

HEWITT TEXAS

CITY COUNCIL MEETING AGENDA

March 5, 2018

Workshop/Regular Meeting – 5:30 PM/7:00 PM

CITY HALL, 200 PATRIOT COURT

HEWITT, TX 76643

MAYOR AND CITY COUNCIL

Travis Bailey – Mayor, Ward 1

Ed Passalugo – Mayor Pro Tem, Ward 3

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

Jim Devlin, Police Chief

Lee Garcia, Finance Director

Lance Bracco, Fire Chief

Waynette Ditto, Library Director

Katie Allgood, Managing Director

Tracy Lankford, Community Dev. Director

Tuck Saunders, Assistant Police Chief

Kevin Reinke, Utilities Director

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 **5th day of March, 2018, 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:
 - Earth Day Celebration – April 21, 2018
 - Citizens Police Academy – February 20, 2018 – April 24, 2018
 - Household Hazardous Waste Day – May 5, 2018
 - Nacho Day (Greater Hewitt Chamber Event) – May 12, 2018
 - c. Review and discussion of 2017 Audit with Diana L. Ward, Jaynes, Reitmeier, Boyd & Therrell, P.C.
 - d. Presentation of the Texas Municipal League (TML) Board Report - TML Region 9 Director Ed Passalugo.
 - e. Briefing and discussion concerning Emergency Medical Services RFP update.
 - f. Briefing and discussion concerning small cell nodes and right-of-way management.
 - g. Briefing and discussion concerning Stormwater Ordinance.
 - h. Briefing and discussion concerning Joint Meeting with Parks & Beautification Committee – March 19, 2018.
 - i. Briefing and discussion concerning vacancies and appointments.
 - j. 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 §551.072 – Purchase, Exchange, Lease, or Value of Real Property.
 - Pursuant to §551.074 - Personnel Matters (Council Member – At-Large).
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 12:00 AM/PM on March 2, 2018.

CITY OF HEWITT



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 **5th day of March, 2018, 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 and Regular Meeting of February 19, 2018.
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.*
5. Authorize City Manager to negotiate and execute an agreement with Simple Solutions for building cleaning and janitorial services.
6. Authorize City Manager to negotiate and execute an agreement with Lower Colorado River Authority (LCRA) Environmental Laboratory Services for unregulated chemical contaminant water sample testing.
7. Consider a resolution of the City of Hewitt, Texas, canceling the General Election scheduled to be held on the 5th day of May, 2018 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. *(Considerare un resolución de la ciudad de Hewitt, Texas, cancelando la Elección General de funcionarios municipales programada para el día 5 de mayo de 2018 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.)*
8. Consider an ordinance of the City Council of the City of Hewitt, Texas, approving a tariff authorizing an Annual Rate Review Mechanism ("RRM") as a substitution for the Annual Interim Rate Adjustment Process defined by Section 104.301 of the Texas Utilities Code, and as negotiated between Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" Or "Company") and the Steering Committee Of Cities served by Atmos; requiring the Company to reimburse Cities' reasonable ratemaking expenses; adopting a savings clause; Determining that this ordinance was passed in accordance with the requirements of the Open Meetings Act; Declaring an effective date; and requiring delivery of this ordinance to the Company and Legal Counsel for the Steering Committee.
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 12:00 AM/PM on March 2, 2018.

CITY OF HEWITT

A handwritten signature in blue ink that reads "Lydia Lopez". The signature is fluid and cursive, with the first name "Lydia" and last name "Lopez" clearly distinguishable.

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.



COUNCIL WORKSHOP AGENDA ITEM #2.a



CITY ENGINEER'S REPORT

March 2, 2018

2015 Bond Projects:

Lift Station No. 5 Removal

Working on easement signatures.

IH - 35 Waterline

- Phase 2; Sun Valley to Flat Rock Trailers
 - Plans to be submitted to TxDOT for permitting shortly, pending Lift Station No. 5 issues.
- Phase 3; South side of Castleman Creek to Glenleigh Dr.
 - Will begin design in the coming months.

Sun Valley Rd.; Waterline Bores.

This project is currently being advertised for bidding. We are to open bids on March 29, 2018 at 10 a.m.

2018 Street Improvements; Slurry Seal

A preliminary set of plans have been developed and are being reviewed. The City's crews have begun locating areas of concerns on these for repair prior to the construction of this project.

Alamo Lift Station (Lift Station No. 7)

Awaiting to receive the interlocal agreement back from Waco. Kevin is in the process of ordering the materials to make the connection as soon as we have the green light.

Drainage

209/213 Cross Country Drainage Improvements

Finishing up project plans, should be ready to begin advertising for bids pending the Council's approval.

Old Temple Rd; Phase 2

Contractor has begun the milling of the northern section of the project to work towards completing it prior to our larger park events, but weather has delayed them a little.

HEWITT TEXAS

CITY ENGINEER'S REPORT

March 2, 2018

FM 2113 (Spring Valley Rd.)

Awaiting utility conflict analysis from TxDOT.

Ritchie Road Improvements; (From Warren Dr. to Park Place Dr.)

60% plans have been submitted to all parties and we are to review the road portion.

Hewitt Dr. and Panther Way

I am working towards completing the plans and details for this project and will be submitting them in for TxDOT's review.

Stormwater Ordinance

We are working on preparing a new stormwater ordinance to gain compliance with the City's existing Municipal Separate Storm Sewer (MS4) plan. The Council will be seeing this in a future council meeting.

By:



Miles W. Whitney P.E.
Miles W. Whitney, P.E.

Note: All dates are approximate and subject to change.

PRIORITIZATION	DESCRIPTION	EST. QTY.	UNIT
1	ANGEL FIRE DR.	6,548	S.Y.
2	RADISSON DR.	3,206	S.Y.
3	WHISPERING MEADOWS DR.	6,501	S.Y.
4	WESTHILL DR.	4,683	S.Y.
5	NEELY RD.	7,361	S.Y.
6	GOLIAD DR.; PARTIAL	1,367	S.Y.
7	SIERRA SLOPE DR.	3,851	S.Y.
8	SUNNYDALE DR.	2,352	S.Y.
9	SUNSET BLVD.	3,766	S.Y.
10	REDBUD CIRCLE	953	S.Y.
11	WALDEN ST./CIR.	4,339	S.Y.
12	E. LINDENWOOD LN.	3,508	S.Y.
13	LUMBY ST.	833	S.Y.
14	WELSFORD CR.	927	S.Y.
15	ESTON CR.	922	S.Y.
16	YORKTOWN ST.	1,229	S.Y.
17	TILLAMOOK ST.	4,461	S.Y.

HEWITT TEXAS

COUNCIL WORKSHOP AGENDA ITEM #2.c



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

March 2, 2018

The City Council
City of Hewitt, Texas:

First, I would like to say "thank you" for giving JRBT the opportunity to serve as the City's auditors. At JRBT, our business-oriented approach is structured to help you achieve your goals and objectives and strengthen your management processes, including the City's continued participation in the Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award programs. The City has received awards under these two programs for the past fifteen years, and continues to utilize GFOA as a resource for implementing "best practices" for governmental entities.

One of GFOA's recommended "best practices" includes oversight of financial reporting by the governing body (i.e. the City Council). GFOA states that three main groups are responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors. Of these three, the governing body must be seen as first among equals because of its unique position as the ultimate monitor of the financial reporting process. By effectively carrying out its functions and responsibilities, the City Council helps ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.

To assist the Council in carrying out its oversight responsibility, management has added an agenda item during the Workshop on March 5th for review of a draft of the Comprehensive Annual Financial Report ("CAFR") as of and for the year ended September 30, 2017. A copy of the draft CAFR is enclosed for your review.

We welcome your thoughts and comments.

Jaynes Reitmeier, Boyd + Therrell, P.C.

CAFR

FOR YEAR ENDED SEPTEMBER 30

2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Hewitt, Texas



Discussion Draft

City of Hewitt, Texas

Comprehensive Annual Financial Report

For the Year Ended September 30, 2017

Discussion Draft

Prepared by Finance Department
City of Hewitt, Texas

Discussion Draft

City of Hewitt, Texas

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September 30, 2017

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City of Hewitt, Texas

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City of Hewitt, Texas

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HEWITT TEXAS

February 26, 2018

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

State law and city charter require that every municipality publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill those requirements for the fiscal year ended September 30, 2017.

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

Jaynes, Reitmeier, Boyd & Therrell, P.C., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Hewitt’s financial statements for the year ended September 30, 2017. The independent auditor’s report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Hewitt, originated in 1893 and incorporated in 1960. It is located in the Heart of Texas Region in the central part of Texas just 2 hours south of Dallas and 2 hours north of Austin on Interstate 35. As the southern suburb of Waco, Hewitt enjoys being the second largest city in McLennan County with 7 square miles along I-35 and serving a population approaching 15,000.

The City of Hewitt operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing council (Council) consisting of the mayor and six other members. Council members, including the mayor, serve two-year terms, with three or four members elected by ward, with one at-large, on a non-partisan basis every two years. The mayor is chosen from among and by the City Council. The City Council is responsible, among other

things, for passing ordinances, adopting the budget, and hiring the City's manager, attorney, and municipal judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city government, and for appointing the heads of departments.

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

The Council is required by city charter to adopt an initial budget for the fiscal year no later than August 1st preceding the beginning of the fiscal year on October 1. This annual budget serves as the foundation for the City of Hewitt's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager submits to the City Council a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them. A public hearing on the budget and two on the proposed tax rate are held prior to the meeting to adopt the budget. The budget is legally enacted through passage of an ordinance. Annual appropriated budgets are adopted for the General Fund, the Water, Sewer and Sanitation Fund, and the Drainage Fund. Also, project-length financial plans are adopted for the Capital Projects Funds.

Local Economy

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

Hewitt has customarily been known as a bedroom community with residential valuations making up approximately 67% of the total assessed property value. Although Hewitt is landlocked and unable to annex additional territory, Hewitt has ample land available for residential development and new commercial investment. Current projections indicate a total build out population of approximately 20,000 residents within the next 10 to 15 years.

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

The year 2017 was pivotal in the history of Hewitt. In January, Walmart opened doors to the public and began operations in Hewitt's Commerce Park. This was much anticipated due to new jobs and shopping opportunities in Hewitt. Moreover, the store has created new interest from other developers. Cracker Barrel restaurant recently submitted plans for a new building which is slated to open Mid-Summer 2018. It is anticipated that other retailers will likewise choose Hewitt

and subsequent investment, jobs, and tax revenue will follow. Due to Walmart and other new retailers, Hewitt is projected to see historic high sales tax revenue in 2018 and beyond.

Hewitt once again experienced moderate property tax valuation increases in 2017. The increase in values was similar to that experienced county wide and was right at an 8% increase over the previous year. This increase included new growth and development, as well as increased property valuations by the McLennan County Appraisal District (in accordance with the State published Property Value Study). This increase put Hewitt's 2017 Certified Taxable Value at \$843 million, which is an historic high.

In addition to commercial development, Hewitt continues to experience solid growth in residential housing. With new subdivisions like Moonlight Park and Sunflower Ridge, several hundred new home lots are currently in various stages of development. At the same time, construction began in 2017 for Hewitt's first apartment complex in over twenty years. The Icon at Hewitt will offer 256 luxury one and two bedroom units. Plus, the Reserve at Dry Creek will provide 118 apartment units for residents 55 and over (Senior Citizens) at an affordable monthly rate. Both of these new apartment facilities are slated to open in 2018. Hewitt and the greater Waco area are expected to experience continual growth in population as well as taxable value.

Looking beyond 2018 there is much to look forward to in the greater Hewitt area. Land values are increasing and people are moving to Hewitt. Just outside the city limits, several hundred residential lots are in development right now. While these will be Waco residents, they will drive on Hewitt streets, go to local stores, and new jobs will be created in the immediate area. This rapid growth will create new opportunities for intergovernmental projects, as evidenced by the current plan to reconstruct Ritchie Road, which is a joint partnership between the City of Hewitt, the City of Waco, and McLennan County. This multi-million dollar project exemplifies the spirit of cooperation and level of investment by local governmental units.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. The unemployment rate as of September 2017 was 4.10%. Median household incomes in the City of Hewitt is \$74,465, while the state's was \$56,565. Population has increased from 11,084 in 2000 to the estimated 15,000 with the additions of the Icon and Dry Creek apartment complexes.

The median price of a single family home according to permit values for 2017 was \$290,000. Due to the strong and healthy local economy, the City of Hewitt has maintained a credit rating of AA- Stable from Standard and Poor. The Midway School District also has a significant economic presence, employing in total more than 1,413 teachers, professionals and support staff.

Long-Term Financial Planning and Major Initiatives

Unrestricted fund balance in the general fund at year end was \$3,058,799 or 45% of total general fund expenditures (excluding debt service and capital outlay expenditures). This amount was more than the \$1,702,412, (i.e., 90 days of general fund expenditures, excluding debt service and capital outlay) set by Council for budgetary and planning purposes. The Council recently reviewed the City Council's reserve policy to set two separate 90 day reserves, one for general fund expenditures and a separate 90 day reserve for debt service. The balance available for debt

service at year end was \$507,021 or 31% of total debt service of \$1,636,476. This was more than the \$409,119 amount set by Council for debt service reserves.

The City Council maintains an active five-year Capital Improvements Plan (CIP) which serves as its planning document to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. Under the guidance of the City Council, this process gives the City of Hewitt the ability to plan for its capital needs and allocate short-and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the city manager, during the budget process, monitors the condition of all government equipment and vehicles and makes recommendations on their replacement. The CIP is used to identify needs and then prioritize projects based on staff recommendations and Council direction. A key component of the plan is projected cost estimates which are undated annually and used during budget discussions and financial planning. The plan is intended to list projects that will maintain, update, and improve city facilities and infrastructure in a variety of areas. The list includes improvements for streets and drainage, water and wastewater, fire and police, parks and recreation, and other identified functional areas. Based on past planning, a new aerial fire apparatus has been ordered for delivery this year, and the public safety radio system will be upgraded. Street and park improvements are also in the design phase with bids for improvements to be let in the current fiscal year.

Relevant Financial Policies

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hewitt, Texas, for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. This was the 14th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable program requirements.

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

The City of Hewitt also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated August 21, 2017. Hewitt has received this Award for 15 years.

To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged as proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

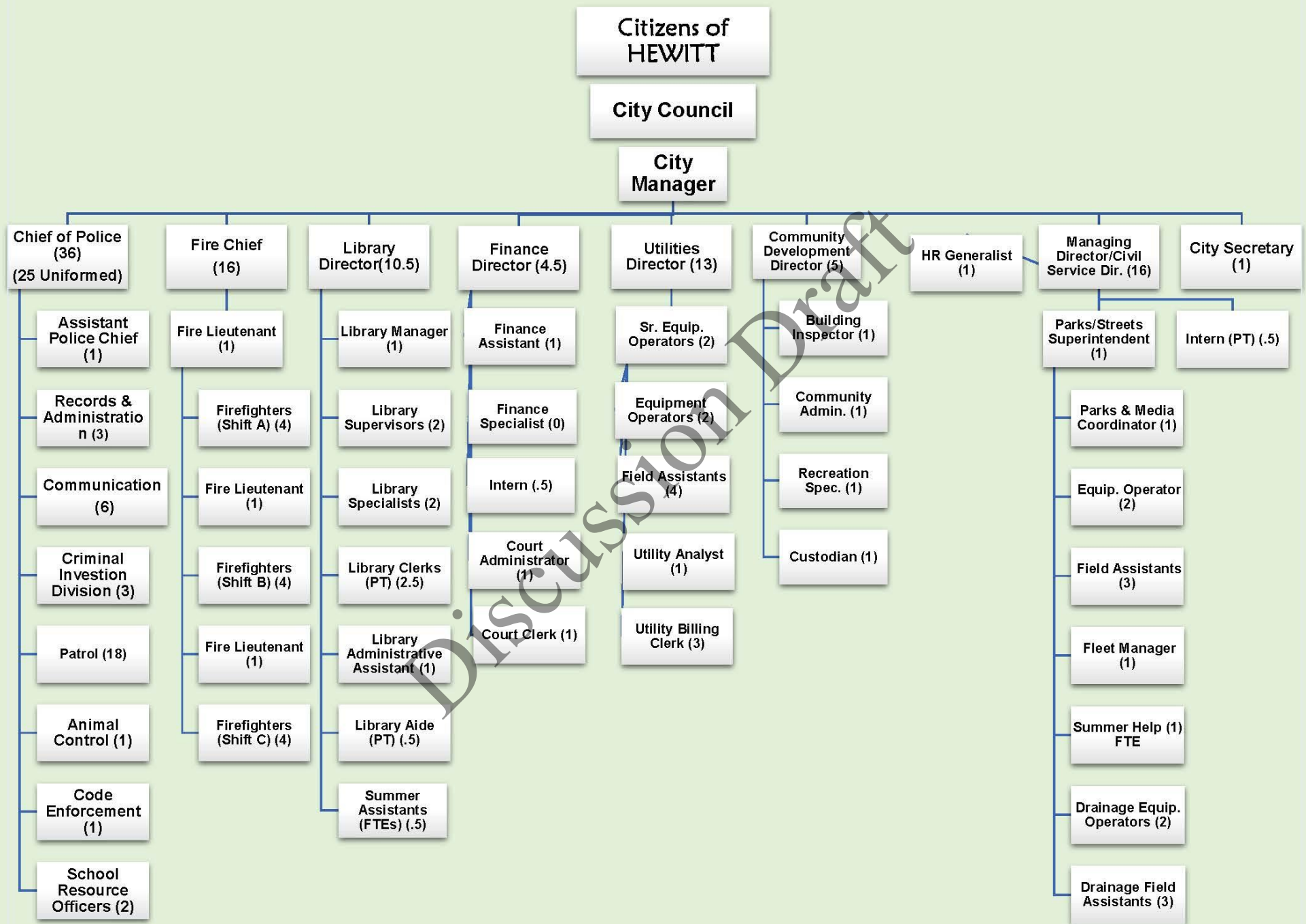
In closing, without the leadership and support of the governing body of the City of Hewitt, the Hewitt City Council, the preparation of this report would not have been possible.

Respectfully submitted,

Adam Miles, ICMA-CM
City Manager

Lee H. Garcia, CPA, CGFO
Finance Director

Discussion Draft



City of Hewitt, Texas

List of Elected and Appointed Officials

September 30, 2017

<u>Elected Officials</u>	<u>Position</u>
Travis Bailey	Mayor
Ed Passalugo	Mayor Pro-Tem
Steve Fortenberry	Council Member
Bill Fuller	Council Member
Alex Snider	Council Member
James Vidrine	Council Member
Wilbert “Walky” Wachtendorf	Council Member
<u>Appointed Officials</u>	<u>Position</u>
Adam Miles, ICMA-CM	City Manager
Lydia Lopez, TRMC	City Secretary
James Devlin, ILEA-SEL	Chief of Police
Lance Bracco, BS-FS	Fire Chief
Kevin Reinke	Utilities Director
Waynette Ditto, MLS	Director of Hewitt Library
Lee H. Garcia, CPA, CGFO	Finance Director
Katie Allgood	Managing Director/Civil Service
Tracy Lankford	Community Development Director
Stephanie Fenty, SHRM-CP	HR Generalist
Patty Laxson	Municipal Court Administrator



Government Finance Officers Association

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

Presented to

**City of Hewitt
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrell

Executive Director/CEO



HEWITT
TEXAS

Discussion Draft

Financial Section





JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, the budgetary comparison information on pages 60 and 61, and other required supplementary information on pages 62 and 63 (collectively, "the required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

February 26, 2018

Management's Discussion and Analysis



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hewitt, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hewitt, Texas for the fiscal year ended September 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$15,633,792 (*net position*). Of this amount, \$6,178,072 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$801,092 during the year compared to a decrease of \$1,710,797 in the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,178,486, a decrease of \$781,442 from the prior year. Approximately 50% of the fund balance, \$3,058,799 (unassigned fund balance), is available for spending at the government's discretion. Unassigned fund balance represents approximately 34% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 19 – 20 of this report.

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

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds, and the City's non-major fund, the hotel/ motel tax fund.

The basic governmental fund financial statements can be found on pages 21 through 23 of this report.

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

The basic proprietary funds financial statements can be found on pages 24 - 27 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 - 57 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary data for the general fund and information related to the net pension liability. Required supplementary information can be found on pages 60 through 63 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Hewitt, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$15,633,792 at the close of the most recent fiscal year.

City of Hewitt Net Position September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,738,582	7,351,002	15,736,168	15,760,443	22,474,750	23,111,445
Capital assets, net	21,280,734	20,464,475	24,922,637	25,845,387	46,203,371	46,309,862
Total assets	28,019,316	27,815,477	40,658,805	41,605,830	68,678,121	69,421,307
Deferred outflows of resources	1,316,375	1,427,502	698,520	707,931	2,014,895	2,135,433
Other current liabilities	544,410	394,778	841,777	804,673	1,386,187	1,199,451
Noncurrent liabilities	24,708,329	25,293,707	28,850,124	30,069,906	53,558,453	55,363,613
Total liabilities	25,252,739	25,688,485	29,691,901	30,874,579	54,944,640	56,563,064
Deferred inflows of resources	51,633	69,761	62,951	91,215	114,584	160,976
Net position:						
Net investment in capital assets	3,316,858	2,742,077	4,167,825	2,551,912	7,484,683	5,293,989
Restricted	598,217	528,612	1,372,820	795,600	1,971,037	1,324,212
Unrestricted	116,244	214,044	6,061,828	8,000,455	6,178,072	8,214,499
Total net position	\$ 4,031,319	3,484,733	11,602,473	11,347,967	15,633,792	14,832,700

A large portion of the City's net position (47.8%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (12.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,178,072 (39.6%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate government activities and business-type activities. The same situation held true for the prior year.

City of Hewitt
Changes in Net Position
September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 444,096	396,091	8,283,729	8,290,434	8,727,825	8,686,525
Operating grants and contributions	51,575	29,600	-	-	51,575	29,600
Capital grants and contributions	877,000	95,457	839,000	175,309	1,716,000	270,766
General revenues:						
Property taxes	4,210,134	3,954,452	-	-	4,210,134	3,954,452
Sales taxes	2,148,609	1,813,720	-	-	2,148,609	1,813,720
Franchise taxes	882,928	881,073	-	-	882,928	881,073
Hotel occupancy taxes	151,652	142,287	-	-	151,652	142,287
Investment earnings and other general revenues	178,876	80,386	96,408	166,432	275,284	246,818
Total revenues	<u>8,944,870</u>	<u>7,393,066</u>	<u>9,219,137</u>	<u>8,632,175</u>	<u>18,164,007</u>	<u>16,025,241</u>
Expenses:						
General government	1,631,134	2,167,476	-	-	1,631,134	2,167,476
Public safety	4,698,414	4,338,647	-	-	4,698,414	4,338,647
Streets	1,659,377	1,632,508	-	-	1,659,377	1,632,508
Culture and recreation	714,377	575,926	-	-	714,377	575,926
Interest on long-term debt	619,982	667,917	-	-	619,982	667,917
Water, sewer, and sanitation	-	-	7,651,272	8,113,245	7,651,272	8,113,245
Stormwater drainage	-	-	388,359	240,319	388,359	240,319
	<u>9,323,284</u>	<u>9,382,474</u>	<u>8,039,631</u>	<u>8,353,564</u>	<u>17,362,915</u>	<u>17,736,038</u>
Increase (decrease) in net position before transfers	(378,414)	(1,989,408)	1,179,506	278,611	801,092	(1,710,797)
Transfers	<u>925,000</u>	<u>540,000</u>	<u>(925,000)</u>	<u>(540,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	546,586	(1,449,408)	254,506	(261,389)	801,092	(1,710,797)
Net position, beginning of the year, as restated	<u>3,484,733</u>	<u>4,934,141</u>	<u>11,347,967</u>	<u>11,609,356</u>	<u>14,832,700</u>	<u>16,543,497</u>
Net position, end of the year	<u>\$ 4,031,319</u>	<u>3,484,733</u>	<u>11,602,473</u>	<u>11,347,967</u>	<u>15,633,792</u>	<u>14,832,700</u>

The City's net position increased by \$801,092 during the current fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$546,586, thereby accounting for approximately 68% of the total growth in the net position of the City. Overall revenues for governmental activities increased \$1,551,804.

