

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FISCAL YEAR ENDING SEPTEMBER 30, 2023**



**THE CITY OF
HARKER HEIGHTS, TEXAS**

CITY OF HARKER HEIGHTS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

	Page #
INTRODUCTORY SECTION	
Transmittal Letter	1
GFOA Certificate of Achievement.....	5
Organizational Chart.....	6
Principal Officials	7
FINANCIAL SECTION	
Independent Auditors' Report.....	8
Management’s Discussion and Analysis	11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	27
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	32
Statement of Net Position – Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	35
Statement of Cash Flows – Proprietary Funds	36
Notes to the Financial Statements	38
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Coronavirus Fund	76
Notes to Budgetary Information	77
Schedule of Changes in Net Pension Liability and Related Ratios.....	78
Schedule of Contributions	80
Schedule of Changes in Other Post-Employment Benefit (OPEB) Liability and Related Ratios – Supplemental Death.....	82
Schedule of Contributions	84

Required Supplementary Information (continued):

Schedule of Changes in Other Post-Employment Benefit (OPEB) Liability
and Related Ratios – Health Benefits 86

Schedule of Contributions 88

Combining and Individual Fund Financial Statements and Schedules:

Combining Financial Statements – Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Governmental Funds 90

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – Nonmajor Governmental Funds 91

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

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Debt Service Fund 92

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Hotel/Motel (Special Revenue) Fund 93

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Restricted Court (Special Revenue) Fund 94

STATISTICAL SECTION

Financial Trends:

Net Position by Component 95

Changes in Net Position 97

General Government Tax Revenues by Source 101

Fund Balances, Governmental Funds 102

Changes in Fund Balances, Governmental Funds 104

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property 106

Direct and Overlapping Property Tax Rates 107

Principal Taxpayers 108

Property Tax Levies and Collections 109

Municipal Sales Tax History 110

Own Source Revenues, Special Assessment Billings and Collections 111

Debt Capacity:

Ratios of Outstanding Debt by Type 112

Ratios of General Bonded Debt Outstanding 113

Computation of Direct and Overlapping Bonded Debt 114

Computation of Self-Supporting Drainage System Debt 115

Legal Debt Margin Information 116

Pledged - Revenue Coverage 117

STATISTICAL SECTION (continued)

Debt Capacity: (continued)

Interest and Sinking Fund Budget Projections.....	118
Authorized but Unissued Unlimited Tax Bonds.....	119
Tax Adequacy	120

Demographic and Economic Information:

Demographic and Economic Statistics.....	121
Principal Employers	122
Principal Water Customers.....	123
Property Value, Construction and Bank Deposits.....	124

Operating Information:

Full-Time Equivalent City Employees by Function/Program	125
Operating Indicators by Function/Program.....	126
Capital Assets by Function/Program	127
Water Usage (Gallons).....	128



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

INTRODUCTORY SECTION





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

Mayor
Michael Blomquist

Mayor Pro Tem
Lynda Nash

City Council
Jennifer McCann
Stacey L. Wilson
Tony Canterino
Sam Halabi

March 26, 2024

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

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2023.

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

Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Harker Heights, incorporated in 1960, is located in Bell County on U.S. Highway 190/Interstate 14, approximately fifteen miles west of Interstate 35, between Belton and Killeen. The City currently occupies a land area of 15.6 square miles and serves a population of approximately 35,440.

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

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

The City Council is required to adopt an initial budget for the fiscal year, which begins October 1, no later than September 29. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Each department within the City is required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget to present to the City Council for approval. Once the budget is approved, department heads may make transfers of appropriations within their department.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 74-75 as part of the basic financial statements for the governmental funds. The comparison for the Coronavirus Fund can be found on page 76. For governmental funds, other than the General and Coronavirus Funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 90.

Local Economy

In the last ten years, the average unemployment rate for the City of Harker Heights has fallen from 5.7% in 2014 to an average rate of 4.5% in 2023. During this time, the lowest rate was 3.7% in 2019. The unemployment rate in 2022 was 4.3%, 0.2% higher than the current year’s average. In comparison, Bell County’s 2023 average unemployment rate is 4.6% and the State of Texas’ rate is 4.1%, each slightly higher and slightly lower respectively than the City’s.

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

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Fence	\$ 1,678,867	\$ 1,694,751	\$ (15,884)
Home improvement / other	33,070,010	28,351,302	4,718,708
New commercial	6,540,000	18,760,011	(12,220,011)
New residential	51,668,376	48,656,361	3,012,015
Plumbing	341,763	643,143	(301,380)
Total	\$ 93,299,016	\$ 98,105,568	\$ (4,806,552)

Permits decreased by \$4.8 million in comparison to the prior year. New residential permits have decreased by 16 permits and increased in value by \$3.0 million with additional homes going in the Cedarbrook Ridge subdivision. Of the \$51.7 million valuation in new residential permits, \$27.0 million is for new duplexes being built in the City. New commercial permits decreased by 2 permits and decreased in value by \$12.2 million. Permits in the 2023 fiscal year included a Chuy’s restaurant and a medical clinic. Last fiscal year’s permits included a rehabilitation hospital, a nine-suite retail and office commercial center, and a Dutch Bros Coffee.

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

During the past ten years, the City’s expenditures related to public safety have increased by 40.7%. Much of this increase reflects the trend of increased salaries and benefits for police and firefighters. As a percentage of total expenditures in governmental funds, the public safety expenditures are at 44.5%.

In fiscal year 2023, grants and contributions consisted of 55.1% of the governmental activities program revenues received by the City of Harker Heights. In comparison to total governmental revenues, grants and contributions were 9.5% and charges for services were 7.7% of revenues received.

Long-Term Financial Planning

The fiscal year 2024 Capital Improvement Program anticipates \$16.1 million in capital projects. \$5.3 million of this is for street projects, \$4.2 million is for drainage projects, \$4.4 million is for wastewater projects, and \$1.5 million is for water projects. The remainder of program funding is for building projects and park projects. Funding for these capital projects will come from transfers in from other funds (\$3.3 million), previous bond issuances (\$2.9 million), new bond issuance (\$2.7 million), Coronavirus State and Local Fiscal Recovery Funds (American Relief Plan Act) funds (\$1.7 million), and fund balance remaining in the Capital Projects Fund.

In accordance with Chapter 395 of the Texas Local Government Code, a Capital Improvement Advisory Committee (CIAC) was created in 2021. With the guidance of an outside consulting firm, the CIAC made recommendations to the City Council of an impact fee for wastewater facilities in the service basin along FM 2410 east of Warrior's Path. On November 15, 2022, the City Council adopted its first Impact Fee Ordinance which included an impact fee assessment and collection rate of \$6,133 per service unit.

The CIAC began reviewing and updating the impact fee due to a change in the planned capital improvements to the City's wastewater system. Instead of an expansion of the wastewater treatment plant, the City entered a Waste Disposal Contract that included contracting 2.0 million gallons a day (MGD) of existing wastewater treatment plant capacity from the Bell County Water Control and Improvement District (WCID) #1's South Wastewater Treatment Plant. On February 27, 2024, the City Council adopted a 2024 Wastewater Impact Fee of \$2,822 per service unit.

The City began looking to expand its existing wastewater treatment plant (WWTP) as it began to reach 75% of treatment capacity. This is the limit at which the Texas Commission on Environmental Quality (TCEQ) requires WWTPs to begin engineering for expansion. At 90% of treatment capacity, construction for expansion must begin. An opportunity arose for the City to contract 2.0 MGD of existing wastewater treatment plant capacity from WCID #1 foregoing the need to expand the existing Harker Heights WWTP. The City will need to construct a bypass gravity line connection from its Trimmer Lift Station to the WCID #1's South WWTP. The City will take over debt payments in the amount of \$15.0 million over a period of 5 years that cannot be restructured. This provided savings of \$33.3 million in capital costs to the City.

Relevant Financial Policies

Reserve requirements for the General and Utility Funds are a minimum of three months of operating expenses. The General Fund had nine months fund balance or 74.8% of operating expenditures. One of the contributing factors was an interest income variance of \$853,238 due to the expectation of projects completing (funds going out) and interest rates lowering during the fiscal year. Additionally, vacancies in the fund's departments resulted in a variance of \$645,771 from the budgeted amount for personnel service. Transfers out from the General Fund to other funds are not considered operating expenses and totaled \$3.6 million. The Utility Fund had over eight and a half months fund balance or 73.6% of operating expenses. Again, the contributing factor was vacancies in the fund's departments resulting in a variance of \$302,758 from the budgeted amount for personnel service. Transfers out from the Utility Fund to other funds in the amount of \$125,000 are excluded from operating expenses.

Major Initiatives

During the 2021 fiscal year, the City of Harker Heights, much like many local and other governments, received funding from the American Relief Plan Act known as the Coronavirus State and Local Fiscal Recovery Funds. This funding is restricted in use and management has worked diligently to formulate a plan regarding City infrastructure and future planning. As mentioned above, \$1.7 million is anticipated to be spent on capital projects which encompasses water, wastewater, and drainage projects during the 2024 fiscal year. These projects will strengthen the City's infrastructure as the City continues to grow.

The City was awarded a \$750,000 grant from the Texas Parks and Wildlife Department through the Land and Water Conservation Fund in the 2024 fiscal year. This grant will be used to bring new amenities and renovate features of Kern Park, the oldest park in our City.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Harker Heights for its annual comprehensive financial report (financial report) for the fiscal year ended September 30, 2022. This was the twenty-ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized financial report that satisfied both generally accepted accounting principles and applicable program requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2022. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,

David R. Mitchell

David R. Mitchell
City Manager

Ayesha Lealiiee

Ayesha Lealiiee
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

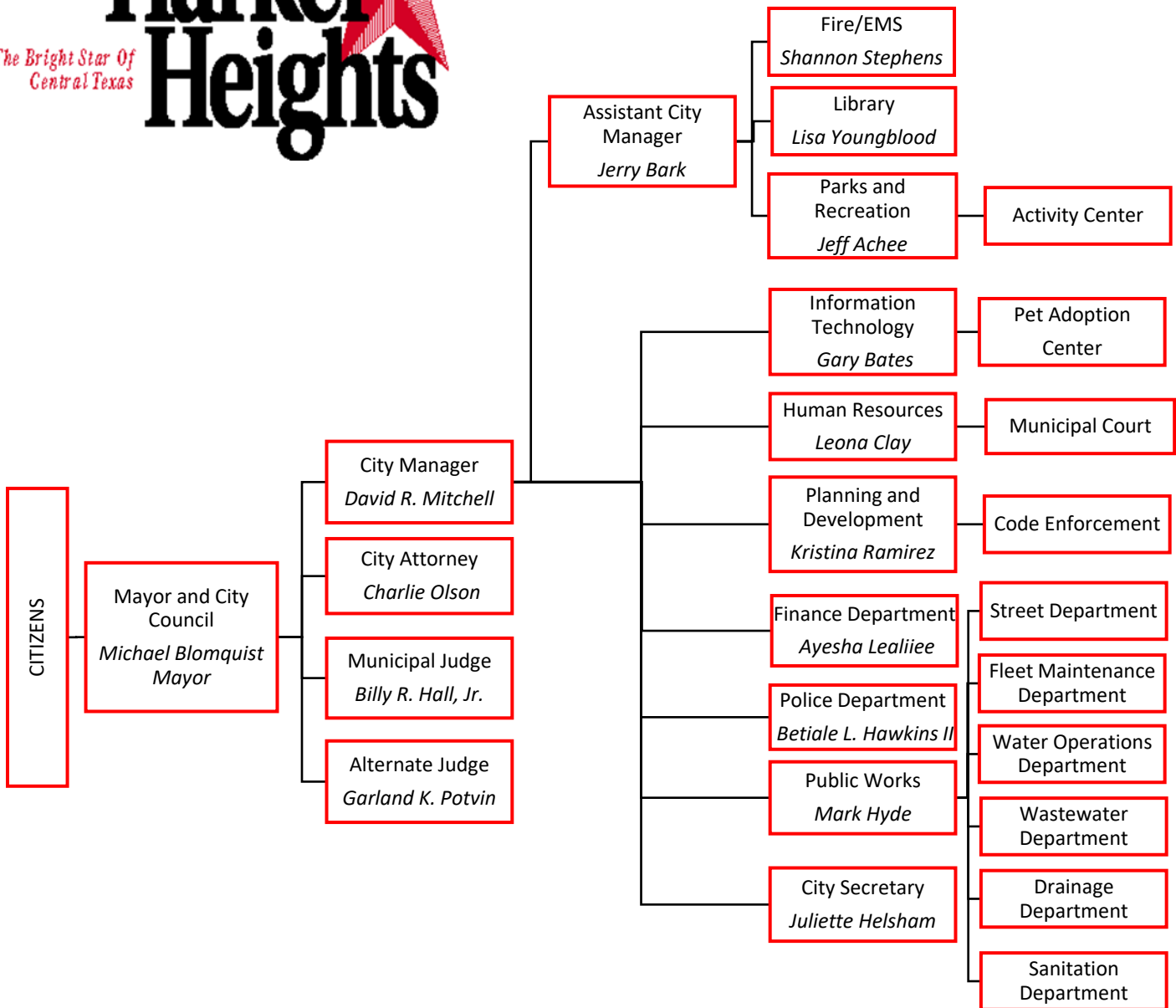
**City of Harker
Heights Texas**

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO



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

<https://harkerheights.gov/index.php/boards-commissions>

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

CITY COUNCIL

Michael Blomquist..... Mayor
Lynda Nash Mayor Protem
Jennifer McCann..... Council Member
Stacey L. Wilson..... Council Member
Tony Canterino Council Member
Sam Halabi..... Council Member

APPOINTED OFFICIALS

David R. Mitchell City Manager
Jerry Bark..... Assistant City Manager
Juliette Helsham City Secretary
Billy R. Hall, Jr. City Judge
Leona Clay Human Resource Director
Ayesha Lealiiee Finance Director
Betiale L. Hawkins II..... Police Chief
Kristina Ramirez..... Development & Planning Director
Shannon Stephens..... Fire Chief
Gary Bates Information Technology Director
Lisa Youngblood Library Director
Jeffrey Achee Parks & Recreation Director
Mark Hyde Public Works Director





FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harker Heights, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Harker Heights, Texas as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2023, the City of Harker Heights, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based IT Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Harker Heights’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Harker Heights’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Information Included in the Annual Comprehensive Financial Report

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2023 on our consideration of City of Harker Heights's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Harker Heights's internal control over financial reporting and compliance.

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

Waco, Texas
March 26, 2024



As management of the City of Harker Heights, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Harker Heights for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

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, 2023, by \$112,076,820 (*net position*). Of this amount, \$1,262,894 is restricted and \$21,054,529 is unrestricted revenues.
- The City's total net position increased by \$9,423,935 for the year ended September 30, 2023. There was a \$104,115 increase in current assets which includes cash, investments, and receivables. Capital assets also increased by \$4,468,863.
- As of September 30, 2023, the City of Harker Heights' governmental funds reported combined ending fund balances of \$24,399,083 million, a decrease of \$663,045 in comparison with the prior year. Of the governmental fund's reported combined fund balances, \$14,438,516 or 59 percent is available for spending within the City's guidelines (*unassigned fund balance*).
- In fiscal year 2006, the City Council approved reserve requirements of a minimum of three months operating expenses in the General Fund providing for strong budgetary flexibility and strong budgetary performance. The General Fund's \$14,438,516 unassigned fund balance equates to seven months of operating expenses. This additional savings assists the city in utilizing these reserves to fund capital projects and fixed asset purchases as the Utility Fund takes on the \$15,000,000 purchase for the 2.0 million gallon a day wastewater disposal contract.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 24-26 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 27-32 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 33-37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Harker Heights' progress in funding its obligation to provide pension benefits to its employees and to provide other postemployment benefits for its employees. Required supplementary information can be found on pages 77-89 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 90-94 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Harker Heights, assets and deferred outflows exceeded liabilities and deferred inflows by \$102.7 million at the close of the most recent fiscal year.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 31,455	\$ 33,661	\$ 10,119	\$ 7,808	\$ 41,574	\$ 41,469
Capital assets	72,220	68,760	51,751	50,742	123,971	119,502
Total assets	103,675	102,421	61,870	58,550	165,545	160,971
Deferred outflows of resources	6,363	2,545	565	374	6,928	2,919
Liabilities						
Other liabilities	6,071	7,754	469	455	6,540	8,209
Long-term liabilities	39,150	33,244	14,084	15,658	53,234	48,902
Total liabilities	45,221	40,998	14,553	16,113	59,774	57,111
Deferred inflows of resources	565	3,803	57	323	622	4,126
Net position:						
Invested in capital assets	50,903	45,819	38,856	35,829	89,759	81,648
Restricted	1,232	1,506	31	29	1,263	1,535
Unrestricted	12,117	12,840	8,938	6,630	21,055	19,470
Total net position	\$ 64,252	\$ 60,165	\$ 47,825	\$ 42,488	\$ 112,077	\$ 102,653

A portion of the City of Harker Heights' net position (1 percent) represents resources that are subject to external restrictions on how they may be used.

An additional portion of the City of Harker Heights' net position (80 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Harker Heights uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Harker Heights' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total net position for the City of Harker Heights reflects a \$9.4 million increase. Key elements of this increase are as follows:

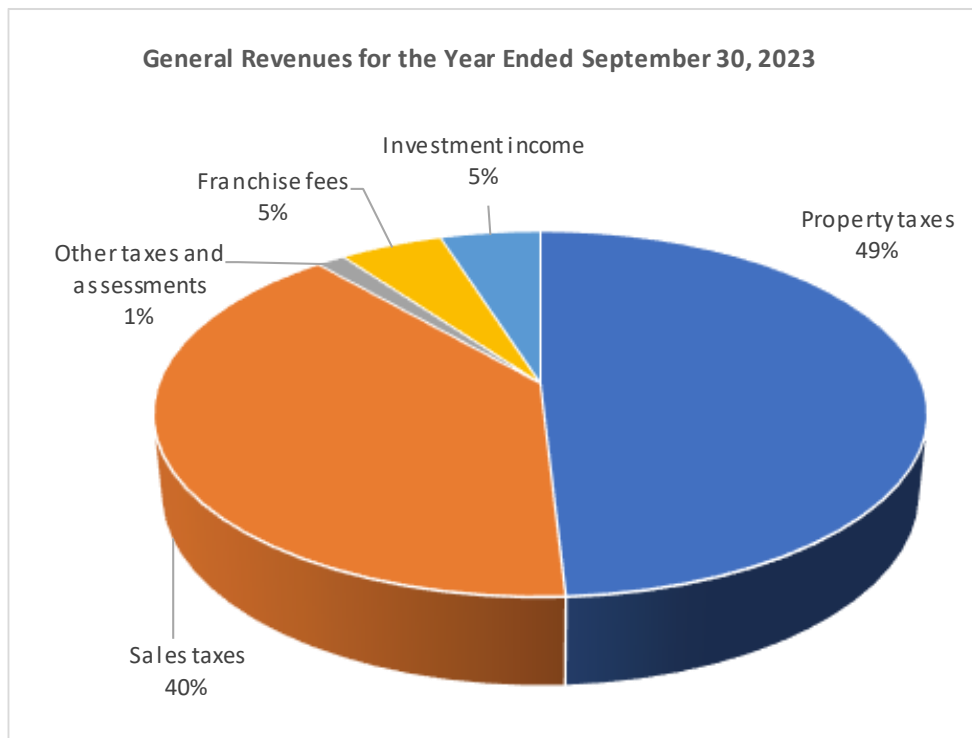
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,496	\$ 2,477	\$ 15,007	\$ 14,829	\$ 17,503	\$ 17,306
Operating grants and contributions	399	67			399	67
Capital grants and contributions	2,660	3,115			2,660	3,115
General revenues:						
Property taxes	13,838	13,580			13,838	13,580
Sales taxes	11,124	10,765			11,124	10,765
Other taxes	266	307			266	307
Franchise fees	1,428	1,415	220	194	1,648	1,609
Investment earnings	1,386	173	240	14	1,626	187
Miscellaneous	131	194	3		134	194
Gain on sale of assets						
Total revenues	<u>33,728</u>	<u>32,093</u>	<u>15,470</u>	<u>15,037</u>	<u>49,198</u>	<u>47,130</u>
Expenses:						
General government	5,058	4,106			5,058	4,106
Public safety	15,874	13,780			15,874	13,780
Highways and streets	2,387	2,204			2,387	2,204
Culture and recreation	3,718	3,410			3,718	3,410
Economic development	469	412			469	412
Interest on long-term debt	771	844			771	844
Water and sewer			8,708	8,018	8,708	8,018
Sanitation			2,467	2,272	2,467	2,272
Drainage			322	375	322	375
Total expenses	<u>28,277</u>	<u>24,756</u>	<u>11,497</u>	<u>10,665</u>	<u>39,774</u>	<u>35,421</u>
Increase (decrease) in net position before transfers	<u>5,451</u>	<u>7,337</u>	<u>3,973</u>	<u>4,372</u>	<u>9,424</u>	<u>11,709</u>
Transfers	(1,364)	(933)	1,364	933		
Increase (decrease) in net position	<u>4,087</u>	<u>6,404</u>	<u>5,337</u>	<u>5,305</u>	<u>9,424</u>	<u>11,709</u>
Net position - beginning	60,165	53,761	42,488	37,183	102,653	90,944
Net position - ending	<u>\$ 64,252</u>	<u>\$ 60,165</u>	<u>\$ 47,825</u>	<u>\$ 42,488</u>	<u>\$ 112,077</u>	<u>\$ 102,653</u>

Governmental activities. The City's general revenues increased when compared to the prior year by \$1,739,466. This increase can be attributed to strong economic growth with the major increase, as shown in Table 3 below, in investment income of \$1,213,086. Other taxes and assessments saw a decrease as a whole and consists of mixed beverage taxes, bingo taxes, hotel/motel taxes, and miscellaneous revenue.

