

OFFICIAL STATEMENT**Dated: August 8, 2022**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

The City has designated the Certificates as "Qualified Tax-Exempt Obligations"

\$4,925,000**CITY OF HEWITT, TEXAS****(McLennan County)****COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022****Dated Date: August 1, 2022****Due: July 1, as shown on page ii**

The City of Hewitt, Texas (the "City" or the "Issuer") \$4,925,000 Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the "Ordinance") adopted by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed \$1,000) of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from August 1, 2022 (the "Dated Date") as shown above and will be payable on January 1, 2023, and on each January 1 and July 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (ii) constructing, installation and equipment of park and recreational improvements in the City, including parking and related infrastructure; (iii) constructing, improvement and equipment of public safety facilities in the City, including the purchase of fire apparatuses; and (iv) legal, fiscal, engineering and other professional fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after July 1, 2032, on July 1, 2031, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. Additionally, the "Term Certificates", as defined herein, are subject to mandatory sinking fund redemption as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL
YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about September 7, 2022.

\$4,925,000
CITY OF HEWITT, TEXAS
(McLennan County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2022

STATED MATURITY SCHEDULE

(Due July 1)
Base CUSIP – 428230^(a)

\$3,790,000 SERIAL BONDS

Stated Maturity July 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ^(a)
2023	\$ 225,000	5.000	1.850	TP1
2024	155,000	5.000	2.000	TQ9
2025	175,000	5.000	2.050	TR7
2026	180,000	5.000	2.150	TS5
2027	190,000	5.000	2.200	TT3
2028	200,000	5.000	2.300	TU0
2029	210,000	5.000	2.400	TV8
2030	220,000	5.000	2.500	TW6
***	***	***	***	***
2033	250,000	3.000	2.900 ^(b)	TZ9
2034	260,000	3.000	3.000	UA2
2035	265,000	3.000	3.100	UB0
2036	275,000	3.000	3.200	UC8
2037	285,000	3.125	3.250	UD6
2038	290,000	3.500	3.300 ^(b)	UE4
2039	300,000	3.500	3.400 ^(b)	UF1
2040	310,000	3.750	3.550 ^(b)	UG9

\$1,135,000 TERM CERTIFICATES

\$475,000	4.000%	Term Certificates due July 1, 2032 and priced to yield 2.650% ^(b)	CUSIP Suffix ^(a) TY2
\$660,000	3.750%	Term Certificates due July 1, 2042 and priced to yield 3.650% ^(b)	CUSIP Suffix ^(a) UJ3

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after July 1, 2032, on July 1, 2031, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.) Additionally, the Certificates maturing on July 1, 2032 and July 1, 2042 (collectively, the "Term Certificates") are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

^(a) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only.

^(b) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on July 1, 2031, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

CITY OF HEWITT, TEXAS
200 Patriot Court
Hewitt, Texas 76643
(254) 666-6171

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Steve Fortenberry	Mayor	May 2024
Michael S. Bancale	Mayor Pro Tem	May 2023
Charles D. "Charlie" Turner	Council Member	May 2023
Johnny Stephens	Council Member	May 2024
Johnny Price	Council Member	May 2024
Dr. Erica Bruce	Council Member	May 2023
Bob Potter	Council Member	May 2023

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Everett "Bo" Thomas, ICMA-CM	City Manager	34 Years
Lee H. Garcia, CPA, CGFO	Finance Director	29 Years
Lydia Lopez, TMRC/CMC	City Secretary	36 Years
Mike Dixon	City Attorney	32 Years
Jessica Higgins	Hunan Resources	9 Years
James Devlin, ILEA-SEL	Police Chief	27 Years
Miles Whitney, P.E.	City Engineer	13 Years
Lance Bracco, BS-FS	Fire Chief	21 Years
Waynette Ditto, MLS	Library Director	30 Years
Tracy Lankford	Community Development Director	28 Years
Scott Coleman	General Services Director	25 Years
Kevin Reinke	Utilities Director	26 Years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Pattillo, Brown & Hill, P.C. Waco, Texas

For Additional Information Please Contact:

Mr. Everett "Bo" Thomas City Manager City of Hewitt 200 Patriot Court Hewitt, Texas 76643 254-666-6171 bthomas@cityofhewitt.com	Mr. Mark McLiney Senior Managing Director SAMCO Capital Markets, Inc. 1020 NE Loop 410, Suite 640 San Antonio, Texas 78209 210-832-9760 mmcliney@samcocapital.com	Mr. Andrew Friedman Senior Managing Director SAMCO Capital Markets, Inc. 1020 NE Loop 410, Suite 640 San Antonio, Texas 78209 210-832-9760 afriedman@samcocapital.com
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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Financial Information of the Issuer
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Excerpts from the City of Hewitt Audited Financial Statements for the Fiscal Year Ended September 30, 2021

Appendix A
Appendix B
Appendix C
Appendix D

The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Hewitt, Texas (the “City” or the “Issuer”), located in McLennan County, Texas, is a political subdivision and home-rule city of the State of Texas and operates under a home rule charter which provides for a Council-Manager form of government with a City Council comprised of seven members, including the mayor. Council members are elected by place and at-large for two-year staggered terms. The City’s 2020 census figure was 16,026, and the current estimated population is 16,131. (See “APPENDIX B - GENERAL INFORMATION REGARDING THE CITY OF HEWITT AND MCLENNAN COUNTY, TEXAS” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the “Ordinance”) adopted by the City Council, and the City’s Home Rule Charter. (See “THE CERTIFICATES - Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed \$1,000) of the surplus Net Revenues derived from the operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE Certificates - Security for Payment” herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after July 1, 2032, on July 1, 2031, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on July 1, 2032 and July 1, 2042 (collectively, the “Term Certificates”) are also subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Redemption Provisions” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under “TAX MATTERS” herein. (See “Tax MATTERS” for a discussion of the Opinion of Bond Counsel and “APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations incurred in connection with (i) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (ii) constructing, installation and equipment of park and recreational improvements in the City, including parking and related infrastructure; (iii) constructing, improvement and equipment of public safety facilities in the City, including the purchase of fire apparatuses; and (iv) legal, fiscal, engineering and other professional fees in connection with such projects. (See “THE CERTIFICATES - Use of Certificate Proceeds” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
Rating	S&P Global Ratings (“S&P”) has assigned a rating of “AA-” to the Certificates. (See “OTHER PERTINENT INFORMATION - Rating” herein.)

Qualified Tax Exempt Obligations	The City has designated the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of any additional debt within the next twelve months.
Payment Record	The City has never defaulted on the payment of its general obligation debt.
Delivery	When issued, anticipated on or about September 7, 2022.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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OFFICIAL STATEMENT
relating to
\$4,925,000
CITY OF HEWITT, TEXAS
(A political subdivision of the State of Texas located in McLennan County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Hewitt, Texas (the "City" or the "Issuer") of its \$4,925,000 Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") adopted by the City Council authorizing the issuance of the Certificates, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City's operations or financial condition.

Cares Act Grant

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") which is to be used to cover costs that are necessary expenditures incurred by states and certain local governments due to the public health emergency with respect to COVID-19. Such funds are required to be used to pay for expenditures made to respond to the public health emergency, including direct medical or public health needs, providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures and payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to COVID-19. Funds may not be used to cover shortfalls in government revenue when that revenue would have been used to cover expenditures that would not otherwise qualify under the CARES Act. All of such funds have been spent.

American Rescue Plan Act (ARPA)

The American Rescue Plan Act (ARPA) which establishes the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund (together the "Fiscal Recovery Funds") provides State, local, and Tribal governments with significant resources to respond to the COVID-19 public health emergency and its economic impacts through four categories of eligible uses: (a) to respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; (c) for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and (d) to make necessary investments in water, sewer, or broadband infrastructure.

THE CERTIFICATES

General

The Certificates are dated August 1, 2022 (the "Dated Date"). The Certificates are stated to mature on July 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on July 1, 2023, and on each January 1 and July 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, the Ordinance and the City's Home Rule Charter.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed \$1,000) of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or a part of the revenues of the System ("Net Revenues"). (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (ii) constructing, installation and equipment of park and recreational improvements in the City, including parking and related infrastructure; (iii) constructing, improvement and equipment of public safety facilities in the City, including the purchase of fire apparatuses; and (iv) legal, fiscal, engineering and other professional fees in connection with such projects. The City does not anticipate the issuance of any additional debt within the next twelve months.

Redemption Provisions of the Certificates

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after July 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on July 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption: The Certificates maturing July 1, 2032, and July 1, 2042 (collectively, the "Term Certificates") are also subject to mandatory sinking fund redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on July 1, in the years and principal amounts shown below:

Term Certificates to Mature on July 1, 2032		Term Certificates to Mature on July 1, 2042	
Year	Principal Amount	Year	Principal Amount
2031	\$235,000	2041	\$325,000
2032*	240,000	2042*	335,000

*Payable at Stated Maturity

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of the same maturity which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "Book-Entry-Only System" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Payment Record

The City has never defaulted on the payment of its general obligation debt.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the defeased Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Certificates, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

In the Ordinance, the Issuer has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the registered owners of the Certificates, (ii) grant additional rights or security for the benefit of the registered owners of the Certificates, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the registered owners of the Certificates, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the registered owners of the Certificates.

The Ordinance further provides that the registered owners of the Certificates aggregating in principal amount a majority of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the registered owners of the Certificates in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal payable on any outstanding Certificates; (iv) modifying the terms of payment of principal of or interest on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Default and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with *Wasson I* "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on January 1, 2023, and on each July 1 and January 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any Interest Payment Date means the close of business on the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Certificate or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption.