- Property taxes increased by \$255,682 during the year (approximately 6.5%), which is primarily due to increased property values and new property being added to the tax roll.
- Sales taxes increased by \$334,889 (approximately 18.5%) during the year due to an improving economy and the addition of new businesses within the City.
- Capital contributions increased \$781,543 due to recognition of contributed streets from developers in the amount of \$877,000 for the current year.
- Investment earnings and other general revenues increased by \$98,490 as a result of increased investment earnings of approximately \$24,411 due to interest earned during the current year on 2016 bond proceeds of approximately \$3.3 million and a gain on the disposition of capital assets of \$60,940.

Overall, governmental expenses decreased \$59,190 (0.6%). A 3% cost-of-living salary increase was approved in the budget, as well as a 2% "step" increase on the employee's anniversary date. These increases in salaries and related benefits were offset by a decrease in salary due to the retirement of the assistant City Manager during the prior year and the subsequent elimination of the position during the current year. Additionally, the City emphasized a reduction in spending during the last quarter of the year. Overall, the City recognized a decrease in net position before transfers of \$378,414 and \$1,989,408 in 2017 and 2016, respectively. Transfers in were \$925,000 and \$540,000 in 2017 and 2016, respectively.

Business-type activities. Business-type activities increased the City's net position by \$254,506, accounting for approximately 32% of the total growth in the government's net position. Key elements of this increase are as follows.

- Capital grants and contributions increased by \$663,691 from the prior year due to recognition of contributed water and sewer lines in the current year in the amount of \$839,000 compared to \$175,309 recognized in the prior year for capital contributions from Texas Department of Transportation for lift stations.
- Water, sewer, and sanitation expenses decreased by \$461,973, which is primarily due to decreased water contract expense of \$341,566 due to a combination of decreased supplier base charges and less gallons purchased in the current year, and prior year expenses for bond issuance costs of \$132,143 and land easement purchases of \$180,000.
- Stormwater drainage expenses increased by \$148,040, which is primarily due to additional personnel costs and an increase in pension expense.
- Transfers out were \$925,000 in 2017 compared to \$540,000 in 2016. These transfers represent water franchise fees, wastewater franchise fees, administration fees, and payments in lieu of taxes.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,178,486, a decrease of \$781,442 from the prior year due to capital expenditures of approximately \$983,000 for streets. Approximately 50% (\$3,119,687) of the total fund balance is classified as restricted. Restricted fund balance represents balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. The remaining 50% of the fund balance (\$3,058,799) is reported as unassigned and represents the net residual resources.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,058,799, while total fund balance increased to \$3,573,406. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34% of the total general fund expenditures, while total fund balance represents 40% of that same amount.

The fund balance of the City's general fund increased by \$158,739 during the current fiscal year. Key factors in this increase are as follows:

- Total taxes increased approximately \$592,426, with property taxes accounting for an increase of \$235,781 due to increased property values and new property being added to the tax roll; and sales taxes accounting for an increase of \$334,889 during the year due to an improving economy and the addition of new businesses within the City.
- General government expenditures decreased by \$188,073 due to the retirement of the assistant City Manager in the prior year and the subsequent elimination of the position in the current year. Additionally, the City emphasized a reduction in spending during the last quarter of the year.
- Public safety expenditures increased by \$284,189 due to a 3% cost-of-living salary increase, as well as a 2% "step" increase on the employee's anniversary date. Additionally, the City added one patrol officer during the current year.
- Capital outlay of \$486,450 for the current year included \$151,450 for the purchase of land, \$137,310 for the purchase of vehicles, and \$197,690 for a tractor, three mowers, fire department equipment, library lap-top computers, city-wide servers, and police department equipment.

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

Total net position of the water, sewer, and sanitation fund at the end of the year amounted to \$11,016,511. Income before contributions and transfers was \$419,700, contributions were \$839,000, and transfers to the general fund for franchise fees, administration fees, and payments in lieu of taxes were \$925,000, resulting in an increase in net position of \$333,700. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There are no differences between the original budget and the final amended budget for appropriations; however, during the year the City Council approved a reduction in budgeted revenues and a corresponding increase in budget transfers in of \$365,000. Significant variances from the revised budget were as follows:

- The \$60,315 unfavorable variance from sales taxes results from actual sales taxes that were lower than revised estimates.
- The \$114,408 unfavorable variance for fines results from a reduction in the number of tickets written.
- The \$183,925 unfavorable variance for capital outlay expenditures results primarily from unbudgeted purchases of land.

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, 2017, amounts to \$46,203,371 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, water, sewer, and drainage facilities, machinery and equipment, and construction in progress.

City of Hewitt Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,405,058	2,253,608	870,537	870,537	3,275,595	3,124,145
Buildings and improvements	9,983,800	10,164,754	553,937	499,449	10,537,737	10,664,203
Infrastructure	8,302,510	7,496,632	-	-	8,302,510	7,496,632
Water system facilities	-	-	11,763,350	12,734,277	11,763,350	12,734,277
Sewer system facilities	-	-	10,269,453	10,341,488	10,269,453	10,341,488
Drainage system facilities	-	-	542,662	522,939	542,662	522,939
Machinery and equipment	589,366	549,481	450,963	638,617	1,040,329	1,188,098
Construction in progress	-	-	471,735	238,080	471,735	238,080
	<u>\$ 21,280,734</u>	<u>20,464,475</u>	<u>24,922,637</u>	<u>25,845,387</u>	<u>46,203,371</u>	<u>46,309,862</u>

Major capital asset events during the current fiscal year included contributions from developers for streets of \$877,000 and water and sewer lines of \$839,000. Additional information on the City's capital assets can be found in Note 8 on pages 40 – 42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$46,549,662. The City also had capital lease obligations in the amount of \$2,139,722 for various types of equipment.

City of Hewitt Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Certificates of obligation	\$ 17,515,501	18,089,342	18,934,499	19,760,658	36,450,000	37,850,000
Refunding bonds	2,060,159	2,357,045	6,829,840	6,967,954	8,889,999	9,324,999
Premiums on bonds	454,238	483,629	755,425	804,171	1,209,663	1,287,800
Total bonded debt	20,029,898	20,930,016	26,519,764	27,532,783	46,549,662	48,462,799
Note payable	-	-	54,147	60,890	54,147	60,890
Capital leases	546,163	421,181	1,593,559	1,903,059	2,139,722	2,324,240
Compensated absences	549,921	533,237	51,963	63,742	601,884	596,979
Net pension liability	3,582,347	3,409,273	630,691	509,432	4,213,038	3,918,705
	<u>\$ 24,708,329</u>	<u>25,293,707</u>	<u>28,850,124</u>	<u>30,069,906</u>	<u>53,558,453</u>	<u>55,363,613</u>

The City's total long-term debt decreased by \$1,805,160 (3.3%) during the current fiscal year. This change resulted primarily from scheduled principal payments on bonded debt and capital lease obligations.

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

The Texas Attorney General limits the amount of general obligation debt a governmental entity may issue to an amount no greater than that which can be serviced by a debt service tax of \$1.50 per \$100 assessed valuation, based on 90% collections. The City's adopted debt service rate for fiscal year 2017 is \$0.214152 per \$100 assessed valuation. This represents only 14%, or \$1.2858 below, the rate allowable by the Attorney General's imposed limit. Additional information on the City's long-term debt can be found in Notes 9 and 10 on pages 43 - 48 of this report.

Economic Factors and Next Year's Budgets and Rates

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,058,799. The City has not appropriated any of this amount for spending in the 2018 fiscal year budget. The 2018 fiscal year budget of \$9,134,865 for the general fund is a balanced budget.

The water and sewer base rates were not changed for 2018; however, base rates for drainage fees increased from \$3.00 to \$4.35 for residential customers.

Requests for Information

This financial report is designed to provide a general overview of the City of Hewitt's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Hewitt, 200 Patriot Court, Hewitt, Texas 76643; (254) 666-6171; or financedirector@cityofhewitt.com.

Discussion Draft



Basic Financial Statements



City of Hewitt, Texas
Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,952,267	4,942,729	10,894,996
Accounts receivable, net	786,315	1,203,542	1,989,857
Intergovernmental receivable	-	845,390	845,390
Restricted cash and cash equivalents	-	8,744,507	8,744,507
Capital assets not being depreciated:			
Land	2,405,058	870,537	3,275,595
Construction in progress	-	471,735	471,735
Capital assets, net of accumulated depreciation:			
Buildings and improvements	9,983,800	553,937	10,537,737
Water, sewer, and drainage facilities	-	22,575,465	22,575,465
Infrastructure	8,302,510	-	8,302,510
Machinery and equipment	589,366	450,963	1,040,329
Total assets	<u>28,019,316</u>	<u>40,658,805</u>	<u>68,678,121</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>1,316,375</u>	<u>698,520</u>	<u>2,014,895</u>
Liabilities			
Accounts payable	231,923	186,797	418,720
Accrued liabilities	311,102	252,188	563,290
Customer deposits payable	1,385	402,792	404,177
Noncurrent liabilities:			
Due within one year	1,351,673	1,341,745	2,693,418
Due in more than one year	23,356,656	27,508,379	50,865,035
Total liabilities	<u>25,252,739</u>	<u>29,691,901</u>	<u>54,944,640</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>51,633</u>	<u>62,951</u>	<u>114,584</u>
Net Position			
Net investment in capital assets	3,316,858	4,167,825	7,484,683
Restricted:			
Debt service	507,021	1,372,820	1,879,841
Tourism	83,610	-	83,610
Public safety	7,586	-	7,586
Unrestricted	<u>116,244</u>	<u>6,061,828</u>	<u>6,178,072</u>
Total net position	<u>\$ 4,031,319</u>	<u>11,602,473</u>	<u>15,633,792</u>

See accompanying notes to financial statements.

City of Hewitt, Texas
Statement of Activities
Year Ended September 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,631,134	183,187	-	-	(1,447,947)	-	(1,447,947)
Public safety	4,698,414	214,877	35,366	-	(4,448,171)	-	(4,448,171)
Streets	1,659,377	-	3,300	877,000	(779,077)	-	(779,077)
Culture and recreation	714,377	46,032	12,909	-	(655,436)	-	(655,436)
Interest on long-term debt	619,982	-	-	-	(619,982)	-	(619,982)
Total governmental activities	9,323,284	444,096	51,575	877,000	(7,950,613)	-	(7,950,613)
Business-type activities:							
Water, sewer, and sanitation	7,651,272	7,974,970	-	839,000	-	1,162,698	1,162,698
Stormwater drainage	388,359	308,759	-	-	-	(79,600)	(79,600)
Total business-type activities	8,039,631	8,283,729	-	839,000	-	1,083,098	1,083,098
Total	\$ 17,362,915	8,727,825	51,575	1,716,000	(7,950,613)	1,083,098	(6,867,515)
General revenues:							
Property taxes, levied for general purposes					2,548,579	-	2,548,579
Property taxes, levied for debt service					1,661,555	-	1,661,555
Sales taxes					2,148,609	-	2,148,609
Franchise taxes					882,928	-	882,928
Hotel occupancy taxes					151,652	-	151,652
Investment earnings					49,094	96,408	145,502
Miscellaneous					129,782	-	129,782
Transfers					925,000	(925,000)	-
Total general revenues and transfers					8,497,199	(828,592)	7,668,607
Change in net position					546,586	254,506	801,092
Net position - beginning of year, as restated					3,484,733	11,347,967	14,832,700
Net position - ending					\$ 4,031,319	11,602,473	15,633,792

See accompanying notes to financial statements.

City of Hewitt, Texas

Balance Sheet – Governmental Funds

September 30, 2017

	General	Capital Projects	Non-major Fund Hotel / Motel Tax	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 3,155,830	2,738,176	58,261	5,952,267
Accounts receivable	760,966	-	25,349	786,315
Total assets	<u>\$ 3,916,796</u>	<u>2,738,176</u>	<u>83,610</u>	<u>6,738,582</u>
<u>Liabilities</u>				
Accounts payable	\$ 15,217	216,706	-	231,923
Accrued liabilities	154,600	-	-	154,600
Customer deposits	1,385	-	-	1,385
Total liabilities	<u>171,202</u>	<u>216,706</u>	<u>-</u>	<u>387,908</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property taxes	105,322	-	-	105,322
Court fines	66,866	-	-	66,866
Total deferred inflows of resources	<u>172,188</u>	<u>-</u>	<u>-</u>	<u>172,188</u>
<u>Fund Balances</u>				
Restricted:				
Debt service	507,021	-	-	507,021
Tourism	-	-	83,610	83,610
Public safety	7,586	-	-	7,586
Capital outlay	-	2,521,470	-	2,521,470
Unassigned	3,058,799	-	-	3,058,799
Total fund balances	<u>3,573,406</u>	<u>2,521,470</u>	<u>83,610</u>	<u>6,178,486</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,916,796</u>	<u>2,738,176</u>	<u>83,610</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,280,734
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.	172,188
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(23,600,089)</u>
Net position of governmental activities	<u>\$ 4,031,319</u>

See accompanying notes to financial statements.

City of Hewitt, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2017

	General	Capital Projects	Non-major Fund Hotel / Motel Tax	Total Governmental Funds
Revenue:				
Taxes:				
Property	\$ 4,190,233	-	-	4,190,233
Sales	2,148,609	-	-	2,148,609
Franchise	882,928	-	-	882,928
Hotel occupancy	-	-	151,652	151,652
License and permits	183,187	-	-	183,187
Intergovernmental	119,446	-	-	119,446
Charges for services	27,646	-	-	27,646
Fines	145,092	-	-	145,092
Investment earnings	24,529	24,411	154	49,094
Contributions and donations	20,300	-	-	20,300
Miscellaneous	68,842	-	-	68,842
Total revenue	<u>7,810,812</u>	<u>24,411</u>	<u>151,806</u>	<u>7,987,029</u>
Expenditures:				
Current:				
General government	1,347,600	-	133,704	1,481,304
Public safety	4,181,739	-	-	4,181,739
Streets	685,596	-	-	685,596
Cultural and recreation	594,712	-	-	594,712
Debt service:				
Principal	1,027,945	-	-	1,027,945
Interest	608,531	-	-	608,531
Capital outlay	484,096	982,694	-	1,466,790
Total expenditures	<u>8,930,219</u>	<u>982,694</u>	<u>133,704</u>	<u>10,046,617</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,119,407)</u>	<u>(958,283)</u>	<u>18,102</u>	<u>(2,059,588)</u>
Other financing sources (uses):				
Proceeds on sale of capital assets	70,946	-	-	70,946
Proceeds on issuance of capital leases	282,200	-	-	282,200
Transfers in	925,000	-	-	925,000
Total other financing sources (uses)	<u>1,278,146</u>	<u>-</u>	<u>-</u>	<u>1,278,146</u>
Net changes in fund balances	158,739	(958,283)	18,102	(781,442)
Fund balances, beginning of year, as previously reported	3,217,671	3,479,753	65,508	6,762,932
Prior period adjustment	196,996	-	-	196,996
Fund balances, beginning of year, as restated	<u>3,414,667</u>	<u>3,479,753</u>	<u>65,508</u>	<u>6,959,928</u>
Fund balances, at end of year	<u>\$ 3,573,406</u>	<u>2,521,470</u>	<u>83,610</u>	<u>6,178,486</u>

See accompanying notes to financial statements.

City of Hewitt, Texas

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

Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ (781,442)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions (\$2,354,789) exceeded depreciation expense (\$1,528,524) in the current period. 826,265

In the statement of activities, only the gain or loss on the disposition of capital assets is recorded. However, in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of capital assets disposed. (10,006)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 19,901

The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 734,805

Accrued interest expense and compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (17,195)

Governmental funds report contributions to pension plans as expenditures, whereas pension expense is recognized in the statement of activities. This is the amount by which pension expense (\$837,189) exceeded contributions to the plan (\$611,447) in the current period. (225,742)

Change in net position of governmental activities \$ 546,586

See accompanying notes to financial statements.

City of Hewitt, Texas
Statement of Net Position-
Proprietary Funds
Year Ended September 30, 2017

	Business-type Activities- Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,852,617	90,112	4,942,729
Accounts receivable	1,163,003	40,539	1,203,542
Current portion of intergovernmental receivable	461,124	-	461,124
Total current assets	6,476,744	130,651	6,607,395
Noncurrent assets:			
Restricted cash and cash equivalents	8,744,507	-	8,744,507
Intergovernmental receivable, less current portion	384,266	-	384,266
Capital assets:			
Land	870,537	-	870,537
Buildings and improvements	820,724	-	820,724
Water system facilities	26,140,053	-	26,140,053
Sewer system facilities	18,519,907	-	18,519,907
Drainage system facilities	-	832,907	832,907
Equipment	1,892,145	211,720	2,103,865
Construction in progress	471,735	-	471,735
Total capital assets	48,715,101	1,044,627	49,759,728
Less: accumulated depreciation	(24,419,433)	(417,658)	(24,837,091)
Total capital assets, net	24,295,668	626,969	24,922,637
Total noncurrent assets	33,424,441	626,969	34,051,410
Total assets	39,901,185	757,620	40,658,805
Deferred Outflows of Resources			
Deferred charge on refunding	482,736	-	482,736
Pension contributions subsequent to the measurement date	59,417	19,507	78,924
Differences between expected and actual experience	40,735	13,374	54,109
Differences between projected and actual earnings on pension plan investments	62,298	20,453	82,751
	645,186	53,334	698,520

(Continued)

	Business-type Activities- Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 179,946	6,851	186,797
Accrued liabilities	246,037	6,151	252,188
Payable from restricted assets:			
Customer deposits	402,792	-	402,792
Compensated absences, current portion	11,687	1,304	12,991
Capital leases, current portion	302,159	22,224	324,383
Bonds and note payable, current portion	1,004,371	-	1,004,371
Total current liabilities	<u>2,146,992</u>	<u>36,530</u>	<u>2,183,522</u>
Noncurrent liabilities:			
Compensated absences	35,061	3,911	38,972
Capital leases	1,242,754	26,422	1,269,176
Bonds and note payable	25,569,540	-	25,569,540
Net pension liability	474,809	155,882	630,691
Total noncurrent liabilities	<u>27,322,164</u>	<u>186,215</u>	<u>27,508,379</u>
Total liabilities	<u>29,469,156</u>	<u>222,745</u>	<u>29,691,901</u>
Deferred Inflows of Resources			
Deferred charge on refunding	53,861	-	53,861
Changes in assumptions	6,843	2,247	9,090
	<u>60,704</u>	<u>2,247</u>	<u>62,951</u>
Net Position			
Net investment in capital assets	3,589,502	578,323	4,167,825
Restricted for debt service	1,372,820	-	1,372,820
Unrestricted	<u>6,054,189</u>	<u>7,639</u>	<u>6,061,828</u>
Total net position	<u>\$ 11,016,511</u>	<u>585,962</u>	<u>11,602,473</u>

See accompanying notes to financial statements.

City of Hewitt, Texas

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

Year Ended September 30, 2017

	Business-type activities - Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total
Operating revenue:			
Charges for services	\$ 7,878,232	308,468	8,186,700
Miscellaneous	96,738	291	97,029
	<u>7,974,970</u>	<u>308,759</u>	<u>8,283,729</u>
Operating expenses:			
Personnel services	780,943	237,378	1,018,321
Contractual services	2,343,072	14,327	2,357,399
Utilities	304,199	1,073	305,272
Repairs and maintenance	393,294	6,388	399,682
Other	200,580	42,902	243,482
Depreciation	2,721,019	85,419	2,806,438
	<u>6,743,107</u>	<u>387,487</u>	<u>7,130,594</u>
Operating income (loss)	<u>1,231,863</u>	<u>(78,728)</u>	<u>1,153,135</u>
Nonoperating revenue (expenses):			
Interest and other income	96,002	406	96,408
Interest charges	(908,165)	(872)	(909,037)
	<u>(812,163)</u>	<u>(466)</u>	<u>(812,629)</u>
Income (loss) before contributions and transfers	419,700	(79,194)	340,506
Capital contributions	839,000	-	839,000
Transfers out	<u>(925,000)</u>	<u>-</u>	<u>(925,000)</u>
Change in net position	<u>333,700</u>	<u>(79,194)</u>	<u>254,506</u>
Net position, at beginning of year, as previously reported	9,404,571	665,156	10,069,727
Prior period adjustments	<u>1,278,240</u>	<u>-</u>	<u>1,278,240</u>
Net position, at beginning of year, as restated	<u>10,682,811</u>	<u>665,156</u>	<u>11,347,967</u>
Net position, at end of year	\$ <u><u>11,016,511</u></u>	<u><u>585,962</u></u>	<u><u>11,602,473</u></u>

See accompanying notes to financial statements.

City of Hewitt, Texas
Statement of Cash Flows -
Proprietary Funds
Year Ended September 30, 2017

	Business-type activities - Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 7,874,537	313,274	8,187,811
Payments to suppliers	(3,422,974)	(123,207)	(3,546,181)
Payments to employees	(529,131)	(134,686)	(663,817)
Net cash provided by operating activities	<u>3,922,432</u>	<u>55,381</u>	<u>3,977,813</u>
Cash flows from noncapital and related financing activities:			
Intergovernmental revenues	1,055,217	-	1,055,217
Transfers to other funds	(925,000)	-	(925,000)
Net cash provided by noncapital and related financing activities	<u>130,217</u>	<u>-</u>	<u>130,217</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(899,090)	(62,798)	(961,888)
Principal paid on debt	(1,321,002)	(42,314)	(1,363,316)
Interest paid on debt	(948,202)	(872)	(949,074)
Net cash provided by capital and related financing activities	<u>(3,168,294)</u>	<u>(105,984)</u>	<u>(3,274,278)</u>
Cash flows from investing activities:			
Earnings on investments	<u>96,002</u>	<u>406</u>	<u>96,408</u>
Net cash provided by investing activities	<u>96,002</u>	<u>406</u>	<u>96,408</u>
Net increase (decrease) in cash and cash equivalents	980,357	(50,197)	930,160
Cash and cash equivalents, at beginning of year	<u>12,616,767</u>	<u>140,309</u>	<u>12,757,076</u>
Cash and cash equivalents, at end of year	<u>\$ 13,597,124</u>	<u>90,112</u>	<u>13,687,236</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 1,231,863	(78,728)	1,153,135
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,721,019	85,419	2,806,438
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(100,433)	4,515	(95,918)
Decrease in due from other funds	7,975	-	7,975
(Increase) decrease in pension related deferred outflows	(7,785)	(18,443)	(26,228)
Increase in accounts payable	25,002	6,851	31,853
Increase (decrease) in accrued liabilities	(13,819)	1,004	(12,815)
Increase in customer deposits	13,202	-	13,202
Decrease in due to other funds	-	(7,975)	(7,975)
Increase (decrease) in compensated absences	(12,361)	582	(11,779)
Increase (decrease) in pension related deferred inflows	(1,657)	323	(1,334)
Increase in net pension liability	<u>59,426</u>	<u>61,833</u>	<u>121,259</u>
Net cash provided by operating activities	<u>\$ 3,922,432</u>	<u>55,381</u>	<u>3,977,813</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets	\$ 839,000	-	839,000
Assets acquired through capital leases	<u>\$ 82,800</u>	<u>-</u>	<u>82,800</u>

City of Hewitt, Texas

Notes to Financial Statements

September 30, 2017

(1) Nature of Operations and Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Government-wide and fund financial statements

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

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

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

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

Capital Projects Fund – The general capital projects fund provides funding for non-routine general City projects. These projects are typically significant in cost. The projects are funded through the issuance of certificates of obligation and, if needed, operating transfers from the general fund.

