

Comprehensive Annual Financial Report



**Fiscal Year Ended
September 30, 2015**

City of Hewitt, Texas



Comprehensive Annual Financial Report

For the Year Ended September 30, 2015

**Prepared by Finance Department
City of Hewitt, Texas**

CITY OF HEWITT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
SEPTEMBER 30, 2015

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – iv
Organizational Structure	v
Elected and Appointed Officials	vi
GFOA Certificate of Achievement	vii
 FINANCIAL SECTION	
Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis	4 – 14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	15
Statement of Activities	16 – 17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	20

CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2015

	<u>Page Number</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Fund.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	23
Statement of Cash Flows – Proprietary Fund.....	24 – 25
Notes to Financial Statements	26 – 46
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	47
Notes to Budgetary Schedule.....	48 – 49
Schedule of Changes in Net Pension Liability and Related Ratios.....	50
Schedule of Contributions.....	51

CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2015

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION		
Net Position by Component	1	52 – 53
Changes in Net Position	2	54 – 57
Fund Balances Governmental Funds	3	58 – 59
Changes in Fund Balances Governmental Funds.....	4	60 – 61
Assessed Value and Estimated Actual Value of Taxable Property	5	62
Direct and Overlapping Governments – Property Tax Rates.....	6	63
Principal Property Taxpayers	7	64
Property Tax Levies and Collections	8	65
Principal Water Customers and Water Rates	8a	66
Ratios of Outstanding Debt by Type	9	67
Ratios of General Obligation Bonded Debt Outstanding.....	10	68
Direct and Overlapping Governmental Activities Debt.....	11	69
Legal Debt Margin Information	12	70 – 71
Pledged Revenue Coverage.....	13	72
Demographic and Economic Statistics	14	73

CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2015

	<u>Table</u>	<u>Page</u> <u>Number</u>
STATISTICAL SECTION		
Principal Employers	15	74 – 75
Fulltime Equivalent City Government Employees by Function	16	76
Operating Indicators by Function	17	77
Capital Asset Statistics by Function.....	18	78
COMPLIANCE SECTION		
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		79 – 80

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



March 9, 2016

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

The Comprehensive Annual Financial Report for the City of Hewitt, Texas, for the fiscal year ended September 30, 2015, is hereby submitted. This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government and management is responsible for the contents of this report.

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and, (2) the valuation of costs and benefits requires estimates and judgments by management.

In accordance with the City Charter, the financial statements have been audited by Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants. The goal of an independent audit is to provide reasonable assurance that the financial statements, in all material respects, reflect the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as a component of the financial section of this report.

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

Profile of the City

In 1893 John Warren bought the township of Hewitt from John Blydenburgh for \$4,911.64 and named it Hewitt after a director of the Missouri, Kansas & Texas (M.K.T.) Railroad. After the Civil War, when the railroads came to Texas, the MKT (or Katy) was the first to enter from the north and in 1882 a station was established in Hewitt.

The city was incorporated June 25, 1960. Through the years Hewitt has been McLennan County's second largest municipality and part of the Waco Metroplex. Hewitt is a safe, friendly, family oriented community of 14,000+ residents, located five miles south of Waco. Residents enjoy affordable homes, quiet, safe neighborhoods, and a positive community spirit. The City also welcomes businesses and has land available at affordable prices.

The City of Hewitt operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and six other members. 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 various departments. The council members are elected by district on a non-partisan basis to serve two-year terms. The mayor is chosen from among and by the City Council. The City also provides the following services as authorized by its charter: public safety (police and fire), street maintenance, library services, public improvements, planning and zoning and general administrative services. In addition to general government activities, the City also provides water and wastewater services and drainage improvements.

The City Charter establishes the fiscal year, which begins October 1st and ends September 30th. Annual appropriated budgets are adopted for the General Fund and the Utility Fund. Also, project-length financial plans are adopted for all Capital Projects Funds.

Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the next October 1st. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted on the proposed budget and tax rate. Prior to October 1st, the budget is legally enacted through passage of an ordinance.

Economic Outlook

Hewitt's location along the I-35 corridor just south of Waco provided an ideal location for explosive growth in the early part of this century. At one time Hewitt was the fastest growing city in McLennan County. Hewitt is known as a safe community and a desirable place to live.

Many choose to live in Hewitt due to the reputation of Midway Independent School District and quality of life offered in the region. The corporate boundaries total 6.9 square miles in area with a population of 13,549 according to the 2010 census.

Hewitt has customarily been known as a bedroom community to Waco with residential valuations making up approximately 70% of the total assessed property value. Although Hewitt is landlocked and unable to annex additional territory Hewitt has significant land available for residential development and new commercial investment. Current projections indicate a build out population of approximately 20,000 residents within the next 10 to 15 years.

Hewitt experienced modest property tax growth in the wake of the recession. 2016 will see Hewitt's total assessed valuation at its highest point in history. Last year's certified tax roll was \$730 million. Likewise, new retail opportunities and increased consumer confidence have led to historic high 2015 sales tax collections. Hewitt and the greater Waco region seeing significant interest in new development and investment.

Hewitt remains one of the most sought after places to live and has received national attention for being a "Best Place to Live" as well as one of the safest cities in Texas. Hewitt and the greater Waco region are expected to continue to experience modest growth in both population as well as taxable value.

Long-Term Financial Planning

The City Council maintains a Capital Improvements Plan covering the current and upcoming ten years. The CIP identifies and prioritizes the capital projects which are needed to maintain, upgrade, and improve the city's facilities and infrastructure. Hewitt will continue investing in projects related to street improvement, park expansion, water and wastewater facilities, as well as other public infrastructure.

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 comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the 12th 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. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the City staff. A sincere thanks is extended to all the staff for the effort put forth on 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,



Adam Miles
City Manager



Lee Garcia, CPA, CGFO
Finance Director



CITY OF HEWITT, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2015

Elected Officials	Position
Ed Passalugo	Mayor
Travis Bailey	Mayor Pro-Tem
Bill Fuller	Council Member
Ronnie McNiel	Council Member
Alex Snider	Council Member
James Vidrine	Council Member
Wilbert "Walky" Wachtendorf	Council Member

Appointed Officials	Position
Adam Miles, ICMA-CM	City Manager
Jim Barton, CPM	Assistant City Manager
Lydia Lopez, TRMC	City Secretary
Jim Devlin	Police Chief
Lance Bracco, BS-FS	Fire Chief
James Black	Utilities Director
Waynette Ditto, MLS	Director of Library Services
Lee H. Garcia, CPA, CGFO	Finance Director
Katie Allgood	Special Projects Coordinator



Government Finance Officers Association

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

Presented to

**City of Hewitt,
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Member of the City of Council
City of Hewitt, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Hewitt, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, General Fund budgetary comparison information, Schedule of Funding Progress for Participation in Texas Municipal Retirement System, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 4-14 and 47-51 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the City of Hewitt, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hewitt, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 16, 2016

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HEWITT, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2015

This section of the City of Hewitt's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Hewitt exceeded its liabilities as of September 30, 2015, by \$15,068,261 (net position). Of this amount, \$3,128,800 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. *In the prior year*, the City's assets exceeded its liabilities as of September 30, 2014, by \$18,003,516 (net position). Of this amount, \$5,763,594 (unrestricted net position) could have been used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's investment in capital assets, net of related debt, decreased \$534,249. *In the prior year*, the City's net investment in capital assets decreased \$1,856,485.
- As of September 30, 2015, the City of Hewitt's governmental funds reported ending fund balances of \$8,101,352. Of this amount, \$3,173,500 is unassigned fund balance available for use within the City's fund designation and fiscal policies. *In the prior year*, the City's governmental funds reported ending fund balances of \$11,310,204. Of this amount, \$2,845,720 was unassigned fund balance available for use within the City's fiscal policies.
- As of September 30, 2015, the City of Hewitt's Enterprise Funds reported ending net position of \$10,331,116. Of this amount \$3,089,192 is unrestricted net position available for use with the City's fund designation and fiscal policies. *In the prior year*, the City's Enterprise Funds reported ending net position of \$10,612,220. Of this amount \$3,184,242 was unrestricted net position available for use with the City's fiscal policies.
- The total cost of the City's programs represents the inclusion of the City Council's funding priorities including: employee compensation and insurance, maintenance of the water system, and equipment for maintenance and operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The two statements are: *government-wide financial statements* that provide both long-term and *short-term* information about the City’s overall financial status; and the *fund financial statements* that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.
- The *governmental funds statements* tell how general government services were financed in the short term as well as what remains for future spending.
- *Proprietary fund statements* offer short- and long-term financial information about the activities the government operates like businesses, such as its water and sewer services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District’s Annual Financial Report

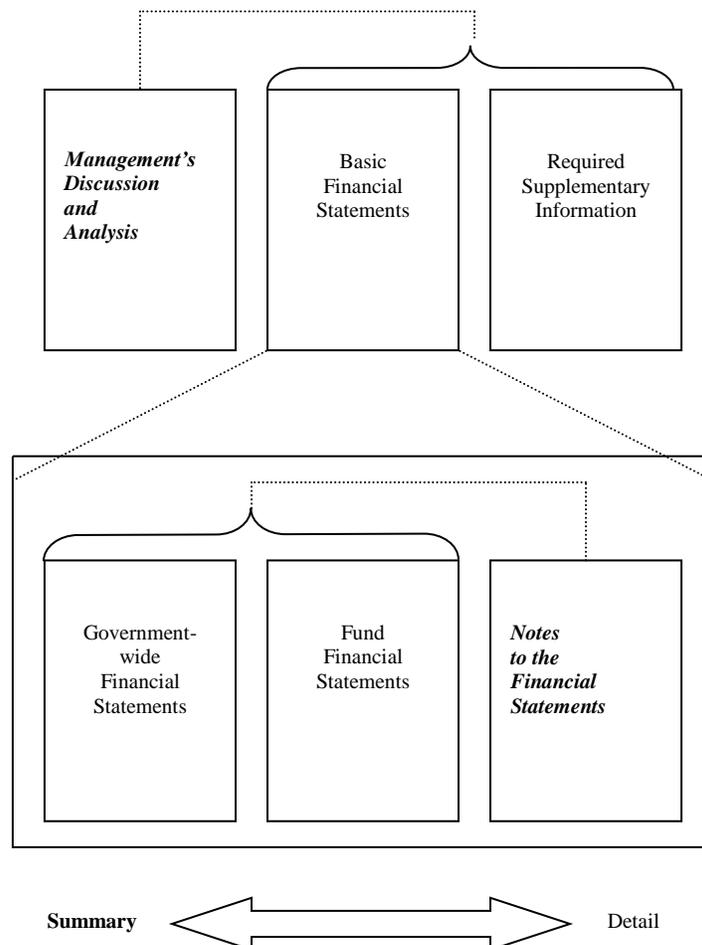


Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-2. Major Features of the City’s Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Fund	Proprietary Fund
Scope	Entire City’s government	The activities of the city that are not proprietary.	Activities the city operates similar to private businesses: water and sewer
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets
			♦ Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets and liabilities—are one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City’s tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City’s basic services are included here, such as general government, public safety, public works, culture and recreation.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain bond revenues.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Capital Projects funds*—The City uses three separate capital project funds to account for resources to be used for the acquisition and construction of major infrastructure assets. These projects are funded by the issuance of debt and/or transfers of excess unreserved fund balance for projects that may extend over more than one fiscal year.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. The City’s combined net position were \$15,068,261 at September 30, 2015, which is a slight decrease from September 30, 2014 (See Table A-1). The largest portion of the City’s net position, \$10,276,485, reflects its investment in capital assets (e.g., land, building, equipment, improvements and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HEWITT'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 9,006,878	\$ 11,719,244	\$ 16,310,206	\$ 18,103,636	\$ 25,317,084	\$ 29,822,880
Capital assets	<u>17,423,375</u>	<u>15,485,687</u>	<u>18,871,510</u>	<u>18,002,456</u>	<u>36,294,885</u>	<u>33,488,143</u>
Total assets	<u>26,430,253</u>	<u>27,204,931</u>	<u>35,181,716</u>	<u>36,106,092</u>	<u>61,611,969</u>	<u>63,311,023</u>
Deferred Outflows of Resources						
Deferred charges on refunding	171,377	211,708	554,015	64,825	725,392	-
Deferred outflows related to pension	<u>641,941</u>	<u>-</u>	<u>120,174</u>	<u>-</u>	<u>762,115</u>	<u>-</u>
Total deferred outflows of resource	<u>813,318</u>	<u>211,708</u>	<u>674,189</u>	<u>64,825</u>	<u>1,487,507</u>	<u>-</u>
Current liabilities	898,586	407,873	863,462	1,079,315	1,762,048	1,487,188
Noncurrent liabilities	<u>21,607,840</u>	<u>19,617,470</u>	<u>24,553,605</u>	<u>24,344,728</u>	<u>46,161,445</u>	<u>43,962,198</u>
Total liabilities	<u>22,506,426</u>	<u>20,025,343</u>	<u>25,417,067</u>	<u>25,424,043</u>	<u>47,923,493</u>	<u>45,449,386</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>107,722</u>	<u>-</u>	<u>107,722</u>	<u>-</u>
Net position:						
Net investment in capital assets	4,369,473	4,441,956	5,907,012	6,368,778	10,276,485	10,810,734
Restricted	328,064	369,988	1,334,912	1,059,200	1,662,976	1,429,188
Unrestricted	<u>39,608</u>	<u>2,579,352</u>	<u>3,089,192</u>	<u>3,184,242</u>	<u>3,128,800</u>	<u>5,763,594</u>
Total net position	<u>\$ 4,737,145</u>	<u>\$ 7,391,296</u>	<u>\$ 10,331,116</u>	<u>\$ 10,612,220</u>	<u>\$ 15,068,261</u>	<u>\$ 18,003,516</u>