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and

Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the initial purchaser of the Certificates.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. The City Council appoints the City Manager as the "Investment Officer" of the City. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment

represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

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Current Investments

As of May 21, 2022 (unaudited), the City's investable funds were invested in the investment categories / percentage shown below:

<u>Investment Description</u>	<u>Total Invested</u>	<u>Percent of Portfolio</u>
Depository Cash Accounts (Independent Bank)	\$16,881,584	69.6%
Agency – FHLMC held by Independent Bank	988,710	4.1
Cash on Hand	2,200	0.0
Money Market Bank Accounts	1,258,279	5.2
TexPool	185,226	0.8
Certificates of Deposit	<u>4,937,059</u>	<u>20.4</u>
Total	<u>\$24,523,058</u>	<u>100.00%</u>

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

EMPLOYEE PENSION AND RETIREMENT PLAN

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.org.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM TAX PROCEDURES – Issuer and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to state mandated homestead exemptions.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to local option homestead exemptions.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Issuer and Taxpayer Remedies

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”.) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

The foregoing sections represents the City’s current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

Issuer’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability

for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of \$4,000 to the market value of the residence homesteads of persons 65 years of age or older and the disabled. See Appendix A – Table 13 for a listing of the amounts of these exemptions.

The City grants an exemption of 20% of the market value of all residence homesteads, with a minimum exemption of \$5,000.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described above under "AD VALOREM TAX PROCEDURES - Property Subject to Taxation by the Issuer - Homestead Tax Limitation" herein.

The City does not tax "non-business" personal property.

The City has contracted with the McLennan County Tax Assessor/Collector for the collection of the City's property taxes. McLennan County does not allow split payments or discounts.

The City does not grant the Article VIII, Section 1-j Property (Freeport Property) exemption.

The City does grant an exemption for goods-in-transit but has no "goods-in-transit" property at this time.

The City does not participate in a Tax Increment Reinvestment Zone.

The City does grant tax abatements and has adopted criteria therefore, which is a prerequisite to the execution of abatement agreements. Currently the City has no active abatement agreements.

ADDITIONAL TAX COLLECTIONS

Texas law provides that local sales and use taxes ("sales tax") cannot exceed a combined maximum of 2%.

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, to provide for the levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Certificates or other indebtedness. Net collections on a fiscal year basis are shown in Table 15 of Appendix A – Financial Information of the Issuer.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

At an election held in November 1991, registered voters of the City approved the imposition of a one-half percent (½%) additional sales tax for property tax reduction. Levy of the ad valorem tax reduction sales tax began in April 1992. **Such sales tax proceeds are not pledged for the payment of the Certificates.**

The City has not held an election regarding an additional sales tax for economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended (Type A economic development corporation).

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, and (b) covenants of the Issuer contained in the Certificate documents relating to certain matters, including arbitrage, and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Owner may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased an Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the

close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Certificates will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceed \$10,000,000 there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and the information in Tables 1, 2, 3, 4, 5A/B, 9, 11, 12, 13, 14, 15, 19, 20, 21, 22, 23 and 24 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2022.

The Issuer will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2022. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the Issuer will provide notice that the audited financial statements are not available and will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by the last day in March in each year, unless the Issuer changes its fiscal year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the SEC Rule 15c2-12.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of the City Attorney, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

Future Debt Issuance

The City does not anticipate the issuance of any additional debt within the next twelve months.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description

conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it may represent the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Rating

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA-" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of The Baker Group, LP (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page ii of this Official Statement at a price of par, plus a reoffering premium of \$228,244.45, less a Purchaser's discount of \$70,300.44, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2021, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Links to Websites

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City' expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original statutes, documents and ordinances in all respects.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the SEC Rule 15c2-12.

CITY OF HEWITT, TEXAS

/s/ Steve Fortenberry
Mayor
City of Hewitt, Texas

ATTEST:

/s/ Lydia Lopez
City Secretary
City of Hewitt, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2022 Actual Certified Market Value of Taxable Property (100% of Market Value)	\$ 1,787,974,700
Less Exemptions:	
Homestead Exemption	\$ 186,864,292
Local Over 65 / Disabled Homestead Exemption	5,786,000
Veterans Exemptions	52,284,391
Productivity Loss	19,241,590
10% Cap Loss	143,280,490
Prorated/366 Exempt Property	-
Totally Exempt Property	78,637,845
	<u>486,094,608</u>
2022 Certified Net Taxable Assessed Valuation	<u>\$ 1,301,880,092</u>

Source: McLennan County Appraisal District

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding (As of August 1, 2022)	
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2010	9,160,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2012	4,525,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2013	2,830,000
General Obligation Refunding Bonds, Series 2013	1,125,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2014	4,705,000
General Obligation Refunding Bonds, Series 2015	5,050,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016	4,530,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016B	2,620,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017	<u>\$ 4,055,000</u>
Total Gross General Obligation Debt Outstanding:	<u>\$ 38,600,000</u>
Current Issue General Obligation Debt Principal	
Combination Tax & Revenue Certificates of Obligation, Series 2022 (the "Certificates")	<u>\$ 4,925,000</u>
Total Gross General Obligation Debt Outstanding (Following the Issuance of the Certificates):	<u>\$ 43,525,000</u>
Less: Self-Supporting General Obligation Debt Principal^(a)	
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2010 (approx. 80.64% WS)	7,475,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2012 (approx. 62.27% WS)	3,048,249
General Obligation Refunding Bonds, Series 2013 (approx. 47% WS)	780,200
General Obligation Refunding Bonds, Series 2015 (100% WS)	5,050,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016 (100% WS)	<u>4,530,000</u>
Total Self-Supporting General Obligation Debt Principal	<u>\$ 20,883,449</u>
Total Net General Obligation Debt Principal Outstanding (Following the Issuance of the Certificates):	<u>\$ 22,641,551</u>
General Obligation Interest and Sinking Fund Balance as of September 30, 2021.	\$ 863,645
Ratio of Gross General Obligation Debt Principal to 2022 Certified Net Taxable Assessed Valuation	3.34%
Ratio of Net General Obligation Debt Principal to 2022 Certified Net Taxable Assessed Valuation	1.74%
2022 Certified Net Taxable Assessed Valuation	\$ 1,301,880,092
Population: 2000 - 11,085; 2010 - 13,549; 2020 - 16,026 ; Census 7/2/21: 16,131	16,131
Per Capita 2022 Certified Net Taxable Assessed Valuation -	\$ 80,707
Per Capita Gross General Obligation Debt Principal -	\$ 2,698
Per Capita Net General Obligation Debt Principal -	\$ 1,404

^(a) It is the City's current policy to pay all or a portion of the debt service on these issues from water and sewer system revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. Although this policy is subject to change in the future, it is highly unlikely that the water and sewer utility rates would not be set high enough to cover the expenses, including debt service, of the Utility Fund.

Capital Lease

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

The present value of minimum lease payments as of September 30, 2021 were as follows:

<u>Fiscal Year Ending 9-30</u>	<u>Payment Amount</u>
2022	\$ 596,940
2023	461,671
2024	322,466
2025	136,542
Total Minimum Lease Payments	\$ 1,517,619
Less Amount Representing Interest	(58,414)
Present Value of minimum Lease Payments	<u>\$ 1,459,205</u>

CURRENT INVESTMENTS (As of September 30, 2021)

<u>Investment Vehicle Description</u>	<u>Total Invested</u>	<u>Percentage of Portfolio</u>
Depository Pooled Cash Account (Independent Bank)	\$ 13,796,778	72.37%
Money Market Bank Accounts	3,230,933	16.95%
TexPool Accounts	272,988	1.43%
Certificates of Deposits	1,763,861	9.25%
	<u>\$ 19,064,560</u>	<u>100.00%</u>

Source: 2021 Comprehensive Annual Financial Report

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fiscal Year 30-Sep	Currently Outstanding Debt Service ^(a)	The Certificates			Combined Debt Service ^(a)	Less: Self- Supporting Debt ^(b)	Net General Obligation Debt Service ^(c)
		Principal	Interest	Total			
2022	\$ 3,978,248	-	-	-	\$ 3,978,248	\$ 1,969,577	\$ 2,008,671
2023	3,986,165	\$ 225,000	\$ 177,999	\$ 402,999	4,389,165	1,977,722	2,411,443
2024	4,003,713	155,000	182,931	337,931	4,341,644	1,983,879	2,357,765
2025	3,746,855	175,000	175,181	350,181	4,097,036	1,930,014	2,167,022
2026	3,738,355	180,000	166,431	346,431	4,084,786	1,929,343	2,155,443
2027	3,749,580	190,000	157,431	347,431	4,097,011	1,931,418	2,165,593
2028	3,748,661	200,000	147,931	347,931	4,096,593	1,931,540	2,165,052
2029	3,665,855	210,000	137,931	347,931	4,013,786	1,933,696	2,080,091
2030	3,672,318	220,000	127,431	347,431	4,019,749	1,940,488	2,079,261
2031	3,382,818	235,000	116,431	351,431	3,734,249	1,945,400	1,788,849
2032	3,387,305	240,000	107,031	347,031	3,734,336	1,944,696	1,789,640
2033	2,872,849	250,000	97,431	347,431	3,220,280	1,635,906	1,584,374
2034	2,875,168	260,000	89,931	349,931	3,225,099	1,640,225	1,584,874
2035	2,392,986	265,000	82,131	347,131	2,740,118	1,641,050	1,099,068
2036	1,970,730	275,000	74,181	349,181	2,319,911	1,219,288	1,100,624
2037	1,753,333	285,000	65,931	350,931	2,104,264	1,224,113	880,151
2038	527,363	290,000	57,025	347,025	874,388	-	874,388
2039	-	300,000	46,875	346,875	346,875	-	346,875
2040	-	310,000	36,375	346,375	346,375	-	346,375
2041	-	325,000	24,750	349,750	349,750	-	349,750
2042	-	335,000	12,563	347,563	347,563	-	347,563
	<u>\$ 53,452,299</u>	<u>\$ 4,925,000</u>	<u>\$ 2,083,925</u>	<u>\$ 7,008,925</u>	<u>\$ 60,461,224</u>	<u>\$ 28,778,355</u>	<u>\$ 31,682,869</u>

^(a) Includes self-supporting debt.