The City reports the following major proprietary fund:

Water, Sewer, and Sanitation Fund - The water, sewer, and sanitation fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems, and sanitation services.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Deposits and investments

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

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

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

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; Level 3 inputs are significant unobservable inputs.

(d) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

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

(e) Restricted assets

Restricted cash accounts in the water and sewer fund are used to report (1) unspent bond proceeds, (2) customer deposits, (3) bond debt reserve funds, and (4) resources set aside for debt service and capital asset acquisition of the Waco Metropolitan Area Regional Sewer System, as more fully discussed in Note 4.

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(f) Capital assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, water and sewer facilities, equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

(g) Compensated absences

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

(h) Pensions

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Pensions (continued)

for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(i) Deferred outflows and inflows of resources

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

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

(j) 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. Bond issuance costs are expensed as incurred.

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(k) Fund balance

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based upon City Council direction. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

(l) Net position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$23,600,089 difference are as follows:

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

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

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

General obligation bonds	\$ 19,575,660
Plus: issuance premiums (to be amortized as interest expense)	454,238
Less: deferred charges on refundings of debt (to be amortized as interest expense)	(90,715)
Accrued interest payable	156,502
Capital leases	546,163
Compensated absences	549,921
Net pension liability, and related deferred outflows / inflows of \$1,174,027 (to be amortized as pension expense)	<u>2,408,320</u>
Net adjustment to reduce <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 23,600,089</u></u>

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

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

Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$734,805 difference are as follows:

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

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

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

Issuance of capital leases	\$ (282,200)
Principal repayments on bonds	870,727
Amortization of bond premiums	29,391
Amortization of deferred amounts on refunding	(40,331)
Principal repayments on capital leases	<u>157,218</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 734,805</u>

(4) Undivided Interest in Waco Area Metropolitan Area Regional Sewer System

During 2004, the City entered into an agreement with the City of Waco, Texas to acquire a 4.9% undivided interest in the facilities and operations of the Waco Metropolitan Area Regional Sewer System ("WMARSS"). The City believes that its purchase and operation of the system will increase the efficiency and effectiveness of providing sewer treatment services to its citizens.

Under an interlocal agreement, a WMARSS board consists of the city managers from each of the seven participating cities. The operation and administration of the system is subject to joint control by the cities through the WMARSS board; however, a separate legal entity was not created. The agreement allows the cities to pool resources and share the costs, risks, and rewards of providing services. Further, each city retains an ongoing financial interest and ongoing financial responsibility in the operations of the system. The City has reported its share of assets, liabilities, equity, revenues, and expenses that are associated with this joint activity in its water, sewer, and sanitation fund as follows:

Current assets	\$ 395,965
Capital assets	<u>7,536,714</u>
Net position	<u>\$ 7,932,679</u>
Operating expenses	\$ (200,137)
Nonoperating revenue	<u>28,798</u>
Change in net position	<u>\$ (171,339)</u>

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(5) Budgets and Budgetary Accounting

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

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

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

The appropriated budget is prepared by fund and department. Encumbrances are not utilized by the City. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, transfers of appropriations between funds requires approval by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. No supplementary budgetary appropriations were made during the year; however, during the year, the City Council approved a reduction in budgeted revenues and a corresponding increase in budget transfers in of \$365,000.

Expenditures exceeded appropriations in the general fund for culture and recreation by \$15,828 due to additional costs for part-time employees. Additionally, expenditures exceeded appropriations in the general fund for capital outlay by \$183,925 primarily due to the purchase of land in the amount of \$151,450 for a second fire station on the other side of the railroad tracks that bisect the City. These over-expenditures were funded by lower than anticipated expenditures in other functions within the general fund.

(6) Deposits and Investments

A summary of the City's cash and cash equivalents at September 30, 2017 follows:

Cash in bank and certificates of deposit	\$ 18,983,350
Undivided interest in bank deposits held by another government	395,965
Public funds investments pool: Texas Local Government Investment Pool ("TexPool")	<u>260,188</u>
Total cash and cash equivalents	<u>\$ 19,639,503</u>

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(6) Deposits and Investments (continued)

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

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

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

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

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term securities, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. The City's specific fund-type investment strategies are used to determine maximum maturity. Certificates of deposit and repurchase agreements may be collateralized with longer dated investments so long as it is in accordance with its investment policy. At September 30, 2017, the weighted average maturity of TexPool is 34 days.

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(6) Deposits and Investments (continued)

Credit risk. The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. At September 30, 2017, TexPool is rated AAAm by Standard & Poor's.

(7) Receivables

Receivables as of September 30, 2017 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Hotel/ Motel Tax	Water, Sewer and Sanitation	Stormwater Drainage	Total
Receivables:					
Property taxes	\$ 105,322	-	-	-	105,322
Sales and franchise taxes	588,778	-	-	-	588,778
Hotel occupancy taxes	-	25,349	-	-	25,349
Fines	267,462	-	-	-	267,462
Accounts	-	-	1,552,532	54,542	1,607,074
Gross receivables	961,562	25,349	1,552,532	54,542	2,593,985
Less: allowance for uncollectibles	200,596	-	389,529	14,003	604,128
	<u>\$ 760,966</u>	<u>25,349</u>	<u>1,163,003</u>	<u>40,539</u>	<u>1,989,857</u>

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the 2016 levy was based was \$773,266,594.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2017 were 99.04% of the tax levy.

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 2,253,608	151,450	-	2,405,058
Total capital assets not being depreciated	<u>2,253,608</u>	<u>151,450</u>	<u>-</u>	<u>2,405,058</u>
Capital assets, being depreciated:				
Buildings and improvements	10,798,218	89,374	-	10,887,592
Infrastructure	34,200,221	1,770,319	-	35,970,540
Machinery and equipment	3,650,286	343,646	(154,679)	3,839,253
Total capital assets being depreciated	<u>48,648,725</u>	<u>2,203,339</u>	<u>(154,679)</u>	<u>50,697,385</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (633,464)	(270,328)	-	(903,792)
Infrastructure	(26,703,589)	(964,441)	-	(27,668,030)
Machinery and equipment	(3,100,805)	(293,755)	144,673	(3,249,887)
Total accumulated depreciation	<u>(30,437,858)</u>	<u>(1,528,524)</u>	<u>144,673</u>	<u>(31,821,709)</u>
Total capital assets, being depreciated, net	<u>18,210,867</u>	<u>674,815</u>	<u>(10,006)</u>	<u>18,875,676</u>
Governmental activities capital assets, net	<u>\$ 20,464,475</u>	<u>826,265</u>	<u>(10,006)</u>	<u>21,280,734</u>

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Land	\$ 870,537	-	-	870,537
Construction in progress	238,080	233,655	-	471,735
Total capital assets not being depreciated	1,108,617	233,655	-	1,342,272
Capital assets, being depreciated:				
Buildings and improvements	752,144	68,580	-	820,724
Water system facilities	25,509,679	630,374	-	26,140,053
Sewer system facilities	17,724,425	795,482	-	18,519,907
Drainage system facilities	770,109	62,798	-	832,907
Machinery and equipment	2,011,066	92,799	-	2,103,865
Total capital assets being depreciated	46,767,423	1,650,033	-	48,417,456
Less accumulated depreciation for:				
Buildings and improvements	\$ (252,695)	(14,092)	-	(266,787)
Water system facilities	(12,775,402)	(1,601,301)	-	(14,376,703)
Sewer system facilities	(7,382,937)	(867,517)	-	(8,250,454)
Drainage system facilities	(247,170)	(43,075)	-	(290,245)
Machinery and equipment	(1,372,449)	(280,453)	-	(1,652,902)
Total accumulated depreciation	(22,030,653)	(2,806,438)	-	(24,837,091)
Total capital assets, being depreciated, net	24,736,770	(1,156,405)	-	23,580,365
Business-type activities capital assets, net	\$ 25,845,387	(922,750)	-	24,922,637

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

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

Governmental activities:	
General government	\$ 90,331
Public safety	354,469
Streets	976,242
Culture and recreation	<u>107,482</u>
Total depreciation expense - governmental activities	<u>\$ 1,528,524</u>
Business-type activities:	
Water, sewer, and sanitation	2,721,019
Stormwater drainage	<u>85,419</u>
Drainage	<u>\$ 2,806,438</u>

Construction Commitments

The City has active construction projects as of September 30, 2017. At year-end, the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitments
Business-type activities:		
Sewer projects - WMARSS	\$ 306,400	3,274,376
Water system improvements	<u>165,335</u>	<u>102,275</u>
Total	<u>\$ 471,735</u>	<u>3,376,651</u>

The WMARSS sewer expansion and water system improvement commitments will be funded by unspent bond proceeds.

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(9) Capital lease obligations

The City finances the acquisition of certain vehicles, heavy equipment, wireless water meters, and mobile data terminals / library computers under noncancelable capital leases that expire over the next six years. Assets under capital leases at September 30, 2017 consisted of the following:

Machinery and equipment	\$ 3,336,774
Less: accumulated amortization	<u>1,826,944</u>
	<u><u>\$ 1,509,830</u></u>

The present value of future minimum capital lease payments as of September 30, 2017 are:

<u>Fiscal Year</u>	
2018	\$ 542,728
2019	471,277
2020	474,395
2021	358,032
2022	274,474
Thereafter	<u>139,198</u>
Total minimum lease payments	2,260,104
Less amounts representing interest at 1.05% to 2.31%	<u>(120,382)</u>
Present value of minimum capital lease payments	<u><u>\$ 2,139,722</u></u>

(10) Long-Term Liabilities

Long-term liabilities consist of bonded indebtedness, capital leases, a note payable, compensated absences, and a net pension liability. The City issues certificates of obligation to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. Capital leases are issued for the acquisition of equipment and other machinery. For the governmental activities, capital leases, compensated absences and the net pension liability are generally liquidated by the general fund and the enterprise funds.

City of Hewitt, Texas
Notes to Financial Statements
(Continued)

(10) Long-Term Liabilities (continued)

Long-term liability activity for the year ended September 30, 2017, was as follows:

	October 1, 2016	Additions	Retirements	September 30, 2017	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 18,089,342	-	(573,841)	17,515,501	729,500
General refunding bonds	2,357,045	-	(296,886)	2,060,159	308,080
Plus: deferred premiums	483,629	-	(29,391)	454,238	-
Total bonds payable	20,930,016	-	(900,118)	20,029,898	1,037,580
Capital leases	421,181	282,200	(157,218)	546,163	176,613
Compensated absences	533,237	379,651	(362,967)	549,921	137,480
Net pension liability	3,409,273	1,027,385	(854,311)	3,582,347	-
	<u>\$ 25,293,707</u>	<u>1,689,236</u>	<u>(2,274,614)</u>	<u>24,708,329</u>	<u>1,351,673</u>
Business-type activities:					
Certificates of obligation	\$ 19,760,658	-	(826,159)	18,934,499	855,500
General refunding bonds	6,967,954	-	(138,114)	6,829,840	141,920
Plus: deferred premiums	804,171	-	(48,746)	755,425	-
Total bonds payable	27,532,783	-	(1,013,019)	26,519,764	997,420
Note payable	60,890	-	(6,743)	54,147	6,951
Capital leases	1,903,059	82,800	(392,300)	1,593,559	324,383
Compensated absences	63,742	54,699	(66,478)	51,963	12,991
Net pension liability	509,432	271,665	(150,406)	630,691	-
	<u>\$ 30,069,906</u>	<u>409,164</u>	<u>(1,628,946)</u>	<u>28,850,124</u>	<u>1,341,745</u>

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City of Hewitt, Texas
Notes to Financial Statements
(Continued)

(10) Long-Term Liabilities (continued)

For governmental activities, bonds payable at September 30, 2017, are comprised of the following individual issues:

\$2,200,000 - 2010 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$10,000 to \$280,000 through July 2019, interest at 1.00% to 3.85%	\$ 2,050,000
\$2,905,000 - 2012 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$145,000 to \$330,000 through July 2032, interest at 1.50% to 3.00%	2,365,501
\$3,850,000 - 2013 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$120,000 to \$225,000 through July 2038, interest at 2.00% to 3.60%	3,485,000
\$6,835,000 - 2014 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$285,000 to \$470,000 through July 2034, interest at 2.00% to 4.00%	6,260,000
\$3,355,000 - 2016B combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$140,000 to \$220,000 through July 2036, interest at 0.80% to 2.75%	<u>3,355,000</u>
Total certificates of obligation	<u>17,515,501</u>
\$3,145,000 - 2009 general obligation refunding bonds due in annual installments of \$70,880 to \$600,000 through July 2019, interest at 1.00% to 3.85%	141,759
\$940,000 - 2012 general obligation refunding bonds due in annual installments of \$90,000 to \$115,000 through November 2020, interest at 2.00% to 2.50%	445,000
\$3,570,000 - 2013 general obligation refunding bonds due in annual installments of \$127,000 to \$302,100 through July 2037, interest at 3.00% to 4.63%	<u>1,473,400</u>
Total refunding bonds	<u>2,060,159</u>
Total bonded debt - governmental activities	<u><u>\$ 19,575,660</u></u>

City of Hewitt, Texas
Notes to Financial Statements
(Continued)

(10) Long-Term Liabilities (continued)

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

Year Ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,037,580	590,631
2019	1,064,002	569,734
2020	1,080,309	546,112
2021	1,102,218	521,593
2022	1,138,141	496,517
2023-2027	5,599,091	1,991,838
2028-2032	5,554,319	1,062,354
2033-2037	2,775,000	263,284
2038	<u>225,000</u>	<u>8,100</u>
	<u>\$ 19,575,660</u>	<u>6,050,163</u>

For business-type activities, bonds outstanding at September 30, 2017 are comprised of the following individual issues:

\$9,250,000 - 2007 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$235,000 to \$625,000 through July 2021, interest at 3.75% to 5.00%	\$ 1,445,000
\$2,200,000 - 2010 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$5,000 to \$1,170,000 through July 2037, interest at 3.00% to 4.63%	7,655,000
\$2,905,000 - 2012 combination tax and limited surplus revenue certificates of obligation, due in annual installments of \$145,000 to \$330,000 through July 2032, interest at 1.50% to 3.00%	3,904,499
\$6,195,000 - 2016 combination tax and surplus revenue certificates of obligation, due in annual installments of \$265,000 to \$410,000 through July 2035, interest at 2.00% to 3.38%	<u>5,930,000</u>
Total certificates of obligation	<u>18,934,499</u>

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(10) Long-Term Liabilities (continued)

\$3,145,000 - 2009 general obligation refunding bonds due in annual installments of \$70,880 to \$600,000 through July 2019, interest at 1.00% to 3.85%	58,240
\$3,570,000 - 2013 general obligation refunding bonds due in annual installments of \$127,000 to \$302,100 through July 2024, interest at 0.50% to 3.00%	1,306,600
\$5,555,000 - 2015 general obligation refunding bonds due in annual installments of \$90,000 to \$600,000 through July 2032, interest at 2.00% to 4.00%	<u>5,465,000</u>
Total refunding bonds	<u>6,829,840</u>
Total bonded debt - business-type activities	<u>\$ 25,764,339</u>

For business-type activities, note payable outstanding at September 30, 2017 consists of the following:

\$246,000 - Note payable to the City of Waco, due in annual installments of \$5,350 to 37,335 through February 2024, interest at 3.65%	<u>\$ 54,147</u>
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For business-type activities, annual debt service requirements to maturity for bonds and the note payable are as follows:

Year Ended September 30,	Bonded debt		Note payable	
	Principal	Interest	Principal	Interest
2018	\$ 997,420	886,500	6,951	1,850
2019	1,025,997	860,039	7,152	1,593
2020	1,059,691	832,163	7,437	1,326
2021	1,092,782	802,632	7,713	1,050
2022	1,196,859	772,718	7,982	763
2023 - 2027	6,400,909	3,351,467	16,912	622
2028 - 2032	7,460,681	2,235,140	-	-
2033 - 2037	6,530,000	830,581	-	-
	<u>\$ 25,764,339</u>	<u>10,571,240</u>	<u>54,147</u>	<u>7,204</u>

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(10) Long-Term Liabilities (continued)

The City is required under provisions of the combination tax and limited surplus certificates of obligation to maintain interest and sinking funds adequate for payments of principal and interest and has pledged certain net operating revenues (after the payment of operation and maintenance expenses) of the water and sewer fund to repay \$5.9 million in combination tax and surplus revenue certificates of obligation issued in 2016. Proceeds from the bonds provided financing for the construction of water system facilities. The total principal and interest remaining to be paid on the bonds is \$7.7 million. Principal and interest paid for the current year and total of pledged net surplus revenues of the water, sewer, and sanitation fund were \$427,899 and \$426,692, respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

(11) Defined Benefit Pension Plan

Plan Description - The City participates as one of 872 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 agent 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 Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.com.

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

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

At retirement, the 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 payment 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.

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

Employees covered by benefit terms: At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	53
Active employees	91

Contributions - The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The 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 15.31% and 15.70% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$710,979 and were equal to the required contributions.

Net Pension Liability - The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% 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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table with Blue Collar Adjustment are used, with male 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

City of Hewitt, Texas

**Notes to Financial Statements
(Continued)**

(11) Defined Benefit Pension Plan (continued)

younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for the future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, 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 2009 through 2011, and dated December 31, 2013. These assumptions were the 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Totals	<u>100.0%</u>	

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods 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 December 31, 2015	\$ 16,444,382	12,525,677	3,918,705
Changes for the year:			
Service cost	789,084	-	789,084
Interest	1,113,527	-	1,113,527
Difference between expected and actual experience	232,482	-	232,482
Contributions - employer	-	689,247	(689,247)
Contributions - employee	-	315,470	(315,470)
Net investment income	-	846,118	(846,118)
Benefit payments, including refunds of employee contributions	(684,443)	(684,443)	-
Administrative expense	-	(9,560)	9,560
Other changes	-	(515)	515
Net changes	1,450,650	1,156,317	294,333
Balance at December 31, 2016	\$ 17,895,032	13,681,994	4,213,038

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 7,133,660	4,213,038	1,860,548

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,040,586. At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 527,216	-
Differences between expected and actual experience	361,449	-
Change in assumptions	-	60,723
Difference between projected and actual earnings on pension plan investments	<u>552,779</u>	<u>-</u>
Total	<u>\$ 1,441,444</u>	<u>60,723</u>

The \$527,216 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2017	\$ 288,853
2018	288,853
2019	213,855
2020	41,967
2021	<u>19,977</u>
	<u>\$ 853,505</u>

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(12) Other Post-employment Benefits

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (“TMRS”) known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). Retired employees are insured for \$7,500.

Contributions

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

The City’s contributions to the TMRS SDBF for the years ended September 30, 2017, 2016, and 2015 were \$6,703; \$6,094; and \$5,452; respectively, which equaled the required contribution for the year.

(13) Deferred Outflows and Inflows of Resources

The statement of financial position and the balance sheet includes the following deferred outflows/inflows of resources at September 30, 2017:

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City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(13) Deferred Outflows and Inflows of Resources (continued)

	<u>Statements of Net Position</u>		<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>General Fund</u>
Deferred outflows of resources:			
Deferred charge on refunding	\$ 90,715	482,736	-
Pension - post measurement date contributions	448,292	78,924	-
Pension - net differences between expected and actual experience	307,340	54,109	-
Pension - difference between projected and actual earnings	470,028	82,751	-
	<u>\$ 1,316,375</u>	<u>698,520</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable property tax revenues	\$ -	-	105,322
Unavailable court fines	-	-	66,866
Deferred charge on refunding	-	53,861	-
Pension - change in assumptions	51,633	9,090	-
	<u>\$ 51,633</u>	<u>62,951</u>	<u>172,188</u>

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(14) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverages. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

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

(15) Interfund Transfers

The City reported transfers of \$925,000 from the water, sewer, and sanitation fund to the general fund for 1) water franchise fees; 2) sewer franchise fees; 3) administration fees; and 4) payments in lieu of taxes.

(16) Commitments and Contingencies

The City has contracted with private companies for the collection and disposal of refuse. The City negotiated a collection contract, with an effective date of February 1, 2009, for a term of five years, with the option to renew and extend the contract for another five years. The contract has been extended until February 1, 2019. Under the terms of the contract, the City will be responsible for billing and collection of all waste collection fees and will pay collection fees to the companies on a monthly basis as authorized in the contract regardless of the amount collected from residents.

In order to provide a long-term, reliable water supply, the City entered into an agreement with the City of Waco on July 1, 1999, for a term of twenty years, with the option for either party to renew and extend the contract for another twenty years. The contract expires on July 1, 2019.

(17) Prior Period Adjustments

During the current year, the City determined that amounts previously reported as miscellaneous income in the water, sewer, and sanitation fund should have been recognized

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(17) Prior Period Adjustments (continued)

as sales tax revenues in the general fund. Accordingly, fund balance at October 1, 2016 for the general fund was increased and net position for the water, sewer, and sanitation fund was decreased by \$196,996. Additionally, during the current year, the City received notification from a water supplier that amounts previously charged to the City should not have been charged. Accordingly, net position at October 1, 2016 for business-type activities and water, sewer, and sanitation fund was increased by \$1,306,512. Finally, during the current year, the City determined that amounts that should have been reported as capital assets had not been recognized. Accordingly, net position at October 1, 2016 for business-type activities and water, sewer, and sanitation fund was increased by \$168,724.

(18) Subsequent Event

Subsequent to year end, the City issued certificates of obligation in the amount of \$5 million to be used for street improvements, the acquisition of a public safety mobile radio system, and the purchase of an aerial fire truck.

(19) Authoritative Pronouncements Not Yet Effective

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (issued June 2015) – the objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all OPEB with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 83, Certain Asset Retirement Obligations (issued November 2016) – the objective of this statement is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018.

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(19) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – the objective of this statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (issued March 2017) – statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (issued May 2017) – the objective of this statement is to increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing the debt were acquired. The statement will also enhance consistency in financial reporting for prepaid insurance related to debt that has been extinguished. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases* (issued June 2017) – The objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It requires lessees and lessors to report leases under a single model. The significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.