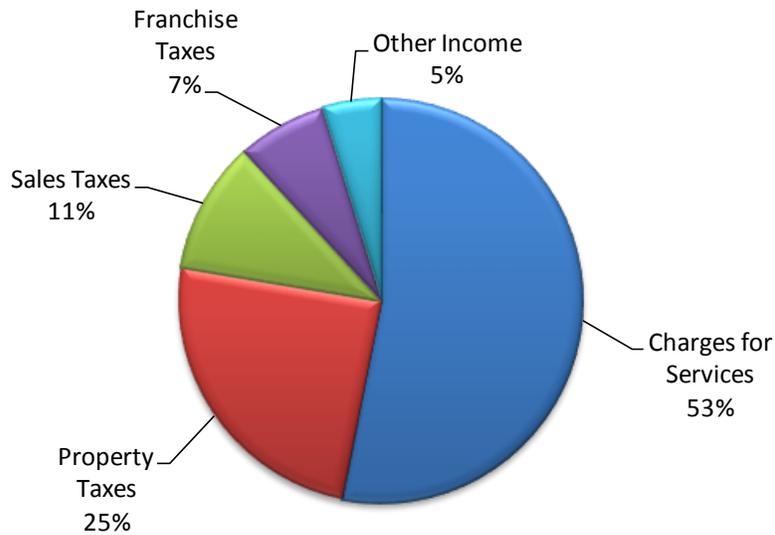
As of September 30, 2015, the City has positive balances in all three categories of net position, both for the City as a whole, as well as for its governmental and business-type activities separately.

Changes in net position. The City's total revenues were \$15,551,751. Property taxes comprised 25% or \$3,812,874 of the City's revenue. In addition, \$8,261,654 or 53% comes from charges for services. Water and sewer and sanitation fees of \$7,616,419 comprised 92% of the charges for services.

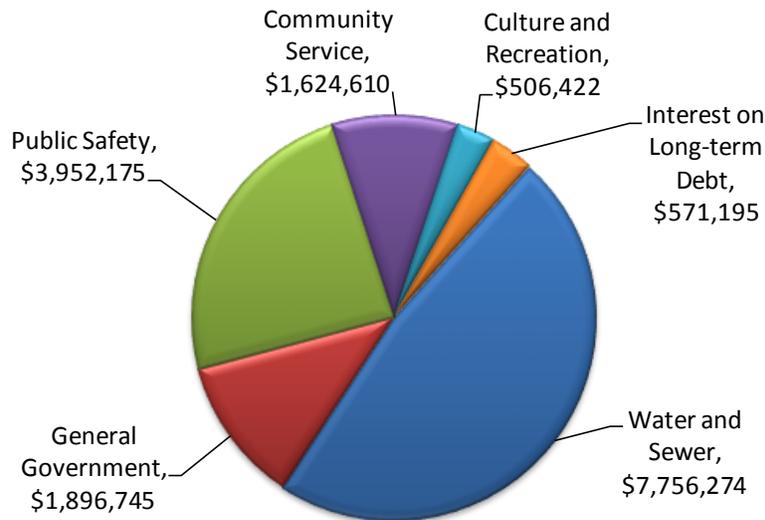
For the prior year, the City's total revenues were \$14,294,551. Property taxes comprised 25% or \$3,601,567 of the City's revenue. In addition, \$7,871,968 or 55% comes from charges for services. Water, sewer and sanitation fees of \$7,239,315 comprised 92% of the charges for services.

The total cost of all programs and services for September 30, 2015, was \$16,307,421. *For the prior year* ended September 30, 2014, the total cost of all programs and services was \$16,897,751.

City of Hewitt's Total Revenue 2014-2015, \$15,551,751



City of Hewitt's Total Expenses 2014-2015, \$16,307,421



Governmental Activities

- Property tax rates for fiscal year 2014-2015 are at \$.539677 per \$100 of taxable valuation. Property tax income increased 6% due to continued commercial and residential growth.
- No full-time employees were added in FY 2014-2015 and five were added in the prior year. An increase of 3% for cost of living adjustments was given in both years, as well as a 2% step increase, after evaluation, on the employee's anniversary date.
- Hewitt continues to be the only city in the county that offers the full residential homestead exemption of 20% of taxable value. As a result, the real tax rate for residential homeowners is \$0.43 per \$100 valuation.

- The city complete the construction of the Public Safety Facility, our new home for the Police and Fire Departments (48 employees). This facility was funded by the 2013 Certificates of Obligation.
- The 2014 Certificates of Obligation were issued to fund the construction of the new City Hall and Library adjacent to the Public Safety Facility. It is estimated to be completed by April 2016.
- The 2014 C.O.s also included funds for upgrades to the Warren and Hewitt Parks. Hewitt Park has received seating on both sides of the soccer/football field. Warren Park has received a playground structure and an outdoor amphitheatre.
- The 2015 C.O.s also included funds for street upgrades. There are 3 projects: widening Panther way where it is used for Midway ISD middle school traffic, widening Old Temple Road from Spring Valley Road to the bridge by Warren Park, and upgrading First Street.

Business-type Activities

- Work is continuing on the Commerce Park Water Plant. This project is being done in 3 stages: the 1 million gallon Elevated Tower, the Water line connecting the tower to the lift station, and the Water Plant itself. Parts 1 & 2 are nearly finished and will be completed with Part 3 with the Water Plant is completed. The funds for this project come from the 2012 Certificates of Obligation.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2015. Governmental activities decreased the City of Hewitt's net position by \$814,712. Please see financial reports for additional information. The business-type activities decreased net position by \$59,042.

CITY OF HEWITT'S CHANGES NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 345,809	\$ 376,008	\$ 7,915,845	\$ 7,495,960	\$ 8,261,654	\$ 7,871,968
Operating grants	6,626	15,957	-	-	6,626	15,957
Capital grants	112,760	85,288	401,650	-	514,410	85,288
General revenues:						
Property taxes	3,812,874	3,601,567	-	-	3,812,874	3,601,567
Sales taxes	1,652,368	1,569,610	-	-	1,652,368	1,569,610
Franchise taxes	1,094,525	924,088	-	-	1,094,525	924,088
Other taxes	3,986	-	-	-	3,986	-
Investment earnings	38,908	32,873	31,321	35,306	70,229	68,179
Miscellaneous	61,948	101,452	-	-	61,948	101,452
Gain on sale of capital assets	66,631	10,442	6,500	46,000	73,131	56,442
Total revenues	<u>7,196,435</u>	<u>6,717,285</u>	<u>8,355,316</u>	<u>7,577,266</u>	<u>15,551,751</u>	<u>14,294,551</u>
Expenses:						
General government	1,896,745	1,969,178	-	-	1,896,745	1,969,178
Public safety	3,952,175	3,742,199	-	-	3,952,175	3,742,199
Community services	1,624,610	1,741,523	-	-	1,624,610	1,741,523
Culture and recreation	506,422	404,841	-	-	506,422	404,841
Water and sewer	-	-	7,756,274	8,379,809	7,756,274	8,379,809
Interest on long-term debt	571,195	660,201	-	-	571,195	660,201
Total expenses	<u>8,551,147</u>	<u>8,517,942</u>	<u>7,756,274</u>	<u>8,379,809</u>	<u>16,307,421</u>	<u>16,897,751</u>
Increases in net position before transfers	(1,354,712)	(1,800,657)	599,042	(802,543)	(755,670)	(2,603,200)
Transfers	540,000	540,000	(540,000)	(540,000)	-	-
Change in net position	(814,712)	(1,260,657)	59,042	(1,342,543)	(755,670)	(2,603,200)
Net position, beginning	7,391,296	8,911,798	10,612,220	12,868,580	18,003,516	21,780,378
Prior period adjustment	(1,839,439)	(259,845)	(340,146)	(913,817)	(2,179,585)	(1,173,662)
Net position, ending	<u>\$ 4,737,145</u>	<u>\$ 7,391,296</u>	<u>\$ 10,331,116</u>	<u>\$ 10,612,220</u>	<u>\$ 15,068,261</u>	<u>\$ 18,003,516</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Highlights – General Fund

Actual versus Prior Year Actual

Governmental actual resources available in the current year were \$7,128,896 or 6% greater than the actual resources available in the prior year of \$6,728,072. Notable increases in actual resources were as follows: property taxes increased by \$211,307 or 6%, sales taxes increased by \$82,758 or 5%, and other taxes increased by \$17,545 or 14%.

Governmental actual expenditures in the current year were \$11,501,700 as compared to actual expenditures in the prior year of \$11,675,152, a decrease of \$173,452 or 1%. The most significant variances resulted from decreases in capital outlay of \$355,501 or 8%.

Actual versus Budgeted

Governmental actual resources available (budgetary basis) were \$6,946,960 or \$29,976 less than *budgeted resources* of \$6,976,936. Notable differences in *actual versus budgeted resources* were as follows: actual property taxes were more than budgeted property taxes by \$45,098; actual sales taxes were less than budgeted sales taxes by \$141,724; actual franchise taxes were more than budgeted franchise taxes by \$86,411; and fines and fees were less than budgeted fines and fees by \$42,047.

Governmental actual expenditures (budgetary basis) were \$7,503,183, or \$9,298 more than budgeted expenditures of \$7,512,481. The most significant variances resulted from variances between *actual and budgeted expenditures* in the following departments: actual general government expenditures were less than budgeted expenditures by \$115,473, actual public safety expenditures were more than budgeted expenditures by \$22,176, and actual capital outlay expenditures were more than budgeted expenditures by \$85,831.

Highlights – Proprietary Fund

Proprietary actual operating revenues in the current year were \$7,915,845, or \$419,885 and 5.6% higher, as compared to actual operating revenues in the prior year of \$7,495,960. Notable increases in actual revenues were as follows: sewer and sanitation revenue decreased by \$416,291, or 12.6%.

Proprietary actual expenses for the current year were \$7,756,274, or \$623,535 and 7.4% less, as compared to actual expenses for the prior year of \$8,379,809. The most significant variances resulted from a decrease in contractual services from 3,592,983 to 2,890,981, or a difference of \$702,002.

Highlights – Capital Projects Funds

- The City uses a Capital Projects Fund to account for major capital projects the City undertakes. Revenues for the year consisted of \$22,822 of interest income. Capital outlays of \$3,877,530 were spent on a variety of projects. Expenditures for the prior year totaled \$4,016,634. The slight decrease in expenditures was due to the City's various street improvements in 2014 that are now complete.

For further information, please see the following financial statements and accompanying notes.

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, 2015, amounts to \$36,294,885 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and systems, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was \$2,806,742 or 8%.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,253,608	\$ 2,293,106	\$ 554,444	\$ 554,444	\$ 2,808,052	\$ 2,847,550
Construction in progress	1,709,688	4,358	134,410	-	1,844,098	4,358
Buildings and systems	5,438,217	4,737,635	17,380,678	16,581,665	22,818,895	21,319,300
Machinery and equipment	707,076	935,791	801,978	866,347	1,509,054	1,802,138
Infrastructure	7,314,786	7,514,797	-	-	7,314,786	7,514,797
Total	\$ 17,423,375	\$ 15,485,687	\$ 18,871,510	\$ 18,002,456	\$ 36,294,885	\$ 33,488,143

Major capital asset events during the current fiscal year included the following:

- Completion of Public Safety Facility, \$1,265,213.
- Purchases of new vehicles, technology and equipment, \$354,586.
- Street improvements, \$856,121.
- Construction in progress on the new City Hall & Library, \$1,709,688.
- Work on McLemore & Ritchie Wells, Wastewater Lift Stations, & Commerce Park Water Plant, \$2,575,679.

More detailed information about the City's capital asset activity is presented in the notes to the financial statements on pages 34 and 35.

Long-term Debt

The City's long-term debt as of September 30, 2015 consisted of the following:

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 2,653,037	\$ 2,939,029	\$ 7,106,962	\$ 1,780,966	\$ 9,759,999	\$ 4,719,995
Certificates of obligation	15,299,410	15,575,705	14,100,590	20,189,295	29,400,000	35,765,000
Notes payable	-	-	67,240	73,369	67,240	73,369
Capital leases	237,151	289,090	2,027,994	2,172,616	2,265,145	2,461,706
TMRS pension obligation	2,599,909	116,863	486,713	24,054	3,086,622	140,917
Compensated absences	452,892	308,979	61,282	45,055	514,174	354,034
Premium on bonds issued	365,441	387,804	702,824	59,373	1,068,265	447,177
Deferred loss on refunding	171,377	211,708	446,293	64,825	617,670	276,533
Deferred gain on refunding	-	-	107,722	134,654	107,722	134,654
Total	\$ 21,779,217	\$ 19,829,178	\$ 25,107,620	\$ 24,544,207	\$ 46,886,837	\$ 44,373,385

The City's total debt increased by \$2,513,452 or 6%. This increase is primarily attributable to the adjustment to TMRS under GASB 68 standards.