Table 3
General Revenues Comparison
(in thousands)

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 13,838	\$ 13,580	\$ 258
Sales taxes	11,124	10,765	\$ 359
Other taxes and assessments	397	501	\$ (104)
Franchise fees	1,428	1,415	\$ 13
Investment income	1,386	173	\$ 1,213
Total governmental activities	\$ 28,173	\$ 26,434	\$ 1,739

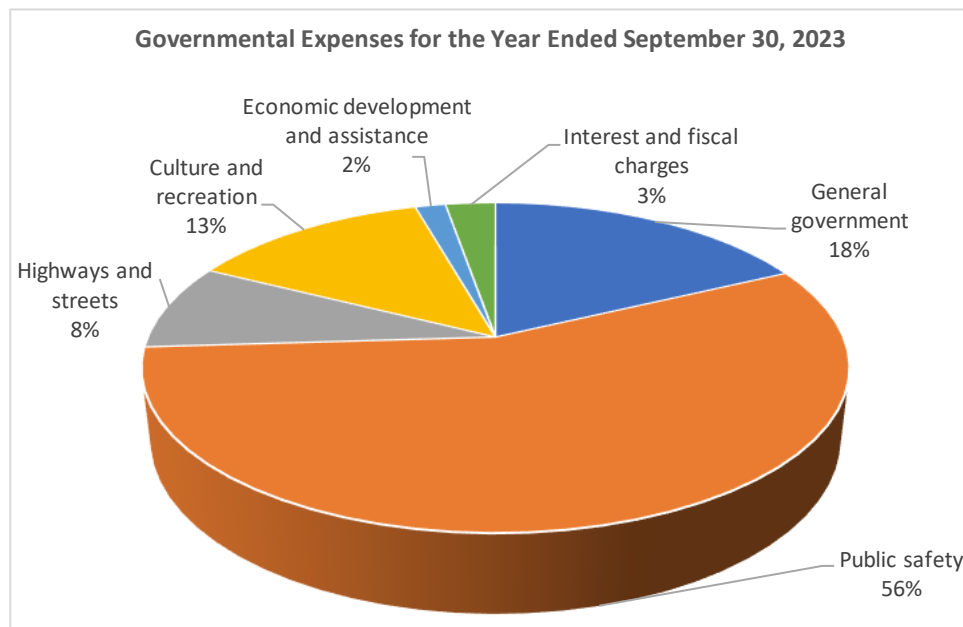


The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$15,874,227. These expenses were offset by revenues collected from a variety of sources, with the largest consisting of property taxes which are \$13,838,167, sales tax revenues of \$11,123,964, and franchise fees of \$1,427,938 for the fiscal year ended September 30, 2023. The major components of public safety are Police and Fire/Emergency Medical Services (EMS).

The City’s general expenses increased by \$3,521,112 when compared to the prior year. The \$2,094,199 increase in public safety was due to the payment of the Aerial Platform Fire Apparatus (\$1,342,084) in the fire department and other fixed assets amounting to \$136,590. The police department purchased and outfitted three patrol vehicles at a cost of \$249,113. The police department also received reimbursement grants during the 2023 fiscal year and purchased license plate readers and equipment (\$60,708) and helmets and gas masks (\$54,270),

Table 4
Governmental Expenses by Activity
(in thousands)

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Governmental activities:			
General government	\$ 5,058	\$ 4,106	\$ 952
Public safety	15,874	13,780	\$ 2,094
Highways and streets	2,387	2,204	\$ 183
Culture and recreation	3,718	3,410	\$ 308
Economic development and assistance	469	412	\$ 57
Interest and fiscal charges	771	844	\$ (73)
Total governmental activities	\$ 28,277	\$ 24,756	\$ 3,521

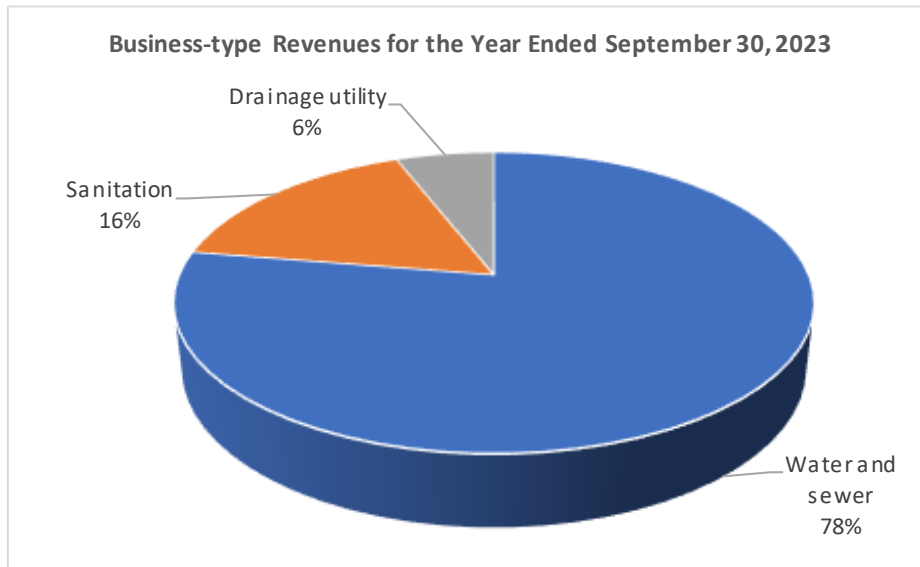


Business-type activities. Business-type activities increased the City of Harker Heights' net position by \$5,337,504. Revenues of the City's business-type activities were \$15,006,833 million for the fiscal year ended September 30, 2023.

Water and sewer rates were not increased for the 2023 fiscal year. Due to growth in the City, there was an increase in water and sewer income of \$69,027 over the prior year. Sanitation revenues saw an increase of \$95,525 with no rate increase for residential garbage pickup and no change to the \$1 monthly drop site fee charged to residential customers. Drainage utility income saw an increase of \$13,078 and there was no rate increase in this flat monthly fee.

Table 5
Business-type Revenues Comparison
(in thousands)

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Business-type activities:			
Water and sewer	\$ 11,642	\$ 11,573	\$ 69
Sanitation	2,477	2,381	96
Drainage utility	888	875	13
Total business-type activities	\$ 15,007	\$ 14,829	\$ 178

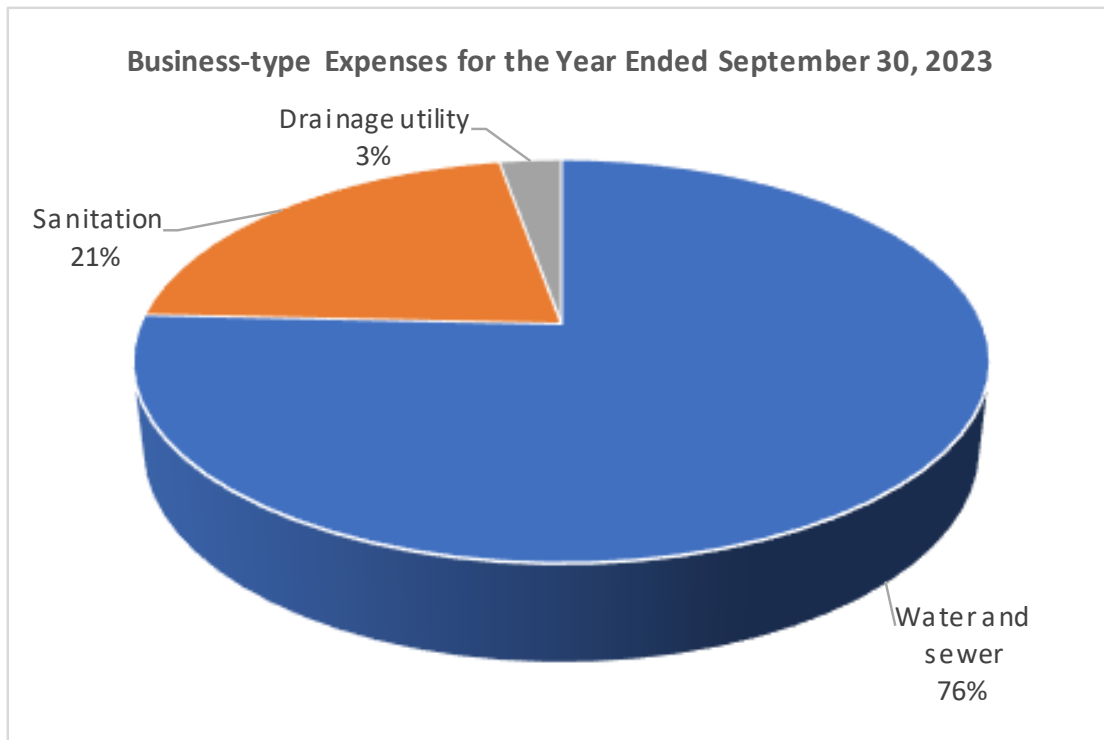


Expenses for the City’s business-type activities were \$11,497,034 for the year, resulting in net revenues of \$3,509,799 million and an increase in net position of \$5,337,504 million. The changes in net position are the result of several factors, including the following:

- In the water and sewer system, the City recorded charges for services of \$11,642,438. The most significant expenses were \$3,614,933 for water purchases, \$1,359,042 in salaries and benefits, and \$806,818 for contractual services throughout the city.
- Sanitation services are contracted out to Waste Management of Texas, Inc. Total revenues taken in by the City for sanitation services equaled \$2,475,870 and the major expense for sanitation is \$2,367,515 in contractual services. An additional expense is the operation of the City’s Recycling Drop Center to include personnel, materials, and utilities.
- Drainage utility revenues totaled \$887,807 in charges for services. The major operating expenses in this fund are personnel, repairs and maintenance, and professional fees.

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

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Business-type activities:			
Water and sewer	\$ 8,708	\$ 8,018	\$ 690
Sanitation	2,467	2,272	195
Drainage utility	322	375	(53)
Total business-type activities	<u>\$ 11,497</u>	<u>\$ 10,665</u>	<u>\$ 832</u>



Financial Analysis of the Government's Funds

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

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

As of September 30, 2023, the City of Harker Heights' governmental funds reported combined fund balances of \$24,399,083, a decrease of \$663,045 in comparison with the prior year. Approximately 59 percent or \$14,438,516 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$6,222,126 is assigned for a specific purpose (\$2,830,586 to capital projects, \$515,040 to culture and recreation, and \$2,876,500 million for the FY 2024 Budget). The remainder of the fund balance is *restricted* indicating that it is not available for spending because it has already been restricted for (a) capital projects (\$2,506,782); (b) cemetery (\$19,981); (c) debt service (\$45,049); (d) economic development (\$651,227); (e) general government (\$35,844); (f) pet adoption center (\$34,021); and (g) public safety (\$215,144).

General fund. The general fund is the chief operating fund of the City of Harker Heights. At the end of the 2023 fiscal year, unassigned fund balance of the general fund was \$14,438,516, while total fund balance reached \$17,923,823. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 60 percent of total general fund expenditures, while total fund balance represents 75 percent of that same amount.

Debt service fund. The debt service fund has a total fund balance of \$45,049, all of which is restricted for the payment of debt service. Most receipts from taxes is received during the first quarter of the fiscal year (October – December) and debt payments are made in February and August.

Capital projects fund. The capital projects fund balance is \$5,337,368 of which \$2,506,782 is restricted for capital projects funded by bonds and \$2,830,586 is assigned for capital projects that are funded from non-bond revenue. The fund balance decreased by \$180,317 from the previous year due to the kickstart (expenditures) of several projects after having a stall. During the 2023 fiscal year, the City had \$3,741,284 million in capital project expenditures which were for streets (\$3,275,803), buildings (\$67,974) and parks (\$397,507) projects.

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

As of the end of the most recent fiscal year, the City of Harker Heights' proprietary funds reported combined net position of \$47,825,238, an increase of \$5,337,504 million or 13 percent over the prior year. Unrestricted net position totals \$8,938,146 and restricted net position totals \$31,235. A total of \$38,855,857 of net position is net investment in capital assets.

Water and sewer fund. At the end of the 2023 fiscal year, unrestricted net position for the water and sewer fund was \$6,225,765, restricted net position was \$22,664 while total net position was \$42,054,651. Total net position for the water and sewer fund increased by \$4,650,328 million during the current fiscal year.

Sanitation fund. The sanitation fund has a total net position of \$383,332, an increase of \$171,308 from the prior year. Current assets, which include cash and investments, increased by \$165,681 from the prior year.

Drainage utility fund. The drainage utility fund shows a total net position of \$5,387,255. Total liabilities in the drainage utility fund total \$4,117,356 and include due to other funds (\$871,590), accrued compensated absences (\$6,168), accrued interest payable (\$12,340), certificates of obligation (\$3,091,725), net pension liability (\$127,770), and other post-employment benefits (\$7,763).

General Fund Budgetary Highlights

Original budget compared to final budget. During Fiscal Year 2023, there was no need for any significant amendments to the original budgeted revenues or budgeted expenditures/expenses.

Final budget compared to actual results. For the 2023 fiscal year, actual revenues were \$27.1 million as compared to the budget amount of \$25.9 million. The \$1.2 million positive variance was due, in part, to the difference between the budgeted and actual amount in interest income of \$853,238 with interest rates continuing to increase during the fiscal year. The 2024 fiscal year budget was planned with these higher rates in mind and future forecasts were adjusted to accommodate. Additionally, the budgeted and actual amount in sales tax had a variance of \$432,164. Sales tax revenue is hard to predict, and each year’s trend is considered for future forecasts.

Actual expenditures in the General Fund were \$24.0 million compared to the final budget amount of \$24.8 million. The \$850,779 under budget resulted from a net decrease in the public safety (\$330,337), general government (\$231,287), culture and recreation (\$214,952), and highways and streets (\$184,526) categories.

The City of Harker Heights has an actual General Fund ending fund balance of \$17.9 million as of the fiscal year end, compared to the final budgeted fund balance amount of \$15.5 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, 2023, amounts to \$123,971,367 (net of accumulated depreciation). This investment in capital assets includes land, buildings and lift stations, machinery and equipment, right-to-use assets, subscription-based IT assets (SBITAs), park facilities, vehicles, furniture and fixtures, streets, and infrastructure. The City’s investment in capital assets for the current fiscal year saw a 5 percent increase for governmental activities and a 2 percent increase for business-type activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Capital assets:						
Land	\$ 15,743	\$ 15,743	\$ 292	\$ 292	\$ 16,035	\$ 16,035
Buildings and lift stations	11,093	12,177	1,230	1,309	12,323	13,486
Improvements other than buildings	141	153			141	153
Machinery and equipment	2,023	1,579	825	1,004	2,848	2,583
Right-to-use assets	9	14			9	14
SBITAs	286	15			286	15
Vehicles	2,810	1,337	156	112	2,966	1,449
Furniture and fixtures	101	68			101	68
Infrastructure	39,468	34,694	43,849	44,822	83,317	79,516
Construction in progress	546	2,980	5,399	3,203	5,945	6,183
Total capital assets	\$ 72,220	\$ 68,760	\$ 51,751	\$ 50,742	\$ 123,971	\$ 119,502

Major capital asset events during the fiscal year included:

Governmental activities. Capital assets increased by \$3,459,699 for governmental activities. The largest increases were seen in the following:

- Infrastructure saw an increase of \$4.8 million to include the completion of the 2021 Street Improvements (\$3.7 million) and the 2022 Street Improvements (\$931,878); and
- Vehicles increased by \$1.5 million which includes the purchase of an Aerial Platform Fire Apparatus.

Business-type activities. The amount of increase in capital assets for business-type activities was \$1,009,209. There were only two categories that had an increase during the 2023 fiscal year:

- Vehicles increase of \$43,954 which consists of the purchase of a pickup truck (\$102,059); and the
- Construction in progress increase of \$2.2 million that includes expenses for Rummel Road Lift Station (\$772,498), Beeline Drive Sewer Replacement (\$290,992), Second Belt Press at the Sludge Dewatering Building (\$179,035), Fuller Lane/Tye Valley Culvert Replacement (\$166,151), and Preswick Drive/Cedar Oaks Channel Improvements (\$164,318).

Additional information on the City of Harker Heights’ capital assets can be found in Note III. C on pages 51-52 of this report.

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

Table 8
Outstanding Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Outstanding debt:						
Certificates of obligation	\$ 16,275	\$ 17,315	\$ 7,730	\$ 8,420	\$ 24,005	\$ 25,735
General obligation	6,765	8,071	5,065	6,369	11,830	14,440
Premium on bonds	209	282	247	307	456	589
Discount on bonds	(16)	(19)	(8)	(9)	(24)	(28)
Finance purchase agreement	162	243			162	243
Leases	9	13			9	13
SBITAs	318				318	
Compensated absences	908	870	48	40	956	910
Total outstanding debt	\$ 24,630	\$ 26,775	\$ 13,082	\$ 15,127	\$ 37,712	\$ 41,902

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 \$187,266,392 which is \$164,078,420 more than the City’s outstanding indebtedness of \$23,187,972 for governmental activities.

Additional information on the City of Harker Heights’ long-term debt can be found in Note III. G. on pages 65-70 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors. The following economic factors currently affect the City of Harker Heights and were considered in developing the 2024 fiscal year budget:

- Unofficial numbers for the 2023 annual unemployment rate show Harker Heights at 4.5%.
- Increase in disabled veteran's property tax exemptions.
- Rising property valuations and how that affects residents.
- Interest rates continue to rise and/or remain high.
- Health insurance premiums and ways to save the City and its employees money.

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

The property tax rate for the 2024 fiscal year budget is \$0.5250 per \$100 valuation. Of this tax rate, 78.9 percent or \$0.4142 is utilized for maintenance and operations (General Fund). The remaining 21.1 percent or \$0.1108 is used for interest and sinking (Debt Service Fund). The General Fund's portion of property tax revenue is estimated to be \$11,653,700 while the Debt Service Fund's portion is estimated at \$3,117,400 million.

Sales tax revenue (General Fund) for FY 2023-2024 is budgeted at \$11,580,300.

The largest revenue source for the water and sewer fund is water income which is budgeted at \$7,256,400 for the 2024 fiscal year. Sewer income, the second largest revenue source, is budgeted at \$4,665,000.

Next Year's Rates. Water and sewer rates were increased by 7 percent for the 2024 fiscal year. The water rate is \$12.03 as a base rate and \$3.75 per 1,000 gallons used. Sewer rates are a base rate of \$21.67 (and include usage up to 3,000 gallons) plus \$3.63 per 1,000 gallons over 3,000 gallons of usage. Sewer "per 1,000 gallons" charges cap at 10,000 gallons for residential customers.

Sanitation fees for residential and light commercial pickup are \$19.45 per month, a 3 percent rate increase was implemented during the 2023 fiscal year due to a request made by our solid waste provider, Waste Management. In March 2021, the City's sanitation contractor began utilizing polycarts and an automated pickup system versus hand pickup.

The \$1 drop site fee is a flat fee that remains unchanged for FY 2024.

