assets, being depreciated	71,655,414	5,381,580	(836,550)	76,200,444
Less accumulated depreciation for:				
Buildings	(8,289,513)	(1,086,324)		(9,375,837)
Improvements other than buildings	(93,624)	(16,443)		(110,067)
Machinery and equipment	(5,533,204)	(507,829)	656,722	(5,384,311)
Vehicles	(3,670,459)	(478,804)		(4,149,263)
Furniture and fixtures	(877,708)	(73,721)	5,633	(945,796)
Street and drainage improvements	(7,070,143)	(713,427)		(7,783,570)
Total accumulated depreciation	(25,534,651)	(2,876,548)	662,355	(27,748,844)
Total capital assets, being depreciated, net	46,120,763	2,505,032	(174,195)	48,451,600
Governmental activities capital assets, net	62,350,477	7,687,827	(4,544,274)	65,494,030
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	284,683			284,683
Construction in progress	495,856	2,327,671	(1,753,227)	1,070,300
Total capital assets, not being depreciated	780,539	2,327,671	(1,753,227)	1,354,983
Capital assets, being depreciated:				
Buildings and lift stations	3,128,004	22,945		3,150,949
Improvements other than buildings	24,872			24,872
Machinery and equipment	2,302,483	322,508		2,624,991
Vehicles	708,792	63,443		772,235
Furniture and fixtures	12,375			12,375
Water, sewer, and drainage systems	57,346,245	1,753,227		59,099,472
Total capital assets, being depreciated	63,522,771	2,162,123	0	65,684,894
Less accumulated depreciation for:				
Buildings and lift stations	(1,671,458)	(62,833)		(1,734,291)
Improvements other than buildings	(24,305)	(567)		(24,872)
Machinery and equipment	(1,436,461)	(268,390)		(1,704,851)
Vehicles	(607,069)	(19,200)		(626,269)
Furniture and fixtures	(12,375)			(12,375)
Water, sewer, and drainage systems	(12,238,315)	(955,234)		(13,193,549)
Total accumulated depreciation	(15,989,983)	(1,306,224)	0	(17,296,207)
Total capital assets, being depreciated, net	47,532,788	855,899	0	48,388,687
Business-type activities capital assets, net	\$48,313,327	\$3,183,570	(\$1,753,227)	\$49,743,670

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Capital Assets (Continued)

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

Governmental Activities:

General government	\$575,657
Public safety	1,066,163
Highways and streets, including depreciation of infrastructure	793,413
Culture and recreation	429,049
Economic development and assistance	<u>12,266</u>
Total depreciation expense - governmental activities	<u><u>\$2,876,548</u></u>

Business-type Activities:

Water, sewer, drainage, and sanitation	<u>\$1,306,224</u>
Total depreciation expense - business-type activities	<u><u>\$1,306,224</u></u>

Effective October 1, 2009, the City implemented GASB Statement 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires that all intangible assets be classified as capital assets. The majority of the intangible assets are easements and right-of-ways. 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.

4. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$1,299,952
	Drainage Utility Fund	10,721
	Sanitation Fund	325,505
	Capital Projects Fund	1,856,412
	Debt Service Fund	32,373
Drainage Utility Fund	Water and Sewer Fund	11
	Capital Projects Fund	2,564,845
Sanitation Fund	Water and Sewer Fund	37
Capital Projects Fund	Water and Sewer Fund	501,764
Restricted Court Funds	General Fund	<u>162</u>
Total		<u><u>\$6,591,782</u></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 and Sanitation Fund receivable represents outstanding amounts collected for charges and services between the enterprise funds. A large portion of the Drainage Fund receivable also represents the issuance of the 2018 and 2019 Certificate of Obligation.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

4. Interfund Transactions (Continued)

Transfers between funds during the year ended September 30, 2019, were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$900,000
	Sanitation Fund	300,000
	Drainage Utility Fund	200,000
	Restricted Courts Fund	12,778
Capital Projects Fund	General Fund	1,450,000
	Water and Sewer Fund	823,202
	Drainage Utility Fund	148,000
Debt Service Fund	General Fund	75,000
	Water and Sewer Fund	<u>75,000</u>
	Total	<u><u>3,983,980</u></u>

Transfers to the General Fund are used for indirect costs deemed necessary for operations of the transferring funds but are paid through the General Fund. Transfers to the Capital Projects Fund are used for the funding of capital assets. Transfers to the Debt Service Fund are used to assist in covering debt payments.

5. Leases

Noncancellable Operating Leases

Rental expenditures during the fiscal year ended September 30, 2019 including equipment rentals not covered under noncancellable leases, were \$102,576.

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 2017-18. 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Machinery and equipment	\$1,095,684	\$3,023
Vehicles	1,014,071	248,673
Less: accumulated depreciation	<u>(1,151,572)</u>	<u>(251,696)</u>
Total:	<u><u>\$958,183</u></u>	<u><u>\$0</u></u>

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

5. Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
2020	250,143	0	250,143
2021	104,644	0	104,644
2022	101,822	0	101,822
Total minimum lease payments	456,609	0	456,609
Less: amount representing interest	(19,338)	0	(19,338)
Present value of minimum lease payments	<u>437,271</u>	<u>0</u>	<u>437,271</u>

6. Long-term Debt

At September 30, 2018, long-term debt of the City consists of the following:

Certificates of Obligation: Governmental Business-type

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.

810,000

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.

410,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Governmental Business-type

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.

3,655,000

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.

1,140,000

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.

825,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Governmental Business-type

Combination tax and utility system revenue certificates of obligation, Series 2011, to be used for the cost of improvements to the City's water and sewer system, including extension of sewer lines, force mains, and lift stations; improvements to streets, roads, and highways, and costs of street, road and highway reconstruction; 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 \$5,000,000. The certificates bear interest at 2.750% to 4.0% per annum through August 15, 2031. Principal is payable in annual installments of \$120,000 to \$520,000 through August 15, 2031.

4,145,000

Combination tax and utility system revenue certificates of obligation, Series 2011, to be used for the cost of improvements to the City's water and sewer system, including extension of sewer lines, force mains, and lift stations; improvements to streets, roads, and highways, and costs of street, road and highway reconstruction; 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 2.750% to 4.0% per annum through August 15, 2031. Principal is payable in annual installments of \$135,000 to \$220,000 through August 15, 2031.

2,095,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Governmental Business-type

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.

5,170,000

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.

2,465,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Governmental Business-type

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.

4,930,000

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.

985,000

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.

2,925,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Governmental Business-type

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.

2,965,000

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 & 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.

3,000,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

	<u>Governmental</u>	<u>Business-type</u>
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 & 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.		1,000,000
Total certificates of obligation	24,235,000	12,285,000
Plus: Net unamortized issuance premium (discount)	553,453	523,482
Total certificates of obligation, net	<u>24,788,453</u>	<u>12,808,482</u>

General Obligation Bonds Payable:

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.

	<u>Governmental</u>	<u>Business-type</u>
	1,340,571	

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

	<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 \$273,715 to \$311,614 through August 15, 2023.</p>		1,191,713
<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>		297,716
<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>	220,000	
<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>		495,000

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

	<u>Governmental</u>	<u>Business-type</u>
<p>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.</p>	5,845,000	
<p>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.</p>		2,555,000
<p>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 \$110,000 to \$635,000 through August 15, 2020.</p>	110,000	
<p>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.</p>		3,375,000
<p>Total general obligation bonds payable</p>	7,515,571	7,914,429

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Capital Leases Payable:

Governmental Business-type

Capital lease payable to First National Bank Texas to finance the acquisition of a fire truck. The lease is secured by the equipment and is paid by the General Fund. The lease bears interest of 1.69%. The original principal balance was \$478,000. The lease is payable in annual payments of \$100,501 including interest through April 14, 2020.

98,671

Capital lease payable to First National Bank Texas to finance the acquisition of computers. The lease is secured by the computers and is paid by the General Fund. The lease bears interest of 1.77%. The original principal balance was \$208,000. The lease is payable in annual payments of \$42,336 to \$44,545 through March 15, 2020.

41,600

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 \$107,466 through July 15, 2022.

297,000

Total capital leases payable

437,271

0

Total debt before compensated absences, net pension liability, and other post-employment benefits, net

\$ 32,741,295

\$ 20,722,910

Compensated absences

859,000

37,000

Net pension liability

11,114,158

839,129

Other post-employment supplemental death benefit obligation

458,559

36,161

Other post-employment benefit obligation

737,897

85,754

Total long-term debt

\$ 45,910,909

\$ 21,720,954

Reconciliation to Government-wide Statement of Net Position:

Long-term liabilities:

Due within one year

\$ 2,735,018

\$ 1,723,753

Due in more than one year

30,865,277

19,036,157

Net pension liability

11,114,158

839,129

Total other post-employment benefit obligations

1,196,456

121,915

Total long-term debt, net

\$ 45,910,909

\$ 21,720,954

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2019 is as follows:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 22,065,000	\$ 3,000,000	\$ (830,000)	\$ 24,235,000	\$ 855,000
General obligation Bonds	8,508,476		(992,905)	7,515,571	1,014,747
Premium on bonds	714,515	27,685	(161,585)	580,615	0
Discount on bonds	(30,089)		2,927	(27,162)	0
Net governmental bonds payable	<u>31,257,902</u>	<u>3,027,685</u>	<u>(1,981,563)</u>	<u>32,304,024</u>	<u>1,869,747</u>
Capital leases payable	675,059		(237,788)	437,271	239,271
Compensated absences	820,000	39,000		859,000	626,000
Net pension liability	7,632,668	3,481,490		11,114,158	0
Other post-employment supplemental death benefit obligation	451,127	7,432		458,559	0
Other post-employment benefit obligation	<u>577,724</u>	<u>160,173</u>		<u>737,897</u>	<u>0</u>
Total governmental long-term liabilities	<u>\$ 41,414,480</u>	<u>\$ 6,715,780</u>	<u>\$ (2,219,351)</u>	<u>\$ 45,910,909</u>	<u>\$ 2,735,018</u>
Business-type Activities:					
Certificates of obligation	\$ 11,890,000	\$ 1,000,000	\$ (605,000)	\$ 12,285,000	\$ 650,000
General obligation bonds	8,931,524		(1,017,095)	7,914,429	1,040,253
Premium on bonds	633,466	9,228	(105,667)	537,027	0
Discount on bonds	(15,005)		1,459	(13,546)	0
Net business-type bonds payable	<u>21,439,985</u>	<u>1,009,228</u>	<u>(1,726,303)</u>	<u>20,722,910</u>	<u>1,690,253</u>
Compensated absences	50,000		(13,000)	37,000	33,500
Net pension liability	567,800	271,329		839,129	0
Other post-employment supplemental death benefit obligation	35,581	580		36,161	0
Other post-employment benefit obligation	<u>66,841</u>	<u>18,913</u>		<u>85,754</u>	<u>0</u>
Total business-type long-term liabilities	<u>\$ 22,160,207</u>	<u>\$ 1,300,050</u>	<u>\$ (1,739,303)</u>	<u>\$ 21,720,954</u>	<u>\$ 1,723,753</u>
Total Government Liabilities	<u>\$ 63,574,687</u>	<u>\$ 8,015,830</u>	<u>\$ (3,958,654)</u>	<u>\$ 67,631,863</u>	<u>\$ 4,458,771</u>

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. 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	
2020	855,000	820,053	650,000	423,928	2,748,981
2021	1,140,000	791,863	745,000	400,606	3,077,469
2022	1,175,000	752,931	790,000	373,790	3,091,721
2023	1,180,000	712,708	840,000	345,464	3,078,172
2024	1,635,000	671,129	850,000	315,010	3,471,139
2025-2029	8,415,000	2,477,178	3,930,000	1,142,700	15,964,878
2030-2034	6,660,000	1,121,226	3,010,000	514,610	11,305,836
2035-2039	3,175,000	269,946	1,470,000	124,554	5,039,500
Total	<u>\$ 24,235,000</u>	<u>\$ 7,617,034</u>	<u>\$ 12,285,000</u>	<u>\$ 3,640,662</u>	<u>\$ 47,777,696</u>

General Obligation Bonds Payable

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2020	1,014,747	258,594	1,040,252	269,560	2,583,153
2021	1,069,222	228,700	1,070,779	239,552	2,608,253
2022	1,101,064	197,174	1,103,936	208,678	2,610,852
2023	1,130,538	164,692	1,139,462	176,810	2,611,502
2024	755,000	124,076	645,000	140,676	1,664,752
2025-2029	2,445,000	194,076	2,915,000	313,226	5,867,302
Total	<u>\$ 7,515,571</u>	<u>\$ 1,167,312</u>	<u>\$ 7,914,429</u>	<u>\$ 1,348,502</u>	<u>\$ 17,945,814</u>

Capital Leases Payable

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2020	239,271	10,872	0	0	250,143
2021	99,000	5,644	0	0	104,644
2022	99,000	2,822	0	0	101,822
Total	<u>\$ 437,271</u>	<u>\$ 19,338</u>	<u>0</u>	<u>0</u>	<u>\$ 456,609</u>

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

Advance Refunding – 2016

On March 24, 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 2.00% to 4.00% 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 4.00% to 4.25% which was governmental activity debt and \$4,625,000 in the water and sewer fund which included \$875,000 of Series 2006 Tax and Utility system revenue certificates of obligation with interest rates from 4.00% to 4.25% and \$3,750,000 of Series 2009 Tax and Utility system revenue certificates of obligation with interest rates from 3.50% to 4.50%. 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 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, 2016 to August 15, 2020. All maturities were redeemed prior to original maturity on August 15, 2019.

The reacquisition price exceeded the net carrying amount of the old debt by \$113,561 for governmental activities and \$257,948 water and sewer. 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, 2019 is \$6,135 for governmental activities and \$185,638 for the water and sewer fund.