The City maintains an "Aa3" credit rating from Moody's Investor Service and "AA-/Stable" from Standard & Poor's Ratings Services on outstanding parity debt.

Debt issued by the City has helped fund the following projects:

- Street improvements: Panther Way, Old Temple Road and First Street
- Facility remodeling
- Technology upgrades
- Park improvements, phase 1
- Commerce water plant
- Improvements to lift stations
- Drainage projects
- Public Safety Facility
- Hewitt Park Improvements
- Warren Park Playground and Amphitheatre

More detailed information about the City's long-term debt activity is presented in the notes to the financial statements on pages 36 – 40.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City's adopted tax rate in effect for the fiscal year 2015-2016 is \$0.539677.
- Certified net taxable appraised value for the fiscal year 2014-2015 is \$706,087,100, a 7% increase from certified net appraised value for the prior year, which was \$657,795,390.
- Revenue lost through exemptions for the fiscal year 2014-2015 is \$939,251, an increase of 13.6% from revenue lost through exemptions for the prior year of \$826,698.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Hewitt at (254) 666-6171, email: cityhall@cityofhewitt.com, finance@cityofhewitt.com, or log on to www.cityofhewitt.com.

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HEWITT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,120,718	\$ 3,933,797	\$ 12,054,515
Receivables, net of allowance for uncollectibles	663,052	1,171,649	1,834,701
Restricted assets - cash and cash equivalents	223,108	2,892,470	3,115,578
Due from other governments	-	418,787	418,787
Noncurrent assets:			
Investment in joint venture	-	7,893,503	7,893,503
Capital assets not being depreciated:			
Land	2,253,608	554,444	2,808,052
Construction in progress	1,709,688	134,410	1,844,098
Capital assets, net of accumulated depreciation:			
Buildings and systems	6,155,942	33,731,516	39,887,458
Machinery and equipment	3,619,392	1,940,305	5,559,697
Infrastructure	33,034,574	-	33,034,574
Less: accumulated depreciation	(29,349,829)	(17,489,165)	(46,838,994)
Total noncurrent assets	<u>17,423,375</u>	<u>26,765,013</u>	<u>44,188,388</u>
Total assets	<u>26,430,253</u>	<u>35,181,716</u>	<u>61,611,969</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred loss on refunding	171,377	554,015	725,392
Deferred outflows related to pension	641,941	120,174	762,115
Total deferred outflows of resources	<u>813,318</u>	<u>674,189</u>	<u>1,487,507</u>
LIABILITIES			
Accounts payable	657,735	263,330	921,065
Accrued liabilities	99,668	17,088	116,756
Accrued interest payable	141,183	202,968	344,151
Customer deposits	-	380,076	380,076
Noncurrent liabilities:			
Due within one year	1,120,052	1,012,747	2,132,799
Due in more than one year	20,487,788	23,540,858	44,028,646
Total liabilities	<u>22,506,426</u>	<u>25,417,067</u>	<u>47,923,493</u>
DEFERRED INFLOW OF RESOURCES			
Deferred gain on refunding	-	107,722	107,722
Total deferred inflows of resources	<u>-</u>	<u>107,722</u>	<u>107,722</u>
NET POSITION			
Net investment in capital assets	4,369,473	5,907,012	10,276,485
Restricted for:			
Tourism	99,351	-	99,351
Public safety	5,605	-	5,605
Debt service	223,108	1,334,912	1,558,020
Unrestricted	<u>39,608</u>	<u>3,089,192</u>	<u>3,128,800</u>
Total net position	<u>\$ 4,737,145</u>	<u>\$ 10,331,116</u>	<u>\$ 15,068,261</u>

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

CITY OF HEWITT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,896,745	\$ 111,019	\$ -	\$ -
Public safety	3,952,175	208,422	-	112,760
Community services	1,624,610	440	-	-
Culture and recreation	506,422	25,928	6,626	-
Interest on long-term debt	571,195	-	-	-
Total governmental activities	<u>8,551,147</u>	<u>345,809</u>	<u>6,626</u>	<u>112,760</u>
Business-type activities:				
Water, sewer and sanitation	<u>7,756,274</u>	<u>7,915,845</u>	<u>-</u>	<u>401,650</u>
Total business-type activities	<u>7,756,274</u>	<u>7,915,845</u>	<u>-</u>	<u>401,650</u>
 Total primary government	 <u>\$ 16,307,421</u>	 <u>\$ 8,261,654</u>	 <u>\$ 6,626</u>	 <u>\$ 514,410</u>
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Unrestricted interest income				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Prior period adjustment				
Net position, beginning as restated				
Net position, ending				

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

Net (Expenses) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$(1,785,726)	\$ -	\$(1,785,726)
(3,630,993)	-	(3,630,993)
(1,624,170)	-	(1,624,170)
(473,868)	-	(473,868)
<u>(571,195)</u>	<u>-</u>	<u>(571,195)</u>
<u>(8,085,952)</u>	<u>-</u>	<u>(8,085,952)</u>
-	561,221	561,221
-	561,221	561,221
<u>(8,085,952)</u>	<u>561,221</u>	<u>(7,524,731)</u>
3,812,874	-	3,812,874
1,652,368	-	1,652,368
1,094,525	-	1,094,525
3,986		
38,908	31,321	70,229
66,631	6,500	73,131
61,948	-	61,948
<u>540,000</u>	<u>(540,000)</u>	<u>-</u>
<u>7,271,240</u>	<u>(502,179)</u>	<u>6,769,061</u>
(814,712)	59,042	(755,670)
<u>7,391,296</u>	<u>10,612,220</u>	<u>18,003,516</u>
<u>(1,839,439)</u>	<u>(340,146)</u>	<u>(2,179,585)</u>
<u>5,551,857</u>	<u>10,272,074</u>	<u>15,823,931</u>
<u>\$ 4,737,145</u>	<u>\$ 10,331,116</u>	<u>\$ 15,068,261</u>

CITY OF HEWITT, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Fund Hotel</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,953,405	\$ 5,105,734	\$ 61,579	\$ 8,120,718
Receivables, net of allowances for uncollectibles				
Taxes	572,500	-	37,772	610,272
Accounts	52,780	-	-	52,780
Cash and cash equivalents - restricted	<u>223,108</u>	<u>-</u>	<u>-</u>	<u>223,108</u>
Total assets	<u>\$ 3,801,793</u>	<u>\$ 5,105,734</u>	<u>\$ 99,351</u>	<u>\$ 9,006,878</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 151,789	\$ 505,946	\$ -	\$ 657,735
Accrued liabilities	<u>99,668</u>	<u>-</u>	<u>-</u>	<u>99,668</u>
Total liabilities	<u>251,457</u>	<u>505,946</u>	<u>-</u>	<u>757,403</u>
Deferred inflows of resources:				
Unavailable - property taxes	95,343	-	-	95,343
Unavailable - court fines	<u>52,780</u>	<u>-</u>	<u>-</u>	<u>52,780</u>
Total deferred inflows of resources	<u>148,123</u>	<u>-</u>	<u>-</u>	<u>148,123</u>
Fund balances:				
Restricted for:				
Debt service	223,108	-	-	223,108
Tourism	-	-	99,351	99,351
Public safety	5,605	-	-	5,605
Capital projects	-	4,599,788	-	4,599,788
Unassigned	<u>3,173,500</u>	<u>-</u>	<u>-</u>	<u>3,173,500</u>
Total fund balances	<u>3,402,213</u>	<u>4,599,788</u>	<u>99,351</u>	<u>8,101,352</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,801,793</u>	<u>\$ 5,105,734</u>	<u>\$ 99,351</u>	<u>\$ 9,006,878</u>

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

CITY OF HEWITT, TEXAS

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

SEPTEMBER 30, 2015

Total fund balances - governmental funds balance sheet	\$ 8,101,352
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	17,423,375
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	148,123
Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds.	(141,183)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	(17,952,447)
Premium on bonds payable	(365,441)
Deferred loss on refunding	171,377
Deferred outflow - contributions	350,393
Deferred outflow - actual exp vs assumptions	196,454
Deferred outflow - investment experience	95,094
Capital leases	(237,151)
Compensated absences	(452,892)
Net pension obligation	<u>(2,599,909)</u>
Net position of governmental activities	<u>\$ 4,737,145</u>

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

CITY OF HEWITT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	Capital Projects	Nonmajor Fund Hotel	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 3,812,874	\$ -	\$ -	\$ 3,812,874
Sales	1,652,368	-	-	1,652,368
Franchise	957,137	-	-	957,137
Other	3,986	-	137,388	141,374
Intergovernmental	118,886	-	-	118,886
Licenses and permits	125,174	-	-	125,174
Fines and fees	203,453	-	-	203,453
Interest income	15,778	22,822	308	38,908
Miscellaneous	78,722	-	-	78,722
Total revenues	6,968,378	22,822	137,696	7,128,896
EXPENDITURES				
Current:				
General government	1,625,960	-	117,866	1,743,826
Public safety	3,447,235	-	-	3,447,235
Community services	578,507	-	-	578,507
Culture and recreation	470,439	-	-	470,439
Capital outlay	118,431	3,877,530	-	3,995,961
Debt service:				
Principal	707,640	-	-	707,640
Interest and fees	558,092	-	-	558,092
Total expenditures	7,506,304	3,877,530	117,866	11,501,700
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(537,926)	(3,854,708)	19,830	(4,372,804)
OTHER FINANCING SOURCES				
Transfers in	540,000	360,000	-	900,000
Transfers out	(360,000)	-	-	(360,000)
Issuance of capital lease	93,414	-	-	93,414
Sale of capital assets	530,538	-	-	530,538
Total other financing sources	803,952	360,000	-	1,163,952
NET CHANGE IN FUND BALANCES	266,026	(3,494,708)	19,830	(3,208,852)
FUND BALANCES, BEGINNING	3,136,187	8,094,496	79,521	11,310,204
FUND BALANCES, ENDING	\$ 3,402,213	\$ 4,599,788	\$ 99,351	\$ 8,101,352

The accompanying notes are an integral part of these 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**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds	\$(3,208,852)
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 and reported as depreciation. This is the amount of capital outlay recorded in the current period.	4,000,793
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(1,599,198)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net position.	(463,907)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the 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.	
Issuance of debt	(93,414)
Repayment of principal of long-term debt	707,640
Amortization of:	
Loss on refunding	(17,968)
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	4,865
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	(143,913)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows or inflow. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	(1,666)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>908</u>
Change in net position of governmental activities	<u><u>\$(814,712)</u></u>

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

CITY OF HEWITT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water, Sewer and Sanitation	Nonmajor- Stormwater Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,816,854	\$ 116,943	\$ 3,933,797
Accounts receivable, net of allowance for uncollectibles	1,148,221	23,428	1,171,649
Restricted cash and cash equivalents	2,892,470	-	2,892,470
Due from other governments	418,787	-	418,787
Total current assets	<u>8,276,332</u>	<u>140,371</u>	<u>8,416,703</u>
Noncurrent assets:			
Investment in joint venture	7,893,503	-	7,893,503
Capital assets not being depreciated:			
Land	554,444	-	554,444
Construction in progress	134,410	-	134,410
Capital assets, net of accumulated depreciation:			
Buildings and system	33,030,946	700,570	33,731,516
Machinery and equipment	1,741,790	198,515	1,940,305
Less: accumulated depreciation	(17,216,375)	(272,790)	(17,489,165)
Total noncurrent assets	<u>26,138,718</u>	<u>626,295</u>	<u>26,765,013</u>
Total assets	<u>34,415,050</u>	<u>766,666</u>	<u>35,181,716</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	554,015	-	554,015
Deferred outflow related to pensions	94,542	25,632	120,174
Total deferred outflows of resources	<u>648,557</u>	<u>25,632</u>	<u>674,189</u>
LIABILITIES			
Current liabilities:			
Accounts payable	263,330	-	263,330
Accrued liabilities	12,985	4,103	17,088
Customer deposits	380,076	-	380,076
Accrued interest payable	202,434	534	202,968
Compensated absences	13,623	1,698	15,321
Notes payable	6,350	-	6,350
Leases payable	246,585	29,318	275,903
Revenue bonds payable	715,173	-	715,173
Total current liabilities	<u>1,840,556</u>	<u>35,653</u>	<u>1,876,209</u>
Noncurrent liabilities:			
Compensated absences	40,868	5,093	45,961
Net pension obligation	382,900	103,813	486,713
Notes payable	60,890	-	60,890
Leases payable	1,713,120	38,971	1,752,091
Revenue bonds payable	21,195,203	-	21,195,203
Total noncurrent liabilities	<u>23,392,981</u>	<u>147,877</u>	<u>23,540,858</u>
Total liabilities	<u>25,233,537</u>	<u>183,530</u>	<u>25,417,067</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	107,722	-	107,722
Total deferred outflows of resources	<u>107,722</u>	<u>-</u>	<u>107,722</u>
NET POSITION			
Net investment in capital assets	5,349,006	558,006	5,907,012
Restricted for:			
Debt service	1,334,912	-	1,334,912
Unrestricted	3,038,430	50,762	3,089,192
Total net position	<u>\$ 9,722,348</u>	<u>\$ 608,768</u>	<u>\$ 10,331,116</u>

