

# 2021 ACFR

For Year Ended September 30

Annual Comprehensive  
Financial Report  
Hewitt, TX



**City of Hewitt, Texas**  
Annual Comprehensive Financial Report  
For the Year Ended September 30, 2021

Prepared by Finance Department  
City of Hewitt, Texas



# **City of Hewitt, Texas**

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**September 30, 2021**

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# HEWITT

TEXAS

February 8, 2022

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, 2021.

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.

Jaynes, Reitmeier, Boyd & Therrell, P.C., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Hewitt’s financial statements for the year ended September 30, 2021. 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 16,026.

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 1<sup>st</sup>. 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 75% 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 to break ground adjacent to the Walmart in Commerce Park and Rosa's Café and Cantina at the intersection of Panther Way and Hewitt Dr.

In 2021 (tax roll year 2020), new property added to the tax roll at market value was \$16.7 million; \$13 million of which was taxable. This increase included \$9 million in new single family homes, and \$3 million in commercial property, etc. Total certified taxable value increased from \$1.008 million for fiscal year 2020 to \$1.034 billion in fiscal year 2021; an increase of \$26 million or 26%. The average market value of 3,321 residences is \$201,268 before exemptions; \$162,654 after exemptions. The value of a single family home according to permits issued in 2021 is \$332,895.

In addition to commercial development, Hewitt continues to experience solid growth in residential housing. In 2021, new subdivisions like Moonlight Park and Sunflower Ridge offer several new home lots currently in various stages of development. The new 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. In addition, a new 222 unit luxury apartment complex is considering locating near the new Atwood's location. Hewitt and the greater Waco area are expected to experience continual growth in population as well as taxable value.

Looking beyond 2021 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 current 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.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. The unemployment rate as of September 2021 was 4.3%. Median household incomes in the City of Hewitt is \$72,077, while the state's was \$53,320. Population has increased from 11,084 in 2000 to 16,026 in 2020. 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 1,206 teachers, professionals and support staff.

### ***Long-Term Financial Planning and Major Initiatives***

Unrestricted fund balance in the general fund at year end was \$7,266,805 or 68% of total general fund expenditures. This amount was more than the \$2,084,669, or 29% 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 recently reviewed the City Council's reserve policy to set two separate 90 day reserves; the 90 day reserve for general fund expenditures and the 90 day reserve for debt service. The 90 day reserve balance available for general fund expenditures at year end was \$2,273,872. This was more than the \$2,084,669 amount set by Council for debt service reserves. The 90 day reserve balance available for debt service at year end was \$863,645. This was more than the \$559,900 amount set by Council for debt service reserves.

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 in 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, 2020. This was the 18<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.

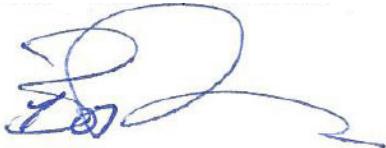
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report (CAFR) continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are 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 dated August 17, 2020 for fiscal year 2020-2021. Hewitt has received this Award for 17 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.

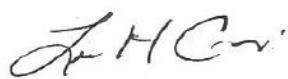
A sincere thanks is extended to all government departments for their assistance in providing the data necessary to prepare this report.

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.

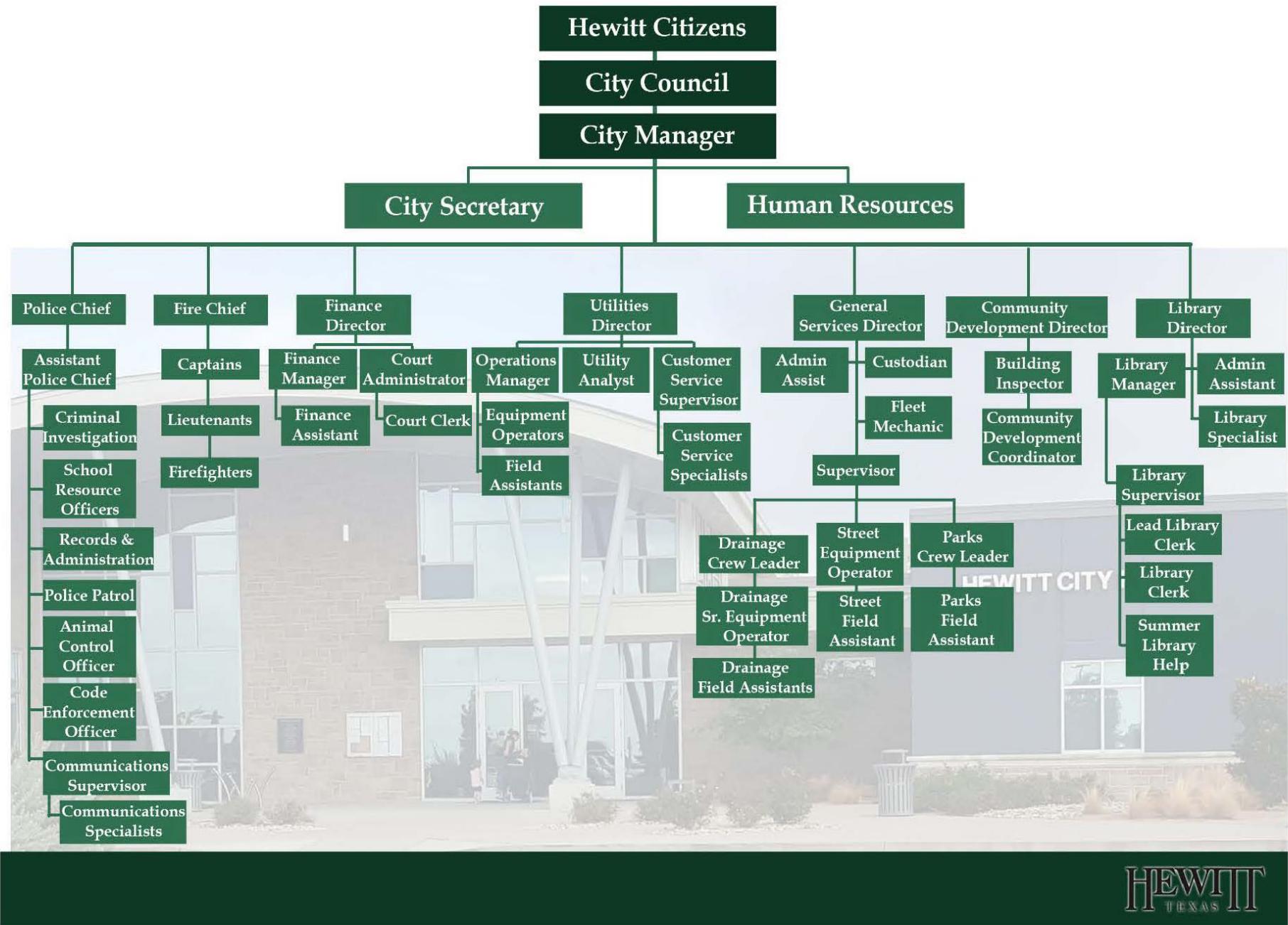
Respectfully submitted,



Bo Thomas, ICMA-CM  
City Manager



Lee H. Garcia, CPA, CGFO  
Finance Director



**City of Hewitt, Texas**  
**Elected and Appointed Officials**  
**September 30, 2021**

<u>Elected Officials</u>	<u>Position</u>
Steve Fortenberry	Mayor
Michael Bancale	Mayor Pro-Tem
Charles D. "Charlie" Turner	Council Member
Wilbert "Walky" Wachtendorf	Council Member
Dr. Erica Bruce	Council Member
Bill Fuller	Council Member
Bob Potter	Council Member
<u>Appointed Officials</u>	<u>Position</u>
Everett "Bo" Thomas, ICMA-CM	City Manager
Lydia Lopez, TRMC, CNC	City Secretary
James Devlin, ILEA-SEL	Chief of Police
Lance Bracco, BS-FS	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, IPMA-HR	Human Resources/Civil Service
Patty Laxson	Municipal Court Administrator



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, 2020

*Christopher P. Monell*

Executive Director/CEO

## **Financial Section**





JAYNES REITMEIER BOYD & THERRELL, P.C.  
Certified Public Accountants  
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## INDEPENDENT AUDITOR'S REPORT

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

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 (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas as of September 30, 2021, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 16, the budgetary comparison information on pages 63 and 64, and other required supplementary information on pages 65 through 71 (collectively, "the required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules of nonmajor governmental funds (collectively, "the other supplementary information") on pages 73 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates 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 or 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Information*

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

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

February 8, 2022



## **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’s financial statements this narrative overview and analysis of the financial activities of the City of Hewitt, Texas for the fiscal year ended September 30, 2021. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,834,860 (*net position*). The City is reporting net investment in capital assets of \$(1,234,885), which results primarily from the issuance of debt for sewer improvements under the terms of the Waco Metropolitan Area Regional Sewer System (“WMARSS”) interlocal agreement that was in effect through October 1, 2019. Under this arrangement, previously WMARSS member cities shared in percentages of the operations and maintenance and capital project expenditures, which was funded by the City through the issuance of bonded debt in prior years. Effective October 1, 2019, the City entered into a wholesale wastewater contract with the City of Waco to become a customer of the City of Waco, Texas’ solely-owned wastewater system. Additionally, the City is reporting restricted net position of \$3,050,073, and \$10,019,672 represents unrestricted net position, which may be used to meet the government’s ongoing obligations to citizens and creditors.
- During the prior year, for business-type activities and the water, sewer and sanitation fund, the City recognized a special item – a \$10,913,118 loss from the termination of the WMARSS interlocal cooperative agreement, which results in the City no longer recognizing its undivided interest in the facilities and operations of WMARSS.
- The government’s total net position increased by \$1,581,059 during the year compared to an increase of \$706,404 before the special item in the prior year. This change is primarily the result of the City recognizing developer contributions in the amount of \$1,095,000 in the current year; whereas, there are none in the prior year.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$9.7 million, an increase of \$0.2 million from the prior year, primarily as a result of \$0.9 million transferred in from the water, sewer, and sanitation fund for payments in lieu of franchise and property taxes, and other administration fees. Approximately 75% of the fund balance, \$7,266,805 (unassigned fund balance), is available for spending at the government’s discretion. Unassigned fund balance represents approximately 68% of total general fund expenditures.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City’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) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, economic development and culture and recreation. The business-type activities of the City include water, sewer, and sanitation operations as well as stormwater drainage.

The government-wide financial statements can be found on pages 20 – 21 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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 fund 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 *government 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, both of which are considered to be major funds. Data from all other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 22 through 24 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and sanitation operations and its stormwater drainage operations. The proprietary funds provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary funds financial statements can be found on pages 25 - 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 60 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary data for the general fund and information related to the net pension and total OPEB liabilities. Required supplementary information can be found on pages 63 through 71 of this report.

## Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Hewitt, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,834,860 at the close of the most recent fiscal year.

### City of Hewitt Net Position September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 10,067,187	9,723,043	11,621,429	10,784,099	21,688,616	20,507,142
Capital assets, net	25,048,260	24,907,781	15,706,880	16,213,361	40,755,140	41,121,142
Total assets	<u>35,115,447</u>	<u>34,630,824</u>	<u>27,328,309</u>	<u>26,997,460</u>	<u>62,443,756</u>	<u>61,628,284</u>
Deferred outflows of resources	748,286	686,130	433,410	473,097	1,181,696	1,159,227
Other current liabilities	322,628	218,822	2,830,848	995,192	3,153,476	1,214,014
Noncurrent liabilities	24,235,767	26,049,802	23,340,834	24,655,560	47,576,601	50,705,362
Total liabilities	<u>24,558,395</u>	<u>26,268,624</u>	<u>26,171,682</u>	<u>25,650,752</u>	<u>50,730,077</u>	<u>51,919,376</u>
Deferred inflows of resources	936,006	535,605	124,509	78,729	1,060,515	614,334
Net position:						
Net investment in capital assets	5,147,756	4,933,544	(6,382,641)	(5,586,988)	(1,234,885)	(653,444)
Restricted	1,552,315	1,362,342	1,497,758	1,473,819	3,050,073	2,836,161
Unrestricted	<u>3,669,261</u>	<u>2,216,839</u>	<u>6,350,411</u>	<u>5,854,245</u>	<u>10,019,672</u>	<u>8,071,084</u>
Total net position	<u>\$ 10,369,332</u>	<u>8,512,725</u>	<u>1,465,528</u>	<u>1,741,076</u>	<u>11,834,860</u>	<u>10,253,801</u>

The City has net investment in capital assets of \$(1,234,885), which results primarily from the issuance of long-term debt in prior years for sewer improvements under the terms of the Waco Metropolitan Area Regional Sewer System (“WMARSS”) interlocal cooperative agreement that was in effect through October 1, 2019. Under this arrangement, previously WMARSS member cities shared in percentages of the operations and maintenance and capital project expenditures, which was funded by the City through the issuance of bonded debt in prior years. Effective October 1, 2019, the City entered into a wholesale wastewater contract with the City of Waco to become a customer of the City of Waco, Texas’ solely-owned wastewater system.

An additional portion of the City’s net position of \$3,050,073 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,019,672 is unrestricted and may be used to meet the government’s ongoing obligations to citizens and creditors.

**City of Hewitt**  
**Changes in Net Position**  
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Program revenues:</b>						
Charges for services	\$ 605,249	463,560	8,706,356	8,407,924	9,311,605	8,871,484
Operating grants and contributions	60,634	855,721	-	-	60,634	855,721
Capital grants and contributions	657,000	-	438,000	-	1,095,000	-
<b>General revenues:</b>						
Property taxes	5,716,678	5,424,137	-	-	5,716,678	5,424,137
Sales taxes	3,354,015	3,035,165	-	-	3,354,015	3,035,165
Franchise taxes	927,331	946,835	-	-	927,331	946,835
Hotel occupancy taxes	110,364	104,290	-	-	110,364	104,290
Investment earnings and other general revenues	<u>159,491</u>	<u>189,130</u>	<u>61,503</u>	<u>188,372</u>	<u>220,994</u>	<u>377,502</u>
<b>Total revenues</b>	<b><u>11,590,762</u></b>	<b><u>11,018,838</u></b>	<b><u>9,205,859</u></b>	<b><u>8,596,296</u></b>	<b><u>20,796,621</u></b>	<b><u>19,615,134</u></b>
<b>Expenses:</b>						
General government	2,200,241	2,302,122	-	-	2,200,241	2,302,122
Public safety	5,836,436	5,792,543	-	-	5,836,436	5,792,543
Streets	1,168,854	905,294	-	-	1,168,854	905,294
Culture and recreation	842,864	839,228	-	-	842,864	839,228
Interest on long-term debt	640,760	651,361	-	-	640,760	651,361
Water, sewer, and sanitation	-	-	8,077,449	7,931,989	8,077,449	7,931,989
Stormwater drainage	-	-	448,958	486,193	448,958	486,193
	<b><u>10,689,155</u></b>	<b><u>10,490,548</u></b>	<b><u>8,526,407</u></b>	<b><u>8,418,182</u></b>	<b><u>19,215,562</u></b>	<b><u>18,908,730</u></b>

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Increase in net position before transfers	901,607	528,290	679,452	178,114	1,581,059	706,404
Transfers	<u>955,000</u>	<u>955,000</u>	<u>(955,000)</u>	<u>(955,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position before special item	1,856,607	1,483,290	(275,548)	(776,886)	1,581,059	706,404
Special item - termination of WMARSS interlocal agreement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,913,118)</u>	<u>-</u>	<u>(10,913,118)</u>
Increase (decrease) in net position	1,856,607	1,483,290	(275,548)	(11,690,004)	1,581,059	(10,206,714)
Net position, beginning of the year	<u>8,512,725</u>	<u>7,029,435</u>	<u>1,741,076</u>	<u>13,431,080</u>	<u>10,253,801</u>	<u>20,460,515</u>
Net position, end of the year	<u>\$ 10,369,332</u>	<u>8,512,725</u>	<u>1,465,528</u>	<u>1,741,076</u>	<u>11,834,860</u>	<u>10,253,801</u>

The City's net position increased by \$1,581,059 during the current fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the City's net position by \$1,856,607 for the current year. Overall revenues for governmental activities increased \$571,924.

