HEWITT
TEXAS

CITY COUNCIL MEETING AGENDA

March 20, 2017
Workshop - 5:30 PM and Regular Meeting - 7:00 PM
CITY HALL, 200 PATRIOT COURT
HEWITT, TX 76643

MAYOR AND CITY COUNCIL

Ed Passalugo – Mayor, Ward 3

Travis Bailey – Mayor Pro Tem, Ward 1

Wilbert Wachtendorf – Council Member, Ward 1

Bill Fuller – Council Member, Ward 2

James Vidrine – Council Member, Ward 2

Steve Fortenberry – Council Member, Ward 3

Alex Snider – Council Member At-Large

CITY STAFF

Adam Miles, City Manager
Charlie Buenger, City Attorney
Miles Whitney, City Engineer

Lydia Lopez, City Secretary

Lee Garcia, Finance Director

Waynette Ditto, Library Director

Tracy Lankford, Community Dev. Director

Jim Devlin, Police Chief

Lance Bracco, Fire Chief

Katie Allgood, Managing Director/Civil Service Director

Tuck Saunders, Assistant Police Chief

HEWITT
TEXAS

NOTICE OF MEETING
OF THE GOVERNING BODY

Notice is hereby given that a **Workshop** meeting of the governing body of the City of Hewitt will be held on the **20th day of March, 2017 at 5:30 PM in Hewitt City Hall, Council Workshop Room, 200 Patriot Court**, Hewitt, Texas, at which time the following subjects will be discussed:

1. Call meeting to order.
2. City Manager's update on municipal business:
   a. Report from City Engineer
   b. Briefing and discussion concerning upcoming events.
      - April 22, 2017 - Hounds and Sounds (Warren Park)
      - May 6, 2017 - Household Hazardous Waste Day (Waco)
      - May 6, 2017 - Nacho Daddy (Warren Park)
      - July 29, 2017 - National Night Out (Warren Park)
      - September 30, 2017 - Dog Days (Hewitt Park)
   c. Briefing and discussion concerning water conservation program.
   d. Briefing and discussion concerning zoning ordinance update.
   e. Briefing and discussion concerning Public Safety operations – Police & Fire.
3. Review regular meeting agenda items.
4. Convene Executive Session pursuant to the Open Meetings Act, Chapter 551, Texas Government Code to discuss the following:
   - **Pursuant to §551.071 – Consultation with Attorney**
   - **Pursuant to §551.072 – Purchase, Exchange, Lease, or Value of Real Property.**
   - **Pursuant to §551.087 - Deliberation regarding Economic Development Negotiations.**
5. Close Executive Session.
6. Adjourn.

I, the undersigned authority, do hereby certify that the above notice of meeting of the governing body of the City of Hewitt, Texas was posted on the Public Notice Board located in front of City Hall at 1:00 AM/PM on March 17, 2017.

CITY OF HEWITT

Lydia Lopez

Lydia Lopez, TRMC
City Secretary

HEWITT
TEXAS

NOTICE OF MEETING
OF THE GOVERNING BODY

Notice is hereby given that a **Regular** meeting of the governing body of the City of Hewitt will be held on the **20th day of March, 2017 at 7:00 PM in the City Council Chambers at Hewitt City Hall, 200 Patriot Court**, Hewitt, Texas, at which time the following subjects will be discussed:

1. Call meeting to order.
2. Pledge of Allegiance to the U.S. Flag
3. Consider approval of minutes of the City Council Workshop/Regular Meeting of March 6, 2017.
4. Presentation of Audit Report and Opinion by Chris Pruitt, Audit Partner, Pattillo Brown, & Hill, LLP.
5. Hear visitors on matters pertaining to city business. *Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda.*
6. Consider and take appropriate action on a resolution authorizing an Interlocal Cooperation and Exchange Agreement with Midway Independent School District (MISD).
7. Consider and take appropriate action concerning a joint participation agreement and special assessment with Barnett Construction Contracting, Inc. for installation of pavement and related appurtenances for the Commerce Park elevated storage facility in the total amount of $267,609.75.
8. Consider and take appropriate action concerning the City of Hewitt Policy on Economic Development.
9. Adjourn.

I, the undersigned authority, do hereby certify that the above Notice of Meeting of the governing body of the City of Hewitt, Texas was posted on the Public Notice Board located in front of City Hall at 1:00 AM/PM on March 17, 2017.

CITY OF HEWITT

Lydia Lopez

Lydia Lopez, TRMC
City Secretary

Persons with disabilities who plan to attend this meeting and who may need auxiliary aids or services such as interpreters for persons who are deaf or hearing impaired, readers, large print or Braille, are requested to contact the Hewitt City Secretary at (254) 666-6171 at least 24 hours prior to the meeting, so that appropriate arrangements can be made.

HEWITT
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COUNCIL WORKSHOP AGENDA ITEM #2.a

HEWITT
TEXAS

CITY ENGINEER'S REPORT
March 16, 2017

2014 Bond Projects:

First Street Mill and Overlay / Chapman Rd.

Contractor should be finishing up cleanup and other related items. A final walk through should be coming shortly.

2015 Bond Projects:

Lift Station No. 5 Removal

Received topo for this area but have yet to receive the easement surveys. The City and I are having to do some further investigation on the existing sewer line elevations.

IH – 35 Waterline

- Phase 1; Industrial south side of Castleman Creek
  - Awaiting a good bac-t sample.
- Phase 2; Sun Valley to Flat Rock Trailers
  - Topography has been received.
- Phase 3; South side of Castleman Creek to Glenleigh Dr.
  - Preliminary alignment work is being done.

Lift Station No. 4; Gravity Line Extension

Plans are ready for bids just awaiting confirmation from the property owner that they are satisfied with the City's proposal.

2017 Slurry Seal (formally known as 2016 Slurry Seal):

Finishing up plans. This project will be ready to bid shortly.

Street Crack Sealing

Currently working on getting the road crack lengths so that we can quantify the estimated total linear footage of cracks within the streets for bidding purposes.

Alamo Lift Station (Lift Station No. 7)

Receive email from the Wallace Group that they are awaiting some final numbers to finalize their report.

HEWITT
TEXAS

CITY ENGINEER'S REPORT
March 16, 2017

Drainage

2016 – Hewitt Park / Park Meadows Drainage Improvements

We are to receive bids for this project on March 31, 2017 and will be on the agenda at the next available council meeting for your consideration of award. Oncor and Grande Comm. have begun the design of their relocations.

City crews begin work on a constructing a drainage channel on Cross Country.

Old Temple Rd; Phase 2

Currently working on roadway grades and looking at utility alignments. Will be contacting other utility agencies shortly to verify their locations and work out any foreseeable conflicts.

By:

Miles W. Whitney, P.E.

Note: All dates are approximate and subject to change.

HEWITT
TEXAS

COUNCIL WORKSHOP AGENDA ITEM #2.b

HOUSEHOLD HAZARDOUS WASTE COLLECTION DAY

Solid Waste Operations Center
501 Schroeder Drive

RESIDENTS OF HEWITT, LACY LAKEVIEW, LORENA, WACO AND WOODWAY ONLY

Saturday, May 6, 2017
7:00 a.m. - 1:30 p.m.

Bring automotive, cleaning, gardening and paint products, household electronics and up to 5 tires (off the rims, max size 20"; no ORT, skid steer or earth movers)

We will also accept unwanted pharmaceuticals; no liquids or sharps, please.

A CITY WATER BILL & DRIVER'S LICENSE REQUIRED

We will **NOT ACCEPT** Business, industrial, biological, or radioactive waste; ammunition, explosives, fireworks, trash and garbage, compressed gas cylinders, gasoline tanks, smoke detectors, industrial dioxins or containers larger than 5 gallons.

PLEASE BE PREPARED TO WAIT IN LINE!
FOR MORE INFORMATION CALL THE CITY OF WACO SOLID WASTE SERVICES
(254) 299-2612

Thanks also to Batteries Plus Bulbs, Coca Cola, DEA Waco Resident Office/Waco Task Force Habitat for Humanity ReStore, HOTCOG, Midstate Environmental Services, and Universal Recycling Technologies.

CITY OF WACO

LACY LAKEVIEW

HEWITT
TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 20, 2017

AGENDA ITEM #: 3

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Consider approval of minutes of the City Council Workshop/Regular Meeting of March 6, 2017.

STAFF RECOMMENDATION/ITEM SUMMARY:

Attached is a draft copy of the meeting minutes. Please review and advise if any corrections are needed.

ATTACHMENTS:

Draft minutes

MINUTES OF A CITY COUNCIL
WORKSHOP/REGULAR MEETING
HEWITT CITY HALL – 200 PATRIOT COURT
March 6, 2017 - 5:30/7:00 PM

Members present: Mayor Ed Passalugo (presiding), Mayor Pro Tem Travis Bailey, Council Members Wilbert "Walky" Wachtendorf, Bill Fuller, James Vidrine, Alex Snider, and Steve Fortenberry

Staff present: City Attorney Charlie Buenger, City Engineer Miles Whitney, City Manager Adam Miles, Police Chief Jim Devlin, Assistant Police Chief Tuck Saunders, Fire Chief Lance Bracco, Library Director Waynette Ditto, Community Development Director Tracy Lankford, Finance Director Lee Garcia, Managing Director of Administration/Civil Service Director Katie Allgood, Human Resources Generalist Stephanie Thompson, Parks and Media Coordinator Cassie Muske and City Secretary Lydia Lopez

Workshop – 5:30 PM

1. Mayor Ed Passalugo called the meeting to order at 5:30 PM.
2. City Manager presented an update on municipal business:
   a. Report from City Engineer
   b. Briefing and discussion concerning upcoming events.
      - April 22, 2017 - Hounds and Sounds (Warren Park)
      - May 6, 2017 - Household Hazardous Waste Day (Waco)
      - May 6, 2017 - Nacho Daddy (Warren Park)
      - July 29, 2017 - National Night Out (Warren Park)
      - September 30, 2017 - Dog Days (Hewitt Park)
   c. Briefing and discussion concerning employee benefits including presentation by Employee Benefits Specialist Andrew Weegar, IPS Advisors Inc., regarding recommendations for 2017-2018 Employee Health and related benefits.
   d. Briefing and discussion concerning legislative issues.
   e. Briefing and discussion concerning revising the economic development policy.
   f. Briefing and discussion concerning Public Safety operations – Police & Fire.
3. The regular meeting agenda items were reviewed.
4. Convene Executive Session pursuant to the Open Meetings Act, Chapter 551, Texas Government Code to discuss the following: **(NOT HELD)**
   - **Pursuant to §551.071 – Consultation with Attorney**
   - **Pursuant to §551.072 – Purchase, Exchange, Lease, or Value of Real Property.**
   - **Pursuant to §551.087 - Deliberation regarding Economic Development Negotiations.**
5. Close Executive Session. **(NOT HELD)**

DRAFT

6. Adjourn. *A motion was made by Council Member Alex Snider and seconded by Council Member Bill Fuller to adjourn the Workshop meeting at 6:47 PM.*

REGULAR MEETING – 7:00 PM

1. CALL TO ORDER. Mayor Passalugo called the meeting to order at 7:00 PM.

2. PLEDGE OF ALLEGIANCE TO THE U.S. FLAG – Mayor Ed Passalugo asked Mayor Pro Tem Travis Bailey to lead the Pledge of Allegiance.

3. CONSIDER APPROVAL OF MINUTES OF THE CITY COUNCIL WORKSHOP AND REGULAR MEETING OF FEBRUARY 20, 2017. Council Member Wilbert "Walky" Wachtendorf noted a correction on item number six of the minutes. *A motion was made by Council Member Wilbert "Walky" Wachtendorf and seconded by Mayor Pro Tem Travis Bailey to approve the minutes as corrected; all seven in favor, motion passed.*

4. HEAR VISITORS ON MATTERS PERTAINING TO CITY BUSINESS. *Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda.* **NONE**

5. CONSIDER A RESOLUTION OF THE CITY OF HEWITT, TEXAS, CANCELING THE GENERAL ELECTION SCHEDULED TO BE HELD ON THE 6TH DAY OF MAY, 2017 IN ACCORDANCE WITH SECTION 2.053(A) OF THE TEXAS ELECTION CODE; DIRECTING THE GIVING OF NOTICE OF SUCH CANCELLATION OF ELECTION; AND PROVIDING FOR DETAILS RELATING TO THE CANCELLATION OF SUCH ELECTION. ***(Considere un resolución de la ciudad de Hewitt, Texas, cancelando la Elección General de funcionarios municipales programada para el día 6 de mayo de 2017 de acuerdo con la sección 2.053(a) del Código Electoral de Texas; instruyendo que se de aviso de tal cancelación de elección; y proveyendo detalles relativos a la cancelación de tal elección.)*****.** *A motion was made by Council Member Bill Fuller and seconded by Council Member Alex Snider to approve the resolution; all seven in favor, motion passed.*

6. AUTHORIZE CITY MANAGER TO NEGOTIATE AND EXECUTE A DEVELOPMENT AND REIMBURSEMENT AGREEMENT RELATED TO THE REMOVAL OF THE ALAMO LIFT STATION WITH WARREN RIDGE PARTNERS, LTD, A UTILITY SERVICES AGREEMENT WITH THE CITY OF WACO, AND AUTHORIZING A PROFESSIONAL SERVICES AGREEMENT WITH THE WALLACE GROUP. *A motion was made by Council Bill Fuller and seconded by Council Member Steve Fortenberry to approve, all seven in favor, motion passed.*

7. ADJOURN. *A motion was made by Council Member Bill Fuller and seconded by Mayor Pro Tem Travis Bailey to adjourn the meeting at 7:04 PM, all seven in favor, motion passed.*

Approved: March 20, 2017

_____	_____
Lydia Lopez, City Secretary	Ed Passalugo, Mayor

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 20, 2017

AGENDA ITEM #: 4

SUBMITTED BY: Lee Garcia, Finance Director

ITEM DESCRIPTION:

Presentation of audit report and opinion by Chris Pruitt, Audit Partner, Pattillo, Brown & Hill, L.L.P.

STAFF RECOMMENDATION/ITEM SUMMARY:

The annual audit for fiscal year 2015-2016 has been completed and presentation of the audit report and opinion will be conducted by Chris Pruitt, Audit Partner with Pattillo, Brown & Hill, LLP.

ATTACHMENTS:

2016

CAFR

FOR YEAR ENDED **SEPTEMEBER 30**

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

City of
HEWITT TEXAS

HEWITT
TEXAS

Comprehensive Annual Financial Report

For the Year Ended September 30, 2016

Prepared by Finance Department
City of Hewitt, Texas

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CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF HEWITT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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HEWITT
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March 15, 2017

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

The Comprehensive Annual Financial Report (CAFR) for the City of Hewitt, Texas, for the fiscal year ended September 30, 2016, 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, 2016, 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 just over 15,000 residents, located immediately 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 as well as the stormwater drainage utility.

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 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 most affordable and safest cities in Texas.

Hewitt's location along the I-35 corridor and proximity to many popular regional amenities 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. The corporate boundaries total 6.9 square miles in area with a population of 13,549 according to the 2010 census. Hewitt continues to grow and is known as a highly desirable place to live due to the quality of life available for all residents to enjoy. Many choose to live in Hewitt due to the reputation of the City as well as the Midway Independent School District.

2016 included a significant milestone for our city. In April 2016, we hosted the grand opening of our new Library and City Hall. The event was well attended and many people enjoyed a first look at this much anticipated addition to the community. Since opening over 100,000 people have visited the new building.

Hewitt experienced modest property tax growth in the wake of the recession. 2016 saw Hewitt’s total assessed valuation at its highest point in history. The certified tax roll was $904 million. Likewise, new retail opportunities and increased consumer confidence have led to historic high FY 2015-16 sales tax collections. Hewitt and the greater Waco region seeing significant interest in new development and investment.

Hewitt has customarily been known as a bedroom community with residential valuations making up approximately 66% 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.

2016 saw continued residential and commercial development. Ellis Farms South and portion of Stone Ridge continued to be filled with new homes by local builders. Likewise, the work on the Wal-Mart Supercenter began and crews started turning dirt for the new Sunflower Ridge residential subdivision. Citizens continue to have a wide variety of single family housing options. Hewitt and the greater Waco region are expected to continue to experience modest growth in both population as well as taxable value.

Looking into 2017 and beyond, the future is bright for Hewitt. With the Wal-Mart Supercenter opening in early 2017, Hewitt’s Commerce Park is poised to expand rapidly in the next twelve to eighteen months as new businesses choose to locate in close proximity to this national retail giant. In other areas, Hewitt will see development of the first new apartment complex in over twenty years with the construction of The Icon Luxury Apartment Complex across from the new City Hall. Work on this

project commenced in early 2017 and is projected to be open in the next fiscal year. Likewise, a Senior Citizen Tax Credit Complex is slated for construction in mid to late 2017.