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 3.00% to 4.00% 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 4.50% which was governmental activity debt and \$2,695,000 in the water and sewer fund of Series 2006 general obligation refunding bonds with an interest rate of 4.375% to 4.50%. 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, 2019.

The reacquisition price exceeded the net carrying amount of the old debt by \$457,001 for governmental activities and \$175,770 for water and sewer. 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 general obligation bonds payable, is being charged to

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

operations through the year 2027 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2019 is \$236,038 for governmental activities and \$90,809 for the water and sewer fund.

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 1.50% to 2.00% 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 interest rates of 4.20% which was governmental activity debt and \$990,000 in the water and sewer fund which included \$85,000 of Series 2003 general obligation refunding bonds with an interest rate of 4.00%; \$905,000 of Series 2003 Tax and Utility system revenue certificates of obligation with interest rates from 4.20%. 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, 2019.

The reacquisition price exceeded the net carrying amount of the old debt by \$28,630 for governmental activities and \$41,634 for water and sewer. 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 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, 2019 is \$5,443 for governmental activities and \$7,805 for the water and sewer fund.

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 0.35% to 3.00% 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 4.20% to 5.00% which was governmental activity debt and \$2,800,000 in the water and sewer fund which included \$575,000 of Series 1999 general obligation refunding bonds with an interest rate of 4.45%; \$1,895,000 of Series 2003 Tax and Utility system revenue certificates of obligation with interest rates from 4.20% to 5.00%; and \$330,000 of Series 2003A general obligation refunding bonds with interest rates from 3.875% to 5.00%. The net proceeds of \$6,629,811 (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

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

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, 2019.

The reacquisition price exceeded the net carrying amount of the old debt by \$258,663 for governmental activities and \$225,545 for water and sewer. 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 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, 2019 is \$41,074 for governmental and \$35,815 for water and sewer fund.

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 Drainage 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 the extent and by the amount of the surplus net revenues then on deposit in the interest and sinking fund or budgeted for deposit therein.

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

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (Continued)

B. General Obligation Refunding Bonds, Series 2005; General Obligation Refunding Bonds, Series 2012; and General Obligation Refunding Bonds, Series 2013; General Obligation Refunding Bonds, Series 2015; General Obligation Refunding Bonds, Series, 2016.

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 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).

7. Ad Valorem Taxes

Property taxes are assessed and collected by the Tax Appraisal District of Bell County. The tax calendar is as follows:

Levy date:	October 1 of the tax year
Due date:	January 31 of year following the tax year, without penalty
Collection date:	Beginning in October of the tax year
Lien date:	January 1 of the tax year

The effective tax rate during fiscal year ended September 30, 2019, was \$0.6770 per \$100 valuation.

8. Interest Expense

Interest expense during the year ended September 30, 2019, is as follows:

General Fund	\$ 123,105
Debt Service Fund	1,078,731
Proprietary Fund Type	
Water and Sewer Fund	502,817
Drainage	<u>41,544</u>
 Total interest expense	 <u><u>\$1,746,197</u></u>

Interest accrued in the Water and Sewer Fund at September 30, 2019, was \$70,835. Capitalized interest incurred during the construction phase of capital assets of \$52,879 was netted with interest earned on the invested proceeds over the same period of \$37,715, resulting in a net capitalized amount of \$15,164 for the year ended September 30, 2019. Amortization of deferred amount on advance refunding of certificates of obligation in the Water and Sewer Fund was \$71,506 for the year ended September 30, 2019. Amortization of bond discount in the Water and Sewer Fund was \$1,459 for the year ended September 30, 2019. Amortization of bond premium of refunding bonds in the Water and Sewer Fund was \$(99,176) for the year ended September 30, 2019.

Interest accrued in the Drainage Fund at September 30, 2019 was \$16,804. Amortization of bond premium of refunding bonds in the Drainage Fund was \$(6,492) for the year ended September 30, 2019. Capitalized interest incurred during the construction phase of capital assets of \$90,386, was netted with interest earned on the invested proceeds over the same period of \$8,551, resulting in a net capitalized amount of \$81,835 for the year ended September 30, 2019.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

8. Interest Expense (Continued)

Interest accrued in the governmental activities on the government-wide statement of net position at September 30, 2019, was \$136,484, and amortization of bond discount was \$2,928. Amortization of deferred amount on advance refunding costs was \$107,031.

9. 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, 2019, the City purchased 1,548,392,000 gallons of water from WCID No. 1 for a total charge of \$2,381,071. The City also paid \$148,631 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 to pay the Authority 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 Authority 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.

10. Sanitation Service Contract

On August 1, 2008, the City amended its sanitation contract with Waste Management of Texas, Inc. on the collection and distribution of fees on commercial customers within the city, size and collection of residential brush pickup, and fuel surcharges charged to commercial customers. Waste Management of Texas, Inc. now bills and collects fees from commercial customers and remits a five percent franchise fee to the City.

V. OTHER INFORMATION

1. Risk Management

The City is exposed to various risks of loss related to torts: theft; 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), 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 for its general insurance coverage, real and personal property coverage, liability coverage, and workers compensation coverage. The agreement for formation for TML provides that TML will be self-sustaining through member premiums.

2. Employee Benefit Plans

Texas Municipal Retirement System Plan

Plan Description

The City of Harker Heights participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

IV. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (Continued)

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 (CAFR) that can be obtained at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

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 credits 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 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 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	147
Active employees	213
Total	441

Contributions

The contribution rate 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

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (Continued)

amount 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 15.05% and 15.03% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$1,876,020 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Forfeiture rates (withdrawal of member deposits from TMRS) for vested members vary by age and employer match. The withdrawal rates for cities with a 2-to-1 match are shown below:

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (Continued)

and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

Development of the Single Discount Rate	
Single Discount Rate	6.75%
Long-Term Expected Rate of Return	6.75%
Long-Term Municipal Bond Rate *	3.71%

*Based on the Bond Buyer 20 Bond Index of general obligation bonds as of December 29, 2016 as this is the weekly rate closest to but not later than the Measurement Date. Beginning in 2017, the rate is based on the Fidelity 20-Year Municipal GO AA Index as of December 29, 2017 as this is the daily rate closest to but not later than the Measurement Date.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (Continued)

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/17	\$ 50,051,364	\$ 41,850,896	\$ 8,200,468
Changes for the year:			
Service cost	2,066,988	0	2,066,988
Interest	3,393,226	0	3,393,226
Changes in current period benefits	0	0	0
Difference between expected and actual experience	(327,716)	0	(327,716)
Changes in assumptions	0	0	0
Contributions - employer	0	1,809,675	(1,809,675)
Contributions - employee	0	849,613	(849,613)
Net investment income	0	(1,254,116)	1,254,116
Benefit payments, including refunds of employee contributions	(1,629,672)	(1,629,672)	0
Administrative expense	0	(24,229)	24,229
Other changes	0	(1,264)	1,264
Net changes	\$ 3,502,826	\$ (249,993)	\$ 3,752,819
Balance at 12/31/18	\$ 53,554,190	\$ 41,600,903	\$ 11,953,287

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$20,726,914	\$11,953,287	\$4,896,226

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
 For the year ended the September 30, 2019, the recognized pension expense of \$2,531,952.

At September 30, 2019, 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, 2019

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 78,932	\$ (299,311)
Changes in actuarial assumptions	14,376	
Difference between projected and actual investment earnings	2,163,114	
Contributions subsequent to the measurement date	1,447,308	
Total	\$ 3,703,730	\$ (299,311)

\$1,447,308 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	\$ 664,605
2021	262,464
2022	259,435
2023	770,607
2024	0
Thereafter	0
Total	1,957,111

Additional schedule of funding progress for TMRS can be found in the required supplementary information on page 80-81.

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 \$3,227,883 at September 30, 2019.

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, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions

Supplemental Death Benefits Fund

Plan Description

The City also participates in the Supplemental Death Benefits Fund (SDBF) which is single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This 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.

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure 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 the employees’ entire careers.

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	49
Active employees	213
Total	327

Contributions

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

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

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

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

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

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (Continued)

Actuarial assumptions

The Total OPEB Liability (TOL) in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2018.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Forfeiture rates (withdrawal of member deposits from TMRS) for vested members vary by age and employer match. The withdrawal rates for cities with a 2-to-1 match are show below:

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City’s post-employment benefit (OPEB) liability	\$602,749	\$494,720	\$411,601

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (Continued)

At September 30, 2019 the OPEB expense and liability is as follows:

	OPEB Expense
Changes for the year:	
Service cost	31,557
Interest	16,592
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience ¹	321
Changes in assumptions or other inputs ²	550
Total OPEB expense	\$ 49,020

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

	Total OPEB Liability
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 486,708
Changes for the year:	
Service cost	31,557
Interest on Total OPEB Liability	16,592
Changes of benefit terms	0
Differences between expected and actual experience	1,996
Changes in assumptions or other inputs	(39,706)
Benefit payments **	(2,427)
Net changes	8,012
Total OPEB Liability - end of year	\$ 494,720

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.

** 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.

Total OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TOL
 For the year ended the September 30, 2019, the City recognized Supplemental Death OPEB expense of \$49,020. The combined supplemental death and health OPEB expense is \$128,355.

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$1,675	\$0
Changes in actuarial assumptions and other inputs	29,234	(33,312)
Net difference between projected and actual investments	0	0
Contribution made subsequent to measurement date	1,944	N/A
Total	\$ 32,853	\$ (33,312)

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (Continued)

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

\$1,944 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, 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	\$ 871
2021	871
2022	871
2023	871
2024	(4,615)
Thereafter	(1,272)
Total	(2,403)

Additional schedule of funding progress on Supplemental Death Benefits can be found in the required supplementary information on page 82-83.

Other Post-Employment Benefit (OPEB) Plan

Plan Description

In addition to the pension benefits described in Note V.2. 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 doesn't 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 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.

During the year ended September 30, 2010, the City changed its policy and began allowing new retirees to remain on the City's health plan at the retiree's expense. As of the valuation date, there are five 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.

At the September 30, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees and fully eligible to receive benefits	53
Active employees not fully eligible to receive benefits	147
Retired employees	5
Total	205

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (Continued)

Contributions

The full monthly premium rates for retirees as of October 1, 2018 for each plan are shown below:

Rate Tier	CC 80	Dental	Vision
Single	\$441.90	\$18.55	\$3.85
Subscriber and Spouse	\$1,036.13	\$36.94	\$7.23
Subscriber and Child(ren)	\$751.70	\$50.18	\$7.64
Family	\$1,279.39	\$74.98	\$11.91

Actuarial assumptions

The other post-employment benefit (OPEB) liability in September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Discount rate*	2.66%
Salary Increase Rate	3.5%
Inflation Rate	3.0% per annum
Amortization Method	Experience/Assumptions gains and losses are amortized over a closed period of 10.7 years starting on October 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).
Mortality Rates	RP-2014 generational table scaled using MP-2017

* Source: Bond Buyer 20-Bond GO index

**Changes include updating the mortality to be a generational table with updated projection scales released by the SOA, an interest rate using 20 year bond rates and a change in Actuarial Cost methodology to the Entry Age Normal (EAN) method per GASB 75.

Forfeiture rates, the rate of withdrawal is based on the withdrawal assumption used in the 2016 Texas Municipality Retirement System Actuarial Valuation. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's age, gender, and years of service. Sample rates are provided below:

Termination rates based on first 10 years of service						
Age	Male			Female		
	0	4	9	0	4	9
20	29.20%	18.50%	8.16%	30.30%	19.97%	15.74%
30	24.51%	10.79%	6.21%	25.74%	13.47%	8.04%
40	24.67%	10.46%	5.77%	22.44%	12.95%	7.33%
50	20.78%	10.16%	5.78%	22.01%	8.86%	6.17%
60	19.99%	7.90%	5.49%	22.00%	7.98%	3.79%
70	20.00%	8.02%	5.51%	22.00%	8.00%	2.90%

Termination rates after first 10 years of service		
Years from Retirement	Male	Female
1	1.72%	2.20%
5	3.35%	4.41%
10	4.47%	5.94%
15	5.29%	7.08%

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (Continued)

At September 30, 2019 the OPEB expense and liability is as follows:

	Total OPEB Expense
Changes for the year:	
Service cost	42,031
Interest cost	27,704
Changes in benefit terms	0
Current Recognized deferred outflows/(inflows):	
Difference between expected and actual experience	0
Changes in assumptions or other inputs	9,600
Projected investment earnings difference	0
(Other changes, separately identified if significant)	0
Total OPEB Expense	\$ 79,335

Total post-employment benefit OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to post-employment benefit (OPEB)

For the year ended the September 30, 2019, the City recognized health post-employment benefit OPEB expense of \$79,335. The combined supplemental death and health OPEB expense is \$128,355.

	Total OPEB Liability
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 644,567
Changes for the year:	
Service cost	42,031
Interest cost	27,704
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	147,413
Contributions - employer	0
Net investment income	0
Benefit payments	(38,064)
Administrative expense	0
Net change in total OPEB liability	179,084
Total OPEB Liability - end of year	\$ 823,651

Healthcare Trend Sensitivities

Trend	Net OPEB Liability	% Difference
1% Decrease	\$672,787	-18%
Current Trend	\$823,651	N/A
1% Increase	\$1,072,337	30%

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (Continued)

The following presents the post-employment benefit (OPEB) liability of the City, calculated using the discount rate of 2.66%, 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 (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease in Discount Rate (1.66%)	Discount Rate (2.66%)	1% Increase in Discount Rate (3.66%)
City's post-employment benefit (OPEB) liability	\$936,273	\$823,651	\$727,020

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$0	\$0
Changes in actuarial assumptions and other inputs	133,693	(36,030)
Net difference between projected and actual investments	0	0
Total	\$ 133,693	\$ (36,030)

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	\$ 9,600
2021	9,600
2022	9,600
2023	9,600
2024	9,600
Thereafter	49,663

Additional schedule of funding progress for post-employment OPEB benefits can be found in the required supplementary information on page 84-85.