- Property taxes increased by \$292,541 during the year (approximately 5.4%), which is primarily due to increased property values and new property being added to the tax roll.
- Sales taxes increased by \$318,850 (approximately 10.5%) during the year due to more local spending during the pandemic and construction within the City.
- Operating grants decreased \$795,087 due to grant revenues recognized in the prior year under the Coronavirus Relief Fund which were not received in the current year.
- Capital contributions increased by \$657,000 from the prior year due to recognition of contributed streets from developers in 2021 of \$657,000 which were not received in the prior year.

Overall, governmental expenses increased \$198,607 (1.9%). A 3% cost-of-living salary increase plus an across-the-board step up in pay rate of 2% was approved in the budget. Additionally, pension and OPEB expense decreased by \$0.5 million from the prior year. Overall, the City recognized an increase in net position before transfers of \$901,607 and \$528,290 in 2021 and 2020, respectively. Transfers in were \$955,000 in both 2021 and 2020.

**Business-type activities.** Business-type activities decreased the City's net position by \$275,548. Key elements of this decrease are as follows.

- Charges for services increased \$298,432 due to increases in volume of gallons sold for wastewater and drainage. Water sales were flat during 2021, and there were no rate increases implemented for 2021.
- Capital grants and contributions increased by \$438,000 from the prior year due to recognition of contributed water and sewer lines from developers in 2021 of \$438,000.
- Water, sewer, and sanitation expenses increased by \$145,460 which is results from increases in cost of water and wastewater of \$187,949 due to rate increases by provider and repair costs for lifts of \$162,342 due to significant repairs made during the year. These increases were offset by a decrease in salaries and benefits of \$90,802 due to a decrease in pension expense and open positions during the year, and other decreases in the cost of sanitation and other contractual services of \$123,620 due to a concerted effort by City management to reduce costs in these areas.
- Stormwater drainage expenses decreased by \$37,235, which is primarily due to a decrease in pension expense of \$37,393 during the current year.
- Transfers out were \$955,000 in 2021 and 2020. These transfers represent water franchise fees, wastewater franchise fees, administration fees, and payments in lieu of taxes.
- In the prior year, the City recognized a special item – a \$10,913,118 loss from the termination of the WMARSS interlocal cooperative agreement, which results in the City no longer recognizing its undivided interest in the facilities and operations of WMARSS. Under this arrangement, previously WMARSS member cities shared in percentages of the operations and maintenance and capital project expenditures, which was funded by the City through the issuance of bonded debt in prior years. Effective October 1, 2019, the City entered into a wholesale wastewater contract with the City of Waco to become a customer of the City of Waco, Texas' solely-owned wastewater system.

### **Financial Analysis of the Government'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 spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9.7 million, an increase of \$0.2 million from the prior year. The increase is primarily due to an increase in property tax revenue of \$0.3 million driven by an increase in property values, an increase in sales tax revenues of \$0.3 million due to more local spending during the pandemic and construction within the City. These increases were offset by a decrease in intergovernmental revenue of \$0.9 million due to a federal grant in the prior year from the Coronavirus Relief Fund, and increases in salaries and benefits due to a 3% cost-of-living salary increase plus an across-the-board step up in pay rate of 2%. Approximately 25% (\$2,466,182) of the total fund balance is classified as restricted. Restricted fund balance represents balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. The remaining 75% of the fund balance (\$7,266,805) is reported as unassigned and represents the net residual resources.

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 \$7,266,805, while total fund balance increased to \$8,139,128. 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 approximately 68% of the total general fund expenditures, while total fund balance represents approximately 76% of that same amount.

The fund balance of the City's general fund increased by \$1,454,695 during the current fiscal year as compared to an increase of \$1,980,261 in the prior year. Key factors in this increase are as follows:

- Total taxes increased \$603,847, with property taxes accounting for an increase of \$304,501 due to an increase in property values; and sales taxes accounting for an increase of \$318,850 during the year due to more local spending during the pandemic and construction within the City.
- Intergovernmental revenue decreased \$876,975 due to a federal grant in the prior year from the Coronavirus Relief Fund. That was not received in the current year.
- Current expenditures increased by \$554,079, primarily as a result of adding new positions, and the 3% cost-of-living raise at the beginning of the year, and a minimum of a 2% step increase given at each employee's anniversary date.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

There are no differences between the original budget and the final amended budget. Significant variances from the revised budget were as follows:

- The \$618,991 favorable variance from sales taxes results from actual sales taxes that were higher than revised estimates.
- The \$657,898 favorable variance for intergovernmental revenue results from the collection of Coronavirus Relief Fund grant proceeds in the amount of \$667,436 that was not budgeted in the current year.

- The \$142,087 and \$143,579 favorable variances for general government and public safety, respectively, result from amounts that were budgeted but not spent during the current year.
- The \$123,706 unfavorable variance for capital outlay results from the purchase of four new police vehicles during the year as a result of four existing vehicles being totaled by damages incurred during the year.

## Capital Assets and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$40,755,140 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, water, sewer, and drainage facilities, infrastructure, machinery and equipment, and construction in progress.

### City of Hewitt Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,405,058	2,405,058	554,444	554,444	2,959,502	2,959,502
Buildings and improvements	8,909,709	9,182,299	675,479	695,500	9,585,188	9,877,799
Water system facilities	-	-	8,540,391	10,245,556	8,540,391	10,245,556
Sewer system facilities	-	-	2,929,826	3,043,497	2,929,826	3,043,497
Drainage system facilities	-	-	507,004	459,628	507,004	459,628
Infrastructure	11,396,767	11,250,087	-	-	11,396,767	11,250,087
Machinery and equipment	1,558,158	2,018,337	542,660	461,548	2,100,818	2,479,885
Construction in progress	<u>778,568</u>	<u>52,000</u>	<u>1,957,076</u>	<u>753,188</u>	<u>2,735,644</u>	<u>805,188</u>
	<u>\$ 25,048,260</u>	<u>24,907,781</u>	<u>15,706,880</u>	<u>16,213,361</u>	<u>40,755,140</u>	<u>41,121,142</u>

Major capital asset events during the current fiscal year included continued work on utilities improvements on FM 2113 for \$1.2 million, continued work on street improvements for Ritchie Road for \$0.7 million, street improvements for \$0.3 million, two new vehicles and other equipment for \$0.5 million, and contributions of water, sewer and infrastructure from developers for \$1.1 million. Depreciation expense for the City was \$4.7 million in the current year. Additional information on the City's capital assets can be found in Note 7 on pages 41 – 43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total long-term liabilities of \$47.6 million, which included bonded debt of \$42.3 million, capital leases of \$1.5 million, accrued compensated absences of \$0.8 million, and net pension and OPEB liabilities of \$2.8 million and \$0.2 million, respectively.

**City of Hewitt  
Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Certificates of obligation	\$ 18,696,751	19,712,569	15,343,249	16,257,431	34,040,000	35,970,000
Refunding bonds	879,800	1,196,200	6,245,200	6,423,800	7,125,000	7,620,000
Total bonds at par	19,576,551	20,908,769	21,588,449	22,681,231	41,165,000	43,590,000
Premiums on bonds	562,071	602,484	560,478	609,214	1,122,549	1,211,698
Total bonded debt	20,138,622	21,511,253	22,148,927	23,290,445	42,287,549	44,801,698
Capital leases	681,779	616,263	777,426	828,537	1,459,205	1,444,800
Compensated absences	695,433	613,018	77,457	70,291	772,890	683,309
Net pension liability	2,480,014	3,109,066	337,024	466,287	2,817,038	3,575,353
OPEB liability	239,919	200,202	-	-	239,919	200,202
	<b>\$ 24,235,767</b>	<b>26,049,802</b>	<b>23,340,834</b>	<b>24,655,560</b>	<b>47,576,601</b>	<b>50,705,362</b>

The City's total long-term liabilities decreased by \$3.1 million (6.1%) during the current fiscal year. This change resulted primarily from the issuance of capital leases for \$0.5 million and was offset by scheduled principal payments on bonded debt and capital lease obligations of \$3.0 million and a decrease in the net pension liability of \$0.8 million.

The City maintains an "Aa3" rating from Moody's Investors Service, and the City maintains an "AA-" rating from Standard and Poor's.

The Texas Attorney General limits the amount of general obligation debt a governmental entity may issue to an amount no greater than that which can be serviced by a debt service tax of \$1.50 per \$100 assessed valuation, based on 90% collections. The City's adopted debt service rate for fiscal year 2021 is \$0.219972 per \$100 assessed valuation. This represents only 15%, or \$1.28 below, the rate allowable by the Attorney General's imposed limit. Additional information on the City's long-term liabilities can be found in Note 9 on pages 44 - 48 of this report.

### **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 \$7,266,805. The City has not appropriated any of this amount for spending in the 2022 fiscal year budget. The 2022 fiscal year budget of \$11.6 million for the general fund is a balanced budget. The water and sewer rates were increased by approximately 3% effective December 1, 2021. 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 overview 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, City of Hewitt, 200 Patriot Court, Hewitt, Texas 76643; (254) 666-6171; or [financedirector@cityofhewitt.com](mailto:financedirector@cityofhewitt.com).

## **Basic Financial Statements**



**City of Hewitt, Texas**  
**Statement of Net Position**  
**September 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,851,206	7,690,556	16,541,762
Accounts receivable, net	1,203,481	1,420,577	2,624,058
Internal balances	12,500	(12,500)	-
Restricted cash and cash equivalents	-	2,522,796	2,522,796
Capital assets not being depreciated:			
Land	2,405,058	554,444	2,959,502
Construction in progress	778,568	1,957,076	2,735,644
Capital assets, net of accumulated depreciation:			
Buildings and improvements	8,909,709	675,479	9,585,188
Water, sewer, and drainage facilities	-	11,977,221	11,977,221
Infrastructure	11,396,767	-	11,396,767
Machinery and equipment	1,558,158	542,660	2,100,818
Total assets	<u>35,115,447</u>	<u>27,328,309</u>	<u>62,443,756</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	<u>748,286</u>	<u>433,410</u>	<u>1,181,696</u>
<b>Liabilities</b>			
Accounts payable	-	315,892	315,892
Accrued liabilities	322,628	208,895	531,523
Unearned revenue	-	1,850,590	1,850,590
Customer deposits payable	-	455,471	455,471
Noncurrent liabilities:			
Due within one year	1,741,724	1,583,599	3,325,323
Due in more than one year	<u>22,494,043</u>	<u>21,757,235</u>	<u>44,251,278</u>
Total liabilities	<u>24,558,395</u>	<u>26,171,682</u>	<u>50,730,077</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	<u>936,006</u>	<u>124,509</u>	<u>1,060,515</u>
<b>Net Position</b>			
Net investment in capital assets	5,147,756	(6,382,641)	(1,234,885)
Restricted:			
Debt service	867,465	1,497,758	2,365,223
Municipal information	416,998	-	416,998
Tourism	149,124	-	149,124
Public safety	118,728	-	118,728
Unrestricted	<u>3,669,261</u>	<u>6,350,411</u>	<u>10,019,672</u>
Total net position	<u>\$ 10,369,332</u>	<u>1,465,528</u>	<u>11,834,860</u>

See accompanying notes to financial statements.

**City of Hewitt, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,200,241	218,267	-	-	(1,981,974)	-	(1,981,974)
Public safety	5,836,436	364,161	38,645	-	(5,433,630)	-	(5,433,630)
Streets	1,168,854	-	-	657,000	(511,854)	-	(511,854)
Culture and recreation	842,864	22,821	21,989	-	(798,054)	-	(798,054)
Interest on long-term debt	640,760	-	-	-	(640,760)	-	(640,760)
<b>Total governmental activities</b>	<b>10,689,155</b>	<b>605,249</b>	<b>60,634</b>	<b>657,000</b>	<b>(9,366,272)</b>	<b>-</b>	<b>(9,366,272)</b>
<b>Business-type activities:</b>							
Water, sewer, and sanitation	8,077,449	8,188,417	-	438,000	-	548,968	548,968
Stormwater drainage	448,958	517,939	-	-	-	68,981	68,981
<b>Total business-type activities</b>	<b>8,526,407</b>	<b>8,706,356</b>	<b>-</b>	<b>438,000</b>	<b>-</b>	<b>617,949</b>	<b>617,949</b>
<b>Total</b>	<b>\$ 19,215,562</b>	<b>9,311,605</b>	<b>60,634</b>	<b>1,095,000</b>	<b>(9,366,272)</b>	<b>617,949</b>	<b>(8,748,323)</b>
<b>General revenues:</b>							
Property taxes, levied for general purposes				3,417,079	-	3,417,079	
Property taxes, levied for debt service				2,299,599	-	2,299,599	
Sales taxes				3,354,015	-	3,354,015	
Franchise taxes				927,331	-	927,331	
Hotel occupancy taxes				110,364	-	110,364	
Investment earnings				65,523	61,503	127,026	
Miscellaneous				93,968	-	93,968	
Transfers				955,000	(955,000)	-	
<b>Total general revenues and transfers</b>				<b>11,222,879</b>	<b>(893,497)</b>	<b>10,329,382</b>	
Change in net position				1,856,607	(275,548)	1,581,059	
<b>Net position - beginning of year</b>				<b>8,512,725</b>	<b>1,741,076</b>	<b>10,253,801</b>	
<b>Net position - ending</b>				<b>\$ 10,369,332</b>	<b>1,465,528</b>	<b>11,834,860</b>	

See accompanying notes to financial statements.