Long-Term Financial Planning

The City Council maintains a Capital Improvements Plan (CIP) covering the current and upcoming ten years (or more). The CIP identifies and prioritizes anticipated 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 and road improvement, park expansion, water and wastewater facilities, fire apparatus, public safety equipment, 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, 2016. This was the 13th 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 (CAFR) continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of the CAFR was made possible by the dedicated service of the City staff. A sincere thanks is extended to these dedicated professionals 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, ICMA-CM
City Manager

Lee H. Garcia, CPA, CGFO
Finance Director

Citizens of HEWITT
City Council
City Secretary (1)
City Manager
HR/Civil Service (1)
Police Chief (35.5)
Fire Chief (16)
Assistant City Manager (1)
Public Works Director (25)
Special Projects Coordinator (1)
Finance Director (4.5)
Community Development Director (5)
Library Director (9)
Assistant Police Chief (1)
Assistant to the Chief (1)
Criminal Investigation Division (3)
Patrol Division (20)
Records & Administration (1)
Communications (6.5)
Animal Control (1)
Code Enforcement Division (1)
Lieutenant (3)
Firefighters (12)
Utility Supervisor (1)
Field Assistants (5)
Equipment Operators (2)
Billing Supervisor (1)
Utility Billing Clerks (3)
Parks/Streets Superintendent (1)
Field Assistant (3)
Equipment Operators (3)
Fleet Manager (1)
Drainage Supervisor (1)
Field Assistants (2)
Equipment Operator (1)
Finance Assistant (1)
Accounting Specialist (1)
Part-Time Assistant (.5)
Court Administrator (1)
Court Clerk (1)
Building Inspector (1)
Custodian (1)
CD Assistant (1)
Permit Clerk (1)
Library Assistants (4)
Part-Time Assistants (4)

CITY OF HEWITT, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2016

Elected Officials	Position
Ed Passalugo	Mayor
Travis Bailey	Mayor Pro-Tem
Bill Fuller	Council Member
Ronnie McNiel	Council Member
Steve Fortenberry	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, 2015

Executive Director/CEO

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FINANCIAL SECTION

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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, 2016, 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.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

AICPA
Governmental Audit Quality Center

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, 2016, 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.

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 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 Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, 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 15, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF HEWITT, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2016

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, 2016. 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, 2016, by $13,357,464 (net position). Of this amount, $6,907,987 (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, 2015, by $15,068,261 (net position). Of this amount, $3,128,800 (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 net investment in capital assets decreased $5,151,220. *In the prior year*, the City's net investment in capital assets decreased $534,249.

- As of September 30, 2016, the City of Hewitt's governmental funds reported ending fund balances of $6,762,932. Of this amount, $2,754,567 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 $8,101,352. Of this amount, $3,173,500 was unassigned fund balance available for use within the City's fiscal policies.

- As of September 30, 2016, the City of Hewitt's Enterprise Funds reported ending net position of $10,069,727. Of this amount $6,890,939 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 $10,331,116. Of this amount $3,089,192 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 City's Annual Financial Report

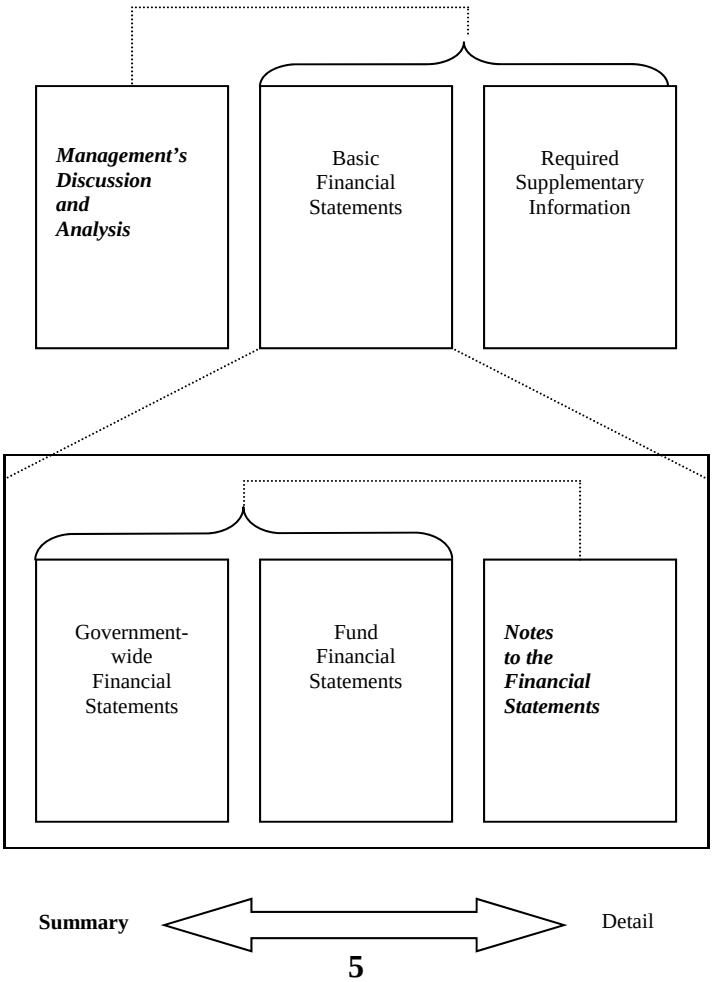


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of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

		Fund 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 • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in net position • 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 $13,357,464 at September 30, 2016, which is a decrease from September 30, 2015 (See Table A-1). One portion of the City's net position, $5,125,265, reflects its net 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 net investment in 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	
	2016	2015	2016	2015	2016	2015
Current assets	$ 7,154,006	$ 9,006,878	$ 22,266,662	$ 16,310,206	$ 29,420,668	$ 25,317,084
Capital assets	20,464,475	17,423,375	18,060,928	18,871,510	38,525,403	36,294,885
Total assets	27,618,481	26,430,253	40,327,590	35,181,716	67,946,071	61,611,969
Deferred Outflows of Resources						
Deferred charges on refunding	131,046	171,377	518,375	554,015	649,421	725,392
Deferred outflows related to pension	1,296,456	641,941	189,556	120,174	1,486,012	762,115
Total deferred outflows of resource	1,427,502	813,318	707,931	674,189	2,135,433	1,487,507
Current liabilities	394,778	898,586	804,673	863,462	1,199,451	1,762,048
Noncurrent liabilities	25,293,707	21,607,840	30,069,906	24,553,605	55,363,613	46,161,445
Total liabilities	25,688,485	22,506,426	30,874,579	25,417,067	56,563,064	47,923,493
Deferred Inflows of Resources	69,761	-	91,215	107,722	160,976	107,722
Net position:						
Net investment in capital assets	2,742,077	4,369,473	2,383,188	5,907,012	5,125,265	10,276,485
Restricted	528,612	328,064	795,600	1,334,912	1,324,212	1,662,976
Unrestricted	17,048	39,608	6,890,939	3,089,192	6,907,987	3,128,800
Total net position	$ 3,287,737	$ 4,737,145	$ 10,069,727	$ 10,331,116	$ 13,357,464	$ 15,068,261

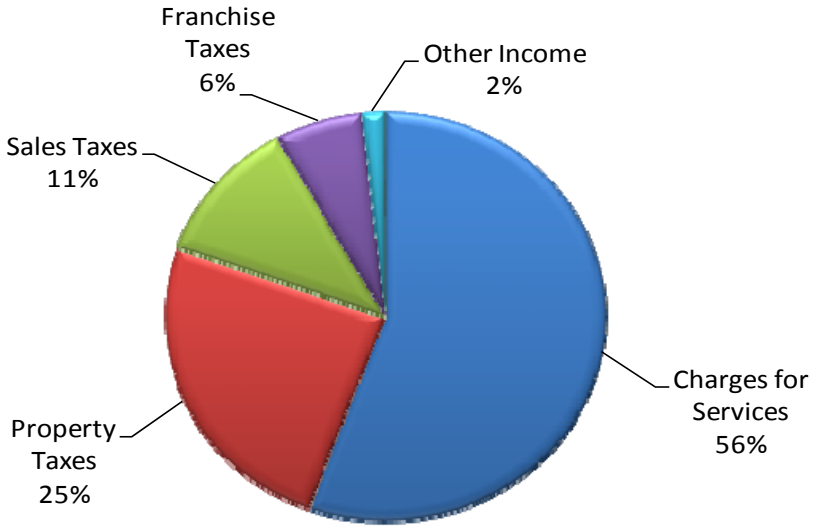
As of September 30, 2016, the City has positive balances in all three categories of net position, both for the City as a whole, as well as for its governmental and business-type activities separately.

Changes in net position. The City's total revenues were $15,951,497. Property taxes comprised 25% or $3,954,452 of the City's revenue. In addition, $8,891,900 or 56% comes from charges for services. Water and sewer and sanitation fees of $8,191,004 comprised 92% of the charges for services.

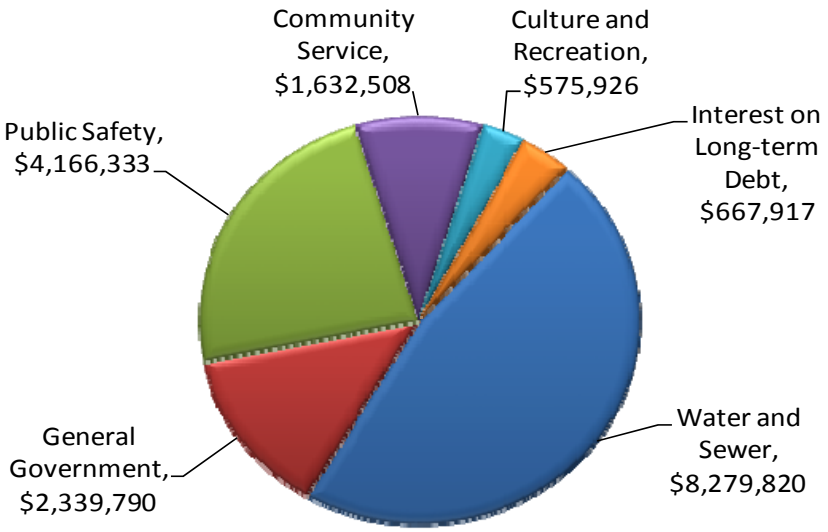
For the prior year, the City's total revenues were $15,551,751. Property taxes comprised 25% or $3,812,874 of the City's revenue. In addition, $8,261,654 or 53% comes from charges for services. Water, sewer and sanitation fees of $7,616,419 comprised 92% of the charges for services.

The total cost of all programs and services for September 30, 2016, was $17,662,294. *For the prior year* ended September 30, 2015, the total cost of all programs and services was $16,307,421.

City of Hewitt's Total Revenue 2015-2016, $15,951,497



City of Hewitt's Total Expenses 2015-2016, $17,662,294



Governmental Activities

- Property tax rates for fiscal year 2015-2016 are at $0.539677 per $100 of taxable valuation. Property tax income increased 3.7% due to continued commercial and residential growth.

- 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.

- Seven full time positions were added in fiscal year 2015-2016; three in public safety, one in community services, and three in the library. None were added in the prior year. Three percent cost of living raises and two percent raises at anniversary evaluations were given to employees in fiscal year 2015-2016 as well as in the prior year.

- The city completed the construction of the new City Hall/Library. This facility was funded by the 2014 Certificates of Obligation.

- The 2014 Certificates of Obligation were issued used to upgrade the Warren and Hewitt Parks. Hewitt Park has received seating to both sides of the soccer/football field. Warren Park received a new playground structure and an impressive outdoor amphitheater which held three popular music events during the summer.

- The 2016 Certificates of Obligation were issued to continue work on the streets, parks and facilities.

Business-type Activities

- Work has completed on the Commerce Park Water Plant. This project was 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. The funds for this project came from the 2012 Certificates of Obligation.

- The 2016 Certificates of Obligation were issued to continue work on the water and wastewater infrastructure.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2016. Governmental activities decreased the City of Hewitt's net position by $1,449,408. Please see financial reports for additional information. The business-type activities decreased net position by $261,389.

CITY OF HEWITT'S CHANGES NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 396,091	$ 345,809	$ 8,495,809	$ 7,915,845	$ 8,891,900	$ 8,261,654
Operating grants	29,600	6,626	-	-	29,600	6,626
Capital grants	95,457	112,760	-	401,650	95,457	514,410
General revenues:						
Property taxes	3,954,452	3,812,874	-	-	3,954,452	3,812,874
Sales taxes	1,813,720	1,652,368	-	-	1,813,720	1,652,368
Franchise taxes	1,023,360	1,094,525	-	-	1,023,360	1,094,525
Other taxes	3,511	3,986	-	-	3,511	3,986
Investment earnings	26,166	38,908	53,957	31,321	80,123	70,229
Miscellaneous	50,709	61,948	-	-	50,709	61,948
Gain on sale of capital assets	-	66,631	8,665	6,500	8,665	73,131
Total revenues	7,393,066	7,196,435	8,558,431	8,355,316	15,951,497	15,551,751
Expenses:						
General government	2,339,790	1,896,745	-	-	2,339,790	1,896,745
Public safety	4,166,333	3,952,175	-	-	4,166,333	3,952,175
Community services	1,632,508	1,624,610	-	-	1,632,508	1,624,610
Culture and recreation	575,926	506,422	-	-	575,926	506,422
Water and sewer	-	-	8,279,820	7,756,274	8,279,820	7,756,274
Interest on long-term debt	667,917	571,195	-	-	667,917	571,195
Total expenses	9,382,474	8,551,147	8,279,820	7,756,274	17,662,294	16,307,421
Increases in net position before transfers	(1,989,408)	(1,354,712)	278,611	599,042	(1,710,797)	(755,670)
Transfers	540,000	540,000	(540,000)	(540,000)	-	-
Change in net position	(1,449,408)	(814,712)	(261,389)	59,042	(1,710,797)	(755,670)
Net position, beginning	4,737,145	7,391,296	10,331,116	10,612,220	15,068,261	18,003,516
Prior period adjustment	-	(1,839,439)	-	(340,146)	-	(2,179,585)
Net position, ending	$ 3,287,737	$ 4,737,145	$ 10,069,727	$ 10,331,116	$ 13,357,464	$ 15,068,261

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Highlights – *General Fund*

Actual versus Prior Year Actual

Governmental actual resources available in the current year in the General Fund were $7,240,072 or $271,694, 4% greater than the actual resources available in the prior year of $6,968,378. Notable increases in actual resources were as follows: property taxes increased by $141,578 or 4%, sales taxes increased by $161,352 or 10%, permit revenue increased by $92,940 or 74% and other revenue increased by $6,146 or 154%. Revenues that decreased included franchise revenue, $76,064 or 8%, intergovernmental revenue, $17,829 or 15%, and public safety fines and fees, $57,051 or 28%.

Governmental actual expenditures in the current year in the General Fund were $8,343,843 or $837,539, 11% greater than actual expenditures in the prior year of $7,506,304. Notable increases in actual expenditures were as follows; general government, $82,027 or 5%, public safety, $278,006 or 8%, community services, $124,272 or 21%, culture and recreation $69,310 or 15%, capital outlay $25,600 or 22% and debt service, $258,324 or 20%.

General Fund Balance in the current year in the General Fund totaled $3,217,671 or compared to the prior year general fund balance of $3,402,213, a decrease of $184,542 or 5%. Although revenues were up by 4% expenditures were also up by 11%. Other financing sources contributions were also up by 14%, primarily thru the gain on the sale of the older city buildings. The decrease in fund balance can be attributed to the increase of seven employees and the expenditures related to furnishing and assisting with the completion of the new City Hall/ Library facilities.

Actual versus Budgeted

Governmental actual resources available (budgetary basis) for the General Fund were $7,183,516, $21,521 or less than 1% of *budgeted resources* of $7,205,037. Notable differences in *actual versus budgeted resources* were as follows: actual licenses and permits were more than budgeted by $63,264 or 41%; and fines and fees were less than budgeted fines and fees by $101,098 or 41%. Other financing sources (budgetary basis), proceeds from sale of capital assets were less than budgeted by $206,037

Governmental actual expenditures (budgetary basis) for the General Fund were $8,356,513, $92,719 or 1% more than budgeted expenditures of $8,263,794. The most significant variances resulted from variances between *actual and budgeted expenditures* in the following departments: actual general government expenditure were more than budgeted expenditures by $82,254; actual public safety expenditures were less than budgeted expenditures by $94,243 and actual capital outlay expenditures were more than budgeted expenditures by $112,726.

Highlights – *Proprietary Fund*

Actual versus Prior Year Actual

Proprietary actual operating revenues in the current year were $8,495,809, or $579,964 or 7% more**,** as compared to actual operating revenues in the prior year of $7,915,845. Notable increases in actual revenues were as follows; water revenue increased by $213,954 or 6% and sewer revenue increased by $250,090 or 11%.

Proprietary actual expenses for the current year were $8,353,564, or $597,290 and 7.7% more, as compared to actual expenses for the prior year of $7,756,274. Notable increases in actual expenses were as follows: service contracts increased $365,408 or 12.64%, depreciation expense increased by $182,886 or 8% and interest and fiscal charges increased by $181,589 or 21%.

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 $6,334 of interest income. Capital outlays of $4,828,539 were spent on a variety of projects. Expenditures for the prior year totaled $3,877,530. The increase in capital expenditures was due to the city's construction of the City Hall & Library Facility.

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, 2016, amounts to $38,525,403 (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 $2,230,518 or 6%.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	$ 2,253,608	$ 2,253,608	$ 554,444	$ 554,444	$ 2,808,052	$ 2,808,052
Construction in progress	-	1,709,688	-	134,410	-	1,844,098
Buildings and systems	10,164,754	5,438,217	16,867,867	17,380,678	27,032,621	22,818,895
Machinery and equipment	549,481	707,076	638,617	801,978	1,188,098	1,509,054
Infrastructure	7,496,632	7,314,786	-	-	7,496,632	7,314,786
Total	$ 20,464,475	$ 17,423,375	$ 18,060,928	$ 18,871,510	$ 38,525,403	$ 36,294,885

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

- Completion of new City Hall/ Library facilities, $5,368,456.
- Purchases of new vehicles, technology and equipment, $144,032.
- Street improvements, $610,157.
- Park improvements, $555,489.
- Commerce Park Water Plant, $2,153,593.