^(b) See Table 2 for a breakdown on the specific issues that have self-supporting debt.

^(c) Excludes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 5A

2022 Certified Net Taxable Assessed Valuation	\$ 1,301,880,092
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024) ^(a)	\$ 4,389,165
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.34402

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

^(a) Includes the Certificates.

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 5B

2022 Certified Net Taxable Assessed Valuation	\$ 1,301,880,092
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024) ^(c)	\$ 2,411,443
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.18901

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX**TABLE 6**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021.	\$ 863,645
2022 Anticipated Interest and Sinking (I&S) Fund Tax Levy of \$0.192999 at 98% Collections Produces ^(a)	2,462,363
Total Available for Debt Service	<u>\$ 3,326,008</u>
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-22	<u>2,008,671</u> ^(b)
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-22	<u>\$ 1,317,337</u>

^(a) Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

^(b) Excludes self-supporting general obligation debt being paid from surplus revenues of the Waterworks and Sewer System.

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT**TABLE 7**

Net System Revenues Available, Fiscal Year End September 30, 2021.	\$ 3,578,349
Less: 2021 Annual Debt Service Requirements on Outstanding Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 3,578,349</u>
Estimated System General Obligation Debt for Fiscal Year Ended September 30, 2022	\$ 1,969,577
Percentage of System General Obligation Debt Self-Supporting	100%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 8**

Fiscal Year Ending 9/30	Principal Repayment Schedule			Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal ^(a)	The Certificates	Total		
2023	2,640,000	\$ 225,000	2,865,000	40,660,000	6.58%
2024	2,730,000	155,000	2,885,000	37,775,000	13.21%
2025	2,555,000	175,000	2,730,000	35,045,000	19.48%
2026	2,630,000	180,000	2,810,000	32,235,000	25.94%
2027	2,730,000	190,000	2,920,000	29,315,000	32.65%
2028	2,820,000	200,000	3,020,000	26,295,000	39.59%
2029	2,835,000	210,000	3,045,000	23,250,000	46.58%
2030	2,940,000	220,000	3,160,000	20,090,000	53.84%
2031	2,755,000	235,000	2,990,000	17,100,000	60.71%
2032	2,855,000	240,000	3,095,000	14,005,000	67.82%
2033	2,440,000	250,000	2,690,000	11,315,000	74.00%
2034	2,535,000	260,000	2,795,000	8,520,000	80.43%
2035	2,150,000	265,000	2,415,000	6,105,000	85.97%
2036	1,810,000	275,000	2,085,000	4,020,000	90.76%
2037	1,665,000	285,000	1,950,000	2,070,000	95.24%
2038	510,000	290,000	800,000	1,270,000	97.08%
2039	-	300,000	300,000	970,000	97.77%
2040	-	310,000	310,000	660,000	98.48%
2041	-	325,000	325,000	335,000	99.23%
2042	-	335,000	335,000	-	100.00%
	<u>\$ 38,600,000</u>	<u>\$ 4,925,000</u>	<u>\$ 43,525,000</u>		

^(a) As of August 1, 2022.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2022

TABLE 9

Fiscal Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012-13	657,795,390	46,514,461	7.61%
2013-14	706,087,100	48,291,710	7.34%
2014-15	730,586,276	24,499,176	3.47%
2015-16	775,309,549	44,723,273	6.12%
2016-17	842,794,668	67,485,119	8.70%
2017-18	936,909,734	94,115,066	11.17%
2018-19	1,008,342,875	71,433,141	7.62%
2019-20	1,033,772,864	25,429,989	2.52%
2020-21	1,132,424,429	98,651,565	9.54%
2021-22	1,301,880,092	169,455,663	14.96%

Sources: The Municipal Advisory Council of Texas Website and the Issuer's 2021 Comprehensive Annual Financial Report

Note: Assessed Valuations may change during the year due to various supplements and protests.

FUND BALANCES

TABLE 10

Cash and Investments Only	5/31/2022
General Operating Fund	\$ 3,082,144
General Fund-Unrestricted Funds	3,590,326
General Obligation Debt Service Fund	2,446,161
General Fund - 90 Day Reserve	2,285,326
General Fund Capital Project Fund	25,145
General Fund CO Capital Project Fund	797,421
Utility Fund Operating	557,592
Utility Fund-Unrestricted Funds	3,462,270
Utility Fund Self-Supporting Debt Service Fund	2,430,201
Utility Fund Equipment Reserve	238,904
Utility Fund - Water Service Deposits Fund	538,925
Utility Fund - 90 Day Reserves	1,303,315
Hotel Fund	182,001
Drainage Fund	321,114
Utility Fund Capital Project Fund	336,934
General Fund - Street Reserves	228,974
PEG Funds	431,499
ARPA/CLRF	1,862,835
Child Safety Fees	131,969
Total	\$ 30,532,696

HISTORICAL PROPERTY VALUATION AND TAX RATE, LEVY AND COLLECTIONS ^(a)

TABLE 11

Tax Roll Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections ^(b)		Fiscal Year Ended
				Current	Total	
2013	657,795,390	0.539677	3,530,134	98.66%	99.91%	9/30/2014
2014	706,087,100	0.539677	3,792,860	99.28%	99.89%	9/30/2015
2015	730,586,276	0.539677	3,944,267	98.98%	99.61%	9/30/2016
2016	775,309,549	0.539677	4,189,262	98.71%	99.30%	9/30/2017
2017	842,794,668	0.539677	4,426,900	99.34%	99.47%	9/30/2018
2018	936,909,734	0.539677	5,022,921	98.83%	99.34%	9/30/2019
2019	1,008,342,875	0.539677	5,411,325	99.22%	99.37%	9/30/2020
2020	1,033,772,864	0.547838	5,696,148	99.42%	99.42%	9/30/2021
2021	1,132,424,429	0.540102	6,060,596	101.47%	101.42%	9/30/2022 ^(c)
2022	1,301,880,092	0.540102	7,031,480	[to be collected]		9/30/2023

^(a) See "AD VALOREM TAX PROCEDURES" in the body of the Official Statement for a complete discussion of the City's provisions with respect to such procedures.

^(b) Excludes penalties and interest.

^(c) As of May 31, 2022.

Sources: Issuer's Comprehensive Annual Financial Reports, the most recent Texas Municipal Report, and McLennan County Appraisal District.

Note: Assessed Valuations are subject to change during the year due to various supplements and protests.

TAX RATE DISTRIBUTION

TABLE 12

	2022-23	2021-2022	2020-2021	2019-2020	2018-2019
General Fund	\$ 0.347103	\$ 0.347103	\$ 0.327866	\$ 0.316587	\$ 0.307403
I & S Fund	0.192999	0.192999	0.219972	0.223090	0.232274
TOTAL	<u>\$ 0.540102</u>	<u>\$ 0.540102</u>	<u>\$ 0.547838</u>	<u>\$ 0.539677</u>	<u>\$ 0.539677</u>

Sources: Texas Municipal Reports and the Issuer

CLASSIFICATION OF ASSESSED VALUATION
TABLE 13

Category	2022	% of Total	2021	% of Total	2020	% of Total
Real, Residential, Single-Family	\$ 1,252,671,786	70.06%	\$ 980,523,524	67.47%	\$ 857,956,565	66.13%
Real, Residential, Multi-Family	153,518,524	8.59%	130,405,271	8.97%	117,233,273	9.04%
Real, Vacant Lots/Tracts	20,743,308	1.16%	15,309,860	1.05%	12,135,354	0.94%
Real, Acreage (Land Only)	19,393,630	1.08%	23,092,026	1.59%	19,336,990	1.49%
Farm & Ranch Improvements	2,170,160	0.12%	1,645,150	0.11%	1,482,410	0.11%
Real, Commercial	174,044,797	9.73%	146,718,788	10.10%	135,717,744	10.46%
Real, Industrial	4,049,010	0.23%	3,906,930	0.27%	3,794,990	0.29%
Real & Tangible, Personal Utilities	15,306,190	0.86%	14,460,340	1.00%	13,569,080	1.05%
Tangible Personal, Commercial	52,911,860	2.96%	50,009,046	3.44%	52,378,340	4.04%
Tangible Personal, Industrial	1,906,230	0.11%	1,481,250	0.10%	1,629,810	0.13%
Tangible Personal, Mobil Homes	232,400	0.01%	39,150	0.00%	37,140	0.00%
Residential / Special Inventory	12,808,670	0.72%	11,788,820	0.81%	11,954,730	0.92%
Totally Exempt Property	<u>78,218,135</u>	<u>4.37%</u>	<u>73,905,995</u>	<u>5.09%</u>	<u>70,096,055</u>	<u>5.40%</u>
Total Appraised Value	\$ 1,787,974,700	100.00%	\$ 1,453,286,150	100.00%	\$ 1,297,322,481	100.00%

Less Exemptions:

Homestead	\$ 186,864,292	\$ 145,960,123	\$ 126,307,655
Local, Option Over-65 / Disabled	5,786,000	6,039,375	5,420,690
Veterans Exemptions	52,284,391	45,082,606	40,579,431
Productivity Value Loss	19,241,590	22,937,076	19,198,450
Value Cap (10%) and Other	143,280,490	26,936,546	1,947,336
Abatements	-	-	-
Prorated/366 Exempt Property	-	-	-
Totally Exempt Property	<u>78,637,845</u>	<u>73,905,995</u>	<u>70,096,055</u>
Total Exemptions	<u>\$ 486,094,608</u>	<u>\$ 320,861,721</u>	<u>\$ 263,549,617</u>
Net Taxable Assessed Valuation	<u>\$ 1,301,880,092</u>	<u>\$ 1,132,424,429</u>	<u>\$ 1,033,772,864</u>

