



# HEWITT

TEXAS

## 2022 ACFR

### For Year Ended September 30

Annual Comprehensive  
Financial Report



# **CITY OF HEWITT, TEXAS**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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

**Prepared by:**  
Finance Department

Lee Garcia, CPA, CGFO  
Finance Director

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# CITY OF HEWITT, TEXAS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

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## **INTRODUCTORY SECTION**

# HEWITT

TEXAS

March 20, 2023

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Hewitt, Texas:

State law and City Charter require that every municipality publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill those requirements for the fiscal year ended September 30, 2022.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been 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, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Hewitt's financial statements for the year ended September 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) 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 Hewitt, originated in 1893 and incorporated in 1960. It is located in the Heart of Texas Region in the central part of Texas just 2 hours south of Dallas and 2 hours north of Austin on Interstate 35. As the southern suburb of Waco, Hewitt enjoys being the second largest city in McLennan County with 7 square miles along I-35 and serving a population of 16,131.

The City of Hewitt operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing body (City Council) consisting of the Mayor and six other members. Council members, including the Mayor, serve two year terms, with three members elected by ward and one at-large, on a non-partisan basis every two years. The Mayor is chosen from among and by the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, and hiring the City's Manager, Attorney, and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city government, and for appointing the heads of departments.

The City provides a full range of services, including police and fire protection, refuse collection, building inspections, licenses and permits, construction and maintenance of streets, water, wastewater, and storm water infrastructure, library services, recreational and cultural activities. Residents enjoy affordable homes, quiet, safe neighborhoods, as well as exceptional school resources and community spirit. The City also welcomes businesses.

The City Manager is required by City Charter to propose an initial budget for the fiscal year no later than August 1<sup>st</sup> preceding the beginning of the fiscal year on October 1st. This annual budget serves as the foundation for the City of Hewitt's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The operating budget includes proposed expenditures and the means of financing them. A public hearing on the budget and two public hearings on the proposed tax rate are held prior to the meeting to adopt the budget before September 30<sup>th</sup>. The budget is legally enacted through passage of an ordinance.

### *Local Economy*

The City of Hewitt is a city of choice in McLennan County. People are choosing to live, work, and open businesses in Hewitt. Hewitt remains one of the most sought after places to live in the nation. The City has received accolades for being affordable, safe, and an all around great place to live.

Hewitt has customarily been known as a bedroom community with residential valuations making up approximately 67% of the total assessed property value. Although Hewitt is landlocked and unable to annex additional territory, Hewitt has ample land available for residential development and new commercial investment. Current projections indicate a total build out population of approximately 20,000 residents within the next 5 to 10 years.

Part of Hewitt's desirability has to do with quick access to the I-35 corridor and proximity to several regional amenities. Hewitt continues to grow and enjoys a reputation as a highly desirable place to live due to the quality of life available for all residents to enjoy. The quality of education offered by Midway ISD is also a contributing factor to local growth and overall good reputation. Proximity to secondary education (Baylor University, McLennan Community College, and Texas State Technical College) and local attractions contribute to the overall desirability of Hewitt.

The year 2018 was pivotal in the history of Hewitt. In January, Walmart opened doors to the public and began operations in Hewitt's Commerce Park. This was much anticipated due to new jobs and shopping opportunities. Moreover, the store has created new interest from other developers. Cracker Barrel restaurant is now open and generating additional sales tax dollars. It is anticipated that other retailers will likewise choose Hewitt and subsequent investment, jobs, and tax revenue will follow. Improving sales tax revenue has become a priority of the City Council; so much so, the Council has opened economic development incentives for retail development. Those incentives have now helped Hewitt attract an Atwood's Farm and Ranch store adjacent to the Walmart in Commerce Park and Rosa's Café and Cantina at the intersection of Panther Way and Hewitt Dr.

In 2022 (tax roll year 2021), new property added to the tax roll at market value was \$68 million; \$61.7 million of which was taxable. This increase included \$25 million in new single family homes, \$28.7 million in multi-family homes and \$10 million in commercial property. Total certified taxable value increased from \$1.132 billion for fiscal year 2021 to \$1.301 billion in fiscal year 2022; an increase of \$169 million or 15%. The average market value of 3,456 residences is \$286,945 before exemptions; \$191,461 after exemptions. The value of a single family home according to permits issued in 2022 is \$308,487.

In addition to commercial development, Hewitt continues to experience solid growth in residential housing. In 2022, subdivisions like Moonlight Park and Sunflower Ridge offer several new home lots currently in various stages of development. The Icon at Hewitt offers 256 luxury one and two bedroom units. Plus, the Reserve at Dry Creek provides 118 apartment units for residents 55 and over at an affordable monthly rate. Hewitt and the greater Waco area are expected to experience continual growth in population as well as taxable value.

Looking beyond 2022 there is much to look forward to in the greater Hewitt area. Land values are increasing and people are moving to Hewitt. Just outside the city limits, several hundred residential lots are in development right now. While these will be Waco residents, they will drive on Hewitt streets, go to local stores, and new jobs will be created in the immediate area. This rapid growth will create new opportunities for intergovernmental projects, as evidenced by the continued reconstruction of Ritchie Road, which initially was a joint partnership between the City of Hewitt, the City of Waco, and McLennan County. This multi-million dollar project exemplifies the spirit of cooperation and level of investment by local governmental units and has now been completed with the final phase of construction being undertaken by Hewitt solely. Midway ISD has opened another elementary school on Ritchie Road within the city limits of Hewitt.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. The unemployment rate as of September 2022 was 3.4%. Median household incomes in the City of Hewitt is \$72,395, while the state's was \$67,321. Population has increased from 11,084 in 2000 to 16,131 in 2022. Due to the strong and healthy local economy, the City of Hewitt has maintained a credit rating of AA- Stable from Standard and Poor's. The Midway School District also has a significant economic presence, employing in total more than 1,324 teachers, professionals and support staff.

#### *Long-term financial planning and major initiatives*

Unrestricted fund balance in the general fund at year end was \$9,140,346 or 80% of total general fund expenditures. This amount was more than the 90 day reserve or \$2,481,208 of unrestricted fund balance set by Council for budgetary and planning purposes (i.e., 90 days of general fund expenditures, excluding debt service and capital outlay). The Council also approved a 90 day reserve for debt service. The balance available for general fund debt service at year end was \$797,661. This was more than the \$676,236 amount needed by Council for debt service.

The City Council maintains an active five-year Capital Improvements Plan (CIP) which serves as its planning document to ensure that its streets, parks, facilities, water and wastewater infrastructure are well maintained and operating in peak condition. Under the guidance of the City Council, this process gives the City of Hewitt the ability to plan for its capital needs and allocate short-and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the City Manager, during the budget process, monitors the condition of all City vehicles and heavy equipment and makes recommendations on their replacement. The CIP is used to identify needs and then prioritize projects based on staff recommendations and Council direction. In addition, the City went through an extensive five year strategic planning process so as to ascertain missing equipment, facility improvements and service changes that may have been overlooked. A key component of this plan is to project cost estimates which are updated during the year and used during budget discussions and financial planning. The plan is intended to list projects that will maintain, update, and improve city facilities and infrastructure in a variety of areas; as well as, identify possible funding sources.

#### *Relevant financial policies*

The City of Hewitt has adopted a comprehensive set of financial policies, including a policy, according to charter which had a successful voter approved revision this year, that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or greater than estimated expenditures). Also, as discussed above, the city maintains a 90 day reserve of general fund expenditures, not including debt service and capital outlay. A separate 90 day reserve for debt service is also maintained. In addition, these reserves, operating and debt service, are also maintained in the utility fund.

#### *Awards and Acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hewitt, Texas, for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2021. This was the 19<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report (CAFR) 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.

The City of Hewitt also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2021-2022. Hewitt has received this Award for 18 years. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged as proficient as a policy document, a financial plan, an operations guide, and a communications device.

A sincere thanks is extended to all government departments for their assistance in providing the data necessary to prepare this report.

In closing, without the leadership and support of the governing body of the City of Hewitt, the Hewitt City Council, the preparation of this report would not have been possible.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bo Thomas".

Bo Thomas, ICMA-CM  
City Manager

A handwritten signature in black ink, appearing to read "Lee H. Garcia".

Lee H. Garcia, CPA, CGFO  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Hewitt Texas**

For its Annual Comprehensive Financial  
Report  
For the Fiscal Year Ended

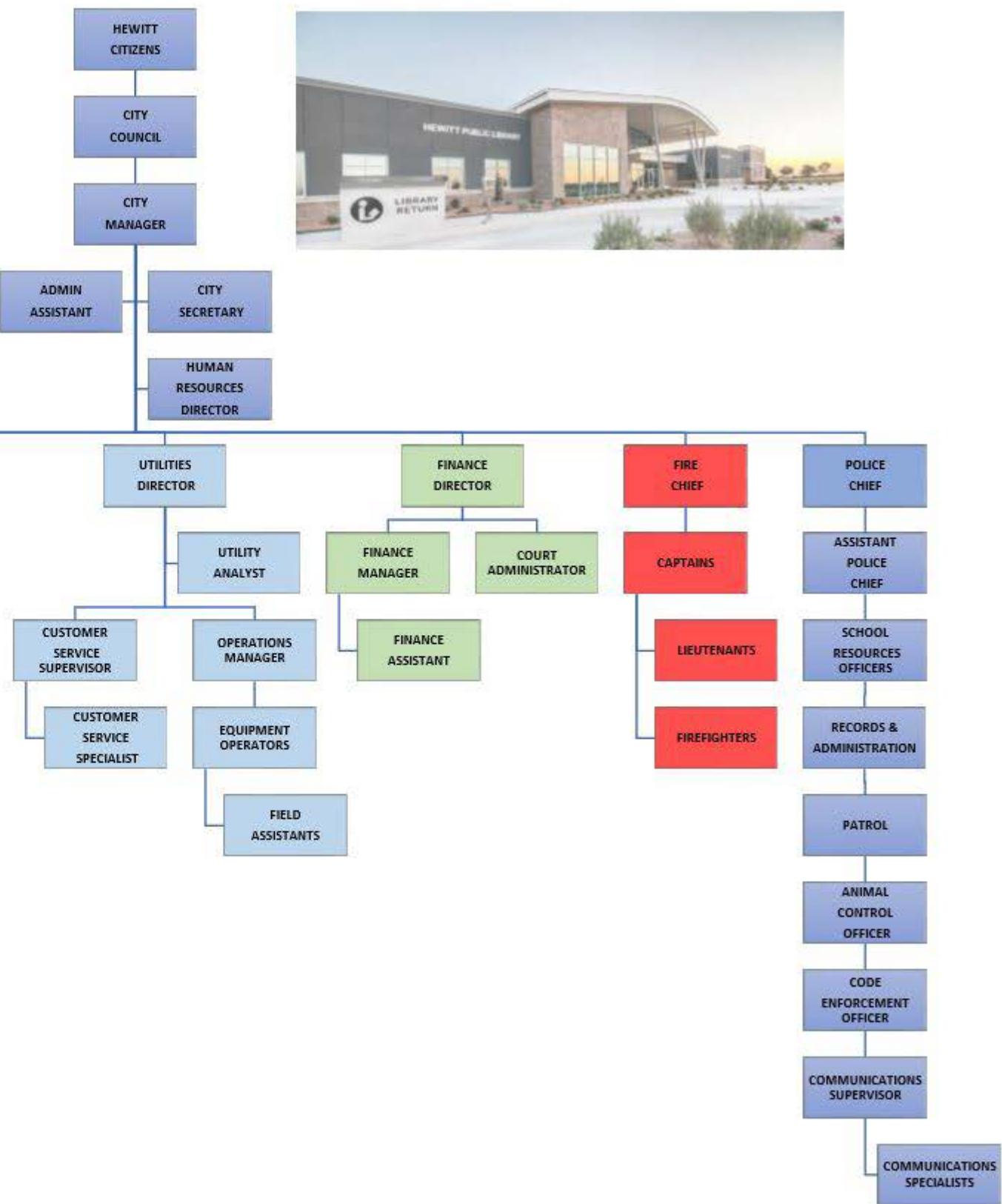
September 30, 2021

*Christopher P. Monell*

Executive Director/CEO

# HEWITT

## TEXAS



**CITY OF HEWITT, TEXAS**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**SEPTEMBER 30, 2022**

<b>Elected Officials</b>	<b>Position</b>
Steve Fortenberry	Mayor
Michael Bancale	Mayor Pro-Tem
Charles D. "Charlie" Turner	Council Member
Johnny Stephens	Council Member
Dr. Erica Bruce	Council Member
Johnny Price	Council Member
Bob Potter	Council Member
<b>Appointed Officials</b>	<b>Position</b>
Everett "Bo" Thomas, ICMA-CM	City Manager
Lydia Lopez, TRMC, CMC	City Secretary
James Devlin, ILEA-SEL	Chief of Police
Jonathan Christian, CFE, FSCEO	Fire Chief
Tracy Lankford	Community Development Director
Kevin Reinke	Utilities Director
Waynette Ditto, MLS	Library Director
Scott Coleman	General Service Director
Lee H. Garcia, CPA, CGFO	Finance Director
Tuck Saunders	Assistant Chief of Police
Jessica Higgins, MSHRM, IPMA-CP	Human Resources/Civil Service

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
and Members of City Council  
City of Hewitt, 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 Hewitt, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hewitt, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hewitt, 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.

***Responsibilities of Management for the Financial Statements***

The City of Hewitt, 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 Hewitt's ability to continue as a going concern for one year after the date that the financial statements are issued.

**OFFICE LOCATIONS**

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Hewitt'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 Hewitt'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 Hewitt, 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 20, 2023 on our consideration of City of Hewitt'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 Hewitt's internal control over financial reporting and compliance.

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

Waco, Texas  
March 20, 2023

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hewitt, Texas (the "City"), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded the deferred inflows of resources and liabilities at the close of the fiscal year by \$16,618,929. Of this amount, \$7,906,498 represents net investment in capital assets. Additionally, the City is reporting restricted net position of \$3,103,999 and \$5,608,432 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,784,069. A major contributing factor in this increase is attributable to an increase in sales tax revenues in the governmental activities and an increase in capital contributions in the business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,082,904, an increase of \$6,349,917 in comparison with the prior year. Approximately 57% of this total, or \$9,150,346 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,150,346 or 80% percent of total General Fund expenditures for the fiscal year.
- The City's total governmental long-term liabilities increased by \$1,594,219 (7%) during the current fiscal year due to the issuance of certificates of obligation in the amount of \$4,925,000, a premium on issuance of \$228,244, offset by regular debt service payments and a decrease in the net pension liability.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Hewitt's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Hewitt.

#### Basic Financial Statements

The first two statements in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the City's financial status.

The next statements are *fund financial statements*. These statements focus on the activities of the individual parts of city government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information can be found in the required supplementary section of the report.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets, deferred outflows/inflows of resources and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities encompass most of the City's basic services such as public safety, street, culture and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those in which the City charges customers to provide services. These include the water, sewer, and sanitation operations as well as stormwater drainage.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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, like all other governmental entities, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** The City has one kind of proprietary fund. Its Enterprise Funds are used to report the same programs presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water, sewer, and sanitation operations and its stormwater drainage operations. The proprietary fund statements provide the same type of information as the government wide financial statements, only in more detail.