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

Requests for Information

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



CITY OF HARKER HEIGHTS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,321,017	\$ 3,636,043	\$ 7,957,060
Investments	18,607,484	3,570,632	22,178,116
Receivables (net of allowance for uncollectibles):			
Property taxes	143,403		143,403
Accounts	27,311	1,736,972	1,764,283
Ambulance	439,310		439,310
Court fines	639,398		639,398
Intergovernmental	77,671		77,671
Sales tax	1,893,599		1,893,599
Interest	12,920		12,920
Internal balances	(469,969)	469,969	
Inventory of supplies, first-in, first-out cost		106,064	106,064
Restricted cash	2,534,776	421,376	2,956,152
Restricted investments	3,227,826	177,465	3,405,291
Capital assets, not being depreciated	16,288,957	5,691,659	21,980,616
Capital assets, being depreciated	55,930,922	46,059,829	101,990,751
Total assets	103,674,625	61,870,009	165,544,634
DEFERRED OUTFLOWS OF RESOURCES:			
Related to refunding debt	69,702	138,096	207,798
Related to pensions	6,112,302	408,877	6,521,179
Related to OPEB - supplemental death benefits	110,996	9,127	120,123
Related to OPEB - health	69,862	8,951	78,813
Total deferred outflows of resources	6,362,862	565,051	6,927,913
LIABILITIES			
Accounts payable and accrued liabilities	3,708,338		3,708,338
Developer deposits payable	42,856		42,856
Unearned revenue	2,232,463		2,232,463
Refundable meter deposits		416,699	416,699
Accrued interest payable	87,494	51,814	139,308
Long-term liabilities:			
Due within one year			
Bonds, finance agreements, leases, compensated absences	3,355,759	1,545,933	4,901,692
Due in more than one year			
Bonds, finance agreements, leases, compensated absences	21,274,268	11,536,528	32,810,796
Net pension liability (City's share)	13,451,853	899,747	14,351,600
Total OPEB liability - supplemental death benefits	505,175	43,402	548,577
Total OPEB liability - health	563,387	58,415	621,802
Total liabilities	45,221,593	14,552,538	59,774,131
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	58,490	7,569	66,059
Related to OPEB - supplemental death benefits	292,263	17,951	310,214
Related to OPEB - health	213,559	31,764	245,323
Total deferred inflows of resources	564,312	57,284	621,596
FUND BALANCES			
Net investment in capital assets	50,903,540	38,855,857	89,759,397
Restricted for:			
Cemetery	19,981		19,981
Debt service	45,049	31,235	76,284
Economic development	651,227		651,227
Federal grant	230,393		230,393
General government	35,844		35,844
Pet adoption center	34,021		34,021
Public safety	215,144		215,144
Unrestricted	12,116,383	8,938,146	21,054,529
Total fund balances	\$ 64,251,582	\$ 47,825,238	\$ 112,076,820

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

CITY OF HARKER HEIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTION / PROGRAM:	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 5,057,848	\$ 46,352	\$ 15,426	
Public safety	15,874,227	1,872,448	360,563	2,659,989
Highways and streets	2,386,770			
Culture and recreation	3,718,307	408,235		
Economic development and assistance	469,377	168,958	23,020	
Interest and fiscal charges	770,623			
Total governmental activities	<u>28,277,152</u>	<u>2,495,993</u>	<u>399,009</u>	<u>2,659,989</u>
Business-type activities:				
Water and sewer	8,708,179	11,642,438		
Sanitation	2,467,245	2,476,588		
Drainage utility	321,610	887,807		
Total business-type activities	<u>11,497,034</u>	<u>15,006,833</u>		
Total primary government	<u>\$ 39,774,186</u>	<u>\$ 17,502,826</u>	<u>\$ 399,009</u>	<u>\$ 2,659,989</u>

General revenues and transfers:

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,996,070)		\$ (4,996,070)
(10,981,227)		(10,981,227)
(2,386,770)		(2,386,770)
(3,310,072)		(3,310,072)
(277,399)		(277,399)
(770,623)		(770,623)
<u>(22,722,161)</u>		<u>(22,722,161)</u>
	2,934,259	2,934,259
	9,343	9,343
	566,197	566,197
	<u>3,509,799</u>	<u>3,509,799</u>
<u>\$ (22,722,161)</u>	<u>\$ 3,509,799</u>	<u>\$ (19,212,362)</u>

FUNCTION / PROGRAM:

Primary government:

Governmental activities:

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

Business-type activities:

Water and sewer
Sanitation
Drainage utility
Total business-type activities

Total primary government

13,838,167		13,838,167
11,123,964		11,123,964
1,427,938	220,183	1,648,121
125,936		125,936
31,939		31,939
107,901		107,901
1,385,733	239,750	1,625,483
131,470	3,316	134,786
(1,364,456)	1,364,456	0
<u>26,808,592</u>	<u>1,827,705</u>	<u>28,636,297</u>
4,086,431	5,337,504	9,423,935
<u>60,165,151</u>	<u>42,487,734</u>	<u>102,652,885</u>
<u>\$ 64,251,582</u>	<u>\$ 47,825,238</u>	<u>\$ 112,076,820</u>

General revenues and transfers:

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

CITY OF HARKER HEIGHTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash	\$ 2,121,109	\$ 27,921	\$ 1,699,591
Investments	14,593,619	19,808	3,207,220
Receivables (net of allowance for uncollectibles):			
Property taxes	111,539	31,864	
Accounts	20,213		
Ambulance	439,310		
Court fines	639,398		
Intergovernmental	75,790	1,881	
Sales tax	1,893,599		
Interest	4,070		3,914
Due from other funds	2,113,871		4,721,639
Restricted cash	90,215		1,205,031
Restricted investments	518,591		1,301,751
Total assets	<u>22,621,324</u>	<u>81,474</u>	<u>12,139,146</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,537,067		29,604
Developer deposits payable	42,856		
Due to other funds	70,578	11,419	6,772,174
Unearned revenue			
Total liabilities	<u>3,650,501</u>	<u>11,419</u>	<u>6,801,778</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	87,532	25,006	
Unavailable revenue - ambulance	301,507		
Unavailable revenue - court fines	639,398		
Unavailable revenue - other	18,563		
Total deferred inflows of resources	<u>1,047,000</u>	<u>25,006</u>	
FUND BALANCES			
Restricted for:			
Capital projects			2,506,782
Cemetery	19,981		
Debt service		45,049	
Economic development			
Federal grant			
General government	35,844		
Pet adoption center	34,021		
Public safety	3,921		
Assigned for:			
Capital projects			2,830,586
Culture and recreation	515,040		
Subsequent year's budget	2,876,500		
Unassigned	14,438,516		
Total fund balances	<u>17,923,823</u>	<u>45,049</u>	<u>5,337,368</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,621,324</u>	<u>\$ 81,474</u>	<u>\$ 12,139,146</u>

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

Coronavirus	Total Nonmajor Funds	Total Governmental Funds	
\$ 249,762	\$ 222,634	\$ 4,321,017	ASSETS
150,000	636,837	18,607,484	Cash
			Investments
			Receivables (net of allowance for uncollectibles):
		143,403	Property taxes
	7,098	27,311	Accounts
		439,310	Ambulance
		639,398	Court fines
		77,671	Intergovernmental
		1,893,599	Sales tax
3,785	1,151	12,920	Interest
	355	6,835,865	Due from other funds
1,239,530		2,534,776	Restricted cash
1,407,484		3,227,826	Restricted investments
<u>3,050,561</u>	<u>868,075</u>	<u>38,760,580</u>	Total assets
			LIABILITIES
141,667		3,708,338	Accounts payable and accrued liabilities
		42,856	Developer deposits payable
446,038	5,625	7,305,834	Due to other funds
2,232,463		2,232,463	Unearned revenue
<u>2,820,168</u>	<u>5,625</u>	<u>13,289,491</u>	Total liabilities
			DEFERRED INFLOWS OF RESOURCES
		112,538	Unavailable revenue - property taxes
		301,507	Unavailable revenue - ambulance
		639,398	Unavailable revenue - court fines
		18,563	Unavailable revenue - other
		<u>1,072,006</u>	Total deferred inflows of resources
			FUND BALANCES
			Restricted for:
		2,506,782	Capital projects
		19,981	Cemetery
		45,049	Debt service
	651,227	651,227	Economic development
230,393		230,393	Federal grant
		35,844	General government
		34,021	Pet adoption center
	211,223	215,144	Public safety
			Assigned for:
		2,830,586	Capital projects
		515,040	Culture and recreation
		2,876,500	Subsequent year's budget
		14,438,516	Unassigned
<u>230,393</u>	<u>862,450</u>	<u>24,399,083</u>	Total fund balances
<u>\$ 3,050,561</u>	<u>\$ 868,075</u>	<u>\$ 38,760,580</u>	Total liabilities, deferred inflows of resources, and fund balances

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



CITY OF HARKER HEIGHTS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

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

Total fund balance per balance sheet	\$ 24,399,083
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,251,332
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the OPEB and pension plans are recognized as deferred outflows and inflows of resources on the statement of net position.	
Deferred outflows - pension related	6,112,302
Deferred outflows - OPEB supplemental death benefits related	110,996
Deferred outflows - OPEB health related	69,862
Deferred inflows - pension related	(58,490)
Deferred inflows - OPEB supplemental death benefits related	(292,263)
Deferred inflows - OPEB health related	(213,559)
Long-term liabilities, certain liabilities and deferred outflow of resources, are not due and payable in the current period and, therefore, are not reported in the funds.	
Certificates of obligation	(16,275,000)
Less: discount on issuance of bonds	16,359
General obligation refunding	(6,765,000)
Plus: premium on issuance of bonds	(209,380)
Less: deferred charge for advance refunding costs	69,702
Finance purchase agreement	(161,842)
Accrued interest payable	(87,494)
Compensated absences	(908,475)
Lease payable	(9,080)
SBITA payable	(317,609)
Net pension liability	(13,451,853)
Total OPEB liability - supplemental death benefits	(505,175)
Total OPEB liability - health	(563,387)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	112,538
Ambulance	301,507
Court fines	639,398
Net position of governmental activities	\$ 64,283,035

CITY OF HARKER HEIGHTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Debt Service	Capital Projects
REVENUES			
Property taxes	\$ 10,727,191	\$ 3,073,783	
Sales and other taxes	12,709,778		
Licenses and permits	472,439		
Fines	643,997		
Charges for services	1,275,334		
Intergovernmental	235,947		
Investment earnings	893,238	27,229	261,322
Contributions and donations	32,045		
Miscellaneous	87,118		
Total revenues	<u>27,077,087</u>	<u>3,101,012</u>	<u>261,322</u>
EXPENDITURES			
Current:			
General government	4,225,113		
Public safety	14,604,063		
Highways and streets	1,327,574		
Culture and recreation	3,179,648		
Economic development and assistance	424,096		
Debt service:			
Principal	199,006	2,345,538	
Interest and fiscal charges	3,221	778,151	
Tax collection fees		30,527	
Capital outlay			
Culture and recreation			397,507
General government			67,974
Highways and streets			3,275,803
Public safety			
Total expenditures	<u>23,962,721</u>	<u>3,154,216</u>	<u>3,741,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,114,366</u>	<u>(53,204)</u>	<u>(3,479,962)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	275,000	50,000	3,850,000
Transfers out	<u>(3,550,000)</u>		<u>(550,355)</u>
Total other financing sources (uses)	<u>(3,275,000)</u>	<u>50,000</u>	<u>3,299,645</u>
Net change in fund balances	(160,634)	(3,204)	(180,317)
Fund balances - beginning	<u>18,084,457</u>	<u>48,253</u>	<u>5,517,685</u>
Fund balances - ending	<u>\$ 17,923,823</u>	<u>\$ 45,049</u>	<u>\$ 5,337,368</u>

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

Coronavirus	Total Nonmajor Funds	Total Governmental Funds	
		\$ 13,800,974	REVENUES
	107,901	12,817,679	Property taxes
		472,439	Sales and other taxes
	89,903	733,900	Licenses and permits
		1,275,334	Fines
2,659,986		2,895,933	Charges for services
171,855	32,090	1,385,734	Intergovernmental
		32,045	Investment earnings
		87,118	Contributions and donations
2,831,841	229,894	33,501,156	Miscellaneous
			Total revenues
			EXPENDITURES
			Current:
		4,225,113	General government
	100,000	14,704,063	Public safety
		1,327,574	Highways and streets
		3,179,648	Culture and recreation
	22,500	446,596	Economic development and assistance
			Debt service:
		2,544,544	Principal
		781,372	Interest and fiscal charges
		30,527	Tax collection fees
			Capital outlay
		397,507	Culture and recreation
175		68,149	General government
253,307		3,529,110	Highways and streets
1,565,542		1,565,542	Public safety
1,819,024	122,500	32,799,745	Total expenditures
			Excess (deficiency) of revenues over (under) expenditures
1,012,817	107,394	701,411	
			OTHER FINANCING SOURCES (USES)
		4,175,000	Transfers in
(1,439,101)		(5,539,456)	Transfers out
(1,439,101)		(1,364,456)	Total other financing sources (uses)
(426,284)	107,394	(663,045)	Net change in fund balances
656,677	755,056	25,062,128	Fund balances - beginning
\$ 230,393	\$ 862,450	\$ 24,399,083	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, 2023

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

Net change in fund balance - total governmental funds	\$	(663,045)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		
		6,718,312
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.</p>		
		(3,258,658)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		37,193
Ambulance		69,184
Court fines		14,319
Other		9,150
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal paid on bonds		2,544,544
Issuance of SBITA liabilities		(430,939)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Premiums		72,673
Discounts		(2,550)
Deferred charge for advance refunding costs		(38,821)
Accrued interest on long-term debt		9,974
Compensated absences		(38,475)
Changes in pension liability and related deferred inflows and outflows of resources		(948,302)
Changes in OPEB liabilities and related deferred inflows and outflows of resources		(8,128)
Change in net position of governmental activities	\$	4,086,431

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, 2023

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Drainage Utility	Total Enterprise Funds
ASSETS				
Current assets:				
Cash	\$ 3,277,504	\$ 276,109	\$ 82,430	\$ 3,636,043
Investments	3,514,886	28,291	27,455	3,570,632
Receivables (net of allowance for uncollectibles):				
Accounts	1,377,898	268,631	90,443	1,736,972
Due from other funds	2,859,100	1,576	3,143,490	6,004,166
Inventory of supplies, first-in, first-out cost	106,064			106,064
Restricted cash	416,315		5,061	421,376
Restricted investments	173,955		3,510	177,465
Total current assets	<u>11,725,722</u>	<u>574,607</u>	<u>3,352,389</u>	<u>15,652,718</u>
Noncurrent assets:				
Capital assets:				
Land and improvements	167,076		125,160	292,236
Buildings and lift stations	3,257,749			3,257,749
Furniture and fixtures	10,779			10,779
Machinery and equipment	3,236,389	40,730	290,571	3,567,690
Vehicles	785,932		95,604	881,536
Water, sewer and drainage system	54,625,423		6,495,563	61,120,986
Other improvements	1,144	23,728		24,872
Construction in progress	4,690,232	35,440	673,751	5,399,423
Less accumulated depreciation	<u>(21,164,596)</u>	<u>(64,458)</u>	<u>(1,574,729)</u>	<u>(22,803,783)</u>
Total noncurrent assets	<u>45,610,128</u>	<u>35,440</u>	<u>6,105,920</u>	<u>51,751,488</u>
Total assets	<u>57,335,850</u>	<u>610,047</u>	<u>9,458,309</u>	<u>67,404,206</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Related to refunding debt	138,096			138,096
Related to pensions	339,101	11,738	58,038	408,877
Related to OPEB - supplemental death benefits	7,790	373	964	9,127
Related to OPEB - health	8,455	496		8,951
Total deferred outflows of resources	<u>493,442</u>	<u>12,607</u>	<u>59,002</u>	<u>565,051</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, 2023

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Sanitation	Drainage Utility	
LIABILITIES				
Current liabilities:				
Compensated absences	27,131	2,710	6,092	35,933
Due to other funds	4,460,989	201,618	871,590	5,534,197
Refundable meter deposits	416,699			416,699
Accrued interest payable	39,474		12,340	51,814
General obligation bonds payable	825,000			825,000
Certificates of obligation payable	455,000		230,000	685,000
Total current liabilities	<u>6,224,293</u>	<u>204,328</u>	<u>1,120,022</u>	<u>7,548,643</u>
Noncurrent liabilities:				
Compensated absences	11,435	1,290	76	12,801
Net pension liability	745,911	26,066	127,770	899,747
Total OPEB liability - supplemental death benefits	35,992	1,529	5,881	43,402
Total OPEB liability - health	53,236	3,297	1,882	58,415
General obligation bonds payable	4,240,000			4,240,000
Certificates of obligation payable (net of unamortized discounts and premiums)	4,422,002		2,861,725	7,283,727
Total noncurrent liabilities	<u>9,508,576</u>	<u>32,182</u>	<u>2,997,334</u>	<u>12,538,092</u>
Total liabilities	<u>15,732,869</u>	<u>236,510</u>	<u>4,117,356</u>	<u>20,086,735</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	5,886	33	1,650	7,569
Related to OPEB - supplemental death benefits	15,184	903	1,864	17,951
Related to OPEB - health	20,702	1,876	9,186	31,764
Total deferred inflows of resources	<u>41,772</u>	<u>2,812</u>	<u>12,700</u>	<u>57,284</u>
NET POSITION				
Net investment in capital assets	35,806,222	35,440	3,014,195	38,855,857
Restricted for debt service	22,664		8,571	31,235
Unrestricted	6,225,765	347,892	2,364,489	8,938,146
Total net position	<u>\$ 42,054,651</u>	<u>\$ 383,332</u>	<u>\$ 5,387,255</u>	<u>\$ 47,825,238</u>

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

CITY OF HARKER HEIGHTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Sanitation	Drainage Utility	
OPERATING REVENUES				
Charges for services	\$ 11,494,092	\$ 2,475,870	\$ 887,807	\$ 14,857,769
Franchise fees		220,183		220,183
Other	148,346	718		149,064
Total operating revenues	<u>11,642,438</u>	<u>2,696,771</u>	<u>887,807</u>	<u>15,227,016</u>
OPERATING EXPENSES				
Water purchases	3,614,933			3,614,933
Contractual services	806,818	2,367,515	7,119	3,181,452
Personnel services	1,359,042	78,195	43,770	1,481,007
Utilities and telephone	405,425	1,055		406,480
Repairs and maintenance	570,410	1,620	30,733	602,763
Supplies	159,572	4,861	4,538	168,971
Uncollectible accounts	56,341	10,724	4,259	71,324
Professional fees	60,437		10,835	71,272
Depreciation	1,330,360	3,211	116,043	1,449,614
Other	2,300	64	65	2,429
Total operating expenses	<u>8,365,638</u>	<u>2,467,245</u>	<u>217,362</u>	<u>11,050,245</u>
Operating income (loss)	<u>3,276,800</u>	<u>229,526</u>	<u>670,445</u>	<u>4,176,771</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	222,709	6,342	10,699	239,750
Taxes and assessments	3,316			3,316
Interest expense	(342,541)		(104,248)	(446,789)
Total nonoperating revenues (expenses)	<u>(116,516)</u>	<u>6,342</u>	<u>(93,549)</u>	<u>(203,723)</u>
Income before transfers	3,160,284	235,868	576,896	3,973,048
Transfers in	1,615,044	35,440	338,972	1,989,456
Transfers out	(125,000)	(100,000)	(400,000)	(625,000)
Change in net position	4,650,328	171,308	515,868	5,337,504
Net position, beginning	<u>37,404,323</u>	<u>212,024</u>	<u>4,871,387</u>	<u>42,487,734</u>
Net position, ending	<u>\$ 42,054,651</u>	<u>\$ 383,332</u>	<u>\$ 5,387,255</u>	<u>\$ 47,825,238</u>

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

CITY OF HARKER HEIGHTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Sanitation	Drainage Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 11,334,759	\$ 2,441,727	\$ 879,634	\$ 14,656,120
Cash payments to suppliers	(5,698,976)	(2,362,155)	(9,070)	(8,070,201)
Cash payments to employees	(1,354,819)	(64,553)	(74,000)	(1,493,372)
Franchise fees		220,183		220,183
Other operating cash receipts (payments)	254,671	630	(399)	254,902
Net cash provided (used) by operating activities	<u>4,535,635</u>	<u>235,832</u>	<u>796,165</u>	<u>5,567,632</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	1,615,044	35,440	338,972	1,989,456
Transfers out	(125,000)	(100,000)	(400,000)	(625,000)
Net cash provided (used) by noncapital financing activities	<u>1,490,044</u>	<u>(64,560)</u>	<u>(61,028)</u>	<u>1,364,456</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(2,014,449)	(35,440)	(388,489)	(2,438,378)
Principal paid on debt	(1,696,614)		(297,848)	(1,994,462)
Interest paid on debt	(349,281)		(108,666)	(457,947)
Net cash provided (used) by capital and related financing activities	<u>(4,060,344)</u>	<u>(35,440)</u>	<u>(795,003)</u>	<u>(4,890,787)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,426,653)	(1,251)	(1,369)	(2,429,273)
Proceeds from sales and maturities of investments	875,000			875,000
Interest and penalties received on investments	222,709	6,342	10,699	239,750
Net cash provided (used) by investing activities	<u>(1,328,944)</u>	<u>5,091</u>	<u>9,330</u>	<u>(1,314,523)</u>
Net increase (decrease) in cash	636,391	140,923	(50,536)	726,778
Cash, beginning	<u>3,057,428</u>	<u>135,186</u>	<u>138,027</u>	<u>3,330,641</u>
Cash, ending	<u>\$ 3,693,819</u>	<u>\$ 276,109</u>	<u>\$ 87,491</u>	<u>\$ 4,057,419</u>
RECONCILIATION OF CASH				
Cash	3,277,504	276,109	82,430	3,636,043
Restricted cash	416,315		5,061	421,376
Total cash	<u>\$ 3,693,819</u>	<u>\$ 276,109</u>	<u>\$ 87,491</u>	<u>\$ 4,057,419</u>

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

CITY OF HARKER HEIGHTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Drainage Utility	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 3,276,800	\$ 229,526	\$ 670,445	\$ 4,176,771
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,330,360	3,210	116,043	1,449,613
(Increase) decrease in accounts receivable	(180,247)	(23,419)	(3,914)	(207,580)
(Increase) decrease in due from other funds	(700)	(88)	(399)	(1,187)
(Increase) decrease in inventory	(22,740)			(22,740)
(Increase) decrease in deferred outflow in net pension obligation	(196,134)	(11,491)	(22,687)	(230,312)
(Increase) decrease in deferred outflow in other post-employment benefit obligations	3,151	198	275	3,624
Increase (decrease) in due to other funds	107,025	12,961	44,220	164,206
Increase (decrease) in compensated absences	7,566		1,168	8,734
Increase (decrease) in refundable deposits	20,914			20,914
Increase (decrease) in net pension obligation	414,052	25,494	45,713	485,259
Increase (decrease) in other post-employment supplemental death benefit obligation	(13,382)	(831)	(1,547)	(15,760)
Increase (decrease) in other post-employment benefit obligation	1,483	90	71	1,644
Increase (decrease) in deferred inflow in net pension obligation	(221,142)	(358)	(54,486)	(275,986)
Increase (decrease) in deferred inflow in other post-employment benefit obligations	8,629	540	1,263	10,432
Total adjustments	<u>1,258,835</u>	<u>6,306</u>	<u>125,720</u>	<u>1,390,861</u>
Net cash provided by (used for) operating activities	<u>\$ 4,535,635</u>	<u>\$ 235,832</u>	<u>\$ 796,165</u>	<u>\$ 5,567,632</u>

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



CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. Summary of significant accounting policies

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

A. Reporting entity and component units

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

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

B. Government-wide and fund financial statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, culture and recreation, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

C. Financial statement presentation

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

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

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

The City of Harker Heights reports the following major governmental funds:

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

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

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

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

The City of Harker Heights reports the following major enterprise funds:

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

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

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

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

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

D. Measurement focus and basis of accounting

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

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

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

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

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

E. Budgetary information

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

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

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

F. Cash and investments

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

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

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

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

G. Cash and investments – restricted assets

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

H. Receivables and payables and interfund transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

All service receivables are shown net of an allowance for uncollectibles. Service accounts receivable in excess of 90 days comprise the service accounts receivable allowance with the exception of ambulance receivable, which is 120 days. Property tax receivable allowance is equal to 60% of outstanding property taxes at the end of the fiscal year.