## City of Hewitt, Texas

### Balance Sheet – Governmental Funds

September 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 7,280,345	913,867	656,994	8,851,206
Accounts receivable	1,180,483	-	22,998	1,203,481
Due from other funds	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
<b>Total assets</b>	<b><u>\$ 8,473,328</u></b>	<b><u>913,867</u></b>	<b><u>679,992</u></b>	<b><u>10,067,187</u></b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 162,496	-	-	162,496
<b>Total liabilities</b>	<b><u>162,496</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>162,496</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue:				
Property taxes	106,820	-	-	106,820
Court fines	<u>64,884</u>	<u>-</u>	<u>-</u>	<u>64,884</u>
<b>Total deferred inflows of resources</b>	<b><u>171,704</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>171,704</u></b>
<b><u>Fund Balances</u></b>				
Restricted:				
Debt service	867,465	-	-	867,465
Municipal information	-	-	416,998	416,998
Tourism	-	-	149,124	149,124
Public safety	4,858	-	113,870	118,728
Capital outlay	-	913,867	-	913,867
Unassigned	<u>7,266,805</u>	<u>-</u>	<u>-</u>	<u>7,266,805</u>
<b>Total fund balances</b>	<b><u>8,139,128</u></b>	<b><u>913,867</u></b>	<b><u>679,992</u></b>	<b><u>9,732,987</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 8,473,328</u></b>	<b><u>913,867</u></b>	<b><u>679,992</u></b>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				25,048,260
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.				171,704
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.				<u>(24,583,619)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 10,369,332</u></b>			

See accompanying notes to financial statements.

**City of Hewitt, Texas**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds**

Year Ended September 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Total Governmental Funds</u>
<b>Revenue:</b>				
Taxes:				
Property	\$ 5,730,073	-	-	5,730,073
Sales	3,354,015	-	-	3,354,015
Franchise	893,176	-	34,155	927,331
Hotel occupancy	-	-	110,364	110,364
Intergovernmental	216,200	-	-	216,200
License and permits	218,267	-	-	218,267
Charges for services	8,540	-	-	8,540
Fines	167,776	-	17,062	184,838
Investment earnings	53,026	9,388	3,109	65,523
Contributions and donations	31,280	-	-	31,280
Miscellaneous	61,109	-	-	61,109
<b>Total revenue</b>	<b><u>10,733,462</u></b>	<b><u>9,388</u></b>	<b><u>164,690</u></b>	<b><u>10,907,540</u></b>
<b>Expenditures:</b>				
Current:				
General government	1,380,706	-	141,912	1,522,618
Public safety	5,278,246	-	1,200	5,279,446
Streets	759,418	-	-	759,418
Cultural and recreation	731,870	-	-	731,870
Debt service:				
Principal	1,535,187	-	-	1,535,187
Interest	687,995	-	-	687,995
Capital outlay	266,855	1,240,760	-	1,507,615
<b>Total expenditures</b>	<b><u>10,640,277</u></b>	<b><u>1,240,760</u></b>	<b><u>143,112</u></b>	<b><u>12,024,149</u></b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b><u>93,185</u></b>	<b><u>(1,231,372)</u></b>	<b><u>21,578</u></b>	<b><u>(1,116,609)</u></b>
<b>Other financing sources:</b>				
Issuance of capital leases	268,485	-	-	268,485
Proceeds from disposition of capital assets	138,025	-	-	138,025
Transfers in	955,000	-	-	955,000
Total other financing sources	<u>1,361,510</u>	<u>-</u>	<u>-</u>	<u>1,361,510</u>
Net changes in fund balances	1,454,695	(1,231,372)	21,578	244,901
Fund balances, beginning of year	<u>6,684,433</u>	<u>2,145,239</u>	<u>658,414</u>	<u>9,488,086</u>
Fund balances, at end of year	<b><u>\$ 8,139,128</u></b>	<b><u>913,867</u></b>	<b><u>679,992</u></b>	<b><u>9,732,987</u></b>

See accompanying notes to financial statements.

## City of Hewitt, Texas

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2021

Net change in fund balances - total governmental funds	\$ 244,901
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions (\$2,164,615) exceeded depreciation expense (\$1,925,728) in the current period.	238,887
In the statement of activities, only the gain or loss on the disposition of capital assets is reported. However, in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of capital assets disposed.	(98,408)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(13,395)
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,305,105
Accrued interest expense and compensated absences 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.	(73,583)
Governmental funds report contributions to pension and OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which contributions to the plan (\$701,117) exceeded pension/OPEB expense (\$448,017) in the current period.	<u>253,100</u>
Change in net position of governmental activities	\$ <u>1,856,607</u>

See accompanying notes to financial statements.

**City of Hewitt, Texas**

**Statement of Net Position-  
Proprietary Funds**

September 30, 2021

	Business-type Activities- Enterprise Funds		
	Non-major Stormwater Drainage		<u>Total</u>
	<u>Water, Sewer and Sanitation</u>	<u> </u>	<u> </u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 7,396,012	294,544	7,690,556
Accounts receivable, net	<u>1,336,563</u>	<u>84,014</u>	<u>1,420,577</u>
Total current assets	<u>8,732,575</u>	<u>378,558</u>	<u>9,111,133</u>
Noncurrent assets:			
Restricted cash and cash equivalents	2,522,796	-	2,522,796
Capital assets:			
Land	554,444	-	554,444
Buildings and improvements	1,012,154	-	1,012,154
Water system facilities	30,014,808	-	30,014,808
Sewer system facilities	10,868,572	-	10,868,572
Drainage system facilities	-	997,220	997,220
Equipment	2,408,133	513,679	2,921,812
Construction in progress	<u>1,957,076</u>	<u>-</u>	<u>1,957,076</u>
Total capital assets	<u>46,815,187</u>	<u>1,510,899</u>	<u>48,326,086</u>
Less: accumulated depreciation	<u>(31,815,507)</u>	<u>(803,699)</u>	<u>(32,619,206)</u>
Total capital assets, net	<u>14,999,680</u>	<u>707,200</u>	<u>15,706,880</u>
Total noncurrent assets	<u>17,522,476</u>	<u>707,200</u>	<u>18,229,676</u>
Total assets	<u>26,255,051</u>	<u>1,085,758</u>	<u>27,340,809</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding of debt	340,177	-	340,177
Deferred outflows on net pension liability	<u>63,724</u>	<u>29,509</u>	<u>93,233</u>
	<u>403,901</u>	<u>29,509</u>	<u>433,410</u>

(Continued)

		Business-type Activities- Enterprise Funds		
		Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 315,892	-	315,892	
Accrued liabilities	202,481	6,414	208,895	
Due to other funds	-	12,500	12,500	
Unearned revenue	1,850,590	-	1,850,590	
Payable from restricted assets:				
Customer deposits	455,471	-	455,471	
Compensated absences, current portion	14,928	4,436	19,364	
Capital leases, current portion	306,241	61,135	367,376	
Bonds payable, current portion	1,196,859	-	1,196,859	
Total current liabilities	<u>4,342,462</u>	<u>84,485</u>	<u>4,426,947</u>	
Noncurrent liabilities:				
Compensated absences	44,784	13,309	58,093	
Capital leases	258,368	151,682	410,050	
Bonds payable	20,952,068	-	20,952,068	
Net pension liability	<u>230,353</u>	<u>106,671</u>	<u>337,024</u>	
Total noncurrent liabilities	<u>21,485,573</u>	<u>271,662</u>	<u>21,757,235</u>	
Total liabilities	<u>25,828,035</u>	<u>356,147</u>	<u>26,184,182</u>	
<b>Deferred Inflows of Resources</b>				
Deferred inflows on net pension liability	<u>85,101</u>	<u>39,408</u>	<u>124,509</u>	
	<u>85,101</u>	<u>39,408</u>	<u>124,509</u>	
<b>Net Position</b>				
Net investment in capital assets	(6,877,022)	494,381	(6,382,641)	
Restricted for debt service	1,497,758	-	1,497,758	
Unrestricted	<u>6,125,080</u>	<u>225,331</u>	<u>6,350,411</u>	
Total net position	<u>\$ 745,816</u>	<u>719,712</u>	<u>1,465,528</u>	

See accompanying notes to financial statements.

**City of Hewitt, Texas**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Proprietary Funds**

Year Ended September 30, 2021

	Business-type activities - Enterprise Funds		
			Non-major
	Water, Sewer and Sanitation	Stormwater Drainage	Total
<b>Operating revenue:</b>			
Charges for services	\$ 7,929,603	517,939	8,447,542
Miscellaneous	258,814	-	258,814
	<u>8,188,417</u>	<u>517,939</u>	<u>8,706,356</u>
<b>Operating expenses:</b>			
Personnel services	587,328	268,069	855,397
Contractual services	3,326,105	10,547	3,336,652
Utilities	310,524	2,528	313,052
Repairs and maintenance	314,912	21,453	336,365
Other	111,550	28,760	140,310
Depreciation	<u>2,630,343</u>	<u>112,741</u>	<u>2,743,084</u>
	<u>7,280,762</u>	<u>444,098</u>	<u>7,724,860</u>
Operating income	<u>907,655</u>	<u>73,841</u>	<u>981,496</u>
<b>Nonoperating revenue (expenses):</b>			
Interest and other income	60,014	1,489	61,503
Interest charges	<u>(796,687)</u>	<u>(4,860)</u>	<u>(801,547)</u>
	<u>(736,673)</u>	<u>(3,371)</u>	<u>(740,044)</u>
Income before capital contributions and transfers	170,982	70,470	241,452
Capital contributions	438,000	-	438,000
Transfers out	<u>(955,000)</u>	<u>-</u>	<u>(955,000)</u>
Change in net position	(346,018)	70,470	(275,548)
Net position, at beginning of year	<u>1,091,834</u>	<u>649,242</u>	<u>1,741,076</u>
Net position, at end of year	<u>\$ 745,816</u>	<u>719,712</u>	<u>1,465,528</u>

See accompanying notes to financial statements.

## City of Hewitt, Texas

### Statement of Cash Flows - Proprietary Funds

Year Ended September 30, 2021

	Business-type activities - Enterprise Funds		
	Non-major		
	Water, Sewer and Sanitation	Stormwater Drainage	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 8,154,905	501,450	8,656,355
Payments to suppliers	(4,258,657)	(145,492)	(4,404,149)
Payments to employees	(455,048)	(209,782)	(664,830)
Net cash provided by operating activities	<u>3,441,200</u>	<u>146,176</u>	<u>3,587,376</u>
<b>Non-capital and related financing activities:</b>			
Transfers from other funds	-	12,500	12,500
Transfers to other funds	<u>(955,000)</u>	<u>-</u>	<u>(955,000)</u>
Net cash provided by (used in) non-capital and related financing activities	<u>(955,000)</u>	<u>12,500</u>	<u>(942,500)</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions	1,850,590	-	1,850,590
Acquisition of capital assets	(1,356,593)	(88,211)	(1,444,804)
Principal paid on debt	(1,461,379)	(36,313)	(1,497,692)
Interest paid on debt	(809,784)	(4,860)	(814,644)
Net cash used in capital and related financing activities	<u>(1,777,166)</u>	<u>(129,384)</u>	<u>(1,906,550)</u>
<b>Cash flows from investing activities:</b>			
Earnings on investments	<u>60,014</u>	<u>1,489</u>	<u>61,503</u>
Net cash provided by investing activities	<u>60,014</u>	<u>1,489</u>	<u>61,503</u>
Net increase in cash and cash equivalents	769,048	30,781	799,829
Cash and cash equivalents, at beginning of year	<u>9,149,760</u>	<u>263,763</u>	<u>9,413,523</u>
Cash and cash equivalents, at end of year	<u>\$ 9,918,808</u>	<u>294,544</u>	<u>10,213,352</u>
<b>Cash flows from operating activities:</b>			
Operating income	\$ 907,655	73,841	981,496
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,630,343	112,741	2,743,084
Change in assets and liabilities:			
(Increase) decrease in operating and other assets:			
Accounts receivable	(33,512)	(16,489)	(50,001)
Pension related deferred outflows	2,076	1,972	4,048
Increase (decrease) in operating and other liabilities:			
Accounts payable	(35,151)	-	(35,151)
Accrued liabilities	(4,616)	845	(3,771)
Customer deposits	23,988	-	23,988
Compensated absences	3,607	3,559	7,166
Net pension liability	(85,040)	(44,223)	(129,263)
Pension related deferred inflows	31,850	13,930	45,780
Net cash provided by operating activities	<u>\$ 3,441,200</u>	<u>146,176</u>	<u>3,587,376</u>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets	<u>\$ 438,000</u>	<u>-</u>	<u>438,000</u>
Issuance of capital lease for equipment purchase	<u>\$ 256,516</u>	<u>97,283</u>	<u>353,799</u>

See accompanying notes to financial statements.



## City of Hewitt, Texas

### Notes to Financial Statements

September 30, 2021

#### **(1) Nature of Operations and Reporting Entity**

The City of Hewitt, Texas (the “City”) is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and any of its component units, entities for which the government is considered financially accountable. The City did not identify any entities for which it is financially accountable.

#### **(2) Summary of Significant Accounting Policies**

##### **(a) Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (a) Government-wide and fund financial statements (continue)

between the City's water, sewer and sanitation functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

##### (b) Measurement focus, basis of accounting and financial statement presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, fines and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (b) Measurement focus, basis of accounting and financial statement presentation (continued)

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

The City reports the following major governmental funds:

General Fund - 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.

Capital Projects Fund – The general capital projects fund provides 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 reports the following major proprietary fund:

Water, Sewer, and Sanitation Fund - The water, sewer, and sanitation fund accounts for the activities of the water distribution system, the sewage treatment plant, 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 fund'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 enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **City of Hewitt, Texas**

### **Notes to Financial Statements (Continued)**

#### **(2) Summary of Significant Accounting Policies (continued)**

##### **(c) Deposits 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, certificates of deposit, fully collateralized repurchase agreements secured by U.S. Treasury and agency securities, and public funds investment pools.

Investments are reported at fair value, except for public funds investment pools. The public funds investment pools operate in accordance with 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." All other outstanding balances between funds are reported as "due to/from other funds."

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.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

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

##### (g) 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.

##### (h) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System ("TMRS") and additions to/deductions from TMRS's Fiduciary Net Position

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (h) Pensions (continued)

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 (“OPEB”)

The fiduciary net position of the City’s defined benefit life insurance plan (“OPEB Plan”) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan’s net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan.

##### (j) Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

##### (k) Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (k) Long-term obligations (continued)

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### (l) Fund balance

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based upon City Council direction. Unassigned fund balance represents the residual amount for the general fund that is not contained in other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

##### (m) Net position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net 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 bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (3) Reconciliation of Government-wide and Fund Financial Statements

##### (a) Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$24,583,619 difference are as follows:

General obligation bonds	\$ (19,576,551)
Plus: issuance premiums (to be amortized as interest expense)	(562,071)
Less: deferred charges on refundings of debt (to be amortized as interest expense)	6,030
Accrued interest payable	(160,132)
Capital leases	(681,779)
Compensated absences	(695,433)
Net pension liability and related deferred inflows of \$916,215 and deferred outflows of \$686,064	(2,710,165)
Total OPEB liability and related deferred inflows of \$19,791 and deferred outflows of \$56,192	<u>(203,518)</u>
Net adjustment to reduce <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (24,583,619)</u>

##### (b) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds’ statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (3) Reconciliation of Government-wide and Fund Financial Statements (continued)

##### (b) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

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.” The details of this \$1,305,105 difference are as follows:

Issuance of capital lease obligations	\$ (268,485)
Principal repayments on bonds	1,332,218
Amortization of bond premiums	40,413
Amortization of deferred amounts on refunding	(2,010)
Principal repayments on capital leases	<u>202,969</u>
 <i>Net adjustment to increase <i>net changes in fund balances</i> - <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i></i>	 <u>\$ 1,305,105</u>

#### (4) Budgets and Budgetary Accounting

An annual budget is adopted on a cash basis for the general fund. Project-length budgets are adopted for the capital projects 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. Encumbrances are 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.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (5) Deposits and Investments

A summary of the City's cash and cash equivalents at September 30, 2021 follows:

Cash in bank and certificates of deposit	\$ 18,791,571
Public funds investments pool:	
Texas Local Government Investment Pool ("TexPool")	<u>272,987</u>
Total cash and cash equivalents	\$ <u>19,064,558</u>

The public funds investment pools have been created pursuant to the Interlocal Corporation Act of the State of Texas. The City has delegated the authority to hold legal title to TexPool, as custodian and to make investment purchases with the City's funds.