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

CITY OF HEWITT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water, Sewer and Sanitation	Nonmajor- Stormwater Drainage	Total
OPERATING REVENUES			
Charges for sales and services pledged as security for revenue bonds:			
Water sales	\$ 3,723,534	\$ -	\$ 3,723,534
Sewer charges	2,316,947	-	2,316,947
Sanitation charges	1,411,028	-	1,411,028
Drainage fees	-	287,785	287,785
Other	164,910	11,641	176,551
Total operating revenues	<u>7,616,419</u>	<u>299,426</u>	<u>7,915,845</u>
OPERATING EXPENSES			
Personnel services	682,093	189,908	872,001
Contractual services	2,881,643	9,338	2,890,981
Utilities	322,019	1,021	323,040
Repairs and maintenance	330,384	6,374	336,758
Other	96,171	25,402	121,573
Depreciation	2,094,138	71,519	2,165,657
Total operating expenses	<u>6,406,448</u>	<u>303,562</u>	<u>6,710,010</u>
OPERATING INCOME	1,209,971	(4,136)	1,205,835
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	401,650	-	401,650
Investment in joint venture	(197,599)	-	(197,599)
Interest earnings	30,899	422	31,321
Interest and fiscal charges	(847,491)	(1,174)	(848,665)
Gain on sale of capital assets	6,500	-	6,500
Total nonoperating revenues (expenses)	<u>(606,041)</u>	<u>(752)</u>	<u>(606,793)</u>
INCOME BEFORE TRANSFERS	603,930	(4,888)	599,042
TRANSFERS OUT	<u>(540,000)</u>	<u>-</u>	<u>(540,000)</u>
CHANGE IN NET POSITION	63,930	(4,888)	59,042
NET POSITION, BEGINNING	<u>9,920,882</u>	<u>691,338</u>	<u>10,612,220</u>
PRIOR PERIOD ADJUSTMENTS	<u>(262,464)</u>	<u>(77,682)</u>	<u>(340,146)</u>
NET POSITION, ENDING	<u>\$ 9,722,348</u>	<u>\$ 608,768</u>	<u>\$ 10,331,116</u>

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

CITY OF HEWITT, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water, Sewer and Sanitation	Nonmajor- Stormwater Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,992,723	\$ 291,391	\$ 7,284,114
Cash paid to suppliers	(600,601)	(186,429)	(787,030)
Cash paid to employees	(3,829,928)	(42,276)	(3,872,204)
Net cash provided by operating activities	<u>2,562,194</u>	<u>62,152</u>	<u>2,624,346</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(540,000)	-	(540,000)
Net cash provided (used) by noncapital financing activities	<u>(540,000)</u>	<u>-</u>	<u>(540,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Issuance of capital debt	5,698,893	7,696	5,706,589
Principal paid on capital debt	(6,620,049)	-	(6,620,049)
Interest paid on capital debt	(827,677)	-	(827,677)
Acquisition of capital assets	(2,528,737)	(104,324)	(2,633,061)
Net cash provided (used) by capital and related financing activities	<u>(4,271,070)</u>	<u>(96,628)</u>	<u>(4,367,698)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	30,899	422	31,321
Net cash provided by investing activities	<u>30,899</u>	<u>422</u>	<u>31,321</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,217,977)	(34,054)	(2,252,031)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>8,927,301</u>	<u>150,463</u>	<u>9,077,764</u>
CASH AND CASH EQUIVALENTS, ENDING (including \$2,892,470 for the Water fund, reported in restricted accounts)	<u>\$ 6,709,324</u>	<u>\$ 116,409</u>	<u>\$ 6,825,733</u>

CITY OF HEWITT, TEXAS

**STATEMENT OF CASH FLOWS
(Continued)
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water, Sewer and Sanitation	Nonmajor- Stormwater Drainage	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,209,971	\$(4,136)	\$ 1,205,835
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	2,094,138	70,345	2,164,483
Changes in assets, deferred outflows of resources and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	(647,631)	(8,035)	(655,666)
Decrease (increase) in deferred outflows of resources:			
Deferred loss on refunding	(29,717)	-	(29,717)
Deferred outflow		(25,632)	
Increase (decrease) in liabilities:			
Accounts payable	(199,711)	-	(199,711)
Accrued liabilities	1,466	613	2,079
Customer deposits	23,935	-	23,935
Compensated absences	13,361	2,866	16,227
Net pension obligation	96,382	26,131	122,513
Net cash provided by operating activities	\$ 2,562,194	\$ 62,152	\$ 2,624,346

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HEWITT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Hewitt, Texas (the “City”) is a municipal corporation governed by an elected mayor and six-member City Council. Generally accepted accounting principles require financial statements to present the government and its component units, entities for which the government is considered financially accountable. The City has identified no component units for which it is considered to be financially accountable.

B. 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City has no fiduciary activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 revenue are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. The major individual governmental funds and major individual Enterprise Funds are separated as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and 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 government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary fund:

The **Water, Sewer and Sanitation Fund** is used to account for the activities of the necessary for the provision of water, sewer and sanitation services to customers.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided between various functions of the City.

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, including special assessments. 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 City's Enterprise Funds are charges to customers for sales and services. Operating expenses for 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 nonoperating revenues and expenses.

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.

D. Assets, Deferred Inflows/Outflows, Liabilities, and Net Position or Equity

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments (investments with original maturities less than 90 days, including restricted assets) to be cash equivalents.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

Investments are reported at fair value. The governmental investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Restricted Assets

Certain proceeds of the City's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure, and water rights, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	5 - 10
Infrastructure	5 - 40
Distribution and collection systems	25 - 40

Compensated Absences

It is the City's policy to permit all employees (excluding part-time employees working less than 20 hours per week, temporary, or seasonal employees) to accumulate earned and unused vacation on an anniversary basis. Employees are eligible for vacation benefits upon completion of six (6) months of service. The City's policy is to allow a total of twelve (12) sick leave days per year to accrue. An employee with greater than 10 years of service is reimbursed for any unused sick leave upon retirement, not to exceed 60 days. Under Chapter 143 of the Local Government Code, some civil service employees are eligible to receive payment for all unused sick leave if separated from the City for any reason. All applicable vacation and applicable sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 expenditures.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/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 a 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. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of item, deferred gain on refunding, is only presented in the government-wide financial statement of net position. This item results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Prior Period Adjustment

As the result of implementing GASB Statement 68, the City has decreased beginning net position as of October 1, 2014 by \$1,839,439 and \$340,146 for the governmental activities and business-type activities respectively. This decrease results from recognition of the City's portion of the TMRS pension expense.

2. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

A summary of the City's cash and cash equivalents at September 30, 2015, follows:

	<u>Fair Value</u>
Cash	\$ 2,450
Demand deposits	11,587,260
Certificates of deposits	3,322,737
Texas Local Government Investment Pool	<u>257,647</u>
Total cash and cash equivalents	<u>\$ 15,170,094</u>

At September 30th, 2015, the City's weighted average rate on its Portfolio was .397% and the weighted average maturity was 54 days.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in short-term certificates of deposit, securities, money market mutual funds or government investment pools, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing more than two years from the date of purchase. For repurchase agreements, the maximum maturity is 120 days, and money market mutual funds must have a dollar-weighted average stated maturity of 90 days or less. Finally, the composite portfolio must maintain a weighted average maturity of 365 days or less.

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. As of September 30, 2015, the City’s investment in TexPool was rated AAAM by Standard & Poor’s.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The City has delegated the authority to hold legal title to the Pool as custodian and to make investment purchases with the City’s funds. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State 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. TexPool operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Receivables

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

	Governmental Funds		Enterprise Funds		Total
	General	Nonmajor Funds	Water, Sewer and Sanitation	Nonmajor Funds	
Receivables:					
Accounts	\$ -	\$ -	\$ 1,518,922	\$ 30,383	\$ 1,549,305
Taxes	572,500	37,772	-	-	610,272
Fines	211,117	-	-	-	211,117
Gross receivables	783,617	37,772	1,518,922	30,383	2,370,694
Less: allowance for uncollectibles	(158,337)	-	(370,701)	(6,955)	(535,993)
Net total receivables	\$ <u>625,280</u>	\$ <u>37,772</u>	\$ <u>1,148,221</u>	\$ <u>23,428</u>	\$ <u>1,834,701</u>

Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,293,106	\$ -	\$(39,498)	\$ 2,253,608
Construction in progress	<u>4,358</u>	<u>1,705,330</u>	<u>-</u>	<u>1,709,688</u>
Total assets not being depreciated	<u>2,297,464</u>	<u>1,705,330</u>	<u>(39,498)</u>	<u>3,963,296</u>
Capital assets, being depreciated:				
Buildings and systems	5,763,782	1,265,213	(873,053)	6,155,942
Machinery and equipment	3,512,493	174,129	(67,230)	3,619,392
Infrastructure	<u>32,178,453</u>	<u>856,121</u>	<u>-</u>	<u>33,034,574</u>
Total capital assets being depreciated	<u>41,454,728</u>	<u>2,295,463</u>	<u>(940,283)</u>	<u>42,809,908</u>
Less accumulated depreciation:				
Buildings and systems	(1,026,147)	(155,597)	464,019	(717,725)
Machinery and equipment	(2,576,702)	(387,469)	51,855	(2,912,316)
Infrastructure	<u>(24,663,656)</u>	<u>(1,056,132)</u>	<u>-</u>	<u>(25,719,788)</u>
Total accumulated depreciation	<u>(28,266,505)</u>	<u>(1,599,198)</u>	<u>515,874</u>	<u>(29,349,829)</u>
Total capital assets being depreciated, net	<u>13,188,223</u>	<u>696,265</u>	<u>(424,409)</u>	<u>13,460,079</u>
Governmental activities capital assets, net	<u>\$ 15,485,687</u>	<u>\$ 2,401,595</u>	<u>\$(463,907)</u>	<u>17,423,375</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 554,444	\$ -	\$ -	\$ 554,444
Construction in progress	<u>-</u>	<u>134,410</u>	<u>-</u>	<u>134,410</u>
Total assets not being depreciated	<u>554,444</u>	<u>134,410</u>	<u>-</u>	<u>688,854</u>
Capital assets, being depreciated:				
Buildings and systems	31,070,746	2,660,770	-	33,731,516
Machinery and equipment	<u>1,700,774</u>	<u>239,531</u>	<u>-</u>	<u>1,940,305</u>
Total capital assets being depreciated	<u>32,771,520</u>	<u>2,900,301</u>	<u>-</u>	<u>35,671,821</u>
Less accumulated depreciation:				
Buildings and systems	(14,489,081)	(1,861,757)	-	(16,350,838)
Machinery and equipment	<u>(834,427)</u>	<u>(303,900)</u>	<u>-</u>	<u>(1,138,327)</u>
Total accumulated depreciation	<u>(15,323,508)</u>	<u>(2,165,657)</u>	<u>-</u>	<u>(17,489,165)</u>
Total capital assets being depreciated, net	<u>17,448,012</u>	<u>734,644</u>	<u>-</u>	<u>18,182,656</u>
Business-type activities capital assets, net	<u>\$ 18,002,456</u>	<u>\$ 869,054</u>	<u>\$ -</u>	<u>\$ 18,871,510</u>

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

Governmental activities:		
General government		\$ 120,960
Public safety		411,705
Community services, including depreciation of general infrastructure assets		1,037,566
Culture and recreation		<u>28,967</u>
Total depreciation expense - governmental activities		<u>\$ 1,599,198</u>
Business-type activities:		
Water, sewer and sanitation		\$ 2,094,138
Drainage		<u>71,519</u>
Total depreciation expense - business-type activities		<u>\$ 2,165,657</u>

Interfund Transfers

The following schedule briefly summarizes the City's transfer activity:

	Transfers In		
	General	Capital Projects	
Transfers out:			
General	\$ -	\$ 360,000	\$ 360,000
Water, sewer and sanitation	<u>540,000</u>	<u>-</u>	<u>540,000</u>
Total	<u>\$ 540,000</u>	<u>\$ 360,000</u>	<u>\$ 900,000</u>

The transfer to the General Fund in the amount of \$540,000 was an administrative transfer. The City shall recover from the enterprise operation an administrative fee. The fee shall be considered a payment for certain administrative functions (oversight management, accounting, human resource assistance, etc.). The City shall recover from the enterprise operation payments-in-lieu of taxes (i.e., if the operation was operated by someone other than the City, the City would receive property tax revenues) and franchise fees from the water operation and the wastewater operation.

The City issued \$3,850,000 in Certificates of Obligation, Series 2013, for a combined Police and Fire Department facility. In fiscal year 2014/2015, the General Fund transferred \$360,000 to cover additional expenses for completion of the facility which opened in November 2014.