I. Inventories

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

J. Capital assets

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

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

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

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

K. Deferred outflows / inflows of resources

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

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

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

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

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

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

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

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

The *deferred amount related to pensions* results from differences in expected and actual experience, differences due to changes in actuarial assumptions, differences in projected and actual earnings, and pension contributions made after the measurement date. These amounts are only reported in the government-wide financial statements and the proprietary funds.

The *deferred amount related to other post-employment benefits (OPEB)* results from differences between expected and actual experiences, changes of assumptions or other inputs, and amounts associated with transactions subsequent to the measurement date. These amounts are only reported in the government-wide financial statements and the proprietary funds.

L. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Net position

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

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

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

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

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

N. Fund balance

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

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

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

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

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

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

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

O. Leases and Subscription-Based Information Technology Arrangements

The City of Harker Heights is a lessee for noncancellable leases of equipment and subscription-based IT arrangements (SBITAs). The City recognizes a liability and an intangible right-to-use lease asset or SBITA asset in the government-wide financial statements.

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses an estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the lease or SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

P. Revenues and expenditures / expenses

1. Program revenues

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

2. Property taxes

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

The adopted tax rate during the fiscal year ended September 30, 2023, was \$0.5800 per \$100 valuation.

3. Compensated absences

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

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

4. Proprietary funds operating and nonoperating revenues and expenses

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

Q. Change in Accounting Principle

GASB Statement No. 96, Subscription-Based IT Arrangements, was adopted effective October 1, 2022. The statement addresses accounting and financial reporting for SBITA contracts. Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to SBITAs in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of the beginning fund balance or net position, but assets, liabilities and deferred inflows were recognized, and more extensive note disclosures were required.

R. New Governmental Accounting Standards Board Pronouncements

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

1. GASB has amended the existing standards regarding capitalization thresholds for assets regarding GASB Implementation Guide 2021-1, Question 5.1. The amended guidance is effective for reporting periods beginning after June 15, 2023.
2. Statement No. 99, “Omnibus 2022.” The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
3. Statement No. 100, “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
4. Statement No. 101, “Compensated Absences.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.
5. Statement No. 102, “Certain Risk Disclosures.” The requirements of Statement No. 102 are effective for fiscal years beginning after June 15, 2024.

Earlier application of these statements is encouraged.

II. Stewardship, compliance, and accountability

A. Use of estimates

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

III. Detailed notes on all funds

A. Deposits and investments

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

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

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

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

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities including the Federal Home Loan Banks.
2. Direct obligations of the State of Texas or its respective agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
4. 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.
5. 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.
6. Interest bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund or their successors.
7. Interest bearing banking deposits, other than those above, which are invested through a broker or depository institution.
8. A certificate of deposit or share certificate issued by a deposit institution that is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund.
9. A certificate of deposit or share certificate that is invested through a broker who utilizes a federally insured depository institution for the account of the City and who is on the list of broker / dealers adopted by the City Council.
10. Money Market Mutual Funds registered with and regulated by the Securities and Exchange Commission that fully invest dollar-for-dollar all the City's funds without sales commissions or loads.
11. Investment pools authorized by resolution by the City Council.

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

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

The City invests in Texas Short Term Asset Reserve Program, an interlocal governmental investment pool. TexSTAR has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is governed by a board of directors and co-administered by J.P. Morgan Investment Management Inc. and Hilltop Securities Inc. The objective of the TexSTAR Cash Reserve Fund is to maintain a stable value of \$1.00 per unit and is designed to be used by participants for investment of funds requiring daily liquidity. Although all securities in the Fund are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of securities, is utilized. As of September 30, 2023, TexSTAR was rated "AAAm" by Standard & Poor's.

The City invests in Texas Cooperative Liquid Assets Securities System (Texas CLASS) which enables local governments to pool funds with other units of government. Texas CLASS is administered by Public Trust advisors, LLC and governed by a board or trustees. The intent of Texas CLASS is to maintain a net asset value of \$1.00, however, there is no guarantee of a net asset value of \$1.00 being maintained due to the risk of market price fluctuation. As of September 30, 2023, Texas CLASS was rated "AAAm" by Standard & Poor's.

The City invests in LoneStar Investment Pool which is administered by First Public who is directed and overseen by the Lone Star Investment Pool Board. Lone Star was created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The Government Overnight Fund, which the City invests in, has a net asset value of \$1.00. All investments are stated at amortized cost, which in most cases approximates the market value of the securities due to the short-term nature of the investments. Gains and losses generated by the sale of a security held by the Fund are allocated over a period not to exceed 30 days, based on the straight-line amortization method. As of September 30, 2023, LoneStar was rated "AAAm" by Standard & Poor's.

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

Custodial credit risk for deposits. The custodial credit risk for deposits is the risk in the event of a bank failure that the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires that all deposits in financial institutions be fully collateralized by the Federal Deposit Insurance Corporation or Letter of Credit. At September 30, 2023, the carrying amount of the City's bank deposits was \$10,911,414, and the respective bank balances totaled \$11,039,542. Of the bank balances, \$294,873 was covered by FDIC. Collateral for the bank balances and certificates of deposit balances over the FDIC amount consisted of securities with a fair value of \$30,318,879 at September 30, 2023.

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

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

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

As of September 30, 2023, the City of Harker Heights had the following investments:

Investment Type	Fair Value/Carrying Value		Investment Maturities (in Years)
	Governmental	Business-Type	Less than 1 year
US Agency Obligation	\$ 220,078		\$ 220,078
Non-negotiable CDs	7,209,324		7,209,324
Negotiable CDs	2,550,000	110,000	2,660,000
Investment pools	11,855,909	3,638,097	15,494,006
Total investments	<u>\$ 21,835,310</u>	<u>\$ 3,748,097</u>	<u>\$ 25,583,407</u>

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

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

As of September 30, 2023, the City had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Total
Negotiable CDs	\$ 2,660,000		\$ 2,660,000
Non-negotiable CDs		7,429,402	7,429,402
Total certificates of deposits	<u>\$ 2,660,000</u>	<u>\$ 7,429,402</u>	<u>\$ 10,089,402</u>

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

Cash on hand	\$ 1,798
Carrying amount of deposits	10,911,414
Carrying amount of investments	25,583,407
Total cash and investments	<u>\$ 36,496,619</u>
Cash	\$ 7,957,060
Restricted cash	2,956,152
Investments – short-term	22,178,116
Investments – long-term	
Restricted investments – short-term	<u>3,405,291</u>
Restricted investments – long-term	
Total cash and investments	<u>\$ 36,496,619</u>

B. Receivables

Receivables at September 30, 2023 for the City’s individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Hotel / Motel</u>	<u>Coronavirus</u>	<u>Total Governmental</u>
Receivables						
Property taxes	\$ 279,223		\$ 79,768			\$ 358,991
Sales taxes	1,893,599					1,893,599
Accounts	447,345			7,098		454,443
Ambulance	2,443,489					2,443,489
Court fines	2,131,327					2,131,327
Interest	4,070	3,914		1,151	3,785	12,920
Intergovernmental	75,790		1,881			77,671
Gross receivables	<u>7,274,843</u>	<u>3,914</u>	<u>81,649</u>	<u>8,249</u>	<u>3,785</u>	<u>7,372,440</u>
Less: allowance for uncollectibles	<u>4,090,924</u>		<u>47,904</u>			<u>4,138,828</u>
Net receivables	<u>\$ 3,183,919</u>	<u>\$ 3,914</u>	<u>\$ 33,745</u>	<u>\$ 8,249</u>	<u>\$ 3,785</u>	<u>\$ 3,233,612</u>

The intergovernmental amount of \$75,790 in the general fund is for the reimbursable expenses incurred for grants during the 2023 fiscal year whose funding is expected to be received within the next year. Also, approximately \$1,500,000 of the outstanding balance of ambulance receivable is not anticipated to be collected within the next year.

CITY OF HARKER HEIGHTS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

Receivables at September 30, 2023 for the City’s business-type funds, including the applicable allowances for uncollectible accounts, consist of the following:

	Water and Sewer	Sanitation	Drainage Utility	Total Business-Type
Receivables				
Accounts	\$ 1,411,454	\$ 270,830	\$ 91,609	\$ 1,773,893
Special assessments	12,362			12,362
Gross receivables	1,423,816	270,830	91,609	1,786,255
Less: allowance for uncollectibles	45,918	2,199	1,166	49,283
Net receivables	<u>\$ 1,377,898</u>	<u>\$ 268,631</u>	<u>\$ 90,443</u>	<u>\$ 1,736,972</u>

The enterprise funds (Water and Sewer, Sanitation, and Drainage Utility) allowance for uncollectibles is \$49,283 and is related to charges for services.

C. Capital Assets

Capital assets activity for the year ended September 30, 2023, was as follows:

	Balance 10/01/2022	Increases	Decreases	Balance 09/30/2023
Governmental Activities:				
Capital assets, not depreciated:				
Land	\$15,743,073			\$15,743,073
Construction in progress	2,980,248	3,741,458	(6,175,822)	545,884
Total capital assets, not depreciated:	<u>18,723,321</u>	<u>3,741,458</u>	<u>(6,175,822)</u>	<u>16,288,957</u>
Capital assets, being depreciated				
Buildings	24,973,239	34,743		25,007,982
Improv other than buildings	343,100	15,243		358,343
Machinery and equipment	7,917,069	988,660	(10,800)	8,894,929
Right-to-use lease asset	18,402			18,402
SBITAs	21,450	409,489		430,939
Vehicles	6,081,129	1,924,070	(176,875)	7,828,324
Furniture and fixtures	1,182,189	76,418	(25,226)	1,233,381
Street, drainage improvements	45,042,058	5,704,053		50,746,111
Total capital assets, depreciated	<u>85,578,636</u>	<u>9,152,676</u>	<u>(212,901)</u>	<u>94,518,411</u>
Less accumulated depreciated for:				
Buildings	(12,795,999)	(1,118,583)		(13,914,582)
Improv other than buildings	(189,808)	(27,947)		(217,755)
Machinery and equipment	(6,338,295)	(544,063)	10,800	(6,871,558)
Right-to-use lease asset	(4,645)	(4,585)		(9,230)
SBITAs	(6,229)	(138,453)		(144,682)
Vehicles	(4,744,633)	(451,326)	176,875	(5,019,084)
Furniture and fixtures	(1,114,321)	(43,053)	25,226	(1,132,148)
Street, drainage improvements	(10,347,847)	(930,603)		(11,278,450)
Total accumulated depreciation	<u>(35,541,777)</u>	<u>(3,258,613)</u>	<u>212,901</u>	<u>(38,587,489)</u>
Total capital assets, being depreciated net	<u>50,036,859</u>	<u>5,894,063</u>		<u>55,930,922</u>
Total net governmental activities	<u>\$68,760,180</u>	<u>\$ 9,635,521</u>	<u>\$ (6,175,822)</u>	<u>\$72,219,879</u>

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Business-Type Activities:	Balance 10/01/2022	Increases	Decreases	Balance 09/30/2023
Capital assets, not depreciated:				
Land	\$ 292,236			\$ 292,236
Construction in progress	3,203,313	2,318,232	(122,122)	5,399,423
Total capital assets, not depreciated	<u>3,495,549</u>	<u>2,318,232</u>	<u>(122,122)</u>	<u>5,691,659</u>
Capital assets, being depreciated:				
Buildings and lift stations	3,257,749			3,257,749
Improv other than buildings	24,872			24,872
Machinery and equipment	3,510,516	76,024	(18,850)	3,567,690
Vehicles	779,477	102,059		881,536
Furniture and fixtures	12,375		(1,596)	10,779
Water, sewer, drainage systems	61,036,356	84,630		61,120,986
Total capital assets, depreciated	<u>68,621,345</u>	<u>262,713</u>	<u>(20,446)</u>	<u>68,863,612</u>
Less accumulated depreciated for:				
Buildings and lift stations	(1,948,733)	(79,328)		(2,028,061)
Improv other than buildings	(24,872)			(24,872)
Machinery and equipment	(2,506,760)	(254,296)	18,850	(2,742,206)
Vehicles	(667,282)	(58,105)		(725,387)
Furniture and fixtures	(12,375)		1,596	(10,779)
Water, sewer, drainage systems	(16,214,593)	(1,057,885)		(17,272,478)
Total accumulated depreciation	<u>(21,374,615)</u>	<u>(1,449,614)</u>	<u>20,446</u>	<u>(22,803,783)</u>
Total capital assets, being depreciated net	<u>47,246,730</u>	<u>(1,186,901)</u>		<u>46,056,829</u>
Total net business-type activities	<u>\$50,742,279</u>	<u>\$ 1,131,331</u>	<u>\$ (122,122)</u>	<u>\$51,751,488</u>

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

Governmental activities:	
General governmental	\$ 619,781
Public safety	1,167,599
Highways and streets, including depreciation of infrastructure	1,020,938
Culture and recreation	446,643
Economic development and assistance	3,652
Total depreciation expense – governmental activities	<u>\$ 3,258,613</u>
Business-type activities:	
Water and sewer, drainage utility, and sanitation	\$ 1,449,614
Total depreciation expense – business-type activities	<u>\$ 1,449,614</u>

D. Defined benefit pension plans

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

1. Texas Municipal Retirement System Plan

a. Plan Description

The City of Harker Heights participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at tmrs.com.

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

b. Benefits Provided

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

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

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

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	119
Inactive employees entitled to but not yet receiving benefits	177
<u>Active employees</u>	<u>220</u>
Total	516

c. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member’s total compensation, and the city matching percentages are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Harker Heights were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Harker Heights were 14.63% and 15.22% in calendar years 2022 and 2023 respectively. The city’s contribution to TMRS for the year ended September 30, 2023, was \$2,188,063, and was equal to the required contributions. Typically, the general fund has been used in prior years to liquidate such amounts in the governmental funds.

d. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumption. The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

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

Development of Single Discount Rate		
Single Discount Rate	Long-Term Expected Rate of Return	Long-Term Municipal Bond Rate*
6.75%	6.75%	4.05%

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2021	\$67,073,375	\$61,512,702	\$ 5,560,673
Changes for the year:			
Service Cost	2,369,461		2,369,461
Interest	4,527,426		4,527,426
Difference between expected and actual experience	399,124		399,124
Contributions – employer		2,023,655	(2,023,655)
Contributions – employee		968,256	(968,256)
Net investment income		(4,494,338)	4,494,338
Benefit payments, incl. refunds of employee contributions	(2,370,249)	(2,370,249)	
Administrative expense		(38,856)	38,856
Other changes		46,367	(46,367)
Net changes	4,925,762	(3,865,165)	8,790,927
Balance at 12/31/2022	\$71,999,137	\$57,647,537	\$14,351,600

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s Net Pension Liability	\$25,901,919	\$14,351,600	\$5,058,794

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

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

For the year ended September 30, 2023, the city recognized pension expense of \$3,100,422.

At September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 894,883	\$ (66,059)
Changes in actuarial assumptions	15,694	
Difference between projected and actual investment earnings	3,992,946	
Contributions subsequent to the measurement date	1,617,656	
Total	\$ 6,521,179	\$ (66,059)

\$1,617,656 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2024	\$ 570,107
2025	1,328,426
2026	1,209,642
2027	1,729,289
Total	\$ 4,837,464

The current year adjustment to pension expense in the Sanitation Fund included a significant debit due to various factors. The adjustment caused an increase in payroll expenses in that fund. Without that debit, payroll expenses in the Sanitation Fund would have been \$58,277.

The current year adjustment to pension expense in the Drainage Fund included a significant credit due to various factors. This adjustment caused a reduction of payroll expenses in that fund. Without that credit, payroll expenses in the Drainage Fund would have been \$97,393.

Additional schedules can be found in the required supplementary information section on pages 78-81.

2. Supplemental Death Benefits Plan

a. Plan Description

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

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

b. Benefits Provided

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

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	60
<u>Active employees</u>	<u>220</u>
Total	372

c. Contributions

Plan / Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2023	0.26%	0.09%
2022	0.15%	0.07%
2021	0.15%	0.06%
2020	0.15%	0.02%
2019	0.14%	0.02%

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

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

$$\text{Total covered payroll} * \text{Retiree portion of SDB contribution (rate)}$$

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

d. Actuarial Assumptions

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. The discount rate shown was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

Inflation	2.50% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Retirees’ share of benefit-related costs	\$0
Administrative expenses	Paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables
Mortality rates – disable retirees	2019 Municipal Retirees of Texas Mortality Tables with 4-year set-forward for males and 3-year set-forward for females.

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

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City’s Total OPEB SDB Liability	\$669,314	\$548,577	\$456,201

For the year ended September 30, 2023, the City recognized Supplemental Death OPEB expense of \$35,518. The combined supplemental death benefit OPEB expense and health OPEB expense is \$61,446.

TOTAL OPEB SDB EXPENSE	
Changes for the year:	
Service Cost	\$ 48,413
Interest on total OPEB liability	15,723
Recognition of deferred outflows / inflows of resources:	
Differences between expected and actual experience	(13,402)
Changes in assumptions or other inputs ¹	(15,216)
Total OPEB SDB expense	\$ 35,518

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

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

TOTAL OPEB SDB LIABILITY	
Balance at 12/31/2021	\$ 835,121
Changes for the year:	
Service Cost	48,413
Interest on total OPEB liability	15,723
Difference between expected and actual experience	(21,707)
Changes in assumptions or other inputs	(319,290)
Benefit payments*	(9,683)
Net changes	(286,544)
Total OPEB SDB Liability at 12/31/2022	\$ 548,577

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

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

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to total OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 4,234	\$ (41,989)
Changes in actuarial assumptions	106,323	(268,225)
Contributions subsequent to the measurement date	9,566	
Total	\$ 120,123	\$ (310,214)

\$9,566 reported as deferred outflows of resources related to total OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2024	\$ (34,104)
2025	(32,743)
2026	(47,304)
2027	(58,509)
2028	(26,997)
Total	\$ (199,657)

Additional schedules can be found in the required supplementary information section on pages 82-85.

3. Deferred Compensation Plan

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

Investments, other than annuity contracts, are held in a custodial account, the assets of which are held by Bank One Trust Company, N.A. as custodian for the exclusive benefit of participants and the beneficiaries thereof of the Plan. The City’s USCM Deferred Compensation Program is administered by Nationwide Retirement Solutions. Except as may otherwise be permitted or required by law, no assets or income of the Plan shall be used for, or diverted to, purposes other than for the expenses of the administration of the Plan. The assets amounted to \$4,394,169 as of September 30, 2023.

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

4. Other Post-Employment Benefit (OPEB) Plan

a. Plan Description

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

b. Covered Employees

At the September 30, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

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

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

c. Contributions

The full monthly premium rates for retirees as of October 1, 2022, for each plan are shown below:

Rate Tier	Health (Premier)	Health (Plus)	Vision	Vision (Buy Up)	Dental (Low)	Dental (High)
Subscriber Only	\$ 559.51	\$ 602.90	\$ 3.85	\$ 6.23	\$ 19.24	\$ 22.14
With Spouse	1,311.89	1,413.63	7.23	11.70	38.32	44.09
With Child(ren)	951.76	1,025.57	7.64	12.36	52.05	66.23
With Family	1,619.90	1,745.51	11.91	19.27	77.79	97.09

d. Actuarial Assumptions

The other post-employment benefit (OPEB) liability in September 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	4.87%, including inflation
Salary increase rate	3.50% including inflation
Inflation rate	2.50% per year
Healthcare cost trend rate	6.80% initial trend rate for pre-65 retirees decreasing to an ultimate rate of 4.14% in the year 2041
Mortality rates	Public Plan mortality Study with generational mortality improvement scale MP-2021
Actuarial method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary

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

Year Ending	Rate
2023	6.80%
2024	6.51%
2025	6.21%
2026	5.92%
2027	5.72%
2028	5.42%
2029	5.13%
2030	4.83%
2031	4.63%
2032	4.34%
2033-2040	4.24%
2041+	4.14%

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

At September 30, 2023, the City’s OPEB expense is as follows:

TOTAL OPEB EXPENSE	
Changes for the year:	
Service Cost	\$ 34,591
Interest on total OPEB liability	29,478
Difference between expected and actual experience	(6,296)
Change in assumptions	(31,845)
Change in benefit terms	
Total OPEB expense	\$ 25,928

At September 30, 2023, the City’s OPEB liability is as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at 10/01/2022	\$ 603,939		\$ 603,939
Changes for the year:			
Service Cost	34,591		34,591
Interest on total OPEB liability	29,478		29,478
Difference between expected and actual experience			
Change in assumptions	(5,124)		(5,124)
Contributions – employer		41,082	(41,082)
Change in benefit terms			
Benefit payments	(41,082)	(41,082)	
Net changes	17,863		17,863
Total OPEB Liability	\$ 621,802		\$ 621,802

Assumption Changes: Since the prior valuation, the discount rate has increased to 4.87% from 4.77%.

The two tables below show the Net OPEB liability along with the liability if a 100-basis point change was made to the discount rate and the healthcare trend rate as of September 30, 2023. The purpose of showing the liability sensitivity information below is to help the statement user understand the volatility in the plan liability resulting from changes in these two key assumptions.