## **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 immediately following the basic financial statements.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information (RSI) which contains information about the City's pension plans and other post-employment benefits plan. Schedules comparing actual results with the original budget and the final amended budget for the City's General Fund is also presented in the RSI section.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**City of Hewitt Net Position**  
**Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 16,527,733	\$ 10,067,187	\$ 13,891,101	\$ 11,621,429	\$ 30,418,834	\$ 21,688,616
Capital assets	<u>25,570,023</u>	<u>25,048,260</u>	<u>15,015,133</u>	<u>15,706,880</u>	<u>40,585,156</u>	<u>40,755,140</u>
Total assets	<u>42,097,756</u>	<u>35,115,447</u>	<u>28,906,234</u>	<u>27,328,309</u>	<u>71,003,990</u>	<u>62,443,756</u>
Deferred outflows of resources	<u>1,169,198</u>	<u>748,286</u>	<u>441,123</u>	<u>433,410</u>	<u>1,610,321</u>	<u>1,181,696</u>
Current and other liabilities	416,164	322,628	4,673,731	2,830,848	5,089,895	3,153,476
Long-term liabilities	<u>27,432,652</u>	<u>24,235,767</u>	<u>21,738,168</u>	<u>23,340,834</u>	<u>49,170,820</u>	<u>47,576,601</u>
Total liabilities	<u>27,848,816</u>	<u>24,558,395</u>	<u>26,411,899</u>	<u>26,171,682</u>	<u>54,260,715</u>	<u>50,730,077</u>
Deferred inflows of resources	<u>1,547,211</u>	<u>936,006</u>	<u>187,456</u>	<u>124,509</u>	<u>1,734,667</u>	<u>1,060,515</u>
Net position:						
Net investment in capital assets	6,310,241	5,147,756	1,596,257	1,936,099	7,906,498	7,083,855
Restricted	1,596,369	1,552,315	1,507,630	1,497,758	3,103,999	3,050,073
Unrestricted	<u>5,964,317</u>	<u>3,669,261</u>	<u>(355,885)</u>	<u>(1,968,329)</u>	<u>5,608,432</u>	<u>1,700,932</u>
Total net position	<u>\$ 13,870,927</u>	<u>\$ 10,369,332</u>	<u>\$ 2,748,002</u>	<u>\$ 1,465,528</u>	<u>\$ 16,618,929</u>	<u>\$ 11,834,860</u>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred inflows of the City of Hewitt exceeded liabilities and deferred outflows by \$16,618,929 as of September 30, 2022. The City's net position increased by \$4,784,069 for the fiscal year ended September 30, 2022. Net investment in capital assets of \$7,906,498 accounts for the greatest portion (48%) of net position.

An additional portion of the City's net position (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,608,432 is unrestricted and may be used to meet the government's ongoing obligations.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99%.
- Increasing City sales tax revenues mirrored those of the State of Texas and national economic trends.

**City of Hewitt Changes in Net Position**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 688,814	\$ 605,249	\$ 9,651,829	\$ 8,706,356	\$ 10,340,643	\$ 9,311,605
Operating grants and contributions	71,017	60,634	-	-	71,017	60,634
Capital grants and contributions	1,671,000	657,000	1,320,000	438,000	2,991,000	1,095,000
General revenues:						
Property taxes	6,125,219	5,716,678	-	-	6,125,219	5,716,678
Sales taxes	4,081,086	3,354,015	-	-	4,081,086	3,354,015
Franchise taxes	968,297	927,331	-	-	968,297	927,331
Hotel occupancy taxes	171,030	110,364	-	-	171,030	110,364
Investment earnings and other general revenues	209,245	159,491	62,431	61,503	271,676	220,994
<b>Total revenues</b>	<b><u>13,985,708</u></b>	<b><u>11,590,762</u></b>	<b><u>11,034,260</u></b>	<b><u>9,205,859</u></b>	<b><u>25,019,968</u></b>	<b><u>20,796,621</u></b>
<b>Expenses:</b>						
General government	1,659,976	2,200,241	-	-	1,659,976	2,200,241
Public safety	6,167,618	5,836,436	-	-	6,167,618	5,836,436
Streets	1,432,079	1,168,854	-	-	1,432,079	1,168,854
Culture and recreation	1,377,531	842,864	-	-	1,377,531	842,864
Interest on long-term debt	801,909	640,760	-	-	801,909	640,760
Water, sewer, and sanitation	-	-	8,356,859	8,077,449	8,356,859	8,077,449
Stormwater drainage	-	-	439,927	448,958	439,927	448,958
<b>Total expenses</b>	<b><u>11,439,113</u></b>	<b><u>10,689,155</u></b>	<b><u>8,796,786</u></b>	<b><u>8,526,407</u></b>	<b><u>20,235,899</u></b>	<b><u>19,215,562</u></b>
<b>Increase (decrease) in net position before transfers</b>	<b><u>2,546,595</u></b>	<b><u>901,607</u></b>	<b><u>2,237,474</u></b>	<b><u>679,452</u></b>	<b><u>4,784,069</u></b>	<b><u>1,581,059</u></b>
<b>Transfers</b>	<b><u>955,000</u></b>	<b><u>955,000</u></b>	<b><u>( 955,000)</u></b>	<b><u>( 955,000)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Change in net position</b>	<b><u>3,501,595</u></b>	<b><u>1,856,607</u></b>	<b><u>1,282,474</u></b>	<b><u>( 275,548)</u></b>	<b><u>4,784,069</u></b>	<b><u>1,581,059</u></b>
<b>Net position, beginning</b>	<b><u>10,369,332</u></b>	<b><u>8,512,725</u></b>	<b><u>1,465,528</u></b>	<b><u>1,741,076</u></b>	<b><u>11,834,860</u></b>	<b><u>10,253,801</u></b>
<b>Net position, ending</b>	<b><u>\$ 13,870,927</u></b>	<b><u>\$ 10,369,332</u></b>	<b><u>\$ 2,748,002</u></b>	<b><u>\$ 1,465,528</u></b>	<b><u>\$ 16,618,929</u></b>	<b><u>\$ 11,834,860</u></b>

**Governmental Activities.** Governmental activities increased the City's net position by \$3,501,595. Key elements of this increase include an increase in developer contributions and sales tax, slightly offset by increases in expenses in public safety and streets.

**Business-type Activities.** Business-type activities increased the City's net position by \$1,282,474. Charges for services increased \$945,473, primarily driven by an increase in developer contributions.

### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,150,346, with a total fund balance of \$9,958,862. 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 80% of total General Fund expenditures. Total fund balance represents 87% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,819,734 during the current fiscal year. This was a result of increases in revenue in every category. The City has experienced strong economic growth in the past few years, which has driven increases in sales tax and property tax revenues.

**Proprietary Fund.** The City's Utility Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year amounted to a deficit of \$691,319. The total increase in net position was \$1,228,283. Other factors concerning the finances of the Utility Fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights.

During the fiscal year, the City did not make budget amendments. If budget amendments are needed, they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City of Hewitt' investment in capital assets for its governmental and business-type activities as of September 30, 2022, totals \$40,585,156 (net of accumulated depreciation). These assets include land, buildings and improvements, distribution and collection systems, machinery and equipment, and construction in progress.

**City of Hewitt Capital Assets**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,405,058	\$ 2,405,058	\$ 554,444	\$ 554,444	\$ 2,959,502	\$ 2,959,502
Buildings and improvements	10,903,630	10,903,630	1,028,526	1,012,154	11,932,156	11,915,784
Distribution and collection systems	-	-	45,347,250	41,880,600	45,347,250	41,880,600
Machinery and equipment	6,491,588	6,309,823	2,927,753	2,921,812	9,419,341	9,231,635
Infrastructure	45,675,551	43,025,981	-	-	45,675,551	43,025,981
Construction in progress	228,647	778,568	344,076	1,957,076	572,723	2,735,644
Accumulated depreciation	( 40,134,451)	( 38,374,800)	( 35,186,916)	( 32,619,206)	( 75,321,367)	( 70,994,006)
Total	\$ 25,570,023	\$ 25,048,260	\$ 15,015,133	\$ 15,706,880	\$ 40,585,156	\$ 40,755,140

Major capital asset events during the year included the following:

- Warren Park Paving, \$44,787.
- Dodge chargers, 2, for police department, \$74,962.
- Bobcat compact excavator, \$75,375.
- Public safety communications upgrades, \$106,803.
- Microseal street improvements, \$112,775.
- Ritchie Road – phase 2 street improvements, \$821,008.
- Streets contributed by builders, Moonlight phase 4, \$1,671,000.
- Water and sewer lines contributed by builders, Moonlight Phase 4, \$1,320,000.
- FM 2113, Spring Valley Road, utility relocation, \$2,146,650.

Additional information on the City's capital asset activity is presented in the notes to the financial statements on page 22 - 26.

**Long-term Debt.** As of September 30, 2022, the City of Hewitt had total long-term debt outstanding of \$46,866,907. This debt is backed by the full faith and credit of the City.

**City of Hewitt Outstanding Debt**  
**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Certificates of obligation	\$ 22,537,160	\$ 18,696,751	\$ 14,812,840	\$ 15,343,249	\$ 37,350,000	\$ 34,040,000
Refunding general obligation bonds	596,250	879,800	5,578,750	6,245,200	6,175,000	7,125,000
Premium on bonds	749,903	562,071	511,742	560,487	1,261,645	1,122,558
Financing arrangements	716,678	681,775	525,426	777,426	1,242,104	1,459,201
Compensated absences	752,426	695,433	85,732	77,457	838,158	772,890
<b>Total</b>	<b>\$ 25,352,417</b>	<b>\$ 21,515,830</b>	<b>\$ 21,514,490</b>	<b>\$ 23,003,819</b>	<b>\$ 46,866,907</b>	<b>\$ 44,519,649</b>

The City's total debt increased by \$2,347,258 (5.3%) during the current fiscal year. The key factor in this increase was the issuance of the 2022 certificate of obligation for \$4,925,000.

Additional information regarding the City of Hewitt' long-term debt can be found in the notes to the financial statements on pages 24 - 27.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,140,346. The City has not appropriated any of this amount for spending in the 2022 fiscal year budget. The 2022 fiscal year budget of \$13 million the general fund is a balanced budget. The water and sewer rates were increased by approximately 3.2% and 3.6% effective December 1, 2022. There were no changes to the drainage rates for the 2022 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general over of the City of Hewitt's 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 Finance Director, at the City of Hewitt, 200 Patriot Court, Hewitt, TX 76643.

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**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF HEWITT, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 15,263,795	\$ 10,891,342	\$ 26,155,137
Accounts receivables, net	1,263,938	1,492,129	2,756,067
Restricted cash and investments	-	1,507,630	1,507,630
Capital assets:			
Non-depreciable	2,633,705	898,520	3,532,225
Depreciable, net	<u>22,936,318</u>	<u>14,116,613</u>	<u>37,052,931</u>
Total assets	<u>42,097,756</u>	<u>28,906,234</u>	<u>71,003,990</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charge on refunding	4,020	304,537	308,557
Deferred outflow related to OPEB	54,290	-	54,290
Deferred outflow related to pensions	<u>1,110,888</u>	<u>136,586</u>	<u>1,247,474</u>
Total deferred outflow of resources	<u>1,169,198</u>	<u>441,123</u>	<u>1,610,321</u>
<b>LIABILITIES</b>			
Accounts payable	122,118	360,081	482,199
Accrued liabilities	102,581	12,526	115,107
Accrued interest	191,465	193,530	384,995
Unearned revenue	-	3,632,777	3,632,777
Customer deposits	-	474,817	474,817
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,068,880	1,523,393	3,592,273
Total OPEB liability	<u>3,369</u>	-	<u>3,369</u>
Due in more than one year:			
Long-term debt	23,283,537	19,991,097	43,274,634
Net pension liability	1,819,234	223,678	2,042,912
Total OPEB liability	<u>257,632</u>	-	<u>257,632</u>
Total liabilities	<u>27,848,816</u>	<u>26,411,899</u>	<u>54,260,715</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflow related to pensions	1,524,619	187,456	1,712,075
Deferred outflow related to OPEB	22,592	-	22,592
Total deferred inflow of resources	<u>1,547,211</u>	<u>187,456</u>	<u>1,734,667</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,310,241	1,596,257	7,906,498
Restricted for:			
Debt service	808,516	1,507,630	2,316,146
Municipal information	440,708	-	440,708
Tourism	215,707	-	215,707
Public safety	131,438	-	131,438
Unrestricted	<u>5,964,317</u>	<u>( 355,885)</u>	<u>5,608,432</u>
Total net position	<u>\$ 13,870,927</u>	<u>\$ 2,748,002</u>	<u>\$ 16,618,929</u>

**CITY OF HEWITT, TEXAS**

**STATEMENT OF ACTIVITIES**

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 1,659,976	\$ 242,394	\$ -	\$ -
Public safety	6,167,618	401,915	46,020	-
Streets	1,432,079	4,925	-	1,671,000
Culture and recreation	1,377,531	39,580	24,997	-
Interest and fiscal charges	801,909	-	-	-
Total governmental activities	<u>11,439,113</u>	<u>688,814</u>	<u>71,017</u>	<u>1,671,000</u>
<b>Business-type activities:</b>				
Water, sewer, and sanitation	8,356,859	9,159,382	-	1,320,000
Stormwater drainage	439,927	492,447	-	-
Total business-type activities	<u>8,796,786</u>	<u>9,651,829</u>	<u>-</u>	<u>1,320,000</u>
<b>Total primary government</b>	<b>\$ 20,235,899</b>	<b>\$ 10,340,643</b>	<b>\$ 71,017</b>	<b>\$ 2,991,000</b>
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales taxes				
Franchise taxes				
Hotel occupancy tax				
Investment earnings				
Miscellaneous				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

Net (Expenses) Revenues and Changes in Net Position

Governmental Activities	Business-type Activities	Total
<u><u>\$ ( 1,417,582)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ ( 1,417,582)</u></u>
<u><u>( 5,719,683)</u></u>	<u><u>-</u></u>	<u><u>( 5,719,683)</u></u>
<u><u>243,846</u></u>	<u><u>-</u></u>	<u><u>243,846</u></u>
<u><u>( 1,312,954)</u></u>	<u><u>-</u></u>	<u><u>( 1,312,954)</u></u>
<u><u>( 801,909)</u></u>	<u><u>-</u></u>	<u><u>( 801,909)</u></u>
<u><u>( 9,008,282)</u></u>	<u><u>-</u></u>	<u><u>( 9,008,282)</u></u>
<u><u>-</u></u>	<u><u>2,122,523</u></u>	<u><u>2,122,523</u></u>
<u><u>-</u></u>	<u><u>52,520</u></u>	<u><u>52,520</u></u>
<u><u>-</u></u>	<u><u>2,175,043</u></u>	<u><u>2,175,043</u></u>
<u><u>( 9,008,282)</u></u>	<u><u>2,175,043</u></u>	<u><u>( 6,833,239)</u></u>
<u><u>3,955,611</u></u>	<u><u>-</u></u>	<u><u>3,955,611</u></u>
<u><u>2,169,608</u></u>	<u><u>-</u></u>	<u><u>2,169,608</u></u>
<u><u>4,081,086</u></u>	<u><u>-</u></u>	<u><u>4,081,086</u></u>
<u><u>968,297</u></u>	<u><u>-</u></u>	<u><u>968,297</u></u>
<u><u>171,030</u></u>	<u><u>-</u></u>	<u><u>171,030</u></u>
<u><u>93,846</u></u>	<u><u>62,431</u></u>	<u><u>156,277</u></u>
<u><u>83,496</u></u>	<u><u>-</u></u>	<u><u>83,496</u></u>
<u><u>31,903</u></u>	<u><u>-</u></u>	<u><u>31,903</u></u>
<u><u>955,000</u></u>	<u><u>( 955,000)</u></u>	<u><u>-</u></u>
<u><u>12,509,877</u></u>	<u><u>( 892,569)</u></u>	<u><u>11,617,308</u></u>
<u><u>3,501,595</u></u>	<u><u>1,282,474</u></u>	<u><u>4,784,069</u></u>
<u><u>10,369,332</u></u>	<u><u>1,465,528</u></u>	<u><u>11,834,860</u></u>
<u><u>\$ 13,870,927</u></u>	<u><u>\$ 2,748,002</u></u>	<u><u>\$ 16,618,929</u></u>