Source: McLennan County Appraisal District

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

<u>Name</u>	<u>Type of Business/Property</u>	<u>2021 Net Taxable Assessed Valuation</u>	<u>% of Total 2021 Assessed Valuation</u>
The Icon at Hewitt LP	Retail Store	\$ 31,591,580	2.43%
Clark, Richard S.	Builder	14,595,450	1.12%
MREIC Waco TX LLC	Real Estate Investments	11,100,000	0.85%
Wal-Mart Real Estate Business Trust	Retail Store	10,400,000	0.80%
Oncor Electric Delivery, Inc.	Electric Utility	7,760,840	0.60%
BRD Management Inc	Property Management	7,422,501	0.57%
Wal-Mart Store East LP	Retail	6,645,110	0.51%
Goyne Brookside LLC	Real Estate Investments	6,300,000	0.48%
Midway Townhomes LTD	Real Estate Investments	6,074,100	0.47%
Hewitt Real Estate Investments	Real Estate Investments	5,604,000	0.43%
	Total	\$ 107,493,581	8.26%

Source: McLennan County Appraisal District

MUNICIPAL SALES TAX COLLECTIONS^(a)

TABLE 15

<u>Tax Roll Year</u>	<u>1 ½% Tax Collections</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent Ad Valorem Tax Rate</u>
2012	1,343,728	41.14%	0.21
2013	1,383,700	39.20%	0.21
2014	1,600,509	42.20%	0.23
2015	1,644,251	41.69%	0.23
2016	1,835,797	43.82%	0.24
2017	2,181,441	49.28%	0.26
2018	2,477,118	49.32%	0.26
2019	2,663,203	49.22%	0.26
2020	3,062,140	53.76%	0.30
2021	3,382,959	55.82%	0.30
2022*	2,414,931	39.85%	0.21

*Collections as of July, 2022.

^(a) Figures refer to the City 1% sales tax and ½% additional sales tax for property tax reduction.

Source: Texas Comptroller of Public Accounts

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 16

<u>Governmental Entity</u>	<u>2021 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2021 Tax Rate</u>
Lorena Independent School District	\$ 606,368,000	100%	\$ 1.200300
McLennan County	20,569,534,448	100%	0.425000
McLennan County JCD	21,691,563,127	100%	0.149800
Midway Independent School District (McLennan)	6,317,497,804	100%	1.164300

Source: The latest Texas Municipals Report published by the Municipal Advisory Council of Texas.

OVERLAPPING DEBT DATA AND INFORMATION
TABLE 17
(As of July 31, 2022)

<u>Taxing Body</u>	<u>Gross Debt</u> <u>Principal</u>	<u>%</u> <u>Overlapping</u>	<u>Amount</u> <u>Overlapping</u>
Lorena Independent School District	\$ 24,834,350	1.82%	\$ 451,985
McLennan County	60,180,000	4.99%	3,002,982
McLennan County JCD	48,245,000	4.99%	2,407,426
Midway Independent School District (McLennan)	194,775,000	18.39%	35,819,123
Total Gross Overlapping Debt	\$ 328,034,350		\$ 41,681,515
City of Hewitt	\$ 43,525,000 ^(a)	100.00%	43,525,000 ^(a)
Total Gross Direct and Overlapping Debt Principal			\$ 85,206,515 ^(a)
Ratio of Gross Direct and Overlapping Debt to 2022 Net Taxable Assessed Valuation			6.54% ^(a)
Ratio of Gross Direct and Overlapping Debt to 2022 Actual Value			4.77% ^(a)
Per Capita Gross Direct and Overlapping Debt			\$ 5,282 ^(a)
Note: The above figures show Gross General Obligation Debt for the City of Hewitt, Texas			
The Issuer's Net General Obligation Debt Principal is			22,641,551 ^(b)
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			\$ 64,323,066 ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2022 Adjusted Net Taxable Assessed Valuation			4.94% ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2022 Actual Value			3.60% ^(b)
Per Capita Net Direct and Overlapping Debt			\$ 3,988 ^(b)

^(a) Includes the Certificates and self-supporting debt. (See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

^(b) Excludes self-supporting debt.

(See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF
DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES**
TABLE 18

<u>Taxing Body</u>	<u>Date</u> <u>Authorized</u>
Lorena Independent School District	None
McLennan County	None
McLennan County JCD	None
Midway Independent School District (McLennan)	None
City of Hewitt	None

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

**GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES**

TABLE 19

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues					
Property Taxes	\$ 5,730,073	\$ 5,425,572	\$ 5,010,738	\$ 4,565,554	\$ 4,190,233
Municipal Sales Taxes	3,354,015	3,035,165	2,640,288	2,470,163	2,148,609
Franchise Taxes	893,176	946,835	989,681	981,905	882,928
Other Taxes	-	-	-	-	-
Intergovernmental	216,200	1,064,728	187,753	121,701	119,446
Licenses and Permits	218,267	142,407	130,421	128,125	183,187
Fines and Fees	167,776	109,284	144,963	137,939	145,092
Interest Income	53,026	92,999	89,006	46,648	24,529
Miscellaneous	<u>100,929</u>	<u>68,201</u>	<u>78,671</u>	<u>92,433</u>	<u>116,788</u>
Total Revenues	\$ 10,733,462	\$ 10,885,191	9,271,521	8,544,468	\$ 7,810,812
Expenditures					
General Government	\$ 1,380,706	\$ 1,352,999	1,429,329	1,346,561	\$ 1,347,600
Public Safety	5,278,246	4,978,027	4,466,000	4,318,624	4,181,739
Community Services	759,418	557,777	677,069	655,131	685,596
Culture and Recreation	731,870	707,358	647,633	598,804	594,712
Capital Outlay	266,855	312,484	328,952	-	484,096
Debt Service	<u>2,223,182</u>	<u>2,229,281</u>	<u>2,161,238</u>	<u>1,813,508</u>	<u>1,636,476</u>
Total Expenditures	\$ 10,640,277	\$ 10,137,926	9,710,221	8,732,628	\$ 8,930,219
Other Financing Sources (Uses):					
Transfers In	\$ 955,000	\$ 955,000	\$ 955,000	\$ 980,000	\$ 925,000
Transfers Out	-	-	-	-	-
Sale of Capital Assets	138,025	-	-	-	70,946
Proceeds Note/Capital Leases/Bonds	268,485	277,996	327,482	-	282,200
Bond Issuance	-	-	-	-	-
Premium on Debt Issue	-	-	-	-	-
Payments to Escrow	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 1,361,510	\$ 1,232,996	\$ 1,282,482	\$ 980,000	\$ 1,278,146
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	1,454,695	1,980,261	843,782	791,840	158,739
Fund Balance - Beginning of Year	7,189,289	\$ 5,209,028	\$ 4,365,246	\$ 3,573,406	3,217,671
Prior Period Adjustment	<u>(504,856)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,996</u>
Fund Balance - September 30	<u>\$ 8,139,128</u>	<u>\$ 7,189,289</u>	<u>\$ 5,209,028</u>	<u>\$ 4,365,246</u>	<u>\$ 3,573,406</u>

Source: The Issuer's Comprehensive Annual Financial Reports and Additional Information from the Issuer.
Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds

	Fiscal Year Ended September 30				
	2021	2020	2019	2018	2017
Revenues:					
Water & Sewer Sales/Charges	\$ 6,718,424	\$ 6,718,424	\$ 7,103,450	\$ 7,100,434	\$ 6,480,270
Other	303,455	199,066	216,286	196,648	96,738
Interest Earnings	53,541	139,772	175,317	99,421	44,371
Total Revenues	\$ 7,075,420	\$ 7,057,262	\$ 7,495,053	\$ 7,396,503	\$ 6,621,379
Expenses:					
Cost of Water & Sewer Sales/Services	\$ 2,172,757	\$ 2,030,350	\$ 1,188,597	\$ 1,359,228	\$ 945,110
Other	1,324,314	1,242,055	1,683,101	1,560,838	1,679,016
Total Expenses	\$ 3,497,071	\$ 3,272,405	\$ 2,871,698	\$ 2,920,066	\$ 2,624,126
Net Available for Debt Service	\$ 3,578,349	\$ 3,784,857	\$ 4,623,355	\$ 4,476,437	\$ 3,997,253
Annual Revenue Bond Debt Service Requirements ^(a)	\$0	\$0	\$0	\$0	\$0
Revenue Debt Service Coverage	N/A	N/A X	N/A X	N/A X	N/A
Annual Debt Service Requirement for all Debt Designated to be Paid from System Revenues	\$ 2,180,087	\$ 2,223,529	\$ 2,230,648	\$ 2,218,830	\$ 2,269,204
Debt Service Coverage on all Debt Designated to be Paid from System Revenues	1.64	1.65 X	2.07 X	2.02 X	1.76
Customer Count					
Water	6,455	6,324	6,289	5,734	5,693
Sewer	6,382	6,279	6,200	5,652	5,605

^(a) Approximately 600 connections of the City's water system have historically been located outside the City's limits and in the Extra Territorial Jurisdiction of the City of Waco ("Waco"). The City and Waco have both historically had a Certificate of Convenience and Necessity to serve this area with water. It has been determined that significant current and future capital improvements are required to continue serving this area effectively. Since the City does not have the authority to annex the area into its City limits, it agreed to relinquish these connections to Waco, in an effort considered cost-effective for the City over the long term. Therefore, in March 2010 the City entered into an interlocal agreement with Waco, whereby Waco will take ownership of these connections. In October 2012, this process was completed.