Discount Rate Sensitivity			
	1% Decrease in Discount Rate (3.87%)	Discount Rate (4.87%)	1% Increase in Discount Rate (5.87%)
City’s Total OPEB Liability	\$675,256	\$621,802	\$573,281

Healthcare Cost Trend Rate			
	1% Decrease for All Years	Trend Rate for All Years	1% Increase for All Years
City’s Total OPEB Liability	\$553,501	\$621,802	\$704,841

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

For the year ended September 30, 2023, the City recognized health OPEB expense of \$25,928. The combined supplemental death OPEB expense and health OPEB expense is \$61,446.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences		\$ (37,775)
Changes of assumptions	78,813	(207,548)
Total	\$ 78,813	\$ (245,323)

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:	
2024	\$ (38,141)
2025	(38,141)
2026	(38,141)
2027	(19,409)
2028	(15,804)
2029	(16,237)
2030	(637)
Total	\$ (166,510)

Additional schedules can be found in the required supplementary information section on pages 86-89.

E. Construction and other significant commitments

Construction commitments. The City has active construction projects as of September 30, 2023 as follows:

<u>Project</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment (Encumbrance)</u>
Mountain Lion Road Drainage Flume at Pontiac Trail - Engineering	\$ 4,000	\$ 6,400
Beeline Drive Waterline Replacement - Engineering	19,550	65,600
Beeline Drive Sewer Replacement – Construction	562,472	101,564
Warrior's Path Phase 2 – Engineering	341,753	129,965
2023 Street Improvements - Engineering	46,800	98,200
Emergency Generators (Senate Bill 3) – Engineering	57,544	329,131
Wastewater Treatment Plant Barscreen Improvements	11,125	94,260
Emergency Generator and Aeration Blower Replacement - Engineering	100,040	79,960
Addition of Third 200 GPM Waste Activated Sludge Pump – Engineering	8,965	21,535
1,000 Gallon Hydropneumatic Tank – Engineering	8,150	19,850
Ultraviolet Disinfection Equipment – Engineering	26,081	63,919
Water and Wastewater Improvements at Cardinal Lane – Engineering	68,750	28,500
Wastewater Improvements at Harley Drive – Engineering	8,768	15,420
Roy Reynolds Bridge Stabilization - Engineering	18,000	12,000
Public Works Street Yard Building - Architectural Design	8,172	7,428
CIP Priority #1 Goode Connell Detention Pond – Engineering	37,500	21,500
CIP Priority #2 Phases 2, 3 and 4 - Engineering	153,500	82,500
Rummel Road Lift Station Upgrade – Engineering	292,871	29,129
Rummel Road Lift Station Upgrade – Construction	2,194,431	400,219
Wastewater Impact Fee II Study	0	60,200
Second Belt Press at Sludge Dewatering Building - Engineering	94,785	9,215
Second Belt Press at Sludge Dewatering Building - Construction	943,722	11,533
Splash Pad at Kern Park – Grant Consultants	5,000	20,000
Jorgette Drive Channel Scour – Engineering	30,000	25,000
Fuller Lane/Tye Valley Culvert Replacement - Engineering	31,600	2,100
Fuller Lane/Tye Valley Culvert Replacement – Construction	138,756	32,209
Preswick/Cedar Oaks Channel Improvements - Engineering	26,110	7,090
Preswick/Cedar Oaks Channel Improvements – Construction	139,373	142,070
Bulk Solid Waste Collection Center – Engineering	35,440	44,060
Dog Run Kennels	0	49,834
HVAC Installation at the Library/Activities Center	0	262,578
Total	\$ 5,413,258	\$ 2,272,969

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

Water service contracts. The City has an agreement to purchase water service from Bell County Water Control and Improvement District No. 1 (WCID No. 1), Killeen, Texas, until December 31, 2041, when WCID No. 1's bonds are paid. WCID No. 1 agrees to deliver and meter water required by the city. WCID No. 1 bills for water purchased at rates that are reviewed and adjusted periodically. The rates are determined by amounts necessary to retire WCID No. 1's debt and to cover maintenance and operating expenses. During the fiscal year ended September 30, 2023, the City purchased 1,822,180,000 gallons of water from WCID No. 1 for a total charge of \$2,940,824. The City also paid \$157,581 for an option to purchase future water from WCID No. 1. An additional payment of \$182,161 was made to WCID No. 1 to provide for additional funding to cover a 10MW standby generation option versus a 7.5MW option.

In addition, the City has two contracts with the Brazos River Authority (BRA) to pay annually for the water made available to the City at a price equal to the product of multiplying the system rate time 3,235-acre feet and 300-acre feet of water per fiscal year. This was agreed to be made available to the City by the BRA from the system regardless of whether, or how much of, said water is diverted and used by the City. The City paid the BRA \$330,523 for water which can be pumped directly into the South Water Plant.

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

F. Risk management

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

G. Long-term liabilities

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

Purpose	Year of Issue	Final Maturity	Original Borrowing	Interest Rate	Outstanding at 09/30/2023
Governmental activities					
Municipal improvements	2005	2025	\$1,000,000	4.550%	\$ 150,000
Municipal improvements	2008	2028	6,000,000	4.190%	2,200,000
Municipal improvements	2014	2034	6,000,000	1.500-4.000%	4,090,000
Municipal improvements	2017	2037	4,930,000	3.250-4.000%	4,265,000
Municipal improvements	2018	2038	3,000,000	3.000-3.125%	2,570,000
Municipal improvements	2019	2039	3,000,000	3.000-3.500%	3,000,000
Total governmental activities					<u>\$16,275,000</u>
Business-type activities					
Utility improvements	2004	2024	2,000,000	3.980-4.837%	\$ 125,000
Utility improvements	2008	2028	2,000,000	4.190%	725,000
Utility improvements	2014	2034	3,000,000	1.500-4.000%	1,955,000
Utility improvements	2017	2037	985,000	3.250-4.000%	850,000
Utility improvements	2019	2039	1,000,000	3.000-3.500%	1,000,000
Subtotal water / sewer					<u>4,655,000</u>
Drainage improvements	2008	2028	1,500,000	4.190%	500,000
Drainage improvements	2018	2038	3,000,000	3.000-3.125%	2,575,000
Subtotal drainage					<u>3,075,000</u>
Total business-type activities					<u>\$ 7,730,000</u>

General obligation bonds are backed by the full faith and credit of the City; in other words, the bonds are guaranteed by a pledge of taxes. General obligation bonds outstanding at September 30, 2023, are as follows:

Purpose	Year of Issue	Final Maturity	Original Borrowing	Interest Rate	Outstanding at 09/30/2023
Governmental activities					
Refund 2006	2015	2027	\$5,845,000	3.000-4.000%	\$ 3,200,000
Refund 2011	2020	2031	4,075,000	1.192%	3,565,000
Total governmental activities					<u>\$ 6,765,000</u>
Business-type activities					
Refund 2006	2015	2027	2,555,000	3.000-4.000%	\$ 1,400,000
Refund 2006, 2009	2016	2029	4,485,000	2.000-4.000%	2,160,000
Refund 2011	2020	2031	1,990,000	1.192%	1,505,000
Total business-type activities					<u>\$ 5,065,000</u>

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

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

Advance refunding:

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

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$113,561 for governmental activities and \$257,948 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2020 for the governmental and 2029 for the water and sewer fund using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2023, is \$111,290 for the water and sewer fund.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$457,001 for governmental activities and \$175,770 for the water and sewer fund. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the life of the refunded debt. This difference, reported in the accompanying financial statements as a deduction from the general obligation bonds payable, is being charged to operations through the year 2027 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2023, is \$69,702 for governmental activities and \$26,806 for the water and sewer fund.

CITY OF HARKER HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

Legal debt margin. The City is subject to a debt limit that is 7% of the five-year average of the full valuation of taxable real property. At September 30, 2023, that amount was \$187,266,392. As of September 30, 2023, the total outstanding debt applicable to the limit was \$23,187,972, which is 87.62% of the total debt limit.

Changes in long-term liabilities. Changes in the City's long-term liabilities for the year ended September 30, 2023, are as follows:

	Balance 10/01/2022	Additions	Reductions	Balance 09/30/2023	Due Within One Year
Governmental activities					
Certificates of obligation					
Competitive placement	\$14,505,000		\$ (580,000)	\$13,925,000	\$ 765,000
Private placement	2,810,000		(460,000)	2,350,000	480,000
General obligations					
Competitive placement	4,330,538		(1,130,538)	3,200,000	755,000
Private placement	3,740,000		(175,000)	3,565,000	420,000
Premium on bonds	282,053		(72,673)	209,380	
Discount on bonds	(18,909)		2,550	(16,359)	
Net governmental bonds payable	<u>25,648,682</u>		<u>(2,415,661)</u>	<u>23,233,021</u>	<u>2,420,000</u>
Finance purchase agreement	242,842		(81,000)	161,842	81,000
Leases	13,756		(4,676)	9,080	4,718
SBITAs		430,939	(113,330)	317,609	134,813
Compensated absences	<u>870,000</u>	<u>861,751</u>	<u>(823,276)</u>	<u>908,475</u>	<u>715,228</u>
Total governmental long-term liabilities	<u>26,775,280</u>	<u>1,292,690</u>	<u>(3,437,943)</u>	<u>24,630,027</u>	<u>3,355,759</u>
Business-type activities					
Certificates of obligation					
Competitive placement	6,695,000		(315,000)	6,380,000	335,000
Private placement	1,725,000		(375,000)	1,350,000	350,000
General obligations					
Competitive placement	4,699,462		(1,139,462)	3,560,000	645,000
Private placement	1,670,000		(165,000)	1,505,000	180,000
Premium on bonds	307,180		(60,295)	246,885	
Discount on bonds	(9,430)		1,272	(8,158)	
Net business-type bonds payable	<u>15,087,212</u>		<u>(2,053,485)</u>	<u>13,033,727</u>	<u>1,510,000</u>
Compensated absences	<u>40,000</u>	<u>38,888</u>	<u>(30,154)</u>	<u>48,734</u>	<u>35,933</u>
Total business-type long-term liabilities	<u>15,127,212</u>	<u>38,888</u>	<u>(2,083,639)</u>	<u>13,082,461</u>	<u>1,545,933</u>
Total government liabilities	<u>\$41,902,492</u>	<u>\$ 1,331,578</u>	<u>\$ (5,521,582)</u>	<u>\$37,712,488</u>	<u>\$ 4,901,692</u>

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

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

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

Certificates of Obligation Payable – Competitive Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2024	\$ 765,000	\$ 434,378	\$ 335,000	\$ 198,525	\$ 1,732,903
2025	790,000	410,903	345,000	188,881	1,734,784
2026	785,000	385,865	360,000	178,594	1,709,459
2027	750,000	362,315	365,000	167,793	1,645,108
2028	985,000	340,220	450,000	156,926	1,932,146
2029-2033	5,470,000	1,229,605	2,505,000	567,426	9,772,031
2034-2038	4,080,000	400,535	1,920,000	185,953	6,586,488
2039-2043	300,000	10,500	100,000	3,500	414,000
Total	<u>\$13,925,000</u>	<u>\$ 3,574,321</u>	<u>\$ 6,380,000</u>	<u>\$ 1,647,598</u>	<u>\$25,526,919</u>

Certificates of Obligation Payable – Private Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2024	\$ 480,000	\$ 97,299	\$ 350,000	\$ 57,374	\$ 984,673
2025	495,000	76,917	235,000	41,900	848,817
2026	440,000	57,612	245,000	32,054	774,666
2027	460,000	39,176	255,000	21,788	775,965
2028	475,000	19,903	265,000	11,104	771,007
Total	<u>\$ 2,350,000</u>	<u>\$ 290,907</u>	<u>\$ 1,350,000</u>	<u>\$ 164,220</u>	<u>\$ 4,155,127</u>

General Obligation Payable – Competitive Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2024	\$ 755,000	\$ 124,075	\$ 645,000	\$ 140,675	\$ 1,664,750
2025	785,000	93,875	680,000	114,875	1,673,750
2026	815,000	66,400	705,000	89,400	1,675,800
2027	845,000	33,800	740,000	61,200	1,680,000
2028			385,000	31,600	416,600
2029-2033			405,000	16,200	421,200
Total	<u>\$ 3,200,000</u>	<u>\$ 318,150</u>	<u>\$ 3,560,000</u>	<u>\$ 453,950</u>	<u>\$ 7,532,100</u>

General Obligation Payable – Private Placement:

Year Ending September 30	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2024	\$ 420,000	\$ 42,494	180,000	17,940	\$ 660,434
2025	430,000	37,488	180,000	15,794	663,282
2026	435,000	32,363	190,000	13,648	671,011
2027	445,000	27,178	185,000	11,384	668,562
2028	450,000	21,873	190,000	9,178	671,052
2029-2033	1,385,000	33,257	580,000	13,827	2,012,084
Total	<u>\$ 3,565,000</u>	<u>\$ 194,653</u>	<u>\$ 1,505,000</u>	<u>\$ 81,771</u>	<u>\$ 5,346,424</u>

Finance Purchase Agreement Payable:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 81,000	\$ 1,895	\$ 82,895
2025	80,842	948	81,790
Total	<u>\$ 161,842</u>	<u>\$ 2,843</u>	<u>\$ 164,685</u>

Leases and Subscription-Based Information Technology Arrangements:

1. Rentals not covered under noncancellable leases

Rental expenditures during the fiscal year ended September 30, 2023, including equipment rentals not covered under noncancellable leases, were \$295,828.

2. Lease payable

On October 1, 2021, the City entered into a 47-month lease as lessee for the use of two copiers through Benchmark Business Solutions. An initial lease liability was recorded in the amount of \$18,402. As of September 30, 2023, the value of the lease liability was \$9,080. The City is required to make monthly principal and interest payments of \$613. The lease has an interest rate of 0.916%. The lessor is the sole owner of the equipment and the City has no intention of purchasing the equipment at the end of the lease term. The value of the right-to-use asset as of September 30, 2023, was \$18,402 with accumulated amortization of \$9,230.

The future principal and interest lease payments as of September 30, 2023, were as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 4,718	\$ 64	\$ 4,782
2025	4,362	20	4,382
Total	<u>\$ 9,080</u>	<u>\$ 84</u>	<u>\$ 9,164</u>

3. Subscriptions Payable

During the year ended September 30, 2023, the City implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements", the primary objective of which is to enhance the relevance and consistency of information about government's subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

On August 21, 2023, the City entered into a 29-month subscription for the use of Video Inspection Software. An initial subscription liability was recorded in the amount of \$51,650. As of September 30, 2023, the value of the subscription liability is \$50,470. The City is required to make quarterly fixed payments of \$5,822. The subscription has an interest rate of 3.0183%. The value of the right to use asset as of September 30, 2023, was \$51,650 with accumulated amortization of \$2,431.

On May 1, 2023, the City entered into a 64-month subscription for the use of ClearGov Software. An initial subscription liability was recorded in the amount of \$66,975. As of September 30, 2023, the value of the subscription liability is \$61,841. The City is required to make annual fixed payments of \$12,320. The subscription has an interest rate of 3.0183%. The value of the right to use asset as of September 30, 2023, was \$66,975 with accumulated amortization of \$5,152. The City had a termination period of two months as of the subscription commencement.

On November 16, 2022, the City entered into a 24-month subscription for the use of DebtBook Platform. An initial subscription liability was recorded in the amount of \$19,197. As of September 30, 2023, the value of the subscription liability is \$9,447. The City is required to make annual fixed payments of \$9,750. The subscription has an interest rate of 3.2067%. The value of the right to use asset as of September 30, 2023, was \$19,197 with accumulated amortization of \$8,410. The City has one extension option, each for twelve months.

On November 15, 2022, the City entered into a 48-month subscription for the use of Meeting Manager. An initial subscription liability was recorded in the amount of \$46,083. As of September 30, 2023, the value of the subscription liability is \$34,848. The City is required to make annual fixed payments of \$11,235. The subscription has an interest rate of 3.2687%. The value of the right to use asset as of September 30, 2023, was \$46,083 with accumulated amortization of \$10,113. The City has one extension option, each for twelve months.

On October 1, 2022, the City entered into a 25-month subscription for the use of Microsoft Office License. An initial subscription liability was recorded in the amount of \$240,083. As of September 30, 2023, the value of the subscription liability is \$157,573. The City is required to make annual fixed payments of \$82,596. The subscription has an interest rate of 3.2067%. The value of the right to use asset as of September 30, 2023, was \$240,083 with accumulated amortization of \$115,240. The City has one extension option, each for 36 months.

On October 1, 2022, the City entered into a 25-month subscription for the use of Microsoft Office License (2). An initial subscription liability was recorded in the amount of \$6,097. As of September 30, 2023, the value of the subscription liability is \$3,008. The City is required to make annual fixed payments of \$3,105. The subscription has an interest rate of 3.2067%. The value of the right to use asset as of September 30, 2023, was \$6,097 with accumulated amortization of \$2,927. The City has one extension option, each for 36 months.

On October 1, 2022, the City entered into a 25-month subscription for the use of Microsoft Office License (3). An initial subscription liability was recorded in the amount of \$854. As of September 30, 2023, the value of the subscription liability is \$422. The City is required to make annual fixed payments of \$435. The subscription has an interest rate of 3.2067%. The value of the right to use asset as of September 30, 2023, was \$854 with accumulated amortization of \$409. The City has one extension option, each for 36 months.

The future principal and interest SBITA payments as of September 30, 2023, were as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 134,813	\$ 8,475	\$143,288
2025	125,839	5,119	130,958
2026	30,551	1,347	31,898
2027	12,853	610	13,463
2028	13,553	313	13,866
Total	<u>\$ 317,609</u>	<u>\$ 15,864</u>	<u>\$ 333,473</u>

H. Interfund receivables and payables

Due to/from other funds. The composition of interfund balances as of September 30, 2023, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 623,049
	Sanitation Fund	201,618
	Drainage Utility Fund	5,785
	Capital Projects Fund	820,337
	Debt Service Fund	11,419
	Hotel/Motel Fund	5,625
	Coronavirus Fund	446,038
Water and Sewer Fund	General Fund	48,176
	Capital Projects Fund	2,810,924
Drainage Utility Fund	General Fund	2,576
	Capital Projects Fund	3,140,914
Sanitation Fund	General Fund	1,576
Capital Projects Fund	General Fund	17,894
	Water and Sewer Fund	3,837,940
	Drainage Utility Fund	865,805
Restricted Courts Fund	General Fund	355
Total		<u>\$ 12,840,031</u>

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

I. Interfund transfers

Transfers to/from other funds. The composition of interfund transfers for the year ended September 30, 2023, is as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 75,000
	Sanitation Fund	100,000
	Drainage Utility Fund	100,000
Water and Sewer Fund	Capital Projects Fund	506,412
	Coronavirus Fund	1,108,632
Sanitation Fund	Coronavirus Fund	35,440
Drainage Utility Fund	Capital Projects Fund	8,503
	Coronavirus Fund	330,469
Capital Projects Fund	General Fund	3,500,000
	Water and Sewer Fund	50,000
	Drainage Utility Fund	300,000
Debt Service Fund	General Fund	50,000
Total		<u>\$ 6,164,456</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.

J. Contingencies

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

K. Chapter 380 Agreements

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. It specifically provides for the use of public money to promote local economic development and to stimulate business and commercial activity within the city. Businesses with a 380 Agreement with the City are eligible to receive a reimbursement of property and/or sales and use taxes paid for the year if they have met the requirements outlined in the agreement. For the fiscal year ended September 30, 2023, the City did not issue any reimbursements.

IV. OTHER INFORMATION

A. Related party

During the year, the City will mail items through a business that is owned and operated by a City Council member. There is no amount outstanding as owed to the business at September 30, 2023, as employees utilize city issued credit cards as payment to this vendor. Total payments made to the business during the 2023 fiscal year were \$698. The City Council member has complied with all conflict of interest requirements.