**CITY OF HEWITT, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2022

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 9,162,674	\$ 5,336,189	\$ 764,932	\$ 15,263,795
Receivables, net	<u>1,241,017</u>	<u>-</u>	<u>22,921</u>	<u>1,263,938</u>
Total assets	<u>10,403,691</u>	<u>5,336,189</u>	<u>787,853</u>	<u>16,527,733</u>
<b>LIABILITIES</b>				
Accounts payable	122,118	-	-	122,118
Accrued liabilities	<u>102,581</u>	<u>-</u>	<u>-</u>	<u>102,581</u>
Total liabilities	<u>224,699</u>	<u>-</u>	<u>-</u>	<u>224,699</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	150,321	-	-	150,321
Unavailable revenue - court fines	<u>69,809</u>	<u>-</u>	<u>-</u>	<u>69,809</u>
Total deferred inflows of resources	<u>220,130</u>	<u>-</u>	<u>-</u>	<u>220,130</u>
<b>FUND BALANCES</b>				
Restricted for:				
Debt service	808,516	-	-	808,516
Municipal information	<u>-</u>	<u>-</u>	<u>440,708</u>	<u>440,708</u>
Tourism	<u>-</u>	<u>-</u>	<u>215,707</u>	<u>215,707</u>
Public safety	<u>-</u>	<u>-</u>	<u>131,438</u>	<u>131,438</u>
Capital projects	<u>-</u>	<u>5,336,189</u>	<u>-</u>	<u>5,336,189</u>
Unassigned	<u>9,150,346</u>	<u>-</u>	<u>-</u>	<u>9,150,346</u>
Total fund balances	<u>9,958,862</u>	<u>5,336,189</u>	<u>787,853</u>	<u>16,082,904</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 10,403,691	\$ 5,336,189	\$ 787,853	\$ 16,527,733

**CITY OF HEWITT, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2022**

Total fund balances - governmental funds balance sheet \$ 16,082,904

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

Capital assets used in governmental activities are not reported in the funds. 25,570,023

Certain receivables will not be collected soon enough to pay for the current period's expenditures and are therefore deferred in the funds:

Property taxes 150,321  
Court fines and fees 69,809

Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds: ( 191,465)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable ( 23,133,410)  
Bond premium ( 749,903)  
Financing arrangements ( 716,678)  
Compensated absences ( 752,426)

Included in the items related to long-term liabilities is the recognition of the City's net pension liabilities and total OPEB liability, as well as the related deferred inflows and outflows of resources.

Long-term liabilities:  
Net pension liability ( 1,819,234)  
Total OPEB liability ( 261,001)

Deferred outflows of resources:  
Outflows related to loss on refunding 4,020  
Outflows related to pensions 1,110,888  
Outflows related to OPEB 54,290

Deferred inflows of resources:  
Inflows related to pensions ( 1,524,619)  
Inflows related to OPEB ( 22,592)

Net position of governmental activities \$ 13,870,927

**CITY OF HEWITT, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

**GOVERNMENTAL FUNDS**

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

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 6,081,718	\$ -	\$ -	\$ 6,081,718
Sales	4,081,086	-	-	4,081,086
Franchise	934,549	-	33,748	968,297
Hotel occupancy	-	-	171,030	171,030
Intergovernmental	266,063	-	-	266,063
Licenses and permits	242,394	-	-	242,394
Charges for services	21,295	-	-	21,295
Fines	189,650	-	18,395	208,045
Investment earnings	65,819	24,032	3,995	93,846
Miscellaneous	100,605	-	-	100,605
Total revenues	<u>11,983,179</u>	<u>24,032</u>	<u>227,168</u>	<u>12,234,379</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,517,980	-	117,783	1,635,763
Public safety	5,766,146	-	1,524	5,767,670
Public works	955,793	-	-	955,793
Culture and recreation	685,395	-	-	685,395
Debt service:				
Principal	1,567,866	-	-	1,567,866
Interest	655,734	-	-	655,734
Bond issuance cost	-	153,244	-	153,244
Capital outlay	236,058	601,710	-	837,768
Total expenditures	<u>11,384,972</u>	<u>754,954</u>	<u>119,307</u>	<u>12,259,233</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>598,207</u>	<u>( 730,922)</u>	<u>107,861</u>	<u>( 24,854)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	4,925,000	-	4,925,000
Premium	-	228,244	-	228,244
Issuance of financing arrangements	234,624	-	-	234,624
Proceeds from disposition of capital assets	31,903	-	-	31,903
Transfers in	955,000	-	-	955,000
Total other financing sources (uses)	<u>1,221,527</u>	<u>5,153,244</u>	<u>-</u>	<u>6,374,771</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,819,734</u>	<u>4,422,322</u>	<u>107,861</u>	<u>6,349,917</u>
<b>FUND BALANCES, BEGINNING</b>	<u>8,139,128</u>	<u>913,867</u>	<u>679,992</u>	<u>9,732,987</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 9,958,862</u>	<u>\$ 5,336,189</u>	<u>\$ 787,853</u>	<u>\$ 16,082,904</u>

**CITY OF HEWITT, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Net change in fund balances - total governmental funds	\$ 6,349,917
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,454,475
Depreciation	( 1,932,712)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable tax revenue	43,501
Unavailable municipal court revenue	4,925

The issuance of long-term debt 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 issuance costs, premiums, 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.

Bond principal payments	1,368,141
Financing arrangement principal payments	199,725
Issuance of financing arrangements	( 234,624)
Issuance of bonds	( 4,925,000)
Premium on issuance of bonds	( 228,244)

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.

Amortization of premiums and deferred loss on refunding	38,402
Pension cost	477,200
OPEB cost	( 25,785)
Compensated absences	( 56,993)
Accrued interest	<u>( 31,333)</u>

Change in net position of governmental activities.	\$ <u>3,501,595</u>
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**CITY OF HEWITT, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

SEPTEMBER 30, 2022

	Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,515,562	\$ 375,780	\$ 10,891,342
Accounts receivable, net	1,425,506	66,623	1,492,129
Restricted cash and cash equivalents	<u>1,507,630</u>	-	<u>1,507,630</u>
Total current assets	<u>13,448,698</u>	<u>442,403</u>	<u>13,891,101</u>
Noncurrent assets:			
Land	554,444	-	554,444
Construction in progress	344,076	-	344,076
Buildings and improvements	1,028,526	-	1,028,526
Water system facilities	32,781,458	-	32,781,458
Sewer system facilities	11,568,572	-	11,568,572
Drainage system facilities	-	997,220	997,220
Equipment	2,338,698	589,055	2,927,753
Less accumulated depreciation	<u>(34,266,168)</u>	<u>(920,748)</u>	<u>(35,186,916)</u>
Total noncurrent assets	<u>14,349,606</u>	<u>665,527</u>	<u>15,015,133</u>
Total assets	<u>27,798,304</u>	<u>1,107,930</u>	<u>28,906,234</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	304,537	-	304,537
Deferred outflow related to pensions	<u>97,313</u>	<u>39,273</u>	<u>136,586</u>
Total deferred outflows of resources	<u>401,850</u>	<u>39,273</u>	<u>441,123</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	360,081	-	360,081
Accrued liabilities	9,371	3,155	12,526
Accrued interest payable	189,769	3,761	193,530
Unearned revenue	3,632,777	-	3,632,777
Payable from restricted assets: customer deposits	474,817	-	474,817
Compensated absences	14,928	4,436	19,364
Financing arrangement	187,305	81,124	268,429
Bonds payable	1,235,600	-	1,235,600
Total current liabilities	<u>6,104,648</u>	<u>92,476</u>	<u>6,197,124</u>
Noncurrent liabilities:			
Compensated absences	49,693	16,675	66,368
Financing arrangement	111,063	145,934	256,997
Bonds payable	19,667,732	-	19,667,732
Net pension liability	159,363	64,315	223,678
Total noncurrent liabilities	<u>19,987,851</u>	<u>226,924</u>	<u>20,214,775</u>
Total liabilities	<u>26,092,499</u>	<u>319,400</u>	<u>26,411,899</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to pensions	133,556	53,900	187,456
Total deferred inflows of resources	<u>133,556</u>	<u>53,900</u>	<u>187,456</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,157,788	438,469	1,596,257
Restricted for debt services	1,507,630	-	1,507,630
Unrestricted	<u>(691,319)</u>	<u>335,434</u>	<u>(355,885)</u>
Total net position	<u>\$ 1,974,099</u>	<u>\$ 773,903</u>	<u>\$ 2,748,002</u>

**CITY OF HEWITT, TEXAS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Funds		Total Enterprise Funds
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	
<b>OPERATING REVENUES</b>			
Charges for services	\$ 8,890,231	\$ 492,447	\$ 9,382,678
Miscellaneous	269,151	-	269,151
Total operating revenues	<u>9,159,382</u>	<u>492,447</u>	<u>9,651,829</u>
<b>OPERATING EXPENSES</b>			
Personnel	613,585	234,682	848,267
Contractual services	3,563,279	14,930	3,578,209
Utilities	313,815	2,796	316,611
Repairs and maintenance	435,505	25,390	460,895
Other	147,520	40,093	187,613
Depreciation	2,520,096	117,049	2,637,145
Total operating expenses	<u>7,593,800</u>	<u>434,940</u>	<u>8,028,740</u>
<b>OPERATING INCOME</b>	<u>1,565,582</u>	<u>57,507</u>	<u>1,623,089</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and other income	60,760	1,671	62,431
Interest and other charges	(763,059)	(4,987)	(768,046)
Total nonoperating revenues (expenses)	<u>(702,299)</u>	<u>(3,316)</u>	<u>(705,615)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>863,283</u>	<u>54,191</u>	<u>917,474</u>
Capital contributions	1,320,000	-	1,320,000
Transfers out	(955,000)	-	(955,000)
<b>CHANGE IN NET POSITION</b>	<u>1,228,283</u>	<u>54,191</u>	<u>1,282,474</u>
<b>NET POSITION, BEGINNING</b>	<u>745,816</u>	<u>719,712</u>	<u>1,465,528</u>
<b>NET POSITION, ENDING</b>	<u>\$ 1,974,099</u>	<u>\$ 773,903</u>	<u>\$ 2,748,002</u>

**CITY OF HEWITT, TEXAS**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Funds		Total Enterprise Funds
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 9,089,785	\$ 497,338	\$ 9,587,123
Cash paid to suppliers	( 4,415,930)	( 272,203)	( 4,688,133)
Cash paid to employees	( 857,910)	( 83,209)	( 941,119)
Net cash provided (used) by operating activities	<u>3,815,945</u>	<u>141,926</u>	<u>3,957,871</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer to other funds	( 955,000)	- -	( 955,000)
Net cash provided (used) by noncapital financing activities	<u>( 955,000)</u>	<u>- -</u>	<u>( 955,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital grants	1,782,187	- -	1,782,187
Purchase of capital assets	( 550,022)	( 75,376)	( 625,398)
Principal paid on capital debt	( 1,511,836)	14,241	( 1,497,595)
Interest and other charges paid on debt	( 537,650)	( 1,226)	( 538,876)
Net cash provided (used) by capital and related financing activities	<u>( 817,321)</u>	<u>( 62,361)</u>	<u>( 879,682)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	60,760	1,671	62,431
Net cash provided (used) by investing activities	<u>60,760</u>	<u>1,671</u>	<u>62,431</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<u>2,104,384</u>	<u>81,236</u>	<u>2,185,620</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>9,918,808</u>	<u>294,544</u>	<u>10,213,352</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 12,023,192</u>	<u>\$ 375,780</u>	<u>\$ 12,398,972</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Net operating income	\$ 1,565,582	\$ 57,507	\$ 1,623,089
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,520,096	117,049	2,637,145
(Increase) decrease in:			
Accounts receivable	( 88,943)	17,391	( 71,552)
Deferred outflows related to pensions	( 33,589)	( 9,764)	( 43,353)
Increase (decrease) in:			
Accounts payable	44,189	- -	44,189
Accrued liabilities	( 193,110)	( 3,259)	( 196,369)
Due to other funds	- -	( 12,500)	( 12,500)
Customer deposits	19,346	- -	19,346
Compensated absences	4,909	3,366	8,275
Net pension liability	( 70,990)	( 42,356)	( 113,346)
Deferred inflows related to pensions	<u>48,455</u>	<u>14,492</u>	<u>62,947</u>
Net cash provided (used) by operations	<u>\$ 3,815,945</u>	<u>\$ 141,926</u>	<u>\$ 3,957,871</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contributions of capital assets	\$ 1,320,000	\$ - -	\$ - -

The accompanying notes are an integral part of these financial statements.

## CITY OF HEWITT, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Hewitt have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below:

##### **A. Government-wide Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, 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.

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

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

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 for interfund services provided and other charges between the City's various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### **B. Measurement Focus/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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to provide funding for non-routine general City projects. These projects are typically significant in cost. The projects are funded through the issuance of certificates of obligation and, if needed, operating transfers from the General Fund.

The City has presented the following major proprietary fund:

The **Water, Sewer, and Sanitation Fund** is used to account for the activities of the water distribution system, the sewage treatment plan, sewage pumping stations and collection systems, and sanitation services.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the cost of sales and services, administrative services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

## **C. Cash and Investments**

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand, demand deposits, certificate of deposits, and deposits in public funds investment pools.

State statutes authorize the City to invest in U.S. Treasury and agency securities, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in U.S. Treasury and agency securities, certificate of deposits, fully collateralized repurchase agreements secured by U.S. Treasury and agency securities, and public funds investment pools.

Investments in government pools are recorded at fair value, except for public funds investment pools. The public funds investment pools operate in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the amortized cost of the pool shares.

#### **D. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from 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 trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

#### **E. Restricted Assets**

Restricted cash accounts in the water and sewer fund are used to report (1) unspent bond proceeds, (2) customer deposits, and (3) bond debt reserve funds.