Capital Leases

The City has acquired vehicles, heavy equipment, and mobile radio upgrades through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The gross amount of the assets recorded under the capital leases was \$2,715,000. Amortization of assets held under capital leases is included with depreciation expense.

The net present value of minimum lease payments as of September 30, 2015, was as follows:

<u>Year Ending</u> <u>September 30, 2013</u>	<u>Lease</u> <u>Obligation</u>
2016	\$ 443,391
2017	474,973
2018	328,457
2019	257,007
2020	260,125
2021-2023	<u>676,818</u>
Total	2,440,771
Less interest portion	<u>175,626</u>
Present value of minimum lease payments	<u>\$ 2,265,145</u>

Long-term Debt

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital assets, primarily street and utility improvements. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. Certificates of obligation issued by the City are cross-pledged by a commitment of ad valorem tax revenues and surplus net revenues of the city's combined Waterworks and Sewer system. General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the City.

Governmental activities debt currently outstanding is as follows:

General Obligation Bond

\$3,145,000 2009 General Obligation Refunding Bonds, due in annual installments of \$70,880 to \$600,000 through 2019, interest at 1.00% to 3.85%.	\$ 272,887
\$940,000 2012 General Obligation Refunding Bonds, due in annual installments of \$90,000 to \$115,000 through 2020, interest at 2.00% to 2.5%.	655,000
\$3,570,000 2013 General Obligation Refunding Bonds, due in annual installments of \$127,000 to \$302,100 through 2024, interest at 0.50% to 3.0%.	1,725,150

Combination Tax and Revenue Certificates of Obligation

\$2,200,000 2010 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$10,000 to \$280,000 through 2030, interest at 3.0% to 4.625%.	2,135,000
\$2,905,000 2012 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$90,000 to \$200,000 through 2032,	2,599,410
\$3,850,000 2013 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$120,000 to \$225,000 through 2038.	3,730,000
\$6,835,000 2014 Combination Tax and Limited Surplus Certificates of Obligation, due in annual installments of \$285,000 to \$470,000 through 2035, interest at 2 to 4%.	<u>6,835,000</u>
	<u>\$ 17,952,447</u>

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

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 861,060	\$ 543,219
2017	870,727	526,725
2018	897,580	508,336
2019	919,003	488,559
2020	935,309	467,837
2021-2025	4,858,109	1,987,864
2026-2030	4,840,181	1,234,664
2031-2035	3,115,478	413,132
2036-2038	<u>655,000</u>	<u>47,700</u>
Total	<u>\$ 17,952,447</u>	<u>\$ 6,218,036</u>

Business-type activities debt currently outstanding is as follows:

General Obligation Bond

\$3,145,000 2009 General Obligation Refunding Bonds, due in annual installments of \$70,880 to \$600,000 through 2019, interest at 1.00% to 3.85%.	\$ 112,112
\$3,570,000 2013 General Obligation Refunding Bonds, due in annual installments of \$127,000 to \$302,100 through 2024, interest at 0.50% to 3.0%.	1,529,850
\$5,555,000 2015 General Obligation Refunding Bonds, due in annual installments of \$90,000 to \$600,000 through 2032, interest at 2.0% to 4.0%.	5,465,000

Combination Tax and Revenue Certificates of Obligation

\$9,250,000 2007 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$235,000 to \$625,000 through 2032, interest at 3.75% to 5%.	2,080,000
\$7,775,000 2010 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$5,000 to \$1,170,000 through 2037, interest at 3.0% to 4.625%.	7,730,000
\$4,795,000 2012 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$145,000 to \$330,000 through 2032, interest at 1.5 to 3.0%.	<u>4,290,590</u>
	<u>\$ 21,207,552</u>

Note Payable

Note payable to City of Waco, Texas due in annual installments of \$5,350 to \$37,335 through 2024, interest at 3.65%	<u>\$ 67,240</u>
---	------------------

Annual debt service requirements to maturity of business-type activities debt are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 673,940	\$ 774,042
2017	699,273	752,776
2018	727,420	729,012
2019	750,997	707,952
2020	779,691	685,576
2021-2025	4,566,891	3,059,777
2026-2030	5,259,818	2,276,261
2031-2035	5,464,522	1,214,087
2036-2039	<u>2,285,000</u>	<u>158,400</u>
Total	<u>\$ 21,207,552</u>	<u>\$ 10,357,883</u>

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,939,029	\$ -	\$(285,992)	\$ 2,653,037	\$ 295,992
Combination tax and revenue certificates of obligation	15,575,705	-	(276,295)	15,299,410	565,068
Bond premiums	387,804	-	(22,363)	365,441	22,363
Leases payable	289,090	93,414	(145,353)	237,151	123,406
Compensated absences	308,979	380,037	(236,124)	452,892	113,223
TMRS net pension obligation	<u>116,863</u>	<u>2,614,368</u>	<u>(131,322)</u>	<u>2,599,909</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 19,617,470</u>	<u>\$ 3,087,819</u>	<u>\$(1,097,449)</u>	<u>\$ 21,607,840</u>	<u>\$ 1,120,052</u>
Business-type activities					
General obligation bond	\$ 1,780,966	\$ 5,555,000	\$(229,004)	\$ 7,106,962	\$ 139,008
Combination tax and certificates of obligation	20,189,295	-	(6,088,705)	14,100,590	534,932
Bond premiums	59,373	646,646	(3,195)	702,824	41,233
Note payable	73,369	-	(6,129)	67,240	6,350
Leases payable	2,172,616	151,586	(296,208)	2,027,994	275,903
Compensated absences	45,055	85,060	(68,833)	61,282	15,321
TMRS net pension obligation	<u>24,054</u>	<u>517,887</u>	<u>(55,228)</u>	<u>486,713</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 24,344,728</u>	<u>\$ 6,956,179</u>	<u>\$(6,747,302)</u>	<u>\$ 24,553,605</u>	<u>\$ 1,012,747</u>
Total primary government long-term liabilities	<u>\$ 43,962,198</u>	<u>\$ 10,043,998</u>	<u>\$(7,844,751)</u>	<u>\$ 46,161,445</u>	<u>\$ 2,132,799</u>

No direct debt limitation is imposed on the City under current state law or city charter. However, administratively, the Attorney General of the State of Texas will permit allocation of \$1.25 of the maximum tax rate per \$100 valuation for general obligation debt service. The City's current tax rate for debt service is \$.179631 per \$100 valuation.

For governmental activities, TMRS net pension obligation and compensated absences are, and were in prior years, generally liquidated by the General Fund.

Refunding Debt Issue

In May 2015, the City issued \$5,555,000 Series 2015 General Obligation Refunding Bonds to retire the callable portion of the outstanding debt for the Combination Tax & Revenue Certificates of Obligation Bonds, Series 2007. The proceeds were deposited directly into an escrow trust account and invested in obligations of the United States Government with maturities that coincide with the principal and interest due dates. The investments will be adequate to retire the full amount of the refunded bonds, what had a total face value of \$5,555,000. As a result the refunded portions of the bonds are considered to be defeased and the liabilities have been removed from the long-term liabilities of the City. The General Obligation Refunding Bonds, Series 2015 bear an interest rate of 2%-4%.

The purpose of the refunding was to lower the overall service requirements of the City. The refunding decreased the total debt service required by approximately \$493,703 and resulted in a current economic gain of \$379,909.

As of September 30, 2015, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Combination Tax & Revenue Certificates of Obligation Bonds, Series 2007	\$5,575,000
--	-------------

Restricted Assets

The balance of restricted asset accounts in the major Enterprise Fund as of September 30, 2015, includes interest and sinking accounts, unspent capital debt proceeds, and unspent debt proceeds related to the joint venture of \$1,334,912, \$576,837, and \$1,998,494, respectively.

Employee Pension and Retirement Programs

Plan Description. The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.org.

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

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

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

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

A summary of plan provisions for the City are as follows:

	<u>Plan Year 2015</u>
Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>81</u>
	<u>153</u>

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.93% and 15.44% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$590,017, and were equal to the required contributions.

Net Pension Liability. The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 13,760,604	\$ 11,034,947	\$ 2,725,657
Changes for the year:			
Service cost	562,384	-	562,384
Interest	968,575	-	968,575
Difference between expected and actual experience	289,232	-	289,232
Contributions - employer	-	567,026	(567,026)
Contributions - employee	-	268,007	(268,007)
Net investment income	-	631,326	(631,326)
Benefit payments, including refunds of employee contributions	(410,019)	(410,019)	-
Administrative expense	-	(6,591)	6,591
Other changes	-	(542)	542
Net changes	<u>1,410,172</u>	<u>1,049,207</u>	<u>360,965</u>
Balance at 12/31/2014	<u>\$ 15,170,776</u>	<u>\$ 12,084,154</u>	<u>\$ 3,086,622</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 5,630,309	\$ 3,086,622	\$ 1,046,073

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of \$581,864.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 233,231
Difference between projected and actual investment earnings	112,896
Contributions subsequent to the measurement date	<u>415,988</u>
Total	<u>\$ 762,115</u>

\$415,988 reported as deferred outflows of resources related to pension 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2016	\$ 84,225
2017	84,225
2018	84,225
2019	84,225
2020	<u>9,227</u>
	<u>\$ 346,127</u>

Subsequent event:

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

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's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. The City has various deductible amounts ranging from \$1,000 to \$10,000 on various policies. At year-end, the City did not have any significant claims.

Joint Venture

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint venture:

Waco Metropolitan Area Regional Sewer System

The City has entered into an interlocal agreement with six neighboring cities under which the cities participate in the operation of a regional sewer plant, Waco Metropolitan Area Regional Sewer System (WMARSS). The WMARSS board consists of the city managers from each of the seven participating cities. Each city is entitled to or responsible for a percentage of the net income/loss equal to the respective city's ownership percentage.

THIS PAGE LEFT BLANK INTENTIONALLY

**REQUIRED
SUPPLEMENTARY INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HEWITT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 3,767,776	\$ 3,767,776	\$ 3,812,874	\$ 45,098
Sales taxes	1,778,900	1,778,900	1,637,176	(141,724)
Franchise taxes	864,500	864,500	950,911	86,411
Other taxes	-	-	3,986	3,986
Intergovernmental	117,760	117,760	118,886	1,126
Licenses and permits	117,000	117,000	125,174	8,174
Fines and fees	245,500	245,500	203,453	(42,047)
Interest income	20,000	20,000	15,778	(4,222)
Miscellaneous	65,500	65,500	78,722	13,222
Total revenues	<u>6,976,936</u>	<u>6,976,936</u>	<u>6,946,960</u>	<u>(29,976)</u>
EXPENDITURES				
Current:				
General government	1,752,579	1,752,579	1,637,106	115,473
Public safety	3,414,517	3,414,517	3,436,693	(22,176)
Community services	585,921	585,921	575,559	10,362
Culture and recreation	459,133	459,133	469,662	(10,529)
Debt service	1,267,731	1,267,731	1,265,732	1,999
Capital outlay	32,600	32,600	118,431	(85,831)
Total expenditures	<u>7,512,481</u>	<u>7,512,481</u>	<u>7,503,183</u>	<u>9,298</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(535,545)</u>	<u>(535,545)</u>	<u>(556,223)</u>	<u>(20,678)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	540,000	540,000	540,000	-
Transfers out	-	-	(360,000)	(360,000)
Issuance of capital lease	-	-	93,414	93,414
Proceeds from sale of capital assets	-	-	530,538	530,538
Total other financing sources (uses)	<u>540,000</u>	<u>540,000</u>	<u>803,952</u>	<u>263,952</u>
NET CHANGE IN FUND BALANCES	4,455	4,455	247,729	243,274
FUND BALANCES, BEGINNING	<u>3,136,187</u>	<u>3,136,187</u>	<u>3,136,187</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 3,140,642</u>	<u>\$ 3,140,642</u>	<u>\$ 3,383,916</u>	<u>\$ 243,274</u>

CITY OF HEWITT, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgetary Information

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 each 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. 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 supplemental budgetary appropriations were made during the year.

Encumbrances are not used by the City.

The budget for the General Fund is adopted on the cash basis, which differs from generally accepted accounting principles (GAAP). 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, 2015, is presented below:

	<u>General Fund</u>
Net change in fund balance - budgetary basis	\$ 247,729
Adjustment to expenditures for payables and accruals	(3,121)
Adjustment to revenues for receivables	<u>21,418</u>
Net change in fund balance - GAAP basis	<u>\$ 266,026</u>

Expenditures over Appropriations

Expenditures exceeded appropriations in the General Fund in various functions. The following overruns were funded by reduced expenditures in other functions.