Discussion Draft

Required Supplementary Information

City of Hewitt, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Budget Basis

Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Taxes:				
Property	\$ 4,156,000	4,156,000	4,190,233	34,233
Sales	2,519,000	2,154,000	2,093,685	(60,315)
Franchise	876,378	876,378	882,786	6,408
License and permits	150,000	150,000	183,187	33,187
Intergovernmental	110,957	110,957	119,446	8,489
Charges for services	28,500	28,500	27,646	(854)
Fines	259,500	259,500	145,092	(114,408)
Investment earnings	13,300	13,300	24,529	11,229
Contributions and donations	-	-	20,300	20,300
Miscellaneous	80,500	80,500	68,842	(11,658)
Total revenue	<u>8,194,135</u>	<u>7,829,135</u>	<u>7,755,746</u>	<u>(73,389)</u>
Expenditures:				
Current:				
General government	1,577,667	1,577,667	1,446,141	131,526
Public safety	4,255,234	4,255,234	4,168,095	87,139
Streets	730,220	730,220	671,311	58,909
Cultural and recreation	577,241	577,241	593,069	(15,828)
Debt service:				
Principal	1,049,817	1,049,817	1,027,945	21,872
Interest	610,531	610,531	608,531	2,000
Capital outlay	17,971	17,971	201,896	(183,925)
Total expenditures	<u>8,818,681</u>	<u>8,818,681</u>	<u>8,716,988</u>	<u>101,693</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(624,546)</u>	<u>(989,546)</u>	<u>(961,242)</u>	<u>28,304</u>
Other financing sources (uses):				
Proceeds on sale of capital assets	75,000	75,000	70,946	(4,054)
Transfers in	560,000	925,000	925,000	-
Total other financing sources (uses)	<u>635,000</u>	<u>1,000,000</u>	<u>995,946</u>	<u>(4,054)</u>
Change in fund balance	10,454	10,454	34,704	24,250
Fund balance, at beginning of year	<u>3,119,741</u>	<u>3,119,741</u>	<u>3,119,741</u>	<u>-</u>
Fund balance, at end of year	<u>\$ 3,130,195</u>	<u>3,130,195</u>	<u>3,154,445</u>	<u>24,250</u>

See accompanying independent auditor's report.

City of Hewitt, Texas

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

Year Ended September 30, 2017

(1) Budgetary Basis

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

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

The appropriated budget is prepared by fund and department. Encumbrances are not utilized by the City. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, transfers of appropriations between funds requires approval by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. No supplementary budgetary appropriations were made during the year; however, during the year, the City Council approved a reduction in budgeted revenues and a corresponding increase in budgeted transfers in of \$365,000.

Expenditures exceeded appropriations in the general fund for culture and recreation by \$15,828 due to additional costs for part-time employees. Expenditures exceeded appropriations in the general fund for capital outlay by \$183,925 due to the purchase of land in the amount of \$150,000 for a second fire station. These over-expenditures were funded by lower than anticipated expenditures in other functions within the general fund.

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, 2017, is presented below

	Change in Fund Balance	Fund Balance
GAAP basis	\$ 158,739	3,573,406
Adjustment to revenues for receivables	(74,966)	(760,966)
Adjustment to expenditures for accounts payable and accrued liabilities	(68,970)	169,817
Adjustment to revenues for unavailable revenue	19,901	172,188
Budgetary basis	\$ 34,704	3,154,445

City of Hewitt, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Measurement Dates

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

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

See accompanying independent auditor's report.

City of Hewitt, Texas
Schedule of Contributions
Fiscal Years Ended

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

Notes to Schedule of Contributions

Valuation Date:

Note 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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 with scale BB

There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, effective October 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.



Discussion Draft

Statistical Section



Statistical Section

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	68
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water revenue.	78
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	83
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	89
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	93

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
(Unaudited)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2017	2016	2015	2014
Governmental activities:				
Net investment in capital assets	\$ 3,316,858	\$ 2,742,077	\$ 4,369,473	\$ 4,441,956
Restricted	598,217	528,612	328,064	369,988
Unrestricted	116,244	17,048	39,608	2,579,352
Total governmental activities net position	<u>\$ 4,031,319</u>	<u>\$ 3,287,737</u>	<u>\$ 4,737,145</u>	<u>\$ 7,391,296</u>
Business-type activities:				
Invested in capital assets net of related debt	\$ 4,167,825	\$ 2,383,188	\$ 5,907,012	\$ 6,368,778
Restricted	1,372,820	795,600	1,334,912	1,059,200
Unrestricted	6,061,828	6,890,939	3,089,192	3,184,242
Total business-type activities net position	<u>\$11,602,473</u>	<u>\$10,069,727</u>	<u>\$10,331,116</u>	<u>\$ 10,612,220</u>
Primary government:				
Invested in capital assets net of related debt	\$ 7,484,683	\$ 5,125,265	\$10,276,485	\$ 10,810,734
Restricted	1,971,037	1,324,212	1,662,976	1,429,188
Unrestricted	6,178,072	6,907,987	3,128,800	5,763,594
Total primary government net position	<u>\$15,633,792</u>	<u>\$13,357,464</u>	<u>\$15,068,261</u>	<u>\$ 18,003,516</u>

Source: Comprehensive Annual Financial Reports

Table 1

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 4,893,550	\$ 6,693,381	\$ 7,392,397	\$ 8,383,521	\$ 9,178,437	\$ 9,704,551
93,099	165,415	65,508	82,384	237,580	80,079
3,925,149	2,624,993	3,259,829	2,764,394	3,030,628	3,095,962
<u>\$ 8,911,798</u>	<u>\$ 9,483,789</u>	<u>\$ 10,717,734</u>	<u>\$ 11,230,299</u>	<u>\$ 12,446,645</u>	<u>\$ 12,880,592</u>
\$ 7,773,669	\$ 9,590,462	\$ 7,002,804	\$ 5,999,678	\$ 7,514,853	\$ 7,401,047
329,962	328,224	331,023	204,321	1,596,032	905,058
4,764,949	2,665,355	4,687,473	4,902,809	1,486,034	3,081,643
<u>\$ 12,868,580</u>	<u>\$ 12,584,041</u>	<u>\$ 12,021,300</u>	<u>\$ 11,106,808</u>	<u>\$ 10,596,919</u>	<u>\$ 11,387,748</u>
\$ 12,667,219	\$ 16,283,843	\$ 14,395,201	\$ 14,383,199	\$ 16,693,290	\$ 17,105,598
423,061	493,639	396,531	286,705	1,833,612	985,137
8,690,098	5,290,348	7,947,302	7,667,203	4,516,662	6,177,605
<u>\$ 21,780,378</u>	<u>\$ 22,067,830</u>	<u>\$ 22,739,034</u>	<u>\$ 22,337,107</u>	<u>\$ 23,043,564</u>	<u>\$ 24,268,340</u>

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

	Fiscal Year			
	2017	2016	2015	2014
EXPENSES				
Governmental activities:				
General government	\$ 1,631,134	\$ 2,339,790	\$ 1,896,745	\$ 1,969,178
Public safety	4,698,414	4,166,333	3,952,175	3,742,199
Street	1,659,377	1,632,508	1,624,610	1,741,523
Culture and recreation	714,377	575,926	506,422	404,841
Interest on long-term debt	619,982	667,917	571,195	660,201
Total governmental activities expenses	<u>9,323,284</u>	<u>9,382,474</u>	<u>8,551,147</u>	<u>8,517,942</u>
Business-type activities:				
Water, sewer and sanitation	8,039,631	8,279,820	7,756,274	8,379,809
Total business-type activities expenses	<u>8,039,631</u>	<u>8,279,820</u>	<u>7,756,274</u>	<u>8,379,809</u>
Total primary government program expenses	<u>\$ 17,362,915</u>	<u>\$ 17,662,294</u>	<u>\$ 16,307,421</u>	<u>16,897,751</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 183,187	\$ 199,848	\$ 111,019	\$ 74,417
Public safety	214,877	161,133	208,422	261,107
Streets	-	-	440	16,392
Culture and recreation	46,032	35,110	25,928	24,092
Operating grants and contributions	51,575	29,600	6,626	15,957
Capital grants and contributions	877,000	95,457	112,760	85,288
Total governmental activities program revenues	<u>1,372,671</u>	<u>521,148</u>	<u>465,195</u>	<u>477,253</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	8,283,729	8,495,809	7,915,845	7,495,960
Capital grants and contributions	839,000	-	401,650	-
Total business-type activities program revenues	<u>9,122,729</u>	<u>8,495,809</u>	<u>8,317,495</u>	<u>7,495,960</u>
Total primary government program revenues	<u>\$ 10,495,400</u>	<u>\$ 9,016,957</u>	<u>\$ 8,782,690</u>	<u>\$ 7,973,213</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$ (7,950,613)	\$ (8,861,326)	\$ (8,085,952)	(8,040,689)
Business-type activities	<u>1,083,098</u>	<u>\$215,989</u>	<u>\$561,221</u>	<u>(883,849)</u>
Total primary government net expense	<u>(6,867,515)</u>	<u>(8,645,337)</u>	<u>(7,524,731)</u>	<u>(8,924,538)</u>

Table 2

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 1,708,816	\$ 1,443,937	\$ 1,264,086	\$ 1,285,167	\$ 1,101,267	\$ 1,016,854
3,107,076	3,160,264	2,955,003	2,856,677	2,515,208	2,350,896
1,880,288	2,101,503	1,999,035	1,975,016	2,171,574	2,098,340
341,177	433,298	351,483	250,106	206,122	176,075
371,948	399,547	339,624	275,255	219,793	274,627
7,409,305	7,538,549	6,909,231	6,642,221	6,213,964	5,916,792
6,932,024	6,435,308	5,816,198	5,500,256	5,296,090	4,664,471
6,932,024	6,435,308	5,816,198	5,500,256	5,296,090	4,664,471
<u>\$ 14,341,329</u>	<u>\$13,973,857</u>	<u>\$ 12,725,429</u>	<u>\$ 12,142,477</u>	<u>\$ 11,510,054</u>	<u>\$ 10,581,263</u>
\$ 100,132	\$ 88,650	\$ 167,107	\$ 96,960	\$ 145,679	\$ 107,881
243,958	230,989	331,424	244,213	228,611	321,240
12,890	9	12,491	14,081	11,197	21,456
21,876	16,918	18,128	17,155	9,685	9,829
20,050	7,182	18,471	13,530	-	-
143,763	418	51,787	162,660	-	19,135
542,669	352,686	599,408	548,599	395,172	479,541
7,669,104	7,226,000	7,192,890	5,748,201	5,261,503	5,479,315
-	-	-	137,097	-	-
7,669,104	7,226,000	7,192,890	5,885,298	5,261,503	5,479,315
<u>\$ 8,211,773</u>	<u>\$ 7,578,686</u>	<u>\$ 7,792,298</u>	<u>\$ 6,433,897</u>	<u>\$ 5,656,675</u>	<u>\$ 5,958,856</u>
(6,866,636)	(7,185,863)	\$(6,309,823)	\$(6,093,622)	\$(5,818,792)	\$(5,437,251)
737,080	790,692	1,376,692	385,042	(34,587)	814,844
<u>(6,129,556)</u>	<u>(6,395,171)</u>	<u>(4,933,131)</u>	<u>(5,708,580)</u>	<u>(5,853,379)</u>	<u>(4,622,407)</u>

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

	Fiscal Year			
	2017	2016	2015	2014
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	4,210,134	3,954,452	3,812,874	3,601,567
Sales	2,148,609	1,813,720	1,652,368	1,569,610
Franchise	882,928	1,023,360	1,094,525	924,088
Other	151,652	3,511	3,986	-
Investment earnings	49,094	26,166	38,908	32,873
Gain on sale of capital assets	-	-	66,631	10,442
Miscellaneous	129,782	50,709	61,948	101,452
Transfers	925,000	540,000	540,000	540,000
Total governmental activities	8,497,199	7,411,918	7,271,240	6,780,032
Business-type activities:				
Investment earnings	96,408	53,957	31,321	35,306
Gain on sale of capital assets	-	8,665	6,500	46,000
Transfers	(925,000)	(540,000)	(540,000)	(540,000)
Total business-type activities	(828,592)	(477,378)	(502,179)	(458,694)
Total primary government	7,668,607	6,934,540	6,769,061	6,321,338
CHANGE IN NET ASSETS				
Governmental activities	546,586	(1,449,408)	(814,712)	(1,260,657)
Business-type activities	254,506	(261,389)	59,042	(1,342,543)
Total primary government	801,092	(1,710,797)	(755,670)	(2,603,200)

Source: Comprehensive Annual Financial Reports

Note: The City implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", in fiscal year 2014. Fiscal year 2013 amounts were restated to conform to the new statement requirements. Also, in fiscal year 2015, the City implemented the provisions of GASB Statement No. 68.

Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27" and the changes are reported prospectively.

Table 2
(continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
3,290,396	3,159,205	3,033,890	2,911,603	2,815,935	2,625,714
1,383,057	1,332,144	1,240,854	1,156,510	1,236,624	1,331,737
969,600	919,868	927,584	866,250	817,159	706,224
-	-	-	-	-	-
55,926	21,658	20,469	16,319	30,985	170,489
24,348	21,757	19,000	-	-	13,983
71,318	66,282	-	-	-	-
500,000	295,000	555,461	(73,406)	484,142	484,142
6,294,645	5,815,914	5,797,258	4,877,276	5,384,845	5,332,289
47,459	27,524	61,561	51,441	107,140	405,700
-	39,525	31,700	-	-	-
(500,000)	(295,000)	(555,461)	73,406	(484,142)	(484,142)
(452,541)	(227,951)	(462,200)	124,847	(377,002)	(78,442)
5,842,104	5,335,058	5,335,058	5,002,123	5,007,843	5,253,847
(571,991)	(1,369,949)	(512,565)	(1,216,346)	(433,947)	(104,962)
284,539	562,741	914,492	509,889	(411,589)	736,402
(287,452)	(807,208)	\$ 401,927	\$(706,457)	\$(845,536)	\$ 631,440

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

	Fiscal Year			
	2017	2016	2015	2014
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Restricted	514,607	463,104	228,713	290,467
Unassigned	3,058,799	2,754,567	3,173,500	2,845,720
Total general fund	<u>\$3,573,406</u>	<u>\$3,217,671</u>	<u>\$3,402,213</u>	<u>\$ 3,136,187</u>
All other governmental funds				
Restricted	\$2,605,080	\$3,545,261	\$4,699,139	\$ 8,174,017
Assigned	-	-	-	-
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$2,605,080</u>	<u>\$ 3,545,261</u>	<u>\$ 4,699,139</u>	<u>\$ 8,174,017</u>
Total governmental funds	<u>\$6,178,486</u>	<u>\$ 6,762,932</u>	<u>\$ 8,101,352</u>	<u>\$ 11,310,204</u>

Source: Comprehensive Annual Financial Reports

Note: The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", in fiscal year 2011. Fiscal year 2010 amounts were restated to conform to the new statement requirements. The City implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" in fiscal year 2011 amounts restated to conform to the new statements requirements.

Table 3

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ -	\$ -	\$ -	\$ 82,384	\$ 103,718	\$ 80,079
-	-	-	2,677,953	2,468,950	3,000,689
10,778	200,418	65,508	-	-	-
<u>3,138,238</u>	<u>2,705,887</u>	<u>3,359,492</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,149,016</u>	<u>\$ 2,906,305</u>	<u>\$ 3,425,000</u>	<u>\$ 2,760,337</u>	<u>\$ 2,572,668</u>	<u>\$ 3,080,768</u>
\$5,352,129	\$3,521,907	\$ 96,107	\$ -	\$ -	\$ -
-	-	551,883	-	-	-
-	-	-	-	133,862	-
-	-	-	122,182	146,573	112,488
-	-	-	2,334,721	540,528	161,012
<u>\$ 5,352,129</u>	<u>\$ 3,521,907</u>	<u>\$ 647,990</u>	<u>\$ 2,456,903</u>	<u>\$ 820,963</u>	<u>\$ 273,500</u>
<u>\$ 8,501,145</u>	<u>\$ 6,428,212</u>	<u>\$ 4,072,990</u>	<u>\$ 5,217,240</u>	<u>\$ 3,393,631</u>	<u>\$ 3,354,268</u>

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

	Fiscal Year			
	2017	2016	2015	2014
REVENUES				
Property taxes	\$4,190,233	\$ 3,954,452	\$ 3,812,874	\$ 3,601,567
Sales taxes	2,148,609	1,813,720	1,652,368	1,569,610
Franchise taxes	882,928	881,073	957,137	800,259
Other taxes	151,652	152,419	141,374	123,829
Intergovernmental	119,446	101,057	118,886	120,924
Licenses and permits	183,187	218,114	125,174	103,814
Fines	145,092	146,402	203,453	256,264
Interest income	49,094	26,166	38,908	32,874
Miscellaneous	116,788	95,499	78,722	118,931
Total revenues	<u>7,987,029</u>	<u>7,388,902</u>	<u>7,128,896</u>	<u>6,728,072</u>
EXPENDITURES				
General government	1,481,304	1,884,326	1,743,826	1,919,474
Public safety	4,181,739	3,725,241	3,447,235	3,223,550
Community services	685,596	702,779	578,507	549,396
Culture and recreation	594,712	539,749	470,439	382,270
Capital outlay	1,466,790	4,972,570	3,995,961	4,351,462
Debt service:				
Principal	1,027,945	984,466	707,640	715,951
Interest and fees	608,531	634,246	558,092	521,371
Advance refunding escrow	-	-	-	11,678
Total expenditures	<u>10,046,617</u>	<u>13,443,377</u>	<u>11,501,700</u>	<u>11,675,152</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,059,588)</u>	<u>(6,054,475)</u>	<u>(4,372,804)</u>	<u>(4,947,080)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	925,000	842,170	900,000	540,000
Transfers out	-	(302,170)	(360,000)	-
Debt issued	-	3,355,000	-	8,727,100
Premium on debt issued	-	139,656	-	192,923
Payment to refunded bond escrow agent	-	-	-	(1,866,072)
Capital lease	282,200	307,436	93,414	151,746
Sale of capital assets	70,946	373,963	530,538	10,442
Total other financing sources (uses)	<u>1,278,146</u>	<u>4,716,055</u>	<u>1,163,952</u>	<u>7,756,139</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (781,442)</u></u>	<u><u>\$ (1,338,420)</u></u>	<u><u>\$ (3,208,852)</u></u>	<u><u>\$ 2,809,059</u></u>
DEBT SERVICE AS A PERCENT OF NONCAPITAL EXPENDITURES	<u>19.4%</u>	<u>19.1%</u>	<u>16.9%</u>	<u>16.6%</u>

Source: Comprehensive Annual Financial Reports

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

Table 4

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$3,275,561	\$3,159,205	\$ 3,035,936	\$ 2,907,626	\$ 2,805,550	\$ 2,621,780
1,383,057	1,332,144	1,240,854	1,156,510	1,236,624	1,331,737
851,847	833,768	871,770	808,850	753,994	706,224
117,753	86,100	55,814	57,400	-	-
35,897	7,600	70,258	176,190	-	-
123,718	104,389	135,512	89,107	58,754	75,980
234,566	222,213	265,864	197,822	228,611	260,806
55,927	21,658	20,469	16,319	30,985	170,489
92,807	79,563	128,997	75,340	170,742	120,691
6,171,133	5,846,640	5,825,474	5,485,164	5,285,260	5,287,707
1,620,486	1,393,832	1,409,882	1,202,542	1,098,075	962,562
2,812,379	2,806,798	3,049,396	2,878,044	2,395,889	2,351,412
560,497	758,939	645,017	673,763	813,889	1,010,811
310,606	413,640	332,898	217,047	199,979	180,573
2,167,745	663,483	1,632,759	235,613	167,938	869,488
653,491	1,622,187	558,502	711,368	790,345	709,270
470,269	371,585	308,153	244,172	345,047	280,944
-	-	-	-	-	-
8,595,473	8,030,464	7,936,607	6,162,549	5,811,162	6,365,060
(2,424,340)	(2,183,824)	(2,111,133)	(677,385)	(525,902)	(1,077,353)
559,772	695,000	-	675,000	1,238,837	565,837
(59,772)	(400,000)	555,461	(376,852)	(754,695)	(81,695)
3,850,000	3,845,000	-	2,200,000	2,539,304	-
119,993	78,980	-	2,846	20,009	-
-	-	-	-	(2,478,190)	-
-	160,615	390,722	-	-	322,000
27,280	23,457	20,700	-	-	13,983
4,497,273	4,403,052	966,883	2,500,994	565,265	820,125
\$ 2,072,933	\$ 2,219,228	\$ (1,144,250)	\$ 1,823,609	\$ 39,363	\$ (257,228)
17.8%	26.7%	15.4%	17.2%	16.0%	16.2%

Table 5

City of Hewitt, Texas
Assessed Value and Estimated Actual Value of Taxable Property
(Unaudited)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	Real Property	Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Certified Taxable Value	Assessed Value as Percentage of Actual Value
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%
2017	905,490	58,145	188,325	775,310	0.539677	963,635	80.5%

Source: McLennan County Appraisal District

Table 6

City of Hewitt, Texas
Direct and Overlapping Property Tax Rates
(rate per \$1,000 of assessed value)
(Unaudited)
Last Ten Fiscal Years

Fiscal Year Ending	City of Hewitt Direct Rates			Overlapping Rates			
	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
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
2017	0.325525	0.214152	0.539677	1.32000	1.554090	0.505293	0.150346

Source: McLennan County Appraisal District

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

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

Table 7

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

Taxpayer	2017			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
MREIC Waco TX, LLC/Fed Ex	\$ 12,841	1	1.7%	-	-	- %
Clark, Richard S.	9,734	2	1.3%	5,353	2	13.8%
Hewitt A L LLC/Senior Living Center	8,322	3	1.1%	-	-	- %
Schultz Industries Inc/Sturdisteel	5,872	4	0.8%	5,306	3	13.7%
BRD Management Inc/Royalton Apts.	5,414	5	0.7%	3,724	5	9.6%
Midway Townhomes Ltd	5,311	6	0.7%	3,416	6	8.8%
Hewitt Real Estate Investments	5,200	7	0.7%	2,967	7	- %
Goyne Brookside LLC/Brookside Apts.	4,622	8	0.6%	-	-	- %
Oncor Electric Delivery, Inc.	4,433	9	0.6%	4,362	4	11.2%
Big Diamond Inc./Valero	4,078	10	- %	-	-	- %
Davis Iron Works	-	-	- %	5,757	1	14.8%
Southwestern Bell Telephone Co.	-	-	- %	2,756	8	7.1%
Midway Transportation	-	-	- %	2,745	9	7.1%
Davis Iron Works Operations	-	-	- %	2,460	10	6.3%
Total	<u>\$ 65,827</u>		<u>8.5%</u>	<u>\$ 38,846</u>		<u>7.1%</u>

Source: McLennan County Appraisal District

Table 8

City of Hewitt, Texas
Property Tax Levies and Collections
(Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended	Tax Roll Year	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2007	\$ 2,620,292	\$ 2,591,335	98.89%	\$ 25,407	\$ 2,616,742	99.86%
2009	2008	2,840,575	2,787,992	98.15%	47,958	2,835,950	99.84%
2010	2009	2,912,627	2,880,743	98.91%	25,504	2,906,247	99.78%
2011	2010	2,989,574	2,941,968	98.41%	46,818	2,988,786	99.97%
2012	2011	3,140,372	3,106,958	98.94%	25,505	3,132,463	99.75%
2013	2012	3,266,084	3,235,168	99.05%	25,145	3,260,313	99.82%
2014	2013	3,530,134	3,482,954	98.66%	41,097	3,524,051	99.83%
2015	2014	3,792,860	3,765,445	99.28%	20,393	3,785,838	99.81%
2016	2015	3,944,267	3,903,880	98.98%	19,348	3,923,228	99.47%
2017	2016	4,189,262	4,135,031	98.71%	-	4,135,031	98.71%

Source: McLennan County Tax Assessor

Table 8a

City of Hewitt, Texas
Principal Water Customers
(Unaudited)
September 30, 2017

Principal Water Customers	Average Monthly Consumption (gallons)	Average Monthly Bill (\$)
Midway Independent School District	872,883	\$ 7,607
Brookside Apartments	499,058	5,100
Stoney Brook Center	216,792	1,623
Finish Line Car Care	307,008	1,962
Walmart	221,392	1,788
Senior Care Center	218,875	1,620
Ramada Inn	141,850	1,186
Sleep Inn	130,283	1,089
John Houston Custom Homes	105,567	669
Crossland Construction	96,125	1,057
Genie Car Wash	103,608	772
Royalton Village	88,067	723
Midway Little League	81,325	643
Barnett Contracting	78,133	856
Hewitt Laundry	69,817	575
	<u>3,230,783</u>	<u>\$ 27,270</u>

WATER RATES
(Based on Monthly Billing)

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

Source: City of Hewitt administrative staff.