#### **F. Capital Assets**

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, water, sewer, and drainage facilities, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Assets capitalized, not including infrastructure assets, have an original cost of \$7,500 or more and a useful life of over one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized and are reported as expenses.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Assets	Years
Buildings and improvements	40
Water, sewer, and drainage systems	25 - 40
Infrastructure	5 - 40
Machinery and equipment	5 - 10

#### **G. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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 the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in 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.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 has the following items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

#### **H. Pensions**

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

#### **I. Other Post-Employment Benefits**

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

#### **J. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## **K. Long-term Obligations**

In the government-wide financial statements and the proprietary fund in the fund financial statements, the 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. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

## **L. Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## **M. Net Position**

Net position represents the difference between assets, deferred outflows/inflows of resources and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## **N. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

## 2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash, Cash Equivalents and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, managed public fund investment pools, and certificates of deposit

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), Local Government Investment Cooperative ("LOGIC"), Texas Range, Texas FIT, and Lone Star Investment Pool ("Lone Star"), through which political subdivisions and other entities may invest public funds.

TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The FHLMC securities held by the primary government were valued using the quoted prices of identical assets (Level 1).

The City's investments for the year ended September 30, 2022 are as follows:

	Carrying Value	Weighted Average Maturity (Days)	Credit Risk
Primary government:			
FHLMC	\$ 991,553	202	AAA
Alliance Bank	4,950,000	343	
East West Bank	<u>10,027,533</u>	137	
Total primary government	<u>\$ 15,969,086</u>		
Portfolio weighted average maturity		205	

Credit risk – In conformance with the City's investment policy, the City has limited credit risk by investing in only the safest type of securities as allowed by the Public Funds Investment Act, using approved brokers and with different investment pools. The broker used to determine the City's credit risk is Moody's Investor's Services.

Interest rate risk – The City, in compliance with its investment policy, invests in short-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than five years from the date of purchase.  
Concentration of credit risk – The City uses four local government investment pools and brokered certificates of deposit to diversify risk.

Custodial credit risk – The City requires all bank deposits to be collateralized at a level not less than the total deposits. At September 30, 2022, the carrying value of the City's bank deposits was entirely covered by federal depository insurance or by collateral held by the agent in the City's name.

## B. Receivables

Receivables as of year-end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Nonmajor Governmental	Water, Sewer and Sanitation	Nonmajor Stormwater Drainage	Total
Receivables:					
Property taxes	\$ 150,321	\$ -	\$ -	\$ -	\$ 150,321
Sales and franchise taxes	910,370	-	-	-	910,370
Hotel occupancy taxes	-	22,921	-	-	22,921
Fines	279,237	-	-	-	279,237
Accounts	-	-	1,838,567	79,718	1,918,285
Other	110,517	-	40,500	-	151,017
Gross Receivables	1,450,445	22,921	1,879,067	79,718	3,432,151
Less: allowance for doubtful accounts	( 209,428)	-	( 453,561)	( 13,095)	( 676,084)
	<u>\$ 1,241,017</u>	<u>\$ 22,921</u>	<u>\$ 1,425,506</u>	<u>\$ 66,623</u>	<u>\$ 2,756,067</u>

## C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u><b>Governmental activities:</b></u>				
Capital assets not being depreciated:				
Land	\$ 2,405,058	\$ -	\$ -	2,405,058
Construction in progress	778,568	357,522	734,382	401,708
Total capital assets not being depreciated	<u>3,183,626</u>	<u>357,522</u>	<u>734,382</u>	<u>2,806,766</u>
Capital assets being depreciated:				
Buildings and improvements	10,903,630	-	-	10,903,630
Infrastructure	43,025,981	2,649,571	-	45,675,552
Machinery and equipment	6,309,823	181,763	173,061	6,318,525
Total capital assets being depreciated	<u>60,239,434</u>	<u>2,831,334</u>	<u>173,061</u>	<u>62,897,707</u>
Less accumulated depreciation for:				
Buildings and improvements	1,993,921	272,591	-	2,266,512
Infrastructure	31,629,214	1,054,758	-	32,683,972
Machinery and equipment	4,751,665	605,362	173,061	5,183,966
Total accumulated depreciation	<u>38,374,800</u>	<u>1,932,711</u>	<u>173,061</u>	<u>40,134,450</u>
Total capital assets depreciated, net	<u>21,864,634</u>	<u>898,623</u>	<u>-</u>	<u>22,763,257</u>
Governmental activities, capital assets, net	<u>\$ 25,048,260</u>	<u>\$ 1,256,145</u>	<u>\$ 734,382</u>	<u>\$ 25,570,023</u>
<u><b>Business-type activities:</b></u>				
Capital assets not being depreciated:				
Land	\$ 554,444	\$ -	\$ -	\$ 554,444
Construction in progress	1,957,076	344,076	1,957,076	344,076
Total capital assets not being depreciated	<u>2,511,520</u>	<u>344,076</u>	<u>1,957,076</u>	<u>898,520</u>
Capital assets being depreciated:				
Buildings and improvements	1,012,154	16,372	-	1,028,526
Water system facilities	30,014,808	2,766,650	-	32,781,458
Sewer system facilities	10,868,572	700,000	-	11,568,572
Drainage system facilities	997,220	-	-	997,220
Machinery and equipment	2,921,812	75,376	69,435	2,927,753
Total capital assets being depreciated	<u>45,814,566</u>	<u>3,558,398</u>	<u>69,435</u>	<u>49,303,529</u>
Less accumulated depreciation for:				
Buildings and improvements	336,675	20,089	-	356,764
Water system facilities	21,474,417	1,701,978	-	23,176,395
Sewer system facilities	7,938,746	666,529	-	8,605,275
Drainage system facilities	490,216	55,401	-	545,617
Machinery and equipment	2,379,152	193,148	69,435	2,502,865
Total accumulated depreciation	<u>32,619,206</u>	<u>2,637,145</u>	<u>69,435</u>	<u>35,186,916</u>
Total capital assets depreciated, net	<u>13,195,360</u>	<u>921,253</u>	<u>-</u>	<u>14,116,613</u>
Business-type activities, capital assets, net	<u>\$ 15,706,880</u>	<u>\$ 1,265,329</u>	<u>\$ 1,957,076</u>	<u>\$ 15,015,133</u>

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

<b><u>Governmental activities:</u></b>	
General government	\$ 77,549
Public safety	683,175
Streets	512,749
Culture and recreation	<u>659,238</u>
Total governmental activities	\$ <u>1,932,711</u>
<b><u>Business-type activities:</u></b>	
Water, sewer, and sanitation	\$ 2,520,096
Stormwater drainage	<u>117,049</u>
Total business-type activities	\$ <u>2,637,145</u>

#### **D. Interfund Transfers**

Interfund activity for the year ended September 30, 2022, is as follows:

Transfer From	Transfer To	Amount
Water, Sewer and Sanitation	General Fund	\$ 955,000
Total		\$ <u>955,000</u>

The transfer from the Water, Sewer and Sanitation Fund to the General Fund was for franchise fees, administrative costs, and a payment in lieu of tax.

#### **E. Unearned Revenue**

As September 30, 2022, the Water, Sewer and Sanitation fund reported unearned revenue in the amount of \$3,632,777 for payments received under the Coronavirus State and Local Fiscal Recovery Fund that have not yet been spent.

#### **F. Long-term Debt**

Long-term liabilities consist of bonded indebtedness, financing arrangements, compensated absences. The City issues certificates of obligation to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. Financing arrangements are issued for the acquisition of equipment and other machinery. Financing arrangements, and compensated absences, are generally liquidated by the general fund and the enterprise funds.

The following is a summary of changes in long-term liabilities for the year ended September 30, 2022.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 18,696,751	\$ 4,925,000	\$ 1,084,591	\$ 22,537,160	\$ 1,335,250
General refunding bonds	879,800	-	283,550	596,250	294,150
Premium on bonds	562,071	228,244	40,412	749,903	-
Financing arrangements	681,775	234,624	199,725	716,674	261,897
Compensated absences	<u>695,433</u>	<u>482,996</u>	<u>426,003</u>	<u>752,426</u>	<u>177,583</u>
Total	<u>\$ 21,515,830</u>	<u>\$ 5,870,864</u>	<u>\$ 2,034,281</u>	<u>\$ 25,352,413</u>	<u>\$ 2,068,880</u>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 15,343,249	\$ -	\$ 530,409	\$ 14,812,840	\$ 549,750
General refunding bonds	6,245,200	-	666,450	5,578,750	685,850
Premium on bonds	560,478	-	48,736	511,742	-
Financing arrangements	777,426	115,376	367,376	525,426	268,429
Compensated absences	<u>77,457</u>	<u>56,756</u>	<u>48,481</u>	<u>85,732</u>	<u>19,364</u>
Total	<u>\$ 23,003,810</u>	<u>\$ 172,132</u>	<u>\$ 1,661,452</u>	<u>\$ 21,514,490</u>	<u>\$ 1,523,393</u>

## Bonded Debt

For governmental activities, bonds payable at September 30, 2022, are comprised of the following individual issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Governmental Activities				
Certificates of Obligation				
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2010	\$ 2,200,000	1.00% - 3.85%	2030	\$ 1,695,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2012	2,905,000	1.50% - 3.00%	2032	1,707,160
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2013	3,850,000	2.00% - 3.60%	2038	2,830,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2014	6,835,000	2.00% - 4.00%	2034	4,705,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2016B	3,355,000	0.80% - 2.75%	2036	2,620,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2017	4,860,000	3.00% - 4.00%	2038	4,055,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2022	4,925,000	3.00% - 5.00%	2042	<u>4,925,000</u>
Total certificates of obligation				<u>22,537,160</u>
General Refunding Bonds				
General Obligation Refunding				
Bonds, Series 2013	\$ 3,570,000	3.00% - 4.63%	2037	<u>596,250</u>
Total General Refunding Bonds				<u>596,250</u>
Total bonded debt - governmental activities				\$ <u>23,133,410</u>

Annual debt service requirements to maturity for governmental activities are as follows:

Year Ended September 30,	Principal	Interest
2023	\$ 1,629,400	\$ 782,043
2024	1,609,895	747,870
2025	1,473,455	693,567
2026	1,515,342	640,102
2027	1,581,000	584,593
2028-2032	7,849,318	2,053,573
2033-2037	5,405,000	844,092
2038-2042	2,070,000	194,951
	<u>\$ 23,133,410</u>	<u>\$ 6,540,791</u>

For business-type activities, bonds outstanding at September 30, 2022 are comprised of the following issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Business-type Activities				
Certificates of Obligation				
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2010	\$ 9,975,000	3.00% - 4.63%	2037	\$ 7,465,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2012	4,795,000	1.50% - 3.00%	2032	2,817,840
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2016	6,195,000	2.00% - 3.38%	2035	4,530,000
Total certificates of obligation				<u>14,812,840</u>
General Refunding Bonds				
General Obligation Refunding				
Bonds, Series 2013	\$ 3,570,000	0.50% - 3.00%	2024	528,750
General Obligation Refunding				
Bonds, Series 2015	\$ 5,555,000	2.00% - 4.00%	2032	5,050,000
Total General Refunding Bonds				<u>5,578,750</u>
Total bonded debt - business-type activities				\$ <u>20,391,590</u>

For business-type activities, annual debt service requirements to maturity are as follows:

Year Ended September 30,	Principal	Interest
2023	\$ 1,235,600	\$ 742,122
2024	1,275,105	708,774
2025	1,256,545	673,469
2026	1,294,659	634,684
2027	1,339,000	592,418
2028-2032	7,460,681	2,235,140
2033-2037	<u>6,530,000</u>	<u>830,581</u>
	<u>\$ 20,391,590</u>	<u>\$ 6,417,188</u>

The City is required under provisions of the combination tax and limited surplus certificates of obligation to maintain interest and sinking funds adequate for payments of principal and interest. Proceeds from the bonds provided financing for the construction of water system facilities. The total principal and interest remaining to be paid on the bonds is \$5.5 million. Principal and interest paid for the current year and total of pledged net surplus revenues of the water, sewer, and sanitation fund were \$1,969,577 and \$1,497,758 respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

### **Financing Arrangements**

The City finances the acquisition of certain vehicles, heavy equipment, wireless water meters, and computer equipment under noncancelable financing arrangements that expire over the next four years. The arrangements carry interest rates ranging from 1.23% to 3.20% and interest expense for the year was \$29,836. Assets under financing arrangements at September 30, 2022 consisted of the following:

Machinery and equipment	\$ 3,114,008
Less: accumulated amortization	<u>2,287,709</u>
Total	<u>\$ 826,299</u>

Annual debt service requirements to maturity are as follows:

Year Ended September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 261,897	\$ 13,504	\$ 268,429	\$ 8,038
2024	267,304	8,095	132,939	4,333
2025	127,738	2,560	94,682	1,769
2026	59,735	735	29,376	361
	<u>\$ 716,674</u>	<u>\$ 24,894</u>	<u>\$ 525,426</u>	<u>\$ 14,501</u>

## **G. Employee Retirement Systems**

### **Defined Benefit Pension Plan – Texas Municipal Retirement System**

#### **Plan Descriptions**

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (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 does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

#### **Benefits Provided**

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

At retirement, the 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.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	60/5, 0/20
Updated service credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

## **Employees covered by benefit terms**

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	77
Active employees	95
Total	<u>208</u>

## **Contributions**

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.58% and 15.73% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for fiscal years 2021 and 2022, were \$896,485 and \$982,080, respectively.

## **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

## **Actuarial assumptions**

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

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
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 is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	<u>10.0%</u>	10.00%
Total	<u>100.0%</u>	

### **Discount Rate**

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

## Changes in the Net Pension Liability

			Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balance at 12/31/2020	\$ 23,105,354	\$ 20,288,316		\$ 2,817,038
Changes for the year:				
Service cost	1,018,441		-	1,018,441
Interest	1,571,824		-	1,571,824
Difference between expected and actual experience	586,909		-	586,909
Contributions - employer	-	922,997	(	922,997)
Contributions - employee	-	393,004	(	393,004)
Net investment income	-	2,647,453	(	2,647,453)
Benefit payments, including refunds of employee contributions	( 656,588)	( 656,588)		-
Administrative expense	-	( 12,238)		12,238
Other changes	-	84	(	84)
Net changes	<u>2,520,586</u>	<u>3,294,712</u>	(	<u>774,126</u>
Balance at 12/31/2021	<u>\$ 25,625,940</u>	<u>\$ 23,583,028</u>		<u>\$ 2,042,912</u>

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/(asset) 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	\$ 6,163,550	\$ 2,042,912	\$( 1,286,185)

## Pension Plan Fiduciary Net Position

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

## Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the City recognized pension expense in the governmental activities and business-type activities in the amounts of \$364,432 and \$44,808, respectively.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 453,556	\$ 356,519
Changes in actuarial assumptions	35,608	-
Difference between projected and actual investment earnings	-	1,355,556
Contributions subsequent to the measurement date	758,310	-
Total	<u>\$ 1,247,474</u>	<u>\$ 1,712,075</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset 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:

For the Year Ended September 30,		
2023	\$(	245,372)
2024	(	551,765)
2025	(	217,400)
2026	(	208,374)

## **H. Defined Other Post-Employment Benefit Plans**

### **Plan Description**

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

### **Benefits Provided**

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	10
Active employees	95
Total	130

### **Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.15% for 2022 and 0.14% for 2021, of which 0.06% and 0.06%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2021 were \$1,571 and \$2,811, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

### **Total OPEB Liability**

The City's total OPEB liability of \$261,001 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

## Actuarial Assumptions

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Discount rate	1.84%
Actuarial cost method	Entry Age Method
Salary increases	3.50% to 11.5% including inflation

Mortality rates were updated and are based upon the sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2019. Per capita costs for Pre-65 retirees were derived based upon the fully insured rates on a retiree-only experience basis. Medicare eligible retirees are assumed to rescind the City's plan and take Medicare coverage. Any Medicare Part D subsidy was not reflected in the estimate. The participation rate for future retirees is based upon years of service at retirement. Any participant that retires prior to age 50 is assumed to waive the City's healthcare plan. For any future retiree assumed to elect retiree healthcare, their spouse is assumed to waive coverage. 40% of retirees are assumed to drop coverage at the time the employer subsidy ends. The per capita claims costs include a 7% load for administrative expenses and a 10% load for stop loss premiums where both are assumed to escalate with the healthcare trend rates each year.