NOTE: The City has implemented a Drainage Fund, which assesses a fee as part of utility customers' monthly bills. The Fee became effective 2010.

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

WATER RATES**TABLE 21***(Based on Monthly Billing)*

Existing Rates	
Effective October 1, 2021	
<u>Usage</u>	<u>Inside City Rate</u>
<i>3/4 Inch Service</i>	
First 3,000 gallons	\$ 31.00
Next 4,000 gallons	5.00
Next 5,000 gallons	5.60
Over 12,000 gallons	6.05
<i>For All Other Sized Lines</i>	
First 3,000 Gallons	
1 Inch Service	\$ 65.00
1 1/2 Inch Service	195.75
2 Inch Service	195.75
3 Inch Service	391.50
4 Inch Service	391.50
6 Inch Service	587.25

PRINCIPAL WATER CUSTOMERS - 2020-21**TABLE 22**

<u>Name of Customer</u>	<u>Average Monthly Consumption Gallons</u>	<u>Average Monthly Bill</u>
Midway Independent School District	\$ 955,858	\$ 8,057
The Icon Apartments	785,558	5,736
Brookside Apartments	478,667	5,349
Finish Line Car Care	345,008	2,185
Senior Care Care	313,383	2,190
CBOCS Texas, LLC	213,600	1,479
Stoney Brook Center	181,692	1,419
Ramada Inn	177,483	1,395
Washtub Hewitt	171,017	1,167
DMA Development Co, LLC	154,300	1,661
Total	\$ 3,776,566	\$ 30,638

SEWER RATES**TABLE 23***(Based on Monthly Billing)*

Existing Rates	
Effective October 1, 2021	
<u>Usage</u>	<u>Rate</u>
<i>Residential</i>	
First 5,000 Gallons	\$ 28.00 (Minimum)
5,000 - 20,000 Gallons	4.75 /m gallons
<i>Industrial, Institutional or Commercial</i>	
First 20,000 Gallons	\$ 60.25 /m gallons
Over 20,000 Gallons	4.75 /m gallons

PRINCIPAL SEWER CUSTOMERS 2020-21**TABLE 24**

<u>Name of Customer</u>	<u>Average Monthly Consumption Gallons</u>	<u>Average Monthly Bill</u>
The Icon Apartments	\$ 785,558	\$ 4,852
Brookside Apartments	304,667	1,936
Finish Line Car Care	345,008	1,565
Mark and Elizabeth Bowles	126,183	1,427
Senior Care Care	303,783	1,379
DMA Development Co, LLC	152,725	1,260
CBOCS Texas, LLC	213,600	973
Stoney Brook	181,692	830
Ramada Inn	177,483	811
Washtub Hewitt	171,017	782
Total	\$ 2,761,716	\$ 15,815

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF HEWITT AND MCLENNAN COUNTY, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF HEWITT AND MCLENNAN COUNTY, TEXAS

General:

The City of Hewitt (the "City") is a residential suburb of the City of Waco located approximately eight miles south of the central business district of Waco. Because of its location in the approximate geographic center of Texas, it is often referred to as the "Heart of Texas". The City has the benefits of country living and the attractions and activities of neighboring Waco. Many residents commute to Waco for employment. Local manufacturers produce steel fabrication products, electronic equipment, concrete products, printed signs, and wooden moldings.

McLennan County is located in central Texas and comprises the Waco Metropolitan Statistical Area (MSA). The County's economy is based primarily on manufacturing and agriculture, with higher education also making a significant impact on the economy. The County is traversed by interstate Highway 35, United States Highways 77, 81 and 84, State Highways 6, 31 and 317, and 29 farm-to-market and park roads. The County economy has experienced a growth trend from new industry, expansions of existing industry and new commercial investment that is generating service sector and manufacturing jobs. The City of Waco is the county seat and a center for manufacturing, tourism, conventions and agribusiness for central Texas.

The County is a major center for higher education. Baylor University, the world's largest Southern Baptist University, with an enrollment of over 16,500, is located in the City of Waco. Also located in the County are McLennan Community College and the Texas State Technical College - James Connally Campus.

Recreational and camping facilities are provided at Fort Fisher Park and Lake Waco. Other points of interest include the Homer Garrison, Jr. Texas Ranger Museum, Texas Ranger Hall of Fame, Cameron Park and the Cen-Tex Zoo. Activities of interest include the Brazos River Festival, symphony orchestra, civic theater, college and university events, Heart O' Texas Fair Rodeo and the Central Texas Fair.



Population Trends:

Census Report	City of Hewitt	McLennan County
July 2, 2021	16,131	263,115
2020	16,026	260,579
2010	13,549	234,906
2000	11,085	213,517
1990	8,983	189,123
1980	5,247	170,755

Sources: U.S. Census Bureau and the Issuer.

Top Employers in the City of Hewitt:

<u>Employer</u>	<u>Product or Type of Business</u>	<u>Number of Employees</u>
Midway Independent School District	Public Education	1,185
Walmart	Retail	259
Sturdisteel	Steel Fabrication	106
Metals 2 Go (Formerly Davis Iron Works)	Steel Fabrication	106
City of Hewitt	Municipal Government	100
Senior Care Center	Senior Living	92
Cracker Barrel	Restaurant	78
Central Texas Dental Care	Dental Care Services	29
Midway Transportation	Trucking	28
United Super IGA	Grocery	27

Source: The Issuer's 2021 Comprehensive Annual Financial Report (Statistical Section)

Residential and Commercial Building Construction:

Fiscal Year	Residential		Commercial		Total	
	Number of	AV Property Value	Number of	AV Property Value	Number of	AV Property Value
	<u>Permits</u>	<u>\$ Amount</u>	<u>Permits</u>	<u>\$ Amount</u>	<u>Permits</u>	<u>\$ Amount</u>
<u>Ended 9-30</u>						
2012	40	9,035,850	6	7,125,132	46	16,160,983
2013	42	9,745,298	4	3,891,771	46	13,937,069
2014	35	8,688,199	5	7,520,382	40	16,208,581
2015	57	15,344,475	5	7,462,946	62	22,807,421
2016	78	37,946,759	4	73,987,400	82	111,934,159
2017	62	26,200,788	15	1,137,540	77	27,338,328
2018	28	9,027,275	17	1,279,226	45	10,306,501
2019	65	12,547,601	10	139,289	75	12,686,890
2020	77	15,782,576	9	351,672	86	16,134,248
2021	73	24,301,362	16	39,272,206	89	63,573,568
2022*	78	27,602,365	17	4,328,919	95	31,931,284

*As of June 13, 2022.

Sources: The Issuer.

Labor Force Statistics:

	<u>McLennan County</u>		<u>Waco MSA</u>		<u>State of Texas</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Civilian Labor Force	122,192	118,391	128,769	124,737	14,220,446	13,870,874
Total Employed	116,247	111,020	122,474	116,979	13,413,036	12,808,616
Total Unemployed	5,945	7,371	6,295	7,758	807,410	1,062,258
% Unemployed	4.9%	6.2%	4.9%	6.2%	5.7%	7.7%
% Unemployed (U.S.)	5.3%	8.1%	5.3%	8.1%	5.3%	8.1%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Certificates, assuming no material changes in facts or law.*

**CITY OF HEWITT, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,925,000**

AS BOND COUNSEL FOR THE CITY OF HEWITT, TEXAS (the “Issuer”) in connection with the issuance of the Certificates of Obligation described above (the “Certificates”), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “Ordinance”). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer’s waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer’s waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION THAT, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not “specified private activity bonds” and that, accordingly, interest on the Certificates will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”).

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined



to be inaccurate or upon if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

EXCERPTS FROM THE CITY OF HEWITT AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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2021 ACFR

For Year Ended September 30

Annual Comprehensive
Financial Report
Hewitt, TX

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

Prepared by Finance Department
City of Hewitt, Texas

City of Hewitt, Texas

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September 30, 2021

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February 8, 2022

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

State law and City Charter require that every municipality publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill those requirements for the fiscal year ended September 30, 2021.

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

Jaynes, Reitmeier, Boyd & Therrell, P.C., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Hewitt’s financial statements for the year ended September 30, 2021. The independent auditor’s report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Hewitt, originated in 1893 and incorporated in 1960. It is located in the Heart of Texas Region in the central part of Texas just 2 hours south of Dallas and 2 hours north of Austin on Interstate 35. As the southern suburb of Waco, Hewitt enjoys being the second largest city in McLennan County with 7 square miles along I-35 and serving a population of 16,026.

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

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

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

Local Economy

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

Hewitt has customarily been known as a bedroom community with residential valuations making up approximately 75% of the total assessed property value. Although Hewitt is landlocked and unable to annex additional territory, Hewitt has ample land available for residential development and new commercial investment. Current projections indicate a total build out population of approximately 20,000 residents within the next 5 to 10 years.

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

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

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

In addition to commercial development, Hewitt continues to experience solid growth in residential housing. In 2021, new subdivisions like Moonlight Park and Sunflower Ridge offer several new home lots currently in various stages of development. The new Icon at Hewitt offers 256 luxury one and two bedroom units. Plus, the Reserve at Dry Creek provides 118 apartment units for residents 55 and over at an affordable monthly rate. In addition, a new 222 unit luxury apartment complex is considering locating near the new Atwood's location. Hewitt and the greater Waco area are expected to experience continual growth in population as well as taxable value.