Table 9

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

Fiscal Year	Governmental Activities					Business-type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Capital Leases	Notes Payable	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Capital Leases	Notes Payable			
2008	\$ 915	\$ 4,515	\$ -	\$ 322	\$ 186	\$ 213	\$ -	\$ 12,085	\$ -	\$ -	\$ 138	\$ 18,374	30.93%	1,419
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	-	182	91	25,911	39.18%	1,912
2012	1,794	7,016	-	451	-	-	351	22,769	-	2,186	85	34,652	50.35%	2,517
2013	1,449	10,713	206	296	-	-	246	22,302	62	1,997	79	37,350	53.74%	2,695
2014	2,939	15,576	355	289	-	-	1,781	20,189	59	2,173	73	43,434	62.49%	3,091
2015	2,653	15,299	365	237	-	-	7,107	14,101	703	2,028	67	42,560	59.65%	2,968
2016	2,357	18,089	483	421	-	-	6,968	19,761	797	1,903	61	50,840	71.26%	3,506
2017	2,060	17,515	454	546	-	-	6,830	18,934	755	1,593	54	48,741	65.45%	3,361

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

Table 10

City of Hewitt, Texas
Ratios of General Bonded Debt Outstanding
(Unaudited)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year	General Bonded Debt Outstanding				Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Total Bonded Debt				
2008	915	16,600	-	17,515	889	16,626	3.1%	1,284
2009	2,545	14,385	-	16,930	1,140	15,790	2.7%	1,215
2010	2,080	16,115	-	18,195	925	17,270	2.9%	1,328
2011	1,655	23,465	-	25,120	1,067	24,053	4.0%	1,775
2012	2,145	29,785	-	31,930	1,199	30,731	5.0%	2,232
2013	1,695	33,015	268	34,978	1,164	33,814	5.3%	2,440
2014	4,720	35,765	414	40,899	1,317	39,582	6.0%	2,816
2015	9,760	29,400	1,068	40,228	1,591	38,637	5.5%	2,694
2016	9,325	37,850	1,280	48,455	1,818	46,637	6.4%	3,216
2017	8,890	36,449	1,209	46,548	1,880	44,668	5.8%	3,081

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

Note: See Table 9 for general bonded debt outstanding..

Table 11

City of Hewitt, Texas
Direct and Overlapping Governmental Activities Debt
(Unaudited)
As of September 30, 2017

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>As of</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (in 000s)</u>
Debt repaid with property taxes				
Lorena Independent School District	\$ 29,356,910	9/30/2017	0.12%	\$ 35
Midway Independent School District	98,396,965	9/30/2017	17.35%	17,072
McLennan County	26,285,000	9/30/2017	4.66%	1,225
McLennan County Community College	61,495,000	9/30/2017	4.66%	<u>2,866</u>
Subtotal overlapping debt				21,198
Other debt				
City of Hewitt, Texas		9/30/2017		<u>50,340</u>
Total direct and overlapping debt				<u><u>\$ 71,538</u></u>
Total direct and overlapping debt % of Appraised Value			7.42%	
Total direct and overlapping debt \$ of Capita			\$ 4,934	

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

City of Hewitt, Texas
Legal Debt Margin Information
(Unaudited)
Last Ten Fiscal Years
(Taxable Assessed Value in Thousands)

	Fiscal Year			
	2017	2016	2015	2014
Total Assessed Value	<u>\$ 775,310</u>	<u>\$ 730,585</u>	<u>\$ 706,087</u>	<u>\$ 657,795</u>
Statutory tax levy limit for general obligation debt service	\$ 9,691,363	\$ 9,132,325	\$ 8,826,088	\$ 8,222,442
Current year general obligation debt service requirements	<u>1,636,476</u>	<u>1,530,913</u>	<u>1,265,295</u>	<u>1,090,523</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 8,054,887</u>	<u>\$ 7,601,412</u>	<u>\$ 7,560,793</u>	<u>\$ 7,131,919</u>
Current requirements as a % of statutory limit	16.89%	16.76%	14.34%	13.26%

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					
2013	2012	2011	2010	2009	2008
<u>\$ 635,606</u>	<u>\$ 610,866</u>	<u>\$ 597,371</u>	<u>\$ 600,940</u>	<u>\$ 586,105</u>	<u>\$ 543,331</u>
\$ 7,945,075	\$ 7,635,825	\$ 7,467,138	\$ 7,511,750	\$ 7,326,313	\$ 6,791,638
<u>1,003,388</u>	<u>953,933</u>	<u>831,882</u>	<u>937,784</u>	<u>1,135,392</u>	<u>990,214</u>
<u>\$ 6,941,687</u>	<u>\$ 6,681,892</u>	<u>\$ 6,635,256</u>	<u>\$ 6,573,966</u>	<u>\$ 6,190,921</u>	<u>\$ 5,801,424</u>
12.63%	12.49%	11.14%	12.48%	15.50%	14.58%

Table 13

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

Fiscal Year	Water/Sewer Revenue Bonds and Certificates of Obligation						Coverage
	Utility	Less:	Net	Debt Service			
	Operating Revenue (1)	Operating Expenses (2)	Available Revenue	Principal	Interest	Total	
2008	5,885,015	3,331,594	2,553,421	66,000	482,566	548,566	4.65
2009	5,368,643	4,022,370	1,346,273	72,000	477,963	549,963	2.45
2010	5,632,748	3,837,175	1,795,573	548,000	461,771	1,009,771	1.78
2011	7,005,339	4,166,452	2,838,887	420,760	873,410	1,294,170	2.19
2012	7,004,997	4,517,717	2,487,280	438,040	799,179	1,237,219	2.01
2013	7,449,013	4,169,920	3,279,093	573,173	912,798	1,485,971	2.21
2014	7,274,412	5,208,397	2,066,015	655,699	840,115	1,495,814	1.38
2015	7,647,318	4,312,310	3,335,008	742,713	754,362	1,497,075	2.23
2016	8,244,648	4,819,036	3,425,612	920,525	909,463	1,829,988	1.87
2017	8,070,972	4,022,088	4,048,884	964,273	915,563	1,879,836	2.15

Notes: (1) Total revenue including interest.
 (2) Total Operating expenses less depreciation

Table 14

City of Hewitt, Texas
Demographic and Economic Statistics
(Unaudited)
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (dollars in thousands) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
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%
2017	14,500	74,467	33,138	4.10%

Notes: (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
(Unaudited)
Current and Prior Years

Employer	2017		2016	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,413	13.85%	1,437	14.37%
Walmart	286	2.80%	300	3.00%
EMSI	260	2.55%	260	2.60%
Metals 2 Go (formerly Davis Iron Works)	100	0.98%	97	0.97%
Sturdisteel	120	1.18%	100	1.00%
City of Hewitt	102	1.00%	100	1.00%
Midway Transportation	50	0.49%	30	0.30%
Merry Maids	17	0.17%	16	0.16%
United Super IGA	26	0.25%	23	0.23%
Scott & White Clinic	20	0.20%	16	0.16%
General Implements (Alliance Distributing)	8	0.08%	8	0.08%
Senior Care Center	150	1.47%	115	1.15%
Sleep Inn	12	0.12%	14	0.14%
Ramada Inn	11	0.11%	10	0.10%
Central TX Dental Care	24	0.24%	23	0.23%
Total	2,599	25.48%	2,549	25.49%

Employer	2012		2011	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,023	11.90%	1,027	11.94%
EMSI	320	3.72%	315	3.66%
Davis Iron Works	57	0.66%	73	0.85%
Sturdisteel	100	1.16%	100	1.16%
City of Hewitt	87	1.01%	86	1.00%
Midway Transportation	31	0.36%	30	0.35%
Merry Maids	22	0.26%	21	0.24%
United Super IGA	30	0.35%	29	0.34%
Scott & White Clinic	19	0.22%	8	0.09%
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	20.71%	1,781	20.70%

Source: City of Hewitt staff.

Table 15

2015		2014		2013	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,056	12.14%	1,364	15.68%	1,337	15.37%
-	- %	-	- %	-	- %
300	3.45%	300	3.45%	300	3.45%
56	0.64%	56	0.64%	50	0.57%
90	1.03%	90	1.03%	98	1.13%
93	1.07%	93	1.07%	90	1.03%
36	0.41%	36	0.41%	34	0.39%
20	0.23%	20	0.23%	23	0.26%
30	0.34%	30	0.34%	32	0.37%
17	0.20%	17	0.20%	19	0.22%
16	0.18%	16	0.18%	15	0.17%
129	1.48%	120	1.38%	110	1.26%
15	0.17%	15	0.17%	15	0.17%
12	0.14%	12	0.14%	-	- %
23	0.26%	23	0.26%	-	- %
<u>1,893</u>	<u>21.76%</u>	<u>2,192</u>	<u>25.20%</u>	<u>2,123</u>	<u>24.40%</u>
2010		2009		2008	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,110	12.91%	1,036	12.05%	962	11.88%
300	3.49%	300	3.49%	273	3.37%
93	1.08%	103	1.20%	137	1.69%
95	1.10%	102	1.19%	108	1.33%
86	1.00%	86	1.00%	81	1.00%
33	0.38%	30	0.35%	36	0.44%
24	0.28%	23	0.27%	18	0.22%
29	0.34%	35	0.41%	29	0.36%
15	0.17%	15	0.17%	15	0.19%
15	0.17%	16	0.19%	20	0.25%
60	0.70%	-	- %	-	- %
17	0.20%	17	0.20%	17	0.21%
<u>1,877</u>	<u>21.82%</u>	<u>1,763</u>	<u>20.52%</u>	<u>1,696</u>	<u>20.94%</u>

Table 16

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government and administration	15.5	14.5	14.0	13.75	13	13	13	13.5	13.5	13.5
Public safety	51	51.5	48.5	48.5	45.5	44	44	44	44	41
Community services	13	12	11	11	11	12	12	12	12	12
Culture and recreation	9.75	9	6	6	5	5	4	3.5	3.5	3.5
Water, sewer and sanitation	13	13	13	13	13	13	13	13.5	13.5	11.5
Total	<u>102.25</u>	<u>100.0</u>	<u>92.5</u>	<u>92.25</u>	<u>87.5</u>	<u>87.0</u>	<u>86.0</u>	<u>86.5</u>	<u>86.5</u>	<u>81.5</u>

Source: Annual Adopted Budgets, staffing page. Full-time Equivalent Employees as approved by the City Council as of September 30th

Table 17

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

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety										
Fire protection:										
Number of fulltime employees	16	16	16	15	14	14	14	1	14	10
Number of volunteers		-	-	-	-	3	3	4	5	8
Number of emergency responses	894	1172	907	777	804	650	609	548	533	448
Police protection:										
Number of sworn personnel	24	23	23	23	21	21	22	22	22	22
Number of citations issued	880	1,165	1,542	2,472	2,280	2,145	2,753	2,691	3,720	4,958
Cultural and recreation										
Libraries:										
Number of patrons using the library	420,000	275,000	200,000	200,000	190,000	182,577	152,536	142,775	53,000	49,846
Circulation	599,760	362,041	279,840	264,000	250,000	240,408	195,374	178,965	90,000	73,625
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	5,693	5,600	5,524	5,462	5,434	5,916	5,871	5,850	5,803	5,813
Average daily consumption (thousands of gallons)	1,307	1,432	1,332	1,776	1,679	1,974	1,958	1,542	1,817	1,812
Number of sewer connections	5,605	5,520	5,456	5,398	5,228	5,243	5,217	5,209	5,173	5,172
Average daily sewage treatment (thousands of gallons)	1,208	1,318	1,226	1,334	1,575	1,608	1,698	1,352	1,570	1,574

Source: City staff

Note: In 2017, the library increased due to new programs, additional staff, new facilities and increased community engagement.
Increase in circulation is due to new books and new children's electronic books.

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

Table 18

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

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety										
Number of fire stations	1	1	1	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)	69	68	68	68	68	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	124	123	123	121	121	121
Water storage capacity (thousands of gallons)	7,450	7,450	7,450	6,943	6,943	6,943	6,943	4,478	4,478	4,478
Sanitary sewers (miles)	72	72	72	72	72	71	71	67	67	67
Sewer capacity (thousands of gallons)	3	3	3	3	3	3	3	2	2	2

Source: Various City departments



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February 26, 2018

The City Council and Management
City of Hewitt, Texas:

In planning and performing our audit of the basic financial statements of the City of Hewitt, Texas (the "City") as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that have not been identified.

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 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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. We consider the following deficiency in internal control to be a significant deficiency.

Improving Timeliness of Municipal Court Audits

Internal controls are designed to safeguard assets and help detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is timeliness of completing the control activities. Under the City's current control policies and procedures, dismissed and non-dismissed citations are periodically reviewed by the Finance Director and compared to supporting documentation. During the course of the engagement, we noted that the City was not reviewing dismissed citations in a timely manner. We understand that the Finance Director has prioritized this monthly review of a sample of dismissed citations and plans to formally document the results of the review. We concur with the City's plan, and believe that periodically reviewing supporting documentation for dismissed citations will strengthen the City's current mitigating controls for lack of segregation of duties within the Municipal Court.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

Discussion Draft

HEWITT TEXAS

COUNCIL WORKSHOP AGENDA ITEM #2.e

HEWITT TEXAS

MEMORANDUM

FROM: Adam Miles, City Manager
TO: Mayor and City Council 
DATE: March 1, 2018
RE: Emergency Medical Services RFP Update

As previously discussed, the City of Hewitt participates with surrounding cities to procure emergency medical services and ambulance transport for area residents. Hewitt residents enjoy a subsidy free emergency ambulance service based on the interlocal cooperation between area cities.

The current agreement will terminate at the end of July 2018. To that end, Waco has solicited Requests for Proposals from qualified firms for services beginning August 1. RFP submittals were received by the City of Waco on February 1, 2018. Four proposals were received for review and evaluation. Of the four, two providers were selected for interviews. Interviews were then conducted on February 16. None of the proposals included a subsidy to be provided by the partner cities.

After review and analysis, the evaluation panel recommended award of the contract to American Medical Response, also known as AMR.

Hewitt and the other seven cities will be asked to formally award this contract in the next few weeks. Consideration will be scheduled for the March 19 Hewitt City Council agenda.



COUNCIL WORKSHOP AGENDA ITEM #2f.

City Regulation of Small Cell nodes and right of way management policy update

Passage of SB 1004 in the 2017 (85th) Texas Legislature provided for placement of small cell nodes within city right of way across the state. Cities are now working to develop guidelines concerning placement and spacing of small cell nodes in accordance with this new legislation. Along with this, our city staff is reviewing and updating other sections of Hewitt's Code relating to management of the City owned right-of-way to ensure regulations are up to date and not in conflict with the new state law. It is anticipated a formal item concerning updates to the Code of Ordinances will be placed on the March 19 City Council agenda for consideration. Included is a copy of the administratively approved design criteria and attachment agreement.

CITY OF HEWITT DESIGN MANUAL FOR THE INSTALLATION OF NETWORK NODES, TRANSPORT FACILITIES, AND NODE SUPPORT POLES

1. Introduction. The city has an important public interest in: protecting municipal rights-of-way for their paramount public purposes; managing the rights-of-way to protect its own utilities; protection of public health, safety and welfare; and maintaining the image and aesthetics of the city for the benefit of its citizens. At the same time, network providers are seeking to implement new technologies that will create significant gains in the coverage and speed of wireless data and voice services. The hope is that the city and network providers can cooperate to serve both important interests. Chapter 284 of the Texas Local Government Code has created a need for the city to have in place certain design requirements (and in many cases, requests) in order to maintain a level of management control over its rights-of-way. Due to its lack of history with network provider facilities and the impending nature of the new legislation, this Design Manual may not cover every possible issue that may arise, and it is certainly expected that there will be multiple amendments, additions, and clarifications made over time. However, the goal is to provide basic guidelines and preferences to aid network providers in this process.

2. Incorporation of Chapter 284 of the Texas Local Government Code. Chapter 284 of the Local Government Code itself contains many of the rules regarding the size, type, and location of facilities, and is incorporated by reference herein. These restrictions apply in the city regardless of whether expressly addressed in this Design Manual. Likewise, Chapter 78 of the Code of Ordinances of the city contains many provisions applicable to installation and construction in rights-of-way; some of general application and some specific to network providers and their facilities. To the extent not in violation of Chapter 284, the provisions of Chapter 78 of the Code of Ordinances are incorporated by reference herein as part of this Design Manual. Although most of the applicable provisions relating to design of network provider facilities contained in Chapter 78 will be re-addressed herein, applicable and lawful design requirements of Chapter 78 shall apply whether or not specifically addressed herein.

BASIC RULES AND REQUIREMENTS

4. General Requirements.

A. *Basic Location Rules.* In accordance with Chapter 284.102, a Network Provider shall construct and maintain Network Nodes and Node Support Poles in a manner that does not:

1. obstruct, impede, or hinder the usual travel or public safety on a public right-of-way;
2. obstruct the legal use of a public right-of-way by other utility providers;
3. violate nondiscriminatory applicable codes;

4. violate or conflict with the municipality's publicly disclosed public right-of-way management ordinance or this Design Manual.
5. violate the federal Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.).

B. *Size of Facilities.* Network Providers, as part of their permit application, shall provide detailed drawings, with calculations to show strict conformity to the size limitations as set forth in Chapter 284, in accordance with, but not limited to Chapter 284, Sec. 284.002, size of a Micro Network Node, Sec. 284.003, Size of Network Nodes, and Sec. 284.103, Max. pole height, with each application and with each request for a permit for each location.

C. *Other Jurisdictions.* If the project lies within a Highway Right-of-Way, the applicant must provide evidence of a permit from the State or Federal Government.

D. *Confirmation of non-interference with City Safety Communication Networks.* The Network Provider needs to provide analysis that the proposed network node shall not cause any interference with City public safety radio system, traffic signal light system, or other city safety communications components in accordance with Chapter 284, Sec. 284.304. It shall be the responsibility of the Network Provider to evaluate, prior to making application for permit, the compatibility between the existing City infrastructure and Provider's proposed Network Node. A Network Node shall not be installed in a location that causes any interference. Network Nodes shall not be allowed on City's public safety radio infrastructure.

5. One Network Node per Pole. The city desires to prevent the cluttering of network nodes on any one pole; therefore, there can be no more than one network node on any one pole, and this includes, beyond node support poles, utility poles under an agreement with the applicable utility or a service pole of the city under an agreement with the city.

6. Network Node facilities placement.

A. *Height above ground.* Network Node attachments to a pole shall be installed at least eight (8) feet above the ground in accordance with Chapter 284, Sec. 284.108. Although Chapter 284 refers to a minimum height of 8 feet for attachment of network nodes, network providers must be aware that to the extent of any protrusion into the street, nodes not set at least 16 feet high are likely to be hit by service trucks, such as garbage trucks.

B. *Protrusions.* In accordance with Chapter 284, Sec. 284.003 (a) (1) (C), Sec. 284.003 (a) (2) (C) and Sec. 284.003 (a) (3) (B) no protrusion from the outer circumference of the existing structure or pole shall be more than two (2) feet.

C. *Pole Attachment Agreement.* No network node may be placed on a city service pole unless a Pole Attachment Agreement exists for that service pole between the city and the network provider.

7. New Network Node Support Poles.

A. *New Node Support Poles Spacing.* New node support poles should generally be spaced apart from existing utility poles or Node Support poles at the same as the spacing between utility poles in the immediate proximity. This is a preference of the City and not a requirement.

B. *Height of Node Support Poles or modified Utility Pole.* In accordance with Chapter 284, Sec. 284.103 a Node support pole or modified Utility Pole may not exceed the lesser of:

(1) 10 feet in height above the tallest existing utility pole located within 500 linear feet of the new pole in the same public right-of-way; or

(2) 55 feet above ground level.

8. Municipal Service Poles.

A. *In accordance with Agreement:* Installations on all Service Poles shall be in accordance with an agreement as allowed by Chapter 284, Sec. 285.056 and Sec. 284.101 (a) (3), and (b).

B. *Required industry standard pole load analysis:* Installations on all Service Poles shall have an industry standard pole load analysis completed and submitted to the City with each permit application indicating that the Service Pole to which the Network Node is to be attached will safely support the load, in accordance with Chapter 284.108.

C. *Height of attachments:* All attachments on all Service Poles shall be at least 8 feet above grade, in accordance with Chapter 284, Sec. 285.108 (a) (1) - (2).

D. *Installations on Traffic Signals:* Installations on all Traffic signal structures must not interfere with the integrity of the facility in any way that may compromise the safety of the public and must be in accordance with an agreement as allowed by Chapter 284, Sec. 285.056 and Sec. 284.101 (a) (3), and (b). Installation of Network Node facilities on any traffic signal structures shall:

- i. Be encased in a separate conduit than the traffic light electronics;
- ii. Have a separate electric power connection than the traffic signal structure; and
- iii. Have a separate access point than the traffic signal structure.

Any installation on a traffic signal controlled by the Texas Department of Transportation will require the approval of TxDOT.

E. *Installations on Street signage:* Installations on street signage structures must not interfere with the integrity of the facility in any way that may compromise the

safety of the public. Installation of Network Node facilities on any street signage structures that has electrics shall:

- i. Be encased in a separate conduit than any City signage electronics;
- ii. Have a separate electric power connection than the signage structure;
- iii. Have a separate access point than the signage structure.

9. Ground Equipment.

A. *Size.* Ground equipment shall not exceed any size or height limitations applicable to ground equipment contained in Chapter 284.

B. *Ground Equipment near street corners and intersections:* In accordance with Chapter 284.102 (1), ground equipment shall be located to minimize any obstruction, impediment, or hindrance to the usual travel or public safety on a public right-of-way. Ground equipment of more than three (3') feet in height may not be located within the sight triangle of any intersection, which generally will require the ground equipment to be located at least twenty-five (25') from the intersection if it exceeds three foot in height. Furthermore, ground equipment shall be subject to any sight-distance restrictions of the city's ordinances and standards that are applicable to all ground equipment in the rights-of-way.

C. *Minimize Ground equipment density.* It is requested that network providers avoid creating a density of ground equipment in an area to avoid the appearance of clutter. It is requested that applicants be mindful of other options, whether such be a new location, reducing the footprint of the ground equipment, and/or concealment or camouflaging. These are City preferences and not requirements.