Public Safety	\$(22,176)
Debt service	(255,054)
Capital outlay	(95,331)

CITY OF HEWITT, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND REALTED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	<u>2014</u>
A. Total pension liability	
Service Cost	\$ 562,384
Interest (on the Total Pension Liability)	968,575
Difference between expected and actual experience	289,232
Benefit payments, including refunds of employee contributions	(410,019)
Net change in total pension liability	1,410,172
Total pension liability - beginning	<u>13,760,604</u>
Total pension liability - ending (a)	<u>\$ 15,170,776</u>
B. Plan fiduciary net position	
Contributions - Employer	\$ 567,026
Contributions - Employee	268,007
Net Investment Income	631,326
Benefit payments, including refunds of employee contributions	(410,019)
Administrative Expenses	(6,591)
Other	<u>(542)</u>
Net change in plan fiduciary net position	1,049,207
Plan fiduciary net position - beginning	<u>11,034,947</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,084,154</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 3,086,622</u>
D. Plan fiduciary net position as a percentage of total pension liability	79.65%
E. Covered employee payroll	\$ 3,828,666
F. Net position liability as a percentage of covered employee payroll	80.62%

CITY OF HEWITT, TEXAS
SCHUEDLE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	2014	2015
Actuarial determined contribution	\$ 534,722	\$ 590,017
Contributions in relation to the actuarially determined contribution	534,722	590,017
Contribution deficiency (excess)	-	-
Covered employee payroll	3,620,392	3,885,239
Contributions as a percentage of covered employee payroll	14.77%	15.19%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

This part of the City of Hewitt, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the 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.	52
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.	62
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.	67
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.	73
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.	77

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

CITY OF HEWITT, TEXAS

NET POSITION BY COMPONENT

LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

	Fiscal Year			
	2015	2014	2013	2012
Governmental activities:				
Net investment in capital assets	\$ 4,369,473	\$ 4,441,956	\$ 4,893,550	\$ 6,693,381
Restricted	328,064	369,988	93,099	165,415
Unrestricted	<u>39,608</u>	<u>2,579,352</u>	<u>3,925,149</u>	<u>2,624,993</u>
Total governmental activities net position	<u>\$ 4,737,145</u>	<u>\$ 7,391,296</u>	<u>\$ 8,911,798</u>	<u>\$ 9,483,789</u>
Business-type activities:				
Net investment in capital assets	\$ 5,907,012	\$ 6,368,778	\$ 7,773,669	\$ 9,590,462
Restricted	1,334,912	1,059,200	329,962	328,224
Unrestricted	<u>3,089,192</u>	<u>3,184,242</u>	<u>4,764,949</u>	<u>2,665,355</u>
Total business-type activities net position	<u>\$ 10,331,116</u>	<u>\$ 10,612,220</u>	<u>\$ 12,868,580</u>	<u>\$ 12,584,041</u>
Primary government:				
Net investment in capital assets	\$ 10,276,485	\$ 10,810,734	\$ 12,667,219	\$ 16,283,843
Restricted	1,662,976	1,429,188	423,061	493,639
Unrestricted	<u>3,128,800</u>	<u>5,763,594</u>	<u>8,690,098</u>	<u>5,290,348</u>
Total primary government net position	<u>\$ 15,068,261</u>	<u>\$ 18,003,516</u>	<u>\$ 21,780,378</u>	<u>\$ 22,067,830</u>

Note:

In fiscal year 2004, the City capitalized the net value of contributed streets.

TABLE 1

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 7,392,397	\$ 8,383,521	\$ 9,178,437	\$ 9,704,551	\$ 10,485,235	\$ 9,950,923
65,508	82,384	237,580	80,079	153,187	96,981
<u>3,259,829</u>	<u>2,764,394</u>	<u>3,030,628</u>	<u>3,095,962</u>	<u>2,347,132</u>	<u>2,519,411</u>
<u>\$ 10,717,734</u>	<u>\$ 11,230,299</u>	<u>\$ 12,446,645</u>	<u>\$ 12,880,592</u>	<u>\$ 12,985,554</u>	<u>\$ 12,567,315</u>
\$ 7,002,804	\$ 5,999,678	\$ 7,514,853	\$ 7,401,047	\$ 7,846,563	\$ 7,341,311
331,023	204,321	1,596,032	905,058	585,948	401,258
<u>4,687,473</u>	<u>4,902,809</u>	<u>1,486,034</u>	<u>3,081,643</u>	<u>2,218,835</u>	<u>2,520,795</u>
<u>\$ 12,021,300</u>	<u>\$ 11,106,808</u>	<u>\$ 10,596,919</u>	<u>\$ 11,387,748</u>	<u>\$ 10,651,346</u>	<u>\$ 10,263,364</u>
\$ 14,395,201	\$ 14,383,199	\$ 16,693,290	\$ 17,105,598	\$ 18,331,798	\$ 17,292,234
396,531	286,705	1,833,612	985,137	739,135	498,239
<u>7,947,302</u>	<u>7,667,203</u>	<u>4,516,662</u>	<u>6,177,605</u>	<u>4,565,967</u>	<u>5,040,206</u>
<u>\$ 22,739,034</u>	<u>\$ 22,337,107</u>	<u>\$ 23,043,564</u>	<u>\$ 24,268,340</u>	<u>\$ 23,636,900</u>	<u>\$ 22,830,679</u>

CITY OF HEWITT, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	Fiscal Year			
	2015	2014	2013	2012
EXPENSES				
Governmental activities:				
General government	\$ 1,896,745	\$ 1,969,178	\$ 1,708,816	\$ 1,443,937
Public safety	3,952,175	3,742,199	3,107,076	3,160,264
Community services	1,624,610	1,741,523	1,880,288	2,101,503
Culture and recreation	506,422	404,841	341,177	433,298
Interest on long-term debt	571,195	660,201	371,948	399,547
Total governmental activities expenses	<u>8,551,147</u>	<u>8,517,942</u>	<u>7,409,305</u>	<u>7,538,549</u>
Business-type activities:				
Water, sewer and sanitation	7,756,274	8,379,809	6,932,024	6,435,308
Total business-type activities expenses	<u>7,756,274</u>	<u>8,379,809</u>	<u>6,932,024</u>	<u>6,435,308</u>
Total primary government program expenses	<u>\$ 16,307,421</u>	<u>\$ 16,897,751</u>	<u>\$ 14,341,329</u>	<u>\$ 13,973,857</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 111,019	\$ 74,417	\$ 100,132	\$ 88,650
Public safety	208,422	261,107	243,958	230,989
Community services	440	16,392	12,890	8,529
Culture and recreation	25,928	24,092	21,876	16,918
Operating grants and contributions	6,626	15,957	20,050	7,182
Capital grants and contributions	112,760	85,288	143,763	418
Total governmental activities program revenues	<u>465,195</u>	<u>477,253</u>	<u>542,669</u>	<u>352,686</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	7,915,845	7,495,960	7,669,104	7,226,000
Capital grants and contributions	401,650	-	-	-
Total business-type activities program revenues	<u>8,317,495</u>	<u>7,495,960</u>	<u>7,669,104</u>	<u>7,226,000</u>
Total primary government program revenues	<u>\$ 8,782,690</u>	<u>\$ 7,973,213</u>	<u>\$ 8,211,773</u>	<u>\$ 7,578,686</u>

TABLE 2

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 1,264,086	\$ 1,285,167	\$ 1,101,267	\$ 1,016,854	\$ 946,782	\$ 931,073
2,955,003	2,856,677	2,515,208	2,350,896	2,070,821	1,927,234
1,999,035	1,975,016	2,171,574	2,098,340	2,011,935	1,789,851
351,483	250,106	206,122	176,075	200,595	180,971
339,624	275,255	219,793	274,627	317,928	333,473
<u>6,909,231</u>	<u>6,642,221</u>	<u>6,213,964</u>	<u>5,916,792</u>	<u>5,548,061</u>	<u>5,162,602</u>
5,816,198	5,500,256	5,296,090	4,664,471	4,054,546	3,878,643
<u>5,816,198</u>	<u>5,500,256</u>	<u>5,296,090</u>	<u>4,664,471</u>	<u>4,054,546</u>	<u>3,878,643</u>
<u>\$ 12,725,429</u>	<u>\$ 12,142,477</u>	<u>\$ 11,510,054</u>	<u>\$ 10,581,263</u>	<u>\$ 9,602,607</u>	<u>\$ 9,041,245</u>
\$ 167,107	\$ 96,960	\$ 145,679	\$ 107,881	\$ 130,537	\$ 194,316
331,424	244,213	228,611	321,240	334,925	332,861
12,491	14,081	11,197	21,456	20,603	15,265
18,128	17,155	9,685	9,829	62,086	8,437
18,471	13,530	-	-	-	26,866
51,787	162,660	-	19,135	269,662	823,288
<u>599,408</u>	<u>548,599</u>	<u>395,172</u>	<u>479,541</u>	<u>817,813</u>	<u>1,401,033</u>
7,192,890	5,748,201	5,261,503	5,479,315	4,397,717	4,779,052
-	137,097	-	-	221,500	596,076
<u>7,192,890</u>	<u>5,885,298</u>	<u>5,261,503</u>	<u>5,479,315</u>	<u>4,619,217</u>	<u>5,375,128</u>
<u>\$ 7,792,298</u>	<u>\$ 6,433,897</u>	<u>\$ 5,656,675</u>	<u>\$ 5,958,856</u>	<u>\$ 5,437,030</u>	<u>\$ 6,776,161</u>

CITY OF HEWITT, TEXAS

CHANGES IN NET POSITION (Continued) LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal Year			
	2015	2014	2013	2012
NET (EXPENSE) REVENUES				
Governmental activities	\$(8,085,952)	\$(8,040,689)	\$(6,866,636)	\$(7,185,863)
Business-type activities	<u>561,221</u>	<u>(883,849)</u>	<u>737,080</u>	<u>790,692</u>
Total primary government net expense	<u>(7,524,731)</u>	<u>(8,924,538)</u>	<u>(6,129,556)</u>	<u>(6,395,171)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property	3,812,874	3,601,567	3,290,396	3,159,205
Sales	1,652,368	1,569,610	1,383,057	1,332,144
Franchise	1,094,525	924,088	969,600	919,868
Other	3,986	-	-	-
Investment earnings	38,908	32,873	55,926	21,658
Gain on sale of capital assets	66,631	10,442	24,348	21,757
Miscellaneous	61,948	101,452	71,318	66,282
Transfers	<u>540,000</u>	<u>540,000</u>	<u>500,000</u>	<u>295,000</u>
Total governmental activities	<u>7,271,240</u>	<u>6,780,032</u>	<u>6,294,645</u>	<u>5,815,914</u>
Business-type activities:				
Investment earnings	31,321	35,306	47,459	27,524
Gain on sale of capital assets	6,500	46,000	-	39,525
Transfers	<u>(540,000)</u>	<u>(540,000)</u>	<u>(500,000)</u>	<u>(295,000)</u>
Total business-type activities	<u>(502,179)</u>	<u>(458,694)</u>	<u>(452,541)</u>	<u>(227,951)</u>
Total primary government	<u>6,769,061</u>	<u>6,321,338</u>	<u>5,842,104</u>	<u>5,335,058</u>
CHANGE IN NET POSITION				
Governmental activities	(814,712)	(1,260,657)	(571,991)	(1,369,949)
Business-type activities	<u>59,042</u>	<u>(1,342,543)</u>	<u>284,539</u>	<u>562,741</u>
Total primary government	<u>\$(755,670)</u>	<u>\$(2,603,200)</u>	<u>\$(287,452)</u>	<u>\$(807,208)</u>

TABLE 2
(continued)

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$(6,309,823)	\$(6,093,622)	\$(5,818,792)	\$(5,437,251)	\$(4,730,248)	\$(3,761,569)
<u>1,376,692</u>	<u>385,042</u>	<u>(34,587)</u>	<u>814,844</u>	<u>564,671</u>	<u>1,496,485</u>
<u>(4,933,131)</u>	<u>(5,708,580)</u>	<u>(5,853,379)</u>	<u>(4,622,407)</u>	<u>(4,165,577)</u>	<u>(2,265,084)</u>
3,033,890	2,911,603	2,815,935	2,625,714	2,470,783	2,270,107
1,240,854	1,156,510	1,236,624	1,331,737	1,255,126	1,132,771
927,584	866,250	817,159	706,224	695,826	636,992
-	-	-	-	-	-
20,469	16,319	30,985	170,489	210,483	200,649
19,000	-	-	13,983	2,127	6,851
-	-	-	-	-	-
<u>555,461</u>	<u>(73,406)</u>	<u>484,142</u>	<u>484,142</u>	<u>514,142</u>	<u>514,142</u>
<u>5,797,258</u>	<u>4,877,276</u>	<u>5,384,845</u>	<u>5,332,289</u>	<u>5,148,487</u>	<u>4,761,512</u>
61,561	51,441	107,140	405,700	337,453	157,039
31,700	-	-	-	-	-
<u>(555,461)</u>	<u>73,406</u>	<u>(484,142)</u>	<u>(484,142)</u>	<u>(514,142)</u>	<u>(514,142)</u>
<u>(462,200)</u>	<u>124,847</u>	<u>(377,002)</u>	<u>(78,442)</u>	<u>(176,689)</u>	<u>(357,103)</u>
<u>5,335,058</u>	<u>5,002,123</u>	<u>5,007,843</u>	<u>5,253,847</u>	<u>4,971,798</u>	<u>4,404,409</u>
(512,565)	(1,216,346)	(433,947)	(104,962)	418,239	999,943
<u>914,492</u>	<u>509,889</u>	<u>(411,589)</u>	<u>736,402</u>	<u>387,982</u>	<u>1,139,382</u>
<u>\$ 401,927</u>	<u>\$(706,457)</u>	<u>\$(845,536)</u>	<u>\$ 631,440</u>	<u>\$ 806,221</u>	<u>\$ 2,139,325</u>