The discount rate of 1.84% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study.

## Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	\$ 239,919
Changes for the year:	
Service cost	17,966
Interest	4,944
Difference between expected and actual experience	( 7,510)
Changes of assumptions or other inputs	9,051
Benefit payments	( 3,369)
Net changes	<u>21,082</u>
Balance at 12/31/2021	<u>\$ 261,001</u>

Changes in assumptions reflect a change in the discount rate from 2.00% to 1.84%.

## Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	\$ 326,638	\$ 261,001	\$ 210,655

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs**

For the year ended September 30, 2022, the City recognized OPEB expense in the governmental activities in the amounts of \$29,487. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period. At September 30, 2022, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	\$ 22,592
Changes in actuarial assumptions	51,398	-
Contributions subsequent to the measurement date	2,892	-
	<u>\$ 54,290</u>	<u>\$ 22,592</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2023. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30		
2023	\$ 6,577	
2024	6,577	
2025	5,527	
2026	5,939	
2027	3,810	
2028	376	

#### **I. 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 has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverages. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

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

## **J. Construction and Other Significant Commitments**

### **Construction Commitments**

The City has active construction projects as of September 30, 2022. At year-end, the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitments
<u>Government activities:</u>		
Street improvements - East Warren	\$ 688,734	\$ 218,952
Total	\$ 688,734	\$ 218,952

The commitments will be funded by unspent bond proceeds.

### **Other Commitments**

The City has contracted with private companies for the collection and disposal of refuse. The City negotiated a collection contract, with an effective date of July 1, 2019, for a term of five years, with the option to renew and extend the contract for another five years. Under the terms of the contract, the City will be responsible for residential billing and collection of all waste collection fees and will pay collection fees to the companies on a monthly basis as authorized in the contract regardless of the amount collected from residents. Collection fees paid during the fiscal year were \$1,166,536.

In order to provide a long-term, reliable water supply, the City entered into an agreement with the City of Waco on October 1, 2019, for a term of twenty-five years, with the option for either party to renew and extend the contract for another twenty years. The contract expires on September 30, 2045. Payments during the fiscal year were \$1,086,983.

On October 1, 2019, the City entered into an agreement with five neighboring cities (the "conveying cities") and the City of Waco in which each conveying city transferred their respective ownership of the joint venture to the City of Waco. The City of Waco operates the system, called Waco Metropolitan Area Regional Sewer System ("WMARSS"). The WMARSS entered into a wholesale wastewater agreement with each conveying city. During the fiscal year, the City made payments of \$612,944 under this contract.

## **K. Significant Forthcoming Pronouncements**

A summary of pronouncements issued by the Government Accounting Standards Board ("GASB") which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of the pronouncements on the financial statements.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF HEWITT, TEXAS**

**GENERAL FUND**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 6,109,736	\$ 6,109,736	\$ 6,081,718	\$( 28,018)
Sales	3,063,000	3,063,000	4,081,086	1,018,086
Franchise	918,000	918,000	934,549	16,549
Licenses and permits	110,500	110,500	242,394	131,894
Intergovernmental	230,155	230,155	266,063	35,908
Charges for services	45,500	45,500	21,295	( 24,205)
Fines	105,000	105,000	189,650	84,650
Investment earnings	20,000	20,000	65,819	45,819
Miscellaneous	51,000	51,000	100,605	49,605
Total revenues	<u>10,652,891</u>	<u>10,652,891</u>	<u>11,983,179</u>	<u>1,330,288</u>
<b>EXPENDITURES</b>				
Current				
General government	1,524,891	1,524,891	1,517,980	6,911
Public safety	5,819,262	5,819,262	5,766,146	53,116
Public works	1,054,114	1,054,114	955,793	98,321
Culture and recreation	713,285	713,285	685,395	27,890
Debt service				
Principal	1,567,866	1,567,866	1,567,866	-
Interest	655,734	655,734	655,734	-
Capital outlay	<u>272,235</u>	<u>272,235</u>	<u>236,058</u>	<u>36,177</u>
Total expenditures	<u>11,607,387</u>	<u>11,607,387</u>	<u>11,384,972</u>	<u>222,415</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 954,496)	( 954,496)	598,207	1,107,873
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of financing arrangements	-	-	234,624	234,624
Proceeds from disposition of capital assets	-	-	31,903	31,903
Transfers in	<u>955,000</u>	<u>955,000</u>	<u>955,000</u>	<u>-</u>
Total other financing sources (uses)	<u>955,000</u>	<u>955,000</u>	<u>1,221,527</u>	<u>266,527</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>504</u>	<u>504</u>	<u>1,819,734</u>	<u>1,819,230</u>
<b>FUND BALANCES, BEGINNING</b>	<u>8,139,128</u>	<u>8,139,128</u>	<u>8,139,128</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 8,139,632</u>	<u>\$ 8,139,632</u>	<u>\$ 9,958,862</u>	<u>\$ 1,819,230</u>

**CITY OF HEWITT, TEXAS**

**NOTES TO BUDGETARY INFORMATION**

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

**BUDGETARY INFORMATION**

An annual budget is adopted for the general fund. Prior to the beginning of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.

Public hearings are conducted at which all interested persons' comments concerning the budget are heard. Prior to September 30, the budget is legally enacted through passage of an ordinance by the City Council.

The appropriated budget is prepared by fund and department. Encumbrance accounting is not utilized by the City. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, transfers of appropriations between funds requires approval by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. No supplementary budgetary appropriations were made during the year.

In order to provide a meaningful comparison of actual results with the budget, the actual and budget amounts are presented in accordance with the City's budgetary basis in the financial statements of the individual funds.

**CITY OF HEWITT, TEXAS**

**SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY  
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Measurement Date December 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>A. Total pension liability</b>			
Service Cost	\$ 562,384	\$ 677,066	\$ 789,084
Interest (on the Total Pension Liability)	968,575	1,069,693	1,113,527
Difference between expected and actual experience	289,232	82,445	232,482
Change of assumptions	-	( 99,647)	-
Benefit payments, including refunds of employee contributions	( 410,019)	( 455,951)	( 684,443)
Net change in total pension liability	1,410,172	1,273,606	1,450,650
Total pension liability - beginning	<u>13,760,604</u>	<u>15,170,776</u>	<u>16,444,382</u>
Total pension liability - ending (a)	<u>\$ 15,170,776</u>	<u>\$ 16,444,382</u>	<u>\$ 17,895,032</u>
<b>B. Plan fiduciary net position</b>			
Contributions - employer	\$ 567,026	\$ 611,595	\$ 689,247
Contributions - employee	268,007	279,449	315,470
Net investment income	631,326	17,826	846,118
Benefit payments, including refunds of employee contributions	( 410,019)	( 455,951)	( 684,443)
Administrative expenses	( 6,591)	( 10,861)	( 9,560)
Other	( 542)	( 535)	( 515)
Net change in plan fiduciary net position	1,049,207	441,523	1,156,317
Plan fiduciary net position - beginning	<u>11,034,947</u>	<u>12,084,154</u>	<u>12,525,677</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,084,154</u>	<u>\$ 12,525,677</u>	<u>\$ 13,681,994</u>
<b>C. Net pension liability - ending (a) - (b)</b>			
	<u>\$ 3,086,622</u>	<u>\$ 3,918,705</u>	<u>\$ 4,213,038</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>			
	79.65%	76.17%	76.46%
<b>E. Covered payroll</b>			
	\$ 3,828,666	\$ 3,992,134	\$ 4,488,532
<b>F. Net position liability as a percentage of covered payroll</b>			
	80.62%	98.16%	93.86%

Note: The schedule is intended to show 10 years of information, additional years will be presented as it becomes available.

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 822,083	\$ 838,824	\$ 842,000	\$ 933,172	\$ 1,018,441
1,209,174	1,289,282	1,384,349	1,494,824	1,571,824
( 95,913)	6,076	756	( 633,793)	586,909
-	-	94,624	-	-
( 784,782)	( 729,056)	( 725,683)	( 735,615)	( 656,588)
1,150,562	1,405,126	1,596,046	1,058,588	2,520,586
<u>17,895,032</u>	<u>19,045,594</u>	<u>20,450,720</u>	<u>22,046,766</u>	<u>23,105,354</u>
<u>\$ 19,045,594</u>	<u>\$ 20,450,720</u>	<u>\$ 22,046,766</u>	<u>\$ 23,105,354</u>	<u>\$ 25,625,940</u>
\$ 721,451	\$ 747,341	\$ 757,848	\$ 797,653	\$ 922,997
321,665	328,399	336,608	360,696	393,004
1,895,854	( 474,030)	2,427,887	1,403,594	2,647,453
( 784,782)	( 729,056)	( 725,683)	( 735,615)	( 656,588)
( 9,827)	( 9,162)	( 13,705)	( 9,073)	( 12,238)
( 499)	( 479)	( 411)	( 352)	84
2,143,862	( 136,987)	2,782,544	1,816,903	3,294,712
<u>13,681,994</u>	<u>15,825,856</u>	<u>15,688,869</u>	<u>18,471,413</u>	<u>20,288,316</u>
<u>\$ 15,825,856</u>	<u>\$ 15,688,869</u>	<u>\$ 18,471,413</u>	<u>\$ 20,288,316</u>	<u>\$ 23,583,028</u>
<u>\$ 3,219,738</u>	<u>\$ 4,761,851</u>	<u>\$ 3,575,353</u>	<u>\$ 2,817,038</u>	<u>\$ 2,042,912</u>
83.09%	76.72%	83.78%	87.81%	92.03%
\$ 4,595,210	\$ 4,691,408	\$ 4,808,681	\$ 5,152,801	\$ 5,614,336
70.07%	101.50%	74.35%	54.67%	36.39%

**CITY OF HEWITT, TEXAS**

**SCHEDULE OF TMRS CONTRIBUTIONS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Fiscal Year September 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarial determined contribution	\$ 590,017	\$ 668,083	\$ 710,979
Contributions in relation to the actuarially determined contribution	( 590,017)	( 668,083)	( 710,979)
Contribution deficiency (excess)	-	-	-
Covered payroll	3,885,239	4,362,967	4,611,360
Contributions as a percentage of covered payroll	15.19%	15.31%	15.42%

**NOTES TO SCHEDULE OF TMRS CONTRIBUTIONS**

**Valuation Date** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: 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.

Note: The schedule is intended to show 10 years of information, additional years will be presented as it becomes available.

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$ 728,018	\$ 751,097	\$ 822,591	\$ 896,485	\$ 982,080
(728,018)	(751,097)	(822,591)	(896,485)	(982,080)
-	-	-	-	-
4,587,966	4,751,386	5,288,613	5,526,772	6,170,429
15.87%	15.81%	15.55%	16.22%	15.92%

**CITY OF HEWITT, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM  
SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Measurement Date December 31,</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>A. Total OPEB liability</b>			
Service Cost	\$ 7,812	\$ 9,383	\$ 8,656
Interest (on the Total OPEB Liability)	5,327	5,577	6,088
Differences between expected and actual experience	-	( 5,324)	( 7,878)
Changes of assumptions	14,550	( 12,716)	34,058
Benefit payments, including refunds of employee contributions	( 919)	( 938)	( 962)
Net change in Total OPEB liability	26,770	( 4,018)	39,962
Total OPEB liability - beginning	<u>137,488</u>	<u>164,258</u>	<u>160,240</u>
Total OPEB liability - ending (a)	<u>\$ 164,258</u>	<u>\$ 160,240</u>	<u>\$ 200,202</u>
<b>B. Covered-employee payroll</b>	<b>\$ 4,595,210</b>	<b>\$ 4,691,408</b>	<b>\$ 4,808,681</b>
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>	3.57%	3.42%	4.16%

**Notes to Schedule:**

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- The changes of assumptions generally includes the annual change in the municipal bond index rate.

**2020**      **2021**

\$	12,882	\$	17,966
	5,669		4,944
(	12,752)	(	7,510)
	34,949		9,051
<u>(</u>	<u>1,031)</u>	<u>(</u>	<u>3,369)</u>

39,717      21,082

200,202      239,919

\$ 239,919    \$ 261,001

\$ 5,152,801    \$ 5,614,336

4.66%      4.65%

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

***Hotel/Motel Tax Fund*** – This fund is used to account for the occupancy tax collected by hotels and motels located in the City. Funds from this account are used to promote “heads in beds” sometimes called the “Texas Two-Step” where sponsored activities draw those from outside the city who will likely be staying in hotels.

***PEG Fund*** – This fund is established to account for the funds received for professional, educational, and governmental communications. Funds from this account are limited to specific communications uses.

***Child Safety Fee Fund*** – This fund is used to account for child safety fees and limited to specific safety related training uses.

**CITY OF HEWITT, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2022

	Hotel / Motel Tax	PEG	Child Safety Fee	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 192,786	\$ 440,708	\$ 131,438	\$ 764,932
Accounts receivable, net	<u>22,921</u>	<u>-</u>	<u>-</u>	<u>22,921</u>
Total assets	<u>215,707</u>	<u>440,708</u>	<u>131,438</u>	<u>787,853</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for:				
Tourism	215,707	-	-	215,707
Municipal information	<u>-</u>	<u>440,708</u>	<u>-</u>	<u>440,708</u>
Public safety	<u>-</u>	<u>-</u>	<u>131,438</u>	<u>131,438</u>
Total fund balances	<u>215,707</u>	<u>440,708</u>	<u>131,438</u>	<u>787,853</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 215,707</u>	<u>\$ 440,708</u>	<u>\$ 131,438</u>	<u>\$ 787,853</u>

**CITY OF HEWITT, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

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

	Hotel / Motel Tax	PEG	Child Safety Fee	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes:				
Hotel occupancy	\$ 171,030	\$ -	\$ -	\$ 171,030
Franchise	- -	33,748	- -	33,748
Fines	- -	- -	18,395	18,395
Investment earnings	944	2,354	697	3,995
Total revenues	<u>171,974</u>	<u>36,102</u>	<u>19,092</u>	<u>227,168</u>
<b>EXPENDITURES</b>				
Current				
General government	105,391	12,392	- -	117,783
Public Safety	- -	- -	1,524	1,524
Total expenditures	<u>105,391</u>	<u>12,392</u>	<u>1,524</u>	<u>119,307</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>66,583</u>	<u>23,710</u>	<u>17,568</u>	<u>107,861</u>
<b>FUND BALANCES, BEGINNING</b>	<u>149,124</u>	<u>416,998</u>	<u>113,870</u>	<u>679,992</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 215,707</u>	<u>\$ 440,708</u>	<u>\$ 131,438</u>	<u>\$ 787,853</u>

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## **STATISTICAL SECTION**

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**Statistical Section**  
(Unaudited)

This part of the City of Hewitt's 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.