4. Grants

During the year ended September 30, 2011, the City was approved by the State of Texas Department of Transportation pass through funding in the amount of \$1,700,000 to construct an eastbound to westbound turn around bridge at US 190. The City will be reimbursed the \$1,700,000 within a 10 – 20 year time frame based on traffic counts. The City recognized \$886,102 of pass through funding proceeds which completes the funding from the Texas Department of Transportation.

The police department received \$4,036 during the year ended September 30, 2017 from a Law Enforcement Officer Standards and Education grant. During fiscal year 2019, the remaining \$1,844 was expended. The police department received an additional \$4,290 during the year ended September 30, 2018 of which \$4,290

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

4. Grants (Continued)

was expended during fiscal year 2019. The City received \$4,225 and \$967 during the year ended September 30, 2019 for police and fire respectively. Of these amounts, \$476 was expended by the police department and \$967 by fire during fiscal year 2019.

During the year ended September 30, 2017, the City was approved by the U.S. Department of Justice for a grant in the amount of \$3,246 for police vests. As of September 30, 2019, the City recognized \$66 in grant proceeds and expenditures which completed this grant. The City was approved for another police vest grant in the amount of \$6,460 during the year ended September 30, 2019 of which \$1,148 in grant proceeds and expenditures were recognized in fiscal year 2019.

The police department received a grant in the amount of \$25,500 from the Office of the Governor Criminal Justice Division for a Victims of Crime Act / Rapid Intervention Response Grant during the year ending September 30, 2019. As of September 30, 2019, the City recognized \$13,861 in grant proceeds or expenditures.

The police department received a grant in the amount of \$9,445 from the Office of the Governor Department of Homeland Security for Throwbots during the year ending September 30, 2019. As of September 30, 2019, the City recognized \$9,445 in grant proceeds and expenditures.

During the year ended September 30, 2019, the City was approved a Texas Department of Agriculture grant in the amount of \$10,000 for a 2019 State-Wide Community Wildfire Protection grant. As of September 30, 2019, the City did not recognize any grant proceeds or expenditures.

During the year ended September 30, 2019, the City was approved by the Texas State Library and Archives Commission for a grant in the amount of \$2,268 for the Interlibrary Loan Lending Reimbursement Program. As of September 30, 2019, the City recognized \$2,268 in grant proceeds and expenditures.

The Texas Department of Transportation has approved a grant for the Harker Heights Commercial Drive Roundabout project at the federal level of \$391,399. As of September 30, 2019, the City recognized \$271,284 in grant proceeds or expenditures which completed this project.

5. Commitments

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.

The City has two commitments to The Brazos River Authority (Authority) to pay the Authority 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.

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 a period of ten years starting August 24, 2015.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

V. OTHER INFORMATION (CONTINUED)

5. Commitments (Continued)

On August 1, 2006, the City has entered into a 20-year joint-use operating lease agreement with Killeen Independent School District on 5 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.

The City has three contracts with engineering firms for street reconstruction and improvements in the amount of \$10,400 with \$6,400 remaining at September 30, 2019; \$325,000 with \$102,884 remaining at September 30, 2019; and \$146,850 with \$39,350 remaining at September 30, 2019.

The City has one contract with a construction firm for the reconstruction of several streets included in the 2019 street projects in the amount of \$1,153,789 with \$656,778 remaining at September 30, 2019.

The City has a contract with an engineering firm for restrooms at the Carl Levin Park in the amount of \$10,795 with \$1,368 remaining at September 30, 2019. Also, the City has entered into a contract with a construction firm for the restrooms in the amount of \$351,037 with \$51,304 remaining at September 30, 2019.

The City has a signed contract with engineering firm in the amount \$47,900 with \$11,550 remaining at September 30, 2019 for the Rattlesnake Road waterline replacement project. A construction contract for this project has been signed in the amount of \$199,990 with \$148,400 remaining at September 30, 2019.

There are four signed contracts with engineering firms in the amount of \$204,500 with \$78,175 remaining at September 30, 2019 for the wastewater interceptor line project; \$27,000 with \$9,697 remaining at September 30, 2019 for the Prospector Trail Wastewater improvements; \$25,000 with \$12,500 remaining at September 30, 2019 for the Ferrous Chloride Dosing System; and \$13,700 with \$4,000 remaining at September 30, 2019 for the Wastewater Line Extension for Fire Station #2.

The City has three contracts with construction firms for the Wastewater Interceptor Line in the amount of \$647,155 with \$584 remaining at September 30, 2019; \$41,278 with \$38,534 remaining at September 30, 2019 for the Prospector Trail Wastewater improvements; and \$49,632 with \$40,206 remaining at September 30, 2019 for the Wastewater Line Extension for Fire Station #2.

The City has two contracts with an engineering firm for the FEMA drainage projects in the amount of \$200,000 with \$82,500 remaining at September 30, 2019 and \$59,000 with \$54,950 remaining at September 30, 2019. Also, the City has a signed contract with an engineering firm for the Tahuaya Drive miscellaneous drainage project in the amount of \$4,000 with \$2,000 remaining at September 30, 2019.

6. Contingencies

The City hired an upholstery center to repair upholstery on the City's vehicles and furniture. This upholstery center is owned and operated by a spouse of one of the City's department heads. The total amount billed to the City for this service during the year was \$250 of which none was outstanding at September 30, 2019.

During the year, the City will mail items through a firm that is owned and operated by a City Council member. The total amount billed to the City for this service during the year was \$2,198 of which none was outstanding at September 30, 2019.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2019

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

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	\$ 1,876,020	\$ 1,798,799	\$ 1,743,446	\$ 1,651,050	\$ 1,639,697
Contribution in relation of the actuarially determined contribution	1,876,020	1,798,799	1,761,021	1,686,650	1,589,154
Contribution deficiency (excess)	0	0	\$ (17,575)	\$ (35,600)	\$ 50,543
Covered payroll	\$ 12,595,331	\$ 12,068,147	\$ 11,716,161	\$ 11,228,815	\$ 11,100,618
Contributions as a percentage of covered payroll	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	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

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, 2019

	2018	2017
Supplemental Death Benefit OPEB Liability		
Service cost	\$ 31,557	\$ 25,952
Interest (on the Total Pension Liability)	16,592	15,727
Changes of benefit terms		0
Difference between expected and actual experience	1,996	0
Changes in assumptions or other inputs	(39,706)	43,122
Benefit payments	(2,427)	(2,359)
Net Change in total Pension Liability	8,012	82,442
Total OPEB Liability - Beginning of year	\$ 486,708	\$ 404,266
Total OPEB Liability - End of year	\$ 494,720	\$ 486,708
Covered Payroll	\$ 12,137,335	\$ 11,796,397
Total OPEB Liability as a Percentage of Covered Payroll	4.08%	4.13%

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

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

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

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

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

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

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

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2019

	Fiscal Year 2019	Fiscal Year 2018
Actuarially determined contribution	\$ 2,519	\$ 2,414
Contribution in relation of the actuarially determined contribution	2,519	2,414
Contribution deficiency (excess)	0	(0)
Covered payroll	\$ 12,595,331	\$ 12,068,147
Contributions as a percentage of covered payroll	0.02%	0.02%

Note: 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	2.5% per year
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2018.

Note: The actuarial assumptions used in the December 31 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS – HEALTH BENEFITS
SEPTEMBER 30, 2019

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

Note: The amounts above are based on September 30, 2019 measurement date.

Schedule of Contributions

Current Premium Rates:

Rate Tier	CC 80	Dental	Vision
Single	\$441.90	\$18.55	\$3.85
Subscriber and Spouse	\$1,036.13	\$36.94	\$7.23
Subscriber and Child(ren)	\$751.70	\$50.18	\$7.64
Family	\$1,279.39	\$74.98	\$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, 2019

	Fiscal Year 2019	Fiscal Year 2018
Legally required contributions	\$ 38,064	\$ 33,069
Actual contributions	38,064	33,069
Contributions deficiency	0	0
Covered payroll	\$ 11,426,910	\$ 11,040,493
Contributions as a percentage of covered payroll	0.33%	0.30%

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

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

Methods and Assumption Used to Determine Contribution Rates:

Valuation Date	September 30, 2019
Discount rate*	2.66%
Salary Increase Rate	3.5%
Medical Consumer Price Index Trend	3.0% per annum
Inflation Rate	3.0% per annum
Census Data	The census was provided by the City as of March 2018.
Marriage Rate	The assumed number of eligible dependents is based on the current proportions of single and family contracts in the census provided.
Spouse Age	Spouse dates of birth were not provided by the City. Male spouses are assumed to be three years older than female spouses.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
Actuarial Cost Method	Entry Age Normal based on level percentage of projected salary.
Amortization Method	<i>Experience/Assumptions</i> gains and losses are amortized over a closed period of 10.7 years starting on October 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).
Plan Participation Percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 36% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.
Mortality Rates	RP-2014 generational table scaled using MP-2017.

* Source: Bond Buyer 20-Bond GO index



COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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

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

Memorial Fund – This fund is used to account for contributions received to give scholarships to individuals for training as police officers.

CITY OF HARKER HEIGHTS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Fund	Restricted Court Fund	
ASSETS			
Cash	\$ 172,781	\$ 101,558	\$ 274,339
Investments	95,855	87,101	182,956
Receivables (net of allowance for uncollectibles):			
Accounts	7,744		7,744
Due from other funds		329	329
 Total Assets	 <u>\$ 276,380</u>	 <u>\$ 188,988</u>	 <u>\$ 465,368</u>
 LIABILITIES			
Liabilities:			
Due to other funds		\$ 167	167
 Total Liabilities		 <u>167</u>	 <u>167</u>
 FUND BALANCES			
Nonspendable			
Restricted for:			
Economic development	276,380		276,380
Public safety		188,821	188,821
Committed			
Assigned			
Unassigned			
 Total Fund Balances	 <u>276,380</u>	 <u>188,821</u>	 <u>465,201</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 276,380</u>	 <u>\$ 188,988</u>	 <u>\$ 465,368</u>

CITY OF HARKER HEIGHTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue		
	Hotel/Motel Fund	Restricted Court Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes - other	\$ 97,443		\$ 97,443
Fines		103,066	103,066
Investment earnings	4,363	3,819	8,182
Total Revenues	101,806	106,885	208,691
 EXPENDITURES			
Current:			
General government			
Public safety:			
Courts		90,000	90,000
Economic development and assistance	17,412		17,412
Total Expenditures	17,412	90,000	107,412
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,394	16,885	101,279
 OTHER FINANCING SOURCES (USES)			
Transfer out		(12,778)	(12,778)
Total Other Financing Sources (Uses)		(12,778)	(12,778)
Net Change in Fund Balances	84,394	4,107	88,501
Fund Balances - Beginning	191,986	184,714	376,700
Fund Balances - Ending	\$ 276,380	\$ 188,821	\$ 465,201



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

DEBT SERVICE AND SPECIAL REVENUE FUNDS

CITY OF HARKER HEIGHTS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,743,400	\$ 2,743,400	\$ 2,744,354	\$ 954
Investment earnings	15,500	15,500	14,860	(640)
Miscellaneous income	0	0	506	506
Total Revenues	2,758,900	2,758,900	2,759,720	820
EXPENDITURES				
Debt service:				
Principal	1,822,900	1,822,900	1,822,905	(5)
Interest and fiscal charges	1,032,800	1,032,800	1,078,731	(45,931)
Tax collection fees	30,000	30,000	30,942	(942)
Bond Issuance Cost				
Total Expenditures	2,885,700	2,885,700	2,932,578	(46,878)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(126,800)	(126,800)	(172,858)	(46,058)
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds				
Premium on refunding bonds				
Payment to refunded bond escrow agent				
Transfers in	75,000	75,000	150,000	75,000
Transfers out				
Total Other Financing Sources (Uses)	75,000	75,000	150,000	75,000
Net Change in Fund Balances	(51,800)	(51,800)	(22,858)	28,942
Fund Balances – Beginning	47,241	47,241	47,241	
Fund Balances – Ending	\$ (4,559)	\$ (4,559)	\$ 24,383	\$ 28,942

CITY OF HARKER HEIGHTS
HOTEL/MOTEL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Hotel/Motel tax	\$ 79,600	\$ 79,600	\$ 97,443	\$ 17,843
Investment earnings	1,700	1,700	4,363	2,663
Total Revenues	<u>81,300</u>	<u>81,300</u>	<u>101,806</u>	<u>20,506</u>
EXPENDITURES				
Current:				
Economic development				
Advertising	12,500	12,500	12,500	0
Historical restoration & preservation	0	0	0	0
Events	5,000	5,000	2,412	2,588
Promotion of the arts	2,500	2,500	2,500	0
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>17,412</u>	<u>2,588</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,300	61,300	84,394	23,094
Fund Balances – Beginning	<u>191,986</u>	<u>191,986</u>	<u>191,986</u>	<u> </u>
Fund Balances – Ending	<u><u>\$ 253,286</u></u>	<u><u>\$ 253,286</u></u>	<u><u>\$ 276,380</u></u>	<u><u>\$ 23,094</u></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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 99,400	\$ 99,400	\$ 103,066	\$ 3,666
Investment earnings	1,500	1,500	3,819	2,319
Total Revenues	<u>100,900</u>	<u>100,900</u>	<u>106,885</u>	<u>5,985</u>
EXPENDITURES				
Current:				
General government				
Public safety:				
Court			<u>90,000</u>	<u>(90,000)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>90,000</u>	<u>(90,000)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,900</u>	<u>100,900</u>	<u>16,885</u>	<u>(84,015)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(12,778)</u>	<u>87,222</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(12,778)</u>	<u>87,222</u>
Net Change in Fund Balances	900	900	4,107	3,207
Fund Balances – Beginning	<u>184,714</u>	<u>184,714</u>	<u>184,714</u>	
Fund Balances – Ending	<u><u>\$ 185,614</u></u>	<u><u>\$ 185,614</u></u>	<u><u>\$ 188,821</u></u>	<u><u>\$ 3,207</u></u>