More detailed information about the City's capital asset activity is presented in the notes to the financial statements.

Long-term Debt

The City's long-term debt as of September 30, 2016 consisted of the following:

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$ 2,357,045	$ 2,653,037	$ 6,967,954	$ 7,106,962	$ 9,324,999	$ 9,759,999
Certificates of obligation	18,089,342	15,299,410	19,760,658	14,100,590	37,850,000	29,400,000
Notes payable	-	-	60,890	67,240	60,890	67,240
Capital leases	421,181	237,151	1,903,059	2,027,994	2,324,240	2,265,145
TMRS pension obligation	3,409,273	2,599,909	509,432	486,713	3,918,705	3,086,622
Compensated absences	533,237	452,892	63,742	61,282	596,979	514,174
Premium on bonds issued	483,629	365,441	804,171	702,824	1,287,800	1,068,265
	$ 25,293,707	$ 21,607,840	$ 30,069,906	$ 24,553,605	$ 55,363,613	$ 46,161,445

The City's total debt increased by $9,202,168 or 20%. Notably, in 2016, the City issued two separate Certificates of Obligations, 2016 and 2016B, totaling $9,550,000. Principal payments on all Certificates of Obligations totaled $1,100,000.

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

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

- Street improvements: Panther Way, Old Temple Road and First Street
- Community Services Facility remodeling
- Technology upgrades
- Commerce Park Water Plant
- Improvements to lift stations
- Drainage projects
- New Public Safety Facility
- New City Hall & Library Facility
- 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City's adopted tax rate in effect for the fiscal year 2016-2017 is $0.539677.
- Certified net taxable appraised value for the fiscal year 2016-2017 is $775,309,549, an increase of $44,723,273 or 6.1% from the net taxable appraised value for the prior year of 2015-2016, which was $730,586,276.
- Revenue lost through exemptions for the fiscal year 2016-2017 is $2,016,350, an increase of $78,347, or 8.4%, from the prior year of 2015-2016, is $938,003.

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, 200 Patriot Court, Hewitt, Texas 76643, (254) 666-6171, cityhall@cityofhewitt.com, financedirector@cityofhewitt.com, or log on to www.cityofhewitt.com.

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BASIC
FINANCIAL STATEMENTS

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CITY OF HEWITT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,947,585	$ 5,159,632	$ 11,107,217
Receivables, net of allowance for uncollectibles	744,729	1,107,624	1,852,353
Restricted assets - cash and cash equivalents	456,828	7,442,928	7,899,756
Due from other governments	-	594,095	594,095
Internal balances	4,864	(4,864)	-
Noncurrent assets:			
Investment in joint venture	-	7,967,247	7,967,247
Capital assets not being depreciated:			
Land	2,253,608	554,444	2,808,052
Capital assets, net of accumulated depreciation:			
Buildings and systems	10,798,218	35,262,837	46,061,055
Machinery and equipment	3,650,286	2,011,066	5,661,352
Infrastructure	34,200,221	-	34,200,221
Less: accumulated depreciation	(30,437,858)	(19,767,419)	(50,205,277)
Total noncurrent assets	20,464,475	26,028,175	46,492,650
Total assets	27,618,481	40,327,590	67,946,071
DEFERRED OUTFLOW OF RESOURCES			
Deferred loss on refunding	131,046	518,375	649,421
Deferred outflows related to pension	1,296,456	189,556	1,486,012
Total deferred outflows of resources	1,427,502	707,931	2,135,433
LIABILITIES			
Accounts payable	97,799	154,944	252,743
Accrued liabilities	140,988	22,820	163,808
Accrued interest payable	155,991	237,319	393,310
Customer deposits	-	389,590	389,590
Noncurrent liabilities:			
Due within one year	1,161,248	1,379,249	2,540,497
Due in more than one year	24,132,459	28,690,657	52,823,116
Total liabilities	25,688,485	30,874,579	56,563,064
DEFERRED INFLOW OF RESOURCES			
Deferred gain on refunding	-	80,791	80,791
Deferred inflow related to pensions	69,761	10,424	80,185
Total deferred inflows of resources	69,761	91,215	160,976
NET POSITION			
Net investment in capital assets	2,742,077	2,383,188	5,125,265
Restricted for:			
Tourism	65,508	-	65,508
Public safety	6,276	-	6,276
Debt service	456,828	795,600	1,252,428
Unrestricted	17,048	6,890,939	6,907,987
Total net position	$ 3,287,737	$ 10,069,727	$ 13,357,464

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

CITY OF HEWITT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 2,339,790	$ 199,848	$ -	$ -
Public safety	4,166,333	161,133	-	95,457
Community services	1,632,508	-	-	-
Culture and recreation	575,926	35,110	29,600	-
Interest on long-term debt	667,917	-	-	-
Total governmental activities	9,382,474	396,091	29,600	95,457
Business-type activities:				
Water, sewer and sanitation	8,279,820	8,495,809	-	-
Total business-type activities	8,279,820	8,495,809	-	-
Total primary government	$ 17,662,294	$ 8,891,900	$ 29,600	$ 95,457
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				
Net position, ending				

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(2,139,942)	$ -	$(2,139,942)
(3,909,743)	-	(3,909,743)
(1,632,508)	-	(1,632,508)
(511,216)	-	(511,216)
(667,917)	-	(667,917)
(8,861,326)	-	(8,861,326)
-	215,989	215,989
-	215,989	215,989
(8,861,326)	215,989	(8,645,337)
3,954,452	-	3,954,452
1,813,720	-	1,813,720
1,023,360	-	1,023,360
3,511		
26,166	53,957	80,123
-	8,665	8,665
50,709	-	50,709
540,000	(540,000)	-
7,411,918	(477,378)	6,934,540
(1,449,408)	(261,389)	(1,710,797)
4,737,145	10,331,116	15,068,261
$ 3,287,737	$ 10,069,727	$ 13,357,464

CITY OF HEWITT, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General	Capital Projects	Nonmajor Fund Hotel	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,461,053	$ 3,479,753	$ 6,779	$ 5,947,585
Receivables, net of allowances for uncollectibles				
Taxes	629,056	-	58,729	687,785
Accounts	56,944	-	-	56,944
Cash and cash equivalents - restricted	456,828	-	-	456,828
Due from other funds	4,864	-	-	4,864
Total assets	$ 3,608,745	$ 3,479,753	$ 65,508	$ 7,154,006
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 97,799	$ -	$ -	$ 97,799
Accrued liabilities	140,988	-	-	140,988
Total liabilities	238,787	-	-	238,787
Deferred inflows of resources:				
Unavailable - property taxes	95,343	-	-	95,343
Unavailable - court fines	56,944	-	-	56,944
Total deferred inflows of resources	152,287	-	-	152,287
Fund balances:				
Restricted for:				
Debt service	456,828	-	-	456,828
Tourism	-	-	65,508	65,508
Public safety	6,276	-	-	6,276
Capital projects	-	3,479,753	-	3,479,753
Unassigned	2,754,567	-	-	2,754,567
Total fund balances	3,217,671	3,479,753	65,508	6,762,932
Total liabilities, deferred inflows of resources, and fund balances	$ 3,608,745	$ 3,479,753	$ 65,508	$ 7,154,006

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, 2016

Total fund balances - governmental funds balance sheet	$	6,762,932
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.		20,464,475
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		152,287
Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds.	(	155,991)
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	(	20,446,387)
Premium on bonds payable	(	483,629)
Deferred loss on refunding		131,046
Deferred outflow - contributions		726,098
Deferred outflow - actual exp vs assumptions		15,454
Deferred outflow - investment experience		554,904
Deferred inflow - actuarial assumptions losses (gains)	(	69,761)
Capital leases	(	421,181)
Compensated absences	(	533,237)
Net pension obligation	(	3,409,273)
Net position of governmental activities	$	3,287,737

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, 2016

	General	Capital Projects	Nonmajor Fund Hotel	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 3,954,452	$ -	$ -	$ 3,954,452
Sales	1,813,720	-	-	1,813,720
Franchise	881,073	-	-	881,073
Other	10,132	-	142,287	152,419
Intergovernmental	101,057	-	-	101,057
Licenses and permits	218,114	-	-	218,114
Fines and fees	146,402	-	-	146,402
Interest income	19,623	6,334	209	26,166
Miscellaneous	95,499	-	-	95,499
Total revenues	7,240,072	6,334	142,496	7,388,902
EXPENDITURES				
Current:				
General government	1,707,987	-	176,339	1,884,326
Public safety	3,725,241	-	-	3,725,241
Community services	702,779	-	-	702,779
Culture and recreation	539,749	-		539,749
Capital outlay	144,031	4,828,539	-	4,972,570
Debt service:				
Principal	984,466	-	-	984,466
Interest and fees	539,590	-	-	539,590
Bond issuance costs	-	94,656	-	94,656
Total expenditures	8,343,843	4,923,195	176,339	13,443,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,103,771)	(4,916,861)	(33,843)	(6,054,475)
OTHER FINANCING SOURCES				
Transfers in	540,000	302,170	-	842,170
Transfers out	(302,170)	-	-	(302,170)
Issuance of capital lease	307,436	-	-	307,436
Bonds issued	-	3,355,000	-	3,355,000
Premium on bonds issued	-	139,656	-	139,656
Sale of capital assets	373,963	-	-	373,963
Total other financing sources	919,229	3,796,826	-	4,716,055
NET CHANGE IN FUND BALANCES	(184,542)	(1,120,035)	(33,843)	(1,338,420)
FUND BALANCES, BEGINNING	3,402,213	4,599,788	99,351	8,101,352
FUND BALANCES, ENDING	$ 3,217,671	$ 3,479,753	$ 65,508	$ 6,762,932

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, 2016

Net change in fund balances - total governmental funds	$(1,338,420)
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.	4,972,571
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.	(1,485,430)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net position.	(446,041)
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	(3,662,436)
Repayment of principal of long-term debt	984,466
Amortization of:	
Loss on refunding	(158,519)
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.	(14,808)
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	(80,345)
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.	(224,610)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,164
Change in net position of governmental activities	$(1,449,408)

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

CITY OF HEWITT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water, Sewer and Sanitation	Nonmajor-Stormwater Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 5,019,323	$ 140,309	$ 5,159,632
Accounts receivable, net of allowance for uncollectibles	1,062,570	45,054	1,107,624
Restricted cash and cash equivalents	7,442,928	-	7,442,928
Due from other governments	594,095	-	594,095
Due from other funds	7,975	-	7,975
Total current assets	14,126,891	185,363	14,312,254
Noncurrent assets:			
Investment in joint venture	7,967,247	-	7,967,247
Capital assets not being depreciated:			
Land	554,444	-	554,444
Capital assets, net of accumulated depreciation:			
Buildings and system	34,492,728	770,109	35,262,837
Machinery and equipment	1,799,346	211,720	2,011,066
Less: accumulated depreciation	(19,435,180)	(332,239)	(19,767,419)
Total noncurrent assets	25,378,585	649,590	26,028,175
Total assets	39,505,476	834,953	40,340,429
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	518,375	-	518,375
Deferred outflow related to pensions	154,665	34,891	189,556
Total deferred outflows of resources	673,040	34,891	707,931
LIABILITIES			
Current liabilities:			
Accounts payable	154,944	-	154,944
Accrued liabilities	18,732	4,088	22,820
Due to other funds	4,864	7,975	12,839
Customer deposits	389,590	-	389,590
Accrued interest payable	236,260	1,059	237,319
Compensated absences	14,777	1,158	15,935
Notes payable	6,743	-	6,743
Leases payable	349,984	42,314	392,298
Revenue bonds payable	964,273	-	964,273
Total current liabilities	2,140,167	56,594	2,196,761
Noncurrent liabilities:			
Compensated absences	44,332	3,475	47,807
Net pension obligation	415,383	94,049	509,432
Notes payable	54,147	-	54,147
Leases payable	1,462,115	48,646	1,510,761
Revenue bonds payable	26,568,510	-	26,568,510
Total noncurrent liabilities	28,544,487	146,170	28,690,657
Total liabilities	30,684,654	202,764	30,887,418
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	80,791	-	80,791
Deferred inflow related to pensions	8,500	1,924	10,424
Total deferred outflows of resources	89,291	1,924	91,215
NET POSITION			
Net investment in capital assets	1,824,558	558,630	2,383,188
Restricted for:			
Debt service	795,600	-	795,600
Unrestricted	6,784,413	106,526	6,890,939
Total net position	$ 9,404,571	$ 665,156	$ 10,069,727

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, 2016

	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	$ 3,937,488	$ -	$ 3,937,488
Sewer charges	2,567,037	-	2,567,037
Sanitation charges	1,356,341	-	1,356,341
Drainage fees	-	304,805	304,805
Other	330,138	-	330,138
Total operating revenues	8,191,004	304,805	8,495,809
OPERATING EXPENSES			
Personnel services	661,102	118,628	779,730
Contractual services	3,242,997	13,392	3,256,389
Utilities	336,114	1,357	337,471
Repairs and maintenance	286,112	2,956	289,068
Other	292,711	19,398	312,109
Depreciation	2,265,228	83,315	2,348,543
Total operating expenses	7,084,264	239,046	7,323,310
OPERATING INCOME	1,106,740	65,759	1,172,499
NONOPERATING REVENUES (EXPENSES)			
Investment in joint venture	73,744	-	73,744
Interest earnings	53,644	313	53,957
Interest and fiscal charges	(1,028,981)	(1,273)	(1,030,254)
Gain (loss) on sale of capital assets	17,076	(8,411)	8,665
Total nonoperating revenues (expenses)	(884,517)	(9,371)	(893,888)
INCOME BEFORE TRANSFERS	222,223	56,388	278,611
TRANSFERS OUT	(540,000)	-	(540,000)
CHANGE IN NET POSITION	(317,777)	56,388	(261,389)
NET POSITION, BEGINNING	9,722,348	608,768	10,331,116
NET POSITION, ENDING	$ 9,404,571	$ 665,156	$ 10,069,727

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, 2016

	Business-Type Activities - Enterprise Funds		
	Water, Sewer and Sanitation	Nonmajor-Stormwater Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 8,110,861	$ 283,179	$ 8,394,040
Cash paid to suppliers	(669,877)	(137,900)	(807,777)
Cash paid to employees	(4,266,320)	(37,103)	(4,303,423)
Net cash provided by operating activities	3,174,664	108,176	3,282,840
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash paid/received to/from other funds	(3,111)	7,975	4,864
Transfers to other funds	(540,000)	-	(540,000)
Net cash provided (used) by noncapital financing activities	(543,111)	7,975	(535,136)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Issuance of capital debt	6,443,678	22,671	6,466,349
Principal paid on capital debt	(926,875)	-	(926,875)
Interest paid on capital debt	(1,034,798)	(748)	(1,035,546)
Proceeds from sale of capital assets	17,076	7,499	24,575
Acquisition of capital assets	(1,431,351)	(122,520)	(1,553,871)
Net cash provided (used) by capital and related financing activities	3,067,730	(93,098)	2,974,632
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	53,644	313	53,957
Net cash provided by investing activities	53,644	313	53,957
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,752,927	23,366	5,776,293
CASH AND CASH EQUIVALENTS, BEGINNING	6,709,324	116,943	6,826,267
CASH AND CASH EQUIVALENTS, ENDING (including $7,442,928 for the Water Fund, reported in restricted accounts)	$ 12,462,251	$ 140,309	$ 12,602,560

CITY OF HEWITT, TEXAS

STATEMENT OF CASH FLOWS
(Continued)
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	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	$ 1,106,740	$ 65,759	$ 1,172,499
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	2,265,228	83,315	2,348,543
Changes in assets, deferred outflows of resources and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	(89,657)	(21,626)	(111,283)
Increase (decrease) in liabilities:			
Accounts payable	(108,386)	-	(108,386)
Accrued liabilities	5,747	(15)	5,732
Customer deposits	9,514	-	9,514
Compensated absences	4,618	(2,158)	2,460
Net pension obligation	(19,140)	(17,099)	(36,239)
Net cash provided by operating activities	$ 3,174,664	$ 108,176	$ 3,282,840

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

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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 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 necessary for the provision of water, sewer and sanitation services to customers.

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 for the City are reported at fair value, except for the position in investment pools. The City's investment pools are 2a7-like and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless had a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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 of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition price, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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:

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

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 TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 loss on refundings – A deferred loss 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 City has deferred gain on refunding and inflows related to the pensions, the two are only presented in the government-wide financial statement of net position. The deferred gain 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. The inflow related to the pensions is the difference in expected and actual pension experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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.

2. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

In fiscal year 2016, the City adopted GASB Statement No. 72 ("GASB 72"), Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurement.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2016, the City held the following fair value measurements:

		Fair Value Measurement Using				
	9/30/2016	(Level 1)	(Level 2)	(Level 3)	Percent of Total Portfolio	Weighted Average Maturity (Days)
Primary government						
Cash and cash equivalents						
Cash deposits - City	$ 18,748,581	$ -	$ -	$ -	98.64%	82
Total cash and cash equivalents	18,748,581	-	-	-		
Investments measured at net asset value per share:						
Investment pools:						
TexPool	258,392	-	-	-	1.36%	44
Total investments	258,392	-	-	-		
Total cash and investments of the primary government	$ 19,006,973	$ -	$ -	$ -		
Portfolio weighted average maturity (days)						126
Total cash and investments of the reporting entity	$ 19,006,973	$ -	$ -	$ -		

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, 2016, the City's investment in TexPool was rated AAAm by Standard & Poor's.

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		
	General	Nonmajor Funds	Water, Sewer and Sanitation	Nonmajor Funds	Total
Receivables:					
Accounts	$ -	$ -	$ 1,436,917	$ 58,029	$ 1,494,946
Taxes	629,056	58,729	-	-	687,785
Fines	227,775	-	-	-	227,775
Gross receivables	856,831	58,729	1,436,917	58,029	2,410,506
Less: allowance for uncollectibles	(170,831)	-	(374,347)	(12,975)	(558,153)
Net total receivables	$ 686,000	$ 58,729	$ 1,062,570	$ 45,054	$ 1,852,353

Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,253,608	$ -	$ -	$ 2,253,608
Construction in progress	1,709,688	-	(1,709,688)	-
Total assets not being depreciated	3,963,296	-	(1,709,688)	2,253,608
Capital assets, being depreciated:				
Buildings and systems	6,155,942	5,368,446	(726,170)	10,798,218
Machinery and equipment	3,619,392	148,166	(117,272)	3,650,286
Infrastructure	33,034,574	1,165,647	-	34,200,221
Total capital assets being depreciated	42,809,908	6,682,259	(843,442)	48,648,725
Less accumulated depreciation:				
Buildings and systems	(717,725)	(200,732)	284,993	(633,464)
Machinery and equipment	(2,912,316)	(300,897)	112,408	(3,100,805)
Infrastructure	(25,719,788)	(983,801)	-	(26,703,589)
Total accumulated depreciation	(29,349,829)	(1,485,430)	397,401	(30,437,858)
Total capital assets being depreciated, net	13,460,079	5,196,829	(446,041)	18,210,867
Governmental activities capital assets, net	$ 17,423,375	$ 5,196,829	$(2,155,729)	20,464,475
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 554,444	$ -	$ -	$ 554,444
Construction in progress	134,410	-	(134,410)	-
Total assets not being depreciated	688,854	-	(134,410)	554,444
Capital assets, being depreciated:				
Buildings and systems	33,731,516	1,531,321	-	35,262,837
Machinery and equipment	1,940,305	156,960	(86,199)	2,011,066
Total capital assets being depreciated	35,671,821	1,688,281	(86,199)	37,273,903
Less accumulated depreciation:				
Buildings and systems	(16,350,838)	(2,044,132)	-	(18,394,970)
Machinery and equipment	(1,138,327)	(304,411)	70,289	(1,372,449)
Total accumulated depreciation	(17,489,165)	(2,348,543)	70,289	(19,767,419)
Total capital assets being depreciated, net	18,182,656	(660,262)	(15,910)	17,506,484
Business-type activities capital assets, net	$ 18,871,510	$(660,262)	$(150,320)	$ 18,060,928

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

Governmental activities:	
General government	$ 158,100
Public safety	369,543
Community services, including depreciation of general infrastructure assets	926,992
Culture and recreation	30,795
Total depreciation expense - governmental activities	$ 1,485,430
Business-type activities:	
Water, sewer and sanitation	$ 2,265,228
Drainage	83,315
Total depreciation expense - business-type activities	$ 2,348,543

Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water, sewer and sanitation	$ 4,864
Water, sewer and sanitation	Stormwater Drainage - nonmajor enterprise	7,975
		$ 12,839

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual funds. It is anticipated that these balances will be repaid in one year or less.

Interfund Transfers

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

	Transfers In		
	General	Capital Projects	
Transfers out:			
General	$ -	$ 302,170	$ 302,170
Water, sewer and sanitation	540,000	-	540,000
Total	$ 540,000	$ 302,170	$ 842,170

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 $6,835,000 in Certificates of Obligation, Series 2014 which included funds for a combined City Hall and Library facility.. In fiscal year 2015/2016, the General Fund transferred $302,170 to cover additional expenses for completion of the facility which opened in April 2016.

Capital Leases

The City has acquired vehicles, heavy equipment, and mobile data terminals/library computers 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 $3,173,405. Amortization of assets held under capital leases is included with depreciation expense.

The net present value of minimum lease payments as of September 30, 2016, was as follows:

Year Ending September 30, 2013	Lease Obligation
2017	$ 594,741
2018	447,864
2019	376,413
2020	379,531
2021	263,149
2022-2023	413,669
Total	2,475,367
Less interest portion	151,127
Present value of minimum lease payments	$ 2,324,240

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%.	$ 209,095
$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%.	550,000
$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%.	1,597,950
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%.	2,090,000
$2,905,000 2012 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments	2,484,342
$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, interest at 2.51 to	3,610,000
$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%.	6,550,000
$3,355,000 2016B Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of $140,000 to $220,000 through 2036, interest at .8 to 2.75%.	3,355,000
	$ 20,446,387

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

Year Ending September 30,	Principal	Interest
2017	$ 870,727	$ 602,162
2018	1,037,580	590,631
2019	1,064,003	569,734
2020	1,080,309	546,112
2021	1,102,218	521,591
2022-2026	5,626,231	2,160,456
2027-2031	5,650,364	1,254,113
2032-2036	3,569,955	383,405
2037-2038	445,000	24,120
Total	$ 20,446,387	$ 6,652,324

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%.	$ 85,904
$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%.	1,417,050
$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%.	1,770,000
$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%.	7,695,000
$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%.	4,100,658
$6,195,000 2016 Combination Tax and Surplus Revenue Certificates of Obligation, due in annual installments of $265,000 to $410,000 through 2035, interest at 2 to 3.375%.	6,195,000
	$ 26,728,612

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%	$ 60,890

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

Year Ending September 30,	Principal	Interest
2017	$ 964,273	$ 915,563
2018	997,420	886,500
2019	1,025,997	860,759
2020	1,059,691	832,163
2021	1,092,782	802,632
2022-2026	6,258,768	3,531,768
2027-2031	7,194,636	2,487,906
2032-2036	6,965,045	1,116,120
2037	1,170,000	54,113
Total	$ 26,728,612	$ 11,487,524

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 2,653,037	$ -	$(295,992)	$ 2,357,045	$ 296,886
Combination tax and revenue certificates of obligation	15,299,410	3,355,000	(565,068)	18,089,342	573,841
Bond premiums	365,441	139,656	(21,468)	483,629	-
Leases payable	237,151	307,436	(123,406)	421,181	157,212
Compensated absences	452,892	351,742	(271,397)	533,237	133,309
TMRS net pension obligation	2,599,909	1,341,585	(532,221)	3,409,273	-
Governmental activities long-term liabilities	$ 21,607,840	$ 5,495,419	$(1,809,552)	$ 25,293,707	$ 1,161,248

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
General obligation bond	$ 7,106,962	$ -	$(139,008)	$ 6,967,954	$ 138,114
Combination tax and certificates of obligation	14,100,590	6,195,000	(534,932)	19,760,658	826,159
Bond premiums	702,824	142,570	(41,223)	804,171	-
Note payable	67,240	-	(6,350)	60,890	6,743
Leases payable	2,027,994	150,969	(275,904)	1,903,059	392,298
Compensated absences	61,282	87,120	(84,660)	63,742	15,935
TMRS net pension obligation	486,713	102,246	(79,527)	509,432	-
Business-type activities long-term liabilities	$ 24,553,605	$ 6,677,905	$(1,161,604)	$ 30,069,906	$ 1,379,249
Total primary government long-term liabilities	$ 46,161,445	$ 12,173,324	$(2,971,156)	$ 55,363,613	$ 2,540,497

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 $.209819 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.

Debt Issue

In December 2015, the City issued $6,195,000 2016 Combination Tax and Surplus Revenue Certificates of Obligation. The proceeds will be used for the construction and improvement of the City's waterworks and sewer system.

In August 2016, the City issued $3,355,000 2016B Combination Tax and Limited Surplus Revenue Certificates of Obligation. The proceeds will be used for the construction and improvements of streets, recreational areas, and renovations to City buildings.

Restricted Assets

The balance of restricted asset accounts in the major Enterprise Fund as of September 30, 2016, includes interest and sinking accounts, unspent capital debt proceeds, and unspent debt proceeds related to the joint venture of $1,361,153, $591,746 and $6,583,992 respectively.

Employee Pension and Retirement Programs

Plan Description. The City participates as one of 866 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.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	25 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	52
Active employees	87
	164

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 15.44% and 15.44% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were $668,083, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. 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 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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 15,170,776	$ 12,084,154	$ 3,086,622
Changes for the year:			
Service cost	677,066	-	677,066
Interest	1,069,693	-	1,069,693
Difference between expected and actual experience	82,445	-	82,445
Changes of assumptions	(99,647)	-	(99,647)
Contributions - employer	-	611,595	(611,595)
Contributions - employee	-	279,449	(279,449)
Net investment income	-	17,826	(17,826)
Benefit payments, including refunds of employee contributions	(455,951)	(455,951)	-
Administrative expense	-	(10,861)	10,861
Other changes	-	(535)	535
Net changes	1,273,606	441,523	832,083
Balance at 12/31/2015	$ 16,444,382	$ 12,525,677	$ 3,918,705

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 6,625,867	$ 3,918,705	$ 1,738,365

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2016, the City recognized pension expense of $879,295.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 243,573	$ -
Changes in actuarial assumptions	-	80,185
Difference between projected and actual investment earnings	747,125	-
Contributions subsequent to the measurement date	495,314	-
Total	$ 1,486,012	$ 80,185

$495,314 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, 2017. 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,	
2017	$ 246,478
2018	246,478
2019	246,478
2020	173,415
2021	(2,336)

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.

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SUPPLEMENTARY INFORMATION

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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, 2016

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes	$ 3,950,157	$ 3,950,157	$ 3,954,452	$ 4,295
Sales taxes	1,746,073	1,746,073	1,761,584	15,511
Franchise taxes	878,000	878,000	876,653	(1,347)
Other taxes	34,500	34,500	10,132	(24,368)
Intergovernmental	101,457	101,457	101,057	(400)
Licenses and permits	154,850	154,850	218,114	63,264
Fines and fees	247,500	247,500	146,402	(101,098)
Interest income	17,000	17,000	19,623	2,623
Miscellaneous	75,500	75,500	95,499	19,999
Total revenues	7,205,037	7,205,037	7,183,516	(21,521)
EXPENDITURES				
Current:				
General government	1,675,404	1,675,404	1,757,658	(82,254)
Public safety	3,792,738	3,792,738	3,698,495	94,243
Community services	735,052	735,052	698,998	36,054
Culture and recreation	496,381	496,381	533,275	(36,894)
Debt service	1,532,914	1,532,914	1,524,056	8,858
Capital outlay	31,305	31,305	144,031	(112,726)
Total expenditures	8,263,794	8,263,794	8,356,513	(92,719)
EXCESS OF REVENUES OVER EXPENDITURES	(1,058,757)	(1,058,757)	(1,172,997)	(114,240)
OTHER FINANCING SOURCES (USES)				
Transfers in	540,000	540,000	540,000	-
Transfers out	-	-	(302,170)	(302,170)
Issuance of capital lease	-	-	307,436	307,436
Proceeds from sale of capital assets	580,000	580,000	373,963	(206,037)
Total other financing sources (uses)	1,120,000	1,120,000	919,229	(200,771)
NET CHANGE IN FUND BALANCES	61,243	61,243	(253,768)	(315,011)
FUND BALANCES, BEGINNING	3,402,213	3,402,213	3,402,213	-
FUND BALANCES, ENDING	$ 3,463,456	$ 3,463,456	$ 3,148,445	$(315,011)

CITY OF HEWITT, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2016

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, 2016, is presented below:

	General Fund
Net change in fund balance - budgetary basis	$(253,768)
Adjustment to expenditures for payables and accruals	12,669
Adjustment to revenues for receivables	56,557
Net change in fund balance - GAAP basis	$(184,542)

Expenditures over Appropriations

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

General government	$	82,254
Culture and recreation		36,894
Capital outlay		112,726

CITY OF HEWITT, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year	2014	2015
A. Total pension liability		
Service Cost	$ 562,384	$ 677,066
Interest (on the Total Pension Liability)	968,575	1,069,693
Difference between expected and actual experience	289,232	82,445
Change of assumptions	-	(99,647)
Benefit payments, including refunds of employee contributions	(410,019)	(455,951)
Net change in total pension liability	1,410,172	1,273,606
Total pension liability - beginning	13,760,604	15,170,776
Total pension liability - ending (a)	$ 15,170,776	$ 16,444,382
B. Plan fiduciary net position		
Contributions - Employer	$ 567,026	$ 611,595
Contributions - Employee	268,007	279,449
Net Investment Income	631,326	17,826
Benefit payments, including refunds of employee contributions	(410,019)	(455,951)
Administrative Expenses	(6,591)	(10,861)
Other	(542)	(535)
Net change in plan fiduciary net position	1,049,207	441,523
Plan fiduciary net position - beginning	11,034,947	12,084,154
Plan fiduciary net position - ending (b)	$ 12,084,154	$ 12,525,677
C. Net pension liability - ending (a) - (b)	$ 3,086,622	$ 3,918,705
D. Plan fiduciary net position as a percentage of total pension liability	79.65%	76.17%
E. Covered employee payroll	$ 3,828,666	$ 3,992,134
F. Net position liability as a percentage of covered employee payroll	80.62%	98.16%

CITY OF HEWITT, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year	2014	2015	2016
Actuarial determined contribution	$ 534,722	$ 590,017	$ 668,083
Contributions in relation to the actuarially determined contribution	534,722	590,017	668,083
Contribution deficiency (excess)	-	-	-
Covered employee payroll	3,620,392	3,885,239	4,362,967
Contributions as a percentage of covered employee payroll	14.77%	15.19%	15.31%

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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

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STATISTICAL SECTION

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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 52

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 62

These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water revenue.

Debt Capacity 67

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.

Demographic and Economic Information 73

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 77

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.

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

TABLE 1

Fiscal Year					
2012	2011	2010	2009	2008	2007
$ 6,693,381	$ 7,392,397	$ 8,383,521	$ 9,178,437	$ 9,704,551	$ 10,485,235
165,415	65,508	82,384	237,580	80,079	153,187
2,624,993	3,259,829	2,764,394	3,030,628	3,095,962	2,347,132
$ 9,483,789	$ 10,717,734	$ 11,230,299	$ 12,446,645	$ 12,880,592	$ 12,985,554
$ 9,590,462	$ 7,002,804	$ 5,999,678	$ 7,514,853	$ 7,401,047	$ 7,846,563
328,224	331,023	204,321	1,596,032	905,058	585,948
2,665,355	4,687,473	4,902,809	1,486,034	3,081,643	2,218,835
$ 12,584,041	$ 12,021,300	$ 11,106,808	$ 10,596,919	$ 11,387,748	$ 10,651,346
$ 16,283,843	$ 14,395,201	$ 14,383,199	$ 16,693,290	$ 17,105,598	$ 18,331,798
493,639	396,531	286,705	1,833,612	985,137	739,135
5,290,348	7,947,302	7,667,203	4,516,662	6,177,605	4,565,967
$ 22,067,830	$ 22,739,034	$ 22,337,107	$ 23,043,564	$ 24,268,340	$ 23,636,900

CITY OF HEWITT, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year			
	2016	2015	2014	2013
EXPENSES				
Governmental activities:				
General government	$ 2,339,790	$ 1,896,745	$ 1,969,178	$ 1,708,816
Public safety	4,166,333	3,952,175	3,742,199	3,107,076
Community services	1,632,508	1,624,610	1,741,523	1,880,288
Culture and recreation	575,926	506,422	404,841	341,177
Interest on long-term debt	667,917	571,195	660,201	371,948
Total governmental activities expenses	9,382,474	8,551,147	8,517,942	7,409,305
Business-type activities:				
Water, sewer and sanitation	8,279,820	7,756,274	8,379,809	6,932,024
Total business-type activities expenses	8,279,820	7,756,274	8,379,809	6,932,024
Total primary government program expenses	$ 17,662,294	$ 16,307,421	$ 16,897,751	$ 14,341,329
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 199,848	$ 111,019	$ 74,417	$ 100,132
Public safety	161,133	208,422	261,107	243,958
Community services	-	440	16,392	12,890
Culture and recreation	35,110	25,928	24,092	21,876
Operating grants and contributions	29,600	6,626	15,957	20,050
Capital grants and contributions	95,457	112,760	85,288	143,763
Total governmental activities program revenues	521,148	465,195	477,253	542,669
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	8,495,809	7,915,845	7,495,960	7,669,104
Capital grants and contributions	-	401,650	-	-
Total business-type activities program revenues	8,495,809	8,317,495	7,495,960	7,669,104
Total primary government program revenues	$ 9,016,957	$ 8,782,690	$ 7,973,213	$ 8,211,773