	<b>Page Number</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	49 – 58
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source – gas revenue, as well as its ability to generate its property taxes and information regarding its sales tax sources.	59 – 63
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	64 – 70
<b>Demographic and Economic Information</b> These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	71 – 72
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	76 – 79

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

**CITY OF HEWITT, TEXAS**

**NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities:				
Net investment in capital assets	\$ 4,893,550	\$ 4,441,956	\$ 4,369,473	\$ 2,742,077
Restricted	93,099	369,988	328,064	528,612
Unrestricted	<u>3,925,149</u>	<u>2,579,352</u>	<u>39,608</u>	<u>17,048</u>
Total governmental activities	<u>\$ 8,911,798</u>	<u>\$ 7,391,296</u>	<u>\$ 4,737,145</u>	<u>\$ 3,287,737</u>
Business-type activities:				
Net investment in capital assets	\$ 7,773,669	\$ 6,368,778	\$ 5,907,012	\$ 2,383,188
Restricted	329,962	1,059,200	1,334,912	795,600
Unrestricted	<u>4,764,949</u>	<u>3,184,242</u>	<u>3,089,192</u>	<u>6,890,939</u>
Total business-type activities	<u>\$ 12,868,580</u>	<u>\$ 10,612,220</u>	<u>\$ 10,331,116</u>	<u>\$ 10,069,727</u>
Primary government:				
Net investment in capital assets	\$ 12,667,219	\$ 10,810,734	\$ 10,276,485	\$ 5,125,265
Restricted	423,061	1,429,188	1,662,976	1,324,212
Unrestricted	<u>8,690,098</u>	<u>5,763,594</u>	<u>3,128,800</u>	<u>6,907,987</u>
Total primary government	<u>\$ 21,780,378</u>	<u>\$ 18,003,516</u>	<u>\$ 15,068,261</u>	<u>\$ 13,357,464</u>

**TABLE 1**

Fiscal Year						
2017	2018	2019	2020	2021	2022	
\$ 3,316,858	\$ 3,720,418	\$ 5,261,923	\$ 4,933,544	\$ 5,147,756	\$ 6,310,241	
598,217	664,160	747,421	1,362,342	1,552,315	1,606,369	
<u>116,244</u>	<u>436,303</u>	<u>1,020,091</u>	<u>2,216,839</u>	<u>3,669,261</u>	<u>5,954,317</u>	
<u>\$ 4,031,319</u>	<u>\$ 4,820,881</u>	<u>\$ 7,029,435</u>	<u>\$ 8,512,725</u>	<u>\$ 10,369,332</u>	<u>\$ 13,870,927</u>	
\$ 4,167,825	\$ 4,121,226	\$ 3,928,630	\$ 3,058,886	\$ 1,936,099	\$ 1,596,257	
1,372,820	1,411,062	1,441,305	1,473,819	1,497,758	1,507,630	
<u>6,061,828</u>	<u>6,432,761</u>	<u>8,061,145</u>	<u>( 2,791,629)</u>	<u>( 1,968,329)</u>	<u>( 355,885)</u>	
<u>\$ 11,602,473</u>	<u>\$ 11,965,049</u>	<u>\$ 13,431,080</u>	<u>\$ 1,741,076</u>	<u>\$ 1,465,528</u>	<u>\$ 2,748,002</u>	
\$ 7,484,683	\$ 7,841,644	\$ 9,190,553	\$ 7,992,430	\$ 7,083,855	\$ 7,906,498	
1,971,037	2,075,222	2,188,726	2,836,161	3,050,073	3,113,999	
<u>6,178,072</u>	<u>6,869,064</u>	<u>9,081,236</u>	<u>( 574,790)</u>	<u>1,700,932</u>	<u>5,598,432</u>	
<u>\$ 15,633,792</u>	<u>\$ 16,785,930</u>	<u>\$ 20,460,515</u>	<u>\$ 10,253,801</u>	<u>\$ 11,834,860</u>	<u>\$ 16,618,929</u>	

**CITY OF HEWITT, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 1,708,816	\$ 1,969,178	\$ 1,896,745	\$ 2,339,790
Public safety	3,107,076	3,742,199	3,952,175	4,166,333
Streets	1,880,288	1,741,523	1,624,610	1,632,508
Culture and recreation	341,177	404,841	506,422	575,926
Bond issuance costs	-	-	-	-
Interest on long-term debt	371,948	660,201	571,195	667,917
Total governmental activities	<u>7,409,305</u>	<u>8,517,942</u>	<u>8,551,147</u>	<u>9,382,474</u>
Business-type activities:				
Water, sewer and sanitation	6,680,599	8,081,126	7,451,538	8,039,501
Stormwater drainage	251,425	298,683	304,736	240,319
Total business-type activities	<u>6,932,024</u>	<u>8,379,809</u>	<u>7,756,274</u>	<u>8,279,820</u>
Total primary government	<u>\$ 14,341,329</u>	<u>\$ 16,897,751</u>	<u>\$ 16,307,421</u>	<u>\$ 17,662,294</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	\$ 100,132	\$ 74,417	\$ 111,019	\$ 199,848
Public safety	243,958	261,107	208,422	161,133
Streets	12,890	16,392	440	-
Culture and recreation	21,876	24,092	25,925	35,110
Operating grants and contributions	20,050	15,957	6,626	29,600
Capital grants and contributions	<u>143,763</u>	<u>85,288</u>	<u>112,760</u>	<u>95,457</u>
Total governmental activities	<u>542,669</u>	<u>477,253</u>	<u>465,192</u>	<u>521,148</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	7,401,698	7,239,315	7,616,419	8,191,004
Stormwater drainage	267,406	256,645	299,426	304,805
Capital grants and contributions	-	-	401,650	-
Total business-type activities	<u>7,669,104</u>	<u>7,495,960</u>	<u>8,317,495</u>	<u>8,495,809</u>
Total primary government	<u>\$ 8,211,773</u>	<u>\$ 7,973,213</u>	<u>\$ 8,782,687</u>	<u>\$ 9,016,957</u>

**TABLE 2**

Fiscal Year								
	2017	2018	2019	2020	2021	2022		
\$	1,631,134	\$ 2,438,820	\$ 2,483,711	\$ 2,302,122	\$ 2,200,241	\$ 1,659,976		
4,698,414	4,730,176	5,168,107	5,792,543	5,836,436	6,167,618			
1,659,377	746,905	897,475	905,294	1,168,854	1,432,079			
714,377	717,371	780,253	839,228	842,864	1,377,531			
-	120,462	-	-	-	-			
<u>619,982</u>	<u>724,249</u>	<u>749,069</u>	<u>651,361</u>	<u>640,760</u>	<u>801,909</u>			
<u>9,323,284</u>	<u>9,477,983</u>	<u>10,078,615</u>	<u>10,490,548</u>	<u>10,689,155</u>	<u>11,439,113</u>			
7,651,272	8,007,911	8,022,576	7,931,989	8,077,449	8,356,859			
388,359	383,413	458,925	486,193	448,958	439,927			
<u>8,039,631</u>	<u>8,391,324</u>	<u>8,481,501</u>	<u>8,418,182</u>	<u>8,526,407</u>	<u>8,796,786</u>			
\$ 17,362,915	\$ 17,869,307	\$ 18,560,116	\$ 18,908,730	\$ 19,215,562	\$ 20,235,899			
\$	183,187	\$ 128,125	\$ 130,421	\$ 142,407	\$ 218,267	\$ 242,394		
214,877	227,769	299,970	305,877	364,161	401,915			
-	-	-	-	-	4,925			
46,032	51,357	46,328	15,276	22,821	39,580			
51,575	15,310	12,789	855,721	60,634	71,017			
<u>877,000</u>	<u>625,000</u>	<u>1,800,000</u>	<u>-</u>	<u>657,000</u>	<u>1,671,000</u>			
<u>1,372,671</u>	<u>1,047,561</u>	<u>2,289,508</u>	<u>1,319,281</u>	<u>1,322,883</u>	<u>2,430,831</u>			
7,974,970	8,780,563	8,894,951	7,925,925	8,188,417	9,159,382			
308,759	439,626	465,755	481,999	517,939	492,447			
<u>839,000</u>	<u>314,516</u>	<u>1,255,000</u>	<u>-</u>	<u>438,000</u>	<u>1,320,000</u>			
<u>9,122,729</u>	<u>9,534,705</u>	<u>10,615,706</u>	<u>8,407,924</u>	<u>9,144,356</u>	<u>10,971,829</u>			
\$ 10,495,400	\$ 10,582,266	\$ 12,905,214	\$ 9,727,205	\$ 10,467,239	\$ 13,402,660			

**CITY OF HEWITT, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 6,866,636)	\$( 8,040,689)	\$( 8,085,955)	\$( 8,861,326)
Business-type activities	<u>737,080</u>	<u>( 883,849)</u>	<u>561,221</u>	<u>215,989</u>
Total primary government	<u>( 6,129,556)</u>	<u>( 8,924,538)</u>	<u>( 7,524,734)</u>	<u>( 8,645,337)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	3,290,396	3,601,567	3,812,874	3,954,452
Sales	1,383,057	1,569,610	1,652,368	1,813,720
Franchise	969,600	924,088	1,094,525	1,023,360
Other	-	-	3,986	3,511
Investment earnings	55,926	32,873	38,908	26,166
Gain on sale of capital assets	24,348	10,442	66,631	-
Miscellaneous	71,318	101,452	61,948	50,709
Transfers	<u>500,000</u>	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>
Total governmental activities	<u>6,294,645</u>	<u>6,780,032</u>	<u>7,271,240</u>	<u>7,411,918</u>
Business-type activities:				
Investment earnings	47,459	35,306	31,321	53,957
Gain on sale of capital assets	-	46,000	6,500	8,665
Transfers	<u>( 500,000)</u>	<u>( 540,000)</u>	<u>( 540,000)</u>	<u>( 540,000)</u>
Total business-type activities	<u>( 452,541)</u>	<u>( 458,694)</u>	<u>( 502,179)</u>	<u>( 477,378)</u>
Total primary government	<u>5,842,104</u>	<u>6,321,338</u>	<u>6,769,061</u>	<u>6,934,540</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	( 571,991)	( 1,260,657)	( 814,715)	( 1,449,408)
Business-type activities	<u>284,539</u>	<u>( 1,342,543)</u>	<u>59,042</u>	<u>( 261,389)</u>
Total primary government	<u>\$( 287,452)</u>	<u>\$( 2,603,200)</u>	<u>\$( 755,673)</u>	<u>\$( 1,710,797)</u>

**TABLE 2**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$( 7,950,613)	\$( 8,430,422)	\$( 7,789,107)	\$( 9,171,267)	\$( 9,366,272)	\$( 9,008,282)
<u>1,083,098</u>	<u>1,143,381</u>	<u>2,134,205</u>	<u>( 10,258)</u>	<u>617,949</u>	<u>2,175,043</u>
<u>( 6,867,515)</u>	<u>( 7,287,041)</u>	<u>( 5,654,902)</u>	<u>( 9,181,525)</u>	<u>( 8,748,323)</u>	<u>( 6,833,239)</u>
4,210,134	4,561,647	5,026,525	5,424,137	5,716,678	6,125,219
2,148,609	2,470,163	2,640,288	3,035,165	3,354,015	4,081,086
882,928	981,905	989,681	946,835	927,331	968,297
151,652	176,242	167,676	104,290	110,364	171,030
49,094	123,883	163,725	123,791	65,524	93,846
-	-	-	-	-	31,903
129,782	57,637	54,766	65,339	93,967	83,496
<u>925,000</u>	<u>980,000</u>	<u>955,000</u>	<u>955,000</u>	<u>955,000</u>	<u>955,000</u>
<u>8,497,199</u>	<u>9,351,477</u>	<u>9,997,661</u>	<u>10,654,557</u>	<u>11,222,879</u>	<u>12,509,877</u>
96,408	199,195	286,826	188,372	61,503	62,431
<u>( 925,000)</u>	<u>( 980,000)</u>	<u>( 955,000)</u>	<u>( 955,000)</u>	<u>( 955,000)</u>	<u>( 955,000)</u>
<u>( 828,592)</u>	<u>( 780,805)</u>	<u>( 668,174)</u>	<u>( 766,628)</u>	<u>( 893,497)</u>	<u>( 892,569)</u>
<u>7,668,607</u>	<u>8,570,672</u>	<u>9,329,487</u>	<u>9,887,929</u>	<u>10,329,382</u>	<u>11,617,308</u>
546,586	921,055	2,208,554	1,483,290	1,856,607	3,501,595
<u>254,506</u>	<u>362,576</u>	<u>1,466,031</u>	<u>( 776,886)</u>	<u>( 275,548)</u>	<u>1,282,474</u>
<u>\$ 801,092</u>	<u>\$ 1,283,631</u>	<u>\$ 3,674,585</u>	<u>\$ 706,404</u>	<u>\$ 1,581,059</u>	<u>\$ 4,784,069</u>

**CITY OF HEWITT, TEXAS****FUND BALANCES  
GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General fund				
Restricted	\$ 10,778	\$ 290,467	\$ 228,713	\$ 463,104
Unassigned	<u>3,138,238</u>	<u>2,845,720</u>	<u>3,173,500</u>	<u>2,754,567</u>
Total general fund	<u>\$ 3,149,016</u>	<u>\$ 3,136,187</u>	<u>\$ 3,402,213</u>	<u>\$ 3,217,671</u>
All other governmental funds				
Restricted	<u>\$ 5,352,129</u>	<u>\$ 8,174,017</u>	<u>\$ 4,699,139</u>	<u>\$ 3,545,261</u>
Total all other governmental funds	<u>\$ 5,352,129</u>	<u>\$ 8,174,017</u>	<u>\$ 4,699,139</u>	<u>\$ 3,545,261</u>

**TABLE 3**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 514,607	\$ 536,949	\$ 584,334	\$ 1,208,784	\$ 872,323	\$ 818,516
<u>3,058,799</u>	<u>3,828,297</u>	<u>4,624,694</u>	<u>5,980,505</u>	<u>7,266,805</u>	<u>9,140,346</u>
\$ 3,573,406	\$ 4,365,246	\$ 5,209,028	\$ 7,189,289	\$ 8,139,128	\$ 9,958,862
\$ 2,605,080	\$ 4,901,662	\$ 2,969,591	\$ 2,298,797	\$ 1,593,859	\$ 6,124,042
<u>\$ 2,605,080</u>	<u>\$ 4,901,662</u>	<u>\$ 2,969,591</u>	<u>\$ 2,298,797</u>	<u>\$ 1,593,859</u>	<u>\$ 6,124,042</u>