10. Electrical Supply. Network providers are responsible for obtaining any required electrical power services to their facilities. The city shall not be liable for any stoppages or shortages of electrical power furnished to the facilities, including without limitation, stoppages or shortages caused by any act, omission, or requirement of the public utility serving the facilities or the act or omission of any other tenant of the structure or user of the right-of-way, or for any other cause beyond the control of the city. **Generators and back-up generators are prohibited in the right-of-way.**

11. Prohibited or Restricted Areas.

A. *Municipal Parks.* No network provider may install, construct, or operate a new node support pole on public right-of-way that is in a municipal park without obtaining the written consent of the city manager before submission of a permit application. In addition, any approvals required under applicable deed restrictions must be obtained. Municipal parks include: Glaze Park; Hewitt Park; and Warren Park.

B. *Certain Residential Areas.* No network provider may install, construct, or operate a new node support pole on public right-of-way adjacent to a street of less than 50 feet in width that is adjacent to single family residential lots or multi-family uses, or is

zoned for residential use or is restricted to residential use by deed restrictions without obtaining the written consent of the city manager before submission of a permit application. In addition, any approvals required under applicable deed restrictions must be obtained. [Street width measurement is the actual travel surface of the street]

C. *Historic Districts.* In the event that a historic district or design district is developed and designated in the future having decorative poles, no network provider may install, construct, or operate a new node or node support pole on public right-of-way in the district without a permit from the city specifically for said location(s), and complying with concealment and design requirements of the city to minimize the impact on aesthetics.

D. *Undergrounding.* If by zoning designation or deed restrictions/restrictive covenants an area has undergrounding requirements, the network provider shall comply with those requirements, but may seek a zoning change as provided for in the applicable regulations; approval of which is not guaranteed. In addition, any approvals required under applicable deed restrictions/restrictive covenants would have to be obtained.

12. Transport Facilities. A permit is required for transport facilities, although no application fee will be charged. Transport facilities must comply with all applicable requirements of the city's right-of-way management ordinance (Chapter 78, Hewitt Code of Ordinances). This includes minimum depth requirements, horizontal and vertical spacing, identifying all other users, backfilling, street/sidewalk cuts, and restoration. Improperly buried lines will not be tolerated.

13. Cooperation with City. Water and sewer service is of paramount importance to citizens. Citizens will find a way to survive a cable or internet outage; but water and sewer service are basic necessities for public health, safety, and welfare—including fire protection. Therefore, it is very important that network providers cooperate with the city in providing full information as to the location, type of installation, excavation work, types of equipment to be used, where the equipment will be operated, etc. Network providers shall follow reasonable directives of the city meant to safeguard the city's water and sewer utilities.

14. Line Locates and Avoiding Damage to other Users. The network provider is responsible for requesting and obtaining all line locates and avoiding causing damage to the facilities of other users in the right-of-way.

15. Insurance and Bonding. To the extent not in conflict with state or federal law, the network provider shall comply with the insurance and bond requirements of the right-of-way management ordinance.

16. Indemnification. As provided for in Section 284.302 of the Texas Local Government Code, the network provider indemnifies the city.

17. Inspections. The city shall be allowed to inspect the installation work at any reasonable time as provided for in the right-of-way management ordinance.

Matters Exempted from Permitting but Requiring Notice

18. Permit Not Required, Notice Required. For facilities covered by Chapter 284 of the Local Government Code, an application and permit are not required for replacing or upgrading of facilities that are substantially the same size and appearance, which is determined as set out in Section 284.157 of the Texas Local Government Code. However, advance notice of the work to the city is required. Also, an application and permit are not required for micro network nodes if the installation is strung on lines between poles or node support poles. However, advance notice of the work to the city is required.

Application for Permit Format and Content

19. Format, Content and Submission. The form, content and submission of applications for permit is set forth in Chapter 78 of the Hewitt Code of Ordinances.

City Preferences Stated

20. Location.

A. *The city's least preferred locations for facilities are:*

1. Residential areas or locations immediately adjacent to residential areas;
2. Municipal park and recreation areas, or locations immediately adjacent thereto;
3. Areas where there is already a proliferation of poles, ground equipment, utility boxes, and the like.

B. *The city's more preferred locations for facilities are:*

1. federal or state highway right-of-way that is not adjacent to a "least preferred" area;
2. areas zoned for industrial or heavy commercial use;
3. retail areas with the use of concealment or camouflaging.

21. Attachment Points.

A. *The city's least preferred attachment points are:*

1. New node support poles;
2. city service poles

B. *The city's more preferred attachment points are:*

1. existing utility poles;
2. federal and state service poles.

22. Aesthetics. It is preferred that all facilities be concealed or camouflaged to the greatest extent possible; but of particular concern are facilities that involve locations described in Section 21 (A) above or attachment points described Section 21 (A) above. Any cooperation with the city in this regard will be appreciated.

Time for Completion

23. Rules relating to time for completion of facility installations are as provided in the right-of-way management ordinance and Chapter 284.

Relocation or Removal

24. Relocation or Removal of Facilities. Facilities are subject to relocation or removal in accordance with the provisions of the right-of-way management ordinance and Chapter 284 of the Texas Local Government Code.

For additional information contact the city engineer. This Manual is subject to amendment or change by the city engineer with the approval of the city manager.

APPENDIX B

RIGHT-OF-WAY PERMIT APPLICATION

1. **Proposed Permittee:** _____
2. **Address:** _____
3. **Telephone:** _____
4. **Contact Person:** _____
 - a. Office telephone: _____
 - b. Mobile telephone: _____
 - c. E-mail: _____
5. **Identification of any contractors or subcontractors to be used for the work:**
6. **Applicant is (check one):**

A gas utility _____

Municipal water utility _____

A non-municipal sewer utility _____

A certified telecommunications provider _____

A cable television and/or cable internet provider _____

A network provider _____
7. **Identification of right-of-way areas to be affected** (attach maps or other information to assist in identification):
8. **General Description of Construction/Installation Sought to be conducted in the right-of-way** (provide three (3) sets of construction and/or installation plans. Plans should include: identification of the location within the right-of-way where each facility will be located and the location of existing city and third-party facilities in the right-of-way area for which the permit is sought; the dimensions from the proposed facilities to permanent reference points; identification of the type, size, and number of facilities to be constructed or installed, with drawings and specifications; the construction methods and materials to be employed by the applicant for the protection of existing facilities within, above, beneath, or adjacent to the right-of-way and, as applicable, the depth, height, separation from other facilities, and structure to which proposed to be affixed):

9. Will the work require the cutting of, breaking of, or boring under any street or sidewalk? _____ If "yes" please explain in detail:

10. Will the work require the closure of any street travel lanes or sidewalks? _____ If "yes" please explain in detail:

11. Identify in detail the Applicant's right-of-way restoration plan (details and specifications must be provided):

12. What is the estimated time for completion of the work, including restoration (as part of this estimate, if any travel lane of a street or any sidewalk will need to be closed, provide a separate estimate of the start and end dates of closure)?

13. Proof of Insurance or qualifying self-insurance as required by the city's right-of-way regulations is being provided herewith. _____ yes _____ no. If "no" please explain:

14. Proof of performance bond or financial responsibility in accordance with the city's right-of-way regulations is being provided herewith. _____ yes _____ no. If "no" please explain:

Additional Information to be provided by Network Providers:

Does the size of all facilities that Applicant intends to construct/install comply with the requirements of Chapter 284 of the Texas Local Government Code? _____ If "no" please explain in detail:

Have you verified that the facilities, and the operation of the facilities, will not interfere with emergency communications systems of the city? _____yes _____no.

Have you provided herewith a certificate that any network nodes to be installed comply with applicable FCC regulations? _____yes _____no.

Do you certify that the proposed network nodes will be placed into active commercial service not later than the 60th day after the date of completion of construction/installation and final testing of each network node? _____yes _____no.

Number of network nodes to be installed: _____

Number of node support poles to be installed: _____

Are seeking to locate facilities on a city service pole? _____yes _____no. If "yes" have you provided an industry standard pole load analysis with this application for each service pole showing that each pole will safely support the load of the facilities? _____yes _____no.

Identify any concealment or camouflaging methods that you intend to employ, if any:

APPLICANT: _____

BY: _____

PRINTED NAME: _____

TITLE: _____

DATE: _____

POLE ATTACHMENT AGREEMENT

This Pole Attachment Agreement is entered into by and between the City of Hewitt, Texas (hereinafter "City") and _____ (hereinafter "Network Provider").

1. Permit. Network Provider has been issued a permit for the installation of one or more network nodes at specified locations in the municipal right-of-way; one or more of which are on service poles of the City as that term is defined in Chapter 284 of the *Texas Local Government Code*.
2. Agreement Required. As provided by Chapter 284 of the *Texas Local Government Code*, the Network Provider cannot proceed with installation of a network node or nodes on a city service pole or service poles without entering into a Pole Attachment Agreement with the City.
3. Location and Identification of Service Poles to which network nodes to be attached:
4. Service Pole Rental. The City hereby agrees to the attachment of network nodes by the network provider to the identified service poles. In consideration thereof, the network provider agrees to pay the City an annual service pole rental of \$20.00 per year, per service pole.
5. Compliance with Regulations. Network provider must comply with all applicable requirements of Chapter 78 of the City's Code of Ordinances, the City's Design Manual, and Chapter 284 of the *Texas Local Government Code* in the installation and operation of the network nodes.
6. Termination. The City may terminate this Agreement at any time:
 - a) upon removal of the node as provided for in Chapter 78 of the City's Code of Ordinances and/or Chapter 284 of the *Texas Local Government Code*;
 - b) if a City project requires the node to be relocated (in which instance an alternate location will be determined, which, if it involves a service pole, will be under a separate agreement);
 - c) on the network provider's abandonment of the facilities;

d) on failure of the network provider to pay rentals due under this Agreement on 30 days written notice and opportunity to cure; or

e) on revocation of the permit for the node.

The Network Provider must remove the node upon termination of this Agreement at its sole cost and expense.

Network Provider may terminate this Agreement if it determines to abandon and remove the subject node or nodes.

7. Term. The term of this Agreement is five (5) years, commencing on the date this Agreement is signed by the City. This Agreement shall automatically renew for successive one (1) year terms unless one of the parties gives a notice of intent not to renew to the other party at least 60 days prior to the ending of the primary term or applicable renewal term. If this Agreement has terminated either by expiration of its term or early termination, and the Network Provider seeks to re-establish the subject node at the location, the Network Provider will be required to obtain a new permit before a new Pole Attachment Agreement will be entered into with the Network Provider for the subject location/service pole.

8. Additional Terms.

8.1 No more than one network node can be attached on a service pole.

8.2 Chapter 284 of the *Texas Local Government Code* is incorporated herein.

8.3 Network provider indemnifies and holds the City harmless as provided for in Chapter 284, *Texas Local Government Code*.

8.4 The laws of the State of Texas shall govern this Agreement and all matters related hereto.

8.5 Venue of any action about, arising from, or related to this Agreement, or the subject matter hereof, or in any way related to the Network Provider's use or claimed right to use the City's rights-of-way shall be in a court of competent jurisdiction in McLennan County, Texas.

8.6 The signature pages to this Agreement may be executed by the parties hereto, as the case may be, in separate counterparts. Facsimile signatures and signature pages provided in the form of a ".pdf" or similar imaged document transmitted by electronic mail shall be deemed original signatures for all purposes hereunder.

8.7 By his or her signature below, each signatory individual certifies that he or she is the properly authorized agent or officer of the applicable party hereto and has the requisite authority necessary to execute this Agreement on behalf of such party, and each party hereby certifies to the others that any resolutions necessary

to create such authority have been duly passed and are now in full force and effect.

Network Provider: _____

By: _____

(signature)

Printed Name: _____

Its: _____

Date: _____

City of Hewitt, Texas

By: _____

Adam Miles, City Manager

HEWITT TEXAS

COUNCIL WORKSHOP AGENDA ITEM #2g.

The City of Hewitt has established regulations concerning management of stormwater runoff. These regulations are in place and serve several purposes. Rules are designed specifically to minimize erosion, protect adjacent property, and reduce pollution from stormwater runoff. Hewitt's regulations mirror existing State (Texas Commission on Environmental Quality) and Federal (Environmental Protection Agency) laws. From time to time, our City rules and regulations are reviewed to ensure the policies are in compliance with current laws as well as current best management practices.

Common elements of regulations include rules related to silt fencing for project sites, establishment of pollution control measures, regulations concerning dust control, and even provisions for inspections and enforcement. Our regulations are required to meet standards of the National Pollution and Discharge Elimination System (NPDES) specifically, the Stormwater Discharges from Municipal Sources (also known as Municipal Separate Storm Sewer or MS4). City staff has worked to re-evaluate City Ordinances for compliance. Furthermore, City Staff is reviewing Waco's regulations to ensure local policies are similar or at least somewhat coordinated from jurisdiction to jurisdiction. It is anticipated that an item will be placed on a City Council agenda in the near future concerning adoption of revised and updated rules and regulations.

CHAPTER 30. Environment
Article 11. STORMWATER REGULATIONS
Sec. 30-270. - Definitions.

BMP means best management practice.

Construction site notice means the statewide form that must be completed and displayed on small construction sites (i.e., where the area being disturbed is more than one acre and less than five acres).

Disturbing means clearing, grading, excavation, or other construction-related activities including the open storage of raw materials, transport and parking of vehicles, etc., on an unpaved area.

Environmentally sensitive area means:

- (1) Receiving waters that are on the state list of impaired water bodies.
- (2) Stream segment, bay or estuary classified as having an exceptional aquatic life use by TCEQ under 30 TAC 307.7(b)(3) and 307.10.
- (3) Areas identified as providing critical habitat for an endangered, threatened, or protected species. The U.S. Fish and Wildlife Service or Texas Department of Parks and Recreation should be consulted, if necessary.
- (4) Wetlands as defined by 33 CFR 328.3(b).
- (5) State owned submerged land.
- (6) Critical dune areas, as determined by the land commissioner under Texas Natural Resources Code § 63.121
- (7) Velocity zones, as determined by the Federal Emergency Management Agency

EPA means the United States Environmental Protection Agency.

Erosion control plan means measures to be used to prevent erosion from construction sites where less than one acre is disturbed, which is not part of a larger development of one acre or more.

FEMA means Federal Emergency Management Agency.

Final stabilization means that all unpaved areas of the site, not covered by permanent structures, which were disturbed by construction activities, have a uniform perennial vegetative cover with a density of 70 percent or equivalent final stabilization has been used, such as coverage with geotextiles and mulch.

Harmful liquid means a liquid that will adversely affect the environment, such as oil, chemicals, and hazardous substances.

Lot means a parcel of land of at least sufficient size, and containing sufficient area after applicable setbacks to meet the minimum zoning requirements for use, coverage and area and to provide such yards and other open spaces as are required for its intended use by the Hewitt Zoning Ordinance as amended. The word "lot" includes the words "plot" and "parcel".

NPDES means a national pollution discharge elimination system.

Notice of intent (NOI) means a written submission to the executive director of the TCEQ (Texas Commission of Environmental Quality) from an applicant requesting coverage under the general construction stormwater permit.

Notice of termination (NOT) means a written submission to the executive director of the TCEQ (Texas Commission of Environmental Quality) from a discharger authorized under a general permit requesting termination of coverage.

Pollutants mean items that include but are not limited to oils, grease, sediment, fertilizers, pesticides, herbicides, bacteria, debris, litter, etc. in which stormwater runoff can wash through the storm drain system and into local streams and drainage basins.

Responsible party means the owner, occupant, developer, builder, or general contractor who has operational control over the site (including the ability to make modifications in specifications), or who has operational control over day to day activities at the site and is able to ensure compliance with plan requirements and permit conditions (e.g., a person who is authorized to direct the conduct of workers at the site). Any person who has filed a notice of intent (NOI) with EPA or TCEQ or completed a construction site notice is presumed to be a responsible party under this article. In instances where only construction site notices are required, the city engineer or building official should be notified of construction termination as appropriate.

Significant redevelopment means a change in the use of a tract of land that increases the proportion of impervious surface, a change in the use of a tract of land that will result in an increase of pollutants that may be carried off the property by storm waters, or the alteration or repair of a facility, which requires the facility to be brought into compliance with any portion of the Code, that includes site disturbances.

Single-lot, single-family residential construction means the construction of a single-family residential structure (zoned R-1, R-1-G, or R-5) and accessory buildings upon a single lot, regardless of size. The construction of each individual residential structure is considered a single-lot, single-family residential construction, even if the responsible party is, simultaneously constructing another residential structure on an adjoining lot. For the purposes of this article, a lot may include one or more adjoining platted lots that are treated as a single tract of land.

Seventy percent density of vegetative cover means an area that has been disturbed by construction activities has been completely re-vegetated and that the density of said re-vegetation is 70 percent of the pre-construction state.

Stormwater means stormwater runoff, snowmelt runoff, and surface runoff and drainage.

Stormwater pollution prevention plan means a plan that addresses potential sources of pollution that are reasonably expected to affect the quality of discharges from the construction site, including off-site material storage areas, overburden and stockpiles of dirt, borrow areas, equipment staging areas, vehicle repair areas, fueling areas, etc., used solely by the permitted project.

TCEQ means the Texas Commission on Environmental Quality.

TPDES means a Texas Pollution Discharge Elimination System.

Sec. 30-271. - Planning requirements for site construction.

- (a) The stormwater pollution prevention plan (SWPPP) shall describe and ensure the implementation of practices that will be used to reduce the pollutants in stormwater discharges associated with construction activity at the construction site and assure compliance with the terms and conditions of a TCEQ or EPA stormwater permit.
- (b) Except as provided in subsection (2), a site specific storm water pollution prevention plan is required for all residential, commercial, and industrial developments that disturb one acre or more, and on sites that disturb less than 1.0 acre when the site is part of a larger development.
 - (1) For the purpose of this section, the area of the development must include all land of a common plan of development, regardless of the amount of land that will be affected by the specific development activity.

- (2) A stormwater pollution prevention plan is not required when a portion of a previously developed tract of land is redeveloped, unless the redevelopment will result in the conversion of more than one acre from a porous surface to an impervious surface.
- (c) The stormwater pollution prevention plan must be prepared at the time of submission of the NOI or construction site notice.
 - (d) The stormwater pollution prevention plan must identify the location of the outfall from the city's municipal separate storm sewer system into the receiving water and any environmentally sensitive areas that will receive pollutants carried by stormwater pollution from the site.
 - (e) The stormwater pollution prevention plan must state whether the plan or an erosion control plan will be submitted to the City of Hewitt under this section.
 - (f) Development of sites one acre or more.
 - (1) An NPDES or TPDES stormwater pollution prevention plan is currently required by EPA or TCEQ for all construction projects where one or more acres will be disturbed during development. Developments of sites that disturb one acre or more within the city's jurisdiction must prepare an NPDES or TPDES stormwater pollution prevention plan that satisfies EPA or TCEQ regulations and the NPDES or TPDES construction general permit.
 - a. A copy of the NPDES or TPDES stormwater pollution prevention plan must be provided to the City of Hewitt, building official, or the appropriate city designee upon request.
 - b. A copy of the notice of intent (NOI) (sites > five acres) and/or construction site notice (sites one to five acres) provided to EPA or TCEQ must be provided to the city engineer or the building official, as applicable. Approval of the elements of the NPDES or TPDES stormwater pollution prevention plan is not required. However, the city engineer or building official or other designated city representative may require correction of any observed deficiencies in the NPDES or TPDES stormwater pollution prevention plan. Additional measures may be required to meet the requirements of section 30-272, pollution control measures.
 - c. If the current measures are insufficient (sites > five acres), a copy of the notice of termination (NOT) submitted to EPA or TCEQ must be provided to the city engineer or building official, as applicable.
 - (2) Minimum requirement of a stormwater pollution prevention plan (SWPPP) can be found in the the most recent version of the TPDES General Stormwater Requirements for Construction Activities
 - (g) Development of sites less than one acre, if part of a larger development.
 - (1) All projects under this category must meet the requirements in section 30-272(a).
 - (2) The area of the development will be based upon any or all of the following: platted lot(s), site plan of the development, phased-in name of the development and/or ownership of the property or, if not platted, based upon the area of the tract owned by the developer, including all contiguous property owned by the same person. Disturbance of a partial area of a tract is not a condition that will cause a change of the category in development size.
 - (h) Development of sites less than one acre, if not part of a larger development.
 - (1) An erosion control plan, as defined in section 30-270, is required for commercial construction, industrial construction, multi-family residential construction, and development of a residential subdivision within the city's jurisdictional area where less than one acre will be disturbed, and

the site is not part of a larger development of one acre or more. The area of the development will be based upon platted lot(s), site plan of the development, phased-in name of the development, and/or ownership of the property or, if not platted, based upon the area of the tract owned by the developer, including all contiguous property owned by the same person.

- (2) Contractors are required to implement an erosion control plan that establishes erosion control measures.
 - (3) The erosion control plan may include any pollution control measures specified in section 30-272.
- (i) Development of sites general requirements.
- (1) Implementation of the pollution control measures detailed in the plan are required. Inspection of the pollution control measures will be performed by city personnel during normal construction inspections, and at other times when construction activities may be conducted.
 - (2) A certificate of occupancy may not be issued until the temporary and permanent measures specified by the plan are complete.
 - (3) The City of Hewitt will not accept any improvements required by the city's platting ordinance until the City of Hewitt is satisfied that all temporary and permanent measures specified by the plan are complete.
 - (4) A pollution control plan is not required when a portion of a previously developed tract of land is redeveloped, unless the redevelopment will result in the disturbance of more than one acre of land.

Sec. 30-272. - Pollution control measures.

- (a) The responsible party of any construction site within the city shall implement measures necessary to control erosion, sedimentation, debris, and stormwater pollution. The responsible party shall ensure proper maintenance and performance of the temporary pollution control measures until permanent measures are in place.
- (b) Temporary pollution control measures (during construction). This subsection provides examples of temporary pollution control measures that may be used to control erosion and sedimentation.
 - (1) Structural control of soil erosion.
 - a. Silt fences may be utilized, where necessary, to retain the sediments from disturbed areas within the site and decrease the velocity of sheet flows.
 - b. Straw bales may be utilized, where necessary, to retain sediments from disturbed areas within the site and decrease the velocity of sheet flows. Straw bales are particularly useful in paved areas where silt fences cannot be erected.
 - c. Stabilized construction entrances shall be designed to reduce the amount of soil tracked off the construction site by vehicles. A stabilized construction entrance should be utilized, if necessary, to control tracking. The responsible party shall ensure that vehicles entering and leaving the construction site use the stabilized construction entrance. The owner or operator of a vehicle entering or leaving a construction site may not track soil off the construction site.
 - d. Vegetative buffer strips of appropriate size should be maintained where necessary to aid in:

1. reducing the velocity of stormwater and
2. trapping escaping sediments in the stormwater.

A vegetative buffer may suffice as a structural control until final stabilization is accomplished.