**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS**

GENERAL FUND

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

CITY OF HARKER HEIGHTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 1,024,754	\$ 1,622,300
Investments	10,040,033	9,549,756
Receivables (net of allowance for uncollectibles):		
Taxes	73,932	87,801
Accounts	496,947	471,794
Special assessments	64	11
Due from other funds	3,596,876	1,026,204
Due from other governments	26,059	169,224
Restricted assets:		
Cash	401,441	344,118
Investments	18,115	17,672
Total Assets	\$ 15,678,221	\$ 13,288,880
 LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,686,666	\$ 1,579,278
Due to other funds	72,123	232,690
Unearned revenue	390,540	358,350
Total Liabilities	4,149,329	2,170,318
 DEFERRED INFLOWS OF RESOURCES		
Property tax not yet available	65,501	70,716
Total deferred inflows of resources	65,501	70,716
 FUND BALANCES:		
Nonspendable		
Restricted for:		
Public safety	3,952	6,205
Pet Adoption Center	19,192	9,343
Cemetery	18,653	18,201
Committed		
Assigned to:		
Culture and recreation	377,759	328,041
Unassigned	11,043,835	10,686,056
Total Fund Balances	11,463,391	11,047,846
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
	\$ 15,678,221	\$ 13,288,880

CITY OF HARKER HEIGHTS
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
REVENUES		
Taxes and special assessments:		
Property	\$ 9,065,643	\$ 9,211,196
Other taxes and special assessments	8,746,277	8,197,733
Licenses and permits	395,991	280,568
Fines	965,276	905,179
Charges for services	1,058,337	948,656
Intergovernmental	928,710	255,820
Investment earnings	399,443	217,262
Contributions and donations	29,413	25,632
Miscellaneous	31,455	104,338
	21,620,545	20,146,384
EXPENDITURES		
Current:		
General government	3,798,617	3,725,217
Public safety	12,203,813	12,286,458
Highways and streets	1,453,041	1,372,028
Culture and recreation	3,039,048	3,043,093
Economic development and assistance	344,397	356,091
Debt Service:		
Principal	237,788	236,173
Interest and fiscal charges	16,074	8,313
	21,092,778	21,027,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	527,767	(880,989)
OTHER FINANCING SOURCES (USES)		
Capital leases		495,000
Transfers in	1,412,778	1,489,544
Transfers out	(1,525,000)	(350,000)
	(112,222)	1,634,544
Net Change in Fund Balances	415,545	753,555
Fund Balances – Beginning	11,047,846	10,294,291
Fund Balances – Ending	\$ 11,463,391	\$ 11,047,846



**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS**

DEBT SERVICE FUND

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, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 27,228	\$ 24,983
Investments	48,694	47,142
Receivables (net of allowance for uncollectibles):		
Taxes	22,220	24,984
Due from other governments	18,274	10,625
Total Assets	\$ 116,416	\$ 107,734
 LIABILITIES		
Liabilities:		
Due to other funds	\$ 32,373	\$ 8,309
Total Liabilities	32,373	8,309
 DEFERRED INFLOWS OF RESOURCES		
Property tax not yet available	59,660	52,184
Total deferred inflows of resources	59,660	52,184
 FUND BALANCES		
Nonspendable		
Restricted for:		
Debt service	24,383	47,241
Committed		
Assigned		
Unassigned		
Total Fund Balances	24,383	47,241
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 116,416	 \$ 107,734

CITY OF HARKER HEIGHTS
DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
REVENUES		
Taxes and special assessments:		
Property	\$ 2,744,354	\$ 2,578,447
Investment earnings	14,860	8,526
Miscellaneous income	506	
	<u>2,759,720</u>	<u>2,586,973</u>
EXPENDITURES		
Debt service:		
Principal	1,822,905	1,695,800
Interest and fiscal charges	1,078,731	1,030,411
Tax collection fees	30,942	29,214
Bond Issuance Cost		
	<u>2,932,578</u>	<u>2,755,425</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(172,858)	(168,452)
OTHER FINANCING SOURCES (USES)		
Issuance of refunding bonds		
Premium on refunding bonds		
Payment to refunded bond escrow agent		
Transfers in	150,000	200,000
Transfers out		(175,000)
	<u>150,000</u>	<u>25,000</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>25,000</u>
Net Change in Fund Balances	(22,858)	(143,452)
Fund Balances – Beginning	<u>47,241</u>	<u>190,693</u>
Fund Balances – Ending	<u>\$ 24,383</u>	<u>\$ 47,241</u>



**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS**

CAPITAL PROJECTS FUND

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, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 2,082,859	\$ 1,305,194
Investments	3,791,571	3,529,174
Restricted assets:		
Cash	577,710	171,535
Investments	6,044,070	6,005,886
Receivables	51	2,804
Due from other funds	7,176,926	397,576
Total Assets	\$ 19,673,187	\$ 11,412,169
 LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 62,667	\$ 34,266
Due to other funds	11,096,420	3,348,198
Total Liabilities	11,159,087	3,382,464
 FUND BALANCES		
Nonspendable		
Restricted for:		
Capital projects	2,420,108	2,778,890
Committed		
Capital projects	4,201,672	3,398,531
Assigned		
Capital projects	1,892,320	1,852,284
Unassigned		
Total Fund Balances	8,514,100	8,029,705
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 19,673,187	 \$ 11,412,169

CITY OF HARKER HEIGHTS
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
REVENUES		
Investment earnings	\$ 227,094	\$ 80,155
Miscellaneous		1,695
Intergovernmental	271,284	135,899
Total Revenues	498,378	217,749
 EXPENDITURES		
Debt Service:		
Bond issuance costs	40,816	33,558
Capital outlay	5,422,054	5,157,279
Total Expenditures	5,462,870	5,190,837
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,964,492)	(4,973,088)
 OTHER FINANCING SOURCES (USES)		
Premium on certificates of obligation		
Issuance of certificates of obligation	3,027,685	3,029,147
Transfers in	2,900,000	2,300,000
Transfers out	(478,798)	(178,520)
Total Other Financing Sources (Uses)	5,448,887	5,150,627
Net Change in Fund Balances	484,395	177,539
Fund Balances – Beginning	8,029,705	7,852,166
Fund Balances – Ending	\$ 8,514,100	\$ 8,029,705



**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS**

SPECIAL REVENUE FUNDS

**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, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 172,781	\$ 89,573
Investments	95,855	93,679
Receivables (net of allowance for uncollectibles):		
Accounts	7,744	8,734
Total Assets	\$ 276,380	\$ 191,986
 LIABILITIES		
Liabilities:		
Due to other funds		
Total Liabilities		
 FUND BALANCES		
Nonspendable		
Restricted for:		
Economic development	276,380	191,986
Committed		
Assigned		
Unassigned		
Total Fund Balances	276,380	191,986
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 276,380	 \$ 191,986

CITY OF HARKER HEIGHTS
HOTEL/MOTEL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
REVENUES		
Taxes – other	\$ 97,443	\$ 85,588
Investment earnings	4,363	1,962
	101,806	87,550
 EXPENDITURES		
Current:		
Economic development and assistance	17,412	17,912
	17,412	17,912
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,394	69,638
Fund Balances – Beginning	191,986	122,348
Fund Balances – Ending	\$ 276,380	\$ 191,986

CITY OF HARKER HEIGHTS
RESTRICTED COURT FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 101,558	\$ 127,946
Investments	87,101	85,115
Due from other funds	329	27,780
	\$ 188,988	\$ 240,841
 LIABILITIES		
Liabilities:		
Due to other funds	167	56,127
	167	56,127
 FUND BALANCES		
Nonspendable		
Restricted for:		
Public safety	188,821	184,714
Committed		
Assigned		
Unassigned		
	\$ 188,821	\$ 184,714
Total Fund Balances		
	\$ 188,988	\$ 240,841
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		

CITY OF HARKER HEIGHTS
RESTRICTED COURT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
REVENUES		
Fines	\$ 103,066	\$ 99,354
Investment earnings	3,819	2,328
	106,885	101,682
Total Revenues	106,885	101,682
 EXPENDITURES		
Current:		
General government		
Public safety:		
School Safety expenditures		25,880
Courts	90,000	88,000
	90,000	113,880
Total Expenditures	90,000	113,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,885	(12,198)
 OTHER FINANCING SOURCES (USES)		
Transfer out	(12,778)	(14,544)
	(12,778)	(14,544)
Total Other Financing Sources (Uses)	(12,778)	(14,544)
Net Change in Fund Balances	4,107	(26,742)
Fund Balances – Beginning	184,714	211,456
Fund Balances – Ending	\$ 188,821	\$ 184,714



**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS**

PROPRIETARY FUNDS

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 STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash	\$ 1,022,570	\$ 397,428
Investments	31,397	639,069
Receivables (net of allowance for uncollectibles):		
Accounts	1,382,042	1,130,794
Due from other funds	6,122,981	78,536
Inventory of supplies, at first-in, first-out cost	123,677	99,869
Restricted cash	86,387	72,961
Restricted investments	495,707	441,067
	9,264,761	2,859,724
Total Current Assets		
Long-term Assets:		
Capital Assets		
Land and improvements	159,523	159,523
Buildings and lift stations	3,150,950	3,128,004
Furniture and fixtures	12,375	12,375
Machinery and equipment	2,325,404	2,002,896
Vehicles	679,880	616,438
Water and sewer system	52,836,477	51,525,482
Other improvements	1,144	1,144
Construction in progress	918,464	202,395
Less accumulated depreciation	(16,128,147)	(14,939,627)
	43,956,070	42,708,630
Total Capital Assets (Net of Depreciation)		
	43,956,070	42,708,630
Total Long-term Assets		
	\$ 53,220,831	\$ 45,568,354
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of debt	320,067	391,574
Deferred outflows related to pensions	206,722	95,184
Deferred outflows related to other post-employment benefits	14,251	2,379
	14,251	2,379
Total Deferred Outflows of Resources		
	\$ 541,040	\$ 489,137

CITY OF HARKER HEIGHTS
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities		
Due to other funds	\$ 7,924,697	\$ 357,354
Accrued compensated absences	25,000	29,000
Refundable meter deposits	362,534	361,955
Accrued interest payable	70,835	71,708
Capital leases payable - current		
General obligation bonds - current	969,243	948,715
Certificates of obligation - current	515,000	495,000
	<u>9,867,309</u>	<u>2,263,732</u>
Total Current Liabilities		
Long-term Liabilities:		
Accrued compensated absences	2,000	9,000
Net pension liability	693,587	471,044
Other post-employment supplemental death benefit obligation	29,779	29,304
Other post-employment benefit obligation	70,950	54,634
Capital leases payable		
General obligation bonds	6,647,471	7,616,713
Certificates of obligation (net of unamortized discounts and premiums)	8,468,855	8,072,344
	<u>15,912,642</u>	<u>16,253,039</u>
Total Long-term Liabilities		
	<u>\$ 25,779,951</u>	<u>\$ 18,516,771</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$ 17,149	\$ 84,560
Deferred inflows related to other post-employment benefits	5,117	3,517
	<u>\$ 22,266</u>	<u>\$ 88,077</u>
Total Deferred Inflows of Resources		
NET POSITION		
Net investment in capital assets	28,112,410	26,319,589
Restricted for debt service	39,061	37,145
Unrestricted	(191,817)	1,095,909
	<u>\$ 27,959,654</u>	<u>\$ 27,452,643</u>
Total Net Position		



CITY OF HARKER HEIGHTS
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services	\$ 9,556,952	\$ 10,214,897
Other	10,505	54,299
	<u>9,567,457</u>	<u>10,269,196</u>
OPERATING EXPENSES		
Water purchases	2,808,967	2,741,069
Contractual services	406,715	379,361
Personnel services	1,415,116	1,348,637
Utilities and telephone	324,152	371,869
Repairs and maintenance	385,567	433,436
Supplies	150,018	163,876
Uncollectible accounts	61,238	51,767
Professional fees	49,975	55,475
Depreciation	1,188,520	1,109,621
Other	2,364	1,920
	<u>6,792,632</u>	<u>6,657,031</u>
Operating Income	<u>2,774,825</u>	<u>3,612,165</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	46,810	37,075
Interest expense	(502,817)	(548,872)
Bond issuance costs	(13,605)	
Gain on sale of capital assets		1,702
Loss on sale of capital assets		
	<u>(469,612)</u>	<u>(510,095)</u>
Total Nonoperating Revenues (Expenses)	<u>(469,612)</u>	<u>(510,095)</u>
Income Before Transfers	2,305,213	3,102,070
Transfers in	476,798	353,520
Transfers out	(2,275,000)	(2,850,000)
	<u>507,011</u>	<u>605,590</u>
Change in Net Position	<u>507,011</u>	<u>605,590</u>
Total Net Position - Beginning	<u>27,452,643</u>	<u>26,847,053</u>
Total Net Position – Ending	<u>\$ 27,959,654</u>	<u>\$ 27,452,643</u>