CITY OF HARKER HEIGHTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes and special assessments:				
Property	\$ 11,242,100	\$ 11,242,100	\$ 10,727,191	\$ (514,909)
Sales and other taxes	12,236,800	12,236,800	12,709,778	472,978
Licenses and permits	276,500	276,500	472,439	195,939
Fines	850,000	850,000	643,997	(206,003)
Charges for services	1,041,500	1,041,500	1,275,334	233,834
Intergovernmental	128,000	128,000	235,947	107,947
Investment earnings	40,000	40,000	893,238	853,238
Contributions and donations	15,000	15,000	32,045	17,045
Miscellaneous	36,500	36,500	87,118	50,618
Total revenues	<u>25,866,400</u>	<u>25,866,400</u>	<u>27,077,087</u>	<u>1,210,687</u>
EXPENDITURES				
Current:				
General government				
Council	199,200	199,200	201,247	(2,047)
Administration	1,633,900	1,633,900	1,701,167	(67,267)
Finance	665,900	665,900	639,259	26,641
Pet adoption center	1,202,100	1,202,100	1,012,050	190,050
Information technology	755,300	755,300	671,390	83,910
Total general government	<u>4,456,400</u>	<u>4,456,400</u>	<u>4,225,113</u>	<u>231,287</u>
Public safety:				
Police	7,948,100	7,948,100	7,640,864	307,236
Courts	884,600	884,600	712,125	172,475
Code enforcement	722,500	722,500	675,273	47,227
Fire/EMS	5,379,200	5,379,200	5,575,801	(196,601)
Total public safety	<u>14,934,400</u>	<u>14,934,400</u>	<u>14,604,063</u>	<u>330,337</u>
Highways and streets:				
Streets	1,151,600	1,151,600	1,045,977	105,623
Maintenance	360,500	360,500	281,597	78,903
Total highways and streets	<u>1,512,100</u>	<u>1,512,100</u>	<u>1,327,574</u>	<u>184,526</u>
Culture and recreation:				
Library	838,600	838,600	800,975	37,625
Activity center	337,500	337,500	323,865	13,635
Parks and recreation	2,218,500	2,218,500	2,054,808	163,692
Total culture and recreation	<u>3,394,600</u>	<u>3,394,600</u>	<u>3,179,648</u>	<u>214,952</u>
Economic development and assistance	<u>426,400</u>	<u>426,400</u>	<u>424,096</u>	<u>2,304</u>
Debt service:				
Principal	85,800	85,800	199,006	(113,206)
Interest and fiscal charges	3,800	3,800	3,221	579
Total debt service	<u>89,600</u>	<u>89,600</u>	<u>202,227</u>	<u>(112,627)</u>
Total expenditures	<u>24,813,500</u>	<u>24,813,500</u>	<u>23,962,721</u>	<u>850,779</u>

CITY OF HARKER HEIGHTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	<u>1,052,900</u>	<u>1,052,900</u>	<u>3,114,366</u>	<u>2,061,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	450,000	450,000	275,000	(175,000)
Transfers out	<u>(4,107,800)</u>	<u>(4,107,800)</u>	<u>(3,550,000)</u>	<u>557,800</u>
Total other financing sources (uses)	<u>(3,657,800)</u>	<u>(3,657,800)</u>	<u>(3,275,000)</u>	<u>382,800</u>
Net change in fund balances	(2,604,900)	(2,604,900)	(160,634)	2,444,266
Fund balances - beginning	<u>18,084,457</u>	<u>18,084,457</u>	<u>18,084,457</u>	
Fund balances - ending	<u>\$ 15,479,557</u>	<u>\$ 15,479,557</u>	<u>\$ 17,923,823</u>	<u>\$ 2,444,266</u>

CITY OF HARKER HEIGHTS
CORONAVIRUS FUND
SCHEDULE OF REVEUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental payments	\$ 4,532,800	\$ 4,532,800	\$ 2,801,654	\$ (1,731,146)
Investment earnings	5,000	5,000	171,854	166,854
Total revenues	<u>4,537,800</u>	<u>4,537,800</u>	<u>2,973,508</u>	<u>(1,564,292)</u>
EXPENDITURES				
Capital outlay				
General government			175	(175)
Highways and streets	312,100	312,100	253,307	58,793
Public safety	<u>1,342,100</u>	<u>1,342,100</u>	<u>1,565,542</u>	<u>(223,442)</u>
Total capital outlay	<u>1,654,200</u>	<u>1,654,200</u>	<u>1,819,024</u>	<u>(164,824)</u>
Total expenditures	<u>1,654,200</u>	<u>1,654,200</u>	<u>1,819,024</u>	<u>(164,824)</u>
Excess (deficiency) of revenues over (under) expenditures	2,883,600	2,883,600	1,154,484	(1,729,116)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,878,600)</u>	<u>(2,878,600)</u>	<u>(1,439,101)</u>	<u>1,439,499</u>
Total other financing sources (uses)	<u>(2,878,600)</u>	<u>(2,878,600)</u>	<u>(1,439,101)</u>	<u>1,439,499</u>
Net change in fund balance	5,000	5,000	(284,617)	(289,617)
Fund balance - beginning	<u>656,677</u>	<u>656,677</u>	<u>656,677</u>	
Fund balance - ending	<u>\$ 661,677</u>	<u>\$ 661,677</u>	<u>\$ 372,060</u>	<u>\$ (289,617)</u>

CITY OF HARKER HEIGHTS
NOTES TO BUDGETARY INFORMATION
SEPTEMBER 30, 2023

BUDGETS AND BUDGETARY ACCOUNTING

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

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

Plan year ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability				
Service cost	\$ 2,369,461	\$ 2,317,840	\$ 2,239,859	\$ 2,249,478
Interest (on the Total Pension Liability)	4,527,426	4,168,219	3,902,055	3,631,948
Difference between expected and actual experience	399,124	1,132,541	(157,434)	(266,087)
Change of assumptions				205,942
Benefit payments, including refunds of employee contributions	<u>(2,370,249)</u>	<u>(2,275,395)</u>	<u>(1,885,192)</u>	<u>(1,744,589)</u>
Net Change in Total Pension Liability	4,925,762	5,343,205	4,099,288	4,076,692
Total Pension Liability - Beginning	67,073,375	61,730,170	57,630,882	53,554,190
Total Pension Liability - Ending (a)	<u>\$ 71,999,137</u>	<u>\$ 67,073,375</u>	<u>\$ 61,730,170</u>	<u>\$ 57,630,882</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 2,023,655	\$ 2,014,509	\$ 1,936,925	\$ 1,973,761
Contributions - Employee	968,256	952,165	917,975	927,893
Net Investment Income	(4,494,338)	7,022,208	3,732,850	6,433,455
Benefit payments, including refunds of employee contributions	(2,370,249)	(2,275,395)	(1,885,192)	(1,744,589)
Administrative expense	(38,856)	(32,471)	(24,143)	(36,340)
Other	46,367	222	(941)	(1,093)
Net Change in Plan Fiduciary Net Position	(3,865,165)	7,681,238	4,677,474	7,553,087
Plan Fiduciary Net Position - Beginning	61,512,702	53,831,464	49,153,990	41,600,903
Plan Fiduciary Net Position - Ending (b)	<u>\$ 57,647,537</u>	<u>\$ 61,512,702</u>	<u>\$ 53,831,464</u>	<u>\$ 49,153,990</u>
Net Pension Liability - Ending (a) - (b)	\$ 14,351,600	\$ 5,560,673	\$ 7,898,706	\$ 8,476,892
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.07%	91.71%	87.20%	85.29%
Covered Payroll	\$ 13,832,233	\$ 13,602,350	\$ 13,113,929	\$ 13,255,614
Net Pension Liability as a Percentage of Covered Payroll	103.75%	40.88%	60.23%	63.95%

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

2018	2017	2016	2015	2014	Plan year ended December 31,
					Total pension liability
\$ 2,066,988	\$ 2,016,004	\$ 1,930,469	\$ 1,805,969	\$ 1,607,778	Service cost
3,393,226	3,130,839	2,885,469	2,746,611	2,509,002	Interest (on the Total Pension Liability)
(327,716)	137,616	(36,619)	(196,637)	(48,522)	Difference between expected and actual experience
			97,704		Change of assumptions
(1,629,672)	(1,215,783)	(1,158,162)	(852,850)	(693,040)	Benefit payments, including refunds of employee contributions
3,502,826	4,068,676	3,621,157	3,600,797	3,375,218	Net Change in Total Pension Liability
50,051,364	45,982,688	42,361,531	38,760,734	35,385,516	Total Pension Liability - Beginning
\$ 53,554,190	\$ 50,051,364	\$ 45,982,688	\$ 42,361,531	\$ 38,760,734	Total Pension Liability - Ending (a)
					Plan Fiduciary Net Position
\$ 1,809,675	\$ 1,756,482	\$ 1,688,302	\$ 1,618,783	\$ 1,483,963	Contributions - Employer
849,613	825,748	795,835	757,958	728,453	Contributions - Employee
(1,254,116)	4,931,608	2,170,104	45,109	1,573,307	Net Investment Income
(1,629,672)	(1,215,783)	(1,158,162)	(852,850)	(693,040)	Benefit payments, including refunds of employee contributions
(24,229)	(25,556)	(24,508)	(27,475)	(16,421)	Administrative expense
(1,264)	(1,295)	(1,320)	(1,356)	(1,350)	Other
(249,993)	6,271,204	3,470,251	1,540,169	3,074,912	Net Change in Plan Fiduciary Net Position
41,850,896	35,579,692	32,109,441	30,569,272	27,494,360	Plan Fiduciary Net Position - Beginning
\$ 41,600,903	\$ 41,850,896	\$ 35,579,692	\$ 32,109,441	\$ 30,569,272	Plan Fiduciary Net Position - Ending (b)
\$ 11,953,287	\$ 8,200,468	\$ 10,402,996	\$ 10,252,090	\$ 8,191,462	Net Pension Liability - Ending (a) - (b)
77.68%	83.62%	77.38%	75.80%	78.87%	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
\$ 12,137,335	\$ 11,796,397	\$ 11,369,073	\$ 10,827,153	\$ 10,406,469	Covered Payroll
98.48%	69.52%	91.50%	94.69%	78.72%	Net Pension Liability as a Percentage of Covered Payroll

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

Fiscal Year Ended September 30,	2023	2022	2021	2020
Actuarially determined contribution	\$ 2,188,063	\$ 2,024,428	\$ 1,976,479	\$ 1,930,325
Contribution in relation of the actuarially determined contribution	2,188,063	2,024,428	1,976,479	1,930,325
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	\$ 14,527,371	\$ 13,790,064	\$ 13,355,319	\$ 13,040,498
Contributions as a percentage of Covered Payroll	15.06%	14.68%	14.80%	14.80%

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

Other Information:

Notes There were no benefit changes during the year.

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	Fiscal Year Ended September 30,
\$ 1,876,020	\$ 1,798,799	\$ 1,743,446	\$ 1,651,050	\$ 1,639,697	Actuarially determined contribution
1,876,020	1,798,799	1,761,021	1,686,650	1,589,154	Contribution in relation of the actuarially determined contribution
<u>0</u>	<u>0</u>	<u>(17,575)</u>	<u>(35,600)</u>	<u>50,543</u>	Contribution deficiency (excess)
\$ 12,595,331	\$ 12,068,147	\$ 11,716,161	\$ 11,228,815	\$ 11,100,618	Covered Payroll
14.89%	14.91%	15.03%	15.02%	14.32%	Cotributions as a percentage of Covered Payroll

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - SUPPLEMENTAL DEATH
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

Plan year ended December 31,	2022	2021	2020	2019
Supplemental Death Benefit OPEB Liability				
Service Cost	\$ 48,413	\$ 46,248	\$ 35,408	\$ 29,162
Interest (on the Total Pension Liability)	15,723	15,316	17,427	18,846
Difference between expected and actual experience	(21,707)	5,921	(30,172)	(31,844)
Changes in assumptions or other inputs	(319,290)	29,045	109,393	109,086
Benefit payments	(9,683)	(8,161)	(2,623)	(2,651)
Net Change in Total Pension Liability	(286,544)	88,369	129,433	122,599
Total OPEB Liability - Beginning of year	\$ 835,121	\$ 746,752	\$ 617,319	\$ 494,720
Total OPEB Liability - End of year	\$ 548,577	\$ 835,121	\$ 746,752	\$ 617,319
Covered Payroll	\$ 13,832,233	\$ 13,602,350	\$ 13,113,929	\$ 13,255,614
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.97%	6.14%	5.69%	4.66%

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

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

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

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

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

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

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

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - SUPPLEMENTAL DEATH (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

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

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

Fiscal Year Ended September 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 12,295	\$ 9,267	\$ 2,671	\$ 2,608
Contribution in relation of the actuarially determined contribution	12,295	9,267	2,671	2,608
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered Payroll	\$ 14,527,371	\$ 13,790,064	\$ 13,355,319	\$ 13,040,498
Contributions as a percentage of Covered Payroll	0.08%	0.07%	0.02%	0.02%

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

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

Valuation Date:

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

Methods and Assumption Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.

Mortality rates *Service Retirees.* 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Disabled Retirees. 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.50% and 3.00% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Note: The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF HARKER HEIGHTS
 SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2023

<u>2019</u>	<u>2018</u>	Fiscal Year Ended September 30,
\$ 2,519	\$ 2,414	Actuarially determined contribution
<u>2,519</u>	<u>2,414</u>	Contribution in relation of the actuarially
<u>0</u>	<u>0</u>	determined contribution
		Contribution deficiency (excess)
\$ 12,595,331	\$ 12,068,147	Covered Payroll
0.02%	0.02%	Contributions as a percentage of
		Covered Payroll

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - HEALTH BENEFITS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

Plan Year Ended December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Health Benefits OPEB Liability				
Service Cost	\$ 34,591	\$ 50,652	\$ 50,652	\$ 42,031
Interest Cost	29,478	17,496	16,764	22,652
Changes in benefit terms		40,183		
Difference between expected and actual experience		(50,367)		
Changes in assumptions or other inputs	(5,124)	(156,133)		(151,564)
Benefit payments	(41,082)	(45,628)	(28,225)	(28,225)
Administrative expense				
Net change in total OPEB liability	<u>17,863</u>	<u>(143,797)</u>	<u>39,191</u>	<u>(115,106)</u>
Total OPEB Liability - Start of year	<u>\$ 603,939</u>	<u>\$ 747,736</u>	<u>\$ 708,545</u>	<u>\$ 823,651</u>
Total OPEB Liability - End of year	<u>\$ 621,802</u>	<u>\$ 603,939</u>	<u>\$ 747,736</u>	<u>\$ 708,545</u>
Covered-Employee Payroll	\$ 13,832,233	\$ 13,144,022	\$ 12,285,164	\$ 11,869,724
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.50%	4.59%	6.09%	5.97%

Note: The amounts above are based on September 30, 2023 measurement date.

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

Schedule of Contributions

Current Premium Rates:

Rate Tier:	Subscriber Only	With Spouse	With Child(ren)	With Family
Health (Premier)	559.51	1,311.89	951.76	1,619.90
Health (Plus)	602.90	1,413.63	1,025.57	1,745.51
Vision	3.85	7.23	7.64	11.91
Vision (Buy Up)	6.23	11.70	12.36	19.27
Dental (Low)	19.24	38.32	52.05	77.79
Dental (High)	22.14	44.09	66.23	97.09

Retiree Contributions

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

CITY OF HARKER HEIGHTS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
AND RELATED RATIOS - HEALTH BENEFITS (CONTINUED)
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

<u>2019</u>	<u>2018</u>	Plan Year Ended December 31,
		Health Benefits OPEB Liability
\$ 42,031	\$ 40,356	Service Cost
27,704	28,107	Interest Cost
		Changes in benefit terms
		Difference between expected and actual experience
147,413	(44,270)	Changes in assumptions or other inputs
(38,064)	(33,069)	Benefit payments
		Administrative expense
<u>179,084</u>	<u>(8,876)</u>	Net change in total OPEB liability
\$ 644,567	\$ 653,443	Total OPEB Liability - Start of year
<u>\$ 823,651</u>	<u>\$ 644,567</u>	Total OPEB Liability - End of year
\$ 11,426,910	\$ 11,040,493	Covered-Employee Payroll
7.21%	5.84%	Total OPEB Liability as a Percentage of Covered-Employee Payroll

CITY OF HARKER HEIGHTS
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS (will ultimately be displayed)
SEPTEMBER 30, 2023

Fiscal Year Ended September 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Legally required contributions	\$ 41,082	\$ 45,628	\$ 28,225	\$ 28,225
Actual contributions	50,080	80,183	57,038	38,067
Contribution deficiency (excess)	<u>(8,998)</u>	<u>(34,555)</u>	<u>(28,813)</u>	<u>(9,842)</u>
Covered-Employee Payroll	\$ 13,832,233	\$ 13,144,022	\$ 12,285,164	\$ 11,869,724
Contributions as a percentage of Covered-Employee Payroll	0.36%	0.61%	0.46%	0.32%

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

Methods and Assumption Used to Determine Contribution Rates:

Valuation Date	September 30, 2023
Discount rate	4.87% per annum which includes inflation
Salary Scale	3.50% average which includes inflation
Inflation Rate	2.50% per annum
Health Care Cost Trend	6.80% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 4.14% in the year 2041
Census Data	Provided by the City as of September 30, 2023
Actuarial Cost Method	Entry Age Normal (EAN) funding method assuming a level salary percentage
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Coverage	For those eligible for OPEB benefits, 30% are elected to keep their same benefit plan upon retirement (with 1/3 of those electing spouse coverage).
Mortality Rates	Non-Annuitants: Sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2021 Annuitants: Sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2021
Turnover	Withdrawal and retirement rates are based upon the TMRS assumptions.

CITY OF HARKER HEIGHTS
 SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 LAST TEN YEARS (will ultimately be displayed)
 SEPTEMBER 30, 2023

<u>2019</u>	<u>2018</u>
\$ 38,064	\$ 33,069
38,064	33,069
<u><u>0</u></u>	<u><u>0</u></u>
\$ 11,426,910	\$ 11,040,493
0.33%	0.30%

Fiscal Year Ended September 30,

Legally required contributions
 Actual contributions
Contribution deficiency (excess)

Covered-Employee Payroll

Contributions as a percentage of
 Covered-Employee Payroll

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

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

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

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

MAJOR GOVERNMENTAL FUNDS

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

CITY OF HARKER HEIGHTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2023

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel / Motel Fund	Restricted Court Fund	
ASSETS			
Cash	\$ 109,286	\$ 113,348	\$ 222,634
Investments	539,317	97,520	636,837
Receivables (net of allowance for uncollectibles):			
Accounts	7,098		7,098
Interest receivable	1,151		1,151
Due from other funds		355	355
Total assets	656,852	211,223	868,075
LIABILITIES			
Due to other funds	5,625		5,625
Total liabilities	5,625		5,625
FUND BALANCES			
Restricted for:			
Economic development and assistance	651,227		651,227
Public safety		211,223	211,223
Total fund balances	651,227	211,223	862,450
Total liabilities and fund balances	\$ 656,852	\$ 211,223	\$ 868,075

CITY OF HARKER HEIGHTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel / Motel Fund	Restricted Court Fund	
REVENUES			
Other taxes and special assessments	\$ 107,901		\$ 107,901
Fines		89,903	89,903
Investment earnings	21,780	10,310	32,090
Total revenues	<u>129,681</u>	<u>100,213</u>	<u>229,894</u>
EXPENDITURES			
Current:			
Economic development and assistance	22,500		22,500
Public Safety:			
Courts		100,000	100,000
Total expenditures	<u>22,500</u>	<u>100,000</u>	<u>122,500</u>
Excess (deficiency) of revenues over (under) expenditures	107,181	213	107,394
Fund balances - beginning	<u>544,046</u>	<u>211,010</u>	<u>755,056</u>
Fund balances - ending	<u>\$ 651,227</u>	<u>\$ 211,223</u>	<u>\$ 862,450</u>

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

**DEBT SERVICE FUND
SPECIAL REVENUE FUNDS**

CITY OF HARKER HEIGHTS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,212,400	\$ 3,212,400	\$ 3,073,783	\$ (138,617)
Investment earnings	3,000	3,000	27,229	24,229
Total revenues	<u>3,215,400</u>	<u>3,215,400</u>	<u>3,101,012</u>	<u>(114,388)</u>
EXPENDITURES				
Debt Service:				
Principal	2,345,500	2,345,500	2,345,538	(38)
Interest and fiscal charges	778,200	778,200	778,151	49
Tax collection fees	24,700	24,700	30,527	(5,827)
Total expenditures	<u>3,148,400</u>	<u>3,148,400</u>	<u>3,154,216</u>	<u>(5,816)</u>
Excess (deficiency) of revenues over (under) expenditures	67,000	67,000	(53,204)	(120,204)
OTHER FINANCING SOURCES (USES)				
Transfers in			50,000	50,000
Total other financing sources (uses)			<u>50,000</u>	<u>50,000</u>
Net change in fund balance	67,000	67,000	(3,204)	(70,204)
Fund balance - beginning	<u>48,253</u>	<u>48,253</u>	<u>48,253</u>	
Fund balance - ending	<u>\$ 115,253</u>	<u>\$ 115,253</u>	<u>\$ 45,049</u>	<u>\$ (70,204)</u>

CITY OF HARKER HEIGHTS
HOTEL / MOTEL (SPECIAL REVENUE) FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Hotel / Motel tax	\$ 130,200	\$ 130,200	\$ 107,901	\$ (22,299)
Investment earnings	1,000	1,000	21,780	20,780
Total revenues	<u>131,200</u>	<u>131,200</u>	<u>129,681</u>	<u>(1,519)</u>
EXPENDITURES				
Current:				
Economic development and assistance				
Advertising	10,000	10,000	10,000	
Events	5,000	5,000	5,000	
Promotion of the arts	7,500	7,500	7,500	
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	
Excess (deficiency) of revenues over (under) expenditures	108,700	108,700	107,181	(1,519)
Fund balance - beginning	<u>544,046</u>	<u>544,046</u>	<u>544,046</u>	
Fund balance - ending	<u>\$ 652,746</u>	<u>\$ 652,746</u>	<u>\$ 651,227</u>	<u>\$ (1,519)</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines	\$ 95,100	\$ 95,100	\$ 89,903	\$ (5,197)
Investment earnings	300	300	10,310	10,010
Total revenues	<u>95,400</u>	<u>95,400</u>	<u>100,213</u>	<u>4,813</u>
EXPENDITURES				
Current:				
Public safety:				
Court			100,000	(100,000)
Total expenditures			<u>100,000</u>	<u>(100,000)</u>
Excess (deficiency) of revenues over (under) expenditures	95,400	95,400	213	(95,187)
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)		100,000
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>		<u>100,000</u>
Net change in fund balance	(4,600)	(4,600)	213	4,813
Fund balance - beginning	<u>211,010</u>	<u>211,010</u>	<u>211,010</u>	
Fund balance - ending	<u>\$ 206,410</u>	<u>\$ 206,410</u>	<u>\$ 211,223</u>	<u>\$ 4,813</u>



STATISTICAL SECTION



STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends: These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	95
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.	106
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.	112
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.	121
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.	125