**CITY OF HEWITT, TEXAS**

**CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

	Fiscal Year			
	2013	2014	2015	2016
<b>REVENUES</b>				
Property taxes	\$ 3,275,561	\$ 3,601,567	\$ 3,812,874	\$ 3,954,452
Sales taxes	1,383,057	1,569,610	1,652,368	1,813,720
Franchise taxes	851,847	800,259	957,137	881,073
Other taxes	117,753	123,829	141,374	152,419
Intergovernmental	35,897	120,924	118,886	101,057
Licenses and permits	123,718	103,814	125,174	218,114
Fines	234,566	256,264	203,453	146,402
Interest income	55,927	32,874	38,908	26,166
Miscellaneous	92,807	118,931	78,722	95,499
Total revenues	<u>6,171,133</u>	<u>6,728,072</u>	<u>7,128,896</u>	<u>7,388,902</u>
<b>EXPENDITURES</b>				
General government	1,620,486	1,919,474	1,743,826	1,884,326
Public safety	2,812,379	3,223,550	3,447,235	3,725,241
Streets	560,497	549,396	578,507	702,779
Culture and recreation	310,606	382,270	470,439	539,749
Capital outlay	2,167,745	4,351,462	3,995,961	4,972,570
Debt service				
Principal	653,491	715,951	707,640	984,466
Interest and other charges	470,269	521,371	558,092	634,246
Advance refunding escrow	-	11,678	-	-
Total expenditures	<u>8,595,473</u>	<u>11,675,152</u>	<u>11,501,700</u>	<u>13,443,377</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,424,340)</u>	<u>( 4,947,080)</u>	<u>( 4,372,804)</u>	<u>( 6,054,475)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	559,772	540,000	900,000	842,170
Transfers out	( 59,772)	-	( 360,000)	( 302,170)
Debt issued	3,850,000	8,727,100	-	3,355,000
Premium on debt issued	119,993	192,923	-	139,656
Payment to refunded bond escrow agent	-	( 1,866,072)	-	-
Issuance of leases	-	151,746	93,414	307,436
Sale of capital assets	27,280	10,442	530,538	373,963
Total other financing sources (uses)	<u>4,497,273</u>	<u>7,756,139</u>	<u>1,163,952</u>	<u>4,716,055</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 2,072,933</u>	<u>\$ 2,809,059</u>	<u>\$ ( 3,208,852)</u>	<u>\$ ( 1,338,420)</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>26.70%</u>	<u>17.80%</u>	<u>16.60%</u>	<u>16.90%</u>

TABLE 4

Fiscal Year						
	2017	2018	2019	2020	2021	2022
\$	4,190,233	\$ 4,565,554	\$ 5,010,738	\$ 5,425,572	\$ 5,730,073	\$ 6,081,718
2,148,609	2,470,163	2,640,288	3,035,165	3,354,015	4,081,086	
882,928	981,905	989,681	946,835	927,331	968,297	
151,652	176,242	167,676	104,290	110,364	171,030	
119,446	121,701	187,753	1,064,728	216,200	266,063	
183,187	128,125	130,421	142,407	218,267	242,394	
145,092	137,939	144,963	109,284	184,838	208,045	
49,094	123,883	163,725	123,791	65,523	93,846	
116,788	92,433	78,671	68,201	100,929	121,900	
<u>7,987,029</u>	<u>8,797,945</u>	<u>9,513,916</u>	<u>11,020,273</u>	<u>10,907,540</u>	<u>12,234,379</u>	
1,481,304	1,479,448	1,562,000	1,468,690	1,522,618	1,635,763	
4,181,739	4,318,624	4,466,000	4,978,027	5,279,446	5,767,670	
685,596	655,131	677,069	557,777	759,418	955,793	
594,712	598,804	647,633	707,358	731,870	739,688	
1,466,790	2,824,008	2,370,747	1,002,669	1,507,615	783,475	
1,027,945	1,214,193	1,336,472	1,511,604	1,535,187	1,567,866	
608,531	599,315	824,766	717,677	687,995	808,978	
<u>-</u>	<u>120,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>10,046,617</u>	<u>11,809,985</u>	<u>11,884,687</u>	<u>10,943,802</u>	<u>12,024,149</u>	<u>12,259,233</u>	
( 2,059,588)	( 3,012,040)	( 2,370,771)	76,471	( 1,116,609)	( 24,854)	
925,000	980,000	955,000	955,000	955,000	955,000	
-	-	-	-	-	-	
-	4,860,000	-	-	-	4,925,000	
-	-	-	-	-	228,244	
-	-	-	-	-	-	
282,200	260,462	327,482	277,996	268,485	234,624	
70,946	-	-	-	138,025	31,903	
<u>1,278,146</u>	<u>6,100,462</u>	<u>1,282,482</u>	<u>1,232,996</u>	<u>1,361,510</u>	<u>6,374,771</u>	
<u>\$( 781,442)</u>	<u>\$ 3,088,422</u>	<u>\$( 1,088,289)</u>	<u>\$ 1,309,467</u>	<u>\$ 244,901</u>	<u>\$ 6,349,917</u>	
<u>19.10%</u>	<u>20.20%</u>	<u>22.70%</u>	<u>22.40%</u>	<u>21.10%</u>	<u>24.24%</u>	

**CITY OF HEWITT, TEXAS**

**TABLE 5**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
(Unaudited)**

**LAST TEN FISCAL YEARS**  
(Amounts expressed in thousands)

Fiscal Year	Real Property	Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Certified Market Value	Assessed Value as Percentage of Actual Value
2013	\$ 741,434	\$ 44,942	\$ 150,770	\$ 635,606	0.514977	\$ 786,376	80.8%
2014	761,728	49,251	153,184	657,795	0.539677	810,979	81.1%
2015	827,966	52,160	174,039	706,087	0.539677	880,126	80.2%
2016	849,510	54,884	173,809	730,585	0.539677	904,394	80.8%
2017	905,490	58,145	188,325	775,310	0.539677	963,635	80.5%
2018	1,000,847	62,781	220,833	842,795	0.539677	1,063,628	79.2%
2019	1,113,730	70,700	247,520	936,910	0.539677	1,184,428	79.1%
2020	1,187,063	76,605	255,326	1,008,342	0.539677	1,263,668	79.8%
2021	1,224,578	72,744	263,549	1,033,773	0.547838	1,297,322	79.7%
2022	1,380,972	72,313	320,861	1,132,424	0.540102	1,453,286	77.9%

Source: McLennan County Appraisal District

**CITY OF HEWITT, TEXAS****TABLE 6**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
 (rate per \$1,000 of assessed value)  
 (Unaudited)

LAST TEN FISCAL YEARS

Fiscal Year Ending	City of Hewitt Direct Rates			Overlapping Rates			
	Basic Operating Rate	General Obligation Debt Service	Total Direct Rate	Midway Independent School District	Lorena Independent School District	McLennan County	McLennan County Junior College District
2013	0.363482	0.151495	0.514977	1.320000	1.310000	0.484258	0.153940
2014	0.385977	0.153700	0.539677	1.320000	1.620000	0.535293	0.151530
2015	0.360046	0.179631	0.539677	1.320000	1.640000	0.535293	0.149530
2016	0.329858	0.209819	0.539677	1.320000	1.640000	0.535293	0.149724
2017	0.325525	0.214152	0.539677	1.320000	1.579090	0.525293	0.114890
2018	0.323593	0.216084	0.539677	1.320000	1.554090	0.505293	0.150346
2019	0.307403	0.232274	0.539677	1.320000	1.534000	0.485293	0.147696
2020	0.316587	0.223090	0.539677	1.250000	1.435210	0.485293	0.147696
2021	0.327866	0.219972	0.547838	1.236400	1.332666	0.468719	0.149782
2022	0.369794	0.170308	0.540102	1.164300	1.200310	0.425000	0.149782

Source: McLennan County Appraisal District

Notes: Overlapping rates are those of local and county governments that apply to property owners with the City of Hewitt, Texas. Not all overlapping rates apply to all City of Hewitt, Texas property owners, e.g., the rates for school taxes apply to either Midway or Lorena Independent School District. See also Table 11.

No direct funded debt limitation is imposed on the City under current state law or the City Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem rate to \$2.50 per \$100 of assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.25 of the maximum tax rate for general obligation debt service.

**CITY OF HEWITT, TEXAS**

**TABLE 7**

**PRINCIPAL PROPERTY TAXPAYERS**  
(Unaudited)

Current Year and Ten Years Ago  
(Amounts expressed in thousands)

Taxpayer	2022			2012		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
The ICON at Hewitt LP	\$ 31,591	1	2.8%			
Wal-Mart Real Estate Business Trust	10,400	4	0.9%			
MREIC Waco TX, LLC/Fed Ex	11,100	3	1.0%			
Clark, Richard S.	14,595	2	1.3%	\$ 4,124	5	0.7%
Walmart Stores East LP	6,645	7	0.6%			
BRD Management Inc/Royalton Apts.	7,422	6	0.7%	4,500	4	0.7%
Schultz Industries Inc/Sturdisteel				4,740	2	0.8%
Hewitt Real Estate Inv/Courtyard	5,604	10	0.5%	4,670	3	0.8%
Midway Townhomes Ltd	6,074	9	0.5%	3,786	6	0.6%
Hewitt Investment Ltd				3,057	7	0.5%
Oncor Electric Delivery, Inc.	7,761	5	0.7%			
Davis Iron Works				5,794	1	0.9%
Hoppenstein Properties, Inc.				2,984	8	0.5%
Woody Butler Homes, Inc.				2,493	9	0.4%
Micek Family Trust				2,259	10	0.4%
Goyne Brookside Apts	6,300	8	0.6%			
<b>Total</b>	<b><u>\$ 107,492</u></b>		<b><u>9.5%</u></b>	<b><u>\$ 38,407</u></b>		<b><u>6.3%</u></b>

Source: McLennan County Appraisal District

**CITY OF HEWITT, TEXAS****TABLE 8****PROPERTY TAX LEVIES AND COLLECTIONS  
(Unaudited)**

Last Ten Fiscal Years

Fiscal Year Ended	Tax Roll Year	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2013	2012	\$ 3,266,084	\$ 3,235,168	99.05%	\$ 30,814	\$ 3,265,982	99.997%
2014	2013	3,530,134	3,482,954	98.66%	47,932	3,530,886	100.02%
2015	2014	3,792,860	3,765,445	99.28%	28,207	3,793,652	100.02%
2016	2015	3,944,267	3,903,880	98.98%	29,962	3,933,842	99.74%
2017	2016	4,189,262	4,135,031	98.71%	33,407	4,168,438	99.50%
2018	2017	4,526,990	4,493,806	99.27%	21,580	4,515,386	99.74%
2019	2018	5,022,921	4,964,002	98.83%	34,096	4,998,098	99.51%
2020	2019	5,411,325	5,369,150	99.22%	28,487	5,397,637	99.75%
2021	2020	5,696,148	5,663,286	99.42%	28,364	5,691,650	99.92%
2022	2021	6,060,595	6,033,420	99.16%	-	6,033,420	99.16%

Source: McLennan County Tax Assessor

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**CITY OF HEWITT, TEXAS**

**TABLE 9**

**PRINCIPAL WATER CUSTOMERS**  
(Unaudited)

SEPTEMBER 30, 2022

Principal Water Customers	Average Monthly Consumption (gallons)	Average Monthly Bill (\$)
Midway Independent School District	1,113,783	\$ 9,247
The Icon Apartments	810,883	6,042
Brookside Apartments	615,550	5,557
Stoney Brook Center	285,442	2,081
HMG Park Manor of Hewitt, LLC	273,617	1,982
CBOCS Texas, LLC	249,775	1,738
Ramada Inn	207,267	1,612
Washtub Hewitt	202,225	1,387
DMA Development Co., LLC	192,517	1,938
Rolling Meadows Enid, LLC	189,183	1,584
Mark and Elizabeth Bowles	181,650	1,894
Dauntless Car Wash	173,483	1,190
KBD Group Inc.	143,725	1,425
Wal-Mart Stores Texas, LLC	137,992	1,561
John Houston Customer Homes	96,067	609
Church of Latter Day Saints	90,400	914
Smalley Homes, LLC	88,792	498
Hewitt First Baptist	84,433	745
	<u>5,136,783</u>	<u>\$ 42,004</u>

**WATER RATES**  
(*Based on Monthly Billing*)

Existing Rates Effective December 1st, 2021	Residential, Commercial and Builder's Water Rates	Inside City
For a 3/4 inch service:		
For the first 3,000 gallons, minimum		\$31.00
For the next 4,000 gallons, per 1,000 gallons		5.00
For the next 5,000 gallons, per 1,000 gallons		5.60
For the next 12,000 gallons, per 1,000 gallons		6.05

Source: City of Hewitt administrative staff.

**CITY OF HEWITT, TEXAS**

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**(Unaudited)**

**LAST TEN FISCAL YEARS**  
**(Amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Bond Premiums</b>	<b>Financing Arrangements</b>
2013	\$ 1,449	\$ 10,713	\$ 206	\$ 296
2014	2,939	15,576	355	289
2015	2,653	15,299	365	237
2016	2,357	18,089	483	421
2017	2,060	17,515	454	546
2018	1,752	21,646	685	370
2019	1,441	20,768	643	550
2020	1,996	19,712	602	616
2021	880	18,697	562	682
2022	596	22,537	750	717

Source: See Table 14 for personal income and population information.

**TABLE 10**

Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
General Obligation Bonds	Certificates of Obligation	Bond Premiums	Financing Arrangements	Notes Payable			
246	22,302	62	1,997	79	37,350	53.74%	2,695
1,781	20,189	59	2,173	73	43,434	62.49%	3,091
7,107	14,101	703	2,028	67	42,560	59.65%	2,968
6,968	19,761	797	1,903	61	50,840	71.26%	3,506
6,830	18,934	755	1,593	54	48,741	65.45%	3,361
6,688	18,079	707	1,269	47	51,243	69.00%	3,483
6,544	17,197	658	1,125	-	48,926	65.70%	3,294
6,424	16,257	609	828	-	47,044	60.22%	3,129
6,245	15,343	560	777	-	43,746	60.69%	2,730
5,579	14,813	512	525	-	46,029	63.58%	2,853

**CITY OF HEWITT, TEXAS**

**TABLE 11**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
(Unaudited)

**LAST TEN FISCAL YEARS**  
(Amounts expressed in thousands)

Fiscal Year	General Bonded Debt Outstanding					Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property			Per Capita
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Total Bonded Debt							
2013	\$ 1,695	\$ 33,015	\$ 268	\$ 34,978	\$ 1,164	\$ 33,814		5.3%	\$ 2,440		
2014	4,720	35,765	414	40,899	1,317	39,582		6.0%	2,816		
2015	9,760	29,400	1,068	40,228	1,591	38,637		5.5%	2,694		
2016	9,325	37,850	1,280	48,455	1,818	46,637		6.4%	3,216		
2017	8,890	36,449	1,209	46,548	1,880	44,668		5.8%	3,081		
2018	8,440	39,725	1,392	49,557	1,942	47,615		5.6%	3,227		
2019	7,985	37,965	1,301	47,251	2,023	45,228		4.8%	3,045		
2020	8,420	35,969	1,211	45,600	2,272	43,328		4.3%	2,882		
2021	7,125	34,040	1,122	42,287	2,365	39,922		3.9%	2,491		
2022	6,175	37,350	1,262	44,787	2,326	42,461		3.7%	2,632		

Source See Table 5 for property value data and Table 14 for population data.

Note: See Table 9 for general bonded debt outstanding.