TABLE 2

Fiscal Year					
2012	2011	2010	2009	2008	2007
$ 1,443,937	$ 1,264,086	$ 1,285,167	$ 1,101,267	$ 1,016,854	$ 946,782
3,160,264	2,955,003	2,856,677	2,515,208	2,350,896	2,070,821
2,101,503	1,999,035	1,975,016	2,171,574	2,098,340	2,011,935
433,298	351,483	250,106	206,122	176,075	200,595
399,547	339,624	275,255	219,793	274,627	317,928
7,538,549	6,909,231	6,642,221	6,213,964	5,916,792	5,548,061
6,435,308	5,816,198	5,500,256	5,296,090	4,664,471	4,054,546
6,435,308	5,816,198	5,500,256	5,296,090	4,664,471	4,054,546
$ 13,973,857	$ 12,725,429	$ 12,142,477	$ 11,510,054	$ 10,581,263	$ 9,602,607
$ 88,650	$ 167,107	$ 96,960	$ 145,679	$ 107,881	$ 130,537
230,989	331,424	244,213	228,611	321,240	334,925
8,529	12,491	14,081	11,197	21,456	20,603
16,918	18,128	17,155	9,685	9,829	62,086
7,182	18,471	13,530	-	-	-
418	51,787	162,660	-	19,135	269,662
352,686	599,408	548,599	395,172	479,541	817,813
7,226,000	7,192,890	5,748,201	5,261,503	5,479,315	4,397,717
-	-	137,097	-	-	221,500
7,226,000	7,192,890	5,885,298	5,261,503	5,479,315	4,619,217
$ 7,578,686	$ 7,792,298	$ 6,433,897	$ 5,656,675	$ 5,958,856	$ 5,437,030

CITY OF HEWITT, TEXAS

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

	Fiscal Year			
	2016	2015	2014	2013
NET (EXPENSE) REVENUES				
Governmental activities	$(8,861,326)	$(8,085,952)	$(8,040,689)	$(6,866,636)
Business-type activities	215,989	561,221	(883,849)	737,080
Total primary government net expense	(8,645,337)	(7,524,731)	(8,924,538)	(6,129,556)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	3,954,452	3,812,874	3,601,567	3,290,396
Sales	1,813,720	1,652,368	1,569,610	1,383,057
Franchise	1,023,360	1,094,525	924,088	969,600
Other	3,511	3,986	-	-
Investment earnings	26,166	38,908	32,873	55,926
Gain on sale of capital assets	-	66,631	10,442	24,348
Miscellaneous	50,709	61,948	101,452	71,318
Transfers	540,000	540,000	540,000	500,000
Total governmental activities	7,411,918	7,271,240	6,780,032	6,294,645
Business-type activities:				
Investment earnings	53,957	31,321	35,306	47,459
Gain on sale of capital assets	8,665	6,500	46,000	-
Transfers	(540,000)	(540,000)	(540,000)	(500,000)
Total business-type activities	(477,378)	(502,179)	(458,694)	(452,541)
Total primary government	6,934,540	6,769,061	6,321,338	5,842,104
CHANGE IN NET POSITION				
Governmental activities	(1,449,408)	(814,712)	(1,260,657)	(571,991)
Business-type activities	(261,389)	59,042	(1,342,543)	284,539
Total primary government	$(1,710,797)	$(755,670)	$(2,603,200)	$(287,452)

TABLE 2
(continued)

Fiscal Year					
2012	2011	2010	2009	2008	2007
$(7,185,863)	$(6,309,823)	$(6,093,622)	$(5,818,792)	$(5,437,251)	$(4,730,248)
790,692	1,376,692	385,042	(34,587)	814,844	564,671
(6,395,171)	(4,933,131)	(5,708,580)	(5,853,379)	(4,622,407)	(4,165,577)
3,159,205	3,033,890	2,911,603	2,815,935	2,625,714	2,470,783
1,332,144	1,240,854	1,156,510	1,236,624	1,331,737	1,255,126
919,868	927,584	866,250	817,159	706,224	695,826
-	-	-	-	-	-
21,658	20,469	16,319	30,985	170,489	210,483
21,757	19,000	-	-	13,983	2,127
66,282	-	-	-	-	-
295,000	555,461	(73,406)	484,142	484,142	514,142
5,815,914	5,797,258	4,877,276	5,384,845	5,332,289	5,148,487
27,524	61,561	51,441	107,140	405,700	337,453
39,525	31,700	-	-	-	-
(295,000)	(555,461)	73,406	(484,142)	(484,142)	(514,142)
(227,951)	(462,200)	124,847	(377,002)	(78,442)	(176,689)
5,335,058	5,335,058	5,002,123	5,007,843	5,253,847	4,971,798
(1,369,949)	(512,565)	(1,216,346)	(433,947)	(104,962)	418,239
562,741	914,492	509,889	(411,589)	736,402	387,982
$(807,208)	$ 401,927	$(706,457)	$(845,536)	$ 631,440	$ 806,221

CITY OF HEWITT, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2016	2015	2014	2013
General fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Restricted	463,104	228,713	290,467	10,778
Unassigned	2,754,567	3,173,500	2,845,720	3,138,238
Total general fund	$ 3,217,671	$ 3,402,213	$ 3,136,187	$ 3,149,016
All other governmental funds				
Restricted	$ 3,545,261	$ 4,699,139	$ 8,174,017	$ 5,352,129
Assigned	-	-	-	-
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	$ 3,545,261	$ 4,699,139	$ 8,174,017	$ 5,352,129
Total governmental funds	$ 6,762,932	$ 8,101,352	$ 11,310,204	$ 8,501,145

Note: GASB Statement 54 was implemented for fiscal year 2011 which changed the classification of fund balance amounts. Prior year amounts have not been restated for the implementation of Statement 54.

TABLE 3

Fiscal Year					
2012	2011	2010	2009	2008	2007
$ -	$ -	$ 82,384	$ 103,718	$ 80,079	$ 153,187
-	-	2,677,953	2,468,950	3,000,689	2,449,879
200,418	65,508	-	-	-	-
2,705,887	3,359,492	-	-	-	-
$ 2,906,305	$ 3,425,000	$ 2,760,337	$ 2,572,668	$ 3,080,768	$ 2,603,066
$ 3,521,907	$ 96,107	$ -	$ -	$ -	$ -
-	551,883	-	-	-	-
-	-	-	133,862	-	-
-	-	122,182	146,573	112,488	-
-	-	2,334,721	540,528	161,012	1,008,430
$ 3,521,907	$ 647,990	$ 2,456,903	$ 820,963	$ 273,500	$ 1,008,430
$ 6,428,212	$ 4,072,990	$ 5,217,240	$ 3,393,631	$ 3,354,268	$ 3,611,496

CITY OF HEWITT, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2016	2015	2014	2013
REVENUES				
Property taxes	$ 3,954,452	$ 3,812,874	$ 3,601,567	$ 3,275,561
Sales taxes	1,813,720	1,652,368	1,569,610	1,383,057
Franchise taxes	881,073	957,137	800,259	851,847
Other taxes	152,419	141,374	123,829	117,753
Intergovernmental	101,057	118,886	120,924	35,897
Licenses and permits	218,114	125,174	103,814	123,718
Fines	146,402	203,453	256,264	234,566
Interest income	26,166	38,908	32,874	55,927
Miscellaneous	95,499	78,722	118,931	92,807
Total revenues	7,388,902	7,128,896	6,728,072	6,171,133
EXPENDITURES				
General government	1,884,326	1,743,826	1,919,474	1,620,486
Public safety	3,725,241	3,447,235	3,223,550	2,812,379
Community services	702,779	578,507	549,396	560,497
Culture and recreation	539,749	470,439	382,270	310,606
Capital outlay	4,972,570	3,995,961	4,351,462	2,167,745
Debt service:				
Principal	984,466	707,640	715,951	653,491
Interest and fees	634,246	558,092	521,371	470,269
Advance refunding escrow	-	-	11,678	-
Total expenditures	13,443,377	11,501,700	11,675,152	8,595,473
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,054,475)	(4,372,804)	(4,947,080)	(2,424,340)
OTHER FINANCING SOURCES (USES)				
Transfers in	842,170	900,000	540,000	559,772
Transfers out	(302,170)	(360,000)	-	(59,772)
Debt issued	3,355,000	-	8,727,100	3,850,000
Premium on debt issued	139,656	-	192,923	119,993
Payment to refunded bond escrow agent	-	-	(1,866,072)	-
Capital lease	307,436	93,414	151,746	-
Sale of capital assets	373,963	530,538	10,442	27,280
Total other financing sources (uses)	4,716,055	1,163,952	7,756,139	4,497,273
NET CHANGE IN FUND BALANCES	$(1,338,420)	$(3,208,852)	$ 2,809,059	$ 2,072,933
DEBT SERVICE AS A PERCENT OF NONCAPITAL EXPENDITURES	19.1%	16.9%	16.6%	17.8%

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					
2012	2011	2010	2009	2008	2007
$ 3,159,205	$ 3,035,936	$ 2,907,626	$ 2,805,550	$ 2,621,780	$ 2,461,711
1,332,144	1,240,854	1,156,510	1,236,624	1,331,737	1,255,126
833,768	871,770	808,850	753,994	706,224	695,826
86,100	55,814	57,400	-	-	-
7,600	70,258	176,190	-	-	-
104,389	135,512	89,107	58,754	75,980	76,793
222,213	265,864	197,822	228,611	260,806	280,098
21,658	20,469	16,319	30,985	170,489	210,483
79,563	128,997	75,340	170,742	120,691	191,260
5,846,640	5,825,474	5,485,164	5,285,260	5,287,707	5,171,297
1,393,832	1,409,882	1,202,542	1,098,075	962,562	900,246
2,806,798	3,049,396	2,878,044	2,395,889	2,351,412	1,988,056
758,939	645,017	673,763	813,889	1,010,811	576,505
413,640	332,898	217,047	199,979	180,573	189,076
663,483	1,632,759	235,613	167,938	869,488	1,898,732
1,622,187	558,502	711,368	790,345	709,270	714,504
371,595	308,153	244,172	345,047	280,944	316,758
-	-	-	-	-	-
8,030,474	7,936,607	6,162,549	5,811,162	6,365,060	6,583,877
(2,183,834)	(2,111,133)	(677,385)	(525,902)	(1,077,353)	(1,412,580)
695,000	-	675,000	1,238,837	565,837	1,562,837
(400,000)	555,461	(376,852)	(754,695)	(81,695)	(1,048,695)
3,845,000	-	2,200,000	2,539,304	-	-
78,980	-	2,846	20,009	-	-
-	-	-	(2,478,190)	-	-
160,615	390,722	-	-	322,000	-
23,457	20,700	-	-	13,983	2,127
4,403,052	966,883	2,500,994	565,265	820,125	516,269
$ 2,219,218	$(1,144,250)	$ 1,823,609	$ 39,363	$(257,228)	$(896,311)
26.7%	15.4%	17.2%	16.0%	16.2%	32.5%

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
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%
2016	849,510	54,884	173,809	730,585	0.539677	904,394	80.8%

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

	City of Hewitt Direct Rates			Overlapping Rates			
Fiscal Year Ending	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
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
2016	0.329858	0.209819	0.539677	1.32000	1.640000	0.535293	0.149724

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.

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CITY OF HEWITT, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND TEN YEARS AGO

(Amounts expressed in thousands)

	2016			2006		
Taxpayer	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.	$ 9,215	1	1.3%	$ 3,982	4	11.5%
MREIC Waco TX, LLC	8,730	2	1.2%	-		0.0%
Hewitt A L LLC/Senior Living Center	8,295	3	1.1%	3,038	7	8.7%
Schultz Industries Inc	5,352	4	0.7%	4,153	3	12.0%
Hewitt Real Estate Investments	5,300	5	0.7%			0.0%
BRD Management Inc	5,277	6	0.7%	3,674	5	10.6%
Goyne Brookside LLC	5,009	7	0.7%	-		0.0%
Midway Townhomes Ltd	4,665	8	0.6%	3,331	6	9.6%
Oncor Electric Delivery, Inc.	4,554	9	0.6%	4,491	1	12.9%
Late Model Restoration Supply Inc	3,798	10	0.5%	-		0.0%
Davis Iron Works	-		- %	4,213	2	12.1%
Southwestern Bell Telephone Co.	-		- %	2,882	8	8.3%
Midway Transportation	-		- %	2,549	9	7.3%
Davis Iron Works Operations	-		- %	2,410	10	6.9%
Total	$ 60,195		8.2%	$ 34,723		7.4%

Source: McLennan County Appraisal District

TABLE 8

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
2007	2006	$ 2,458,798	$ 2,430,129	98.83%	$ 25,301	$ 2,455,430	99.86%
2008	2007	2,620,292	2,591,335	98.89%	25,301	2,616,636	99.86%
2009	2008	2,840,575	2,787,992	98.15%	47,479	2,835,471	99.82%
2010	2009	2,912,627	2,880,743	98.91%	24,962	2,905,705	99.76%
2011	2010	2,989,574	2,941,968	98.41%	39,101	2,981,069	99.72%
2012	2011	3,140,372	3,106,958	98.94%	24,436	3,131,394	99.71%
2013	2012	3,266,084	3,235,168	99.05%	24,189	3,259,357	99.79%
2014	2013	3,530,134	3,482,954	98.66%	39,625	3,522,579	99.79%
2015	2014	3,792,860	3,765,445	99.28%	15,575	3,781,020	99.69%
2016	2015	3,944,267	3,903,880	98.98%	-	3,903,880	98.98%

Source: McLennan County Tax Assessor

CITY OF HEWITT, TEXAS

PRINCIPAL WATER CUSTOMERS

SEPTEMBER 30, 2016

Principal Water Customers	Average Monthly Consumption (gallons)	Average Monthly Bill ($)
Midway Independent School District	880,450	$ 7,231
City of Waco	451,500	870
Brookside Apartments	428,258	3,581
Stoney Brook Center	308,858	2,152
Finish Line Car Care	291,350	1,861
Senior Care Center	206,667	1,369
Ramada Inn	168,767	1,336
Sleep Inn	150,567	1,230
Ranger Excavating	143,217	1,017
Genie Car Wash	100,258	750
Midway Little League	95,092	714
Hewitt Laundry	83,892	653
RDO Equipment	74,425	485
Pointwest Bank	67,350	431
Stripes	59,050	510
	3,509,701	$ 24,190

WATER RATES

(Based on Monthly Billing)

Existing Rates
Effective October 1, 2015

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

Source: City of Hewitt administrative staff.

CITY OF HEWITT, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Amounts expressed in thousands)

	Governmental Activities						Business-type Activities									
Fiscal Year	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	Total Primary Government	Percentage of Personal Income	Per Capita
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
2016	2,357	18,089	131	483	421	-	-	6,968	19,761	518	797	61	1,903	81	51,570	72.28%	3,557

Sourc 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: General Obligation Bonds	Certificates of Obligation	Deferred Loss on Refunding	Bond Premiums	Total Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
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
2016	2,357	18,089	131	483	21,060	457	20,603	2.8%	1,421

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

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CITY OF HEWITT, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2016

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	$ 30,288,129	09/30/2016	0.12%	$ 36
Midway Independent School District	102,748,698	09/30/2016	17.35%	17,827
McLennan County	19,900,000	09/30/2016	4.66%	927
McLennan County Community College	64,440,000	09/30/2016	4.66%	3,003
Subtotal overlapping debt				21,793
Other debt				
City of Hewitt, Texas		9/30/2016		50,848
Total direct and overlapping debt				$ 72,641
Total direct and overlapping debt % of A.V.			8.03%	
Total direct and overlapping debt $ of Capita			$ 5,010	

Source: Municipal Advisory Council of Texas

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City of Hewitt. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

CITY OF HEWITT, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(Taxable Assessed Value in Thousands)

	Fiscal Year			
	2016	2015	2014	2013
Total Assessed Value	$ 730,586	$ 706,087	$ 657,795	$ 635,606
Statutory tax levy limit for general obligation debt service	$ 9,132,325	$ 8,826,088	$ 8,222,442	$ 7,945,075
Current year general obligation debt service requirements	1,530,913	435,000	1,090,523	1,003,388
Excess of statutory limit for debt service over current requirements	$ 7,601,412	$ 8,391,088	$ 7,131,919	$ 6,941,687
Current requirements as a % of statutory limit	16.76%	04.93%	13.26%	12.63%

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					
2012	2011	2010	2009	2008	2007
$ 610,866	$ 597,371	$ 600,940	$ 586,105	$ 543,331	$ 510,984
$ 7,635,825	$ 7,467,138	$ 7,511,750	$ 7,326,313	$ 6,791,638	$ 6,387,300
953,933	831,882	937,784	1,135,392	990,214	1,031,262
$ 6,681,892	$ 6,635,256	$ 6,573,966	$ 6,190,921	$ 5,801,424	$ 5,356,038
12.49%	11.14%	12.48%	15.50%	14.58%	16.15%

TABLE 13

CITY OF HEWITT, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water/Sewer Revenue Bonds and Certificates of Obligation						
				Debt Service			
Fiscal Year	Utility Operating Revenue (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Total	Coverage
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
2016	8,069,337	4,858,757	3,210,580	920,525	909,463	1,829,988	1.75

Notes: (1) Total revenue including interest

(2) Total Operating expenses less depreciation

CITY OF HEWITT, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population (1)	Personal Income (dollars in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
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%
2016	14,500	71,347	31,866	4.30%

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	2016 Employees	2016 Percentage of Total City Employment	2015 Employees	2015 Percentage of Total City Employment
Midway ISD	1,437	16.52%	1,056	12.14%
Walmart	300	3.45%	-	- %
EMSI	260	2.99%	300	3.45%
Metals 2 Go (Formerly Davis Iron Works)	97	1.11%	56	0.64%
Sturdisteel	100	1.15%	90	1.03%
City of Hewitt	100	1.15%	93	1.07%
Midway Transportation	30	0.34%	36	0.41%
Merry Maids	16	0.18%	20	0.23%
United Super IGA	23	0.26%	30	0.34%
Scott & White Clinic	16	0.18%	17	0.20%
Alliance Distributing	8	0.09%	16	0.18%
Senior Care Center	115	1.32%	129	1.48%
Sleep Inn	14	0.16%	15	0.17%
Ramada Inn	10	0.11%	12	0.14%
Central TX Dental Care	23	0.26%	23	0.26%
Total	2,549	29.30%	1,893	21.76%

Employer	2011 Employees	2011 Percentage of Total City Employment	2010 Employees	2010 Percentage of Total City Employment
Midway ISD	1,027	11.94%	1,110	12.91%
EMSI	315	3.66%	300	3.49%
Davis Iron Works	73	0.85%	93	1.08%
Sturdisteel	100	1.16%	95	1.10%
City of Hewitt	86	1.00%	86	1.00%
Midway Transportation	30	0.35%	33	0.38%
Merry Maids	21	0.24%	24	0.28%
United Super IGA	29	0.34%	29	0.34%
Scott & White Clinic	8	0.09%	15	0.17%
Alliance Distributing	15	0.17%	15	0.17%
Senior Care Center	60	0.70%	60	0.70%
Sleep Inn	17	0.20%	17	0.20%
Total	1,781	20.70%	1,877	21.82%

Source: City of Hewitt staff.