*TexPool.* The State Comptroller of Public Accounts (the "Comptroller") is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company") which is authorized to operate TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net assets share prices.

*Custodial Credit Risk.* The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City's investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term securities, and (c) diversifying maturities and staggering purchase

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (5) Deposits and Investments (continued)

dates to minimize the impact of market movements over time. The City's specific fund-type investment strategies are used to determine maximum maturity. Certificates of deposit and repurchase agreements may be collateralized with longer dated investments so long as it is in accordance with its investment policy. At September 30, 2021, the weighted average maturity of TexPool is 34 days.

*Credit risk.* The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. At September 30, 2021, TexPool is rated AAAm by Standard & Poor's.

#### (6) Receivables

Receivables as of September 30, 2021 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Other Nonmajor Governmental</u>	<u>Water, Sewer and Sanitation</u>	<u>Nonmajor Stormwater Drainage</u>	<u>Total</u>
<b>Receivables:</b>					
Property taxes	\$ 106,820	-	-	-	106,820
Sales and franchise taxes	798,909	-	-	-	798,909
Hotel occupancy taxes	-	22,998	-	-	22,998
Fines	259,534	-	-	-	259,534
Intergovernmental	16,134	-	-	-	16,134
Accounts	-	-	1,790,761	96,049	1,886,810
Other	<u>193,736</u>	<u>-</u>	<u>333</u>	<u>-</u>	<u>194,069</u>
Gross receivables	1,375,133	22,998	1,791,094	96,049	3,285,274
Less: allowance for uncollectibles	<u>194,650</u>	<u>-</u>	<u>454,531</u>	<u>12,035</u>	<u>661,216</u>
	<u><u>\$ 1,180,483</u></u>	<u><u>22,998</u></u>	<u><u>1,336,563</u></u>	<u><u>84,014</u></u>	<u><u>2,624,058</u></u>

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the 2020 levy was based was \$1,038,397,332.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2021 were 99.42% of the tax levy.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (7) Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 2,405,058	-	-	2,405,058
Construction in progress	52,000	726,568	-	778,568
Total capital assets not being depreciated	<u>2,457,058</u>	<u>726,568</u>	<u>-</u>	<u>3,183,626</u>
Capital assets, being depreciated:				
Buildings and improvements	10,903,630	-	-	10,903,630
Infrastructure	41,854,789	1,171,192	-	43,025,981
Machinery and equipment	6,509,390	266,855	(466,422)	6,309,823
Total capital assets being depreciated	<u>59,267,809</u>	<u>1,438,047</u>	<u>(466,422)</u>	<u>60,239,434</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,721,331)	(272,590)	-	(1,993,921)
Infrastructure	(30,604,702)	(1,024,512)	-	(31,629,214)
Machinery and equipment	(4,491,053)	(628,626)	368,014	(4,751,665)
Total accumulated depreciation	<u>(36,817,086)</u>	<u>(1,925,728)</u>	<u>368,014</u>	<u>(38,374,800)</u>
Total capital assets, being depreciated, net	<u>22,450,723</u>	<u>(487,681)</u>	<u>(98,408)</u>	<u>21,864,634</u>
Governmental activities capital assets, net	<u>\$ 24,907,781</u>	<u>238,887</u>	<u>(98,408)</u>	<u>25,048,260</u>

**City of Hewitt, Texas**

Notes to Financial Statements  
(Continued)

**(7) Capital Assets (continued)**

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
<b><u>Business-type activities:</u></b>				
Capital assets, not depreciated:				
Land	\$ 554,444	-	-	554,444
Construction in progress	753,188	1,233,888	(30,000)	1,957,076
Total capital assets not being depreciated	<u>1,307,632</u>	<u>1,233,888</u>	<u>(30,000)</u>	<u>2,511,520</u>
Capital assets, being depreciated:				
Buildings and improvements	1,012,154	-	-	1,012,154
Water system facilities	29,884,808	130,000	-	30,014,808
Sewer system facilities	10,342,855	525,717	-	10,868,572
Drainage system facilities	896,324	100,896	-	997,220
Machinery and equipment	2,645,710	276,102	-	2,921,812
Total capital assets being depreciated	<u>44,781,851</u>	<u>1,032,715</u>	<u>-</u>	<u>45,814,566</u>
Less accumulated depreciation for:				
Buildings and improvements	(316,654)	(20,021)	-	(336,675)
Water system facilities	(19,639,252)	(1,835,165)	-	(21,474,417)
Sewer system facilities	(7,299,358)	(639,388)	-	(7,938,746)
Drainage system facilities	(436,696)	(53,520)	-	(490,216)
Machinery and equipment	(2,184,162)	(194,990)	-	(2,379,152)
Total accumulated depreciation	<u>(29,876,122)</u>	<u>(2,743,084)</u>	<u>-</u>	<u>(32,619,206)</u>
Total capital assets, being depreciated, net	<u>14,905,729</u>	<u>(1,710,369)</u>	<u>-</u>	<u>13,195,360</u>
Business-type activities capital assets, net	<u>\$ 16,213,361</u>	<u>(476,481)</u>	<u>(30,000)</u>	<u>15,706,880</u>

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (7) Capital Assets (continued)

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

Governmental activities:

General government	\$ 700,769
Public safety	681,546
Streets	422,337
Culture and recreation	<u>121,076</u>
Total depreciation expense - governmental activities	<u>\$ 1,925,728</u>

Business-type activities:

Water, sewer, and sanitation	2,630,343
Stormwater drainage	<u>112,741</u>
Total depreciation expense - business - type activities	<u>\$ 2,743,084</u>

#### Construction Commitments

The City has active construction projects as of September 30, 2021. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitments</u>
<b>Governmental activities:</b>		
Ritchie Road - Phase 2	\$ 711,702	373,050
Street improvements - East Warren	66,866	508,985
<b>Business-type activities:</b>		
FM 2113 - utilities	<u>1,957,076</u>	<u>542,924</u>
Total	<u>\$ 2,735,644</u>	<u>1,424,959</u>

The commitments will be funded by unspent bond proceeds.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (8) Capital lease obligations

The City finances the acquisition of certain vehicles, heavy equipment, wireless water meters, and mobile data terminals / library computers under noncancelable capital leases that expire over the next four years. Assets under capital leases at September 30, 2021 consisted of the following:

Machinery and equipment	\$ 3,403,632
Less: accumulated amortization	<u>2,271,387</u>
	<u><u>\$ 1,132,245</u></u>

The present value of future minimum capital lease payments as of September 30, 2021 are:

<u>Fiscal Year</u>	
2022	\$ 596,940
2023	461,671
2024	322,466
2025	<u>136,542</u>
Total minimum lease payments	<u>1,517,619</u>
Less amounts representing interest at 1.58% to 3.20%	<u>(58,414)</u>
Present value of minimum capital lease payments	<u><u>\$ 1,459,205</u></u>

#### (9) Long-Term Liabilities

Long-term liabilities consist of bonded indebtedness, capital leases, compensated absences, a net pension liability, and an OPEB liability. 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. Capital leases are issued for the acquisition of equipment and other machinery. Capital leases, compensated absences, the net pension liability, and the total OPEB liability are generally liquidated by the general fund and the enterprise funds.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (9) Long-Term Liabilities (continued)

Long-term liability activity for the year ended September 30, 2021, was as follows:

	October 1, 2020	Additions	Retirements	September 30, 2021	Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 19,712,569	-	(1,015,818)	18,696,751	1,084,591
General refunding bonds	1,196,200	-	(316,400)	879,800	283,550
Total bonds at par	20,908,769	-	(1,332,218)	19,576,551	1,368,141
Plus: deferred premiums	602,484	-	(40,413)	562,071	-
Total bonds payable	21,511,253	-	(1,372,631)	20,138,622	1,368,141
Capital leases	616,263	268,485	(202,969)	681,779	199,725
Compensated absences	613,018	382,111	(299,696)	695,433	173,858
Net pension liability	3,109,066	-	(629,052)	2,480,014	-
OPEB liability	200,202	39,717	-	239,919	-
	<u>\$ 26,049,802</u>	<u>690,313</u>	<u>(2,504,348)</u>	<u>24,235,767</u>	<u>1,741,724</u>
 <b>Business-type activities:</b>					
Certificates of obligation	\$ 16,257,431	-	(914,182)	15,343,249	530,409
General refunding bonds	6,423,800	-	(178,600)	6,245,200	666,450
Total bonds at par	22,681,231	-	(1,092,782)	21,588,449	1,196,859
Plus: deferred premiums	609,214	-	(48,736)	560,478	-
Total bonds payable	23,290,445	-	(1,141,518)	22,148,927	1,196,859
Capital leases	828,537	256,515	(307,626)	777,426	367,376
Compensated absences	70,291	76,014	(68,848)	77,457	19,364
Net pension liability	466,287	-	(129,263)	337,024	-
	<u>\$ 24,655,560</u>	<u>332,529</u>	<u>(1,647,255)</u>	<u>23,340,834</u>	<u>1,583,599</u>

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (9) Long-Term Liabilities (continued)

For governmental activities, bonds payable at September 30, 2021, are comprised of the following individual issues:

\$2,200,000 - 2010 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$10,000 to \$280,000 through July 2030, interest at 1.00% to 3.85%	\$ 1,795,000
\$2,905,000 - 2012 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$145,000 to \$330,000 through July 2032, interest at 1.50% to 3.00%	1,846,751
\$3,850,000 - 2013 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$120,000 to \$225,000 through July 2038, interest at 2.00% to 3.60%	2,965,000
\$6,835,000 - 2014 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$285,000 to \$470,000 through July 2034, interest at 2.00% to 4.00%	5,030,000
\$3,355,000 - 2016B combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$140,000 to \$220,000 through July 2036, interest at 0.80% to 2.75%	2,775,000
\$4,860,000 - 2017 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$125,000 to \$290,000 through July 2038, interest at 3.00% to 4.00%	<u>4,285,000</u>
Total certificates of obligation	<u>18,696,751</u>
\$3,570,000 - 2013 general obligation refunding bonds due in annual installments of \$127,000 to \$302,100 through July 2037, interest at 3.00% to 4.63%	<u>879,800</u>
Total refunding bonds	<u>879,800</u>
Total bonded debt - governmental activities	<u>\$ 19,576,551</u>

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (9) Long-Term Liabilities (continued)

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

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,368,141	640,530
2023	1,404,400	604,043
2024	1,454,895	564,939
2025	1,298,455	518,386
2026	1,335,341	473,671
2027-2031	6,885,364	1,651,335
2032-2036	4,824,955	592,917
2037-2038	<u>1,005,000</u>	<u>51,583</u>
	<u><u>\$ 19,576,551</u></u>	<u><u>5,097,404</u></u>

For business-type activities, bonds outstanding at September 30, 2021 are comprised of the following individual issues:

\$9,975,000 - 2010 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$5,000 to \$1,170,000 through July 2037, interest at 3.00% to 4.63%	7,475,000
\$4,795,000 - 2012 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$145,000 to \$330,000 through July 2032, interest at 1.50% to 3.00%	3,048,249
\$6,195,000 - 2016 combination tax and surplus revenue certificates of obligation, due in annual installments of \$265,000 to \$410,000 through July 2035, interest at 2.00% to 3.38%	<u>4,820,000</u>
Total certificates of obligation	<u>15,343,249</u>

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (9) Long-Term Liabilities (continued)

\$3,570,000 - 2013 general obligation refunding bonds due in annual installments of \$127,000 to \$302,100 through July 2024, interest at 0.50% to 3.00%	\$ 780,200
\$5,555,000 - 2015 general obligation refunding bonds due in annual installments of \$90,000 to \$600,000 through July 2032, interest at 2.00% to 4.00%	<u>5,465,000</u>
Total refunding bonds	<u>6,245,200</u>
Total bonded debt - business-type activities	<u>\$ 21,588,449</u>

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

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	1,196,859	772,718
2023	1,235,600	742,122
2024	1,275,105	708,774
2025	1,256,545	673,469
2026	1,294,659	634,684
2027-2031	7,194,636	2,487,906
2032-2036	6,965,045	1,116,120
2037	<u>1,170,000</u>	<u>54,113</u>
	<u>\$ 21,588,449</u>	<u>7,189,906</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 and has pledged certain net operating revenues (after the payment of operation and maintenance expenses) of the water and sewer fund to repay \$4.8 million in combination tax and surplus revenue certificates of obligation issued in 2016. 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 \$6.0 million. Principal and interest paid for the current year and total of pledged net surplus revenues of the water, sewer, and sanitation fund were \$425,988 and \$170,982, respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (10) Defined Benefit Pension Plan

*Plan Description* - The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (“ACFR”) that can be obtained at [www.tmrs.com](http://www.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, and the City-financed monetary credits, with interest. 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.

*Employees covered by benefit terms:* At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	74
Active employees	94
Total	<u>203</u>

*Contributions* - Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal 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.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (10) Defined Benefit Pension Plan (continued)

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 16.44% and 15.48% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$896,485 and were equal to the required contributions.