- e. Inlet protection barriers must be installed around all inlets until surrounding area is paved or stabilized.
- (2) Waste controls. Waste must be disposed of in an appropriate manner so that no solid wastes, including building materials, hazardous substances, oil, or packaging except for disposal at an appropriate and approved solid waste management facility, in conformance with the Texas Solid Waste Disposal Act. To the extent practicable, no solid waste, including building materials, hazardous substances, or oil may be allowed to enter the city's municipal separate storm sewer system, the city's streets, or the navigable waters of the United States. The responsible party, who is issued the building permit, shall ensure responsible and appropriate disposal measures for all waste activities at the site.
 - (3) Dust control. Reasonable measures shall be taken to control dust, particulate matter, and windblown debris.
 - (4) Hazardous material storage. Chemicals, paints, solvents, fertilizers, and other toxic materials must be stored in waterproof containers. Except during applications, the contents must be kept in trucks or in storage facilities. Runoff containing such materials shall be collected, removed from the site, and disposed of at an approved solid waste or chemical disposal facility.
 - (5) Concrete trucks. The responsible party may not allow the owner or operator of a concrete truck to wash out or discharge surplus concrete or drum wash water at a construction site, unless the surplus concrete or drum wash water in concrete trucks is discharged at a facility on the construction site that will retain all concrete wash waters or leachates, including any wash waters or leachates mixed with storm water. Concrete wash waters and leachates shall not be allowed to enter the municipal separate storm sewer system, city streets, the waters of the United States, or ground waters.
 - (6) The responsible party may adopt alternative procedures, such as regularly scheduled street cleaning in the immediate vicinity of the construction site, instead of adopting temporary structural controls for erosion under subsection 30-272(b)(1). If alternative procedures are used, the responsible party shall include those provisions in its NPDES or TPDES stormwater pollution prevention plan, pollution control plan, or the plans submitted for a building permit if an NPDES or TPDES stormwater pollution prevention plan or pollution control plan is not required.
- (c) Final pollution control measures (post construction). These measures stabilize construction sites where either of the following conditions are met:
 - (1) All soil disturbing activities at the site shall be completed and a uniform (e.g., evenly distributed, without large bare areas) perennial vegetative cover with a density of 70 percent of the native background vegetative cover for the area established on all unpaved areas and areas not covered by permanent structures, or equivalent permanent stabilization measures (such as the use of riprap, gabions, or geotextiles) have been employed.
 - (2) For individual lots in a residential construction site by either:
 - a. The homebuilder completing final stabilization as specified in condition (c)(1) above; or

- b. The homebuilder of single-family homes (zoned R-1, R-1-G, or R-5) establishing final stabilization for an individual lot by sodding the front yard with a vegetative cover with a minimum of 70 percent density (no bare spots), and installing a perimeter of sod for the remaining portions of the yard to prevent soil erosion,
- (3) For construction activities on land used for agricultural purposes (e.g. pipelines across crop or range land), final stabilization may be accomplished by returning the disturbed land to its pre-construction agricultural use. Areas disturbed that were not previously used for agricultural activities, such as buffer strips immediately adjacent to surface water, and areas which are not being returned to their pre-construction agricultural use must meet the final stabilization of condition (c)(1) above.
- (4) If the developer agrees to maintain the stabilization until coverage is achieved and all other permanent measures are complete (i.e. performance bond), acceptance of improvement by the city may occur before the final stabilization coverage requirement is met,
- (5) Once final stabilization has been achieved, the responsible party shall notify the city engineer, building official or designated representative that final stabilization has been achieved.
- (6) Erosion control structures must be provided where necessary to control erosive velocities in unlined channels or swales leaving the site.
- (7) Sediment traps must be provided on the site, as necessary, to control sedimentation from concentrated storm water discharges into an environmentally sensitive area. Individual assessments must be made on a site-specific basis. However, a rock rubble low berm must be installed around an outfall that discharges directly into an environmentally sensitive area, unless this requirement is waived by the city engineer because the responsible party has installed another type of sediment trap providing equal or better protection.
- (d) Scheduling of control measures. Measures must be implemented in a sequence that will provide maximum stormwater pollution control based on the following principles:
 - (1) Down slope and side slopes perimeter controls must be installed before land disturbing activity occurs.
 - (2) The responsible party shall not disturb the site until construction is ready to proceed.
 - (3) Efforts to provide cover or stabilize disturbed areas must occur as soon as possible.
 - (4) Temporary perimeter controls shall not be removed until all upstream areas are permanently stabilized.
- (e) Inspection of pollution control measures. The responsible party shall inspect all pollution control measures
 - 1. Every 14 days and within 24 hours following a rainfall of 0.5 inches or greater at the site, or
 - 2. Every seven days regardless of rain events and maintain a record of each inspection.The inspection reports shall be considered part of the contractor's stormwater pollution plan (SWPPP), and as such, are subject to the same record retention schedule and availability requirements of the SWPPP. The inspection reports and the entire SWPPP shall be made available for inspection by a representative of the city during normal business hours.
- (f) Maintenance of pollution control measures.

- (1) The responsible party shall maintain and ensure adequate performance of the temporary pollution control measures until permanent pollution control measures are in place.
- (2) Whenever the temporary or permanent pollution control measures do not keep soil, sediment, and debris on the construction site, such as excessive tracking of dirt offsite by vehicles and runoff of sediments from the site over sidewalks and into the streets and gutters, etc., the responsible party shall remove the soil, sediment, and debris from streets, sidewalks, and inlets, as necessary and return the soil and sediment to the areas to be stabilized, and properly dispose of the debris.
- (3) The responsible party shall ensure proper maintenance of all permanent pollution control measures located on the site

Sec. 30-273. - Appeals to city manager.

A person adversely affected by a decision of the city engineer or the building official under this article may appeal the decision to the city manager, or the city manager's designee, within 15 days from the date the city engineer or the building official notifies the person of the decision in writing. An appeal must be submitted in writing and must be addressed to the city manager. The appeal must specify why the decision of the city engineer or the building official should be considered for relief.

Sec. 30-274. - Additional requirements.

It is the intent of this article to outline the stormwater regulations that must be followed by contractors, builders, and property owners who wish to conduct construction activities within the city.

There may be portions of the state stormwater regulations that are not specifically mentioned in this article. In such cases, these regulations are to be considered a part of this article, and as such, violators of said segments are subject to the same penalties listed.

Sec. 30-275. - Prosecution for violations of this article.

A violation of any provision of this article is a class C misdemeanor. A conviction is punishable by a fine as provided in section 1-12. Each day a violation continues constitutes a separate offense. Each violation of a separate provision in this article constitutes a separate offense. A culpable mental state is not required to prove an offense under this article.

Failure to appear in response to a citation issued for violation of this article is a separate violation of this article.

Secs. 30-276. -Separability

If the above provisions and sections of this Ordinance contradict any portion of any other ordinance, the stricter of the two shall apply.

Secs. 30-277—30-300. - Reserved.

HEWITT TEXAS

COUNCIL WORKSHOP AGENDA ITEM #2i.

CITY OF HEWITT: COUNCIL, BOARDS, AND COMMISSIONS

City Hall 666-6171 (Fax 666-6014); Community Services 666-2447; Utility Billing 666-3151 (after hrs emergency 666-6272); Police Adm. 666-1661; Drug Tips 666-3333; Animal Control 666-6272; Library 666-2442; Park Reservations 666-6173; Municipal Court 666-1208; Chamber of Commerce 666-1200. City of Hewitt web site: www.cityofhewitt.com; Email: citysecretary@cityofhewitt.com

<u>City Council</u> <u>2 Yr Term - May</u>	<u>Board of Adjustment</u> <u>2 Yr Term - April</u>	<u>Planning & Zoning</u> <u>Commission</u> <u>3 Yr Term - June</u>	<u>Parks & Beautification</u> <u>Committee</u> <u>2 Yr Term - December</u>	<u>Library Board of</u> <u>Directors</u> <u>2 Yr Term - December</u>
1st & 3rd Mon 7 pm	3rd Thurs 7 pm	1st Tues. 7 pm	2nd Thurs 7 pm	Quarterly as needed
Mayor Travis Bailey Ward 1 (05-2019) 412 Oklahoma Avenue 666-1492	Chairman (04-2018) Jim Winton 1136 Heatherwood 857-9436	(06-2019) Kurt Krakowian 804 Pebble Creek Cr. 855-1139	(12-2018) Jerry Snider 108 Brenda Drive 307-0613	President (12-2018) Eric Ames 249 Fieldcrest Dr. 710-1576
Wilbert (Walky) Wachtendorf Ward 1 (05-2018) 328 Travis Lane 666-3759	(04-2018) Bradley T. Turner 600 Yukon Pass 723-4912	(06-2019) Bobby Wolske 109 Devonshire 366-4743	(12-2019) Kathy Krakowian 804 Pebble Creek Cr. 424-7192	(12-2019) Gayle H. Shipp 704 Cheyenne Trail 495-1044
Bill Fuller Ward 2 (05-2018) 218 Chelsea/PO Box 568 666-3304	(04-2019) Douglas Bergen 264 Earle Rd. 666-0855	(06-2019) Walter H. Peterson 500 Moss Hill Rd. 757-5128	(12-2019) VACANT	(12-2018) Karen Copeland 616 Crestwood Dr. 717-4906
James Vidrine Ward 2 (05-2019) 504 Rowan Oak 666-2115	(04-2019) Charles Howard 155 Ellis Farm Rd. 732-4746	(06-2017) Jonathan Denton Dulus 332 Bowie Ln. 855-4013	(12-2019) Fred Bridger 613 Durango Circle 749-8810	Secretary (12-2018) Lydia Dashner 520 Angel Fire Dr. 666-9623
Mayor Pro Tem Ed Passalugo Ward 3 (05-2019) 137 E. Chapman Rd. 420-1926	(04-2019) R. Don Vardeman 432 S First St. 666-2670	(06-2017) Charlie Turner 209 Laredo 666-0087	(12-2018) Davis D. Thigpen 606 Madison Dr. 749-9500	(12-2018) Beth Oakley 708 Angel Fire Drive 644-3594
Steve Fortenberry Ward 3 (05-2018) 701 Oakmont Drive 744-1697	Alternate (04-2018) Jim Pless 803 Attaway 855-7762	(06-2017) Michael Lee Hix 336 Bowie Lane 723-5071	(12-2018) Veronica Molina 1201 Radisson (434) 531-2014	(12-2019) VACANT
Alex Snider At Large (05-2019) 1017 Wind Hill (281) 734-7622	Alternate (04-2019) VACANT	(06-2017) John J. Baker 317 Bonham Drive 235-0464	(12-2018) VACANT	Vice President (12-2019) Sally Goldman 132 Texas 666-2436

Updated: 02/07/2018

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 5, 2018

AGENDA ITEM #: 3

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Consider approval of minutes of the City Council Workshop and Regular Meeting of February 19, 2018.

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

HEWITT TEXAS

MINUTES OF A CITY COUNCIL WORKSHOP/REGULAR MEETING HEWITT CITY HALL – 200 PATRIOT COURT February 19, 2018 – 5:30 PM/7:00 PM

Members present: Mayor Travis Bailey (presiding), Mayor Pro Tem Ed Passalugo, Council Members Wilbert “Walky” Wachtendorf, Bill Fuller, James Vidrine, Alex Snider (arrived at 6:21 PM) 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, Managing Director Katie Allgood, Finance Director Lee Garcia, Utilities Director Kevin Reinke, Library Director Waynette Ditto, Community Development Director Tracy Lankford, Parks & Media Coordinator Cassie Muske, HR Generalist Stephanie Fenty, and City Secretary Lydia Lopez

WORKSHOP – 5:30 PM

1. Mayor Travis Bailey called the meeting to order at 5:30 PM.
2. City Manager’s update on municipal business:
 - a. Report from City Engineer
 - b. Briefing and discussion concerning upcoming events:
 - Earth Day Celebration – April 21, 2018
 - Citizens Police Academy – February 20, 2018 – April 24, 2018
 - Household Hazardous Waste Day – May 5, 2018
 - Nacho Day (Greater Hewitt Chamber Event) – May 12, 2018
 - c. Briefing and discussion concerning Financial Statements ending January 31, 2018.
 - d. Briefing and discussion concerning facility maintenance.
 - e. Briefing and discussion concerning Emergency Medical Services.
 - f. Briefing and discussion concerning vacancies and appointments. **NOTE:** Council Member Alex Snider announced that he would be relocating to Greenville, TX and that he would be resigning his position effective the end of March 2018.
 - g. Briefing and discussion concerning Public Safety operations – Police & Fire.
 - Police Academy Reimbursement Contract
3. The regular meeting agenda items were reviewed.
4. *A motion was made Mayor Pro Tem Ed Passalugo and seconded by Council Member Bill Fuller to convene Executive Session at 6:31 pm pursuant to the Open Meetings Act, Chapter 551, Texas Government Code to discuss the following:*
 - **Pursuant to §551.072 – Purchase, Exchange, Lease, or Value of Real Property.**

5. Close Executive Session/Adjourn. *A motion was made by Mayor Pro Tem Ed Passalugo and second by Council Member Bill Fuller to close the Executive Session and adjourn the Workshop at 6:50 PM.*

REGULAR MEETING – 7:00 PM

1. **CALL TO ORDER.** Mayor Travis Bailey called the meeting to order at 7:00 PM.
2. **PLEDGE OF ALLEGIANCE TO THE U.S. FLAG** – Mayor Travis Bailey asked Council Member Alex Snider to lead the Pledge of Allegiance.
3. **CONSIDER APPROVAL OF MINUTES OF THE CITY COUNCIL WORKSHOP AND REGULAR MEETING OF FEBRUARY 5, 2018.** *A motion was made by Mayor Pro Tem Ed Passalugo and seconded by Council Member Alex Snider to approve the minutes as submitted but allow for corrections; 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. **AUTHORIZE THE CITY MANAGER TO NEGOTIATE AND EXECUTE A CONSENT TO ASSIGNMENT FOR EAST TEXAS MEDICAL CENTER (ETMC) EMERGENCY MEDICAL SERVICES CONTRACT TO PARAMEDICS PLUS.** *A motion was made by Mayor Pro Tem Ed Passalugo and second by Council Member Bill Fuller to approve; all seven in favor, motion passed.*
6. **CONSIDERATION AND ACTION ON A RESOLUTION CONCERNING THE ADJUSTMENTS DUE TO WATER LEAKS POLICY OF THE CITY OF HEWITT.** *A motion was made by Council Member Alex Snider and second by Mayor Pro Tem Ed Passalugo to approve the resolution; all seven in favor, motion passed.*
7. **ADJOURN.** *A motion was made by Council Member Bill Fuller and seconded by Mayor Pro Tem Ed Passalugo to adjourn the regular meeting at 7:02 PM; all seven in favor, motion passed.*

Approved: March 5, 2018

Lydia Lopez, City Secretary

Travis Bailey, Mayor

HEWITT TEXAS

ITEM #4 – 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 5, 2018

AGENDA ITEM #: 5

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Authorize City Manager to negotiate and execute an agreement with Simple Solutions for building cleaning and janitorial services.

STAFF RECOMMENDATION/ITEM SUMMARY:

For the past few weeks Simple Solutions has provided cleaning and janitorial services for city buildings. City staff has evaluated their performance over this time. Employees of the company have received appropriate security clearance for work in the Police Department. Simple Solutions has provided a proposed agreement to provide these services at an annual cost of \$47,736.00. The City can terminate agreement with 30-day notice. Staff recommends approval of this item to enter into a one year agreement for these services.

ATTACHMENTS:

Estimate



Simple Solutions Of Texas

P.O.Box 1029
Hewitt, TX, 76643
254-235-0930

Estimate

Estimate No: 7
Date: 01/29/2018

For: City Of Hewitt
kallgood@cityofhewitt.com
200 Patriot Court
Hewitt, Texas 76644

Job Site City Hall/Library Police Station Water Dept/Bldg Maint

Description	Quantity	Rate	Amount
Hewitt - Commercial Janitorial Cleaning a Month	1	\$3,978.00	\$3,978.00*
City Hall/Public Library - Police Station - Water Dept/ Maint Bldg			
Lobby/Common Areas - Sanitize Hard Floor Surfaces, dust mop, mop floors			
Public Restrooms/Inside office Restrooms - Sanitize and deodorize toilets, urinals, sinks, mirrors and wipe down restroom stalls as needed. Clean and Sanitize shower stalls. Sweep and mop hard floor surfaces. Refill all paper products daily.			
Inside offices, Meeting Rooms and Conference Rooms - dust desk empty trash can and replace liners, vacuum offices			
Break rooms - clean and Sanitize sinks, countertops and wipe down tables. Empty trash and replace with new liners. Sanitize exterior of receptacles			
Sweep and mop hard floor surfaces			
Sanitize all interior entrance glass door			
Empty exterior trash cans and replace with new liners			

*Indicates non-taxable item

Subtotal	\$3,978.00
Total	\$3,978.00

Total	\$3,978.00
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Notes

Estimate price is good for 2 yrs

This estimate includes all cleaning products.

A 30 day notice is required in writing to end services

Payment is due for service the 1st Of each month

City of Hewitt is allowing Simple Solutions to use the facilities vacuum, mop buckets and trash cans



COUNCIL AGENDA ITEM FORM

MEETING DATE: March 5, 2018

AGENDA ITEM #: 6

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Authorize City Manager to negotiate and execute an agreement with Lower Colorado River Authority (LCRA) Environmental Laboratory Services for unregulated chemical contaminant water sample testing.

STAFF RECOMMENDATION/ITEM SUMMARY:

The Unregulated Contaminate Monitoring Rule (UCMR 4) outlines a number of chemical contaminants that may be present in public water systems. The UCMR 4 and the Environmental Protection Agency (EPA) require that public water systems be tested regularly for these contaminants. Every two years the City is required to submit water samples for testing to a third-party laboratory.

The City received bids from two laboratories to perform the samples testing. Antea Group submitted a bid for \$21,969.60, and LCRA Environmental Laboratory Services submitted a bid for \$15,040.00.

LCRA Environmental Laboratory Services located in Austin currently conducts our lead and copper testing every 3 year.

ATTACHMENTS:

Bid/Quotation

Quotation

LCRA Environmental Laboratory Services

3505 Montopolis Drive
Austin, TX 78744
Phone (512)730-6020
E-mail jerry.pizana@lcra.org



Contact
CITY OF HEWITT KEVIN REINKE CITY OF HEWITT 103 NORTH HEWITT DRIVE HEWITT, TX 76643 Phone 254-666-2447 Fax 254-666-3741 E-mail KREINKE@cityofhewitt.com

Quote #	Date
94453	11/15/2017

Project Manager	Description	Deliverable
Jerry Pizana Environmental Laboratory Services 3505 Montopolis Drive Austin, TX 78744	UCMR4 CO HEWITT	WO_E_S_CDX

Item	Analysis Code	Description	Matrix	TAT	Unit Price	Qty	Extended Price
1	UCMR4AM1	UCMR4 AM1 Entry Point UCMR 4 AM 1 Group	DW	15	\$625.00 \$625.00	10	\$6,250.00
2	UCMR4AM2A	UCMR4 AM2A Distribution Point UCMR 4 AM 2 Group A	DW	15	\$110.00 \$110.00	16	\$1,760.00
3	UCMR4AM3	UCMR4 AM3 Cyanotoxin UCMR 4 AM 3 Group	DW	15	\$520.00 \$520.00	8	\$4,160.00
4	SAMPF	SAMPLING Sampling Fee	DW	15	\$2,870.00 \$2,870.00	1	\$2,870.00
DW - Drinking Water					Total		\$15,040.00

Notes

This quotation is for drinking water samples for the 4th round of EPA Unregulated Contaminant Monitoring Rule (UCMR4). Quotation cost are based upon the EPA required methods and sampling point schedule available at the time of quoting. If the EPA schedule changes, the actual cost can vary.

ELS will perform a turn-key (shipping, sampling, analytical, and data reporting to EPA) service, and all analytical methods will be analyzed in-house. If the customer chooses to collect the samples and the samples do not meet the UCMR4 Program sample condition criteria requirements at the time of receipt, the customer is responsible for any additional shipping costs related to recollection of samples.

If the customer chooses to have ELS samplers collect the samples, and the customer representative does not show up at the designated meeting location or is not familiar with the sampling site locations, therefore requiring a reschedule event, an additional \$500 will be added to the sampling event fee to cover accumulated cost.

Quotation



Quote #	Date
94453	11/15/2017

Item 1 Assessment Monitoring for Entry Point methods are 200.8, 525.3, 530 and 541. Item 2 Assessment Monitoring for Distribution Point method 552.3(DBP). Item 3 Assessment Monitoring for Cyanotoxin methods 544, 545, and 546. Item 4 is the sampling cost for all events.

ELS will upload final results on the EPA CDX SDWARS within 120 days from sampling.

An executed (signature) is required for ELS to schedule the monitoring, and obligates client to the included ELS Standard Terms and Conditions.

Terms

This quote is valid until 10/1/2020.

Accepted by:

Signed _____	Title: _____
Name: KEVIN REINKE _____	Date: _____

Environmental Laboratory Services Standard Terms and Conditions

Effective September 2016

Acceptance of Samples...The Lower Colorado River Authority (LCRA) Environmental Laboratory Services (ELS) will accept samples and perform services in accordance with these terms and conditions. No modifications to these terms and conditions will be valid or binding unless in writing and signed by authorized representatives of both the Customer and ELS.

ELS reserves the right to refuse or revoke receipt of any sample due to insufficient sample volume, improper sample container, unacceptable customer credit, or risk of handling for any health, safety, regulatory, environmental, holding time issues or any other reason, at the discretion of ELS.

ELS also reserves the right to terminate any work being done or work promised on samples accepted for ELS's sole convenience. In the event of such termination, ELS will notify all affected Customers as soon as possible.

Payment & Invoicing...Customer must pay for all services by check or credit card upon delivery of sample to ELS unless other billing arrangements are agreed to by ELS and Customer. Invoices will be issued monthly following the completion of services. All payments are due 30 days from receipt of the invoice. A one percent (1%) per month late fee will be assessed on unpaid invoices after the due date. Customers that have outstanding balances equal to or greater than 90 days must make payment in full at the time of sample delivery.

Quoted Fees...Written quoted fees for all services to be performed by the ELS will be honored for a period of thirty (30) days from the quotation date unless otherwise specified by ELS in writing.

Costs for Compliance...All costs associated with compliance with any subpoena for documents, testimony, or assistance, or for any other purpose relating to work performed by ELS for the Customer, will be paid by the Customer or requesting party. Such costs will include, but not be limited to, hourly charges for each staff member, travel and accommodations, mileage, and any other miscellaneous expenses incurred.

Use of Data...The Customer is solely responsible for determining what actions are required as a result of the data, information, recommendations, interpretations, and opinions provided by ELS. The Customer also assumes sole responsibility for determining whether the nature, type, and quantity of work requested by the Customer is adequate and sufficient for the Customer's intended purpose. *Customer hereby indemnifies and releases ELS from and against any and all liabilities arising out of, related to, or resulting from Customer's incorrect or inappropriate use of any data or opinions provided to it by ELS.*

Reports...ELS will deliver approved final reports and/or electronic data including any Customer-approved subcontract laboratory data by the agreed upon due date. Reports may not be reproduced, except in full, without prior written approval by ELS. Reports or copies of reports will not be provided to any person or representative other than the Customer without the Customer's written authorization, except as may be required by law.

Confidentiality...Strict confidentiality is maintained regarding all Customer transactions and results. Where information is lawfully subpoenaed, must be released to a regulatory or other legal entity with jurisdiction, or disclosure of documents is otherwise required by law, the Customer will be promptly notified.

Confidential, trade secret, and privileged information provided to ELS by Customer, including sample content, analysis, and Reports, is protected from public access by exceptions to the Texas Public Information Act ("PIA"), to which LCRA is subject. ELS will assert the appropriate exception to withhold Customer information requested under the PIA. Customer may be asked by ELS to provide assistance in asserting exceptions to the PIA (e.g., explanation of competitive position, treatment of trade secrets, etc.). Customer agrees to assist ELS in protection of Customer's information.

Sample Disclosures...Customer agrees that all samples delivered to the ELS will be accompanied by a properly completed chain-of-custody form disclosing the presence of any contaminated, toxic, or hazardous substances known or suspected to be contained in such samples. ELS shall reject any samples received without a valid chain of custody form.