Looking beyond 2021 there is much to look forward to in the greater Hewitt area. Land values are increasing and people are moving to Hewitt. Just outside the city limits, several hundred residential lots are in development right now. While these will be Waco residents, they will drive on Hewitt streets, go to local stores, and new jobs will be created in the immediate area. This rapid growth will create new opportunities for intergovernmental projects, as evidenced by the continued current reconstruction of Ritchie Road, which initially was a joint partnership between the City of Hewitt, the City of Waco, and McLennan County. This multi-million dollar project exemplifies the spirit of cooperation and level of investment by local governmental units and has now been completed with the final phase of construction being undertaken by Hewitt solely.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. The unemployment rate as of September 2021 was 4.3%. Median household incomes in the City of Hewitt is \$72,077, while the state's was \$53,320. Population has increased from 11,084 in 2000 to 16,026 in 2020. Due to the strong and healthy local economy, the City of Hewitt has maintained a credit rating of AA- Stable from Standard and Poor's. The Midway School District also has a significant economic presence, employing in total more than 1,206 teachers, professionals and support staff.

Long-Term Financial Planning and Major Initiatives

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

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

Relevant Financial Policies

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hewitt, Texas, for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2020. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable program requirements.

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

The City of Hewitt also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated August 17, 2020 for fiscal year 2020-2021. Hewitt has received this Award for 17 years. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged as proficient as a policy document, a financial plan, an operations guide, and a communications device.

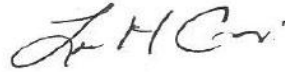
A sincere thanks is extended to all government departments for their assistance in providing the data necessary to prepare this report.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Bo Thomas', with a stylized flourish extending to the right.

Bo Thomas, ICMA-CM
City Manager

A handwritten signature in blue ink, appearing to read 'Lee H. Garcia', with a stylized flourish extending to the right.

Lee H. Garcia, CPA, CGFO
Finance Director

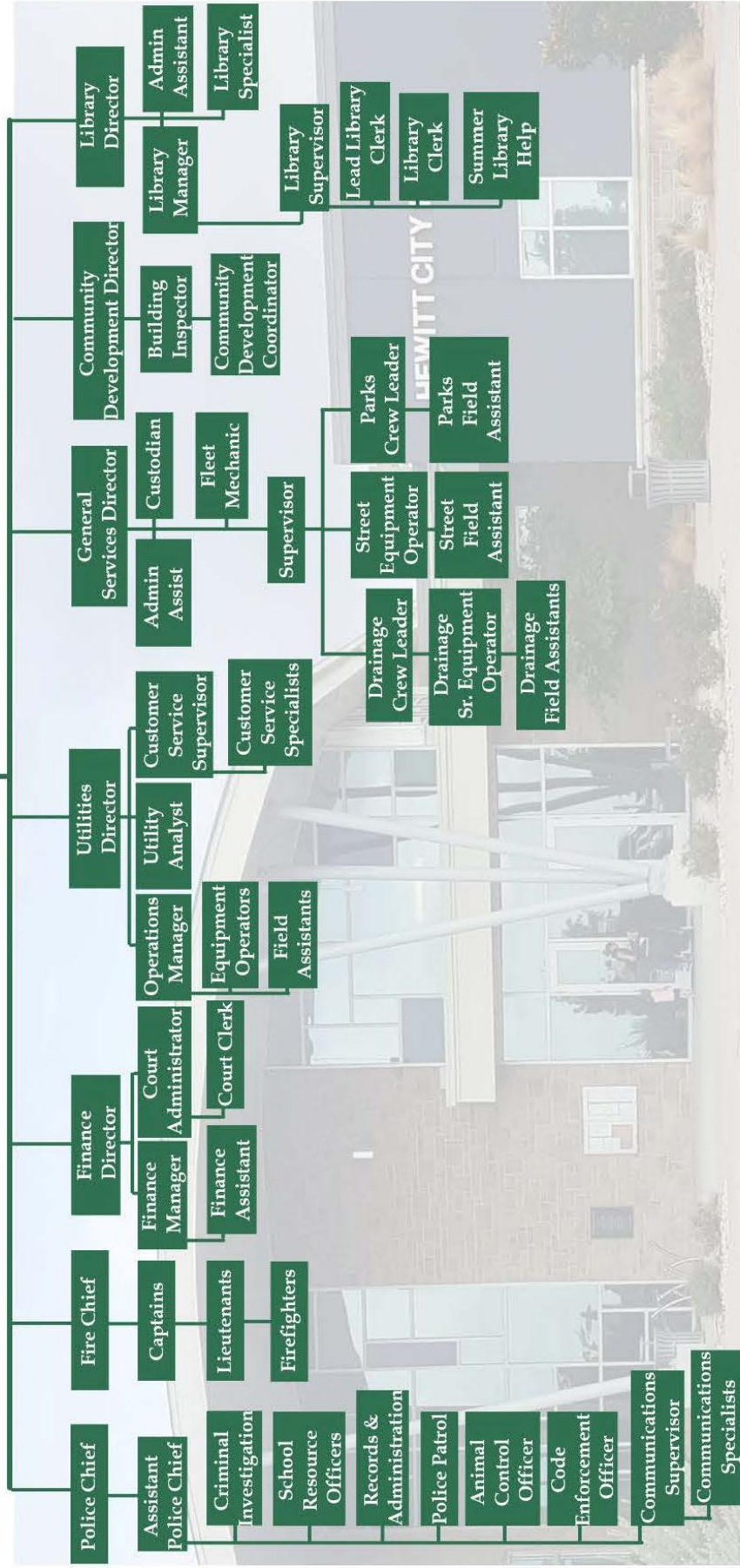
Hewitt Citizens

City Council

City Manager

City Secretary

Human Resources



HEWITT
TEXAS

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

<u>Elected Officials</u>	<u>Position</u>
Steve Fortenberry	Mayor
Michael Bancale	Mayor Pro-Tem
Charles D. “Charlie” Turner	Council Member
Wilbert "Walky" Wachtendorf	Council Member
Dr. Erica Bruce	Council Member
Bill Fuller	Council Member
Bob Potter	Council Member
<u>Appointed Officials</u>	<u>Position</u>
Everett "Bo" Thomas, ICMA-CM	City Manager
Lydia Lopez, TRMC, CNC	City Secretary
James Devlin, ILEA-SEL	Chief of Police
Lance Bracco, BS-FS	Fire Chief
Tracy Lankford	Community Development Director
Kevin Reinke	Utilities Director
Waynette Ditto, MLS	Library Director
Scott Coleman	General Service Director
Lee H. Garcia, CPA, CGFO	Finance Director
Tuck Saunders	Assistant Chief of Police
Jessica Higgins, IPMA-HR	Human Resources/Civil Service
Patty Laxson	Municipal Court Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hewitt
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

Financial Section





INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules of nonmajor governmental funds (collectively, "the other supplementary information") on pages 73 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Jaynes, Reitmeier, Boyd + Therrell, P.C.

February 8, 2022



Management's Discussion and Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Hewitt, Texas (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City of Hewitt, Texas for the fiscal year ended September 30, 2021. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from all other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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

Government-wide Overall Financial Analysis

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

City of Hewitt Net Position September 30, 2021 and 2020

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

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

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

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

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

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

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

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

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

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

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

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

Financial Analysis of the Government's Funds

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

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,266,805, while total fund balance increased to \$8,139,128. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 68% of the total general fund expenditures, while total fund balance represents approximately 76% of that same amount.

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

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

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

General Fund Budgetary Highlights

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

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

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

Capital Assets and Debt Administration

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

City of Hewitt Capital Assets

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

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

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

City of Hewitt Long-Term Debt

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,266,805. The City has not appropriated any of this amount for spending in the 2022 fiscal year budget. The 2022 fiscal year budget of \$11.6 million for the general fund is a balanced budget. The water and sewer rates were increased by approximately 3% effective December 1, 2021. There were no changes to the drainage rates for the 2022 fiscal year.

Requests for Information

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

Basic Financial Statements



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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

City of Hewitt, Texas

**Balance Sheet –
Governmental Funds**

September 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 7,280,345	913,867	656,994	8,851,206
Accounts receivable	1,180,483	-	22,998	1,203,481
Due from other funds	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Total assets	<u>\$ 8,473,328</u>	<u>913,867</u>	<u>679,992</u>	<u>10,067,187</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ <u>162,496</u>	<u>-</u>	<u>-</u>	<u>162,496</u>
Total liabilities	<u>162,496</u>	<u>-</u>	<u>-</u>	<u>162,496</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property taxes	106,820	-	-	106,820
Court fines	<u>64,884</u>	<u>-</u>	<u>-</u>	<u>64,884</u>
Total deferred inflows of resources	<u>171,704</u>	<u>-</u>	<u>-</u>	<u>171,704</u>
<u>Fund Balances</u>				
Restricted:				
Debt service	867,465	-	-	867,465
Municipal information	-	-	416,998	416,998
Tourism	-	-	149,124	149,124
Public safety	4,858	-	113,870	118,728
Capital outlay	-	913,867	-	913,867
Unassigned	<u>7,266,805</u>	<u>-</u>	<u>-</u>	<u>7,266,805</u>
Total fund balances	<u>8,139,128</u>	<u>913,867</u>	<u>679,992</u>	<u>9,732,987</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,473,328</u>	<u>913,867</u>	<u>679,992</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.	25,048,260
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.	171,704
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(24,583,619)</u>
Net position of governmental activities	<u>\$ 10,369,332</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, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Total Governmental Funds</u>
Revenue:				
Taxes:				
Property	\$ 5,730,073	-	-	5,730,073
Sales	3,354,015	-	-	3,354,015
Franchise	893,176	-	34,155	927,331
Hotel occupancy	-	-	110,364	110,364
Intergovernmental	216,200	-	-	216,200
License and permits	218,267	-	-	218,267
Charges for services	8,540	-	-	8,540
Fines	167,776	-	17,062	184,838
Investment earnings	53,026	9,388	3,109	65,523
Contributions and donations	31,280	-	-	31,280
Miscellaneous	61,109	-	-	61,109
Total revenue	<u>10,733,462</u>	<u>9,388</u>	<u>164,690</u>	<u>10,907,540</u>
Expenditures:				
Current:				
General government	1,380,706	-	141,912	1,522,618
Public safety	5,278,246	-	1,200	5,279,446
Streets	759,418	-	-	759,418
Cultural and recreation	731,870	-	-	731,870
Debt service:				
Principal	1,535,187	-	-	1,535,187
Interest	687,995	-	-	687,995
Capital outlay	266,855	1,240,760	-	1,507,615
Total expenditures	<u>10,640,277</u>	<u>1,240,760</u>	<u>143,112</u>	<u>12,024,149</u>
Excess (deficiency) of revenue over (under) expenditures	<u>93,185</u>	<u>(1,231,372)</u>	<u>21,578</u>	<u>(1,116,609)</u>
Other financing sources:				
Issuance of capital leases	268,485	-	-	268,485
Proceeds from disposition of capital assets	138,025	-	-	138,025
Transfers in	955,000	-	-	955,000
Total other financing sources	<u>1,361,510</u>	<u>-</u>	<u>-</u>	<u>1,361,510</u>
Net changes in fund balances	1,454,695	(1,231,372)	21,578	244,901
Fund balances, beginning of year	<u>6,684,433</u>	<u>2,145,239</u>	<u>658,414</u>	<u>9,488,086</u>
Fund balances, at end of year	<u>\$ 8,139,128</u>	<u>913,867</u>	<u>679,992</u>	<u>9,732,987</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, 2021