*Net Pension Liability* - The City's net pension liability was measured as of December 31, 2020, and the total pension liability 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	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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 Rate ("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.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (10) Defined Benefit Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Totals	<u><u>100.0%</u></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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (10) Defined Benefit Pension Plan (continued)

#### **Changes in the Net Pension Liability**

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Increase (Decrease) Net Pension Liability <u>(a) - (b)</u>
Balance at December 31, 2019	\$ 22,046,766	18,471,413	3,575,353
Changes for the year:			
Service cost	933,172	-	933,172
Interest	1,494,824	-	1,494,824
Difference between expected and actual experience	(633,793)	-	(633,793)
Contributions - employer	-	797,653	(797,653)
Contributions - employee	-	360,696	(360,696)
Net investment income	-	1,403,594	(1,403,594)
Benefit payments, including refunds of employee contributions	(735,615)	(735,615)	-
Administrative expense	-	(9,073)	9,073
Other changes	-	(352)	352
Net changes	<u>1,058,588</u>	<u>1,816,903</u>	<u>(758,315)</u>
Balance at December 31, 2020	\$ 23,105,354	20,288,316	2,817,038

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate <u>(5.75%)</u>	Current Discount Rate (6.75%)	1% Increase in Discount Rate <u>(7.75%)</u>
City's net pension liability	<u>\$ 6,538,248</u>	<u>2,817,038</u>	<u>(186,387)</u>

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

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (10) Defined Benefit Pension Plan (continued)

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

For the year ended September 30, 2021, the City recognized pension expense of \$541,858. At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 701,117	-
Differences between expected and actual experience	22,901	516,420
Change in assumptions	55,279	-
Net difference between projected and actual earnings on pension plan investments	- <hr style="width: 100px; margin-left: 0; border: 0.5px solid black;"/>	524,304 <hr style="width: 100px; margin-left: 0; border: 0.5px solid black;"/>
Total	<hr style="width: 100px; margin-left: 0; border: 0.5px solid black;"/> \$ 779,297	<hr style="width: 100px; margin-left: 0; border: 0.5px solid black;"/> 1,040,724

The \$701,117 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	
2021	\$ (310,038)
2022	(124,695)
2023	(431,088)
2024	<hr style="width: 100px; margin-left: 0; border: 0.5px solid black;"/> (96,723)
	<hr style="width: 100px; margin-left: 0; border: 0.5px solid black;"/> \$ <u>(962,544)</u>

#### (11) Other Post-Employment Benefits (“OPEB”)

##### ***Plan Description***

The City also participates in the defined benefit group-term life insurance plan administered by the Texas Municipal Retirement System (“TMRS”) known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance, to provide

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (11) Other Post-Employment Benefits (“OPEB”) (continued)

group-term life insurance coverage to both current and retired employees. The City may terminate coverage by adopting an ordinance before November 1 of any year to be effective the following January 1. As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board (“GASB”) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City’s yearly contribution for retirees.

Financial information for the SDBF is included in the TMRS publicly available Annual Comprehensive Financial Report (“ACFR”) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

#### ***Benefits Provided***

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 a fixed amount of \$7,500.

*Employees covered by benefit terms:* At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	9
Active employees	94
Total	<u>127</u>

#### ***Contributions***

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the SDBF for the year ended September 30, 2021 were \$2,811, which equaled the required contribution for the year.

#### ***Total OPEB Liability***

The City’s total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (11) Other Post-Employment Benefits (“OPEB”) (continued)

*Actuarial assumptions:* The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Discount rate	2.00% (based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2020)
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables were 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the actuarial experience study for the period December 31, 2014 to December 31, 2018.

The changes in the total OPEB liability for the measurement period ending December 31, 2020 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2019	\$ <u>200,202</u>
Changes for the year:	
Service cost	12,882
Interest	5,669
Differences between expected and actual experience	(12,752)
Changes in assumptions or other inputs	34,949
Benefit payments **	(1,031)
Net changes	<u>39,717</u>
Balance at December 31, 2020	\$ <u>239,919</u>

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

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (11) Other Post-Employment Benefits (“OPEB”) (continued)

*Sensitivity of the Total OPEB liability to changes in the discount rate:* The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	\$ <u>298,927</u>	<u>239,919</u>	<u>194,826</u>

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$24,907. At September 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 2,559	-
Differences between expected and actual experience	- 19,791	19,791
Change in assumptions	<u>53,633</u>	-
<b>Total</b>	<b>\$ <u>56,192</u></b>	<b><u>19,791</u></b>

The \$2,559 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 OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### Year Ended December 31:

2021	\$ 6,356
2022	6,356
2023	6,356
2024	5,306
2025	5,718
Thereafter	<u>3,750</u>
	<b>\$ <u>33,842</u></b>

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (12) Deferred Outflows and Inflows of Resources

The statement of financial position and the balance sheet includes the following deferred outflows/inflows of resources at September 30, 2021:

	Statements of Net Position		Balance Sheet
	Business- Governmental Activities	type Activities	General Fund
<b>Deferred outflows of resources:</b>			
Deferred charged on refunding of debt	\$ 6,030	340,177	-
Pension contributions subsequent to the measurement year	617,237	83,880	-
Pension - differences between expected and actual experience	20,161	2,740	-
Pension - changes in assumptions	48,666	6,613	-
OPEB contributions subsequent to the measurement year	2,559	-	-
OPEB - Changes in assumptions	<u>53,633</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 748,286</u></u>	<u><u>433,410</u></u>	<u><u>-</u></u>
<b>Deferred inflows of resources:</b>			
Unavailable property taxes	\$ -	-	106,820
Unavailable court fines	-	-	64,884
Pension - differences between expected and actual experience	454,637	61,783	-
Pension - differences between projected and actual investment earnings	461,578	62,726	-
OPEB - differences between expected and actual experience	<u>19,791</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 936,006</u></u>	<u><u>124,509</u></u>	<u><u>171,704</u></u>

***Deferred Outflows of Resources:*** The deferred charge on refunding, resulting from the difference in the carrying value of refunded debt and its reacquisition price, is amortized over the shorter of the life of the refunded debt or refunding debt. Post-measurement date contributions will be recognized as a reduction of the net pension/OPEB liability in the following fiscal year. The pension/OPEB related deferred amounts will be amortized into pension/OPEB expense.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (12) Deferred Outflows and Inflows of Resources (continued)

*Deferred Inflows of Resources:* The governmental funds, under the modified accrual basis of accounting, report unavailable revenues from property taxes, which is deferred and recognized as an inflow of resources in the period that the amounts become available. The pension/OPEB amounts will be amortized into pension/OPEB expense.

#### (13) Interfund Transfers

The City reported transfers of \$955,000 from the water, sewer, and sanitation fund to the general fund for 1) water franchise fees; 2) sewer franchise fees; 3) administration fees; and 4) payments in lieu of taxes.

#### (14) 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.

#### (15) Commitments and Contingencies

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 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.

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.

## City of Hewitt, Texas

### Notes to Financial Statements (Continued)

#### (15) Commitments and Contingencies (continued)

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.

#### (16) Unearned Revenue

Governmental and proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned. Unearned revenue at September 30, 2021 consisted of \$1,850,590 for grant funds received from the Coronavirus Local Fiscal Recovery Fund (“CLFRF”) under the American Rescue Plan Act of 2021 prior to meeting all eligibility requirements.

#### (17) Authoritative Pronouncements Not Yet Effective

A summary of pronouncements issued by the Governmental 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 these pronouncements on the financial statements.

GASB Statement No. 87, *Leases* (issued June 2017) – the objective of this statement is to increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements. The requirements of this statement are effective for the City’s financial statements beginning October 1, 2021.

GASB Statement No. 91, *Conduit Debt Obligations* (issued May 2019) – the objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the City’s financial statements beginning October 1, 2022.

## **City of Hewitt, Texas**

### **Notes to Financial Statements (Continued)**

#### **(17) Authoritative Pronouncements Not Yet Effective (continued)**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (issued May 2020) – the objective of this statement is to provide guidance for subscription based information technology arrangements (“SBITA”). It will define SBITA contracts, provide guidance on the accounting for SBITAs, and require disclosures regarding the SBITAs. The requirements of this statement are effective for the City’s financial statements beginning October 1, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (“IRC”) Section 457 Deferred Compensation Plans* (issued June 2020) – the objectives of this statement are to (1) increase consistency and comparability of the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board; (2) mitigate costs associated with the reporting of certain defined benefit and defined contribution plans as fiduciary component units, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC section 457 plans. Certain provisions relating to component unit criteria are effective upon issuance. The remaining requirements of this statement are effective for the City’s financial statements beginning October 1, 2021.



## **Required Supplementary Information**

**City of Hewitt, Texas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund – Budget Basis**

Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenue:</b>				
Taxes:				
Property	\$ 5,614,218	5,614,218	5,730,073	115,855
Sales	2,623,160	2,623,160	3,242,151	618,991
Franchise	908,000	908,000	980,666	72,666
License and permits	110,000	110,000	218,267	108,267
Intergovernmental	209,604	209,604	867,502	657,898
Charges for services	30,000	30,000	8,540	(21,460)
Fines	137,500	137,500	167,776	30,276
Investment earnings	45,000	45,000	53,026	8,026
Contributions	-	-	31,280	31,280
Miscellaneous	47,000	47,000	62,739	15,739
<b>Total revenue</b>	<b><u>9,724,482</u></b>	<b><u>9,724,482</u></b>	<b><u>11,362,020</u></b>	<b><u>1,637,538</u></b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,519,825	1,519,825	1,377,738	142,087
Public safety	5,272,396	5,272,396	5,273,633	(1,237)
Streets	878,409	878,409	734,830	143,579
Cultural and recreation	760,396	760,396	727,712	32,684
<b>Debt service:</b>				
Principal	1,535,187	1,535,187	1,535,187	-
Interest	687,995	687,995	687,995	-
<b>Capital outlay</b>	<b>7,200</b>	<b>7,200</b>	<b>130,906</b>	<b>(123,706)</b>
<b>Total expenditures</b>	<b><u>10,661,408</u></b>	<b><u>10,661,408</u></b>	<b><u>10,468,001</u></b>	<b><u>193,407</u></b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b><u>(936,926)</u></b>	<b><u>(936,926)</u></b>	<b><u>894,019</u></b>	<b><u>1,830,945</u></b>
<b>Other financing sources:</b>				
Transfers in	955,000	955,000	955,000	-
Proceeds from disposition of capital assets	-	-	138,025	138,025
<b>Total other financing sources</b>	<b><u>955,000</u></b>	<b><u>955,000</u></b>	<b><u>1,093,025</u></b>	<b><u>138,025</u></b>
<b>Change in fund balance</b>	<b><u>18,074</u></b>	<b><u>18,074</u></b>	<b><u>1,987,044</u></b>	<b><u>1,968,970</u></b>
<b>Fund balance, at beginning of year</b>	<b><u>5,368,631</u></b>	<b><u>5,368,631</u></b>	<b><u>5,368,631</u></b>	<b><u>-</u></b>
<b>Fund balance, at end of year</b>	<b><u>\$ 5,386,705</u></b>	<b><u>5,386,705</u></b>	<b><u>7,355,675</u></b>	<b><u>1,968,970</u></b>

See accompanying independent auditor's report.

## City of Hewitt, Texas

### Note to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

Year Ended September 30, 2021

#### (1) Budgetary Basis

An annual budget is adopted on a cash basis 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. Encumbrances are 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. A reconciliation of the net change in fund balance for the year ended September 30, 2021, is presented below

	Change in Fund Balance	Fund Balance
GAAP basis	\$ 1,454,695	8,139,128
Adjustment to revenues for receivables	641,953	(1,117,653)
Adjustment to expenditures for accounts payable and accrued liabilities	(96,209)	162,496
Adjustment to revenues for unavailable revenue	<u>(13,395)</u>	<u>171,704</u>
 Budgetary basis	 <u>\$ 1,987,044</u>	 <u>7,355,675</u>

**City of Hewitt, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Seven Measurement Dates**

	December 31,			
	2020	2019	2018	2017
<b>Total Pension Liability</b>				
Service cost	\$ 933,172	842,000	838,824	822,083
Interest (on the Total Pension Liability)	1,494,824	1,384,349	1,289,282	1,209,174
Difference between expected and actual experience	(633,793)	756	6,076	(95,913)
Change of assumptions	-	94,624	-	-
Benefit payments, including refunds of employee contributions	<u>(735,615)</u>	<u>(725,683)</u>	<u>(729,056)</u>	<u>(784,782)</u>
<b>Net change in Total Pension Liability</b>	<b>1,058,588</b>	<b>1,596,046</b>	<b>1,405,126</b>	<b>1,150,562</b>
<b>Total Pension Liability - beginning</b>	<b><u>22,046,766</u></b>	<b><u>20,450,720</u></b>	<b><u>19,045,594</u></b>	<b><u>17,895,032</u></b>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$ 23,105,354</u></b>	<b><u>22,046,766</u></b>	<b><u>20,450,720</u></b>	<b><u>19,045,594</u></b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 797,653	757,848	747,341	721,451
Contributions - employee	360,696	336,608	328,399	321,665
Net investment income	1,403,594	2,427,887	(474,030)	1,895,854
Benefit payments, including refunds of employee contributions	<u>(735,615)</u>	<u>(725,683)</u>	<u>(729,056)</u>	<u>(784,782)</u>
Administrative expense	(9,073)	(13,705)	(9,162)	(9,827)
Other	<u>(352)</u>	<u>(411)</u>	<u>(479)</u>	<u>(499)</u>
<b>Net change in Plan Fiduciary Net Position</b>	<b>1,816,903</b>	<b>2,782,544</b>	<b>(136,987)</b>	<b>2,143,862</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b><u>18,471,413</u></b>	<b><u>15,688,869</u></b>	<b><u>15,825,856</u></b>	<b><u>13,681,994</u></b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b><u>\$ 20,288,316</u></b>	<b><u>18,471,413</u></b>	<b><u>15,688,869</u></b>	<b><u>15,825,856</u></b>
<b>Net Pension Liability - ending (a) - (b)</b>	<b><u>\$ 2,817,038</u></b>	<b><u>3,575,353</u></b>	<b><u>4,761,851</u></b>	<b><u>3,219,738</u></b>
<b>Plan Fiduciary Net Position as a percentage of Total Pension Liability</b>	87.81%	83.78%	76.72%	83.09%
<b>Covered payroll</b>	\$ 5,152,801	4,808,681	4,691,408	4,595,210
<b>Net Pension Liability as a percentage of covered payroll</b>	54.67%	74.35%	101.50%	70.07%

Note: Effective October 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. Information for years prior to 2014 is not available.

See accompanying independent auditor's report.

2016	2015	2014
789,084	677,066	562,384
1,113,527	1,069,693	968,575
232,482	82,445	289,232
-	(99,647)	-
<u>(684,443)</u>	<u>(455,951)</u>	<u>(410,019)</u>
1,450,650	1,273,606	1,410,172
<u>16,444,382</u>	<u>15,170,776</u>	<u>13,760,604</u>
<u><u>17,895,032</u></u>	<u><u>16,444,382</u></u>	<u><u>15,170,776</u></u>
689,247	611,595	567,026
315,470	279,449	268,007
846,118	17,826	631,326
(684,443)	(455,951)	(410,019)
(9,560)	(10,861)	(6,591)
<u>(515)</u>	<u>(535)</u>	<u>(542)</u>
1,156,317	441,523	1,049,207
<u>12,525,677</u>	<u>12,084,154</u>	<u>11,034,947</u>
<u><u>13,681,994</u></u>	<u><u>12,525,677</u></u>	<u><u>12,084,154</u></u>
<u><u>4,213,038</u></u>	<u><u>3,918,705</u></u>	<u><u>3,086,622</u></u>
76.46%	76.17%	79.65%
4,488,532	3,992,134	3,828,666
93.86%	98.16%	80.62%

**City of Hewitt, Texas**  
**Schedule of Pension Contributions**  
**Fiscal Years Ended**

	September 30,			
	2021	2020	2019	2018
Actuarially determined contribution	\$ 896,485	822,591	751,097	728,018
Contributions in relation to the actuarially determined contribution	<u>896,485</u>	<u>822,591</u>	<u>751,097</u>	<u>728,018</u>
Contribution deficiency (excess)	\$ <u> - </u>	<u> - </u>	<u> - </u>	<u> - </u>
Covered payroll	<u> \$ 5,526,772 </u>	<u> 5,288,613 </u>	<u> 4,751,386 </u>	<u> 4,587,966 </u>
Contributions as a percentage of covered payroll	<u> 16.22% </u>	<u> 15.55% </u>	<u> 15.81% </u>	<u> 15.87% </u>

## Notes to Schedule of Pension Contributions

**Valuation Date:**

## Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year smoothed market; 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 City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, effective October 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.