CITY OF HARKER HEIGHTS
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 9,306,283	\$ 10,151,984
Cash payments to suppliers	(4,212,804)	(4,196,931)
Cash payments to employees	(1,376,003)	(1,336,428)
Other operating cash receipts (payments)	1,533,403	(133,078)
	<u>5,250,879</u>	<u>4,485,547</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	476,798	353,520
Transfers out	(2,275,000)	(2,850,000)
	<u>(1,798,202)</u>	<u>(2,496,480)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(2,435,960)	(605,116)
Proceeds from issuance of debt	995,623	
Principal repayments	(1,443,715)	(1,397,399)
Interest paid on long-term debt	(555,524)	(552,839)
	<u>(3,439,576)</u>	<u>(2,555,354)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	878,657	2,461,822
Purchase of investments	(300,000)	(1,900,000)
Interest & penalties received	46,810	37,075
	<u>625,467</u>	<u>598,897</u>
Net Cash Provided (Used) By Investing Activities	<u>625,467</u>	<u>598,897</u>
Net Increase (Decrease) in Cash For The Year	638,568	32,610
Cash - Beginning	<u>470,389</u>	<u>437,779</u>
Cash - Ending	<u>\$ 1,108,957</u>	<u>\$ 470,389</u>
Reconciliation of cash:		
Cash	1,022,570	397,428
Restricted Cash	<u>86,387</u>	<u>72,961</u>
Total Cash	<u>\$ 1,108,957</u>	<u>\$ 470,389</u>

CITY OF HARKER HEIGHTS
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,774,825	\$ 3,612,165
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,188,520	1,109,621
Change in Assets and Liabilities:		
(Increase) Decrease in accounts receivable	(251,248)	(82,379)
(Increase) Decrease in deferred outflow in net pension obligation	(63,802)	17,562
(Increase) Decrease in deferred outflow in other post-employment benefit obligation	(11,872)	(2,272)
Increase in allowance for doubtful accounts		
(Increase) Decrease in due from other funds	(6,044,445)	548,550
(Increase) Decrease in inventory	(23,808)	1,842
Increase (Decrease) in accounts payable and accrued liabilities		
Increase (Decrease) in refundable meter deposits	579	19,466
Increase (Decrease) in due to other funds	7,567,343	(735,927)
Increase (Decrease) in compensated absences	(11,000)	4,000
(Increase) Decrease in deferred inflow in net pension obligation	(115,147)	123,110
(Increase) Decrease in deferred inflow in other post-employment benefit obligation	1,600	3,517
Increase (Decrease) in net pension obligation	222,543	(138,099)
Increase (Decrease) in other post-employment supplemental death benefit obligation	475	5,169
Increase (Decrease) in other postemployment benefit obligation	16,316	(778)
Total Adjustments	<u>2,476,054</u>	<u>873,382</u>
Net cash Provided By Operating Activities:	<u>5,250,879</u>	<u>4,485,547</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Decrease in fair value of investments		
Gain on sale of capital assets	\$0	\$1,702
Loss on sale of capital assets		
Amortization of deferred amount on advanced refunding of certificates of obligation	71,506	63,474
Amortization of bond premium	99,176	84,054
Amortization of bond discount	1,459	1,886
Total Noncash Investing, Capital and Financing Activities	<u>\$ 172,141</u>	<u>\$ 151,116</u>

CITY OF HARKER HEIGHTS
SANITATION FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash	\$ 147,450	\$ 143,634
Investments	1,001	978
Receivables (net of allowance for uncollectibles):		
Accounts	236,514	234,781
Due from other funds	<u>815</u>	<u>2,496</u>
Total Current Assets	<u>385,780</u>	<u>381,889</u>
Capital Assets:		
Machinery & equipment	40,730	40,730
Improvements other than buildings	23,728	23,728
Less accumulated depreciation	<u>(48,404)</u>	<u>(43,557)</u>
Total Capital Assets (Net of Depreciation)	<u>16,054</u>	<u>20,901</u>
Total Long-term Assets	<u>16,054</u>	<u>20,901</u>
Total Assets	<u><u>\$ 401,834</u></u>	<u><u>\$ 402,790</u></u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflow related to pensions	8,745	3,622
Deferred outflow related to other post-employment benefits	<u>867</u>	<u>92</u>
Total Deferred Outflows of Resources	<u><u>\$ 9,612</u></u>	<u><u>\$ 3,714</u></u>

CITY OF HARKER HEIGHTS
SANITATION FUND
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities:		
Due to other funds	\$ 326,283	\$ 293,193
Accrued compensated absences	2,000	2,000
	<u>328,283</u>	<u>295,193</u>
Total Current Liabilities		
Long-term Liabilities:		
Accrued compensated absences	1,000	
Net pension liability	21,287	11,530
Other post-employment supplemental death benefit obligation	1,311	1,289
Other post-employment benefit obligation	4,926	3,869
	<u>28,524</u>	<u>16,688</u>
Total Long-term Liabilities		
Total Liabilities	<u>\$ 356,807</u>	<u>\$ 311,881</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	659	3,864
Deferred inflow related to other post- employment benefits	299	233
	<u>958</u>	<u>4,097</u>
Total Deferred Inflows of Resources		
NET POSITION		
Net investment in capital assets	16,054	20,901
Unrestricted	37,627	69,626
	<u>53,681</u>	<u>90,527</u>
Total Net Position		



CITY OF HARKER HEIGHTS
SANITATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services	\$ 2,085,585	\$ 2,021,541
Franchise fees	133,591	152,762
Other	996	1,334
	<u>2,220,172</u>	<u>2,175,637</u>
OPERATING EXPENSES		
Contractual services	1,875,677	1,770,432
Personnel services	58,571	50,919
Utilities	877	942
Repairs and maintenance	10,557	3,207
Supplies	1,433	661
Uncollectible accounts	7,259	8,894
Depreciation	4,847	2,740
Professional fees		5,000
Other	75	75
	<u>1,959,296</u>	<u>1,842,870</u>
Operating Income	<u>260,876</u>	<u>332,767</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	<u>2,278</u>	<u>1,217</u>
Total Nonoperating Revenues (Expenses)	<u>2,278</u>	<u>1,217</u>
Income Before Transfers	263,154	333,984
Transfers in		
Transfers out	<u>(300,000)</u>	<u>(375,000)</u>
Change in Net Position	(36,846)	(41,016)
Total Net Position - Beginning	<u>90,527</u>	<u>131,543</u>
Total Net Position – Ending	<u>\$ 53,681</u>	<u>\$ 90,527</u>

CITY OF HARKER HEIGHTS
SANITATION FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,076,593	\$ 1,985,269
Cash payments to suppliers	(1,855,529)	(1,631,195)
Cash payments to employees	(55,771)	(50,439)
Franchise fees	133,591	152,762
Other operating cash receipts (payments)	<u>2,677</u>	<u>(358)</u>
Net Cash Provided By Operating Activities	<u>301,561</u>	<u>456,039</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in		
Transfers out	<u>(300,000)</u>	<u>(375,000)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(300,000)</u>	<u>(375,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	<u>0</u>	<u>(21,404)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>0</u>	<u>(21,404)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments		
Purchase of investments	(23)	(15)
Interest received	<u>2,278</u>	<u>1,217</u>
Net Cash Provided (Used) By Investing Activities	<u>2,255</u>	<u>1,202</u>
Net Increase (Decrease) in Cash For The Year	3,816	60,837
Cash - Beginning	<u>143,634</u>	<u>82,797</u>
Cash - Ending	<u><u>\$ 147,450</u></u>	<u><u>\$ 143,634</u></u>

CITY OF HARKER HEIGHTS
SANITATION FUND
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 260,876	\$ 332,767
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	4,847	2,740
Change in Assets and Liabilities:		
(Increase) Decrease in accounts receivable	(1,733)	(27,378)
(Increase) Decrease in deferred outflow in net pension obligation	(3,985)	(238)
(Increase) Decrease in deferred inflow in net pension obligation	(4,342)	4,712
(Increase) Decrease in deferred outflow in other post-employment benefit obligation	(775)	(87)
(Increase) Decrease in deferred inflow in other post-employment benefit obligation	66	233
Increase in allowance for doubtful accounts		
(Increase) Decrease in due from other funds	1,681	(1,692)
Increase (Decrease) in due to other funds	33,090	149,122
Increase (Decrease) in compensated absences	1,000	1,000
Increase (Decrease) in net pension obligation	9,757	(5,286)
Increase (Decrease) in other post-employment supplemental death benefit obligation	22	198
Increase (Decrease) in other post-employment benefit obligation	1,057	(52)
Total Adjustments	40,685	123,272
Net cash Provided By Operating Activities:	\$ 301,561	\$ 456,039

CITY OF HARKER HEIGHTS
DRAINAGE FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash	\$ 30,846	\$ 29,617
Investments	420	410
Receivables (net of allowance for uncollectibles):		
Accounts	90,355	91,049
Due from other funds	3,142,775	3,054,352
Restricted cash	4,631	4,525
Restricted investments	3,303	3,228
Total Current Assets	3,272,330	3,183,181
Capital Assets:		
Land and improvements	125,160	125,160
Machinery and equipment	258,857	258,857
Vehicles	92,354	92,354
Drainage system	6,262,995	5,820,763
Construction in progress	151,836	293,461
Less accumulated depreciation	(1,119,656)	(1,006,799)
Total Capital Assets (Net of Depreciation)	5,771,546	5,583,796
Total Long-term Assets	5,771,546	5,583,796
Total Assets	\$ 9,043,876	\$ 8,766,977
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	39,738	14,332
Deferred outflow related to other post-employment benefits	1,459	363
Total Deferred Outflows of Resources	\$ 41,197	\$ 14,695

CITY OF HARKER HEIGHTS
DRAINAGE FUND
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

	2019	2018
LIABILITIES		
Current Liabilities:		
Due to other funds	\$ 588,639	\$ 291,073
Accrued compensated absences	6,500	7,000
Accrued interest payable	16,804	17,593
General obligation bonds - current	71,010	68,380
Certificates of obligation - current	135,000	110,000
Total Current Liabilities	817,953	494,046
Long-term Liabilities:		
Accrued compensated absences	500	3,000
Net pension liability	124,255	85,226
Other postemployment supplemental death benefit obligation	5,071	4,988
Other postemployment benefit obligation	9,878	8,338
General obligation bonds	226,706	297,716
Certificates of obligation (net of unamortized discounts)	3,689,625	3,831,117
Total Long-term Liabilities	4,056,035	4,230,385
Total Liabilities	\$ 4,873,988	\$ 4,724,431
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	3,068	11,250
Deferred inflow related to other post-employment benefits	725	414
Total Deferred Inflows of Resources	\$ 3,793	\$ 11,664
NET POSITION		
Net investment in capital assets	4,195,330	4,052,627
Restricted for debt service	7,934	7,753
Unrestricted	4,028	(14,803)
Total Net Position	\$ 4,207,292	\$ 4,045,577



CITY OF HARKER HEIGHTS
DRAINAGE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Charges for services	\$ 833,148	\$ 823,241
Other		25,000
	833,148	848,241
OPERATING EXPENSES		
Contractual services	4,384	5,771
Personnel services	113,601	123,026
Repairs and maintenance	30,480	23,967
Supplies	9,848	5,967
Uncollectible accounts	4,338	5,098
Depreciation	112,857	115,290
Professional fees	8,033	5,085
Other	265	95
	283,806	284,299
Total Operating Expenses		
	549,342	563,942
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,917	1,660
Bond issuance costs		(33,558)
Interest expense	(41,544)	(46,703)
	(39,627)	(78,601)
Total Nonoperating Revenues (Expenses)		
	509,715	485,341
Income Before Transfers		
	2,000	(400,000)
Transfers in		
Transfers out		
	161,715	85,341
Change in Net Position		
	4,045,577	3,960,236
Total Net Position - Beginning		
	\$ 4,207,292	\$ 4,045,577
Total Net Position – Ending		

CITY OF HARKER HEIGHTS
DRAINAGE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 833,577	\$ 813,434
Cash payments to suppliers	240,483	6,659
Cash payments to employees	(110,322)	(122,940)
Other operating cash receipts (payments)	(88,422)	(2,829,796)
	875,316	(2,132,643)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	2,000	
Transfers out	(350,000)	(400,000)
	(348,000)	(400,000)
Net Cash Provided (Used) By Noncapital Financing Activities	(348,000)	(400,000)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net proceeds from issuance of certificates of obligation		2,995,589
Acquisition and construction of capital assets	(300,607)	(280,733)
Principal repayments	(178,380)	(136,802)
Interest paid on long-term debt	(48,826)	(42,190)
	(527,813)	2,535,864
Net Cash Provided (Used) By Capital and Related Financing Activities	(527,813)	2,535,864
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments		
Purchase of investments	(85)	(170)
Interest received	1,917	1,660
	1,832	1,490
Net Cash Provided (Used) By Investing Activities	1,832	1,490
Net Increase (Decrease) in Cash For The Year	1,335	4,711
Cash - Beginning	34,142	29,431
Cash - Ending	\$ 35,477	\$ 34,142
Reconciliation of cash:		
Cash	30,846	29,617
Restricted Cash	4,631	4,525
	35,477	34,142
Total Cash	\$ 35,477	\$ 34,142

CITY OF HARKER HEIGHTS
DRAINAGE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 549,342	\$ 563,942
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	112,857	115,290
Change in Assets and Liabilities:		
(Increase) Decrease in accounts receivable	694	(9,712)
(Increase) Decrease in deferred outflow in net pension obligation	(16,624)	4,572
(Increase) Decrease in deferred inflow in net pension obligation	(16,964)	18,456
(Increase) Decrease in deferred outflow in other post-employment benefit obligation	(1,096)	(344)
(Increase) Decrease in deferred inflow in other post-employment benefit obligation	311	414
Increase in allowance for doubtful accounts		
(Increase) Decrease in due from other funds	(88,422)	(2,854,797)
Increase (Decrease) in due to other funds	297,566	52,547
Increase (Decrease) in compensated absences	(3,000)	(3,000)
Increase (Decrease) in net pension obligation	39,029	(20,704)
Increase (Decrease) in other post-employment supplemental death benefit obligation	83	784
Increase (Decrease) in other post-employment benefit obligation	1,540	(91)
Total Adjustments	325,974	(2,696,585)
Net cash Provided By Operating Activities:	\$ 875,316	\$ (2,132,643)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Amortization of bond premium	6,492	6,303
Total Noncash Investing, Capital and Financing Activities	6,492	6,303



CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS



CITY OF HARKER HEIGHTS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
SEPTEMBER 30, 2019 AND 2018

	2019	2018
Governmental Funds Capital Assets:		
Land	\$ 15,693,112	\$ 15,585,970
Buildings	22,206,409	22,154,088
Improvements other than buildings	233,632	221,520
Machinery and equipment	6,659,246	7,161,028
Vehicles	5,757,963	5,389,523
Furniture and fixtures	1,139,250	1,144,883
Street and drainage improvements	40,203,944	35,584,372
Construction in progress	1,349,318	643,744
Total governmental funds capital assets	\$ 93,242,874	\$ 87,885,128
Investment in Governmental Funds Capital Assets by Source:		
General fund	\$ 20,716,578	\$ 16,086,629
Special revenue funds	908,883	896,105
Capital projects fund	64,565,802	63,860,228
Donations	2,360,166	2,360,166
Grants, revenue sharing	4,691,445	4,682,000
Total governmental funds capital assets	\$ 93,242,874	\$ 87,885,128

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, 2019

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment
General government:				
Council				\$ 19,798
Administration	1,355,546	4,157,126	2,129	1,511,435
Finance				168,485
Information Technology				12,778
Pet Adoption Center		3,198,946		113,878
Total general government	<u>1,355,546</u>	<u>7,356,072</u>	<u>2,129</u>	<u>1,826,374</u>
Public Safety:				
Police	53,228	2,902,393	49,415	1,179,557
Fire and EMS	27,578	5,423,863		1,455,703
Code Enforcement		125		22,054
Courts				263,767
Total public safety	<u>80,806</u>	<u>8,326,381</u>	<u>49,415</u>	<u>2,921,081</u>
Highways and streets:				
Maintenance	119,437	203,225	1,995	632,242
Street and drainage system				
Total highways and streets	<u>119,437</u>	<u>203,225</u>	<u>1,995</u>	<u>632,242</u>
Culture and recreation:				
Parks and recreation	14,119,960	2,176,250	133,540	926,954
Activity Center				9,813
Library	17,363	4,144,481	1,203	184,442
Total culture and recreation	<u>14,137,323</u>	<u>6,320,731</u>	<u>134,743</u>	<u>1,121,209</u>
Economic development and assistance			45,350	158,340
Construction in progress				
Total governmental funds capital assets	<u>\$ 15,693,112</u>	<u>\$ 22,206,409</u>	<u>\$ 233,632</u>	<u>\$ 6,659,246</u>

Note:

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

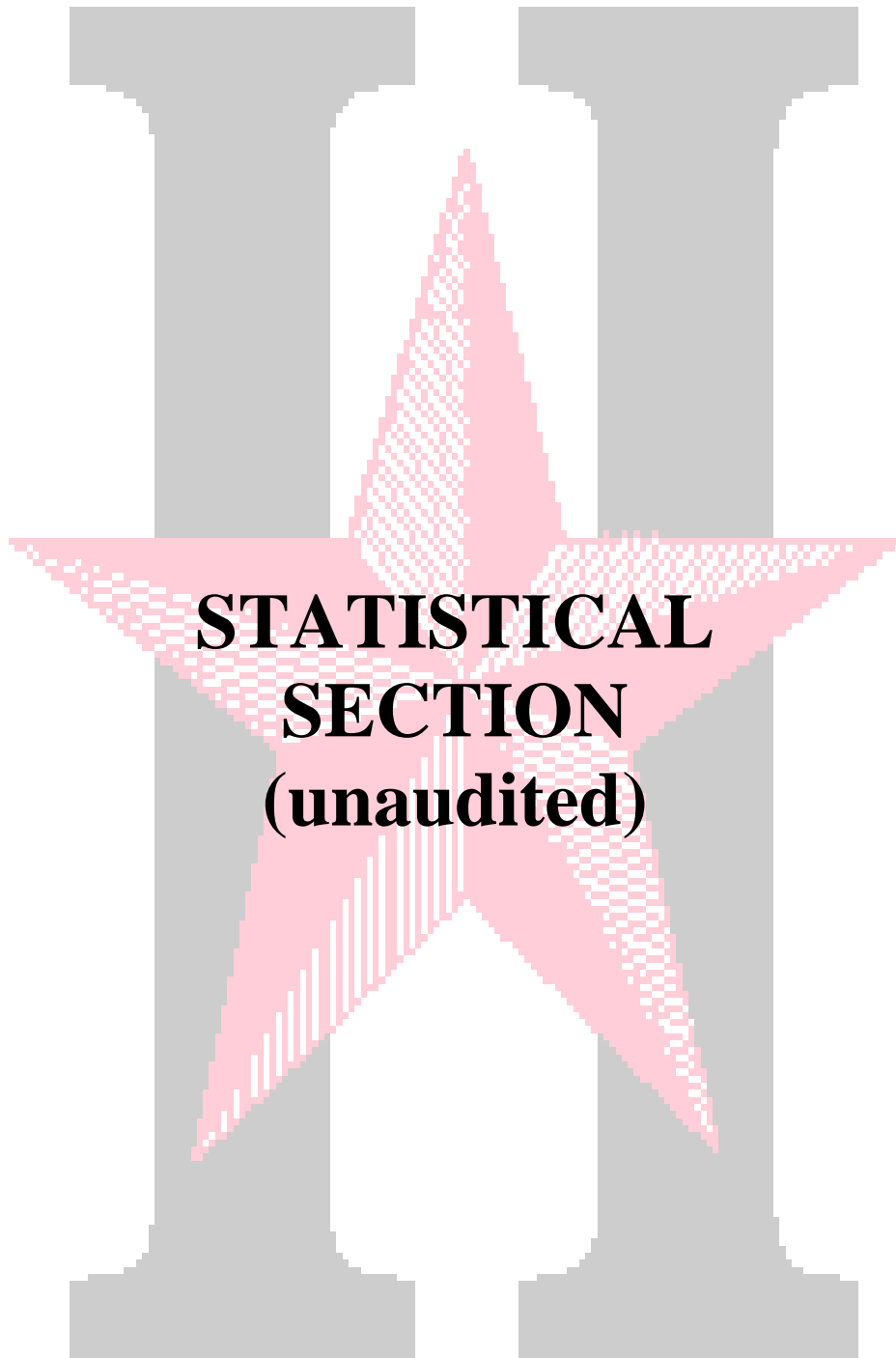
<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Streets and Drainage Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
	\$ 3,755			\$ 23,553
	185,213			7,211,449
	5,501			173,986
				12,778
<u>110,489</u>	<u>71,243</u>			<u>3,494,556</u>
<u>110,489</u>	<u>265,712</u>			<u>10,916,322</u>
2,298,580	211,391			6,694,564
2,249,497	109,939			9,266,580
53,472				75,651
<u>102,337</u>	<u>8,979</u>			<u>375,083</u>
<u>4,703,886</u>	<u>330,309</u>			<u>16,411,878</u>
665,057				1,621,956
		<u>40,203,944</u>		<u>40,203,944</u>
<u>665,057</u>		<u>40,203,944</u>		<u>41,825,900</u>
278,531	189,219			17,824,454
	351,300			9,813
				4,698,789
<u>278,531</u>	<u>540,519</u>			<u>22,533,056</u>
	<u>2,710</u>			<u>206,400</u>
			<u>1,349,318</u>	<u>1,349,318</u>
<u>\$ 5,757,963</u>	<u>\$ 1,139,250</u>	<u>\$ 40,203,944</u>	<u>\$ 1,349,318</u>	<u>\$ 93,242,874</u>

CITY OF HARKER HEIGHTS
CAPTIAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2019

Function and Activity	Capital Assets October 1, 2018	Additions	Transfers and Deletions	Capital Assets September 30, 2019
General government:				
Council	\$ 23,553			\$ 23,553
Administration	7,173,053	219,822	181,426	7,211,449
Finance	177,531		3,545	173,986
Information Technology		12,778		12,778
Pet Adoption Center	3,468,802	32,242	6,488	3,494,556
Total general government	<u>10,842,939</u>	<u>264,842</u>	<u>191,459</u>	<u>10,916,322</u>
Public safety:				
Police	6,994,217	287,515	587,168	6,694,564
Fire and EMS	9,170,951	116,626	20,997	9,266,580
Code Enforcement	76,699		1,048	75,651
Courts	361,398	39,750	26,065	375,083
Total public safety	<u>16,603,265</u>	<u>443,891</u>	<u>635,278</u>	<u>16,411,878</u>
Highways and streets:				
Maintenance	1,535,161	88,243	1,448	1,621,956
Street and drainage system	35,584,372	4,619,572		40,203,944
Total highways and streets	<u>37,119,533</u>	<u>4,707,815</u>	<u>1,448</u>	<u>41,825,900</u>
Culture and recreation:				
Parks and recreation	17,764,070	78,560	18,176	17,824,454
Activity Center		9,813		9,813
Library	4,704,131	7,796	13,138	4,698,789
Total culture and recreation	<u>22,468,201</u>	<u>96,169</u>	<u>31,314</u>	<u>22,533,056</u>
Economic development and assistance	<u>207,446</u>		<u>1,046</u>	<u>206,400</u>
Construction in progress	<u>643,744</u>	<u>5,174,169</u>	<u>4,468,595</u>	<u>1,349,318</u>
Total governmental funds capital assets	<u>\$ 87,885,128</u>	<u>\$ 10,686,886</u>	<u>\$ 5,329,140</u>	<u>\$ 93,242,874</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>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	130
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	135
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	141
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	150
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information related to the services the City provides and the activities it performs.	154

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 Statement 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 35,751	\$ 33,592	\$ 29,424	\$ 30,534	\$ 26,705	\$ 24,343	\$ 23,247	\$ 21,839	\$ 19,802	\$ 19,815
Restricted	531	457	6,192	1,828	12,894	12,000	4,921	8,773	15,953	11,605
Assigned			2,482	3,099		179	146	91		
Unrestricted	7,302	7,069	434	769	(3,716)	3,358	7,721	5,695	2,911	4,731
Total governmental activities net position	43,584	41,118	38,532	36,230	35,883	39,880	36,035	36,398	38,666	36,151
Business-type activities										
Net investment in capital assets	32,324	30,393	29,055	28,727	27,659	25,968	25,078	22,756	21,717	20,960
Restricted	47	45	953	710	57	56	32	34		
Unrestricted	(150)	1,151	939	1,706	(322)	384	1,657	1,310	(3,873)	(3,711)
Total business-type activities net position	32,221	31,589	30,947	31,143	27,394	26,408	26,767	24,100	17,844	17,249
Primary Government										
Net investment in capital assets	68,075	63,985	58,479	59,261	54,364	50,311	48,325	44,595	41,519	40,775
Restricted	578	502	7,145	2,538	12,951	12,056	4,953	8,807	15,953	11,605
Assigned			2,482	3,099		179	146	91		
Unrestricted	7,152	8,220	1,373	2,475	(4,038)	3,742	9,378	7,005	(962)	1,020
Total primary government net position	\$ 75,805	\$ 72,707	\$ 69,479	\$ 67,373	\$ 63,277	\$ 66,288	\$ 62,802	\$ 60,498	\$ 56,510	\$ 53,400