TABLE 15

2014		2013		2012	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,364	15.68%	1,337	15.37%	1,023	11.90%
-	- %	-	- %	-	- %
300	3.45%	300	3.45%	320	3.72%
56	0.64%	50	0.57%	57	0.66%
90	1.03%	98	1.13%	100	1.16%
93	1.07%	90	1.03%	87	1.01%
36	0.41%	34	0.39%	31	0.36%
20	0.23%	23	0.26%	22	0.26%
30	0.34%	32	0.37%	30	0.35%
17	0.20%	19	0.22%	19	0.22%
16	0.18%	15	0.17%	15	0.17%
120	1.38%	110	1.26%	60	0.70%
15	0.17%	15	0.17%	17	0.20%
12	0.14%	-	- %	-	- %
23	0.26%	-	- %	-	- %
2,192	25.20%	2,123	24.40%	1,781	20.71%

2009		2008		2007	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,036	12.05%	962	11.88%	889	12.52%
300	3.49%	273	3.37%	325	4.58%
103	1.20%	137	1.69%	130	1.83%
102	1.19%	108	1.33%	110	1.55%
86	1.00%	81	1.00%	71	1.00%
30	0.35%	36	0.44%	30	0.42%
23	0.27%	18	0.22%	30	0.42%
35	0.41%	29	0.36%	34	0.48%
15	0.17%	15	0.19%	20	0.28%
16	0.19%	20	0.25%	20	0.28%
-	- %	-	- %	-	- %
17	0.20%	17	0.21%	17	0.24%
1,763	20.52%	1,696	20.94%	1,676	23.60%

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, 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government and administration	14.5	18.50	13.75	13	13	13	13.5	13.5	13.5	13
Public safety	51.5	51.5	48.5	45.5	44	44	44	44	41	35
Community services	12	8	11	11	12	12	12	12	12	9
Culture and recreation	9	9	6	5	5	4	3.5	3.5	3.5	3.5
Water, sewer and sanitation	13	13	13	13	13	13	13.5	13.5	11.5	11
Total	100.00	100.00	92.25	87.50	87.00	86.00	86.50	86.50	81.50	71.50

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 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety										
Fire protection:										
Number of fulltime employees	16	16	15	14	14	14	1	14	10	5
Number of volunteers			-	-	3	3	4	5	8	14
Number of emergency responses	1,172	907	777	804	650	609	548	533	448	502
Police protection:										
Number of sworn personnel	23	23	23	21	21	22	22	22	22	22
Number of citations issued	1,165	1,542	2,472	2,280	2,145	2,753	2,691	3,720	4,958	5,383
Cultural and recreation										
Libraries:										
Number of patrons using the library	275,000	200,000	200,000	190,000	182,577	152,536	142,775	53,000	49,846	49,846
Circulation	362,041	279,840	264,000	250,000	240,408	195,374	178,965	90,000	73,625	83,550
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	5,600	5,524	5,462	5,434	5,916	5,871	5,850	5,803	5,813	5,754
Average daily consumption (thousands of gallons)	1,432	1,332	1,776	1,679	1,974	1,958	1,542	1,817	1,812	1,552
Number of sewer connections	5,520	5,456	5,398	5,228	5,243	5,217	5,209	5,173	5,172	5,113
Average daily sewage treatment (thousands of gallons)	1,318	1,226	1,334	1,575	1,608	1,698	1,352	1,570	1,574	1,350

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.

CITY OF HEWITT, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety										
Number of fire stations	1	1	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	68	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	124	123	123	121	121	121	121
Water storage capacity (thousands of gallons)	7,450	7,450	6,943	6,943	6,943	6,943	4,478	4,478	4,478	4,478
Sanitary sewers (miles)	72	72	72	72	71	71	67	67	67	67
Sewer capacity (thousands of gallons)	3	3	3	3	3	3	2	2	2	2

Source: Various City departments

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, 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, 2016, 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 15, 2017.

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.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

AICPA
Governmental Audit Quality Center

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

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

Waco, Texas
March 15, 2017

HEWITT
TEXAS

ITEM #5 – HEARING OF VISITORS

PROCEDURES FOR CITIZEN PARTICIPATION AT MEETINGS

1. Citizens are encouraged to discuss matters of concern with the staff and individual council members prior to placing items on the agenda. This will allow the matter to be properly investigated before it is presented to the entire council and will often expedite a resolution.

   NO CITIZEN OR STAFF MEMBER MAY SPEAK OR OTHERWISE INTERRUPT ANY MEETING UNTIL RECOGNIZED BY THE PRESIDING OFFICER.

2. To maintain decorum at public hearings, the mayor will ask citizens in attendance if they wish to speak for or against the item on the agenda. If so, they will be given an opportunity to speak at the proper time and when recognized by the chair. If more than five citizens wish to address the council on any single agenda item, those citizens are advised to select a spokesperson to present their case.

   Only under the agenda item "Hear Visitors" are citizens permitted to speak regarding matters that pertain to city business or address an item on the agenda. **The council is prohibited by law from discussing or acting on any item that has not been posted on the agenda.**

3. Individual citizens that discuss items not listed on the agenda shall be limited to **five minutes**. If five or more citizens wish to discuss a single item or topic that is not listed on the agenda, then the total presentation will be limited to a maximum of twenty-five minutes. City council members shall **not** enter into discussion on any subject that has not been properly placed on the agenda; however, council members may ask questions for clarification purposes.

4. As a general rule, citizens may not participate or address the council or staff during the workshop session.

HEWITT
TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 20, 2017

AGENDA ITEM #: 6

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Consider and take appropriate action concerning a resolution authorizing an Interlocal Cooperation and Exchange Agreement with the Midway Independent School District.

STAFF RECOMMENDATION/ITEM SUMMARY:

City staff and school officials have worked to develop this agreement which would transfer 4.096 acres of land from MISD to the City of Hewitt in exchange for extension of a sewer main line to serve adjacent property owned by the school. The 4.096 acre tract of land in question would be donated for public park purposes and incorporated into Warren Park. Attached is a map of the property involved. If approved, city staff and the City Engineer would work to complete the sewer extension in the next few weeks. The sewer line is intended to be used by MISD in the future as the property is developed into a school campus. The total acres of City property at Warren Park would grow to 44.35 acres, more or less, once the property is transferred.

ATTACHMENTS:

Resolution
Interlocal Agreement

RESOLUTION NO. 2017-03-20-1

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HEWITT, TX, APPROVING SALE AND EXCHANGE OF REAL PROPERTY AND AUTHORIZING EXECUTION OF CONTRACT DOCUMENTS

WHEREAS, the Board of Trustees of the Midway Independent School District (hereinafter "Board") owns 27.828 acres of land ("School Site") (being out of the Carlos O'Campo Grant Abstract No. 32, McLennan County, Texas-conveyed to the District by deed recorded under clerk's File No. 2015018159 of the Official Public Records of McLennan County, Texas), some of which is adjacent to Warren Park, a municipal public park owned and maintained by the City of Hewitt (hereinafter "City); and

WHEREAS, the City has proposed to acquire from the District 4.093 acres of the School Site for the expansion of Warren Park (hereinafter "Park Expansion Tract"). In return, the City proposes to undertake all things necessary to bring City sanitary sewer service to the remainder of the School Site (hereinafter "Remainder Tract") via an 8" line, at the City's sole cost and expense, and

WHEREAS, The Park Expansion Tract is not feasible for development or use by the District for school facilities or purposes due to its topography and drainage; and the Remainder Tract is sufficient for the District's future plans; and

WHEREAS, the District and the City are in agreement that the paramount public use of the Park Expansion Tract is the expansion of Warren Park; and

WHEREAS, the District finds that such exchange would be in the best interest of the District and the public as:

- Extension of municipal sanitary sewer service to the Remainder Tract is a very expensive and difficult project that the District would ultimately have to accomplish at its own cost (a cost that would likely be significantly higher in the future);

- The Park Expansion Tract is not developable or useable by the District due to land features, topography and drainage; and

- The expansion of Warren Park next to the proposed future campus would: maintain the natural beauty of the campus setting while avoiding District responsibility for maintenance; provide opportunities for outside learning and field trips; and provide much needed recreation for the public.

NOW, THEREFORE, it is hereby RESOLVED by the City Council of the City of Hewitt, TX that:

1. The foregoing recitals are incorporated herein and made findings of fact;
2. The School Site and the Park Expansion Tract are shown respectively on **Exhibits "A" and "B"** attached hereto;
3. The Interlocal Cooperation and Exchange Agreement with the City, a true and correct copy of which is attached hereto as **Exhibit "C"**, is approved, and the conveyance of the Park Expansion Tract on the terms therein is approved and authorized; and
4. The Mayor is authorized to execute the Interlocal Cooperation and Exchange Agreement on behalf of the City of Hewitt, and any other instruments (including a deed) required to carry out the transaction.

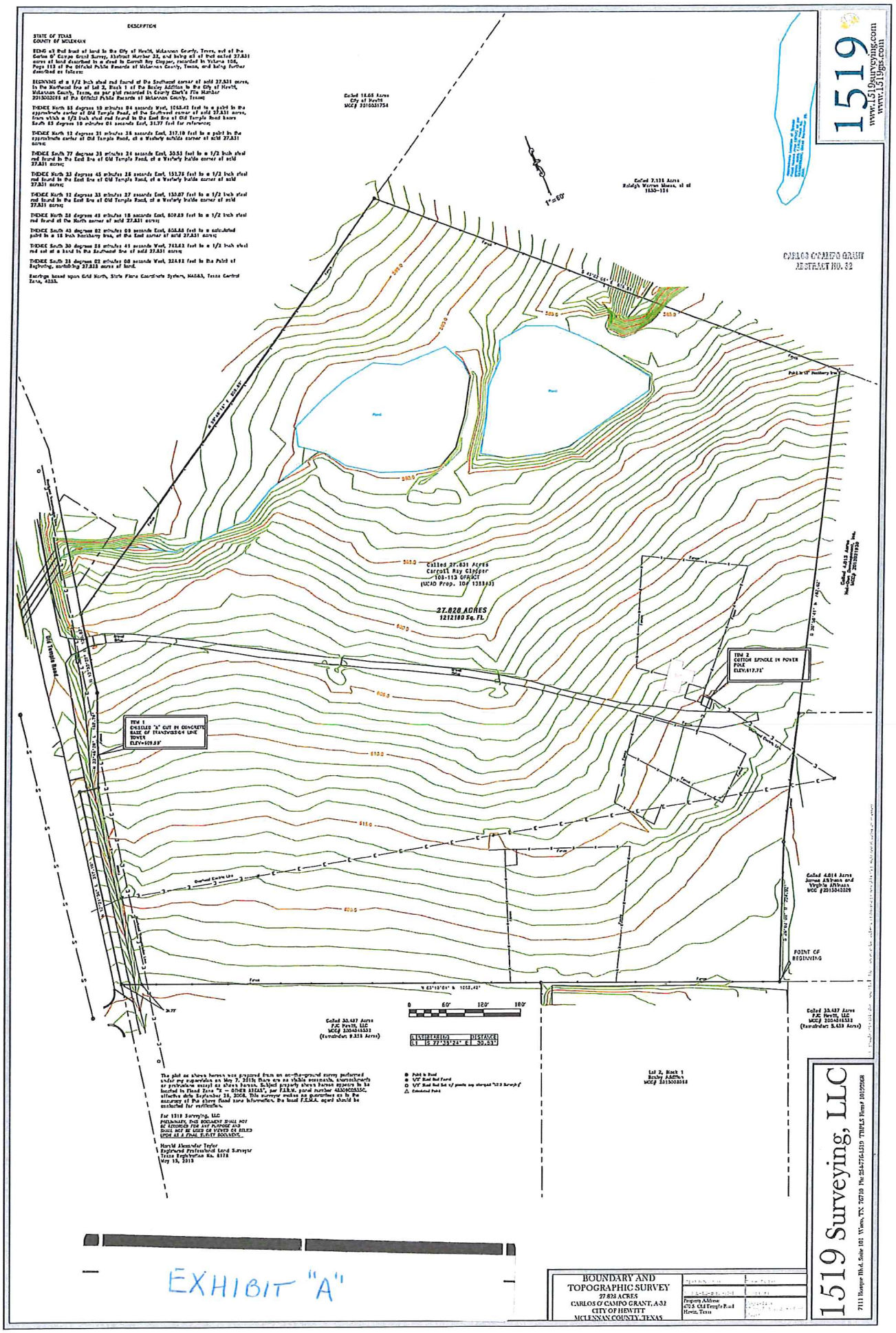
PASSED and APPROVED this the 20th day of March, 2017.

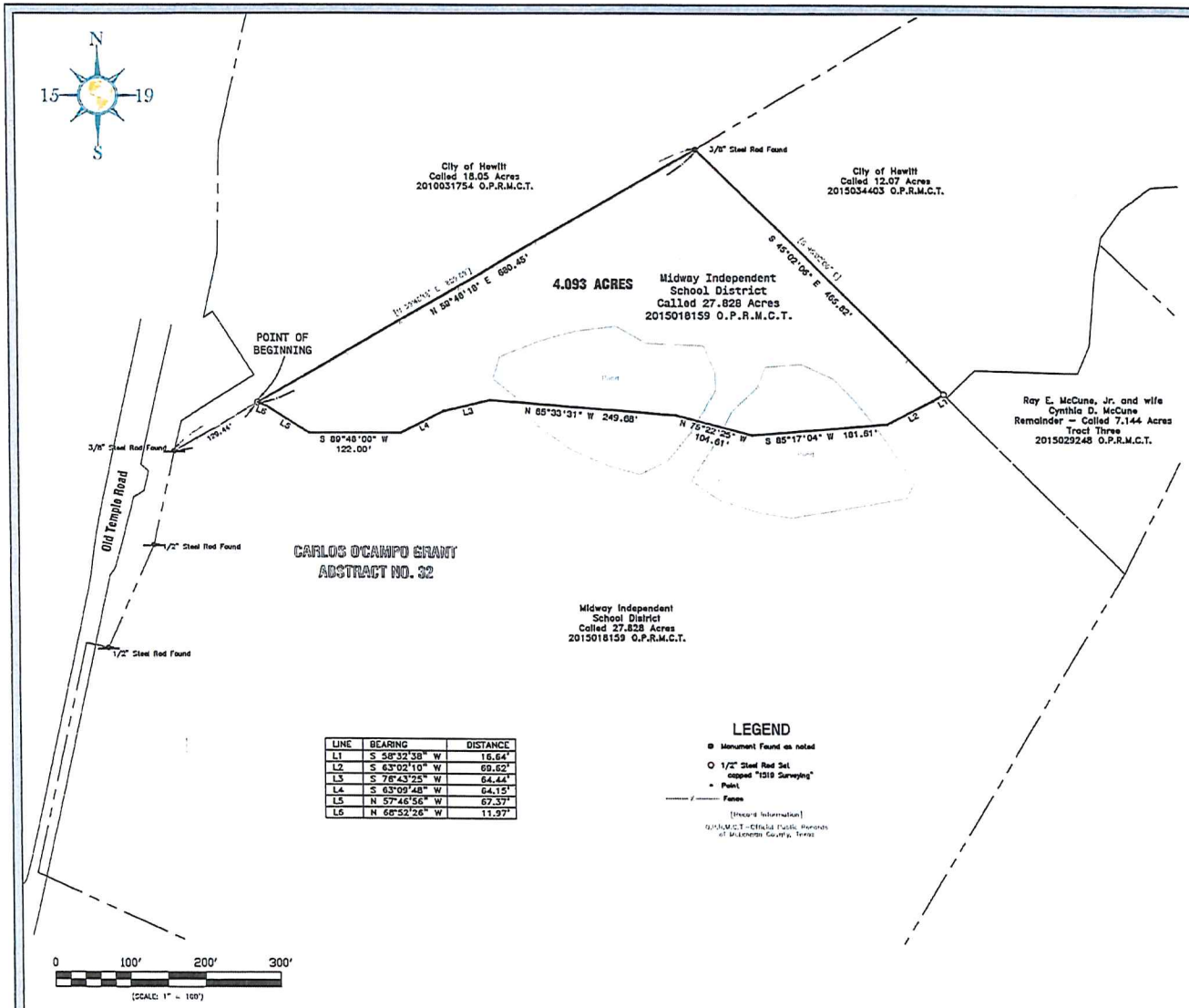
CITY OF HEWITT, TX

_____
Ed Passalugo, Mayor
City of Hewitt, Texas

ATTEST:

_____
Lydia Lopez, City Secretary


DESCRIPTION
STATE OF TEXAS
COUNTY OF MCLENNAN
BEING all that tract of land in the City of Hewitt, McLennan County, Texas, out of the Carlos O' Campo Grant Survey, Abstract Number 32, and being all of that called 27.831 acres of land described in a deed to Carroll Ray Clapper, recorded in Volume 108, Page 113 of the Official Public Records of McLennan County, Texas, and being further described as follows:
BEGINNING at a 1/2 inch steel rod found at the Southeast corner of said 27.831 acres, in the Northeast line of Lot 2, Block 1 of Pat Bailey Addition to the City of Hewitt, McLennan County, Texas, as per plat recorded in County Clerk's File Number 2015003088 of the Official Public Records of McLennan County, Texas;
THENCE North 85 degrees 10 minutes 04 seconds West, 1053.42 feet to a point in the approximate center of Old Temple Road, at the Southwest corner of said 27.831 acres, from which a 1/2 inch steel rod found in the East line of Old Temple Road bears South 83 degrees 10 minutes 01 seconds East, 31.77 feet for reference;
THENCE North 12 degrees 31 minutes 38 seconds East, 317.10 feet to a point in the approximate center of Old Temple Road, at a Westerly outside corner of said 27.831 acres;
THENCE South 77 degrees 38 minutes 31 seconds East, 353.51 feet to a 1/2 inch steel rod found in the East line of Old Temple Road, at a Westerly inside corner of said 27.831 acres;
THENCE North 33 degrees 45 minutes 18 seconds East, 151.76 feet to a 1/2 inch steel rod found in the East line of Old Temple Road, at a Westerly inside corner of said 27.831 acres;
THENCE North 12 degrees 33 minutes 27 seconds East, 150.87 feet to a 1/2 inch steel rod found in the East line of Old Temple Road, at a Westerly inside corner of said 27.831 acres;
THENCE North 28 degrees 45 minutes 18 seconds East, 809.83 feet to a 1/2 inch steel rod found at the North corner of said 27.831 acres;
THENCE South 43 degrees 02 minutes 08 seconds East, 858.66 feet to a concluded point in a 18 inch Hackberry tree, at the East corner of said 27.831 acres;
THENCE South 30 degrees 28 minutes 41 seconds West, 743.62 feet to a 1/2 inch steel rod set at a knot in the Southeast line of said 27.831 acres;
THENCE South 31 degrees 02 minutes 08 seconds West, 224.92 feet to the Point of Beginning, containing 27.828 acres of land.
Bearings based upon Grid North, State Plane Coordinate System, NAD83, Texas Central Zone, 4203.
1519
www.1519surveying.com
www.1519gis.com
Called 16.66 Acres
City of Hewitt
MCCF 2015031754
Called 7.138 Acres
Raleigh Warren Moore, et al
1650-151
CARLOS O'CAMPO GRANT
ABSTRACT NO. 32
Pond
Pond
Point in 18" Hackberry tree
Called 27.831 Acres
Carroll Ray Clapper
108-113 OPRMCT
(LCAD Prop. ID# 123183)
27.828 ACRES
1212180 Sq. Ft.
Old Temple Road
TBM 1
CHISELED "X" CUT IN CONCRETE
BASE OF TRANSFORMER LINE
POWER
ELEV=609.89'
TBM 2
COTTON SPINDLE IN POWER
POLE
ELEV=617.75'
Called 4.815 Acres
James Abrams and
Wyvonia Abrams
MCCF #2015043809
POINT OF
BEGINNING
Called 33.487 Acres
P.C Perth, LLC
MCCF 2004016531
(Resubdivision 9.833 Acres)
Called 33.487 Acres
P.C Perth, LLC
MCCF 2004016531
(Resubdivision 9.833 Acres)
Lot 2, Block 1
Bailey Addition
MCCF 2015003088
0 60' 120' 180'
LINE BEARING DISTANCE
L1 S 77°38'24" E 30.63'
The plat as shown hereon was prepared from an on-the-ground survey performed under my supervision on May 7, 2019; there are no visible encroachments, encroachments or protrusions except as shown hereon. Subject property shown hereon is to be located in Flood Zone "X - OTHER AREAS", per F.I.R.M. panel number 48309C0255C, effective date September 26, 2008. This surveyor makes no guarantees as to the accuracy of the above flood zone information. The local F.E.M.A. agent should be consulted for verification.
For 1519 Surveying, LLC
PRELIMINARY, THIS DOCUMENT SHALL NOT BE RECORDED FOR ANY PURPOSE AND SHALL NOT BE USED OR VIEWED OR RELIED UPON AS A FINAL SURVEY DOCUMENT.
Harold Alexander Taylor
Registered Professional Land Surveyor
Texas Registration No. 6178
May 15, 2019
Point is found
1/2" Steel Rod Found
1/2" Steel Rod Set w/ plastic cap stamped "1519 Surveying LLC"
Calculated Point
EXHIBIT "A"
BOUNDARY AND
TOPOGRAPHIC SURVEY
27.828 ACRES
CARLOS O' CAMPO GRANT, A-32
CITY OF HEWITT
MCLENNAN COUNTY, TEXAS
Property Address:
470 & Old Temple Road
Hewitt, Texas
1519 Surveying, LLC
7111 Hampton Blvd. Suite 101 Waco, TX 76710 Ph: 254-776-1519 TBPELS Firm# 10125500



LINE	BEARING	DISTANCE
L1	S 58°32'38" W	16.64'
L2	S 63°02'10" W	69.62'
L3	S 76°43'25" W	64.44'
L4	S 63°09'48" W	64.15'
L5	N 57°46'56" W	67.37'
L6	N 66°52'26" W	11.97'

LEGEND

- Monument Found as noted
- 1/2" Steel Rod Set capped "1519 Surveying"
- Point
- Fence

(Record Information)

O.P.R.M.C.T.-Official Public Records of McLennan County, Texas

DESCRIPTION

STATE OF TEXAS
COUNTY OF MCLENNAN

BEING all that tract of land in the City of Hewitt, McLennan County, Texas, out of the Carlos O'Campo Grant, Abstract Number 32, being part of that called 27.828 acres of land described in a deed to Midway Independent School District, recorded under County Clerk's File Number 2015018159 of the Official Public Records of McLennan County, Texas, and being further described as follows:

BEGINNING at a 1/2 inch steel rod set capped "1519 Surveying" in the Northwest line of said 27.828 acres and the Southeast line of that called 18.05 acres of land described in a deed to the City of Hewitt, recorded under County Clerk's File Number 2010031754 of the Official Public Records of McLennan County, Texas, being the West corner of the herein described tract. A 3/8 inch steel rod found at the Northwest corner of said 27.828 acres, the Southwest corner of said 18.05 acres, and the East line of Old Temple Road bears South 59 degrees 46 minutes 18 seconds West, 129.44 feet for reference;

THENCE North 59 degrees 46 minutes 18 seconds East, 680.45 feet along the common line of said 27.828 acres and said 18.05 acres to a 3/8 inch steel rod found at the North corner of said 27.828 acres and the West corner of that called 12.07 acres of land described in a deed to the City of Hewitt, recorded under County Clerk's File Number 2015034403 of the Official Public Records of McLennan County, Texas, the North corner of the herein described tract;

THENCE South 45 degrees 02 minutes 06 seconds East, 465.82 feet along the Northeast line of said 27.828 acres and the Southwest line of said 12.07 acres to a 1/2 inch steel rod set capped "1519 Surveying", the East corner of the herein described tract;

THENCE the following courses and distances through the interior of said 27.828 acres as follows:

South 58 degrees 32 minutes 38 seconds West, 16.64 feet to a point;
South 63 degrees 02 minutes 10 seconds West, 69.62 feet to a point;
South 85 degrees 17 minutes 04 seconds West, 181.61 feet to a point;
North 75 degrees 22 minutes 25 seconds West, 104.61 feet to a point;
North 85 degrees 33 minutes 31 seconds West, 249.68 feet to a point;
South 76 degrees 43 minutes 25 seconds West, 64.44 feet to a point;
South 63 degrees 09 minutes 48 seconds West, 64.15 feet to a point;
South 89 degrees 48 minutes 00 seconds West, 122.00 feet to a point;
North 57 degrees 46 minutes 56 seconds West, 67.37 feet to a point;
North 68 degrees 52 minutes 26 seconds West, 11.97 feet to the Point of Beginning, containing 4.093 acres of land.

Bearings, distances, and acreage are grid, NAD83 State Plane Coordinate System, Texas Central Zone 4203.

EXHIBIT "B"

NOTES:

1. Bearings, distances, and acreage are grid, NAD83 State Plane Coordinate System, Texas Central Zone 4203.
2. This survey was prepared without the benefit of a current title report/commitment. There may be easements, restrictions, and/or covenants affecting this property, not shown hereon.
3. No flood zone determination was made as part of this survey.
4. A "1/2 inch steel rod set" is a 1/2 inch rebar with plastic cap marked "1519 SURVEYING".

This survey may only be used for the original transaction for which it was created. Digital or photocopy reproductions of this survey may not be used for subsequent transactions.

I, the undersigned, do hereby certify that the plat as shown hereon was prepared from an on-the-ground survey performed by me or under my supervision and completed on January 11, 2016; No warranty is made or intended for the location of any or all easements that may exist within the bounds of this survey.

Date: January 12, 2017

Julianne Henson
Registered Professional Land Surveyor, 6566

BOUNDARY SURVEY
4.093 ACRES
CARLOS O'CAMPO GRANT, A-32
CITY OF HEWITT
MCLENNAN COUNTY, TEXAS

1519 Job No.: 40663	Drawn By: jrh
Sheet 1 of 1	Reviewed By: jdd
Property Address: 470 Old S. Temple Road Hewitt, Texas	Prepared For: Miles Whitney City of Hewitt

1519 Surveying, LLC
3151 Platt Dr. Waco, TX 76710 Ph: 254-776-1519 TBPLS Firm# 10193800
www.1519s.com

CITY OF HEWITT

MCLENNAN COUNTY, TEXAS

2016 - L.S. NO. 4; GRAVITY SEWER EXPANSION

PROPERTY SURVEY

Sketch Showing Tract One 12.07 acres of land, Tract Two 0.38 acres of land and Tract Three 9.36 acres of land all being in the City of Hewitt and Carlos O'Campo Grant, Abstract No. 32 McLennan County, Texas and all being part that called 7.136 acres described in a deeds to Virginia Needham in Volume 25, Page 17 and Cleo Warren Haines in Volume 25, Page 20 of the Official Public Records of McLennan County, Texas, and being part that called 7.138 acres described in a deed to Helen Warren Tutt of record in Volume 923, Page 424 of the Deed Records of McLennan County, Texas and conveyed to Anna Tutt Sneed, Julia Tutt Beechert, Emestelle Kay Tutt Carpenter, and Helen Warren Tutt Hampton in Instrument 2011011600 of the Official Public Records of McLennan County, Texas, and being part of that called 7.130 acres described in a deed Raleigh Warren Moses, Anna Kay Moses France, Florence Helen Moses Cadogen, Mary Elizabeth Moses Dent, Homer Weston Moses, and Frederick Cleon Moses of record in Volume 1850, Page 154 of the Deed Records of McLennan County, Texas.

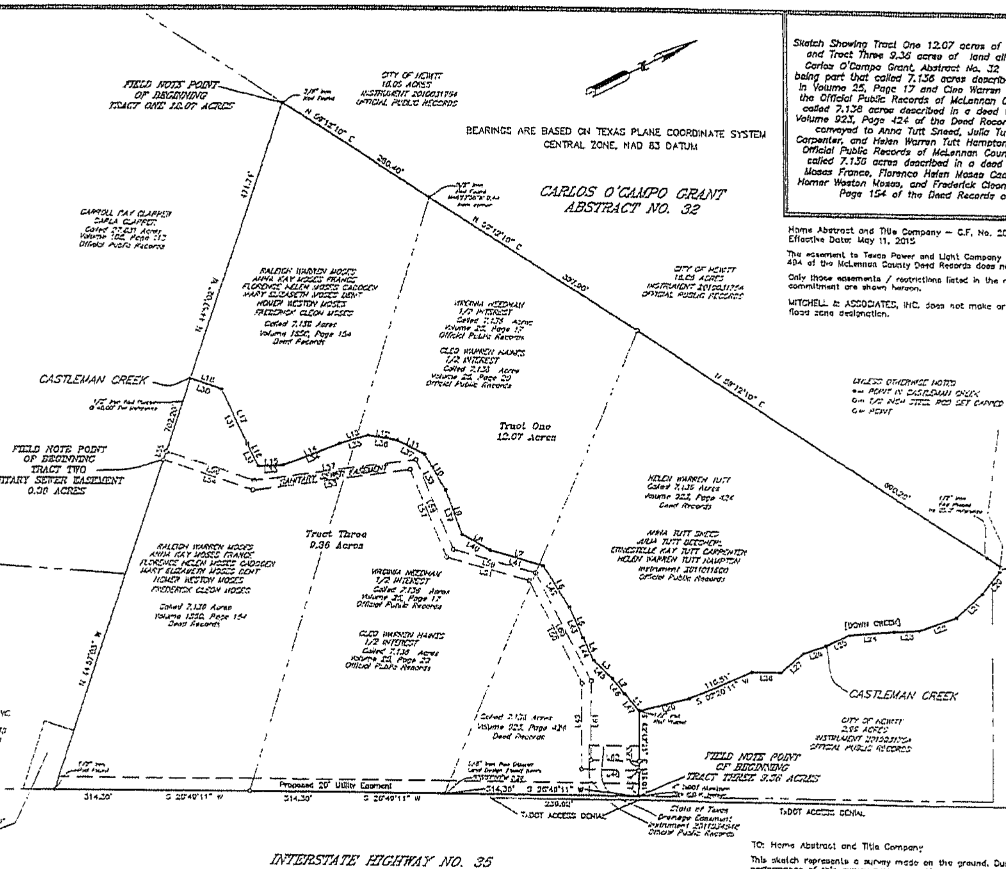
Home Abstract and Title Company – G.F. No. 20142270
Effective Date: May 11, 2015

The easement to Texas Power and Light Company in Volume 820, Page 404 of the McLennan County Deed Records does not affect these parcels.

Only those easements / restrictions listed in the referenced title commitment are shown hereon.

MITCHELL & ASSOCIATES, INC. does not make or warrant any flood zone designation.

BEARINGS ARE BASED ON TEXAS PLANE COORDINATE SYSTEM CENTRAL ZONE, NAD 83 DATUM



LINE	BEARING	DISTANCE
L1	S 75°59'53" W	30.42'
L2	S 77°32'21" W	50.08'
L3	S 70°28'13" W	42.78'
L4	N 07°30'52" W	59.32'
L5	N 86°10'14" W	54.03'
L6	S 13°47'21" W	70.08'
L7	S 47°12'55" W	101.78'
L8	S 56°10'20" W	52.17'
L9	N 13°40'22" W	77.26'
L10	S 86°24'22" W	60.37'
L11	S 25°20'23" W	48.72'
L12	S 30°04'50" W	47.02'
L13	S 10°34'30" W	40.01'
L14	S 04°50'47" W	97.57'
L15	S 25°15'30" W	40.29'
L16	N 88°30'45" W	41.44'
L17	N 08°30'07" W	110.71'
L18	S 41°08'21" W	52.57'
L19	S 56°07'50" E	9.21'
L20	S 85°15'54" E	44.74'
L21	S 10°03'11" E	87.11'
L22	S 02°57'04" W	62.98'
L23	S 22°43'33" W	41.04'
L24	S 21°05'45" W	71.00'
L25	S 00°34'44" W	41.17'
L26	S 07°38'08" W	30.50'
L27	S 14°30'58" E	47.30'
L28	S 27°34'00" W	40.63'
L29	S 11°43'41" W	55.16'
L30	N 41°08'21" E	52.50'
L31	S 08°30'07" E	110.71'
L32	S 88°30'45" E	41.44'
L33	N 25°15'30" E	40.29'
L34	N 04°50'47" E	97.57'
L35	N 10°34'30" E	40.01'
L36	N 30°04'50" E	47.02'
L37	N 85°20'23" E	48.79'
L38	N 86°24'22" E	60.37'
L39	S 13°40'22" E	77.26'
L40	N 56°10'20" E	52.17'
L41	N 47°12'55" E	101.78'
L42	N 13°47'21" E	70.08'
L43	S 86°20'16" E	54.03'
L44	N 07°30'52" E	30.34'
L45	N 70°28'13" E	42.78'
L46	N 77°32'21" E	30.98'
L47	N 75°59'53" E	36.43'
L48	S 27°16'10" W	65.06'
L49	N 02°44'30" W	137.69'
L50	N 87°28'40" W	188.52'
L51	S 41°20'36" W	158.71'
L52	N 08°47'03" W	153.70'
L53	S 18°40'52" W	235.52'
L54	N 46°07'29" W	101.09'
L55	N 44°37'02" W	15.00'
L56	N 45°03'58" E	140.40'
L57	N 16°46'52" E	285.65'
L58	S 89°47'03" E	117.44'
L59	N 41°31'08" E	137.01'
L60	N 87°28'40" E	105.33'
L61	S 02°44'30" E	124.60'
L62	N 27°16'10" E	76.08'
L63	S 87°42'55" E	15.00'
L64	N 87°42'55" W	41.08'

TO: Home Abstract and Title Company

This sketch represents a survey made on the ground. During the performance of this survey persons working under my supervision observed conditions along the boundaries and to the best of my knowledge they are as shown.