2017	2016	2015
710,979	668,083	590,017
<u>710,979</u>	<u>668,083</u>	<u>590,017</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>4,611,360</u>	<u>4,362,967</u>	<u>3,885,239</u>
<u>15.42%</u>	<u>15.31%</u>	<u>15.19%</u>



**City of Hewitt, Texas**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Last Four Measurement Dates**

<b>Total OPEB Liability</b>	December 31,			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service cost	\$ 12,882	8,656	9,383	7,812
Interest (on the Total Pension Liability)	5,669	6,088	5,577	5,327
Differences between actual and expected experience	(12,752)	(7,878)	(5,324)	-
Change of assumptions	34,949	34,058	(12,716)	14,550
Benefit payments **	(1,031)	(962)	(938)	(919)
<b>Net change in Total OPEB Liability</b>	<b>39,717</b>	<b>39,962</b>	<b>(4,018)</b>	<b>26,770</b>
<b>Total OPEB Liability - Beginning</b>	<b>200,202</b>	<b>160,240</b>	<b>164,258</b>	<b>137,488</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 239,919</b>	<b>200,202</b>	<b>160,240</b>	<b>164,258</b>
<b>Covered payroll</b>	<b>\$ 5,152,801</b>	<b>4,808,681</b>	<b>4,691,408</b>	<b>4,595,210</b>
<b>Net OPEB Liability as a percentage of covered payroll</b>	<b>4.66%</b>	<b>4.16%</b>	<b>3.42%</b>	<b>3.57%</b>

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

Note: Effective October 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75. Information for years prior to 2017 is not available.

See accompanying independent auditor's report.

**City of Hewitt, Texas**  
**Schedule of OPEB Contributions**  
**Fiscal Years Ended**

	September 30,			
	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,811	1,058	950	938
Contributions in relation to the actuarially determined contribution	<u>2,811</u>	<u>1,058</u>	<u>950</u>	<u>938</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>\$ 5,526,772</u>	<u>5,288,613</u>	<u>4,751,386</u>	<u>4,691,408</u>
Contributions as a percentage of covered payroll	<u>0.05%</u>	<u>0.02%</u>	<u>0.02%</u>	<u>0.02%</u>

**Notes to Schedule of OPEB Contributions**

As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board (“GASB”) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City’s yearly contribution for retirees.

**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:**

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	2.75%
Retirees’ share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust of TMRS and are accounted for under reporting Requirements under GASB Statement No. 68
Mortality – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

**Other Information:** There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 75 *Accounting and Financial Reporting for Other Postemployment Benefits*, effective October 1, 2017.  
Information for years prior to 2018 is not available.

See accompanying independent auditor’s report.

## **Supplemental Information**

**City of Hewitt, Texas**  
**Combining Schedule - Balance Sheet Information –**  
**Other Nonmajor Governmental Funds**

September 30, 2021

	Hotel / Motel Tax	PEG	Child Safety Fee	Total Other Nonmajor Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 126,126	416,998	113,870	656,994
Accounts receivable	22,998	-	-	22,998
<b>Total assets</b>	<b><u>149,124</u></b>	<b><u>416,998</u></b>	<b><u>113,870</u></b>	<b><u>679,992</u></b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ -	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>Fund Balances</u></b>				
Restricted:				
Tourism	149,124	-	-	149,124
Municipal information	-	416,998	-	416,998
Public safety	-	-	113,870	113,870
<b>Total fund balances</b>	<b><u>149,124</u></b>	<b><u>416,998</u></b>	<b><u>113,870</u></b>	<b><u>679,992</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>149,124</u></b>	<b><u>416,998</u></b>	<b><u>113,870</u></b>	<b><u>679,992</u></b>

See accompanying notes to financial statements.

**City of Hewitt, Texas**  
**Combining Schedule - Revenue, Expenditures and Changes**  
**In Fund Balances - Other Nonmajor Governmental Funds**  
**Year Ended September 30, 2021**

	Hotel / Motel Tax	PEG	Child Safety Fee	Total Other Nonmajor Governmental Funds
<b>Revenue:</b>				
Taxes:				
Hotel occupancy	\$ 110,364	-	-	110,364
Franchise	-	34,155	-	34,155
Fines	-	-	17,062	17,062
Investment earnings	704	2,257	148	3,109
<b>Total revenue</b>	<b>111,068</b>	<b>36,412</b>	<b>17,210</b>	<b>164,690</b>
<b>Expenditures:</b>				
Current:				
General government	115,502	26,410	-	141,912
Public safety	-	-	1,200	1,200
<b>Total expenditures</b>	<b>115,502</b>	<b>26,410</b>	<b>1,200</b>	<b>143,112</b>
Excess (deficiency) of revenue over (under) expenditures	(4,434)	10,002	16,010	21,578
Fund balances, beginning of year	153,558	406,996	97,860	658,414
Fund balances, at end of year	<b>\$ 149,124</b>	<b>416,998</b>	<b>113,870</b>	<b>679,992</b>

See accompanying notes to financial statements.



## **Statistical Section**



## Statistical Section

This part of the City of Hewitt, Texas' 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 states about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	79
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water revenue.	89
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	94
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	100
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	104

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

**City of Hewitt, Texas**  
**Net Position by Component**  
**(Unaudited)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2021	2020	2019	2018
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 5,147,756	\$ 4,933,544	\$ 5,261,923	\$ 3,720,418
Restricted	1,552,315	1,362,342	747,421	664,160
Unrestricted	<u>3,669,261</u>	<u>2,216,839</u>	<u>1,020,091</u>	<u>436,303</u>
<b>Total governmental activities net position</b>	<b><u>\$ 10,369,332</u></b>	<b><u>\$ 8,512,725</u></b>	<b><u>\$ 7,029,435</u></b>	<b><u>\$ 4,820,881</u></b>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ (6,382,641)	\$ (5,586,988)	\$ 3,928,630	\$ 4,121,226
Restricted	1,497,758	1,473,819	1,441,305	1,411,062
Unrestricted	<u>6,350,411</u>	<u>5,854,245</u>	<u>8,061,145</u>	<u>6,432,761</u>
<b>Total business-type activities net position</b>	<b><u>\$ 1,465,528</u></b>	<b><u>\$ 1,741,076</u></b>	<b><u>\$ 13,431,080</u></b>	<b><u>\$ 11,965,049</u></b>
<b>Primary government:</b>				
Net investment in capital assets	\$ (1,234,885)	\$ (653,444)	\$ 9,190,553	\$ 7,841,644
Restricted	3,050,073	2,836,161	2,188,726	2,075,222
Unrestricted	<u>10,019,672</u>	<u>8,071,084</u>	<u>9,081,236</u>	<u>6,869,064</u>
<b>Total primary government net position</b>	<b><u>\$ 11,834,860</u></b>	<b><u>\$ 10,253,801</u></b>	<b><u>\$ 20,460,515</u></b>	<b><u>\$ 16,785,930</u></b>

Note: Net decrease in the City's investment in capital assets for fiscal year 2020 business-type activities is the result of the City's conveyance of capital assets due to WMARSS termination.

Table 1

Fiscal Year					
2017	2016	2015	2014	2013	2012
\$ 3,316,858	\$ 2,742,077	\$ 4,369,473	\$ 4,441,956	\$ 4,893,550	\$ 6,693,381
598,217	528,612	328,064	369,988	93,099	165,415
<u>116,244</u>	<u>17,048</u>	<u>39,608</u>	<u>2,579,352</u>	<u>3,925,149</u>	<u>2,624,993</u>
<u><u>\$ 4,031,319</u></u>	<u><u>\$ 3,287,737</u></u>	<u><u>\$ 4,737,145</u></u>	<u><u>\$ 7,391,296</u></u>	<u><u>\$ 8,911,798</u></u>	<u><u>\$ 9,483,789</u></u>
\$ 4,167,825	\$ 2,383,188	\$ 5,907,012	\$ 6,368,778	\$ 7,773,669	\$ 9,590,462
1,372,820	795,600	1,334,912	1,059,200	329,962	328,224
<u>6,061,828</u>	<u>6,890,939</u>	<u>3,089,192</u>	<u>3,184,242</u>	<u>4,764,949</u>	<u>2,665,355</u>
<u><u>\$ 11,602,473</u></u>	<u><u>\$ 10,069,727</u></u>	<u><u>\$ 10,331,116</u></u>	<u><u>\$ 10,612,220</u></u>	<u><u>\$ 12,868,580</u></u>	<u><u>\$ 12,584,041</u></u>
\$ 7,484,683	\$ 5,125,265	\$ 10,276,485	\$ 10,810,734	\$ 12,667,219	\$ 16,283,843
1,971,037	1,324,212	1,662,976	1,429,188	423,061	493,639
<u>6,178,072</u>	<u>6,907,987</u>	<u>3,128,800</u>	<u>5,763,594</u>	<u>8,690,098</u>	<u>5,290,348</u>
<u><u>\$ 15,633,792</u></u>	<u><u>\$ 13,357,464</u></u>	<u><u>\$ 15,068,261</u></u>	<u><u>\$ 18,003,516</u></u>	<u><u>\$ 21,780,378</u></u>	<u><u>\$ 22,067,830</u></u>

**City of Hewitt, Texas**  
**Changes in Net Position**  
**(Unaudited)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2021	2020	2019	2018
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 2,200,241	\$ 2,302,122	\$ 2,483,711	\$ 2,438,820
Public safety	5,836,436	5,792,543	5,168,107	4,730,176
Streets	1,168,854	905,294	897,475	746,905
Culture and recreation	842,864	839,228	780,253	717,371
Bond issuance costs	-	-	-	120,462
Interest on long-term debt	640,760	651,361	749,069	724,249
Total governmental activities expenses	<u>10,689,155</u>	<u>10,490,548</u>	<u>10,078,615</u>	<u>9,477,983</u>
Business-type activities:				
Water, sewer and sanitation	8,526,407	8,418,182	8,481,501	8,391,324
Total business-type activities expenses	<u>8,526,407</u>	<u>8,418,182</u>	<u>8,481,501</u>	<u>8,391,324</u>
Total primary government program expenses	<u><u>\$ 19,215,562</u></u>	<u><u>\$ 18,908,730</u></u>	<u><u>\$ 18,560,116</u></u>	<u><u>\$ 17,869,307</u></u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	\$ 218,267	\$ 142,407	\$ 130,421	\$ 128,125
Public safety	364,161	305,877	299,970	227,769
Streets	-	-	-	-
Culture and recreation	22,821	15,276	46,328	51,357
Operating grants and contributions	60,634	855,721	12,789	15,310
Capital grants and contributions	657,000	-	1,800,000	625,000
Total governmental activities program revenues	<u>1,322,883</u>	<u>1,319,281</u>	<u>2,289,508</u>	<u>1,047,561</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	8,706,356	8,407,924	9,360,706	9,220,189
Capital grants and contributions	438,000	-	1,255,000	314,516
Total business-type activities program revenues	<u>9,144,356</u>	<u>8,407,924</u>	<u>10,615,706</u>	<u>9,534,705</u>
Total primary government program revenues	<u><u>\$ 10,467,239</u></u>	<u><u>\$ 9,727,205</u></u>	<u><u>\$ 12,905,214</u></u>	<u><u>\$ 10,582,266</u></u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$ (9,366,272)	\$ (9,171,267)	\$ (7,789,107)	\$ (8,430,422)
Business-type activities	617,949	(10,258)	2,134,205	1,143,381
Total primary government net expense	<u>(8,748,323)</u>	<u>(9,181,525)</u>	<u>(5,654,902)</u>	<u>(7,287,041)</u>

Table 2

Fiscal Year						
2017	2016	2015	2014	2013	2012	
\$ 1,631,134	\$ 2,339,790	\$ 1,896,745	\$ 1,969,178	\$ 1,708,816	\$ 1,443,937	
4,698,414	4,166,333	3,952,175	3,742,199	3,107,076	3,160,264	
1,659,377	1,632,508	1,624,610	1,741,523	1,880,288	2,101,503	
714,377	575,926	506,422	404,841	341,177	433,298	
-	-	-	-	-	-	
619,982	667,917	571,195	660,201	371,948	399,547	
<u>9,323,284</u>	<u>9,382,474</u>	<u>8,551,147</u>	<u>8,517,942</u>	<u>7,409,305</u>	<u>7,538,549</u>	
8,039,631	8,279,820	7,756,274	8,379,809	6,932,024	6,435,308	
8,039,631	8,279,820	7,756,274	8,379,809	6,932,024	6,435,308	
<u>\$ 17,362,915</u>	<u>\$ 17,662,294</u>	<u>\$ 16,307,421</u>	<u>\$ 16,897,751</u>	<u>\$ 14,341,329</u>	<u>\$ 13,973,857</u>	
\$ 183,187	\$ 199,848	\$ 111,019	\$ 74,417	\$ 100,132	\$ 88,650	
214,877	161,133	208,422	261,107	243,958	230,989	
-	-	440	16,392	12,890	9	
46,032	35,110	25,928	24,092	21,876	16,918	
51,575	29,600	6,626	15,957	20,050	7,182	
<u>877,000</u>	<u>95,457</u>	<u>112,760</u>	<u>85,288</u>	<u>143,763</u>	<u>418</u>	
<u>1,372,671</u>	<u>521,148</u>	<u>465,195</u>	<u>477,253</u>	<u>542,669</u>	<u>352,686</u>	
8,283,729	8,495,809	7,915,845	7,495,960	7,669,104	7,226,000	
839,000	-	401,650	-	-	-	
<u>9,122,729</u>	<u>8,495,809</u>	<u>8,317,495</u>	<u>7,495,960</u>	<u>7,669,104</u>	<u>7,226,000</u>	
<u>\$ 10,495,400</u>	<u>\$ 9,016,957</u>	<u>\$ 8,782,690</u>	<u>\$ 7,973,213</u>	<u>\$ 8,211,773</u>	<u>\$ 7,578,686</u>	
\$ (7,950,613)	\$ (8,861,326)	\$ (8,085,952)	(8,040,689)	(6,866,636)	(7,185,863)	
1,083,098	\$215,989	\$561,221	(883,849)	737,080	790,692	
<u>(6,867,515)</u>	<u>(8,645,337)</u>	<u>(7,524,731)</u>	<u>(8,924,538)</u>	<u>(6,129,556)</u>	<u>(6,395,171)</u>	

**City of Hewitt, Texas**  
**Changes in Net Position**  
**(Unaudited)**  
**(Continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2021	2020	2019	2018
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	\$ 5,716,678	\$ 5,424,137	\$ 5,026,525	\$ 4,561,647
Sales	3,354,015	3,035,165	2,640,288	2,470,163
Franchise	927,331	946,835	989,681	981,905
Other	110,364	104,290	167,676	176,242
Investment earnings	65,524	123,791	163,725	123,883
Gain on sale of capital assets	-	-	-	-
Miscellaneous	93,967	65,339	54,766	57,637
Transfers	955,000	955,000	955,000	980,000
Total governmental activities	<u>11,222,879</u>	<u>10,654,557</u>	<u>9,997,661</u>	<u>9,351,477</u>
Business-type activities:				
Investment earnings	61,503	188,372	286,826	199,195
Gain on sale of capital assets	-	-	-	-
Transfers	(955,000)	(955,000)	(955,000)	(980,000)
Total business-type activities	<u>(893,497)</u>	<u>(766,628)</u>	<u>(668,174)</u>	<u>(780,805)</u>
Total primary government	<u>10,329,382</u>	<u>9,887,929</u>	<u>9,329,487</u>	<u>8,570,672</u>
<b>CHANGE IN NET ASSETS</b>				
Governmental activities	1,856,607	1,483,290	2,208,554	921,055
Business-type activities	(275,548)	(776,886)	1,466,031	362,576
Total primary government	<u>\$ 1,581,059</u>	<u>\$ 706,404</u>	<u>\$ 3,674,585</u>	<u>\$ 1,283,631</u>

Source: Annual Comprehensive Financial Reports

Note: The City implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", in fiscal year 2014. Fiscal year 2013 amounts were restated to conform to the new statement requirements. Also, in fiscal year 2015, the City implemented the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27" and the changes are reported prospectively. Finally, in fiscal year 2018, the City implemented the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Other Postemployment Benefits" and the changes are reported prospectively.