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

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

	Fiscal Year			
	2023	2022	2021	2020
Governmental activities				
Net investment in capital assets	\$ 50,904	\$ 45,820	\$ 42,223	\$ 37,854
Restricted	1,232	1,506	769	622
Assigned				
Unrestricted	12,116	12,840	10,769	8,290
Total governmental activities net position	<u>\$ 64,252</u>	<u>\$ 60,166</u>	<u>\$ 53,761</u>	<u>\$ 46,766</u>
Business-type activities				
Net investment in capital assets	\$ 38,856	\$ 35,829	\$ 31,490	\$ 33,061
Restricted	31	29	29	48
Unrestricted	8,938	6,630	5,663	1,733
Total business-type activities net position	<u>\$ 47,825</u>	<u>\$ 42,488</u>	<u>\$ 37,182</u>	<u>\$ 34,842</u>
Primary Government				
Net investment in capital assets	\$ 89,760	\$ 81,649	\$ 73,713	\$ 70,915
Restricted	1,263	1,535	798	670
Assigned				
Unrestricted	21,054	19,470	16,432	10,023
Total primary government net position	<u>\$ 112,077</u>	<u>\$ 102,654</u>	<u>\$ 90,943</u>	<u>\$ 81,608</u>

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

Fiscal Year					
2019	2018	2017	2016	2015	2014
\$ 35,751	\$ 33,592	\$ 29,424	\$ 30,534	\$ 26,705	\$ 24,343
531	457	6,192	1,828	12,894	12,000
		2,482	3,099		179
7,302	7,069	434	769	(3,716)	3,358
<u>\$ 43,584</u>	<u>\$ 41,118</u>	<u>\$ 38,532</u>	<u>\$ 36,230</u>	<u>\$ 35,883</u>	<u>\$ 39,880</u>
\$ 32,324	\$ 30,393	\$ 29,055	\$ 28,727	\$ 27,659	\$ 25,968
47	45	953	710	57	56
(150)	1,151	939	1,706	(322)	384
<u>\$ 32,221</u>	<u>\$ 31,589</u>	<u>\$ 30,947</u>	<u>\$ 31,143</u>	<u>\$ 27,394</u>	<u>\$ 26,408</u>
\$ 68,075	\$ 63,985	\$ 58,479	\$ 59,261	\$ 54,364	\$ 50,311
578	502	7,145	2,538	12,951	12,056
		2,482	3,099		179
7,152	8,220	1,373	2,475	(4,038)	3,742
<u>\$ 75,805</u>	<u>\$ 72,707</u>	<u>\$ 69,479</u>	<u>\$ 67,373</u>	<u>\$ 63,277</u>	<u>\$ 66,288</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Expenses					
Governmental Activities:					
General government	\$ 5,058	\$ 4,190	\$ 4,406	\$ 4,528	\$ 4,414
Public safety	15,874	13,780	13,609	14,107	13,883
Highways/streets	2,387	2,204	2,171	1,799	1,707
Economic development	469	412	410	2,967	388
Culture and recreation	3,718	3,410	3,209	398	3,557
Interest on long-term debt	771	844	911	1,118	1,121
Other					
Total Governmental Activities	<u>28,277</u>	<u>24,840</u>	<u>24,717</u>	<u>24,917</u>	<u>25,070</u>
Business-type Activities:					
Water and sewer	8,708	8,018	7,927	7,919	7,309
Drainage	322	375	367	397	326
Sanitation	2,467	2,272	2,127	2,057	1,959
Total Business-type Activities	<u>11,497</u>	<u>10,665</u>	<u>10,421</u>	<u>10,373</u>	<u>9,594</u>
Total Expenses	<u>\$ 39,774</u>	<u>\$ 35,505</u>	<u>\$ 35,138</u>	<u>\$ 35,290</u>	<u>\$ 34,664</u>
Program Revenues					
Governmental Activities:					
Charges for services					
General government	\$ 46	\$ 56	\$ 56	\$ 88	\$ 104
Public safety	1,872	1,788	2,597	1,951	1,936
Culture and recreation	408	418	271	123	272
Other activities	169	215	141	246	301
Operating grants and contributions	399	67	1,108	1,568	343
Capital grants and contributions	2,660	3,115		1,125	
Total Governmental Activities	<u>5,554</u>	<u>5,659</u>	<u>4,172</u>	<u>5,101</u>	<u>2,956</u>
Business-type Activities:					
Charges for services	15,007	14,829	13,659	13,633	12,487
Operating grants and contributions			29		
Total Business-type Activities	<u>15,007</u>	<u>14,829</u>	<u>13,688</u>	<u>13,633</u>	<u>12,487</u>
Total Program Revenues	<u>\$ 20,561</u>	<u>\$ 20,488</u>	<u>\$ 17,860</u>	<u>\$ 18,734</u>	<u>\$ 15,443</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (22,723)	\$ (19,181)	\$ (20,545)	\$ (19,816)	\$ (22,114)
Business-type Activities	3,510	4,164	3,267	3,260	2,893
Total Net Expense	<u>\$ (19,213)</u>	<u>\$ (15,017)</u>	<u>\$ (17,278)</u>	<u>\$ (16,556)</u>	<u>\$ (19,221)</u>

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

Fiscal Year				
2018	2017	2016	2015	2014
\$ 4,009	\$ 4,053	\$ 3,866	\$ 3,967	\$ 2,862
12,701	12,726	12,715	10,478	11,137
1,986	1,771	880	1,768	1,828
379	438	410	447	538
3,508	3,338	3,378	3,051	3,077
1,060	1,038	1,032	988	1,214
<u>23,643</u>	<u>23,364</u>	<u>22,281</u>	<u>20,699</u>	<u>20,656</u>
7,206	6,771	6,356	6,662	6,397
364	369	359	364	304
1,843	1,779	1,743	1,649	1,577
<u>9,413</u>	<u>8,919</u>	<u>8,458</u>	<u>8,675</u>	<u>8,278</u>
<u>\$ 33,056</u>	<u>\$ 32,283</u>	<u>\$ 30,739</u>	<u>\$ 29,374</u>	<u>\$ 28,934</u>
\$ 131	\$ 89	\$ 249	\$ 111	\$ 61
1,810	1,698	1,554	1,672	1,831
268	259	291	293	311
184	212	278	296	546
247	220	1,083	792	66
<u>2,640</u>	<u>2,478</u>	<u>3,455</u>	<u>3,164</u>	<u>2,815</u>
13,140	12,200	12,091	11,435	11,189
<u>13,140</u>	<u>12,200</u>	<u>12,091</u>	<u>11,435</u>	<u>11,189</u>
<u>\$ 15,780</u>	<u>\$ 14,678</u>	<u>\$ 15,546</u>	<u>\$ 14,599</u>	<u>\$ 14,004</u>
\$ (21,003)	\$ (20,886)	\$ (18,826)	\$ (17,535)	\$ (17,841)
3,727	3,281	3,633	2,760	2,911
<u>\$ (17,276)</u>	<u>\$ (17,605)</u>	<u>\$ (15,193)</u>	<u>\$ (14,775)</u>	<u>\$ (14,930)</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
General Revenues					
Governmental Activities					
Taxes					
Property taxes	\$ 13,838	\$ 13,580	\$ 13,261	\$ 12,281	\$ 11,754
Sales taxes	11,124	10,765	11,194	7,733	8,081
Mixed drink taxes	126	151	119	93	104
Bingo taxes	32	43	111	39	45
Hotel/Motel taxes	108	114	35	105	97
Franchise taxes	1,428	1,415	1,389	1,378	1,403
Investment earnings	1,386	173	120	491	650
Miscellaneous	131	193	173		
Gain on sale of capital assets		84	16	3	
Transfers	(1,364)	(933)	1,121	875	2,446
Total Governmental Activities	<u>26,809</u>	<u>25,585</u>	<u>27,539</u>	<u>22,998</u>	<u>24,580</u>
Business-type Activities					
Franchise taxes	220	194	176	197	134
Investment earnings	240	14	19	40	51
Miscellaneous	3				
Gain on sale of capital assets					
Transfers	1,364	933	(1,121)	(875)	(2,446)
Total Business-type Activities	<u>1,827</u>	<u>1,141</u>	<u>(927)</u>	<u>(638)</u>	<u>(2,261)</u>
Total general revenues and transfers	<u>\$ 28,636</u>	<u>\$ 26,726</u>	<u>\$ 26,612</u>	<u>\$ 22,360</u>	<u>\$ 22,319</u>
Change in Net Position					
Governmental Activities	\$ 4,086	\$ 6,404	\$ 6,994	\$ 3,182	\$ 2,466
Business-type Activities	5,338	5,305	2,340	2,622	632
Total Change in Net Position	<u>\$ 9,424</u>	<u>\$ 11,709</u>	<u>\$ 9,335</u>	<u>\$ 5,804</u>	<u>\$ 3,098</u>

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

Fiscal Year				
2018	2017	2016	2015	2014
\$ 11,734	\$ 11,100	\$ 10,833	\$ 10,419	\$ 10,051
6,828	6,672	6,627	6,594	6,186
100	113	111	141	116
42	50	52	64	77
86	95	75	75	100
1,397	1,333	1,297	1,342	1,312
312	162	115	48	132
12	22			12
<u>3,272</u>	<u>3,641</u>	<u>63</u>	<u>1,480</u>	<u>3,483</u>
<u>23,783</u>	<u>23,188</u>	<u>19,173</u>	<u>20,163</u>	<u>21,469</u>
153	148	161	125	140
40	17	18	10	10
2				
<u>(3,272)</u>	<u>(3,641)</u>	<u>(63)</u>	<u>(1,480)</u>	<u>(3,483)</u>
<u>(3,077)</u>	<u>(3,476)</u>	<u>116</u>	<u>(1,345)</u>	<u>(3,333)</u>
<u>\$ 20,706</u>	<u>\$ 19,712</u>	<u>\$ 19,289</u>	<u>\$ 18,818</u>	<u>\$ 18,136</u>
\$ 2,780	\$ 2,302	\$ 347	\$ 2,628	\$ 3,628
650	(195)	3,749	1,415	(422)
<u>\$ 3,430</u>	<u>\$ 2,107</u>	<u>\$ 4,096</u>	<u>\$ 4,043</u>	<u>\$ 3,206</u>



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

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Bingo Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Hotel/Motel Tax</u>	<u>Other Tax</u>	<u>Total</u>
2023	\$ 13,838	\$ 11,124	\$ 1,428	\$ 32	\$ 126	\$ 108		\$ 26,656
2022	13,580	10,765	1,415	43	150	114		26,067
2021	13,261	11,194	1,389	111	119	35		26,109
2020	12,281	7,733	1,378	39	93	105		21,629
2019	11,754	8,081	1,403	45	104	97		21,484
2018	11,734	6,828	1,397	42	100	86		20,187
2017	11,100	6,672	1,333	50	113	95		19,363
2016	10,833	6,627	1,297	52	111	75		18,995
2015	10,419	6,594	1,342	64	141	75		18,635
2014	10,051	6,186	1,312	78	116	100		17,843

Source: Audited Financial Statements.

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

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

	Fiscal Year				
	2023	2022	2021	2020	2019
General Fund					
Nonspendable					
Restricted for:					
Economic development					
Public safety	\$ 4	\$ 1	\$ 5	\$ 3	\$ 3
Pet Adoption Center	34	25	11	17	19
General Government	36				
Debt service					
Capital projects					
Cemetery	20	19	19	19	19
Committed					
Assigned to:					
Subsequent year's budget	2,876	1,617	2,944		
Culture and recreation	515	465	492	438	378
Unassigned	14,439	15,957	14,476	13,373	11,044
Total general fund	<u>\$ 17,924</u>	<u>\$ 18,084</u>	<u>\$ 17,947</u>	<u>\$ 13,850</u>	<u>\$ 11,463</u>
All Other Governmental Funds					
Nonspendable					
Restricted for:					
Economic development	\$ 651	\$ 544	\$ 451	\$ 361	\$ 276
Federal Grant	230	657			
Public safety	211	211	201	171	189
Debt service	45	48	82	51	24
Capital projects	2,507	2,856	2,883		2,420
Committed					
Capital projects				3,384	4,202
Assigned to:					
Culture and recreation					
Capital projects	2,831	2,662	1,496	1,292	1,892
Unassigned					
Total all other governmental funds	<u>\$ 6,475</u>	<u>\$ 6,978</u>	<u>\$ 5,113</u>	<u>\$ 5,259</u>	<u>\$ 9,003</u>

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

(amounts expressed in thousands)

Fiscal Year				
2018	2017	2016	2015	2014
\$ 69	\$ 35	\$ 3	\$ 3	\$ 1
18	18	18	18	18
328	271	243	220	179
10,686	9,997	9,660	9,962	9,486
\$ 11,047	\$ 10,294	\$ 9,924	\$ 10,203	\$ 9,684
\$ 192	\$ 122	\$ 85	\$ 106	\$ 189
185	212	171	167	216
47	191	55	108	106
2,779	5,640	1,496	8,321	11,470
3,399				
1,852	2,212	2,856	3,952	3,860
\$ 8,454	\$ 8,377	\$ 4,663	\$ 12,654	\$ 15,841

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues					
Taxes	\$ 26,619	\$ 26,046	\$ 26,160	\$ 21,731	\$ 20,654
Licenses and permits	472	486	336	306	396
Fines	734	803	1,120	1,145	1,068
Charges for services	1,275	1,184	986	811	1,058
Intergovernmental	2,896	3,243	613	1,545	1,200
Investment earnings	1,386	173	120	463	650
Contributions and donations	32	56	39	1,149	29
Miscellaneous	87	194	173	96	32
Total revenues	<u>33,501</u>	<u>32,185</u>	<u>29,547</u>	<u>27,246</u>	<u>25,087</u>
Expenditures					
General government	4,225	3,917	4,398	3,943	3,799
Public safety	14,704	13,640	13,140	12,957	12,294
Highways and streets	1,328	1,289	1,390	1,311	1,453
Culture and recreation	3,180	3,050	2,799	2,591	3,039
Economic development and assistance	447	450	415	386	362
Debt service					
Principal	2,545	2,496	2,424	2,109	2,061
Interest	781	855	923	1,025	1,095
Tax collection fees	30	31	32	32	31
Bond issuance costs				48	40
Capital outlay	5,560	3,541	1,617	5,059	5,422
Total expenditures	<u>32,800</u>	<u>29,269</u>	<u>27,138</u>	<u>29,461</u>	<u>29,596</u>
Excess of revenues over (under) expenditures	<u>701</u>	<u>2,916</u>	<u>2,409</u>	<u>(2,215)</u>	<u>(4,509)</u>
Other Financing Sources (Uses)					
Issuance of certificates of obligation				4,075	3,028
Issuance of refunding bonds					
Premium on refunding bonds					
Bond discount					
Payment to refunded bond escrow agent				(4,090)	
Leases					
Finance purchase agreement		18	405		
Sale of capital assets proceeds			16		
Transfers in	4,175	6,833	2,100	1,325	4,463
Transfers out	(5,539)	(7,765)	(979)	(450)	(2,017)
Total other financing sources (uses)	<u>(1,364)</u>	<u>(914)</u>	<u>1,542</u>	<u>860</u>	<u>5,474</u>
Net change in fund balances	<u>\$ (663)</u>	<u>\$ 2,002</u>	<u>\$ 3,951</u>	<u>\$ (1,355)</u>	<u>\$ 965</u>
Debt service as a percentage of noncapital expenditures	12.75%	13.35%	13.57%	13.17%	13.43%

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

Fiscal Year				
2018	2017	2016	2015	2014
\$ 20,073	\$ 19,226	\$ 18,877	\$ 18,555	\$ 17,784
280	247	320	330	591
1,005	877	822	1,145	1,541
949	990	857	795	787
392	361	447	932	198
310	158	90	48	32
25	29	811	32	41
106	111	256	107	143
<u>23,140</u>	<u>21,999</u>	<u>22,480</u>	<u>21,944</u>	<u>21,117</u>
3,725	3,778	3,669	4,102	2,734
12,400	11,456	12,076	11,340	10,492
1,372	1,489	1,541	1,288	1,321
3,043	2,903	2,922	2,837	2,726
374	421	466	474	526
1,932	1,926	1,893	1,550	1,677
1,039	982	1,010	1,059	1,077
29	30	29	28	28
34	55	25	64	6
5,157	3,571	7,432	3,849	851
<u>29,105</u>	<u>26,611</u>	<u>31,063</u>	<u>26,591</u>	<u>21,438</u>
<u>(5,965)</u>	<u>(4,612)</u>	<u>(8,583)</u>	<u>(4,647)</u>	<u>(321)</u>
3,029	5,055			6,046
		1,985	6,569	
		164		
		(2,106)	(6,551)	
495		208	478	
3,990	4,554	3,600	4,150	7,278
(718)	(913)	(3,537)	(2,670)	(3,795)
<u>6,796</u>	<u>8,696</u>	<u>314</u>	<u>1,976</u>	<u>9,529</u>
<u>\$ 831</u>	<u>\$ 4,084</u>	<u>\$ (8,269)</u>	<u>\$ (2,671)</u>	<u>\$ 9,208</u>
12.97%	12.98%	13.42%	12.10%	13.69%

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

Fiscal Year	Real Property	Personal Property	Less: Exemptions ¹	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Rate
2023	\$ 3,343,454,387	\$ 129,060,089	\$ 989,863,653	\$ 2,482,650,823	71.49%	\$ 3,472,514,476	0.5800
2022	2,685,764,398	118,095,980	647,955,215	2,155,905,163	76.89%	2,803,860,378	0.6519
2021	2,449,956,127	121,143,149	550,486,382	2,020,612,894	78.59%	2,571,099,276	0.6770
2020	2,223,496,798	124,600,298	467,495,054	1,880,602,042	80.09%	2,348,097,096	0.6770
2019	2,054,007,820	126,591,843	377,119,500	1,803,480,163	82.71%	2,180,599,663	0.6770
2018	1,988,778,889	124,001,875	313,770,080	1,799,010,684	85.15%	2,112,780,764	0.6770
2017	1,813,068,923	127,224,231	245,257,629	1,695,035,525	87.36%	1,940,293,154	0.6770
2016	1,726,337,444	129,371,982	201,721,179	1,653,988,247	89.13%	1,855,709,426	0.6770
2015	1,644,815,946	123,164,489	172,716,271	1,595,264,164	90.23%	1,767,980,435	0.6770
2014	1,580,544,133	84,592,701	154,085,334	1,511,051,500	90.75%	1,665,136,834	0.6770

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	
2023	\$ 0.45110	\$ 0.12890	\$ 0.58000	\$ 1.01660	\$ 0.09600	\$ 0.31600	\$ 0.02330	\$ 0.00271	\$ 2.03461
2022	0.50630	0.14560	0.65190	1.04320	0.11160	0.36800	0.02630	0.00310	2.20410
2021	0.51430	0.16270	0.67700	1.08950	0.12180	0.39680	0.02850	0.00327	2.31687
2020	0.52080	0.15620	0.67700	1.16110	0.12790	0.42080	0.02920	0.00357	2.41957
2019	0.51930	0.15770	0.67700	1.26000	0.13860	0.42120	0.02990	0.00383	2.53053
2018	0.52850	0.14850	0.67700	1.11000	0.13990	0.42120	0.02990	0.00385	2.38185
2017	0.51980	0.15720	0.67700	1.12600	0.13660	0.42120	0.02990	0.00392	2.39462
2016	0.51740	0.15960	0.67700	1.12800	0.13660	0.42120	0.02990	0.00395	2.39665
2015	0.51670	0.16030	0.67700	1.12800	0.13660	0.42120	0.02990	0.00400	2.39670
2014	0.51160	0.16540	0.67700	1.12800	0.13700	0.42120	0.02990	0.00400	2.39710

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	2023			2014		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
DRP Market Heights Property Owner LLC	\$ 67,640	1	2.72%			
HH/Killeen Health System LLC	56,110	2	2.26%	\$ 51,059	1	3.38%
Oncor Electric Delivery Co LLC	17,678	3	0.71%	10,945	4	0.72%
HH/Killeen Health System LLC	14,620	4	0.59%	9,094	5	0.60%
Wal-Mart Real Estate Business Trust	12,279	5	0.49%	18,296	3	1.21%
Lions Run Investments LLC	11,552	6	0.47%			
HH/Killeen Health System LLC	11,508	7	0.46%			
RAS Investments LLC	10,601	8	0.43%			
Wal-Mart Stores Texas LLC	9,928	9	0.40%			
Boose Property Management LC	9,596	10	0.39%	3,845	9	0.25%
Market Heights Ltd				28,736	2	1.90%
HEB Grocery Company LP				6,796	6	0.45%
Target Corporation				5,317	7	0.35%
Omni Lions Run LP				4,001	8	0.26%
Target Stores Inc.				3,172	10	0.21%
	\$ 221,512		8.92%	\$ 141,261		9.33%

Source: Bell County Appraisal District

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

(amounts expressed in thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date		Delinquent Taxes Collected	Outstanding Delinquent Taxes	Ratio of Outstanding Delinquent Taxes to Total Tax Levy
		Amount Collected	Percentage of Levy	Less Refunds	Amount Disbursed	Percentage of Levy			
2023	\$ 14,399	\$ 14,073	97.74%	\$ 279	\$ 13,794	95.80%	\$ 197	\$ 356	2.47%
2022	14,054	13,782	98.06%	202	13,580	96.63%	225	284	2.02%
2021	13,680	13,431	98.18%	207	13,224	96.67%	167	276	2.02%
2020	12,732	12,532	98.43%	140	12,392	97.33%	219	239	1.88%
2019	12,210	11,945	97.83%	121	11,824	96.84%	164	267	2.19%
2018	12,179	11,919	97.87%	126	11,793	96.83%	182	260	2.13%
2017	11,475	11,248	98.02%	88	11,160	97.25%	134	251	2.19%
2016	11,198	10,957	97.85%	87	10,870	97.07%	111	227	2.03%
2015	10,800	10,589	98.05%	76	10,513	97.34%	95	222	2.06%
2014	10,230	10,286	100.55%	112	10,174	99.45%	161	213	2.08%

Source: Bell County Appraisal District

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

<u>Fiscal Year</u>	<u>Total Sales Tax Collected</u>	<u>Percentage of Ad Valorem Tax Levy¹</u>	<u>Equivalent of Ad Valorem Tax Rate²</u>	<u>Per Capita³</u>
2023	\$ 11,123,964	77.26%	\$ 0.4481	\$ 314.06
2022	10,765,363	76.60%	0.4993	309.84
2021	11,193,921	81.83%	0.5540	352.74
2020	7,733,153	60.74%	0.4112	251.40
2019	7,194,566	58.92%	0.3989	235.77
2018	6,658,409	54.67%	0.3701	222.64
2017	6,501,937	56.66%	0.3836	214.13
2016	6,451,743	57.62%	0.3901	207.94
2015	6,421,009	59.45%	0.4025	217.33
2014	6,012,836	58.78%	0.3979	207.70

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

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

³See the Schedule of Demographic and Economic Statistics (page 112) for population data.