**CITY OF HEWITT, TEXAS**

**TABLE 12**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
(Unaudited)

AS OF SEPTEMBER 30, 2022

Government Unit	Debt Outstanding	As of	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (in 000s)
<b>Debt repaid with property taxes</b>				
Lorena Independent School District	\$ 24,065,350	8/31/22	3.38%	\$ 813,409
Midway Independent School District	185,010,000	12/31/22	18.20%	33,671,820
McLennan County	74,300,000	12/31/22	4.97%	3,692,710
McLennan County Community College	44,450,000	12/31/22	4.97%	<u>2,209,165</u>
Subtotal overlapping debt				<u>40,387,104</u>
<b>Other debt</b>				
City of Hewitt, Texas		9/30/2022		<u>24,599,987</u>
Total direct and overlapping debt				<u>\$ 64,987,091</u>
Total direct and overlapping debt % of Appraised Value			4.92%	
Total direct and overlapping debt \$ of Capita				3,969

Excludes general obligation bonds reported in the Enterprise Funds and the amount available for

\* Gross Debt

Source: Municipal Advisory Council of Texas, Texas Municipal Reports, General Obligation Debt. Per staff at MAC, the estimated percentages of overlapping debt are calculated by the MAC using Certified Tax Values as of 7/25 from the McLennan County Tax Assessor. Each property is identified on the Tax Rolls submitted to the MAC and those properties are tagged according to the particular entity to which taxes are paid. Using the total tax values within the Government Unit and dividing by the total tax value of the City of Hewitt, the MAC determines the percentage applicable for debt.

**CITY OF HEWITT, TEXAS**

**LEGAL DEBT MARGIN INFORMATION**  
(Unaudited)

**LAST TEN FISCAL YEARS**  
(Taxable Assessed Value in Thousands)

	<b>Fiscal Year</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total Assessed Value	\$ 1,132,424	\$ 1,033,773	\$ 1,008,342	\$ 936,910
Statutory tax levy limit for general obligation debt service	14,155,300	12,922,163	12,604,275	11,711,375
Current year general obligation debt service requirements	<u>2,565,000</u>	<u>2,425,000</u>	<u>2,360,000</u>	<u>2,215,000</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 11,590,300</u>	<u>\$ 10,497,163</u>	<u>\$ 10,244,275</u>	<u>\$ 9,496,375</u>
Current requirements as a % of statutory limit	18.12%	18.77%	18.72%	18.91%

**Notes:**

No direct outstanding debt limitation is imposed on the City under current state law or the City Charter. Article XI, Section 5 of the Texas Constitution is applicable to the City and limits maximum ad valorem rate to \$2.50 per \$100 of assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.25 of the maximum tax rate for the general obligation debt service.

**TABLE 13**

Fiscal Year						
2018	2017	2016	2015	2014	2013	
\$ 842,795	\$ 775,310	\$ 730,585	\$ 706,087	\$ 657,795	\$ 635,606	
10,534,938	9,691,363	9,132,325	8,826,088	8,222,442	7,945,075	
<u>1,835,000</u>	<u>1,636,476</u>	<u>1,530,913</u>	<u>1,265,295</u>	<u>1,090,523</u>	<u>1,003,388</u>	
<u>\$ 8,699,938</u>	<u>\$ 8,054,887</u>	<u>\$ 7,601,412</u>	<u>\$ 7,560,793</u>	<u>\$ 7,131,919</u>	<u>\$ 6,941,687</u>	
17.42%	16.89%	16.76%	14.34%	13.26%	12.63%	

**CITY OF HEWITT, TEXAS**

**TABLE 14**

**PLEDGED REVENUE COVERAGE**  
(Unaudited)

**LAST TEN FISCAL YEARS**

Fiscal Year	Water/Sewer Revenue Bonds and Certificates of Obligation								Coverage	
	Utility		Less:		Net	Debt Service				
	Operating Revenue (1)	Operating Expenses (2)	Available Revenue	Principal	Interest	Total				
2013	\$ 7,449,013	\$ 4,169,920	\$ 3,279,093	\$ 573,173	\$ 912,798	\$ 1,485,971			2.21	
2014	7,274,412	5,208,397	2,066,015	655,699	840,115	1,495,814			1.38	
2015	7,647,318	4,312,310	3,335,008	742,713	754,362	1,497,075			2.23	
2016	8,244,648	4,819,036	3,425,612	920,525	909,463	1,829,988			1.87	
2017	8,070,972	4,022,088	4,048,884	964,273	915,563	1,879,836			2.15	
2018	8,979,401	4,376,005	4,603,396	997,420	886,500	1,883,920			2.44	
2019	9,180,440	4,318,705	4,861,735	1,025,997	860,039	1,886,036			2.58	
2020	8,111,560	4,468,802	3,642,758	1,059,691	832,163	1,891,854			1.93	
2021	8,248,431	4,650,419	3,598,012	1,092,782	802,632	1,895,414			1.90	
2022	9,220,142	5,073,704	4,146,438	1,196,859	772,718	1,969,577			2.11	

Notes (1) Total revenue including interest

(2) Total Operating expenses less depreciation

**CITY OF HEWITT, TEXAS****TABLE 15****DEMOGRAPHIC AND ECONOMIC STATISTICS**

(Unaudited)  
LAST TEN CALENDAR YEARS

Calendar Year	Population (1)	Personal Income (dollars in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
2013	13,860	\$ 69,504	\$ 28,471	7.10%
2014	14,054	69,504	28,471	5.00%
2015	14,341	71,347	31,866	4.40%
2016	14,500	71,347	31,866	4.30%
2017	14,500	74,467	33,138	4.10%
2018	14,750	74,467	33,138	3.40%
2019	14,855	74,467	33,138	3.10%
2020	15,034	78,124	32,753	6.30%
2021	16,026	72,077	32,834	4.30%
2022	16,131	72,395	32,588	3.40%

Source: (1) U.S. Census Bureau, city staff and city-data.com

(2) U.S. Department of Labor, Bureau of Labor Statistics, Waco, TX Metropolitan Statistical Area

**CITY OF HEWITT, TEXAS**

**PRINCIPAL EMPLOYERS**  
(Unaudited)

**CURRENT AND PRIOR YEARS**

Employer	2022		2021	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,324	12.61%	1,206	11.71%
Walmart	289	2.75%	217	2.11%
EMSI	-	- %	-	- %
Cracker Barrel	80	0.76%	80	0.78%
Metals 2 Go (formerly Davis Iron Works)	103	0.98%	97	0.94%
Sturdisteel	92	0.88%	102	0.99%
City of Hewitt	105	1.00%	103	1.00%
Midway Transportation	24	0.23%	26	0.25%
Merry Maids	13	0.12%	17	0.17%
United Super IGA	30	0.29%	26	0.25%
Scott & White Clinic	26	0.25%	25	0.24%
General Implements (Alliance Distributing)	8	0.08%	9	0.09%
Senior Care Center	55	0.52%	115	1.12%
Sleep Inn	12	0.11%	14	0.14%
Ramada Inn	8	0.08%	8	0.08%
Central TX Dental Care	22	0.21%	22	0.21%
<b>Total</b>	<b>2,191</b>	<b>20.87%</b>	<b>2,067</b>	<b>20.07%</b>
Employer	2017		2016	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,413	13.85%	1,437	14.37%
Walmart	286	2.80%	300	3.00%
EMSI	260	2.55%	260	2.60%
Cracker Barrel	-	- %	-	- %
Metals 2 Go (formerly Davis Iron Works)	100	0.98%	97	0.97%
Sturdisteel	120	1.18%	100	1.00%
City of Hewitt	102	1.00%	100	1.00%
Midway Transportation	50	0.49%	30	0.30%
Merry Maids	17	0.17%	16	0.16%
United Super IGA	26	0.25%	23	0.23%
Scott & White Clinic	20	0.20%	16	0.16%
General Implements (Alliance Distributing)	8	0.08%	8	0.08%
Senior Care Center	150	1.47%	115	1.15%
Sleep Inn	12	0.12%	14	0.14%
Ramada Inn	11	0.11%	10	0.10%
Central TX Dental Care	24	0.24%	23	0.23%
<b>Total</b>	<b>2,599</b>	<b>25.48%</b>	<b>2,549</b>	<b>25.49%</b>

Source: City of Hewitt staff.

**TABLE 16**

2020		2019		2018	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,185	11.50%	1,186	11.86%	1,120	10.82%
259	2.51%	249	2.49%	279	2.70%
-	- %	-	- %	260	2.51%
78	0.76%	100	1.00%	121	1.17%
106	1.03%	115	1.15%	103	1.00%
106	1.03%	120	1.20%	100	0.97%
100	0.97%	104	1.04%	104	1.00%
28	0.27%	28	0.28%	31	0.30%
14	0.14%	14	0.14%	15	0.14%
27	0.26%	23	0.23%	21	0.20%
24	0.23%	19	0.19%	19	0.18%
9	0.09%	9	0.09%	10	0.10%
92	0.89%	84	0.84%	84	0.81%
10	0.10%	15	0.15%	15	0.14%
7	0.07%	11	0.11%	10	0.10%
29	0.28%	26	0.26%	26	0.25%
<b>2,074</b>	<b>20.14%</b>	<b>2,103</b>	<b>21.03%</b>	<b>2,318</b>	<b>22.39%</b>
2015		2014		2013	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,056	12.14%	1,364	15.68%	1,337	15.37%
-	- %	-	- %	-	- %
300	3.45%	300	3.45%	300	3.45%
-	- %	-	- %		
56	0.64%	56	0.64%	50	0.57%
90	1.03%	90	1.03%	98	1.13%
93	1.07%	93	1.07%	90	1.03%
36	0.41%	36	0.41%	34	0.39%
20	0.23%	20	0.23%	23	0.26%
30	0.34%	30	0.34%	32	0.37%
17	0.20%	17	0.20%	19	0.22%
16	0.18%	16	0.18%	15	0.17%
129	1.48%	120	1.38%	110	1.26%
15	0.17%	15	0.17%	15	0.17%
12	0.14%	12	0.14%	-	- %
23	0.26%	23	0.26%	-	- %
<b>1,893</b>	<b>21.76%</b>	<b>2,192</b>	<b>25.20%</b>	<b>2,123</b>	<b>24.40%</b>

**CITY OF HEWITT, TEXAS**

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
BY FUNCTION/PROGRAM  
(Unaudited)

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2022	2021	2020	2019	2018
General government and administration	11	11.75	11.75	11.75	15
Public safety	57	53	53	53	52
Community services	16	14	14	15	13
Culture and recreation	10.25	10.25	10.25	10.5	10.5
Water, sewer and sanitation	<u>11.50</u>	<u>12.00</u>	<u>12.00</u>	<u>13.00</u>	<u>13.00</u>
Total	<u>105.75</u>	<u>101.00</u>	<u>101.00</u>	<u>103.25</u>	<u>103.50</u>

Source: City Staff. Full-time Equivalent Employees per the Adopted Budget.

**TABLE 17**

Fiscal Year				
2017	2016	2015	2014	2013
15.5	14.5	14	13.75	13
51	51.5	48.5	48.5	45.5
13	12	11	11	11
9.75	9	6	6	5
<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>
<u>102.25</u>	<u>100.00</u>	<u>92.50</u>	<u>92.25</u>	<u>87.50</u>

**CITY OF HEWITT, TEXAS**

**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**(Unaudited)**

**LAS TEN FISCAL YEARS**

Function/Program	Fiscal Year			
	2022	2021	2020	2019
<b>Public safety</b>				
Fire protection:				
Number of fulltime employees	16	16	16	16
Number of emergency responses	1,587	1,284	1,203	1,488
Police protection:				
Number of sworn personnel	31	26	25	24
Number of citations issued	1,692	1,286	592	968
Number of emergency responses	14,706	17,943	16,912	18,180
<b>Cultural and recreation</b>				
Libraries:				
Number of patrons using the library	127,530	121,870	82,844	387,000
Circulation	242,320	259,105	166,465	481,131
Parks and recreation:				
Number of parks - developed	2	2	2	2
Number of parks - undeveloped	1	1	1	1
Number of playgrounds	2	2	2	2
<b>Water and sewer</b>				
Number of water connections	6,665	6,455	6,324	6,289
Average daily consumption (thousands of gallons)	1,585	1,325	1,594	1,346
Number of sewer connections	6,567	6,382	6,279	6,200
Average daily sewage treatment (thousands of gallons)	1,463	1,240	1,379	1,250

Source: City Staff

Note: In 2017, the library increased due to new programs, additional staff, new facilities and increased community engagement.

Increase in circulation is due to new books and new children's electronic books.

Note: in October 2012 (FY 2013), the City transferred approximately 600 water accounts outside the city limits to the City of Waco.

Note: in October 2018 (FY 2019), the City started using Units for customer counts of water connections. Units include the count of residences in multi-family housing; i.e. apartments.

Note: in FY 2020, the library activity was greatly affected by Covid-19.

**TABLE 18**

Fiscal Year					
2018	2017	2016	2015	2014	2013
16 1,153	16 894	16 1,172	16 907	15 777	14 804
24 934	24 880	23 1,165	23 1,542	23 2,472	21 2,280
18,087	16,233	17,360	18,496	21,792	18,774
369,000 456,114	420,000 599,760	275,000 362,041	200,000 279,840	200,000 264,000	190,000 250,000
2 1 2	2 1 2	2 1 2	2 1 2	2 1 2	2 1 2
5,734	5,693	5,600	5,524	5,462	5,434
1,603 5,652	1,307 5,605	1,432 5,520	1,332 5,456	1,776 5,398	1,679 5,228
1,435	1,208	1,318	1,226	1,334	1,575

**CITY OF HEWITT, TEXAS**

**CAPITAL ASSET STATISTICS BY FUNCTION**  
(Unaudited)

**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year				
	2022	2021	2020	2019	2018
Public safety					
Number of fire stations	1	1	1	1	1
Number of police stations	1	1	1	1	1
Number of patrol units	4	4	4	4	4
Other public works					
City acres	4,392	4,392	4,392	4,392	4,392
Streets (miles)	70	70	70	70	70
Cultural and recreation					
Libraries:					
Number of public libraries	1	1	1	1	1
Parks and recreation:					
Number of parks - developed	2	2	2	2	2
Number of parks - undeveloped	1	1	1	1	1
Number of playgrounds	2	2	2	2	2
Water and sewer					
Water mains (miles)	125	125	125	125	125
Water storage capacity (thousands of gallons)	7450	7450	7450	7450	7450
Sanitary sewers (miles)	88	73	73	73	73
Sewer capacity (thousands of gallons)	3.7	3.0	3.0	3.0	3.0

Source: Various City departments

**TABLE 19**

Fiscal Year				
2017	2016	2015	2014	2013
1	1	1	2	2
1	1	1	1	1
4	4	4	4	4
4,392	4,392	4,392	4,392	4,392
69	68	68	68	68
1	1	1	1	1
2	2	2	2	2
1	1	1	1	1
2	2	2	2	2
124	124	124	124	124
7450	7450	7450	6943	6943
72	72	72	72	72
3.0	3.0	3.0	3.0	3.0

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## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and  
Members of the City Council  
City of Hewitt, Texas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statement and have issued our report thereon dated March 20, 2023.

**Internal Control Over Financial Reporting**

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

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

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

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**OFFICE LOCATIONS**

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose on Compliance and Other Matters**

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

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

Waco, Texas  
March 20, 2023