Analytical Errors...Upon request by the Customer, ELS will reanalyze samples whenever test results are suspect. Should the results of the second analysis substantially agree with those of the first, the Customer will pay for the cost of the second analysis. However, if the result of the second analysis materially differs from the first, then Customer will not be charged for the second analysis.

Holding Times...All samples must be delivered to ELS within one-half of the applicable holding time. ELS shall not assume any responsibility for missed holding times for samples submitted outside this criterion. To meet holding time for subcontract samples, ELS may make arrangements for the Customer to deliver samples directly to the subcontract lab.

Sample Retention & Disposal...Samples are stored for 30 days upon transmitting final analysis results to the Customer. After 30 days, samples are disposed of properly. However, Customer may request additional storage time at a storage fee of \$50 per month per sample.

Hazardous Waste...Any samples found to be or suspected of being hazardous or containing hazardous substances according to state and federal regulations will be disposed of at submitting Customer's expense.

Turnaround Time (TAT)...Turnaround times (TAT) are based on full "working days" which are defined as 8:00 A.M. to 5:00 P.M. Monday through Friday, excluding holidays. Standard TAT is 7 working days from the day starting after sample receipt. However, TAT may be longer depending upon the tests requested and the same matrix. TAT for samples subcontracted to a Customer-approved laboratory is based on the agreed target due date between all parties (i.e., the Customer, the ELS and the subcontract laboratory).

Expedited Service...Expedited service is available upon approval by ELS and written authorization from the Customer. Service charge amounts added to the total cost of service will be applied as follows:

< 24 hrs:	4 X cost of service
2 to 3 days:	3 X cost of service
4 to 6 days:	2 X cost of service

Non-Standard Services...On sample matrices or analytes for which no official or validated test method exists, usage of an accepted method for a different type of sample or analyte or method development, in some situations, may be offered. In such cases, no guarantee of the success of the method or warranty will be provided. The Customer will be notified of the alternate method proposed, and only after its approval, will analyses begin. Approval by the Customer of the alternate method obligates the Customer for payment for that work, regardless of result obtained.

Warranty...Where applicable, ELS will use analytical methodologies in accordance with the U.S. Environmental Protection Agency (EPA), state agency, or other recognized and approved source.

ELS warrants that it possesses and maintains all licenses, accreditations, and certifications that are required to perform services under these terms and conditions, provided that such requirements are documented in writing to ELS prior to sample delivery acceptance. ELS will notify the Customer in writing of any decertification or revocation of any license, or notice of either that affects work in progress.

The foregoing express warranty is exclusive and is given in lieu of all other warranties, whether express, implied, or statutory. The ELS disclaims any other warranties, whether express, implied, or statutory, including a warranty of fitness for particular purpose and warranty of merchantability. The ELS is not responsible for any of the purposes for which the Customer may use ELS test results.

Liability...Customer agrees that the maximum liability of ELS for all claims of any kind whether based on contract, indemnity, warranty, tort (including negligence & strict liability), or otherwise, arising out of, connected with, or resulting from the performance or breach thereof, or from any goods or services covered by or furnished under these terms and conditions or any extension or expansion, is limited to the amounts paid or payable by the Customer for the goods or services giving rise to such claims.

Antea Group - UCMR4 Total Estimated Cost - Surface Water/GWUDI + Groundwater

Opportunity #: 2017-12-173579

System Name:	Hewitt
PWS ID:	TX1550031
System Contact:	Kevin Reinke
Address:	P.O. Box 219
	Hewitt, TX 76643-0219
Phone:	254.666.2447
Email:	kreinke@cityofhewitt.com
Date:	12/1/2017

Surface Water and GWUDI of Surface Water System						
Monitoring Requirement: AM-1						
Number of Entry Points to The Distribution System (EPTDS) to be sampled (4/12 month period on a quarterly basis, January-December):	1	EP001 - Plant 5 Waco Water Intertie				
Number of sampling events:	4	September-19	December-19	March-20	June-20	
Monitoring Requirement: AM-2						
Number of Stage 2 Disinfectants and Disinfection Byproducts Rule Sampling Locations (D/DBPR) to be sampled (4/12 month period on a quarterly basis, January-December):	4	DBP201 - 121 Bonham Street DBP202 - 1702 Spring Valley DBP203 - 142 Second Street DBP204 - 9000 S. IH 35				
Number of sampling events:	4	September-19	December-19	March-20	June-20	
Number of Raw Source Water Intake Locations (SR) to be sampled (4/12 month period on a quarterly basis, January-December):	0					
Number of sampling events:	4	September-19	December-19	March-20	June-20	
Monitoring Requirement: AM-3 (Required for SW & GWUDI Systems Only)						
Number of Entry Points to The Distribution System (EPTDS) to be sampled (2/month for 4 consecutive months, March-November):	1	EP001 - Plant 5 Waco Water Intertie				
Number of sampling events:	8	6/8/2020	6/22/2020	7/6/2020	7/20/2020	
		8/10/2020	8/24/2020	9/7/2020	9/21/2020	
TOTAL ESTIMATED UCMR4 COST - SW and GWUDI		\$	14,365.80			
TOTAL COST IF ALL METHOD 546 RESULTS EXCEED 0.3 ug/L (WORST CASE SCENARIO)		\$	16,665.80			

Groundwater Water System			
Monitoring Requirement: AM-1			
Number of Entry Points to The Distribution System (EPTDS) to be sampled (2/12 month period every 6 months, January-December):	2	EP001MC1 - Plant 1 EP002MC2 - Plant 2	
Number of sampling events:	2	September-19	February-20
Monitoring Requirement: AM-2			
Number of Stage 2 Disinfectants and Disinfection Byproducts Rule Sampling Locations (D/DBPR) to be sampled (2/12 month period every 6 months, January-December):	0		
Number of sampling events:	2	September-19	February-20
Number of Source Water Intake Locations (SR) to be sampled (2/12 month period every 6 months, January-December):	4	RAW004 - Well 4 RAW002 - Well 2 RAW005 - Well 5 RAW006 - Well 6	
Number of sampling events:	2	September-19	February-20
TOTAL ESTIMATED UCMR4 COST - GW		\$	7,603.80
TOTAL ESTIMATED UCMR4 COST - SW and GWUDI + GW		\$	21,969.60

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 5, 2018

AGENDA ITEM #: 7

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Consider a resolution of the City of Hewitt, Texas, canceling the General Election scheduled to be held on the 5th day of May, 2018, 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 5 de mayo de 2018 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.*)

STAFF RECOMMENDATION/ITEM SUMMARY:

Texas Election Code, Section 2.052 (a) and 2.053 (a) requires the city secretary to deliver to the Council a certification (attached) that each candidate in the election is unopposed. Upon receipt of that certification, the governing body, by order or ordinance, may declare each unopposed candidate elected to the office. Candidates Wilbert "Walky" Wachtendorf, Bill Fuller, and Steve Fortenberry have no opposition. Attached is a resolution declaring the unopposed candidates elected to office, cancels the election and provides for the required posting of an Order of Cancellation. Staff recommends approval.

Certificates of Election and oath of office will be issued after the election date.

ATTACHMENTS:

Certification of Unopposed Candidates
Resolution/Order of Cancellation

**CERTIFICATION OF UNOPPOSED CANDIDATES FOR
OTHER POLITICAL SUBDIVISIONS (NOT COUNTY)
CERTIFICACIÓN DE CANDIDATOS ÚNICOS
PARA OTRAS SUBDIVISIONES POLITICAS (NO EL CONDADO)**

To: Presiding Officer of Governing Body

As the authority responsible for having the official ballot prepared, I hereby certify that the following candidates are unopposed for election to office for the election scheduled to be held on May 5, 2018.

Como autoridad a cargo de la preparación de la boleta de votación oficial, por la presente certifico que los siguientes candidatos son candidatos únicos para elección para un cargo en la elección que se llevará a cabo el 5 de mayo, 2018.

List offices and names of candidates:

Lista de cargos y nombres de los candidatos:

Office(s) Cargo(s)

Candidate(s) Candidato(s)

Ward 1, Place 1

Distrito Electoral 1, Sitio 1

Wilbert “Walky” Wachtendorf

Wilbert “Walky” Wachtendorf

Ward 2, Place 1

Distrito Electoral 2, Sitio 1

Bill Fuller

Bill Fuller

Ward 3, Place 1

Distrito Electoral 3, Sitio 1

Steve Fortenberry

Steve Fortenberry

Signature (Firma)

Lydia Lopez *Lydia Lopez*

Printed name (Nombre en letra de molde)

City Secretary Secretaria de la Ciudad

Title (Puesto)

March 5, 2018 (5 de Marzo 2018)

Date of signing (Seal)

RESOLUTION NO. 2018-5
RESOLUCIÓN Nro. 2018-5

A RESOLUTION OF THE CITY OF HEWITT, TEXAS, CANCELING THE GENERAL ELECTION SCHEDULED TO BE HELD ON THE 5TH DAY OF MAY, 2018, IN ACCORDANCE WITH SECTION 2.053(a) OF THE TEXAS ELECTION CODE; DIRECTING THE GIVING OF NOTICE OF SUCH CANCELLATION OF ELECTION; AND PROVIDING DETAILS RELATING TO THE CANCELLATION OF SUCH ELECTION

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

* * * * *

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS:
EL CONSEJO MUNICIPAL DE LA CIUDAD DE HEWITT, TEXAS, RESUELVE:**

Section 1: It is hereby ordered that the General Election, scheduled to be held in the City of Hewitt on the 5th day of May, 2018, at which election the following officers were to be elected by the qualified voters of the City, is canceled in accordance with Section 2.053(a) of the Texas Election Code.

Sección 1: Por la presente se ordena que la Elección General, programada para celebrarse en la Ciudad de Hewitt el 5 de mayo de 2018, en la cual los votantes calificados de la Ciudad habrían votado para elegir a los siguientes funcionarios, sea cancelada de acuerdo con la sección 2.053(a) del Código Electoral de Texas.

POSITION:	City Council Ward 1, Place 1
POSICIÓN:	<i>Distrito Electoral 1, Sitio 1</i>

City Council Ward 2, Place 1
Distrito Electoral 2, Sitio 1

City Council Ward 3, Place 1
Distrito Electoral 3, Sitio 1

Section 2: The following candidates have been certified as unopposed and are hereby elected as follows:

Sección 2: Los siguientes candidatos han sido certificados como candidatos únicos y por la presente son electos como sigue a continuación:

<u>Candidate</u> <u>Candidato</u>	<u>Office Sought</u> <u>Cargo que aspira ocupar</u>
Wilbert "Walky" Wachtendorf	Ward 1, Place 1
Bill Fuller	Ward 2, Place 1
Steve Fortenberry	Ward 3, Place 1

Section 3: A copy of the Order of Cancellation, attached herein and made part of this Resolution, will be posted on Election Day at the following polling place, which would have been used in the election:

Sección 3: Una copia de la Orden de Cancelación, adjunta al presente y hecha parte de esta Resolución, será colocada el Día de Elección en el siguiente lugar de votación que se hubiera utilizado en la elección:

POLLING PLACE
LUGAR DE VOTACIÓN

Hewitt Public Safety Facility
100 Patriot Court
Hewitt, Texas 76643

PASSED, APPROVED and RESOLVED this 5th day of March, 2018.
PASADA, APROBADA y RESUELTA este día 5 de marzo de 2018.

CITY OF HEWITT, TX

Travis Bailey, Mayor/*Alcalde*

ATTEST:

Lydia Lopez, City Secretary/*Secretaria de la Cuidad*

AW12-2
 Prescribed by Secretary of State
 Section 2.051 – 2.053, Texas Election Code
 2/14

ORDER OF CANCELLATION
ORDEN DE CANCELACIÓN

The City of Hewitt hereby cancels the election scheduled to be held on May 5, 2018, in accordance with Section 2.053(a) of the Texas Election Code. The following candidates have been certified as unopposed and are hereby elected as follows:

El ciudad de Hewitt por la presente cancela la elección que, de lo contrario, se hubiera celebrado el 5 de mayo, 2018 de conformidad, con la Sección 2.053(a) del Código de Elecciones de Texas. Los siguientes candidatos han sido certificados como candidatos únicos y por la presente quedan elegidos como se haya indicado a continuación:

Candidate (Candidato)	Office Sought (Cargo al que presenta candidatura)
Wilbert “Walky” Wachtendorf <i>Wilbert “Walky” Wachtendorf</i>	Ward 1, Place 1 <i>Distrito Electoral 1, Sitio 1</i>
Bill Fuller <i>Bill Fuller</i>	Ward 2, Place 1 <i>Distrito Electoral 2, Sitio 1</i>
Steve Fortenberry <i>Steve Fortenberry</i>	Ward 3, Place 1 <i>Distrito Electoral 3, Sitio 1</i>

A copy of this order will be posted on Election Day at each polling place that would have been used in the election.

El Día de las Elecciones se exhibirá una copia de esta orden en todas las mesas electorales que se hubieran utilizado en la elección.

 Mayor (*Alcalde*)

 Secretary (*Secretaria*)

(seal)(*sello*)

 Date of adoption (*Fecha de adopción*)

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: March 5, 2018

AGENDA ITEM #: 8

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Consider an ordinance of the City Council of the City of Hewitt, Texas, approving a tariff authorizing an Annual Rate Review Mechanism ("RRM") as a substitution for the Annual Interim Rate Adjustment Process defined by Section 104.301 of the Texas Utilities Code, and as negotiated between Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" Or "Company") and the Steering Committee Of Cities served by Atmos; requiring the Company to reimburse Cities' reasonable ratemaking expenses; adopting a savings clause; Determining that this ordinance was passed in accordance with the requirements of the Open Meetings Act; Declaring an effective date; and requiring delivery of this ordinance to the Company and Legal Counsel for the Steering Committee.

STAFF RECOMMENDATION/ITEM SUMMARY:

Included as backup is a model staff report and ordinance that is recommended by the Atmos Cities Steering Committee (ACSC) and legal counsel. City Staff has reviewed the settlement agreement and ordinance and are in agreement with the recommendation for the Steering Committee and legal counsel.

ATTACHMENTS:

Model Staff Report
Ordinance

February 13, 2018

MODEL STAFF REPORT

BACKGROUND AND SUMMARY

The City, along with 171 other Mid-Texas Cities Served by Atmos Energy Corporation, Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Steering Committee of Cities Served by Atmos (“Cities”). In 2007, the Cities and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism (“RRM”), as a substitute for future filings under the GRIP statute.

Since 2007, there have been several modifications to the original RRM Tariff. The Ordinance that resolved the Company’s application under the RRM Tariff in 2017 also terminated the existing RRM Tariff and required a renegotiation of the terms of that tariff. Negotiations have taken place over the past several months, and have resulted in a revised RRM Tariff that has been agreed to by the Company. The Cities’ Executive Committee has recommended acceptance of the revised RRM Tariff, which is attached to the Ordinance.

CITIES’ OBJECTION TO THE SECTION 104.301 GRIP PROCESS

Cities strongly opposed the GRIP process because it constitutes piecemeal ratemaking by ignoring declining expenses and increasing revenues and rewarding the Company for increasing capital investment. The GRIP process does not allow any review of the reasonableness of capital investment and does not allow cities to participate in the Railroad Commission’s review of annual GRIP filings or recover their rate case expenses. The Railroad Commission undertakes a mere administrative review of GRIP filings (instead of a full hearing) and rate increases go into effect

without any material adjustments. In the Steering Committee's view, the GRIP process unfairly raises customers' rates without any regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as capital investment.

CHANGES TO THE RRM TARIFF

The RRM Tariff on which the 2017 rates were based allowed a rate of return on equity of 10.50%. The revised RRM Tariff reduces that to 9.8%. The revised RRM Tariff also captures the reduction in federal income tax rates from 35% to 21%, and should result in a rate reduction effective by mid-March, 2018. Prior RRM tariffs allowed Cities only three months to review the Company's filing. The new revised Tariff expands that time period by two months. New applications by the Company should be made on or about April 1 of each year, with new rates effective October 1. A rate order from the Railroad Commission in an Atmos Texas Pipeline rate case adopted the position of Cities with regard to incentive compensation related to Atmos' Shared Services Unit that reduced allowed expenses, and that reduced level of expenses will be applicable under the new RRM Tariff.

EXPLANATION OF "BE IT ORDAINED" PARAGRAPHS

1. This section approves all findings in the Ordinance.
2. This section adopts the attached RRM Tariff and finds the adoption of the Tariff to be just, reasonable, and in the public interest. The prior tariff expired by its own terms.
3. This section requires the Company to reimburse the City for expenses associated with adoption of the Ordinance and RRM Tariff and in processing future applications pursuant to the Ordinance.

4. This section repeals any resolution or ordinance that is inconsistent with this Ordinance.
5. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
6. This section is a savings clause, which provides that if any section is later found to be unconstitutional or invalid, that finding shall not affect, impair, or invalidate the remaining provisions of this Ordinance. This section further directs that the remaining provisions of the Ordinance are to be interpreted as if the offending section or clause never existed.
7. This section provides for an effective date upon passage.
8. This section directs that a copy of the signed Ordinance be sent to a representative of the Company and legal counsel for the Steering Committee.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	RRM – Rate Review Mechanism	
APPLICABLE TO:	ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE	
EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 7

Exhibit A

ACSC Cities

Abilene	Cleburne	Frost	Lincoln Park
Addison	Clyde	Gainesville	Little Elm
Albany	College Station	Garland	Lorena
Allen	Colleyville	Garrett	Madisonville
Alvarado	Colorado City	Grand Prairie	Malakoff
Angus	Comanche	Grapevine	Mansfield
Anna	Commerce	Groesbeck	Mckinney
Argyle	Coolidge	Gunter	Melissa
Arlington	Coppell	Haltom City	Mesquite
Aubrey	Copperas Cove	Harker Heights	Midlothian
Azle	Corinth	Haskell	Murphy
Bedford	Crandall	Haslet	Newark
Bellmead	Crowley	Hewitt	Nocona
Benbrook	Dalworthington Gardens	Highland Park	North Richland Hills
Beverly Hills	Denison	Highland Village	Northlake
Blossom	Denton	Honey Grove	Oak Leaf
Blue Ridge	Desoto	Hurst	Ovilla
Bowie	Draper	Hutto	Palestine
Boyd	Duncanville	Iowa Park	Pantego
Bridgeport	Eastland	Irving	Paris
Brownwood	Edgecliff Village	Justin	Parker
Buffalo	Emory	Kaufman	Pecan Hill
Burkburnett	Ennis	Keene	Petrolia
Burleson	Euless	Keller	Plano
Caddo Mills	Everman	Kemp	Ponder
Canton	Fairview	Kennedale	Pottsboro
Carrollton	Farmers Branch	Kerens	Prosper
Cedar Hill	Farmersville	Kerrville	Quitman
Celeste	Fate	Killeen	Red Oak
Celina	Flower Mound	Krum	Reno (Parker County)
Centerville	Forest Hill	Lake Worth	Rhome
Cisco	Forney	Lakeside	Richardson
Clarksville	Fort Worth	Lancaster	Richland
	Frisco	Lewisville	Richland Hills

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	RRM – Rate Review Mechanism	
APPLICABLE TO:	ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE	
EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 8

River Oaks	Temple
Roanoke	Terrell
Robinson	The Colony
Rockwall	Trophy Club
Roscoe	Tyler
Rowlett	University Park
Royse City	Venus
Sachse	Vernon
Saginaw	Waco
Sansom Park	Watauga
Seagoville	Waxahachie
Sherman	Westlake
Snyder	Westover Hills
Southlake	Westworth Village
Springtown	White Settlement
Stamford	Whitesboro
Stephenville	Wichita Falls
Sulphur Springs	Woodway
Sweetwater	Wylie

ORDINANCE NO. 2018-2

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS, APPROVING A TARIFF AUTHORIZING AN ANNUAL RATE REVIEW MECHANISM (“RRM”) AS A SUBSTITUTION FOR THE ANNUAL INTERIM RATE ADJUSTMENT PROCESS DEFINED BY SECTION 104.301 OF THE TEXAS UTILITIES CODE, AND AS NEGOTIATED BETWEEN ATMOS ENERGY CORP., MID-TEX DIVISION (“ATMOS MID-TEX” OR “COMPANY”) AND THE STEERING COMMITTEE OF CITIES SERVED BY ATMOS; REQUIRING THE COMPANY TO REIMBURSE CITIES’ REASONABLE RATEMAKING EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL FOR THE STEERING COMMITTEE.

WHEREAS, the City of Hewitt, Texas (“City”) is a gas utility customer of Atmos Energy Corp., Mid-Tex Division (“Atmos Mid-Tex” or “Company”), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City and similarly-situated Mid-Tex municipalities created the Steering Committee of Cities Served by Atmos to efficiently address all rate and service matters associated with delivery of natural gas; and

WHEREAS, the Steering Committee formed an Executive Committee to direct legal counsel and to recommend certain specific actions to all aligned Mid-Tex Cities through resolution or ordinance; and

WHEREAS, pursuant to the terms of a November 2007 agreement between the Steering Committee and Atmos Mid-Tex that settled the Company’s interim rate filing under Section 104.301 of the Texas Utilities Code (a “GRIP” rate case), the Steering Committee and the Company collaboratively developed a Rate Review Mechanism (“RRM”) Tariff, ultimately

authorized by the City in 2008, that allows for an expedited rate review process as a substitute for the GRIP process; and

WHEREAS, the City has kept some form of a RRM Tariff in place until 2017 when it adopted an ordinance approving an RRM Tariff filing settlement and specifically calling for termination of the existing RRM Tariff and negotiation of a replacement RRM Tariff following the Railroad Commission's decision in a then-pending Atmos Texas Pipeline case (GUD No. 10580); and

WHEREAS, the Steering Committee's Executive Committee has recently approved a settlement with the Company on the attached RRM Tariff that contains certain notable improvements, from a consumer perspective, over the prior RRM Tariff, including a reduced rate of return on equity, acceptance of certain expense adjustments made by the Railroad Commission in the Order in GUD No. 10580, and the addition of two months to the time for processing a RRM Tariff application; and

WHEREAS, the RRM Tariff contemplates reimbursement of Cities' reasonable expenses associated with RRM Tariff applications; and

WHEREAS, the Steering Committee's Executive Committee recommends that all Steering Committee member cities adopt this ordinance and the attached RRM Tariff; and

WHEREAS, the attached RRM Tariff is just, reasonable and in the public interest,

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

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That the attached RRM Tariff re-establishing a form of Rate Review Mechanism is just and reasonable and in the public interest, and is hereby adopted.

Section 3. That Atmos Mid-Tex shall reimburse the Cities' reasonable expenses associated with adoption of this Ordinance and the attached RRM Tariff and in processing future RRM Tariff applications filed pursuant to the attached tariff.

Section 4. That to the extent any resolution or ordinance previously adopted by the City is inconsistent with this Ordinance, it is hereby repealed.

Section 5. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance , and the remaining provisions of this Ordinance shall be interpreted as if the offending section or clause never existed.

Section 7. That this Ordinance shall become effective from and after its passage.

Section 8. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs, Atmos Energy Corporation, Mid-Tex Division, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to Mid-Tex Cities, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

PASSED AND APPROVED this 5th day of March, 2018.

CITY OF HEWITT, TEXAS

Travis Bailey, Mayor

ATTEST:

APPROVED AS TO FORM:

Lydia Lopez, City Secretary

Charles Buenger, City Attorney