Table 2  
(continued)

Fiscal Year						
2017	2016	2015	2014	2013	2012	
\$ 4,210,134	\$ 3,954,452	\$ 3,812,874	\$ 3,601,567	\$ 3,290,396	\$ 3,159,205	
2,148,609	1,813,720	1,652,368	1,569,610	1,383,057	1,332,144	
882,928	1,023,360	1,094,525	924,088	969,600	919,868	
151,652	3,511	3,986	-	-	-	
49,094	26,166	38,908	32,873	55,926	21,658	
-	-	66,631	10,442	24,348	21,757	
129,782	50,709	61,948	101,452	71,318	66,282	
925,000	540,000	540,000	540,000	500,000	295,000	
<u>8,497,199</u>	<u>7,411,918</u>	<u>7,271,240</u>	<u>6,780,032</u>	<u>6,294,645</u>	<u>5,815,914</u>	
96,408	53,957	31,321	35,306	47,459	27,524	
-	8,665	6,500	46,000	-	39,525	
(925,000)	(540,000)	(540,000)	(540,000)	(500,000)	(295,000)	
<u>(828,592)</u>	<u>(477,378)</u>	<u>(502,179)</u>	<u>(458,694)</u>	<u>(452,541)</u>	<u>(227,951)</u>	
7,668,607	6,934,540	6,769,061	6,321,338	5,842,104	5,335,058	
546,586	(1,449,408)	(814,712)	(1,260,657)	(571,991)	(1,369,949)	
254,506	(261,389)	59,042	(1,342,543)	284,539	562,741	
<u>\$ 801,092</u>	<u>\$ (1,710,797)</u>	<u>\$ (755,670)</u>	<u>\$ (2,603,200)</u>	<u>\$ (287,452)</u>	<u>\$ (807,208)</u>	

**City of Hewitt, Texas**  
 Fund Balances of Governmental Funds  
 (Unaudited)  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2021	2020	2019	2018
General fund				
Restricted	\$ 872,323	\$ 1,208,784	\$ 584,334	\$ 536,949
Unassigned	<u>7,266,805</u>	<u>5,980,505</u>	<u>4,624,694</u>	<u>3,828,297</u>
Total general fund	<u><u>\$ 8,139,128</u></u>	<u><u>\$ 7,189,289</u></u>	<u><u>\$ 5,209,028</u></u>	<u><u>\$ 4,365,246</u></u>
All other governmental funds				
Restricted	<u>\$ 1,593,859</u>	<u>\$ 2,298,797</u>	<u>\$ 2,969,591</u>	<u>\$ 4,901,662</u>
Total all other governmental funds	<u><u>\$ 1,593,859</u></u>	<u><u>\$ 2,298,797</u></u>	<u><u>\$ 2,969,591</u></u>	<u><u>\$ 4,901,662</u></u>
Total governmental funds	<u><u>\$ 9,732,987</u></u>	<u><u>\$ 9,488,086</u></u>	<u><u>\$ 8,178,619</u></u>	<u><u>\$ 9,266,908</u></u>

Source: Annual Comprehensive Financial Reports

Table 3

Fiscal Year					
2017	2016	2015	2014	2013	2012
\$ 514,607	\$ 463,104	\$ 228,713	\$ 290,467	\$ 10,778	\$ 200,418
<u>3,058,799</u>	<u>2,754,567</u>	<u>3,173,500</u>	<u>2,845,720</u>	<u>3,138,238</u>	<u>2,705,887</u>
<u>\$ 3,573,406</u>	<u>\$ 3,217,671</u>	<u>\$ 3,402,213</u>	<u>\$ 3,136,187</u>	<u>\$ 3,149,016</u>	<u>\$ 2,906,305</u>
<u>\$ 2,605,080</u>	<u>\$ 3,545,261</u>	<u>\$ 4,699,139</u>	<u>\$ 8,174,017</u>	<u>\$ 5,352,129</u>	<u>\$ 3,521,907</u>
<u>\$ 2,605,080</u>	<u>\$ 3,545,261</u>	<u>\$ 4,699,139</u>	<u>\$ 8,174,017</u>	<u>\$ 5,352,129</u>	<u>\$ 3,521,907</u>
<u>\$ 6,178,486</u>	<u>\$ 6,762,932</u>	<u>\$ 8,101,352</u>	<u>\$ 11,310,204</u>	<u>\$ 8,501,145</u>	<u>\$ 6,428,212</u>

**City of Hewitt, Texas**  
 Changes in Fund Balances of Governmental Funds  
 (Unaudited)  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2021	2020	2019	2018
<b>REVENUES</b>				
Property taxes	\$ 5,730,073	\$ 5,425,572	\$ 5,010,738	\$ 4,565,554
Sales taxes	3,354,015	3,035,165	2,640,288	2,470,163
Franchise taxes	927,331	946,835	989,681	981,905
Other taxes	110,364	104,290	167,676	176,242
Intergovernmental	216,200	1,064,728	187,753	121,701
Licenses and permits	218,267	142,407	130,421	128,125
Fines	184,838	109,284	144,963	137,939
Interest income	65,523	123,791	163,725	123,883
Miscellaneous	100,929	68,201	78,671	92,433
Total revenues	<u>10,907,540</u>	<u>11,020,273</u>	<u>9,513,916</u>	<u>8,797,945</u>
<b>EXPENDITURES</b>				
General government	1,522,618	1,468,690	1,562,000	1,479,448
Public safety	5,279,446	4,978,027	4,466,000	4,318,624
Community services	759,418	557,777	677,069	655,131
Culture and recreation	731,870	707,358	647,633	598,804
Capital outlay	1,507,615	1,002,669	2,370,747	2,824,008
Debt service:				
Principal	1,535,187	1,511,604	1,336,472	1,214,193
Interest and fees	687,995	717,677	824,766	599,315
Advance refunding escrow	-	-	-	120,462
Total expenditures	<u>12,024,149</u>	<u>10,943,802</u>	<u>11,884,687</u>	<u>11,809,985</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,116,609)</u>	<u>76,471</u>	<u>(2,370,771)</u>	<u>(3,012,040)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	955,000	955,000	955,000	980,000
Transfers out	-	-	-	-
Debt issued	-	-	-	4,860,000
Premium on debt issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Capital lease	268,485	277,996	327,482	260,462
Sale of capital assets	138,025	-	-	-
Total other financing sources (uses)	<u>1,361,510</u>	<u>1,232,996</u>	<u>1,282,482</u>	<u>6,100,462</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 244,901</u>	<u>\$ 1,309,467</u>	<u>\$ (1,088,289)</u>	<u>\$ 3,088,422</u>
<b>DEBT SERVICE AS A PERCENT OF NONCAPITAL EXPENDITURES</b>	<u>21.1%</u>	<u>22.4%</u>	<u>22.7%</u>	<u>20.2%</u>

Source: Annual Comprehensive Financial Reports

Note: Capital outlay includes the use of bond proceeds for capital projects and the expense for items that meet the capitalization threshold.

Table 4

Fiscal Year					
2017	2016	2015	2014	2013	2012
\$ 4,190,233	\$ 3,954,452	\$ 3,812,874	\$ 3,601,567	\$ 3,275,561	\$ 3,159,205
2,148,609	1,813,720	1,652,368	1,569,610	1,383,057	1,332,144
882,928	881,073	957,137	800,259	851,847	833,768
151,652	152,419	141,374	123,829	117,753	86,100
119,446	101,057	118,886	120,924	35,897	7,600
183,187	218,114	125,174	103,814	123,718	104,389
145,092	146,402	203,453	256,264	234,566	222,213
49,094	26,166	38,908	32,874	55,927	21,658
116,788	95,499	78,722	118,931	92,807	79,563
<u>7,987,029</u>	<u>7,388,902</u>	<u>7,128,896</u>	<u>6,728,072</u>	<u>6,171,133</u>	<u>5,846,640</u>
 1,481,304	 1,884,326	 1,743,826	 1,919,474	 1,620,486	 1,393,832
4,181,739	3,725,241	3,447,235	3,223,550	2,812,379	2,806,798
685,596	702,779	578,507	549,396	560,497	758,939
594,712	539,749	470,439	382,270	310,606	413,640
1,466,790	4,972,570	3,995,961	4,351,462	2,167,745	663,483
 1,027,945	 984,466	 707,640	 715,951	 653,491	 1,622,187
608,531	634,246	558,092	521,371	470,269	371,585
-	-	-	11,678	-	-
<u>10,046,617</u>	<u>13,443,377</u>	<u>11,501,700</u>	<u>11,675,152</u>	<u>8,595,473</u>	<u>8,030,464</u>
 <u>(2,059,588)</u>	 <u>(6,054,475)</u>	 <u>(4,372,804)</u>	 <u>(4,947,080)</u>	 <u>(2,424,340)</u>	 <u>(2,183,824)</u>
 925,000	 842,170	 900,000	 540,000	 559,772	 695,000
-	(302,170)	(360,000)	-	(59,772)	(400,000)
-	3,355,000	-	8,727,100	3,850,000	3,845,000
-	139,656	-	192,923	119,993	78,980
-	-	-	(1,866,072)	-	-
282,200	307,436	93,414	151,746	-	160,615
70,946	373,963	530,538	10,442	27,280	23,457
<u>1,278,146</u>	<u>4,716,055</u>	<u>1,163,952</u>	<u>7,756,139</u>	<u>4,497,273</u>	<u>4,403,052</u>
<u>\$ (781,442)</u>	<u>\$ (1,338,420)</u>	<u>\$ (3,208,852)</u>	<u>\$ 2,809,059</u>	<u>\$ 2,072,933</u>	<u>\$ 2,219,228</u>
 <u>19.1%</u>	 <u>16.9%</u>	 <u>16.6%</u>	 <u>17.8%</u>	 <u>26.7%</u>	 <u>15.4%</u>

Table 5

**City of Hewitt, Texas**

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
2012	708,190	47,850	145,174	610,866	0.514977	756,040	80.8%
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	258,925	1,038,397	0.547838	1,297,322	80.0%

Source: McLennan County Appraisal District

Table 6

**City of Hewitt, Texas**

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				McLennan County Junior College District
	Basic Operating Rate	General Obligation Debt Service	Total Direct Rate	Midway Independent School District	Lorena Independent School District	McLennan County		
2012	0.358917	0.156060	0.514977	1.32000	1.290000	0.464300	0.152823	
2013	0.363482	0.151495	0.514977	1.32000	1.310000	0.484258	0.153940	
2014	0.385977	0.153700	0.539677	1.32000	1.620000	0.535293	0.151530	
2015	0.360046	0.179631	0.539677	1.32000	1.640000	0.535293	0.149530	
2016	0.329858	0.209819	0.539677	1.32000	1.640000	0.535293	0.149724	
2017	0.325525	0.214152	0.539677	1.32000	1.579090	0.525293	0.114890	
2018	0.323593	0.216084	0.539677	1.32000	1.554090	0.505293	0.150346	
2019	0.307403	0.232274	0.539677	1.32000	1.534000	0.485293	0.147696	
2020	0.316587	0.223090	0.539677	1.25000	1.435210	0.485293	0.147696	
2021	0.327866	0.219972	0.547838	1.23640	1.332666	0.468719	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.