CITY OF HARKER HEIGHTS
 OWN SOURCE REVENUES¹, SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
 LAST TEN FISCAL YEARS

(amounts expressed in thousands except rates and meters)

Fiscal Year	Program Revenues	Water & Sewer		Program Revenues	Drainage		Number of Water Meters	Special Assessments ⁶	
		Water Rate ²	Sewer Rate ³		Residential Rate ⁴	Commercial Rate ⁵		Billings	Collected
2023	\$ 11,642	\$11.24 / \$3.50	\$20.25 / \$3.39	\$ 888	\$6.00	\$7.20 / \$14.40	11,853	\$ 33	\$ 12
2022	11,573	11.24 / 3.50	20.25 / 3.39	875	6.00	7.20 / 14.40	11,660	40	21
2021	10,553	10.91 / 3.40	19.66 / 3.29	867	6.00	7.20 / 14.40	11,508	37	19
2020	10,606	10.91 / 3.40	19.66 / 3.29	854	6.00	7.20 / 14.40	11,313	34	18
2019	9,567	10.59 / 3.30	19.09 / 3.19	833	6.00	7.20 / 14.40	11,215	31	11
2018	10,269	10.59 / 3.30	19.09 / 3.19	848	6.00	7.20 / 14.40	11,111	35	20
2017	9,418	10.28 / 3.20	18.53 / 3.10	809	6.00	7.20 / 14.40	10,887	32	28
2016	9,353	10.28 / 3.20	18.53 / 3.10	797	6.00	7.20 / 14.40	10,638	30	18
2015	8,776	9.98 / 3.11	17.99 / 3.01	772	6.00	7.20 / 14.40	10,384	25	16
2014	8,588	9.98 / 3.11	17.99 / 3.01	775	6.00	7.20 / 14.40	10,006	36	5

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

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

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

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

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

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

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

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

Fiscal Year	Bonded Debt	Notes Payable	Leases	Finance Purchase Agreement	Bonded Debt	Finance Purchase Agreement	Total Outstanding Debt	Percentage of Personal Income ¹	Per Capita ¹
Governmental Activities				Business-type Activities					
2023	\$ 23,233		9	\$ 162	\$ 13,034		\$ 36,438	n/a	\$ 1,041.09
2022	25,649		14	243	15,087		40,993	0.17%	1,171.23
2021	28,042			423	17,068		45,533	0.19%	1,422.91
2020	30,381			198	18,978		49,557	0.23%	1,598.61
2019	32,304			437	20,723		53,464	0.27%	1,724.65
2018	31,258			675	21,440		53,373	0.28%	1,779.10
2017	24,911			416	19,985		45,312	0.25%	1,510.40
2016	26,972			552	20,426		47,950	0.28%	1,546.77
2015	28,586	69		571	21,513		50,739	0.29%	1,691.30
2014	29,512	138		185	22,413		52,248	0.32%	1,801.66

Source: Audited Financial Statements

¹See the Schedule of Demographic and Economic Statistics (page 118) for population and personal income data.

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

<u>Fiscal Year</u>	<u>Bonded Debt¹</u>	<u>Less: Amounts Available in Debt Service Fund²</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property³</u>	<u>Per Capita⁴</u>
2023	\$ 36,267	\$ 76	\$ 36,191	1.04%	\$ 1,034.03
2022	40,736	78	40,658	1.45%	1,161.66
2021	45,109	63	45,046	1.75%	1,407.69
2020	49,359	99	49,260	2.10%	1,589.03
2019	53,027	71	52,956	2.43%	1,708.26
2018	52,698	92	52,606	2.49%	1,753.53
2017	44,895	233	44,662	2.30%	1,488.73
2016	47,399	95	47,304	2.55%	1,525.94
2015	50,099	165	49,934	2.82%	1,664.47
2014	51,925	161	51,764	3.11%	1,784.97

Source: Audited Financial Statements.

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

²This is the amount restricted for debt service.

³See Schedule of Assessed and Estimated Value of Property (page 103) for property data

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

CITY OF HARKER HEIGHTS
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 AS OF SEPTEMBER 30, 2023

<u>Government Subdivisions</u>	<u>Debt Amount¹</u>	<u>Estimated Percentage Applicable</u>	<u>City's Overlapping Debt</u>
Bell County	\$ 134,990,000	9.10%	\$ 12,284,090
Killeen Independent School District	383,760,000	23.24%	<u>89,185,824</u>
Subtotal, overlapping debt			101,469,914
City of Harker Heights Direct Debt			<u>23,394,863</u>
Total direct and overlapping net funded debt			<u><u>\$ 124,864,777</u></u>

Source: Municipal Advisory Council of Texas and Audited Financial Statements

¹Gross Debt.

Methodology for Deriving Overlapping Percentages:

(1) Determine the estimated shared assessed valuation of taxable property within both the overlapping taxing body(s) and the municipality.

(2) Divide that shared value by the total assessed value of taxable property within the overlapping taxing body.

CITY OF HARKER HEIGHTS
COMPUTATION OF SELF-SUPPORTING DRAINAGE SYSTEM DEBT
AS OF SEPTEMBER 30, 2023

Net System Revenue from Drainage Fund	\$ 797,187
Less: Requirements for Drainage System Supported Tax Bonds	<u>328,719</u>
Balance	\$ 468,468

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>
2023	\$ 2,482,650,823	71.49%	\$ 3,472,514,476
2022	2,155,905,163	76.89%	2,803,860,378
2021	2,020,612,894	78.59%	2,571,099,276
2020	1,880,602,042	80.09%	2,348,097,096
2019	1,803,480,163	82.71%	2,180,599,663
Total Five Year Valuation			<u>13,376,170,889</u>
Five Year Average Full Valuation of Taxable Real Property			<u>2,675,234,178</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>187,266,392</u>
Outstanding Indebtness as of September 30, 2023			
Total Bonded Debt			36,266,748
Less: Revenue bonds			13,033,727
Less: Amount available for repayment of general obligation bonds			45,049
Net indebtness subject to debt limit			<u>\$ 23,187,972</u>
Net debt contracting margin			164,078,420
Percentage of net debt contracting margin available			87.62%
Percentage of net debt contracting power exhausted			12.38%

<u>Last Ten Fiscal Years</u>			
<u>Year</u>	<u>Constitutional Debt Limit</u>	<u>Outstanding Indebtness September 30</u>	<u>Percentage of Net Debt Contracting Margin Available</u>
2023	\$ 187,266,392	\$ 23,187,972	87.62%
2022	168,230,120	25,600,429	84.78%
2021	156,140,179	27,959,925	79.54%
2020	146,124,721	29,889,907	79.54%
2019	138,003,088	31,710,188	77.02%
2018	130,786,609	30,526,236	76.66%
2017	122,832,202	29,077,083	76.33%
2016	117,044,096	26,074,077	77.72%
2015	111,899,806	27,697,306	75.25%
2014	107,541,872	29,487,215	72.58%

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
2023	\$ 11,642	\$ 7,035	\$ 4,607	\$ 888	\$ 101	\$ 787	\$ 1,994	\$ 447	\$ 2,441	2.21
2022	11,573	6,342	5,231	875	128	747	1,914	504	2,418	2.47
2021	10,581	6,212	4,369	868	131	737	1,836	522	2,358	2.17
2020	10,606	6,100	4,506	854	160	694	3,650	621	4,271	1.22
2019	9,567	5,604	3,963	833	171	662	1,622	544	2,166	2.14
2018	10,269	5,547	4,722	848	169	679	1,534	596	2,130	2.54
2017	9,418	5,227	4,191	809	202	607	1,315	677	1,992	2.41
2016	9,353	4,996	4,357	797	188	609	5,884	707	6,591	0.75
2015	8,776	5,201	3,575	772	180	592	1,216	791	2,007	2.08
2014	8,588	4,911	3,677	775	183	592	1,019	800	1,819	2.35

Source: Audited Financial Statements.

¹Total operating expenses, exclusive of depreciation.

CITY OF HARKER HEIGHTS
INTEREST AND SINKING FUND BUDGET PROJECTION
AS OF SEPTEMBER 30, 2023

Net Tax Supported Debt Service Requirements for Fiscal Year Ending September 30, 2024		\$ 3,118,246
Interest and Sinking Fund Balance - September 30, 2023	76,164	
Interest and Fund Tax Levy @ 98% Collection	<u>3,093,672</u>	<u>3,169,836</u>
Estimated Interest and Sinking Balance - September 30, 2024		\$ 51,590

CITY OF HARKER HEIGHTS
 AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS
 AS OF SEPTEMBER 30, 2023

<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, 2023

Average Annual Principal and Interest Requirements, 2024-2039	\$ 1,713,627
\$0.0621 Tax Rate at 97% Collection Produces	\$ 1,716,215
Maximum Principal and Interest Requirements, 2024	\$ 3,118,246
\$0.1129 Tax Rate at 97% Collection Produces	\$ 3,120,140

NOTE: Excludes self-supporting debt.

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

Education Attainment, 25 Years and
Over²

Fiscal Year	Population ¹	Median Age ²	Per Capita Income ³	Personal Income ³	High School Graduate or Higher	Four or More Years of College	Peak School Enrollment ⁴	Unemployment Rate ⁵
2023	35,420		n/a	n/a			44,123	4.5%
2022	34,745		47,680	23,660,068			44,109	4.3%
2021	31,734		48,471	23,598,554			44,017	5.6%
2020	30,760	35	44,975	21,456,685	90.70%	35.00%	45,492	6.8%
2019	30,515		41,829	19,622,175			45,091	3.7%
2018	29,906		41,167	18,860,188			44,319	3.9%
2017	30,365		40,744	18,298,056			43,832	4.2%
2016	31,027		39,355	17,386,496			43,428	4.5%
2015	29,545		39,533	17,282,057			42,929	4.7%
2014	28,950		38,443	16,534,277			41,414	5.7%

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

² Census 2020.

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

⁴ Killeen Independent School District.

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

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

Employer	2023			2014		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Killeen Independent School District ¹	773.0	2	5.69%	690.0	1	5.94%
Seton Healthcare	537.0	2	3.95%			
Walmart Supercenter	530.0	3	3.90%	537.0	2	4.62%
HEB Store	330.0	4	2.43%	243.0	3	2.09%
City of Harker Heights	221.0	5	1.63%	235.0	4	2.02%
Indian Oaks	186.0	6	1.37%	186.0	5	1.60%
Target	155.0	7	1.14%	155.0	6	1.33%
Cheddar's Restaurant	140.0	8	1.03%	140.0	7	1.20%
Bass Electric	135.0	9	0.99%			
Cracker Barrel	101.0	10	0.74%	101.0	8	0.87%
Razzoo's Cajun Cafe				76.0	9	0.65%
McDonald's				58.0	10	0.50%
	<u>3,108.0</u>		<u>22.87%</u>	<u>2,421.0</u>		<u>20.82%</u>

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

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

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

Customer Name	2023			2014		
	Usage In Gallons	Rank	Percentage of Total Usage	Usage In Gallons	Rank	Percentage of Total Usage
Ancient Oaks Mobile Home Park	123,434	1	6.95%	74,554	3	5.17%
Today's Car Wash II, LLC	121,200	2	6.83%	40,571	6	2.81%
Big Oaks Mobile Home Park	100,687	3	5.67%	81,109	2	5.62%
TXHA Indian MHP, LLC	86,005	4	4.84%			
Pleasant View MHP	81,084	5	4.57%	62,182	4	4.31%
Seton Medical Center	77,782	6	4.38%	81,896	1	5.68%
Indian Oaks Nursing Center	68,382	7	3.85%			
Wells Laundry, Inc.	65,297	8	3.68%	53,633	5	3.72%
Lookout Ridge Apartment	49,851	9	2.81%			
TXHA Indian MHP, LLC	40,854	10	2.30%			
Cheddar's Casual Café, Inc.				34,646	7	2.40%
Cracker Barrel Old Country Store				31,125	8	2.16%
Harker Heights High School				19,315	9	1.34%
HEB				17,743	10	1.23%
	<u>814,576</u>		<u>45.88%</u>	<u>496,774</u>		<u>34.44%</u>

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

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

Fiscal Year	Property Value ¹				Commercial Construction ²		Residential Construction ²		Bank Deposits ⁴
	Commercial	Residential	Exemptions	Total	Number of Units ³	Value	Number of Units ³	Value	
2023	\$ 530,618	\$ 2,827,702	\$ 719,341	\$ 2,638,979	3	\$ 6,050	210	\$ 53,123	\$ 2,030,781,041 ^(e)
2022	482,325	2,216,715	592,013	2,107,027	5	18,760	212	48,768	2,128,212,370 ^(d)
2021	471,127	1,997,202	516,568	1,951,761	9	10,878	140	47,036	2,123,711,425 ^(d)
2020	413,381	1,843,319	443,648	1,813,052	7	1,256	138	34,777	1,781,318,245 ^(d)
2019	392,883	1,700,175	372,506	1,720,552	14	47,848	134	38,648	1,348,876,827 ^(d)
2018	386,605	1,639,341	306,759	1,719,187	9	4,666	181	47,734	64,908,662 ^(d)
2017	362,632	1,513,435	240,147	1,635,920	10	3,338	194	47,456	1,345,966,097 ^(c)
2016	360,466	1,432,212	197,181	1,595,497	6	2,688	201	48,340	1,258,610,983 ^(c)
2015	338,112	1,367,445	169,171	1,536,386	8	20,715	209	45,616	1,251,633,606 ^(c)
2014	288,694	1,313,510	149,488	1,452,716	10	15,887	221	46,070	1,190,961,291 ^(b)

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, (d) remove Bank of America, and (e) remove Cadence Bank (formerly BancorpSouth Bank)

NOTE: First State Bank Central Texas merged with BancorpSouth Bank in 2017, Union State Bank merged with VeraBank in 2018 and BancorpSouth Bank merged with Cadence Bank in 2022.

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

Function/Program	As of September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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	46.0	44.0	44.0	43.5	41.0	39.5	36.5	33.5	31.5	26.5
Planning and Building	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Public Safety:										
Police	71.0	70.0	68.5	65.5	64.5	62.0	61.0	61.0	60.0	62.0
Fire	46.0	46.0	46.0	46.0	46.0	45.5	44.5	44.5	44.5	43.5
Streets	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Culture and Recreation:										
Parks and Recreation	35.0	35.0	35.0	36.0	36.5	46.0	46.0	47.5	47.5	47.5
Library/Activity Center	13.0	12.0	12.0	14.0	20.5	11.0	10.5	10.5	10.5	10.5
Public Works	7.5	7.5	7.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0
Water and Sewer	21.0	21.0	20.0	20.0	20.0	19.0	18.0	18.0	18.0	17.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Sanitation	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0
Total	266.5	261.5	259.0	259.5	261.5	256.0	249.5	248.0	245.0	240.0

Source: City of Harker Heights Finance Department

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

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Planning and Building										
Building Permits Issued	2,845	2,286	2,185	2,190	2,104	1,757	1,518	2,109	2,386	4,665
Value of Building Permits ¹	\$111,602	\$115,553	\$55,201	\$52,253	\$109,012	\$62,162	\$59,557	\$75,212	\$79,598	\$96,333
Police										
Physical Arrest	897	618	932	526	730	916	1,168	2,386	1,173	1,496
Parking Violations	0	2	44	2	54	47	43	27	42	27
Traffic Violations	3,282	3,735	4,030	5,766	6,078	5,487	4,127	2,979	3,916	8,800
Fire										
Calls Answered	7,373	5,914	5,504	4,527	4,305	4,336	3,970	3,930	4,049	3,547
Fire and Emergency Responses	7,373	5,914	5,504	4,527	4,305	4,207	3,858	3,823	3,931	3,469
Fires Extinguished	125	79	120	88	57	122	100	82	103	133
Inspections	1,656	915	600	396	749	616	500	444	600	800
Parks and Recreation										
Aquatic Center Usage	6,289	6,012	3,555	0*	15,424	10,963	11,953	14,469	20,443	12,470
Program Participants	7,419	6,124	5,701	1,515	6,393	7,409	7,026	8,058	8,118	7,933
Library										
Annual Circulation	165,883	134,532	117,549	92,766	154,541	139,124	164,372	176,788	199,529	166,256
Water and Sewer										
Average daily water consumption in gallons ¹	5,224	4,750	4,900	4,500	4,400	4,300	4,207	4,163	4,000	3,954
Residential water rate - inside city limits										
Base	\$11.24	\$11.24	\$10.91	\$10.91	\$10.59	\$10.59	\$10.28	\$10.28	\$9.98	\$9.98
Per 1,000 gallons	\$3.50	\$3.50	\$3.40	\$3.40	\$3.30	\$3.30	\$3.20	\$3.20	\$3.11	\$3.11
Residential water rate - outside city limits										
Base	\$22.48	\$22.48	\$21.82	\$21.82	\$21.18	\$21.18	\$20.56	\$20.56	\$19.96	\$19.96
Per 1,000 gallons	\$7.00	\$7.00	\$6.80	\$6.80	\$6.60	\$6.60	\$6.40	\$6.40	\$6.22	\$6.22
Average daily sewage treatment in gallons ¹	2,070	2,070	2,120	1,880	2,600	1,740	1,990	2,780	1,940	1,790
Residential sewer rates - inside city limits										
1,000 - 3,000 gallons	\$20.25	\$20.25	\$19.66	\$19.66	\$19.09	\$19.09	\$18.53	\$18.53	\$17.99	\$17.99
Per 1,000 gallons (3,000 - 10,000 gallons)	\$3.39	\$3.39	\$3.29	\$3.29	\$3.19	\$3.19	\$3.10	\$3.10	\$3.01	\$3.01
Residential sewer rates - outside city limits										
1,000 - 3,000 gallons	\$40.50	\$40.50	\$39.32	\$39.32	\$38.18	\$38.18	\$37.06	\$37.06	\$35.98	\$35.98
Per 1,000 gallons (3,000 - 10,000 gallons)	\$6.78	\$6.78	\$6.58	\$6.58	\$6.38	\$6.38	\$6.20	\$6.20	\$6.02	\$6.02

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

Source: Various City of Harker Heights departments.

¹expressed in thousands

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

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

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Area (square miles)	15.60	15.60	15.65	15.65	15.65	15.65	15.65	15.65	15.40	15.40
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Cars	25	23	23	27	25	21	21	20	20	20
Command Van	0	1	1	1	0	0	0	0	0	0
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Fire Trucks	6	5	5	5	5	5	5	5	5	5
Ambulances	3	3	3	3	3	3	3	3	3	3
Command Van	1	0	0	0	1	1	1	1	1	1
Street (miles)	152	150	153	151	153.4	150.55	145.3	145.4	145.64	140
Street lights	1,566	1,575	1,555	1,547	1,547	1,541	1,480	1,470	1,445	1,438
Parks and Recreation										
Recreation/community center	1	1	1	1	1	1	1	1	1	1
Parks	7	7	7	7	7	6	8	8	8	8
Acreage	192	192	192	192	192	192	194	194	194	194
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	9
Soccer/football fields	6	6	6	6	6	6	6	6	6	6
Swimming pools	1	1	1	1	1	1	1	1	1	1
Library/Activity Center										
Building	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	194	192	191	189	187.45	183.89	183.77	187.1	179.13	177.55
Service connections	11,989	11,658	11,383	11,308	11,215	11,111	10,887	10,638	10,384	10,006
Fire hydrants	1,238	1,207	1,190	1,185	1,185	1,185	1,181	1,102	1,102	1,101
Maximum daily capacity ¹	16,250	16,250	16,250	16,250	16,250	16,250	13,500	13,500	13,500	13,500
Sewer										
Sanitary sewer (miles)	144	140	139	138	135.55	132.26	132.07	131.33	130.36	125.92
Service connections	10,593	10,276	10,128	10,138	9,829	9,685	9,486	9,228	8,959	8,842
Storm sewer (miles)	19.0	10.0	10.0	10.0	10.0	10.0	9.6	9.5	9.5	9.5
Treatment capacity (gallons) ¹	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000

Source: Various City of Harker Heights departments.

¹ expressed in thousands

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

<u>Fiscal Year</u>	<u>Peak Day Usage</u>	<u>Average Day Usage</u>	<u>Total Usage</u>
2023	10,160,000	4,852,500	1,775,370,000
2022	11,560,000	5,149,166	1,888,700,000
2021	9,250,000	4,230,000	1,550,210,000
2020	10,360,000	4,555,000	1,713,770,000
2019	9,280,000	4,221,667	1,544,780,000
2018	10,460,000	4,560,000	1,665,713,000
2017	8,090,000	4,207,136	1,535,605,000
2016	9,040,000	4,162,500	1,489,060,000
2015	9,250,000	4,105,833	1,484,095,000
2014	8,070,000	4,006,667	1,443,064,000

Source: City of Harker Heights Public Works Department