Net change in fund balances - total governmental funds \$ 244,901

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions (\$2,164,615) exceeded depreciation expense (\$1,925,728) in the current period. 238,887

In the statement of activities, only the gain or loss on the disposition of capital assets is reported. However, in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of capital assets disposed. (98,408)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (13,395)

The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,305,105

Accrued interest expense and compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (73,583)

Governmental funds report contributions to pension and OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which contributions to the plan (\$701,117) exceeded pension/OPEB expense (\$448,017) in the current period. 253,100

Change in net position of governmental activities \$ 1,856,607

See accompanying notes to financial statements.

City of Hewitt, Texas

Statement of Net Position-
Proprietary Funds

September 30, 2021

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

(Continued)

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

See accompanying notes to financial statements.

City of Hewitt, Texas

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

Year Ended September 30, 2021

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

See accompanying notes to financial statements.

City of Hewitt, Texas
Statement of Cash Flows -
Proprietary Funds
Year Ended September 30, 2021

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

See accompanying notes to financial statements.



City of Hewitt, Texas

Notes to Financial Statements

September 30, 2021

(1) Nature of Operations and Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Government-wide and fund financial statements

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Deposits and investments

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

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

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

(d) Receivables and payables

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

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

(e) Restricted assets

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(f) Capital assets

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

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

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

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

(g) Compensated absences

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

(h) Pensions

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Pensions (continued)

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

(i) Other Post-Employment Benefits (“OPEB”)

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

(j) Deferred outflows and inflows of resources

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

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

(k) Long-term obligations

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(k) Long-term obligations (continued)

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

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

(l) Fund balance

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

(m) Net position

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

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

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

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

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

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

debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$1,305,105 difference are as follows:

Issuance of capital lease obligations	\$ (268,485)
Principal repayments on bonds	1,332,218
Amortization of bond premiums	40,413
Amortization of deferred amounts on refunding	(2,010)
Principal repayments on capital leases	<u>202,969</u>
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>\$ 1,305,105</u>

(4) Budgets and Budgetary Accounting

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(5) Deposits and Investments

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

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

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

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(5) Deposits and Investments (continued)

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

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

(6) Receivables

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

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

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

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

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

(7) Capital Assets

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(7) Capital Assets (continued)

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(7) Capital Assets (continued)

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

Governmental activities:	
General government	\$ 700,769
Public safety	681,546
Streets	422,337
Culture and recreation	<u>121,076</u>
Total depreciation expense - governmental activities	<u>\$ 1,925,728</u>
Business-type activities:	
Water, sewer, and sanitation	2,630,343
Stormwater drainage	<u>112,741</u>
Total depreciation expense - business - type activities	<u>\$ 2,743,084</u>

Construction Commitments

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

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

The commitments will be funded by unspent bond proceeds.

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(8) Capital lease obligations

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

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

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

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

(9) Long-Term Liabilities

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

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

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

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

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

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	1,196,859	772,718
2023	1,235,600	742,122
2024	1,275,105	708,774
2025	1,256,545	673,469
2026	1,294,659	634,684
2027-2031	7,194,636	2,487,906
2032-2036	6,965,045	1,116,120
2037	<u>1,170,000</u>	<u>54,113</u>
	<u><u>\$ 21,588,449</u></u>	<u><u>7,189,906</u></u>

The City is required under provisions of the combination tax and limited surplus certificates of obligation to maintain interest and sinking funds adequate for payments of principal and interest and has pledged certain net operating revenues (after the payment of operation and maintenance expenses) of the water and sewer fund to repay \$4.8 million in combination tax and surplus revenue certificates of obligation issued in 2016. Proceeds from the bonds provided financing for the construction of water system facilities. The total principal and interest remaining to be paid on the bonds is \$6.0 million. Principal and interest paid for the current year and total of pledged net surplus revenues of the water, sewer, and sanitation fund were \$425,988 and \$170,982, respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(10) Defined Benefit Pension Plan

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

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

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

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits, with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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

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

Contributions - Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(10) Defined Benefit Pension Plan (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.44% and 15.48% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$896,485 and were equal to the required contributions.

Net Pension Liability - The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(10) Defined Benefit Pension Plan (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Totals	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(10) Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability

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

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	\$	<u><u>6,538,248</u></u>	<u><u>2,817,038</u></u>	<u><u>(186,387)</u></u>

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(10) Defined Benefit Pension Plan (continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 701,117	-
Differences between expected and actual experience	22,901	516,420
Change in assumptions	55,279	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>524,304</u>
Total	<u>\$ 779,297</u>	<u>1,040,724</u>

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

<u>Year Ended December 31:</u>	
2021	\$ (310,038)
2022	(124,695)
2023	(431,088)
2024	<u>(96,723)</u>
	<u>\$ (962,544)</u>

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

Plan Description

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

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

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

Financial information for the SDBF is included in the TMRS publicly available Annual Comprehensive Financial Report (“ACFR”) that can be obtained at www.tmr.com.

Benefits Provided

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

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

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

Contributions

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

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

Total OPEB Liability

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

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

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

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

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables were used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

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

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

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

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

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

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

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

<u>Year Ended December 31:</u>	
2021	\$ 6,356
2022	6,356
2023	6,356
2024	5,306
2025	5,718
Thereafter	<u>3,750</u>
	<u>\$ 33,842</u>

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(12) Deferred Outflows and Inflows of Resources

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

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

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

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

(13) Interfund Transfers

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

(14) Risk Management

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

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

(15) Commitments and Contingencies

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

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

City of Hewitt, Texas

Notes to Financial Statements (Continued)

(15) Commitments and Contingencies (continued)

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

(16) Unearned Revenue

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

(17) Authoritative Pronouncements Not Yet Effective

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

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

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

City of Hewitt, Texas

Notes to Financial Statements
(Continued)

(17) Authoritative Pronouncements Not Yet Effective (continued)

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

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



Required Supplementary Information

City of Hewitt, Texas

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

Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Taxes:				
Property	\$ 5,614,218	5,614,218	5,730,073	115,855
Sales	2,623,160	2,623,160	3,242,151	618,991
Franchise	908,000	908,000	980,666	72,666
License and permits	110,000	110,000	218,267	108,267
Intergovernmental	209,604	209,604	867,502	657,898
Charges for services	30,000	30,000	8,540	(21,460)
Fines	137,500	137,500	167,776	30,276
Investment earnings	45,000	45,000	53,026	8,026
Contributions	-	-	31,280	31,280
Miscellaneous	47,000	47,000	62,739	15,739
Total revenue	<u>9,724,482</u>	<u>9,724,482</u>	<u>11,362,020</u>	<u>1,637,538</u>
Expenditures:				
Current:				
General government	1,519,825	1,519,825	1,377,738	142,087
Public safety	5,272,396	5,272,396	5,273,633	(1,237)
Streets	878,409	878,409	734,830	143,579
Cultural and recreation	760,396	760,396	727,712	32,684
Debt service:				
Principal	1,535,187	1,535,187	1,535,187	-
Interest	687,995	687,995	687,995	-
Capital outlay	7,200	7,200	130,906	(123,706)
Total expenditures	<u>10,661,408</u>	<u>10,661,408</u>	<u>10,468,001</u>	<u>193,407</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(936,926)</u>	<u>(936,926)</u>	<u>894,019</u>	<u>1,830,945</u>
Other financing sources:				
Transfers in	955,000	955,000	955,000	-
Proceeds from disposition of capital assets	-	-	138,025	138,025
Total other financing sources	<u>955,000</u>	<u>955,000</u>	<u>1,093,025</u>	<u>138,025</u>
Change in fund balance	18,074	18,074	1,987,044	1,968,970
Fund balance, at beginning of year	<u>5,368,631</u>	<u>5,368,631</u>	<u>5,368,631</u>	<u>-</u>
Fund balance, at end of year	<u>\$ 5,386,705</u>	<u>5,386,705</u>	<u>7,355,675</u>	<u>1,968,970</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, 2021

(1) Budgetary Basis

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

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

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

In order to provide a meaningful comparison of actual results with the budget, the actual and budget amounts are presented in accordance with the City's budgetary basis in the financial statements of the individual funds. A reconciliation of the net change in fund balance for the year ended September 30, 2021, is presented below

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

City of Hewitt, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Last Seven Measurement Dates

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

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

See accompanying independent auditor's report.