Table 7

**City of Hewitt, Texas**  
**Principal Property Taxpayers**  
**(Unaudited)**  
**Current Year and Ten Years Ago**  
**(Amounts expressed in thousands)**

Taxpayer	2021			2011		
	Taxable Assessed Value	Rank	Percentage of Total City	Taxable Assessed Value	Rank	Percentage of Total City
			Taxable Assessed Value			Taxable Assessed Value
The ICON at Hewitt LP	29,929	1	2.9%	-	-	- %
Wal-Mart Real Estate Business Trust	10,890	3	1.0%	-	-	- %
MREIC Waco TX, LLC/Fed Ex	9,943	4	1.0%	-	-	- %
Clark, Richard S.	13,268	2	1.3%	6,606	1	1.1%
Walmart Stores East LP	7,332	5	0.7%	-	-	- %
BRD Management Inc/Royalton Apts.	-		0.0%	4,476	3	0.7%
Schultz Industries Inc/Sturdisteel	6,066	8	0.6%	4,232	4	0.7%
Hewitt Real Estate Inv/Courtyard	5,030	10	0.5%	3,000	8	0.5%
Midway Townhomes Ltd	5,860	9	0.6%	3,722	6	0.6%
Waco SNF Development LP	-		-	4,670	2	0.8%
Oncor Electric Delivery, Inc.	7,123	6	0.7%	3,870	5	0.6%
Davis Iron Works	-		-	3,323	7	0.6%
Davis Iron Works Operations	-		-	2,645	10	0.4%
Hoppenstein Properties, Inc.	-		-	2,975	9	0.5%
Goyne Brookside Apts	<u>6,112</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>- %</u>
Total	<u><u>101,553</u></u>		<u><u>9.8%</u></u>	<u><u>\$ 39,519</u></u>		<u><u>6.6%</u></u>

Source: McLennan County Appraisal District

Table 8

**City of Hewitt, Texas**  
**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
2012	2011	3,140,372	3,106,958	98.94%	26,891	3,133,849	99.79%
2013	2012	3,266,084	3,235,168	99.05%	27,264	3,262,432	99.89%
2014	2013	3,530,134	3,482,954	98.66%	44,580	3,527,534	99.93%
2015	2014	3,792,860	3,765,445	99.28%	23,966	3,789,411	99.91%
2016	2015	3,944,267	3,903,880	98.98%	25,801	3,929,681	99.63%
2017	2016	4,189,262	4,135,031	98.71%	27,587	4,162,618	99.36%
2018	2017	4,526,990	4,493,806	99.27%	13,894	4,507,700	99.57%
2019	2018	5,022,921	4,964,002	98.83%	24,314	4,988,316	99.31%
2020	2019	5,411,325	5,369,150	99.22%	7,930	5,377,080	99.37%
2021	2020	5,696,148	5,663,286	99.42%	-	5,663,286	99.42%

Source: McLennan County Tax Assessor

Table 8a

**City of Hewitt, Texas**  
 Principal Water Customers  
 (Unaudited)  
 September 30, 2021

Principal Water Customers	Average Monthly Consumption (gallons)	Average Monthly Bill (\$)
Midway Independent School District	955,858	8,057
The Icon Apartments	785,558	5,736
Brookside Apartments	478,667	5,349
Finish Line Car Care	345,008	2,185
Senior Care Center	313,383	2,190
CBOCS Texas, LLC	213,600	1,479
Stoney Brook Center	181,692	1,419
Ramada Inn	177,483	1,395
Washtub Hewitt	171,017	1,167
DMA Development Co., LLC	154,300	1,661
Wal-mart Stores Texas, LLC	152,183	1,604
Mark and Elizabeth Bowles	128,892	1,348
KBD Group Inc.	125,683	1,280
John Houston Customer Homes	109,233	649
Church of Latter Day Saints	106,417	988
Vasari, LLC	98,600	743
Genie Car Wash	91,400	701
Midway Little League	89,075	687
	<hr/> <u>4,678,050</u>	<hr/> <u>\$ 38,637</u>

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

Existing Rates Effective October 2015	Residential, Commercial and Builder's Water Rates	Inside City
For a 3/4 inch service:		
For the first 3,000 gallons, minimum	\$30.00	
For the next 4,000 gallons, per 1,000 gallons	4.85	
For the next 5,000 gallons, per 1,000 gallons	5.40	
For the next 12,000 gallons, per 1,000 gallons	5.85	

Source: City of Hewitt administrative staff.

Table 9

**City of Hewitt, Texas**  
**Ratios of Outstanding Debt by Type**  
**(Unaudited)**  
**Last Ten Fiscal Years**  
**(Amounts expressed in thousands)**

Fiscal Year	Governmental Activities				Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Capital Leases	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Capital Leases	Notes Payable			
2012	1,794	7,016	-	451	351	22,769	-	2,186	85	34,652	50.35%	2,517
2013	1,449	10,713	206	296	246	22,302	62	1,997	79	37,350	53.74%	2,695
2014	2,939	15,576	355	289	1,781	20,189	59	2,173	73	43,434	62.49%	3,091
2015	2,653	15,299	365	237	7,107	14,101	703	2,028	67	42,560	59.65%	2,968
2016	2,357	18,089	483	421	6,968	19,761	797	1,903	61	50,840	71.26%	3,506
2017	2,060	17,515	454	546	6,830	18,934	755	1,593	54	48,741	65.45%	3,361
2018	1,752	21,646	685	370	6,688	18,079	707	1,269	47	51,243	69.00%	3,483
2019	1,441	20,768	643	550	6,544	17,197	658	1,125	-	48,926	65.70%	3,294
2020	1,996	19,712	602	616	6,424	16,257	609	828	-	47,044	60.22%	3,129
2021	880	18,697	562	682	6,245	15,343	560	777	-	43,746	60.69%	2,730

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

Table 10

**City of Hewitt, Texas**  
 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				
2012	2,145	29,785	-	31,930	1,199	30,731	5.0%	2,232
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	3.8%	2,491

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

Note: See Table 9 for general bonded debt outstanding.

Table 11

**City of Hewitt, Texas**  
 Direct and Overlapping Governmental Activities Debt  
 (Unaudited)  
 As of September 30, 2021

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>As of</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (in 000s)</u>
Debt repaid with property taxes				
Lorena Independent School District	\$ 25,452,600	9/30/2021	1.82%	\$ 463
Midway Independent School District	194,775,000	9/30/2021	18.39%	35,819
McLennan County	62,965,000	9/30/2021	4.99%	3,142
McLennan County Community College	48,245,000	9/30/2021	4.99%	<u>2,407</u>
Subtotal overlapping debt				41,832
Other debt				
City of Hewitt, Texas		9/30/2021		<u>41,165</u>
Total direct and overlapping debt				<u><u>\$ 82,997</u></u>
Total direct and overlapping debt % of Appraised Value			7.33%	
Total direct and overlapping debt \$ of Capita			\$ 5,521	

Source: Municipal Advisory Council of Texas. Per staff at MAC, the estimated percentages of overlapping debt are calculated by the MAC using Certified Tax Values as of July 25<sup>th</sup> 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)

	Fiscal Year			
	2021	2020	2019	2018
Total Assessed Value	<u>\$ 1,038,397</u>	<u>\$ 1,008,342</u>	<u>\$ 936,910</u>	<u>\$ 842,795</u>
Statutory tax levy limit for general obligation debt service	\$ 12,979,963	\$ 12,604,275	\$ 11,711,375	\$ 10,534,938
Current year general obligation debt service requirements	<u>2,425,000</u>	<u>2,360,000</u>	<u>2,215,000</u>	<u>1,835,000</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 10,554,963</u>	<u>\$ 10,244,275</u>	<u>\$ 9,496,375</u>	<u>\$ 8,699,938</u>
Current requirements as a % of statutory limit	18.68%	18.72%	18.91%	17.42%

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 12

Fiscal Year					
2017	2016	2015	2014	2013	2012
\$ 775,310	\$ 730,585	\$ 706,087	\$ 657,795	\$ 635,606	\$ 610,866
\$ 9,691,363	\$ 9,132,325	\$ 8,826,088	\$ 8,222,442	\$ 7,945,075	\$ 7,635,825
1,636,476	1,530,913	1,265,295	1,090,523	1,003,388	953,933
\$ 8,054,887	\$ 7,601,412	\$ 7,560,793	\$ 7,131,919	\$ 6,941,687	\$ 6,681,892
16.89%	16.76%	14.34%	13.26%	12.63%	12.49%

Table 13

**City of Hewitt, Texas**  
**Pledged Revenue Coverage**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	Water/Sewer Revenue Bonds and Certificates of Obligation				Debt Service		Coverage
	Utility Operating Revenue (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Total	
2012	7,004,997	4,517,717	2,487,280	438,040	799,179	1,237,219	2.01
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

Notes: (1) Total revenue including interest.

(2) Total operating expenses less depreciation

Table 14

**City of Hewitt, Texas**  
 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)
2012	13,767	68,823	28,471	6.00%
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%

Notes:

- (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 [http://www.bls.gov/eag/eag.tx\\_waco\\_msa.htm](http://www.bls.gov/eag/eag.tx_waco_msa.htm)

**City of Hewitt, Texas**  
**Principal Employers**  
**(Unaudited)**  
**Current and Prior Years**

Employer	2021		2020	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,206	11.71%	1,185	11.85%
Walmart	217	2.11%	259	2.59%
EMSI	-	- %	-	- %
Cracker Barrel	80	0.78%	78	0.78%
Metals 2 Go (formerly Davis Iron Works)	97	0.94%	106	1.06%
Sturdisteel	102	0.99%	106	1.06%
City of Hewitt	103	1.00%	100	1.00%
Midway Transportation	26	0.25%	28	0.28%
Merry Maids	17	0.17%	14	0.14%
United Super IGA	26	0.25%	27	0.27%
Scott & White Clinic	25	0.24%	24	0.24%
General Implements (Alliance Distributing)	9	0.09%	9	0.09%
Senior Care Center	115	1.12%	92	0.92%
Sleep Inn	14	0.14%	10	0.10%
Ramada Inn	8	0.08%	7	0.07%
Central TX Dental Care	22	0.21%	29	0.29%
<b>Total</b>	<b>2,067</b>	<b>20.07%</b>	<b>2,074</b>	<b>20.74%</b>
Employer	2016		2015	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,437	14.37%	1,056	12.14%
Walmart	300	3.00%	-	- %
EMSI	260	2.60%	300	3.45%
Cracker Barrel	-	- %	-	- %
Metals 2 Go (formerly Davis Iron Works)	97	0.97%	56	0.64%
Sturdisteel	100	1.00%	90	1.03%
City of Hewitt	100	1.00%	93	1.07%
Midway Transportation	30	0.30%	36	0.41%
Merry Maids	16	0.16%	20	0.23%
United Super IGA	23	0.23%	30	0.34%
Scott & White Clinic	16	0.16%	17	0.20%
General Implements (Alliance Distributing)	8	0.08%	16	0.18%
Senior Care Center	115	1.15%	129	1.48%
Sleep Inn	14	0.14%	15	0.17%
Ramada Inn	10	0.10%	12	0.14%
Central TX Dental Care	23	0.23%	23	0.26%
<b>Total</b>	<b>2,549</b>	<b>25.49%</b>	<b>1,893</b>	<b>21.76%</b>

Source: City of Hewitt staff.

Table 15

2019		2018		2017	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,186	11.46%	1,120	10.82%	1,413	13.85%
249	2.41%	279	2.70%	286	2.80%
-	- %	260	2.51%	260	2.55%
100	0.97%	121	1.17%	-	- %
115	1.11%	103	1.00%	100	0.98%
120	1.16%	100	0.97%	120	1.18%
104	1.00%	104	1.00%	102	1.00%
28	0.27%	31	0.30%	50	0.49%
14	0.14%	15	0.14%	17	0.17%
23	0.22%	21	0.20%	26	0.25%
19	0.18%	19	0.18%	20	0.20%
9	0.09%	10	0.10%	8	0.08%
84	0.81%	84	0.81%	150	1.47%
15	0.14%	15	0.14%	12	0.12%
11	0.11%	10	0.10%	11	0.11%
26	0.25%	26	0.25%	24	0.24%
<b>2,103</b>	<b>20.31%</b>	<b>2,318</b>	<b>22.39%</b>	<b>2,599</b>	<b>25.48%</b>
2014		2013		2012	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,364	15.68%	1,337	15.37%	1,023	11.90%
-	- %	-	- %	-	- %
300	3.45%	300	3.45%	320	3.72%
-	- %				
56	0.64%	50	0.57%	57	0.66%
90	1.03%	98	1.13%	100	1.16%
93	1.07%	90	1.03%	87	1.01%
36	0.41%	34	0.39%	31	0.36%
20	0.23%	23	0.26%	22	0.26%
30	0.34%	32	0.37%	30	0.35%
17	0.20%	19	0.22%	19	0.22%
16	0.18%	15	0.17%	15	0.17%
120	1.38%	110	1.26%	60	0.70%
15	0.17%	15	0.17%	17	0.20%
12	0.14%	-	- %	-	- %
23	0.26%	-	- %	-	- %
<b>2,192</b>	<b>25.20%</b>	<b>2,123</b>	<b>24.40%</b>	<b>1,781</b>	<b>20.71%</b>

Table 16

**City of Hewitt, Texas**  
 Fulltime Equivalent City Government Employees  
 By Function/Program  
 (Unaudited)  
 Last Ten Fiscal Years

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government and administration	11.75	11.75	11.75	15	15.5	14.5	14.0	13.75	13	13
Public safety	53	53	53	52	51	51.5	48.5	48.5	45.5	44
Community services	14	14	15	13	13	12	11	11	11	12
Culture and recreation	10.25	10.25	10.50	10.5	9.75	9	6	6	5	5
Water, sewer and sanitation	12	12	13	13	13	13	13	13	13	13
<b>Total</b>	<b><u>101.00</u></b>	<b><u>101.00</u></b>	<b><u>103.25</u></b>	<b><u>103.50</u></b>	<b><u>102.25</u></b>	<b><u>100.0</u></b>	<b><u>92.5</u></b>	<b><u>92.25</u></b>	<b><u>87.5</u></b>	<b><u>87.0</u></b>

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

Table 17

**City of Hewitt, Texas**  
**Operating Indicators by Function/Program**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Public safety</b>										
Fire protection:										
Number of fulltime employees	16	16	16	16	16	16	16	15	14	14
Number of volunteers	-	-	-	-	-	-	-	-	-	3
Number of emergency responses	1,284	1,203	1,488	1,153	894	1,172	907	777	804	650
Police protection:										
Number of sworn personnel	26	25	24	24	24	23	23	23	21	21
Number of citations issued	1,286	592	968	934	880	1,165	1,542	2,472	2,280	2,145
Number of emergency responses	17,943	16,912	18,180	18,087	16,233	17,360	18,496	21,792	18,774	16,882
Cultural and recreation										
Libraries:										
Number of patrons using the library	121,870	82,844	387,000	369,000	420,000	275,000	200,000	200,000	190,000	182,577
Circulation	259,105	166,465	481,131	456,114	599,760	362,041	279,840	264,000	250,000	240,408
Parks and recreation:										
Number of parks - developed	2	2	2	2	2	2	2	2	2	2
Number of parks - undeveloped	1	1	1	1	1	1	1	1	1	1
Number of playgrounds	2	2	2	2	2	2	2	2	2	2
Water and sewer										
Number of water connections	6,455	6,324	6,289	5,734	5,693	5,600	5,524	5,462	5,434	5,916
Average daily consumption (thousands of gallons)	1,325	1,594	1,346	1,603	1,307	1,432	1,332	1,776	1,679	1,974
Number of sewer connections	6,382	6,279	6,200	5,652	5,605	5,520	5,456	5,398	5,228	5,243
Average daily sewage treatment (thousands of gallons)	1,240	1,379	1,250	1,435	1,208	1,318	1,226	1,334	1,575	1,608

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

**City of Hewitt, Texas**  
**Capital Asset Statistics by Function**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Public safety</b>										
Number of fire stations	1	1	1	1	1	1	1	2	2	2
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	4	4	4	4	4	4	4	4	4	4
<b>Other public works</b>										
City acres	4,392	4,392	4,392	4,392	4,392	4,392	4,392	4,392	4,392	4,392
Streets (miles)	70	70	70	70	69	68	68	68	68	67
<b>Cultural and recreation</b>										
Libraries:										
Number of public libraries	1	1	1	1	1	1	1	1	1	1
<b>Parks and recreation:</b>										
Number of parks - developed	2	2	2	2	2	2	2	2	2	2
Number of parks - undeveloped	1	1	1	1	1	1	1	1	1	1
Number of playgrounds	2	2	2	2	2	2	2	2	2	2
<b>Water and sewer</b>										
Water mains (miles)	125	125	125	125	124	124	124	124	124	123
Water storage capacity (thousands of gallons)	7,450	7,450	7,450	7,450	7,450	7,450	7,450	6,943	6,943	6,943
Sanitary sewers (miles)	73	73	73	73	72	72	72	72	72	71
Sewer capacity (thousands of gallons)	3	3	3	3	3	3	3	3	3	3

Source: Various City departments