I hereby state that to the best of my professional knowledge and belief that this plat and the survey on which it is based meets the requirements for land surveys in the State of Texas.

This the __ day of ______ 2015.

ROBERT E. MITCHELL R.P.L.S. 5801

ALL RIGHTS RESERVED
(C) MITCHELL & ASSOC. INC. 2015

SURVEYED: 05/11/2015

WORK ORDER NO: 15-05-0353 DIGITAL FILE: 15-05-0353 I-35 Hewitt.dwg FIELD SERVICES: CW-W4/67

FIELD NOTE DESCRIPTIONS ATTACHED

MITCHELL & ASSOCIATES, INC.
ENGINEERING & SURVEYING
6801 Sanger Ave. Ste. 111, Waco Texas (254) 776-5151
T. B. P. L. S. FIRM REGISTRATION NO. 10194044

OF 5 Copies

SCALE 0 100 200

REQUESTED BY: Jon Spelman

TAX I.D. NO: 138845; 138810 138811

Z:\2015 Projects\15-05-0353 I-35 Hewitt\dwg\15-05-0353 I-35 Hewitt.dwg 6/18/2015 12:10:59 PM CST

REVISION DESCRIPTION | DATE | BY | CKD

DESIGN:
DRAWN:
CKD:
SEAL:

THIS DOCUMENT IS RELEASED FOR THE PURPOSE OF INTERIM REVIEW UNDER THE AUTHORITY OF MILES W. WHITNEY, P.E. # 116154, ON JANUARY 27, 2017. IT IS NOT TO BE USED FOR CONSTRUCTION OR BIDDING PURPOSES.

APPROVED:

DATE:

AYOTE CONSULTING, LLC
T.B.P.E. F-16387
P.O. Box 4248
Waco, TX 76708 PH. 254-744-3439

SHEET 1 OF 6

Exhibit "C"

Interlocal Cooperation and Exchange Agreement

This Interlocal Cooperation and Exchange Agreement is entered into by and between the Midway Independent School District (hereinafter "District) and the City of Hewitt, Texas (hereinafter "City").

1. Introduction. The District acquired and owns a 27.828 acre tract of land for the location of future school facilities (hereinafter "Original District Tract"). The Original District Tract is described in Exhibit "A" attached hereto. The Original District Tract is adjacent to Warren Park, a public park owned and maintained by the City which serves as a major source of recreation for children in the area. There are 4.093 acres of the Original District Tract that are not feasible for development by the District due to topography and drainage conditions. This 4.093 acres is hereinafter referred to as the "Park Expansion Tract." The Park Expansion Tract is shown and specifically described in Exhibit "B" attached hereto.

The City desires to acquire the Park Expansion Tract from the District in order to expand Warren Park. The Original District Tract currently has no service connection to the City's sanitary sewer system. The City has proposed that in return for the conveyance by the District of the Park Expansion Tract to the City, the City will undertake at its sole cost and expense, all engineering, easement acquisitions, and construction and installation of all lines and appurtenances necessary to bring City sanitary sewer service to the remainder of the District's land (hereinafter "Remainder Tract"); and to waive any tap fee. The District is willing to convey the Park Expansion Tract to the City as:

- Extension of municipal sanitary sewer service to the Remainder Tract is a very expensive and difficult project that the District would ultimately have to accomplish at its own cost (a cost that would likely be significantly higher in the future);
- The Park Expansion Tract is not developable or useable by the District due to land features, topography and drainage; and
- The expansion of Warren Park next to the proposed future campus would: maintain the natural beauty of the campus setting while avoiding District responsibility for maintenance; provide opportunities for outside learning and field trips; and provide much needed recreation for the public.

Both parties have the power of eminent domain, and agree that the paramount public use of the Park Expansion Tract would be for the expansion of Warren Park. Both parties agree that public purposes of each in the provision of educational and recreational activities would be served by the proposed transaction.

2. District Obligation. The District shall deliver a Special Warranty Deed of the Park Expansion Tract to the City on or before ten (10) business days after this Agreement is approved and fully executed. The City agrees to hold the Special Warranty Deed in trust, and not to record the same in the Official Public Records until the sanitary sewer project is completed by the City and completion verified by the District.

As the land is undeveloped and both parties are property tax exempt, no prorations are required. The City is a sophisticated purchaser and waives any and all disclosures that might otherwise be required by law. No title commitment or title policy will be provided by or paid for by the District. However, the District will provide a copy of any existing title policy /commitment relating to the Original District Tract for review only. No formal closing is envisioned.

CITY WILL ACCEPT THE PROPERTY WHERE IS, AS IS, AND WITH ALL FAULTS. ANY AND ALL COVENANTS OR WARRANTIES, OTHER THAN TITLE, ARE HEREBY DISCLAIMED BY THE DISTRICT. CITY WARRANTS THAT IT HAS NOT RELIED ON ANY REPRESENTATION OF THE DISTRICT NOT EXPRESSLY SET FORTH HEREIN, AND IS RELYING ON ITS OWN INVESTIGATIONS AND STUDIES OF THE PROPERTY.

In accordance with Section 272.001(i) of the Texas Local Government Code, the deed will contain a reversionary interest in favor of the District should the City ever change the use of the Park Expansion Tract from use for public park purposes.

3. City Obligations.

a) Accept the Special Warranty Deed, which shall convey the Park Expansion Tract by metes and bounds. No plat shall be required. When the District develops the Remainder Tract, a plat will be required.

b) Hold the Special Warranty Deed in trust, and not to record the same in the Official Public Records until the sanitary sewer project is completed by the City and completion is verified by the District

c) Perform, at the City's sole cost and expense, all things necessary to bring City sanitary sewer service to the Remainder Tract. The minimum specifications for the project and the location of the project are generally as set forth in Exhibit "C" attached hereto;

c) Complete the sanitary sewer project by January 15, 2018;

d) Waive any tap fee that would otherwise be payable by the District; and

e) Reimburse the District for one-half of the District's attorney's fees incurred in this transaction, City's share not to exceed $3,000, on delivery of the Special Warranty Deed.

4. Obligation of Both Parties. Both parties have the obligation to cooperate to achieve the results contemplated by this Agreement.

5. Adequate Consideration. The parties acknowledge the adequacy of the consideration that each is receiving hereunder.

6. Considered to Be Jointly Drafted. For purposes of interpretation of this Agreement and its terms, this Agreement is considered to have been jointly drafted by the parties.

7. Multiple Counterparts. This Agreement may be executed in multiple counter parts and the signature pages combined on one copy to create a binding original agreement. Scanned signatures are acceptable and effective.

CITY OF HEWITT, TEXAS

_____

Ed Passalugo, Mayor

Date: _____

ATTEST:

_____

City Secretary

MIDWAY INDEPENDENT SCHOOL DISTRICT

By: _____
Pete Rusek, President

Date: _____

ATTEST:

_____
Board Secretary

HEWITT
TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 20, 2017

AGENDA ITEM #: 7

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Consider and take appropriate action concerning a joint participation agreement and special assessment with Barnett Contracting, Inc. for installation of pavement and related appurtenances for the Commerce Park elevated storage facility in the total amount of $267,609.75.

STAFF RECOMMENDATION/ITEM SUMMARY:

The current road that provides access from Bagby/N. Old Temple Road to the Commerce Park elevated storage facility is in disrepair and in need of replacement. A portion of this roadway was originally in the bid for the tower construction project, but was removed at the time because of the opportunity to partner with Barnett to rehabilitate the entire roadway from Bagby/N. Old Temple Road to the elevated storage tank site.

Since that time, Barnett has agreed to participate in the roadway reconstruction by providing the labor (an in-kind special assessment of approximately $80,000) for the segment adjacent to their property (shown on the diagram as C1). In turn, the city would provide the materials for this segment in the amount of $101,213. Then for the remainder of the paving (shown on the diagram as A+C2 and B+D), the City would pay for materials and labor in the total amount of $166,396.75. The total cost to the City is $267,609.75.

Joint participation on this project is the most cost effective way of constructing this roadway and would be accomplished in accordance with Chapter 252.022 of the Texas Local Government Code. The City's portion of this roadway will be funded through the Water/Wastewater CO issued for construction of the tower. Attached is a copy of Barnett's proposal and diagram with the segments defined. If approved work would begin in the next few days.

ATTACHMENTS:

Drive layout
Proposal

C1 = $101,213.00

A + C2 = $98,323.75

B + D = $68,073.00

stop Here

stop Here

BAGBY AVE.

150.0'

68.70'

Hewitt's Commerce
Park Elevated
Water Tower

BARNETT ROAD
WACO, TEXAS
PRELIMINARY ROAD LAYOUT

PROPOSAL

BARNETT CONTRACTING, INC.
7703 Bagby
Waco, Texas 76712-6924
Phone Number 254- 666-7117
Phone Number 254-666-7118
Fax Number 254-666-7119
email mike@barnettcontracting.com

17-216

Proposal to :	JOB
CITY OF HEWITT	STREET TO NEW WATER TOWER HEWITT, TX
Attention MILES	Bid Date 3/7/2017 REVISED 3/09/17
Fax Number	Phone Number

☐ REVISED ☐ Reply ASAP ☐ Please Comment ☐ Preliminary ☐ Scope only for review

ADDENDA ACKNOWLEDGED

Proposal for :

STREET EXTENSION

495 X 31 LABOR AND MACHINERY ONLY

CLEAR AND GRUB	**1 EA**	**@**	**$5,000.00**	**$5,000.00**
EXCAVATION	**770 CY**	**@**	**$12.00**	**$9,240.00**
PREP SUBGRADE	**1925 SY**	**@**	**$1.00**	**$1,925.00**
MIX LIME	**1925 SY**	**@**	**$2.50**	**$4,812.50**
CONCRETE LABOR	**15345 SF**	**@**	**$1.00**	**$15,345.00**
CURB LABOR	**990 LF**	**@**	**$4.00**	**$3,960.00**
SAW / SEALER LABOR	**15345 SF**	**@**	**$0.25**	**$3,836.25**

A

A Total = $44,118.75

EXTEND TO ALLIANCE (10,660 SF)

CLEAR AND GRUB	**1 EA**	**@**	**$3,500.00**	**$3,500.00**
EXCAVATION	**519 CY**	**@**	**$12.00**	**$6,228.00**
PREP SUBGRADE	**1442 SY**	**@**	**$1.00**	**$1,442.00**
MIX LIME	**1442 SY**	**@**	**$2.50**	**$3,605.00**
CONCRETE LABOR	**10660 SF**	**@**	**$1.00**	**$10,660.00**
CURB LABOR	**580 LF**	**@**	**$4.00**	**$2,320.00**
SAW / SEALER LABOR	**10660 SF**	**@**	**$0.25**	**$2,665.00**

B

B Total = $30,420.00

NOTE: CITY TO FURNISH ALL MATERIALS

WE PROPOSE hereby to furnish material, labor, equipment and insurance - complete in accordance with above specifications

For the sum of **$74,538.75** **NO MATERIALS**

NOTE: PROPOSAL MAY BE WITHDRAWN
IF NOT ACCEPTED IN **10** DAYS
<subject to award by owner>

AUTHORIZED SIGNATURE

MIKE BARNETT

ACCEPTANCE of PROPOSAL

The above prices, specifications and conditions are satisfactory and hereby accepted
You are authorized to do the work as specified
Payment will be made : NET ON COMPLETION IN FULL
WITH MONTHLY PROGRESS PAYMENTS NET 10th PROX

AUTHORIZED SIGNATURE

DATE

PROPOSAL

BARNETT CONTRACTING, INC.
7703 Bagby
Waco, Texas 76712-6924
Phone Number 254- 666-7117
Phone Number 254-666-7118
Fax Number 254-666-7119
email mike@barnettcontracting.com

17-216B

Proposal to :	JOB
CITY OF HEWITT	STREET TO NEW WATER TOWER HEWITT, TX
Attention MILES	Bid Date 3/7/2017 REVISED 3/09/17
Fax Number	Phone Number

☐ REVISED ☐ Reply ASAP ☐ Please Comment ☐ Preliminary ☐ Scope only for review

ADDENDA ACKNOWLEDGED

Proposal for :

STREET EXTENSION

1420 X 31 MATERIALS ONLY

	MATERIALS	BARNETT PROPERTY	CITY PORTION	
C	HYDRATED LIME	$ 10,500.00	$5,500.00	$ 16,000.00
	4000 PSI CONCRETE	$ 72,985.00	$37,599.00	$ 110,584.00
	9 SACK CURB GROUT	$ 4,100.00	$2,200.00	$ 6,300.00
	#4 REBAR	$ 8,725.00	$4,495.00	$ 13,220.00
	1.25" DOWELS	$ 943.00	$2,371.00	$ 3,314.00
	SEALER	$ 3,960.00	$2,040.00	$ 6,000.00
		C1 Total = $101,213.00	C2 Total = $54,205.00	C Total = $155,418.00

EXTEND TO ALLIANCE (285 X 31) PLUS APPROACHES

D	HYDRATED LIME	$3,840.00	$ 3,840.00
	4000 PSI CONCRETE	$26,117.00	$ 26,117.00
	9 SACK CURB GROUT	$1,295.00	$ 1,295.00
	#4 REBAR	$3,200.00	$ 3,200.00
	1.25" DOWELS	$1,706.00	$ 1,706.00
	SEALER	$1,495.00	$ 1,495.00
			D Total = $37,653

NOTE: CITY TO FURNISH ALL MATERIALS

WE PROPOSE hereby to furnish material, labor, equipment and insurance - complete in accordance with above specifications

For the sum of **$193,071.00** **MATERIAL ONLY**

NOTE: PROPOSAL MAY BE WITHDRAWN
IF NOT ACCEPTED IN 10 DAYS
<subject to award by owner>

AUTHORIZED SIGNATURE
MIKE BARNETT

ACCEPTANCE of PROPOSAL

The above prices, specifications and conditions are satisfactory and hereby accepted
You are authorized to do the work as specified
Payment will be made : NET ON COMPLETION IN FULL
WITH MONTHLY PROGRESS PAYMENTS NET 10th PROX

AUTHORIZED SIGNATURE

DATE

HEWITT
TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 20, 2017

AGENDA ITEM #: 8

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Consider and take appropriate action concerning the City of Hewitt Policy on Economic Development.

STAFF RECOMMENDATION/ITEM SUMMARY:

Based on recent feedback from the City Council, city staff is presenting this updated policy statement for consideration. If approved, the policy would be effective immediately. The policy permits any form of economic development incentive authorized by State Law. Adoption of this policy shall not imply or suggest the City of Hewitt is under obligation to provide any incentive to any applicant.

ATTACHMENTS:

Resolution/Economic Development Policy

RESOLUTION NO. _____

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS, AMENDING AND APPROVING THE CITY OF HEWITT POLICY ON ECONOMIC DEVELOPMENT; AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND HAS BEEN OPEN TO THE PUBLIC AS REQUIRED BY LAW

WHEREAS, the Hewitt City Council desires to promote economic development within Hewitt; and

WHEREAS, the provisions of certain economic development incentives may encourage prospective business and companies to locate in Hewitt or existing businesses and companies to expand; and

WHEREAS, the attached Economic Development Policy (Exhibit "A") amends the City's former Comprehensive Policy of Guidelines and Criteria for Government Economic Development Incentives.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS:

SECTION 1. The facts and recitations contained in the above preamble of this Resolution are hereby incorporated for all purposes.

SECTION 2. The City Council of the City of Hewitt approves the revised Economic Development policy (as shown in the attached Exhibit A) and is hereby adopted by the City of Hewitt to be effective immediately.

SECTION 3. It is hereby officially found and determined that the meeting at which this resolution is passed was noticed and has been open to the public as required by law.

PASSED AND APPROVED this the 20th day of March, 2017.

CITY OF HEWITT, TEXAS

_____

Ed Passalugo, Mayor

ATTEST:

_____

Lydia Lopez, City Secretary

EXHIBIT "A"

Policy on Economic Development

The City of Hewitt is committed to the promotion of quality development in all parts of the city and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City will, on a case-by-case basis, give consideration to providing incentives as a stimulus for economic development in Hewitt in accordance with State Law.

Any party seeking economic development assistance shall submit a written request for assistance and provide supporting information, and written documentation as required by the City Manager. Once a request for economic development incentives is deemed administratively complete by the City Manager, the City Council shall consider and make a final determination concerning award of any economic development incentive.

This policy shall not imply or suggest the City of Hewitt is under obligation to provide any incentive to any applicant.