CITY OF HEWITT, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Restricted	228,713	290,467	10,778	200,418
Unassigned	<u>3,173,500</u>	<u>2,845,720</u>	<u>3,138,238</u>	<u>2,705,887</u>
Total general fund	<u>\$ 3,402,213</u>	<u>\$ 3,136,187</u>	<u>\$ 3,149,016</u>	<u>\$ 2,906,305</u>
All other governmental funds				
Restricted	\$ 4,699,139	\$ 8,174,017	\$ 5,352,129	\$ 3,521,907
Assigned	-	-	-	-
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 4,699,139</u>	<u>\$ 8,174,017</u>	<u>\$ 5,352,129</u>	<u>\$ 3,521,907</u>
Total governmental funds	<u>\$ 8,101,352</u>	<u>\$ 11,310,204</u>	<u>\$ 8,501,145</u>	<u>\$ 6,428,212</u>

TABLE 3

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ -	\$ 82,384	\$ 103,718	\$ 80,079	\$ 153,187	\$ 96,981
-	2,677,953	2,468,950	3,000,689	2,449,879	2,521,850
65,508	-	-	-	-	-
<u>3,359,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,425,000</u>	<u>\$ 2,760,337</u>	<u>\$ 2,572,668</u>	<u>\$ 3,080,768</u>	<u>\$ 2,603,066</u>	<u>\$ 2,618,831</u>
\$ 96,107	\$ -	\$ -	\$ -	\$ -	\$ -
551,883	-	-	-	-	-
-	-	133,862	-	-	133,862
-	122,182	146,573	112,488	-	-
<u>-</u>	<u>2,334,721</u>	<u>540,528</u>	<u>161,012</u>	<u>1,008,430</u>	<u>1,755,114</u>
<u>\$ 647,990</u>	<u>\$ 2,456,903</u>	<u>\$ 820,963</u>	<u>\$ 273,500</u>	<u>\$ 1,008,430</u>	<u>\$ 1,888,976</u>
<u>\$ 4,072,990</u>	<u>\$ 5,217,240</u>	<u>\$ 3,393,631</u>	<u>\$ 3,354,268</u>	<u>\$ 3,611,496</u>	<u>\$ 4,507,807</u>

CITY OF HEWITT, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2015	2014	2013	2012
REVENUES				
Property taxes	\$ 3,812,874	\$ 3,601,567	\$ 3,275,561	\$ 3,159,205
Sales taxes	1,652,368	1,569,610	1,383,057	1,332,144
Franchise taxes	957,137	800,259	851,847	833,768
Other taxes	141,374	123,829	117,753	86,100
Intergovernmental	118,886	120,924	35,897	7,600
Licenses and permits	125,174	103,814	123,718	104,389
Fines	203,453	256,264	234,566	222,213
Interest income	38,908	32,874	55,927	21,658
Miscellaneous	<u>78,722</u>	<u>118,931</u>	<u>92,807</u>	<u>79,563</u>
Total revenues	<u>7,128,896</u>	<u>6,728,072</u>	<u>6,171,133</u>	<u>5,846,640</u>
EXPENDITURES				
General government	1,743,826	1,919,474	1,620,486	1,393,832
Public safety	3,447,235	3,223,550	2,812,379	2,806,798
Community services	578,507	549,396	560,497	758,939
Culture and recreation	470,439	382,270	310,606	413,640
Capital outlay	3,995,961	4,351,462	2,167,745	663,483
Debt service:				
Principal	707,640	715,951	653,491	1,622,187
Interest and fees	558,092	521,371	470,269	371,595
Advance refunding escrow	-	11,678	-	-
Total expenditures	<u>11,501,700</u>	<u>11,675,152</u>	<u>8,595,473</u>	<u>8,030,474</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,372,804)</u>	<u>(4,947,080)</u>	<u>(2,424,340)</u>	<u>(2,183,834)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	900,000	540,000	559,772	695,000
Transfers out	(360,000)	-	(59,772)	(400,000)
Debt issued	-	8,727,100	3,850,000	3,845,000
Premium on debt issued	-	192,923	119,993	78,980
Payment to refunded bond escrow agent	-	(1,866,072)	-	-
Capital lease	93,414	151,746	-	160,615
Sale of capital assets	<u>530,538</u>	<u>10,442</u>	<u>27,280</u>	<u>23,457</u>
Total other financing sources (uses)	<u>1,163,952</u>	<u>7,756,139</u>	<u>4,497,273</u>	<u>4,403,052</u>
NET CHANGE IN FUND BALANCES	<u>\$(3,208,852)</u>	<u>\$ 2,809,059</u>	<u>\$ 2,072,933</u>	<u>\$ 2,219,218</u>
DEBT SERVICE AS A PERCENT OF NONCAPITAL EXPENDITURES	<u>16.9%</u>	<u>16.6%</u>	<u>17.8%</u>	<u>26.7%</u>

Note:

Capital outlay includes the use of bond proceeds for capital projects and the expense for items that do not meet the capitalization threshold.

TABLE 4

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 3,035,936	\$ 2,907,626	\$ 2,805,550	\$ 2,621,780	\$ 2,461,711	\$ 2,268,715
1,240,854	1,156,510	1,236,624	1,331,737	1,255,126	1,132,771
871,770	808,850	753,994	706,224	695,826	636,992
55,814	57,400	-	-	-	-
70,258	176,190	-	-	-	26,866
135,512	89,107	58,754	75,980	76,793	112,735
265,864	197,822	228,611	260,806	280,098	305,774
20,469	16,319	30,985	170,489	210,483	200,649
128,997	75,340	170,742	120,691	191,260	132,370
<u>5,825,474</u>	<u>5,485,164</u>	<u>5,285,260</u>	<u>5,287,707</u>	<u>5,171,297</u>	<u>4,816,872</u>
1,409,882	1,202,542	1,098,075	962,562	900,246	884,462
3,049,396	2,878,044	2,395,889	2,351,412	1,988,056	2,135,364
645,017	673,763	813,889	1,010,811	576,505	657,670
332,898	217,047	199,979	180,573	189,076	164,010
1,632,759	235,613	167,938	869,488	1,898,732	416,904
558,502	711,368	790,345	709,270	714,504	720,190
308,153	244,172	345,047	280,944	316,758	338,922
-	-	-	-	-	-
<u>7,936,607</u>	<u>6,162,549</u>	<u>5,811,162</u>	<u>6,365,060</u>	<u>6,583,877</u>	<u>5,317,522</u>
(2,111,133)	(677,385)	(525,902)	(1,077,353)	(1,412,580)	(500,650)
-	675,000	1,238,837	565,837	1,562,837	514,142
555,461	(376,852)	(754,695)	(81,695)	(1,048,695)	-
-	2,200,000	2,539,304	-	-	-
-	2,846	20,009	-	-	-
-	-	(2,478,190)	-	-	-
390,722	-	-	322,000	-	239,722
20,700	-	-	13,983	2,127	6,851
<u>966,883</u>	<u>2,500,994</u>	<u>565,265</u>	<u>820,125</u>	<u>516,269</u>	<u>760,715</u>
<u>\$ (1,144,250)</u>	<u>\$ 1,823,609</u>	<u>\$ 39,363</u>	<u>\$ (257,228)</u>	<u>\$ (896,311)</u>	<u>\$ 260,065</u>
<u>15.4%</u>	<u>17.2%</u>	<u>16.0%</u>	<u>16.2%</u>	<u>32.5%</u>	<u>33.7%</u>

TABLE 5

CITY OF HEWITT, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

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	Estimated Actual Taxable Value	Assessed Value as Percentage of Actual Value
2006	\$ 513,916	\$ 44,932	\$ 90,415	\$ 468,433	0.484200	\$ 558,848	83.8%
2007	562,363	46,795	98,174	510,984	0.484200	609,158	83.9%
2008	599,035	49,963	105,667	543,331	0.484200	648,998	83.7%
2009	648,818	53,736	116,449	586,105	0.484200	702,554	83.4%
2010	676,374	51,180	126,614	600,940	0.484200	727,554	82.6%
2011	689,989	46,514	139,132	597,371	0.499828	736,503	81.1%
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%

Source: McLennan County Appraisal District

CITY OF HEWITT, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

(rate per \$1,000 of assessed value)

LAST TEN FISCAL YEARS

Fiscal Year Ending	City of Hewitt Direct Rates			Overlapping Rates			
	Basic Operating Rate	General Obligation Debt Service	Total Direct Rate	Midway Independent School District	Lorena Independent School District	McLennan County	McLennan County Junior College District
2006	0.273672	0.210528	0.484200	1.50650	1.700000	0.459900	0.121076
2007	0.275449	0.208751	0.484200	1.50650	1.581534	0.451900	0.120362
2008	0.289990	0.194210	0.484200	1.29000	1.248406	0.465200	0.153002
2009	0.295606	0.188594	0.484200	1.32000	1.247370	0.464700	0.151134
2010	0.327575	0.156625	0.484200	1.32000	1.247450	0.464700	0.156332
2011	0.360057	0.139771	0.499828	1.32000	1.270000	0.464300	0.156306
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

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.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

TABLE 7

CITY OF HEWITT, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND TEN YEARS AGO

(Amounts expressed in thousands)

Taxpayer	2015			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Clark, Richard S.	\$ 9,216	1	1.3%	\$ -		- %
MREIC Waco TX, LLC	8,730	2	1.2%	-		- %
Hewitt A L LLC/Senior Living Center	8,295	3	1.2%	-		- %
Schultz Industries Inc	5,352	4	0.8%	-		- %
Hewitt Real Estate Investments	5,300	5	0.8%	3,323	6	0.8%
BRD Management Inc	5,277	6	0.7%	3,495	5	0.8%
Goyne Brookside LLC	5,009	7	0.7%	-		- %
Midway Townhomes Ltd	4,665	8	0.7%	3,541	4	0.8%
Oncor Electric Delivery, Inc.	4,554	9	0.6%	4,297	2	1.0%
Late Model Restoration Supply Inc	3,798	10	0.5%	-		- %
Davis Iron Works	-		- %	4,670	1	1.1%
Davis Iron Works	-		- %	4,060	3	0.9%
Southwestern Bell Telephone Co.	-		- %	3,082	7	0.7%
Davis Iron Works Operations	-		- %	2,745	8	0.6%
Hoppenstein Properties	-		- %	2,298	9	0.5%
Eleven Fourteen Corp	-		- %	2,186	10	0.5%
Total	\$ 60,196		8.5%	\$ 33,697		7.9%

Source: McLennan County Appraisal District

CITY OF HEWITT, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

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
2006	2005	\$ 2,256,955	\$ 2,231,047	98.85%	\$ 22,080	\$ 2,253,127	99.83%
2007	2006	2,458,798	2,430,129	98.83%	25,572	2,455,701	99.87%
2008	2007	2,620,292	2,591,335	98.89%	25,264	2,616,599	99.86%
2009	2008	2,840,575	2,787,992	98.15%	47,276	2,835,268	99.81%
2010	2009	2,912,627	2,880,743	98.91%	24,745	2,905,488	99.75%
2011	2010	2,989,574	2,941,968	98.41%	38,760	2,980,728	99.70%
2012	2011	3,140,372	3,106,958	98.94%	23,605	3,130,563	99.69%
2013	2012	3,266,084	3,235,168	99.05%	22,840	3,258,008	99.75%
2014	2013	3,530,134	3,482,954	98.66%	35,908	3,518,862	99.68%
2015	2014	3,792,860	3,765,445	99.28%	-	3,765,445	99.28%

Source: McLennan County Tax Assessor

TABLE 8a

CITY OF HEWITT, TEXAS
PRINCIPAL WATER CUSTOMERS
SEPTEMBER 30, 2015

<u>Principal Water Customers</u>	<u>Average Monthly Consumption (gallons)</u>	<u>Average Monthly Bill (\$)</u>
City of Waco	2,176,908	\$ 4,084
Midway Independent School District	981,342	7,041
Finish Line Car Care	506,817	2,661
Four Seasons Apartments	493,292	4,540
Senior Care Center	387,625	2,046
Stoney Brook Center	163,642	1,178
National Bank	155,150	945
Genie Car Wash	152,000	929
Ramada Inn	136,267	719
Sleep Inn	123,542	1,114
Midway Little League	115,925	749
Royalton Village	112,367	751
Four Seasons Apartments	93,250	950
Lane Construction/Midway Indoor	83,725	886
Brazos River Properties	79,767	455
	<u>5,761,619</u>	<u>\$ 29,048</u>

WATER RATES

(Based on Monthly Billing)

<u>Existing Rates</u> <u>Effective October 1, 2015</u>	
<u>Residential, Commercial and Builder's Water Rates</u>	<u>Inside City</u>
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
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	Deferred Loss on Refunding	Bond Premiums	Capital Leases	Notes Payable	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Deferred Loss on Refunding	Bond Premiums	Notes Payable	Capital Leases	Deferred Gain on Refunding			
2006	\$ 1,670	\$ 5,030	\$ -	\$ -	\$ 122	\$ 218	\$ 235	\$ -	\$ 2,940	\$ -	\$ -	\$ 175	\$ -	\$ -	\$ 10,390	17.49%	809
2007	1,280	4,780	-	-	62	203	224	-	12,140	-	-	156	-	-	18,845	31.72%	1,455
2008	915	4,515	-	-	322	186	213	-	12,085	-	-	138	-	-	18,374	30.93%	1,413
2009	1,939	3,235	-	-	215	167	201	606	11,150	-	-	117	-	-	17,630	29.68%	1,356
2010	1,474	5,312	-	-	111	148	-	606	10,803	-	-	96	-	-	18,550	31.22%	1,427
2011	1,173	5,184	-	-	390	128	-	482	18,281	-	-	91	182	-	25,911	43.61%	1,993
2012	1,794	7,016	-	-	451	-	-	351	22,769	-	-	85	2,186	-	34,652	50.35%	2,517
2013	1,449	10,713	230	206	296	-	-	246	22,302	-	62	79	1,997	-	37,580	54.07%	2,711
2014	2,939	15,576	-	355	289	-	-	1,781	20,189	-	59	73	2,173	-	43,434	62.49%	3,091
2015	2,653	15,299	170	365	237	-	-	7,107	14,101	554	703	67	2,028	108	43,392	60.82%	3,026

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

CITY OF HEWITT, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(Amounts expressed in thousands)

Fiscal Year	General Bonded Debt Outstanding					Total Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Deferred Loss on Refunding	Bond Premiums						
2006	\$ 1,670	\$ 5,030	\$ -	\$ -	\$ 6,700	\$ 97	\$ 6,603	1.3%	514	
2007	1,280	4,780	-	-	6,060	153	5,907	1.1%	456	
2008	915	4,515	-	-	5,430	80	5,350	0.9%	413	
2009	1,939	3,235	-	-	5,174	104	5,070	0.8%	390	
2010	1,474	5,312	-	-	6,786	82	6,704	0.9%	516	
2011	1,173	5,184	-	-	6,357	66	6,291	1.1%	464	
2012	1,794	7,016	-	-	8,810	200	8,610	1.4%	625	
2013	1,449	10,713	230	206	12,598	162	12,436	2.0%	897	
2014	2,939	15,576	-	355	18,870	258	18,612	2.8%	1,324	
2015	2,653	15,299	170	365	18,487	256	18,231	2.6%	1,271	

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HEWITT, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2015

Government Unit	Debt Outstanding	As of	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (in 000s)
Debt repaid with property taxes				
Lorena Independent School District	\$ 31,039,772	8/31/15	0.12%	\$ 37
Midway Independent School District	107,394,239	8/31/15	17.35%	18,633
McLennan County	12,860,000	1/31/16	4.66%	599
McLennan County Community College	64,631,238	2/28/15	4.66%	<u>3,012</u>
Subtotal overlapping debt				22,281
Other debt				
City of Hewitt, Texas		9/30/2015		<u>17,952</u>
Total direct and overlapping debt				<u>\$ 40,233</u>
Total direct and overlapping debt % of A.V.			5.70%	
Total direct and overlapping debt \$ of Capita			\$ 2.81	

Source: Municipal Advisory Council of Texas

CITY OF HEWITT, TEXAS
LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS
(Taxable Assessed Value in Thousands)

	Fiscal Year			
	2015	2014	2013	2012
Total Assessed Value	\$ <u>706,087</u>	\$ <u>657,795</u>	\$ <u>635,606</u>	\$ <u>610,866</u>
Statutory tax levy limit for general obligation debt service	\$ 8,826,088	\$ 8,222,442	\$ 7,945,075	\$ 7,635,825
Current year general obligation debt service requirements	<u>435,000</u>	<u>1,090,523</u>	<u>1,003,388</u>	<u>953,933</u>
Excess of statutory limit for debt service over current requirements	\$ <u>8,391,088</u>	\$ <u>7,131,919</u>	\$ <u>6,941,687</u>	\$ <u>6,681,892</u>
Current requirements as a % of statutory limit	04.93%	13.26%	12.63%	12.49%

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					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ <u>597,371</u>	\$ <u>600,940</u>	\$ <u>586,105</u>	\$ <u>543,331</u>	\$ <u>510,984</u>	\$ <u>468,433</u>
\$ 7,467,138	\$ 7,511,750	\$ 7,326,313	\$ 6,791,638	\$ 6,387,300	\$ 5,855,413
<u>831,882</u>	<u>937,784</u>	<u>1,135,392</u>	<u>990,214</u>	<u>1,031,262</u>	<u>1,059,112</u>
\$ <u>6,635,256</u>	\$ <u>6,573,966</u>	\$ <u>6,190,921</u>	\$ <u>5,801,424</u>	\$ <u>5,356,038</u>	\$ <u>4,796,301</u>
11.14%	12.48%	15.50%	14.58%	16.15%	18.09%

CITY OF HEWITT, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Water/Sewer Revenue Bonds and Certificates of Obligation						Coverage
	Utility	Less:	Net	Debt Service			
	Operating Revenue (1)	Operating Expenses (2)	Available Revenue	Principal	Interest	Total	
2006	\$ 4,936,091	\$ 3,084,853	\$ 1,851,238	\$ 60,000	\$ 156,403	\$ 216,403	8.55
2007	4,735,170	3,003,004	1,732,166	61,000	77,208	138,208	12.53
2008	5,319,343	2,769,082	2,550,261	66,000	482,566	548,566	4.65
2009	5,261,503	4,022,370	1,239,133	72,000	477,963	549,963	2.25
2010	5,581,356	4,476,564	1,104,792	548,000	461,771	1,009,771	1.09
2011	6,944,000	4,880,191	2,063,809	420,760	873,410	1,294,170	1.59
2012	6,977,789	5,541,587	1,436,202	438,040	799,179	1,237,219	1.16
2013	7,401,698	5,546,739	1,854,959	573,173	912,798	1,485,971	1.25
2014	7,239,315	7,011,251	228,064	655,699	840,115	1,495,814	0.15
2015	8,018,063	6,408,533	1,609,530	742,713	754,362	1,497,075	1.08

Notes: (1) Total revenue including interest

(2) Total Operating expenses less depreciation

CITY OF HEWITT, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (dollars in thousands) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
2006	12,850	\$ 59,409	\$ 4,623	4.40%
2007	12,950	59,409	4,588	4.30%
2008	12,950	59,409	28,471	4.80%
2009	13,000	59,409	28,471	7.80%
2010	13,000	59,409	28,471	8.20%
2011	13,549	66,126	28,471	8.00%
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%

Source: (1) U. S. Census: www.quickfacts.census.gov

(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

CITY OF HEWITT, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND PRIOR YEARS

Employer	2015		2014	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,056	12.14%	1,364	15.68%
EMSI	300	3.45%	300	3.45%
Davis Iron Works	56	0.64%	56	0.64%
Sturdisteel	90	1.03%	90	1.03%
City of Hewitt	93	1.07%	93	1.07%
Midway Transportation	36	0.41%	36	0.41%
Merry Maids	20	0.23%	20	0.23%
United Super IGA	30	0.34%	30	0.34%
Scott & White Clinic	17	0.20%	17	0.20%
Alliance Distributing	16	0.18%	16	0.18%
Senior Care Center	129	1.48%	120	1.38%
Sleep Inn	15	0.17%	15	0.17%
Ramada Inn	12	0.14%	12	0.14%
Central TX Dental Care	23	0.26%	23	0.26%
Total	<u>1,893</u>	<u>21.76%</u>	<u>2,192</u>	<u>25.20%</u>

Employer	2010		2009	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,110	12.91%	1,036	12.05%
EMSI	300	3.49%	300	3.49%
Davis Iron Works	93	1.08%	103	1.20%
Sturdisteel	95	1.10%	102	1.19%
City of Hewitt	86	1.00%	86	1.00%
Midway Transportation	33	0.38%	30	0.35%
Merry Maids	24	0.28%	23	0.27%
United Super IGA	29	0.34%	35	0.41%
Scott & White Clinic	15	0.17%	15	0.17%
Alliance Distributing	15	0.17%	16	0.19%
Senior Care Center	60	0.70%		
Sleep Inn	17	0.20%	17	0.20%
Total	<u>1,877</u>	<u>21.82%</u>	<u>1,763</u>	<u>20.52%</u>

Source: City of Hewitt staff.

Note: Similar information for the prior year was not readily available.

TABLE 15

2013		2012		2011	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,337	15.37%	1,023	11.90%	1,027	11.94%
300	3.45%	320	3.72%	315	3.66%
50	0.57%	57	0.66%	73	0.85%
98	1.13%	100	1.16%	100	1.16%
90	1.03%	87	1.01%	86	1.00%
34	0.39%	31	0.36%	30	0.35%
23	0.26%	22	0.26%	21	0.24%
32	0.37%	30	0.35%	29	0.34%
19	0.22%	19	0.22%	8	0.09%
15	0.17%	15	0.17%	15	0.17%
110	1.26%	60	0.70%	60	0.70%
15	0.17%	17	0.20%	17	0.20%
-	- %	-	- %	-	- %
-	- %	-	- %	-	- %
<u>2,123</u>	<u>24.40%</u>	<u>1,781</u>	<u>20.71%</u>	<u>1,781</u>	<u>20.70%</u>

2008		2007		2006	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
962	11.88%	889	12.52%	792	11.15%
273	3.37%	325	4.58%	325	4.58%
137	1.69%	130	1.83%	130	1.83%
108	1.33%	110	1.55%	110	1.55%
81	1.00%	71	1.00%	71	1.00%
36	0.44%	30	0.42%	30	0.42%
18	0.22%	30	0.42%	29	0.41%
29	0.36%	34	0.48%	20	0.28%
15	0.19%	20	0.28%	20	0.28%
20	0.25%	20	0.28%	20	0.28%
<u>17</u>	<u>0.21%</u>	<u>17</u>	<u>0.24%</u>	<u>17</u>	<u>0.24%</u>
<u>1,696</u>	<u>20.94%</u>	<u>1,676</u>	<u>23.60%</u>	<u>1,564</u>	<u>22.02%</u>

TABLE 16

CITY OF HEWITT, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fulltime Equivalent Employees as of June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government and administration	18.50	13.75	13	13	13	13.5	13.5	13.5	13	13
Public safety	51.5	48.5	45.5	44	44	44	44	41	35	35
Community services	8	11	11	12	12	12	12	12	9	9
Culture and recreation	9	6	5	5	4	3.5	3.5	3.5	3.5	3
Water, sewer and sanitation	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13.5</u>	<u>13.5</u>	<u>11.5</u>	<u>11</u>	<u>11</u>
Total	<u>100.00</u>	<u>92.25</u>	<u>87.50</u>	<u>87.00</u>	<u>86.00</u>	<u>86.50</u>	<u>86.50</u>	<u>81.50</u>	<u>71.50</u>	<u>71.00</u>

Source: City Staff. Full-time Equivalent Employees as of September 30th

TABLE 17

CITY OF HEWITT, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Fire protection:										
Number of fulltime employees	16	15	14	14	14	1	14	10	5	5
Number of volunteers		-	-	3	3	4	5	8	14	15
Number of emergency responses	907	777	804	650	609	548	533	448	502	530
Police protection:										
Number of sworn personnel	23	23	21	21	22	22	22	22	22	22
Number of citations issued	1,542	2,472	2,280	2,145	2,753	2,691	3,720	4,958	5,383	6,201
Cultural and recreation										
Libraries:										
Number of patrons using the library	200,000	200,000	190,000	182,577	152,536	142,775	53,000	49,846	49,846	44,763
Circulation	279,840	264,000	250,000	240,408	195,374	178,965	90,000	73,625	83,550	72,304
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	5,524	5,462	5,434	5,916	5,871	5,850	5,803	5,813	5,754	5,670
Average daily consumption (thousands of gallons)	1,332	1,776	1,679	1,974	1,958	1,542	1,817	1,812	1,552	1,952
Number of sewer connections	5,456	5,398	5,228	5,243	5,217	5,209	5,173	5,172	5,113	5,032
Average daily sewage treatment (thousands of gallons)	1,226	1,334	1,575	1,608	1,698	1,352	1,570	1,574	1,350	1,677

Source: Quarterly Reports, City Staff

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

TABLE 18

CITY OF HEWITT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Number of fire stations	1	2	2	2	2	2	2	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
Other public works										
City acres	4,392	4,392	4,392	4,392	4,392	4,392	4,392	4,392	4,392	4,392
Streets (miles)	68	68	68	67	67	67	67	67	67	67
Cultural and recreation										
Libraries:										
Number of public libraries	1	1	1	1	1	1	1	1	1	1
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										
Water mains (miles)	124	124	124	123	123	121	121	121	121	119
Water storage capacity (thousands of gallons)	7,450	6,943	6,943	6,943	6,943	4,478	4,478	4,478	4,478	4,478
Sanitary sewers (miles)	72	72	72	71	71	67	67	67	67	67
Sewer capacity (thousands of gallons)	3	3	3	3	3	2	2	2	2	2

Source: Various City departments

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Hewitt, Texas' basic financial statements, and have issued our report thereon dated March 16, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Patillo, Brown & Hill, L.L.P.

Waco, Texas
March 16, 2016