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental Activities:										
General government	\$ 4,414	\$ 4,009	\$ 4,053	\$ 3,866	\$ 3,967	\$ 2,862	\$ 3,247	\$ 2,818	\$ 2,869	\$ 3,304
Public safety	13,883	12,701	12,726	12,715	10,478	11,137	10,553	10,383	10,216	9,597
Highways/streets	1,707	1,986	1,771	880	1,768	1,828	1,734	1,782	1,541	1,498
Economic development	388	379	438	410	447	538	483	468	362	503
Culture and recreation	3,557	3,508	3,338	3,378	3,051	3,077	2,932	2,928	2,732	2,575
Interest on long-term debt	1,121	1,060	1,038	1,032	988	1,214	1,094	1,237	1,225	1,154
Other										
Total Governmental Activities	<u>25,070</u>	<u>23,643</u>	<u>23,364</u>	<u>22,281</u>	<u>20,699</u>	<u>20,656</u>	<u>20,043</u>	<u>19,616</u>	<u>18,945</u>	<u>18,631</u>
Business-type Activities:										
Water and sewer	7,309	7,206	6,771	6,356	6,662	6,397	6,088	5,862	6,593	5,559
Drainage	326	364	369	359	364	304	325	283	283	251
Sanitation	1,959	1,843	1,779	1,743	1,649	1,577	1,536	1,529	1,475	1,361
Total Business-type Activities	<u>9,594</u>	<u>9,413</u>	<u>8,919</u>	<u>8,458</u>	<u>8,675</u>	<u>8,278</u>	<u>7,949</u>	<u>7,674</u>	<u>8,351</u>	<u>7,171</u>
Total Expenses	<u>\$34,664</u>	<u>\$33,056</u>	<u>\$32,283</u>	<u>\$30,739</u>	<u>\$29,374</u>	<u>\$28,934</u>	<u>\$27,992</u>	<u>\$27,290</u>	<u>\$27,296</u>	<u>\$25,802</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 104	\$ 131	\$ 89	\$ 249	\$ 111	\$ 61	\$ 56	\$ 87	\$ 67	\$ 93
Public safety	1,936	1,810	1,698	1,554	1,672	1,831	1,858	1,998	2,029	1,874
Culture and recreation	272	268	259	291	293	311	291	306	246	273
Other activities	301	184	212	278	296	546	249	164	157	202
Operating grants and contributions	343	247	220	1,083	792	66	477	598	246	210
Capital Grants and contributions									234	138
Total Governmental Activities	<u>2,956</u>	<u>2,640</u>	<u>2,478</u>	<u>3,455</u>	<u>3,164</u>	<u>2,815</u>	<u>2,931</u>	<u>3,153</u>	<u>2,979</u>	<u>2,790</u>
Business-type Activities:										
Charges for services	12,487	13,140	12,200	12,091	11,435	11,189	11,553	11,586	11,833	10,062
Total Business-type Activities	<u>12,487</u>	<u>13,140</u>	<u>12,200</u>	<u>12,091</u>	<u>11,435</u>	<u>11,189</u>	<u>11,553</u>	<u>11,586</u>	<u>11,833</u>	<u>10,062</u>
Total Program Revenues	<u>\$15,443</u>	<u>\$15,780</u>	<u>\$14,678</u>	<u>\$15,546</u>	<u>\$14,599</u>	<u>\$14,004</u>	<u>\$14,484</u>	<u>\$14,739</u>	<u>\$14,812</u>	<u>\$12,852</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (22,114)	\$ (21,003)	\$ (20,886)	\$ (18,826)	\$ (17,535)	\$ (17,841)	\$ (17,112)	\$ (16,463)	\$ (15,966)	\$ (15,841)
Business-type Activities	2,893	3,727	3,281	3,633	2,760	2,911	3,604	3,912	3,482	2,891
Total Net Expense	<u>\$ (19,221)</u>	<u>\$ (17,276)</u>	<u>\$ (17,605)</u>	<u>\$ (15,193)</u>	<u>\$ (14,775)</u>	<u>\$ (14,930)</u>	<u>\$ (13,508)</u>	<u>\$ (12,551)</u>	<u>\$ (12,484)</u>	<u>\$ (12,950)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$11,754	\$11,734	\$11,100	\$10,833	\$10,419	\$10,051	\$ 9,189	\$ 9,167	\$ 8,965	\$ 8,839
Sales taxes	8,081	6,828	6,672	6,627	6,594	6,186	5,232	5,426	4,859	4,780
Mixed drink taxes	104	100	113	111	141	116	98	97	126	139
Bingo taxes	45	42	50	52	64	77	101	105	101	105
Hotel/Motel taxes	97	86	95	75	75	100	84	93	92	72
Special assessments										
Other taxes										
Franchise fees	1,403	1,397	1,333	1,297	1,342	1,312	1,265	1,436	1,271	1,247
Investment earnings	650	312	162	115	48	132	40	64	48	205
Gain on sale of capital assets		12	22			12	9	9		
Transfers	2,446	3,272	3,641	63	1,480	3,483	928	(2,203)	3,019	77
Total Governmental Activities	<u>24,580</u>	<u>23,783</u>	<u>23,188</u>	<u>19,173</u>	<u>20,163</u>	<u>21,469</u>	<u>16,946</u>	<u>14,194</u>	<u>18,481</u>	<u>15,464</u>
Business-type activities										
Franchise fees	134	153	148	161	125	140	137	130	124	112
Investment earnings	51	40	17	18	10	10	13	11	8	19
Miscellaneous										
Gain on sale of capital assets		2								3
Transfers	(2,446)	(3,272)	(3,641)	(63)	(1,480)	(3,483)	(928)	2,203	(3,019)	(77)
Total Business-type Activities	<u>(2,261)</u>	<u>(3,077)</u>	<u>(3,476)</u>	<u>116</u>	<u>(1,345)</u>	<u>(3,333)</u>	<u>(778)</u>	<u>2,344</u>	<u>(2,887)</u>	<u>57</u>
Total General Revenues and Other Changes in Net Position	<u>\$22,319</u>	<u>\$20,706</u>	<u>\$19,712</u>	<u>\$19,289</u>	<u>\$18,818</u>	<u>\$18,136</u>	<u>\$16,168</u>	<u>\$16,538</u>	<u>\$15,594</u>	<u>\$15,521</u>
Change in Net Position										
Governmental Activities	\$ 2,466	\$ 2,780	\$ 2,302	\$ 347	\$ 2,628	\$ 3,628	\$ (166)	\$ (2,269)	\$ 2,515	\$ (377)
Business-type Activities	632	650	(195)	3,749	1,415	(422)	2,826	6,256	595	2,948
Total Change in Net Position	<u>\$ 3,098</u>	<u>\$ 3,430</u>	<u>\$ 2,107</u>	<u>\$ 4,096</u>	<u>\$ 4,043</u>	<u>\$ 3,206</u>	<u>\$ 2,660</u>	<u>\$ 3,987</u>	<u>\$ 3,110</u>	<u>\$ 2,571</u>

CITY OF HARKER HEIGHTS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE¹
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Bingo Tax	Alcoholic Beverage Tax	Hotel/Motel Tax	Other Tax	Total
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
2010	8,839	4,780	1,247	105	139	72		15,182

Source: Audited Financial Statements.

¹Includes 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Reserved										\$ 36
Unreserved										6,607
Nonspendable										
Restricted for:										
Economic development									39	
Public safety	3	6	3	3	3	1	1	3	3	
Pet Adoption Center	19	9	5							
Debt service										
Capital projects										
Cemetery	19	18	18	18	18	18	18			
Committed										
Assigned to:										
Culture and recreation	378	328	271	243	220	179	146	91		
Unassigned	11,044	10,686	9,997	9,660	9,962	9,486	8,256	8,342	7,339	
Total general fund	<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>	<u>\$ 6,643</u>
All Other Governmental Funds										
Reserved										\$11,568
Unreserved, reported in:										
Special revenue funds										169
Capital projects funds										2,327
Debt service funds										
Capital projects										
Nonspendable										
Restricted for:										
Economic development	276	192	122	85	106	189	206	222	233	
Public safety	189	185	212	171	167	216	202	191	194	
Debt service	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	4,202	3,399								
Assigned to:										
Culture and recreation										
Capital projects	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>\$ 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>	<u>\$ 14,064</u>

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Taxes	\$20,654	\$20,073	\$19,226	\$18,877	\$18,555	\$17,784	\$16,019	\$16,365	\$15,464	\$15,145
Licenses and permits	396	280	247	320	330	591	286	204	191	207
Fines	1,068	1,005	877	822	1,145	1,541	1,405	1,472	1,399	1,408
Charges for services	1,058	949	990	857	795	787	797	721	708	748
Intergovernmental	1,200	392	361	447	932	198	443	432	397	317
Investment earnings	650	310	158	90	48	32	39	41	48	204
Contributions and donations	29	25	29	811	32	41	39	171	26	31
Miscellaneous	32	106	111	256	107	143	144	74	54	74
Total revenues	25,087	23,140	21,999	22,480	21,944	21,117	19,172	19,480	18,287	18,134
Expenditures										
General government	3,799	3,725	3,778	3,669	4,102	2,734	3,072	2,659	3,023	2,750
Public safety	12,294	12,400	11,456	12,076	11,340	10,492	10,550	9,823	9,485	9,242
Highways and streets	1,453	1,372	1,489	1,541	1,288	1,321	1,302	1,558	1,172	1,130
Culture and recreation	3,039	3,043	2,903	2,922	2,837	2,726	2,727	2,541	2,348	2,166
Economic development and assistance	362	374	421	466	474	526	466	452	337	449
Debt service										
Principal	2,061	1,932	1,926	1,893	1,550	1,677	1,509	1,409	1,122	1,127
Interest	1,095	1,039	982	1,010	1,059	1,077	1,053	1,169	1,153	1,125
Tax collection fees	31	29	30	29	28	28	28	27	22	21
Bond issuance costs	40	34	55	25	64	6	19	36	42	
Capital outlay	5,422	5,157	3,571	7,432	3,849	851	3,296	3,325	2,577	6,254
Total expenditures	29,596	29,105	26,611	31,063	26,591	21,438	24,022	22,999	21,281	24,264
Excess of revenues over (under) expenditures	(4,509)	(5,965)	(4,612)	(8,583)	(4,647)	(321)	(4,850)	(3,519)	(2,994)	(6,130)
Other Financing Sources (Uses)										
Issuance of certificates of obligation	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				(2,106)	(6,551)		(435)	(3,650)		
Capital leases		495		208	478		270		199	
Sale of capital assets proceeds								10	1	52
Transfers in	4,463	3,990	4,554	3,600	4,150	7,278	3,436	3,034	5,925	2,400
Transfers out	(2,017)	(718)	(913)	(3,537)	(2,670)	(3,795)	(2,508)	(5,237)	(2,906)	(2,323)
Total other financing sources (uses)	5,474	6,796	8,696	314	1,976	9,529	1,218	(2,643)	8,219	129
Net change in fund balances	\$965	\$831	\$4,084	(\$8,269)	(\$2,671)	\$9,208	(\$3,632)	(\$6,162)	\$ 5,225	\$(6,001)
Debt service as a percentage of noncapital expenditures	13.43%	12.97%	12.98%	13.42%	12.10%	13.69%	13.00%	13.51%	12.57%	12.95%

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

Fiscal Year	Real Property	Personal Property	Less: Exemptions¹	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Rate
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
2010	1,375,764,616	80,934,800	120,712,330	1,335,987,086	91.71%	1,456,699,416	0.6770

Source: Bell County Appraisal District

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

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

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

Fiscal Year	City of Harker Heights			Overlapping Rates					Total Direct and Overlapping
	Operating Millage	Debt Service Millage	Total Direct Rate	Killeen Independent School District	Central Texas College	Bell County	Road District	Clearwater UWCD	
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
2010	0.53430	0.14270	0.67700	1.14119	0.14090	0.37590	0.02950	0.00400	2.36849

Source: Bell County Appraisal District

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

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

Taxpayer	2019			2010		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
HH/Killeen Health System LLC	\$ 49,146	1	2.73%			
Cole MT Harker Heights TX LLC	32,153	2	1.78%			
HH/Killeen Health System LLC	29,000	3	1.61%			
Wal-Mart Real Estate Business Trust	16,047	4	0.89%	17,122	2	1.28%
Oncor Electric Delivery Co LLC	13,502	5	0.75%	10,328	3	0.77%
HH/Killeen Health System LLC	9,099	6	0.50%			
HEB Grocery Company LP	7,333	7	0.41%	6,414	4	0.48%
Sam's Real Estate Business Trust	7,101	8	0.39%			
Sam's East Inc.	6,900	9	0.38%			
Target Corporation	6,275	10	0.35%	5,076	5	0.38%
Market Heights Ltd				23,694	1	1.77%
Omni Lion's Run LP				4,737	6	0.35%
Boose Properties Ltd				3,983	7	0.30%
Target Stores Inc.				3,853	8	0.29%
Charles House Etal				3,423	9	0.26%
Omni Lookout Ridge LP				3,305	10	0.25%
	\$ 176,556		9.79%	\$ 81,935		6.13%

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			
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%
2010	9,045	8,863	97.99%	62	8,801	97.30%	139	261	2.89%

Source: Bell County Appraisal District

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

Fiscal Year	Total Sales Tax Collected	Percentage of Ad Valorem Tax Levy¹	Equivalent of Ad Valorem Tax Rate²	Per Capita³
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
2010	4,780,090	52.85%	\$ 0.3578	\$ 179.03

Sources: ¹See the Schedule of Property Tax Levies and Collections (page 138) for tax levy data.

²See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (page 135) for assessed value data.

³See the Schedule of Demographic and Economic Statistics (page 150) for population data.

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

Fiscal Year	Water & Sewer			Drainage			Number of Water Meters	Special Assessments ⁶	
	Program Revenues	Water Rate ²	Sewer Rate ³	Program Revenues	Residential Rate ⁴	Commercial Rate ⁵		Billings	Collected
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
2010	7,635	9.50 / 2.96	17.13 / 2.87	706	6.00	7.20 / 14.40	9,474	46	1

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

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

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

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

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

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

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

**CITY OF HARKER HEIGHTS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amount expressed in thousands)**

Fiscal Year	Bonded Debt	Notes Payable	Capital Leases	Bonded Debt	Capital Leases	Total Outstanding Debt	Percentage of Personal Income ¹	Per Capita ¹
	<u>Governmental Activities</u>			<u>Business-type Activities</u>				
2019	32,304		437	20,723		53,464	n/a	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
2010	24,127		241	20,316	204	44,888	0.30%	1,662.52

Source: Audited Financial Statements

¹See the Schedule of Demographic and Economic Statistics (page 150) for population and personal income data.

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

Fiscal Year	Bonded Debt¹	Less: Amounts Available in Debt Service Fund²	Total	Percentage of Estimated Actual Taxable Value of Property³	Per Capita⁴
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
2010	44,443	14	44,429	3.05%	1,645.52

Source: Audited Financial Statements.

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

²This is the amount restricted for debt service.

³See Schedule of Assessed and Estimated Value of Property (page 135) for property data

⁴See Schedule of Demographic and Economic Statistics (page 150) for population data

**CITY OF HARKER HEIGHTS
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
AS OF SEPTEMBER 30, 2019**

<u>Government Subdivisions</u>	<u>Debt Amount¹</u>	<u>Estimated Percentage Applicable</u>	<u>City's Overlapping Debt</u>
Bell County	\$ 118,205,000	9.73%	\$ 11,501,347
Killeen Independent School District	422,765,000	23.22%	98,166,033
Subtotal, overlapping debt			109,667,380
City of Harker Heights Direct Debt			32,741,295
Total direct and overlapping net funded debt			<u>\$ 142,408,675</u>

Source: Municipal Advisory Council of Texas and Audited Financial Statements

¹Gross Debt.

Methodology for Deriving Overlapping Percentages:

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

**CITY OF HARKER HEIGHTS
COMPUTATION OF SELF-SUPPORTING DRAINAGE SYSTEM DEBT
AS OF SEPTEMBER 30, 2019**

Net System Revenue from Drainage Fund	\$ 664,116
Less: Requirements for Drainage System Supported Tax Bonds	<u>338,978</u>
Balance	\$ 325,138

**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>
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
2015	1,595,264,164	90.23%	1,767,980,435
Total Five Year Valuation			<u>9,857,363,442</u>
Five Year Average Full Valuation of Taxable Real Property			<u>1,971,472,688</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>138,003,088</u>
Outstanding Indebtness as of September 30, 2019			
Total Bonded Debt			51,950,000
Less: Revenue bonds			20,199,429
Less: Amount available for repayment of general obligation bonds			40,383
Net indebtness subject to debt limit			<u>31,710,188</u>
Net debt contracting margin			106,292,900
Percentage of net debt contracting margin available			77.02%
Percentage of net debt contracting power exhausted			22.98%

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>
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%
2010	83,145,606	24,227,000	70.86%

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

Fiscal Year	Water and Sewer Fund			Drainage Fund			Debt Service Requirements			
	Gross Revenues	Operating Expenses ¹	Net Revenue Available for Debt Service	Gross Revenues	Operating Expenses ¹	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
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
2010	7,635	4,497	3,138	706	192	514	1,073	934	2,007	1.82

Source: Audited Financial Statements.

¹Total operating expenses, exclusive of depreciation.

**CITY OF HARKER HEIGHTS
INTEREST AND SINKING FUND BUDGET PROJECTION
AS OF SEPTEMBER 30, 2019**

Net Tax Supported Debt Service Requirements for Fiscal Year Ending September 30, 2020		\$ 2,948,389
Interest and Sinking Fund Balance - September 30, 2019	111,330	
Interest and Fund Tax Levy @ 98% Collection	<u>2,889,219</u>	<u>3,000,549</u>
Estimated Interest and Sinking Balance - September 30, 2020		\$ 52,160

**CITY OF HARKER HEIGHTS
 AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS
 AS OF SEPTEMBER 30, 2019**

<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, 2019**

Average Annual Principal and Interest Requirements, 2020-2039	\$ 2,026,743
\$0.1108 Tax Rate at 97% Collection Produces	\$ 2,028,546
Maximum Principal and Interest Requirements, 2021	\$ 3,229,781
\$0.1765 Tax Rate at 97% Collection Produces	\$ 3,231,394

NOTE: Excludes self-supporting debt.

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

Fiscal Year	Population ¹	Median Age ²	Per Capita Income ³	Personal Income ³	Education Attainment, 25 Years and Over ²		Peak School Enrollment ⁴	Unemployment Rate ⁵
					High School Graduate or Higher	Four or More Years of College		
2019	30,515		n/a	n/a			45,091	3.6%
2018	29,906		41,634	18,804,982			44,319	3.9%
2017	30,365		40,717	18,064,319			43,832	4.2%
2016	31,027		39,588	17,289,992			43,428	4.5%
2015	29,545		39,731	17,193,566			42,929	4.7%
2014	28,950		38,422	16,386,748			41,414	5.6%
2013	28,154		37,543	15,918,311			41,969	6.9%
2012	27,654		38,137	16,151,189			41,172	7.2%
2011	27,312		38,727	15,969,008			40,609	7.6%
2010	26,700	31.6	37,149	15,167,040	90.70%	27.50%	40,463	7.2%

- Sources:** ¹ Population is estimated by the City of Harker Heights Planning Department with the exception of the 2010 data which is from Census 2010.
² Census 2010.
³ Bureau of Economic Analysis for Killeen-Temple Metropolitan Statistical Area (personal income is shown in thousands).
⁴ Killeen Independent School District.
⁵ Texas Workforce Commission Local Area Unemployment Statistics (LAUS) for Harker Heights.

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

Employer	2019			2010		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Killeen Independent School District ¹	736.0	1	5.72%	719.0	1	6.38%
Seton Healthcare	629.0	2	4.89%			
Walmart Supercenter	537.0	3	4.17%	537.0	2	4.77%
HEB Store	261.0	4	2.03%	225.0	3	2.00%
City of Harker Heights	237.0	5	1.84%	220.0	4	1.95%
Indian Oaks	186.0	6	1.44%	186.0	5	1.65%
Target	155.0	7	1.20%	155.0	6	1.38%
Cheddar's Restaurant	140.0	8	1.09%	132.0	7	1.17%
Bass Electric	135.0	9	1.05%			
Cracker Barrel	101.0	10	0.78%			
McDonald's				62.0	8	0.55%
Cinemark				55.0	9	0.49%
Pizza Hut				50.0	10	0.44%
	3,117.0		24.21%	2,341.0		20.78%

Source: Human Resource Department (or person) of each business.

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

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

Customer Name	2019			2010		
	Usage In Gallons	Rank	Percentage of Total Usage	Usage In Gallons	Rank	Percentage of Total Usage
Ancient Oaks Mobile Home Park	89,915	1	5.82%	115,639	1	8.19%
Today's Car Wash II LLC	85,324	2	5.52%			
Big Oaks Mobile Home Park	79,335	3	5.14%	85,640	3	6.06%
Seton Medical Center	74,418	4	4.82%			
Pleasant View Mobile Home Park	73,849	5	4.78%			
Lookout Ridge Apartments	55,398	6	3.59%			
Wells Laundry, Inc.	51,962	7	3.36%	52,259	5	3.70%
Cheddar's Casual Café, Inc.	40,496	8	2.62%	28,718	8	2.03%
Biomedical Applications of Texas	36,496	9	2.36%			
Harker Heights High School	35,914	10	2.32%	46,949	6	3.32%
A Fuller				100,949	2	7.15%
Indian Oaks Nursing Center				61,386	4	4.35%
Walmart Stores				34,666	7	2.45%
Car Wash USA #2				27,106	9	1.92%
Cracker Barrel Old Country Store				26,964	10	1.91%
	623,107		40.33%	580,276		41.08%

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

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

Fiscal Year	Property Value ¹				Commercial Construction ²		Residential Construction ²		Bank Deposits ⁴
	Commercial	Residential	Exemptions	Total	Number of Units ³	Value	Number of Units ³	Value	
2019	392,883	1,700,175	372,506	1,720,552	14	47,848	134	38,648	1,348,876,827 ^(d)
2018	386,605	1,639,341	306,759	1,719,187	9	4,666	181	47,734	64,908,662 ^(d)
2017	362,632	1,513,435	240,147	1,635,920	10	3,338	194	47,456	1,345,966,097 ^(c)
2016	360,466	1,432,212	197,181	1,595,497	6	2,688	201	48,340	1,258,610,983 ^(c)
2015	338,112	1,367,445	169,171	1,536,386	8	20,715	209	45,616	1,251,633,606 ^(c)
2014	288,694	1,313,510	149,488	1,452,716	10	15,887	221	46,070	1,190,961,291 ^(b)
2013	223,105	1,257,787	137,688	1,343,204	9	21,801	219	45,655	1,081,249,810 ^(b)
2012	213,902	1,250,016	127,787	1,336,131	41	12,329	184	41,389	1,045,296,830 ^(a)
2011	212,744	1,212,457	122,373	1,302,828	34	112,383	113	24,058	999,452,924 ^(a)
2010	209,511	1,181,173	116,507	1,274,177	27	8,638	188	35,936	842,872,885 ^(a)

Sources: ¹Bell County Appraisal District

²Harker Heights Planning and Development Department

³Amounts are as shown

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

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

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

Function/Program	As of September 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government:										
Mayor and Council	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Municipal Services	41.0	39.5	36.5	33.5	31.5	26.5	26.5	26.5	26.0	26.0
Planning and Building	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0	8.0
Public Safety:										
Police	64.5	62.0	61.0	61.0	60.0	62.0	62.0	62.0	61.0	61.0
Fire	46.0	45.5	44.5	44.5	44.5	43.5	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
Culture and Recreation:										
Parks and Recreation	36.5	46.0	46.0	47.5	47.5	47.5	46.0	45.0	45.0	43.0
Library/Activity Center	20.5	11.0	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Public Works	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water and Sewer	20.0	19.0	18.0	18.0	18.0	17.0	17.0	16.0	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	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	261.5	256.0	249.5	248.0	245.0	240.0	238.5	235.5	234.0	232.0

Source: City of Harker Heights Finance Department

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

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Planning and Building										
Building Permits Issued	2,104	1,757	1,518	2,109	2,386	4,665	1,763	1,502	1,479	1,796
Value of Building Permits ¹	109,012	62,162	59,557	75,212	79,598	96,333	75,077	59,115	144,518	50,070
Police										
Physical Arrest	730	916	1,168	2,386	1,173	1,496	1,320	1,593	1,528	1,493
Parking Violations	54	47	43	27	42	27	58	139	30	0
Traffic Violations	6,078	5,487	4,127	2,979	3,916	8,800	8,800	8,776	7,989	7,282
Fire										
Calls Answered	4,305	4,336	3,970	3,930	4,049	3,547	3,627	3,643	3,405	3,137
Fire and Emergency Responses	4,305	4,207	3,858	3,823	3,931	3,469	3,558	3,582	3,300	3,042
Fires Extinguished	57	122	100	82	103	133	91	111	193	116
Inspections	749	616	500	444	600	800	933	540	561	514
Parks and Recreation										
Aquatic Center Usage	15,424	10,963	11,953	14,469	20,443	12,470	12,773	13,069	15,498	12,420
Program Participants	6,393	7,409	7,026	8,058	8,118	7,933	9,948	9,497	8,780	7,157
Library										
Annual Circulation	154,541	139,124	164,372	176,788	199,529	166,256	165,405	152,117	146,130	131,477
Water and Sewer										
Average daily water consumption in gallons ¹	4,400	4,300	4,207	4,163	4,000	3,954	4,325	4,534	4,940	3,770
Residential water rate - inside city limits										
Base	\$10.59	\$10.59	\$10.28	\$10.28	\$9.98	\$9.98	\$9.98	\$9.98	\$9.98	\$9.98
Per 1,000 gallons	\$3.30	\$3.30	\$3.20	\$3.20	\$3.11	\$3.11	\$3.11	\$3.11	\$3.11	\$3.11
Residential water rate - outside city limits										
Base	\$21.18	\$21.18	\$20.56	\$20.56	\$19.96	\$19.96	\$19.96	\$19.96	\$19.96	\$19.96
Per 1,000 gallons	\$6.60	\$6.60	\$6.40	\$6.40	\$6.22	\$6.22	\$6.22	\$6.22	\$6.22	\$6.22
Average daily sewage treatment in gallons ¹	2,600	1,740	1,990	2,780	1,940	1,790	1,880	1,760	1,900	1,800
Residential sewer rates - inside city limits										
1,000 - 3,000 gallons	\$19.09	\$19.09	\$18.53	\$18.53	\$17.99	\$17.99	\$17.99	\$17.99	\$17.99	\$17.99
Per 1,000 gallons (3,000 - 10,000 gallons)	\$3.19	\$3.19	\$3.10	\$3.10	\$3.01	\$3.01	\$3.01	\$3.01	\$3.01	\$3.01
Residential sewer rates - outside city limits										
1,000 - 3,000 gallons	\$38.18	\$38.18	\$37.06	\$37.06	\$35.98	\$35.98	\$35.98	\$35.98	\$35.98	\$35.98
Per 1,000 gallons (3,000 - 10,000 gallons)	\$6.38	\$6.38	\$6.20	\$6.20	\$6.02	\$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.

¹expressed in thousands

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

<u>Function/Program</u>	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Area (square miles)	15.65	15.65	15.65	15.65	15.4	15.4	15.4	15.4	15.4	15.24
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Cars	25	21	21	20	20	20	17	17	33	38
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Fire Trucks	5	5	5	5	5	5	5	5	5	5
Ambulances	3	3	3	3	3	3	3	3	3	3
Command Van	1	1	1	1	1	1	1	1	1	1
Street (miles)	153.4	150.55	145.3	145.4	145.64	140	140	166.49	164.65	175
Street lights	1,547	1,541	1,480	1,470	1,445	1,438	1,379	1,262	1,275	1,250
Parks and Recreation										
Recreation/community center	1	1	1	1	1	1	1	1	1	1
Parks	7	6	8	8	8	8	7	6	8	7
Acreage	192	192	194	194	194	194	194	177	194	230
Baseball/softball diamonds	9	9	9	9	9	9	9	8	9	8
Soccer/football fields	6	6	6	6	6	6	6	6	6	6
Swimming pools	1	1	1	1	1	1	1	1	1	1
Library/Activity Center										
Building	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	187.45	183.89	183.77	187.1	179.13	177.55	172.66	171.13	168.06	171.48
Service connections	11,215	11,111	10,887	10,638	10,384	10,006	9,666	9,740	9,533	9,445
Fire hydrants	1,185	1,185	1,181	1,102	1,102	1,101	1,090	1,080	1,060	1,050
Maximum daily capacity ¹	16,250	16,250	13,500	13,500	13,500	13,500	13,500	13,500	10,000	13,500
Sewer										
Sanitary sewer (miles)	135.55	132.26	132.07	131.33	130.36	125.92	121.43	120.62	116.97	116.84
Service connections	9,829	9,685	9,486	9,228	8,959	8,842	8,586	8,580	8,314	8,286
Storm sewer (miles)	10.0	10.0	9.6	9.5	9.5	9.5	9.0	9.0	8.5	8.0
Treatment capacity (gallons) ¹	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000

Source: Various City of Harker Heights departments.

¹ expressed in thousands

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

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage
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
2010	7,700,000	3,900,000	1,412,700,000

Source: City of Harker Heights Public Works Department