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

City of Hewitt, Texas

Schedule of Pension Contributions

Fiscal Years Ended

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

Notes to Schedule of Pension Contributions

Valuation Date:

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	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	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.

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



City of Hewitt, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Four Measurement Dates

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

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

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

See accompanying independent auditor's report.

City of Hewitt, Texas

Schedule of OPEB Contributions

Fiscal Years Ended

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

Notes to Schedule of OPEB Contributions

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

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

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

See accompanying independent auditor's report.

Supplemental Information

City of Hewitt, Texas

Combining Schedule - Balance Sheet Information –
Other Nonmajor Governmental Funds

September 30, 2021

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

See accompanying notes to financial statements.

City of Hewitt, Texas

**Combining Schedule - Revenue, Expenditures and Changes
In Fund Balances - Other Nonmajor Governmental Funds**

Year Ended September 30, 2021

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

See accompanying notes to financial statements.



Statistical Section



Statistical Section

This part of the City of Hewitt, Texas' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information states about the government's overall financial health.

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

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

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

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

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

Table 1

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

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

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

Table 2

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

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

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

Source: Annual Comprehensive Financial Reports

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

Table 2
(continued)

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

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

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

Source: Annual Comprehensive Financial Reports

Table 3

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

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

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

Source: Annual Comprehensive Financial Reports

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

Table 4

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

Table 5

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

Fiscal Year	Real Property	Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Certified Market Value	Assessed Value as Percentage of Actual Value
2012	708,190	47,850	145,174	610,866	0.514977	756,040	80.8%
2013	741,434	44,942	150,770	635,606	0.514977	786,376	80.8%
2014	761,728	49,251	153,184	657,795	0.539677	810,979	81.1%
2015	827,966	52,160	174,039	706,087	0.539677	880,126	80.2%
2016	849,510	54,884	173,809	730,585	0.539677	904,394	80.8%
2017	905,490	58,145	188,325	775,310	0.539677	963,635	80.5%
2018	1,000,847	62,781	220,833	842,795	0.539677	1,063,628	79.2%
2019	1,113,730	70,700	247,520	936,910	0.539677	1,184,428	79.1%
2020	1,187,063	76,605	255,326	1,008,342	0.539677	1,263,668	79.8%
2021	1,224,578	72,744	258,925	1,038,397	0.547838	1,297,322	80.0%

Source: McLennan County Appraisal District

Table 6

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

Fiscal Year Ending	City of Hewitt Direct Rates			Overlapping Rates			
	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
2012	0.358917	0.156060	0.514977	1.32000	1.290000	0.464300	0.152823
2013	0.363482	0.151495	0.514977	1.32000	1.310000	0.484258	0.153940
2014	0.385977	0.153700	0.539677	1.32000	1.620000	0.535293	0.151530
2015	0.360046	0.179631	0.539677	1.32000	1.640000	0.535293	0.149530
2016	0.329858	0.209819	0.539677	1.32000	1.640000	0.535293	0.149724
2017	0.325525	0.214152	0.539677	1.32000	1.579090	0.525293	0.114890
2018	0.323593	0.216084	0.539677	1.32000	1.554090	0.505293	0.150346
2019	0.307403	0.232274	0.539677	1.32000	1.534000	0.485293	0.147696
2020	0.316587	0.223090	0.539677	1.25000	1.435210	0.485293	0.147696
2021	0.327866	0.219972	0.547838	1.23640	1.332666	0.468719	0.149782

Source: McLennan County Appraisal District

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

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

Table 7

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

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

Source: McLennan County Appraisal District

Table 8

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

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

Source: McLennan County Tax Assessor

Table 8a

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

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

WATER RATES
(Based on Monthly Billing)

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

Source: City of Hewitt administrative staff.

Table 9

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

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

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

Table 10

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

Fiscal Year	General Bonded Debt Outstanding						Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Total Bonded Debt						
2012	2,145	29,785	-	31,930			1,199	30,731	5.0%	2,232
2013	1,695	33,015	268	34,978			1,164	33,814	5.3%	2,440
2014	4,720	35,765	414	40,899			1,317	39,582	6.0%	2,816
2015	9,760	29,400	1,068	40,228			1,591	38,637	5.5%	2,694
2016	9,325	37,850	1,280	48,455			1,818	46,637	6.4%	3,216
2017	8,890	36,449	1,209	46,548			1,880	44,668	5.8%	3,081
2018	8,440	39,725	1,392	49,557			1,942	47,615	5.6%	3,227
2019	7,985	37,965	1,301	47,251			2,023	45,228	4.8%	3,045
2020	8,420	35,969	1,211	45,600			2,272	43,328	4.3%	2,882
2021	7,125	34,040	1,122	42,287			2,365	39,922	3.8%	2,491

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

Note: See Table 9 for general bonded debt outstanding.

Table 11

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

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

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

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

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

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

Table 12

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

Table 13

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

Fiscal Year	Water/Sewer Revenue Bonds and Certificates of Obligation						Coverage
	Utility	Less:	Net	Debt Service			
	Operating Revenue (1)	Operating Expenses (2)	Available Revenue	Principal	Interest	Total	
2012	7,004,997	4,517,717	2,487,280	438,040	799,179	1,237,219	2.01
2013	7,449,013	4,169,920	3,279,093	573,173	912,798	1,485,971	2.21
2014	7,274,412	5,208,397	2,066,015	655,699	840,115	1,495,814	1.38
2015	7,647,318	4,312,310	3,335,008	742,713	754,362	1,497,075	2.23
2016	8,244,648	4,819,036	3,425,612	920,525	909,463	1,829,988	1.87
2017	8,070,972	4,022,088	4,048,884	964,273	915,563	1,879,836	2.15
2018	8,979,401	4,376,005	4,603,396	997,420	886,500	1,883,920	2.44
2019	9,180,440	4,318,705	4,861,735	1,025,997	860,039	1,886,036	2.58
2020	8,111,560	4,468,802	3,642,758	1,059,691	832,163	1,891,854	1.93
2021	8,248,431	4,650,419	3,598,012	1,092,782	802,632	1,895,414	1.90

Notes: (1) Total revenue including interest.

(2) Total operating expenses less depreciation

Table 14

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

<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>
2012	13,767	68,823	28,471	6.00%
2013	13,860	69,504	28,471	7.10%
2014	14,054	69,504	28,471	5.00%
2015	14,341	71,347	31,866	4.40%
2016	14,500	71,347	31,866	4.30%
2017	14,500	74,467	33,138	4.10%
2018	14,750	74,467	33,138	3.40%
2019	14,855	74,467	33,138	3.10%
2020	15,034	78,124	32,753	6.30%
2021	16,026	72,077	32,834	4.30%

- Notes: (1) U.S. Census Bureau, city staff and City-data.com
- (2) U.S. Department of Labor, Bureau of Labor Statistics, Waco, TX Metropolitan Statistical Area http://www.bls.gov/eag/eag.tx_waco_msa.htm

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

Employer	2021		2020	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,206	11.71%	1,185	11.85%
Walmart	217	2.11%	259	2.59%
EMSI	-	- %	-	- %
Cracker Barrel	80	0.78%	78	0.78%
Metals 2 Go (formerly Davis Iron Works)	97	0.94%	106	1.06%
Sturdisteel	102	0.99%	106	1.06%
City of Hewitt	103	1.00%	100	1.00%
Midway Transportation	26	0.25%	28	0.28%
Merry Maids	17	0.17%	14	0.14%
United Super IGA	26	0.25%	27	0.27%
Scott & White Clinic	25	0.24%	24	0.24%
General Implements (Alliance Distributing)	9	0.09%	9	0.09%
Senior Care Center	115	1.12%	92	0.92%
Sleep Inn	14	0.14%	10	0.10%
Ramada Inn	8	0.08%	7	0.07%
Central TX Dental Care	22	0.21%	29	0.29%
Total	2,067	20.07%	2,074	20.74%

Employer	2016		2015	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,437	14.37%	1,056	12.14%
Walmart	300	3.00%	-	- %
EMSI	260	2.60%	300	3.45%
Cracker Barrel	-	- %	-	- %
Metals 2 Go (formerly Davis Iron Works)	97	0.97%	56	0.64%
Sturdisteel	100	1.00%	90	1.03%
City of Hewitt	100	1.00%	93	1.07%
Midway Transportation	30	0.30%	36	0.41%
Merry Maids	16	0.16%	20	0.23%
United Super IGA	23	0.23%	30	0.34%
Scott & White Clinic	16	0.16%	17	0.20%
General Implements (Alliance Distributing)	8	0.08%	16	0.18%
Senior Care Center	115	1.15%	129	1.48%
Sleep Inn	14	0.14%	15	0.17%
Ramada Inn	10	0.10%	12	0.14%
Central TX Dental Care	23	0.23%	23	0.26%
Total	2,549	25.49%	1,893	21.76%

Source: City of Hewitt staff.

Table 15

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

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

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

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

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

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

Source: City staff

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

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

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

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

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

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

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public safety										
Number of fire stations	1	1	1	1	1	1	1	2	2	2
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	4	4	4	4	4	4	4	4	4	4
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)	70	70	70	70	69	68	68	68	68	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)	125	125	125	125	124	124	124	124	124	123
Water storage capacity (thousands of gallons)	7,450	7,450	7,450	7,450	7,450	7,450	7,450	6,943	6,943	6,943
Sanitary sewers (miles)	73	73	73	73	72	72	72	72	72	71
Sewer capacity (thousands of gallons)	3	3	3	3	3	3	3	3	3	3

Source: Various City departments

Financial Advisory Services
Provided By:

