

**CITY OF WHARTON, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the fiscal year ended September 30, 2009*

Joyce Vasut, CPA  
*Finance Director*

Andres Garza, Jr.  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# City of Wharton

120 E. Caney Street • Wharton, Texas 77488  
Phone (979) 532-2491 • Fax (979) 532-0181

March 11, 2010

To the Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Wharton, Texas

## INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of the City of Wharton, Texas, hereafter referred to as the "City", for the fiscal year ended September 30, 2009, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

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

## CITY PROFILE

As an independent political subdivision of the State of Texas, governed by an elected Mayor and Council, the City is considered a primary government. The City provides a full range of municipal services. These services include police and fire protection; construction and maintenance of streets and drainage systems; and cultural and recreation activities. In addition to general government activities, the City exercises authority over a water and wastewater system, sanitation services, emergency medical services, the civic center, and a municipal airport. These activities of the City are all included in this report as part of the primary government.

The Wharton Economic Development Corporation (WEDC) is also reported herein as a discretely presented component unit of the City based upon standards established by the GASB (see Note 1 to the financial statements). WEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City.

## ECONOMIC CONDITION AND OUTLOOK

The City is located fifty-five miles southwest of Houston on the edge of the Houston Statistical Metropolitan Service Area (SMSA) with a population of 9,237. This proximity to Houston appeals to both domestic and foreign industry. The City is located on U.S. Highway 59 that ties the United States to Mexico and is currently being studied for conversion to an interstate highway that would link Mexico to Canada.

The Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Wharton, Texas

### **ECONOMIC CONDITION AND OUTLOOK - (Continued)**

The industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing, both units of Formosa Plastics (USA), Inc. These plants, which employ approximately 300 people, are the largest taxpayer in the City, with combined assessed valuations of approximately \$60 million. They are also the largest purchaser of water, consuming approximately 40 million gallons a year.

In addition to the industrial base, the City has a major hospital and medical clinic which provide medical facilities to the Gulf Coast region. The hospital and medical clinic employ nearly 700 people. The hospital is a regional cancer center, providing medical and economic impact to the community and surrounding area.

The City is also credited with a large agricultural base providing rice, corn, cotton, and other agricultural products. Wharton County has long been known as the top rice-producing county in the United States.

These three industries provide the City with a solid diverse economic base to support government activities and local citizens. The City, along with WEDC, is actively engaged in the promotion of economic development. The retail sector also continues to grow as confirmed by the increasing sales tax revenue.

### **MAJOR INITIATIVES**

During the 2009 fiscal year, the City's most important initiative was to continue to provide drainage improvements and reduce flooding in the City. The City is moving forward with the construction of the Santa Fe drainage outfall channel project. Additionally, the City continues its efforts to reduce flooding in the City. The final report regarding the Wharton Interim Feasibility Study identifies potential flooding solutions from the Colorado River in the Wharton area. The City, in conjunction with the US Corp of Engineers and the federal elected officials, is securing funding on an annual basis for the Preconstruction Engineering and Design (PED) as well as the construction phase of the project. Through the Water Resources Development Act of 2007 (WRDA), congressional authorization was received for the project. The City must continue to make this project a priority and prepare for the future funding necessary to implement the identified solutions.

As part of the City's flood reduction initiative, the City has submitted the application to participate in the National Flood Insurance Program's (NFIP) Community Rating System (CRS). The CRS not only provides insurance premium rate reductions for communities that enact regulatory floodplain standards that are higher than the minimum NFIP requirements, but also helps protect property and people from potential flooding within the City.

The City is also in the pre-design and engineering phase of the road extension project between FM 1301 and CR 235. TxDOT and the City are working together on this project and evaluating other options to ensure safety and access to the medical facilities once railroad operations through the City become operational.

The Ahldag Sanitary Sewer System Project is also underway. The City received \$350,000 from the US Department of Housing and Urban Affairs through the Office of Rural and Community Affairs. This funding provided needed improvements to the sanitary sewer system in the Ahldag Addition.

The Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Wharton, Texas

### **MAJOR INITIATIVES - (Continued)**

During the 2009 fiscal year, the City issued \$4 million in bonds for the following projects:

- Park improvements and two new mowers,
- Equipment for the emergency operations center,
- Building improvements for Police Department and City Hall,
- Heavy rescue truck for the Fire Department,
- Drainage improvements and bridge over the Ahldag ditch,
- Street improvements and street equipment including a new street sweeper,
- Water system improvements including rework water, interior and exterior coating of water tanks, installing quick connects for generators and water line improvements,
- Sanitary sewer system improvements and installation of quick connects for generators, and
- Airport improvements including hangar improvements, fuel farm improvements and CIP projects.

These initiatives, along with the efforts of the WEDC, will help to develop existing businesses and attract new businesses to the City and play a key role in the City's future development.

### **FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL**

The financial statements have been prepared in accordance with GAAP as prescribed by the GASB.

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

The City maintains effective budgeting controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget, City Charter, and State law.

The City maintains a General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Enterprise Funds. These funds are included in the annual appropriated budget and are reported in the attached audit document. Council approves the budget appropriations and any amendments at the department level within the budgeted funds. The department heads have discretion over line items within the departmental budget. Budgetary control is exercised generally by the Director of Finance and specifically at the department level by the department heads.

### **INDEPENDENT AUDIT**

This report is prepared in compliance with the legal requirement set forth by Section 31 of the Charter of the City of Wharton, Texas, as amended. In addition to fulfilling this legal requirement, this report serves to fully disclose financial data on an annual basis to management, the elected Council and Mayor, the public, investors, and other interested persons. The firm of Harrison, Waldrop & Uherek, L.L.P., Certified Public Accountants, was engaged by the City to satisfy this requirement.

The Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Wharton, Texas

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

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 for its comprehensive annual financial report for the fiscal year ended September 30, 2008. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

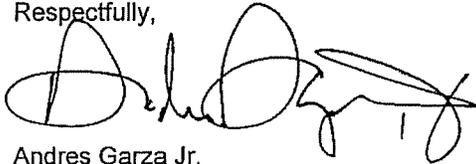
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Wharton has received a Certificate of Achievement for the last eighteen consecutive years (fiscal years ended 1991 - 2008). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting the report to GFOA to determine its eligibility for an additional certificate.

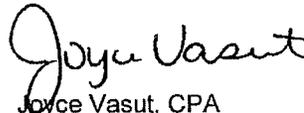
**ACKNOWLEDGEMENT**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department of the City. We would also like to express our appreciation to the Mayor and the City Council Members for their interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully,



Andres Garza Jr.  
City Manager



Joyce Vasut, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wharton  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

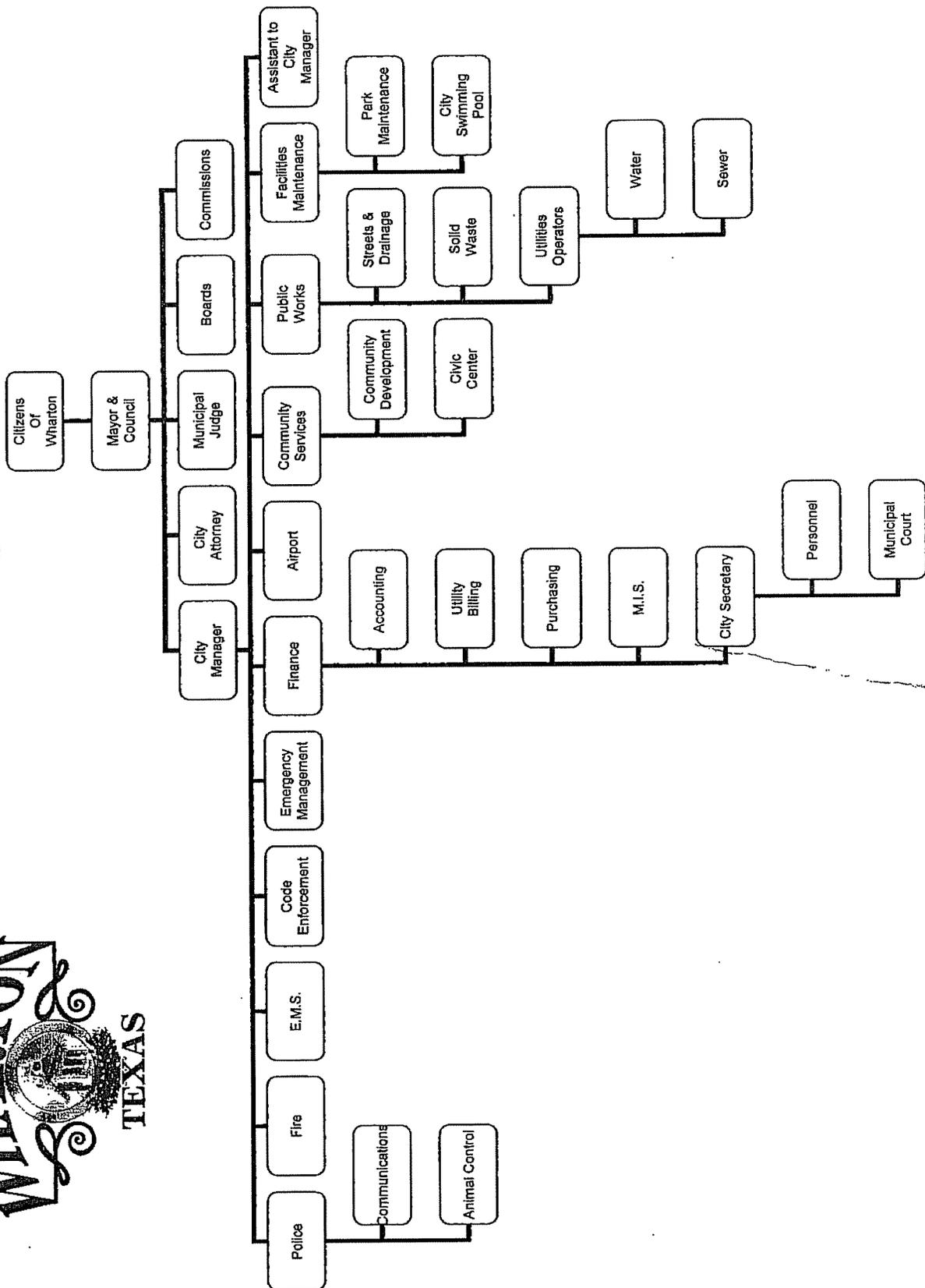


President

Executive Director



# Organizational Chart



**Elected Officials**

Dr. David W. Samuelson	Mayor
V. L. Wiley, Jr.	Council Member District 1
Lewis Fortenberry, Jr.	Council Member District 2
Terry David Lynch	Council Member District 3
Donald Mueller	Council Member District 4
Domingo Montalvo, Jr.	Council Member At Large Place 5
Jeff Gubbels	Council Member At Large Place 6

**Appointed Officials**

Andres Garza, Jr.	City Manager
Paul Webb	City Attorney
Mary Garcia	Municipal Judge
Joyce Vasut, CPA	Finance Director

**Department Heads**

Lisa Olmeda	City Secretary
Tim Guin	Police Chief
Bobby Barnett	Fire Chief
Ronnie Bollom	Building Official
Carter Miska	Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Jo Knezek	Community Services Director
Jim Cooper	Emergency Management Coordinator

## **FINANCIAL SECTION**

**HARRISON, WALDROP & UHEREK, L.L.P.**



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**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
of the City Council  
City of Wharton, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wharton Economic Development Corporation, which statements reflect total assets of \$1,010,565 as of September 30, 2009, and total revenues of \$646,303 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included in the component unit column, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards and standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 60 through 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and Members  
of the City Council

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements and schedules, and statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our report and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Harrison Waldrop + Wheeler, LLP.*

March 11, 2010

The discussion and analysis of the City of Wharton's (the "City") financial performance provides an overview of the City's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2009, by \$21,358,765. Of this amount, \$3,244,472 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2009, the City's governmental funds reported combined ending fund balances of \$3,372,875, a net increase of \$1,304,308 in comparison with prior year. The net increase in fund balance was mainly due to the issuance of the 2009 Certificates of Obligation during fiscal year 2009.
- At September 30, 2009, unreserved fund balance for the General Fund was \$1,406,141 or 28.02% of total General Fund expenditures.
- The total cost of all City activities was \$11,135,932 for the fiscal year. The net expense was \$4,619,691.
- During the year, the City's general net expenses exceeded general revenues of the governmental activities by \$51,315. This represents a 0.58% decrease in net assets from the previous fiscal year as a result of operations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Organization and Flow of Financial Section Information**

**Independent Auditors' Report**

*Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.*

**Management's Discussion and Analysis**

*This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.*

Pages 3 to 13

**Government-wide Financial Statements**

*Provides information on governmental and business-type activities of the primary government.*

Pages 14 to 17

**Fund Financial Statements**

*Provides information on the financial position of specific funds of the primary governments.*

Pages 18 to 29

**Notes to Financial Statements**

*Provides a summary of significant accounting policies and related disclosures.*

Pages 30 to 59

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## OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

### Government-wide Financial Statements

The government-wide financial statements, which consist of the following two 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during fiscal year 2009. All changes in net assets 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 and earned, but unused vacation leave).

Both of these 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, public works, cultural and recreation, and interest on long-term debt. The business-type activities of the City include water and wastewater services, solid waste disposal, emergency medical services, civic center, and airport operations. The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit, Wharton Economic Development Corporation (WEDC). The component unit is not included as part of the primary government.

### 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* 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 available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 financial decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

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## OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

### Fund Financial Statements - (Continued)

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

The City adopts an annual appropriated budget for its General and Debt Service Funds and some of the Special Revenue Funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

The City maintains one type of *proprietary fund* known as enterprise funds which 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 the fiscal activities relating to water and wastewater services, solid waste disposal, emergency medical services, civic center operations, and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater services, solid waste disposal, emergency medical services, civic center operations, and airport operations which are all considered to be major funds.

The basic proprietary fund financial statements follow the governmental fund financial statements.

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 30 through 59 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund. Required supplementary information can be found on pages 60 through 61 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 60 through 113 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,358,765 at the close of the fiscal year ended September 30, 2009.

At the end of fiscal year 2009, the City is able to report positive balances in all three categories of net assets for the government as a whole.

<b>City of Wharton, Texas</b>						
<b>Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>						
Current assets	\$ 3,970,763	\$ 2,606,667	\$ 2,053,451	\$ 161,996	\$ 6,024,214	\$ 2,768,663
Capital assets (net)	12,326,038	12,549,164	16,896,577	16,892,603	29,222,615	29,441,767
Other noncurrent assets	166,500	117,375	121,250	20,383	287,750	137,758
<b>Total assets</b>	<b>16,463,301</b>	<b>15,273,206</b>	<b>19,071,278</b>	<b>17,074,982</b>	<b>35,534,579</b>	<b>32,348,188</b>
<b>LIABILITIES</b>						
Current and other liabilities	919,629	756,576	893,396	997,965	1,813,025	1,754,541
Noncurrent liabilities	6,690,981	5,612,624	5,671,808	3,937,182	12,362,789	9,549,806
<b>Total liabilities</b>	<b>7,610,610</b>	<b>6,369,200</b>	<b>6,565,204</b>	<b>4,935,147</b>	<b>14,175,814</b>	<b>11,304,347</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	6,832,082	6,863,521	10,863,971	12,596,624	17,696,053	19,460,145
Restricted	418,240	513,775	-	-	418,240	513,775
Unrestricted	1,602,369	1,526,710	1,642,103	(456,789)	3,244,472	1,069,921
<b>Total net assets</b>	<b>\$ 8,852,691</b>	<b>\$ 8,904,006</b>	<b>\$ 12,506,074</b>	<b>\$ 12,139,835</b>	<b>\$ 21,358,765</b>	<b>\$ 21,043,841</b>

The largest portion of the City's net assets (82.85%) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has restricted net assets of \$418,240 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$3,244,472 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities decreased the City's net assets by \$51,315 or 0.58% which was almost a break even. However, there was a net increase of \$366,239 in net assets reported in connection with the City's business-type activities. This increase is mainly due to two reasons. At September 30, 2009, assets exceeded liabilities by \$156,829 and fiscal year 2009 transfers to other funds decreased by \$168,034 from the prior year. Overall, there was a \$314,924 increase in the net assets of the City.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**City of Wharton, Texas**

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 367,967	\$ 332,174	\$ 5,105,465	\$ 4,933,998	\$ 5,473,432	\$ 5,266,172
Operating grants and contributions	289,500	729,601	242,765	243,467	532,265	973,068
Capital grants and contributions	123,311	1,899,894	387,233	752,387	510,544	2,652,281
General revenues:						
Property taxes	1,947,147	1,928,867	-	-	1,947,147	1,928,867
Sales taxes	1,237,646	1,240,084	-	-	1,237,646	1,240,084
Franchise taxes	991,182	1,047,982	-	-	991,182	1,047,982
Other taxes	174,996	199,153	-	-	174,996	199,153
Unrestricted investment earnings	9,916	65,870	2,468	14,936	12,384	80,806
Industrial district payment	467,451	79,268	-	-	467,451	79,268
Miscellaneous	82,009	245,218	21,800	-	103,809	245,218
<b>Total revenues</b>	<b>5,691,125</b>	<b>7,768,111</b>	<b>5,759,731</b>	<b>5,944,788</b>	<b>11,450,856</b>	<b>13,712,899</b>
<b>EXPENSES</b>						
General government	822,357	1,316,196	-	-	822,357	1,316,196
Public safety	3,012,237	2,825,817	-	-	3,012,237	2,825,817
Public works	1,644,418	1,817,233	-	-	1,644,418	1,817,233
Cultural and recreation	218,224	248,535	-	-	218,224	248,535
Interest on long-term debt	250,056	231,552	-	-	250,056	231,552
Water and sewer	-	-	2,311,685	2,162,499	2,311,685	2,162,499
Solid waste	-	-	1,273,376	1,175,700	1,273,376	1,175,700
Emergency medical services	-	-	1,098,147	1,300,504	1,098,147	1,300,504
Civic center	-	-	279,893	222,166	279,893	222,166
Airport	-	-	225,539	252,061	225,539	252,061
<b>Total expenses</b>	<b>5,947,292</b>	<b>6,439,333</b>	<b>5,188,640</b>	<b>5,112,930</b>	<b>11,135,932</b>	<b>11,552,263</b>
Change in net assets before transfers	(256,167)	1,328,778	571,091	831,858	314,924	2,160,636
Transfers	204,852	372,886	(204,852)	(372,886)	-	-
Change in net assets	(51,315)	1,701,664	366,239	458,972	314,924	2,160,636
Net assets - beginning	8,904,006	7,202,342	12,139,835	11,680,863	21,043,841	18,883,205
Net assets - ending	\$ 8,852,691	\$ 8,904,006	\$ 12,506,074	\$ 12,139,835	\$ 21,358,765	\$ 21,043,841

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**Governmental Activities**

Governmental activities decreased the City's net assets by \$51,315. Key elements of this decrease are as follows:

- Operating grants and contributions decreased \$440,101 or 60% from prior year due to the prior year including the HOME grant. Consistent with this decrease, is a decrease in general government expenses of \$493,839 or 38% where the HOME grant expenses were included.
- Capital grants and contributions decreased \$1,776,583 or 94% from prior year due to the prior year including monies received related to the Buc-ee's project.
- Payment received from Navasota Energy on the industrial agreement increased over prior year by \$388,183.

**City of Wharton, Texas**

**Expenses and Program Revenues - Governmental Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General government	\$ 822,357	13.83%	\$ 376,193	48.18%	\$ (446,164)
Public safety	3,012,237	50.65%	251,590	32.22%	(2,760,647)
Public works	1,644,418	27.65%	131,761	16.88%	(1,512,657)
Cultural and recreation	218,224	3.67%	21,234	2.72%	(196,990)
Interest on long-term debt	250,056	4.20%	-	0.00%	(250,056)
<b>Total</b>	<b>\$ 5,947,292</b>	<b>100.00%</b>	<b>\$ 780,778</b>	<b>100.00%</b>	<b>\$ (5,166,514)</b>

**City of Wharton, Texas**

**Revenues by Source - Governmental Activities**

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 367,967	6.32%
Operating grants and contributions	289,500	4.97%
Capital grants and contributions	123,311	2.12%
Property taxes	1,947,147	33.43%
Sales taxes	1,237,646	21.25%
Franchise taxes	919,182	15.78%
Other taxes	174,996	3.00%
Unrestricted investments earnings	9,916	0.17%
Industrial district payment	467,451	8.03%
Miscellaneous	82,009	1.41%
Transfers	204,852	3.52%
	<b>\$ 5,823,977</b>	<b>100.00%</b>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**Business-type Activities**

Business-type activities increased the City's net assets by \$366,239. Key elements of this increase are as follows:

- Capital and noncapital contributions were \$629,998 for all business-type activities which is a decrease of \$365,856 or 37% from prior year. \$351,009 was received and spent in the prior year related to the Industrial Park Improvement Project.
- Charges for services increased by more than \$170,000 for all business-type activities.
- The Water and Sewer Fund attributed to \$349,500 of the increase in charges for services due to a rate increase in October 2008 and a very dry summer in 2009.
- The charges for solid waste services increased by over \$140,000 due to a new contract with a new solid waste service provider and an increase in rates beginning in October 2008.
- The EMS bad debt expense increased \$139,147 or 49% over prior year while revenues remained relatively stable.
- In the Civic Center Fund, revenues were slightly down and expenses were up. However, with an increase in the transfer of funds from the Hotel/Motel Tax Fund, the Civic Center Fund ended the fiscal year with only a \$1,786 decrease in net assets.
- The \$225,922 capital contributions in the Airport Fund allowed for a \$217,769 increase in net assets. The revenues decreased slightly due to a vacancy in a large industrial hangar for a portion of the fiscal year.

**City of Wharton, Texas**

**Expenses and Program Revenues - Business-type Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water and sewer	\$ 2,311,685	45%	\$ 2,909,008	50.72%	\$ 597,323
Solid waste	1,273,376	25%	1,300,634	22.68%	27,258
Emergency medical services	1,098,147	21%	1,012,083	17.65%	(86,064)
Civic center	279,893	5%	71,116	1.24%	(208,777)
Airport	<u>225,539</u>	<u>4%</u>	<u>442,622</u>	<u>7.72%</u>	<u>217,083</u>
<b>Total</b>	<b>\$ 5,188,640</b>	<b>100%</b>	<b>\$ 5,735,463</b>	<b>100.00%</b>	<b>\$ 546,823</b>

**City of Wharton, Texas**

**Revenues by Source - Business-type Activities**

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 5,105,465	91.91%
Operating grants and contributions	242,765	4.37%
Capital grants and contributions	387,233	6.97%
Miscellaneous	21,800	0.39%
Unrestricted investment earnings	2,468	0.04%
Transfers	<u>(204,852)</u>	<u>-3.69%</u>
	<b>\$ 5,554,879</b>	<b>100.00%</b>

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## **FINANCIAL ANALYSIS OF THE CITY'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2009, the City's governmental funds reported combined ending fund balances of \$3,372,875 an increase of \$1,304,308 in comparison with prior year. The net increase in fund balance was mainly due to the issuance of the 2009 Certificates of Obligation during fiscal year 2009 in the amount of \$1,595,593. These proceeds are accounted for in the 2009 Bond Construction Fund, a major Capital Projects Fund. The General Fund ended the fiscal year with an increase of \$509, the Special Revenue Funds with a decrease of \$77,480, a decrease in the Debt Service Fund of \$2,750, and a decrease of \$94,703 in the nonmajor Capital Project Funds. Unreserved fund balance is \$2,054,383 and is available for spending, subject to regulatory, statutory, and budgetary restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period in the amount of \$14,184.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2009, unreserved fund balance of the General Fund was \$1,406,141, while total fund balance reached \$1,418,712. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28.02% of the total General Fund expenditures, while total fund balance represents 28.27% of that same amount.

The fund balance of the City's General Fund increased by \$509 during the current fiscal year. Although the increase was very minimal, there were offsetting factors that affected the fund balance:

- The industrial district payment from Navasota Energy increased from prior year by \$388,183.
- Public safety expenditures increased over prior year by \$342,539 due mainly to an increase in personnel costs of \$175,000 for police and \$60,000 for communications due to there only being minimal vacant positions during the year. The remainder of the increase was due to additional costs associated with the relocation to the new police station during the fiscal year.

### **Proprietary Funds**

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

Unrestricted net assets of proprietary funds at the end of the year amounted to:

<u>Fund</u>	<u>Unrestricted Net Assets</u>
Water and sewer	\$ 1,186,665
Solid Waste	(61,457)
Emergency Medical Services	21,342
Civic Center	175,322
Airport	<u>320,231</u>
	<u>\$ 1,642,103</u>

This represents an increase of \$2,098,892 from the prior year unrestricted net assets balances. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

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## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget were a net increase of \$120,654 to revenues and to expenditures. The changes can be briefly summarized as follows:

- An increase of nearly \$155,000 received from Navasota Energy for the industrial district payment.
- An additional \$60,000 of grant funding from FEMA for the efforts relative to Hurricane Ike.
- \$112,000 decrease in the transfer from the Water and Sewer Fund for administrative costs.
- \$60,000 increase in electricity, maintenance, and other operating expenditures.
- \$60,000 increase in capital purchase, for a police vehicle, code enforcement vehicle, and additional improvements to the police station.

For fiscal year 2009, the General Fund's revenues were \$44,337 less than the final budget. This budget variance was due to revenues that the City anticipated receiving on the sale of City property and the sale did not occur.

For fiscal year 2009, the General Fund's expenditures were \$17,846 less than the final budget. There were no significant variances between the General Fund's expenditures and final budget.

The transfer from the Water and Sewer Fund for administrative services was \$27,000 more than the final budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$29,222,615 (net of accumulated depreciation). This investment in capital assets includes land, machinery and equipment, buildings, infrastructure, and water and wastewater distribution system. The total net decrease in the City's investment in capital assets for the current fiscal year was 0.74% (a 1.78% decrease for governmental activities and relatively no change for business-type activities). There were no major capital asset events during the current fiscal year.

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### City of Wharton, Texas

#### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	15,340	26,606	172,311	214,209	187,651	240,815
Machinery and equipment	1,299,659	1,478,307	516,954	533,586	1,816,613	2,011,893
Land improvements	-	-	277,389	41,161	277,389	41,161
Bldgs. and improvements	2,994,944	2,984,971	4,506,450	4,550,550	7,501,394	7,535,521
Infrastructure	6,842,810	6,885,995	-	-	6,842,810	6,885,995
Water and sewer system	-	-	11,104,380	11,234,004	11,104,380	11,234,004
<b>Total</b>	<b>\$ 12,326,038</b>	<b>\$ 12,549,164</b>	<b>\$ 16,896,577</b>	<b>\$ 16,892,603</b>	<b>\$ 29,222,615</b>	<b>\$ 29,441,767</b>

Additional information on the City's capital assets can be found in Note 6 of this report.

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**CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)****Long-Term Debt**

At the end of fiscal year 2009, the City had total bonded debt outstanding of \$12,114,980 of which 100% is backed by the full faith and credit of the government. In addition, the City had outstanding \$665,000 in tax anticipation notes, \$225,314 in capital leases, and \$334,678 in compensated absences as of September 30, 2009.

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City of Wharton, Texas			
Long-term Debt			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 345,800	\$ 714,200	\$ 1,060,000
Issuance premiums	33,193	51,787	84,980
Certificates of obligation	5,703,381	5,266,619	10,970,000
Tax anticipation notes	665,000	-	665,000
Capital leases	225,314	-	225,314
Compensated absences	273,721	60,957	334,678
Total	<u>\$ 7,246,409</u>	<u>\$ 6,093,563</u>	<u>\$ 13,339,972</u>

The City's total outstanding debt increased by \$2,926,302 or 28.10% over the prior fiscal year. The key factors in this net increase were:

- The City issued certificates of obligation in the amount of \$4,000,000 during the fiscal year to fund various projects.
- The City issued general obligation bonds in the amount of \$300,000 during the fiscal year to fund improvements to the water system.
- Payments made on the certificates and bonds during fiscal year 2009 totaled \$705,000.

Additional information on the City's debt can be found in Note 11 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Net taxable assessed value before freeze for tax year 2009 increased by \$2,900,133 or 0.73% to over \$400 million.
- The top ten principal taxpayers account for 26.60% of the total assessed valuation as compared to 47.58% nine years ago.
- The ad valorem tax rate for the General Fund was reduced by \$0.04 per \$100 valuation to \$0.48671 per \$100 valuation for the 2010 fiscal year budget.
- The City is expecting sales tax revenue for fiscal year 2010 to be 5 to 10% less than sales tax revenues in fiscal year 2009.
- The City's General Fund projected ending unreserved fund balance for fiscal year 2010 to remain stable.

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - (Continued)**

**Requests for Information**

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Office of the Finance Director, 120 East Caney, Wharton, Texas 77488.

## **Basic Financial Statements**

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,382,548	\$ 341,012	\$ 4,723,560	\$ 604,472
Receivables, net	437,748	433,368	871,116	102,662
Internal balances	(1,174,301)	1,174,301	-	-
Due from component unit	32,525	-	32,525	-
Due from other governments	279,672	34,765	314,437	-
Deferred expenditures	12,571	-	12,571	2,740
Inventory	-	70,005	70,005	2,000
<b>Total current assets</b>	<b>3,970,763</b>	<b>2,053,451</b>	<b>6,024,214</b>	<b>711,874</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,188,625	491,404	1,680,029	253,548
Buildings, infrastructure, and equipment, net	11,137,413	16,405,173	27,542,586	11,543
<b>Net capital assets</b>	<b>12,326,038</b>	<b>16,896,577</b>	<b>29,222,615</b>	<b>265,091</b>
Bond issue costs, net	166,500	121,250	287,750	33,600
<b>Total noncurrent assets</b>	<b>12,492,538</b>	<b>17,017,827</b>	<b>29,510,365</b>	<b>298,691</b>
<b>Total assets</b>	<b>16,463,301</b>	<b>19,071,278</b>	<b>35,534,579</b>	<b>1,010,565</b>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 229,342	\$ 210,646	\$ 439,988	\$ -
Accrued expenditures/expenses	19,054	10,710	29,764	-
Due to primary government	-	-	-	32,525
Due to other governments	32,163	7,770	39,933	-
Deposits	100	181,800	181,900	-
Accrued interest payable	83,542	60,715	144,257	5,111
Compensated absences	27,372	6,155	33,527	-
Current portion of long-term obligations	528,056	415,600	943,656	75,000
Total current liabilities	919,629	893,396	1,813,025	112,636
Noncurrent liabilities				
Compensated absences	246,349	54,802	301,151	-
Noncurrent portion of long-term obligations	6,444,632	5,617,006	12,061,638	616,400
Total noncurrent liabilities	6,690,981	5,671,808	12,362,789	616,400
<b>Total liabilities</b>	<b>7,610,610</b>	<b>6,565,204</b>	<b>14,175,814</b>	<b>729,036</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,832,082	10,863,971	17,696,053	265,091
Restricted for:				
Debt service	336,973	-	336,973	-
Culture and recreation	49,379	-	49,379	-
Public safety	31,888	-	31,888	-
Unrestricted net assets	1,602,369	1,642,103	3,244,472	16,438
<b>Total net assets</b>	<b>\$ 8,852,691</b>	<b>\$ 12,506,074</b>	<b>\$ 21,358,765</b>	<b>\$ 281,529</b>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2009

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 822,357	\$ 356,333	\$ 19,860	\$ -
Public safety	3,012,237	-	251,590	-
Public works	1,644,418	-	8,450	123,311
Cultural and recreation	218,224	11,634	9,600	-
Interest on long-term debt	250,056	-	-	-
Total governmental activities	<u>5,947,292</u>	<u>367,967</u>	<u>289,500</u>	<u>123,311</u>
Business-type activities				
Water and sewer	2,311,685	2,785,697	-	123,311
Solid waste	1,273,376	1,300,634	-	-
Emergency medical services	1,098,147	766,083	208,000	38,000
Civic center	279,893	71,116	-	-
Airport	225,539	181,935	34,765	225,922
Total business-type activities	<u>5,188,640</u>	<u>5,105,465</u>	<u>242,765</u>	<u>387,233</u>
Total primary government	<u>\$ 11,135,932</u>	<u>\$ 5,473,432</u>	<u>\$ 532,265</u>	<u>\$ 510,544</u>
<b>Component Unit</b>				
Wharton Economic Development Corporation	<u>\$ 589,901</u>	<u>\$ 10,740</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Industrial district payment

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (446,164)	\$ -	\$ (446,164)	\$ -
(2,760,647)	-	(2,760,647)	-
(1,512,657)	-	(1,512,657)	-
(196,990)	-	(196,990)	-
(250,056)	-	(250,056)	-
<u>(5,166,514)</u>	<u>-</u>	<u>(5,166,514)</u>	<u>-</u>
-	597,323	597,323	-
-	27,258	27,258	-
-	(86,064)	(86,064)	-
-	(208,777)	(208,777)	-
-	217,083	217,083	-
-	<u>546,823</u>	<u>546,823</u>	-
<u>(5,166,514)</u>	<u>546,823</u>	<u>(4,619,691)</u>	-
-	-	-	<u>(579,161)</u>
1,361,900	-	1,361,900	-
585,247	-	585,247	-
1,237,646	-	1,237,646	622,239
991,182	-	991,182	-
174,996	-	174,996	-
9,916	2,468	12,384	11,324
467,451	-	467,451	-
82,009	21,800	103,809	2,000
204,852	(204,852)	-	-
<u>5,115,199</u>	<u>(180,584)</u>	<u>4,934,615</u>	<u>635,563</u>
(51,315)	366,239	314,924	56,402
<u>8,904,006</u>	<u>12,139,835</u>	<u>21,043,841</u>	<u>225,127</u>
<u>\$ 8,852,691</u>	<u>\$ 12,506,074</u>	<u>\$ 21,358,765</u>	<u>\$ 281,529</u>

**CITY OF WHARTON, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>2009 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 551,660	\$ 357,926	\$ 3,285,198	\$ 187,764	\$ 4,382,548
Receivables, net	344,131	57,556	-	36,061	437,748
Due from other funds	825,657	4,133	-	49,867	879,657
Due from component unit	32,525	-	-	-	32,525
Due from other governments	212,825	900	-	65,947	279,672
Deferred expenditures	12,571	-	-	-	12,571
<b>Total assets</b>	<b><u>\$ 1,979,369</u></b>	<b><u>\$ 420,515</u></b>	<b><u>\$ 3,285,198</u></b>	<b><u>\$ 339,639</u></b>	<b><u>\$ 6,024,721</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 203,082	\$ -	\$ -	\$ 26,260	\$ 229,342
Accrued expenditures	19,054	-	-	-	19,054
Accrued interest payable	-	4,947	-	-	4,947
Due to other governments	32,163	-	-	-	32,163
Due to other funds	51,532	-	1,806,466	195,960	2,053,958
Deposits	100	-	-	-	100
Deferred revenue	254,726	57,556	-	-	312,282
<b>Total liabilities</b>	<b><u>560,657</u></b>	<b><u>62,503</u></b>	<b><u>1,806,466</u></b>	<b><u>222,220</u></b>	<b><u>2,651,846</u></b>
<b>Fund balances</b>					
Reserved for:					
Deferred expenditures	12,571	-	-	-	12,571
Unreserved, undesignated reported in:					
General fund	1,406,141	-	-	-	1,406,141
Special revenue funds	-	-	-	117,419	117,419
Debt service fund	-	358,012	-	-	358,012
Capital project funds	-	-	1,478,732	-	1,478,732
<b>Total fund balances</b>	<b><u>1,418,712</u></b>	<b><u>358,012</u></b>	<b><u>1,478,732</u></b>	<b><u>117,419</u></b>	<b><u>3,372,875</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,979,369</u></b>	<b><u>\$ 420,515</u></b>	<b><u>\$ 3,285,198</u></b>	<b><u>\$ 339,639</u></b>	<b><u>\$ 6,024,721</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

September 30, 2009

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<b>Total governmental fund balances</b>	<b>\$ 3,372,875</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	250,309
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	61,973
Other noncurrent assets (for example, bond issue costs) used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$197,982 and the accumulated amortization is \$31,482.	166,500
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$20,133,506 and the accumulated depreciation is \$7,807,468.	12,326,038
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds and certificates payable	\$ (6,049,181)
Bond premiums	(33,193)
Tax anticipation notes payable	(665,000)
Capital leases payable	(225,314)
Accrued interest payable	(78,595)
Compensated absences	(273,721)
	<u>(7,325,004)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 8,852,691</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

For the year ended September 30, 2009

	General	Debt Service	2009 Bond Construction	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,635,704	\$ 593,121	\$ -	\$ 174,996	\$ 4,403,821
Licenses and permits	72,908	-	-	-	72,908
Intergovernmental	137,223	-	-	265,988	403,211
Charges for services	12,709	-	-	-	12,709
Fines and forfeitures	244,022	-	-	14,468	258,490
Investment income	4,842	3,708	23	1,343	9,916
Industrial district fee	467,451	-	-	-	467,451
Miscellaneous	68,015	-	-	30,856	98,871
<b>Total revenues</b>	<u>4,642,874</u>	<u>596,829</u>	<u>23</u>	<u>487,651</u>	<u>5,727,377</u>
<b>EXPENDITURES</b>					
Current					
General government	781,164	-	-	24,250	805,414
Public safety	2,788,284	-	-	22,300	2,810,584
Public works	1,134,945	-	54,333	37,541	1,226,819
Cultural and recreation	129,379	-	-	51,350	180,729
Capital outlay	122,601	-	-	353,189	475,790
Debt service					
Principal retirement	48,577	370,240	-	-	418,817
Interest and fiscal charges	13,471	229,339	-	-	242,810
Bond issuance costs	-	-	62,551	-	62,551
<b>Total expenditures</b>	<u>5,018,421</u>	<u>599,579</u>	<u>116,884</u>	<u>488,630</u>	<u>6,223,514</u>
Excess (deficiency) of revenues over expenditures	(375,547)	(2,750)	(116,861)	(979)	(496,137)
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	-	1,562,400	-	1,562,400
Premium on issuance of bonds	-	-	33,193	-	33,193
Transfers in	376,056	-	-	75,000	451,056
Transfers out	-	-	-	(246,204)	(246,204)
<b>Total other financing sources (uses)</b>	<u>376,056</u>	<u>-</u>	<u>1,595,593</u>	<u>(171,204)</u>	<u>1,800,445</u>
Net change in fund balances	509	(2,750)	1,478,732	(172,183)	1,304,308
Fund balances at beginning of year	<u>1,418,203</u>	<u>360,762</u>	<u>-</u>	<u>289,602</u>	<u>2,068,567</u>
<b>Fund balances at end of year</b>	<u>\$ 1,418,712</u>	<u>\$ 358,012</u>	<u>\$ 1,478,732</u>	<u>\$ 117,419</u>	<u>\$ 3,372,875</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2009

<b>Total net change in fund balances - governmental funds</b>		\$ 1,304,308
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2008/2009 capital outlays is to increase net assets.		348,751
The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase net assets.		(37,248)
Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(534,628)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Bond principal retirement	\$ 370,240	
Capital lease principal retirement	<u>48,577</u>	418,817
Proceeds of long-term debt during the year are recognized as other financing sources in the governmental funds but increases the liabilities in the statement of net assets. In the current year, this amount consisted of:		
2009 Certificates of Obligation	<u>(1,562,400)</u>	(1,562,400)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.		
Property taxes	10,644	
Other revenues	<u>(9,650)</u>	994
Some items 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. These activities consist of:		
Increase in compensated absences	(12,022)	
Net increase in bond issuance costs	49,125	
Net increase in bond premium	(33,193)	
Increase in accrued interest	<u>6,181</u>	<u>10,091</u>
<b>Change in net assets of governmental activities</b>		<u>\$ (51,315)</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2009

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 60,302	\$ 16,876	\$ 49,158
Receivables, net			
Accounts	253,461	134,140	31,636
Due from other funds	1,576,255	1,486	16,525
Due from other governments	-	-	-
Inventory	45,618	-	-
Total current assets	<u>1,935,636</u>	<u>152,502</u>	<u>97,319</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	449,061	-	-
Buildings, improvements, and equipment, net	11,268,414	-	265,019
Net capital assets	<u>11,717,475</u>	<u>-</u>	<u>265,019</u>
Bond issue costs, net	111,778	-	-
Total noncurrent assets	<u>11,829,253</u>	<u>-</u>	<u>265,019</u>
<b>Total assets</b>	<u>13,764,889</u>	<u>152,502</u>	<u>362,338</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	76,496	52,915	46,637
Accrued expenses	3,960	167	5,359
Due to other governments	-	7,770	-
Deposits	174,350	150	-
Accrued interest payable	52,967	-	-
Due to other funds	527,419	152,891	2,111
Compensated absences	2,556	66	2,187
Current portion of certificates of obligation	114,150	-	-
Current portion of general obligation bonds	242,575	-	-
Total current liabilities	<u>1,194,473</u>	<u>213,959</u>	<u>56,294</u>
Noncurrent liabilities			
Compensated absences	23,001	-	19,683
Certificates of obligation, net of current portion	4,565,288	-	-
General obligation bonds, net of current portion	471,625	-	-
Total noncurrent liabilities	<u>5,059,914</u>	<u>-</u>	<u>19,683</u>
<b>Total liabilities</b>	<u>6,254,387</u>	<u>213,959</u>	<u>75,977</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,323,837	-	265,019
Unrestricted net assets	1,186,665	(61,457)	21,342
<b>Total net assets</b>	<u>\$ 7,510,502</u>	<u>\$ (61,457)</u>	<u>\$ 286,361</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 143,131	\$ 71,545	\$ 341,012
3,195	10,936	433,368
64,869	199,202	1,858,337
-	34,765	34,765
-	24,387	70,005
<u>211,195</u>	<u>340,835</u>	<u>2,737,487</u>
-	42,343	491,404
<u>1,528,059</u>	<u>3,343,681</u>	<u>16,405,173</u>
<u>1,528,059</u>	<u>3,386,024</u>	<u>16,896,577</u>
-	9,472	121,250
<u>1,528,059</u>	<u>3,395,496</u>	<u>17,017,827</u>
<u>1,739,254</u>	<u>3,736,331</u>	<u>19,755,314</u>
11,254	23,344	210,646
759	465	10,710
-	-	7,770
6,600	700	181,800
4,750	2,998	60,715
9	1,606	684,036
1,250	96	6,155
20,525	38,350	173,025
-	-	242,575
<u>45,147</u>	<u>67,559</u>	<u>1,577,432</u>
11,251	867	54,802
243,180	336,913	5,145,381
-	-	471,625
<u>254,431</u>	<u>337,780</u>	<u>5,671,808</u>
<u>299,578</u>	<u>405,339</u>	<u>7,249,240</u>
1,264,354	3,010,761	10,863,971
<u>175,322</u>	<u>320,231</u>	<u>1,642,103</u>
<u>\$ 1,439,676</u>	<u>\$ 3,330,992</u>	<u>\$ 12,506,074</u>

**CITY OF WHARTON, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUNDS**

For the year ended September 30, 2009

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,773,882	\$ 1,300,634	\$ 766,083
<b>Total operating revenues</b>	<u>2,773,882</u>	<u>1,300,634</u>	<u>766,083</u>
<b>OPERATING EXPENSES</b>			
Personnel	639,637	32,443	732,161
Materials and supplies	102,533	10	81,392
Repairs and maintenance	178,515	-	33,792
Other services and charges	729,009	1,240,923	154,698
Depreciation and amortization	466,064	-	96,104
<b>Total operating expenses</b>	<u>2,115,758</u>	<u>1,273,376</u>	<u>1,098,147</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	658,124	27,258	(332,064)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Noncapital grants and contributions	-	-	208,000
Gain on sale of capital assets	-	-	21,800
Investment income	363	277	355
Interest and fiscal charges	(184,112)	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>(183,749)</u>	<u>277</u>	<u>230,155</u>
Income (loss) before transfers and contributions	474,375	27,535	(101,909)
Contributions and transfers			
Capital grants and contributions	123,311	-	38,000
Transfers in	-	-	-
Transfers out	(367,000)	-	(44,056)
<b>Total contributions and transfers</b>	<u>(243,689)</u>	<u>-</u>	<u>(6,056)</u>
Change in net assets	230,686	27,535	(107,965)
Net assets at beginning of year	7,279,816	(88,992)	394,326
<b>Net assets at end of year</b>	<u>\$ 7,510,502</u>	<u>\$ (61,457)</u>	<u>\$ 286,361</u>

The accompanying notes are an integral part of this statement.

---

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 71,116	\$ 181,935	\$ 5,093,650
<u>71,116</u>	<u>181,935</u>	<u>5,093,650</u>
120,004	67,511	1,591,756
9,494	5,331	198,760
39,554	16,613	268,474
48,057	47,326	2,220,013
<u>48,199</u>	<u>80,528</u>	<u>690,895</u>
<u>265,308</u>	<u>217,309</u>	<u>4,969,898</u>
(194,192)	(35,374)	123,752
-	34,765	242,765
-	-	21,800
787	686	2,468
<u>(14,585)</u>	<u>(8,230)</u>	<u>(206,927)</u>
<u>(13,798)</u>	<u>27,221</u>	<u>60,106</u>
(207,990)	(8,153)	183,858
-	225,922	387,233
206,204	-	206,204
-	-	<u>(411,056)</u>
<u>206,204</u>	<u>225,922</u>	<u>182,381</u>
(1,786)	217,769	366,239
<u>1,441,462</u>	<u>3,113,223</u>	<u>12,139,835</u>
<u>\$ 1,439,676</u>	<u>\$ 3,330,992</u>	<u>\$ 12,506,074</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2009

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 2,752,826	\$ 1,296,213	\$ 816,133
Cash paid to suppliers for goods and services	(1,154,429)	(1,242,133)	(249,091)
Cash paid to employees for services	(637,971)	(32,454)	(729,249)
<b>Net cash provided (used) by operating activities</b>	<u>960,426</u>	<u>21,626</u>	<u>(162,207)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowing (repayments) to other funds	(1,758,023)	(5,619)	30,877
Transfers in from other funds	-	-	-
Transfers out to other funds	(367,000)	-	(44,056)
Grants and contributions	-	-	208,000
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(2,125,023)</u>	<u>(5,619)</u>	<u>194,821</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(126,622)	-	(141,476)
Proceeds from capital grants and contributions	-	-	38,000
Proceeds from sale of capital assets	-	-	21,800
Proceeds from issuance of debt	2,583,504	-	-
Issuance costs paid on long-term debt	(101,519)	-	-
Principal paid on long-term debt	(997,085)	-	-
Interest paid on long-term debt	(183,052)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>1,175,226</u>	<u>-</u>	<u>(81,676)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	363	277	355
<b>Net cash provided (used) by investing activities</b>	<u>363</u>	<u>277</u>	<u>355</u>
Net increase (decrease) in cash and cash equivalents	10,992	16,284	(48,707)
Cash and cash equivalents at beginning of year	<u>49,310</u>	<u>592</u>	<u>97,865</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 60,302</u>	<u>\$ 16,876</u>	<u>\$ 49,158</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 72,597	\$ 183,565	\$ 5,121,334
(92,648)	(36,402)	(2,774,703)
<u>(118,750)</u>	<u>(67,615)</u>	<u>(1,586,039)</u>
<u>(138,801)</u>	<u>79,548</u>	<u>760,592</u>
(63,781)	(240,685)	(2,037,231)
206,204	-	206,204
-	-	(411,056)
-	21,474	229,474
<u>142,423</u>	<u>(219,211)</u>	<u>(2,012,609)</u>
-	(294,737)	(562,835)
-	225,922	263,922
-	-	21,800
-	205,883	2,789,387
-	(8,071)	(109,590)
(19,190)	(36,485)	(1,052,760)
<u>(14,816)</u>	<u>(8,204)</u>	<u>(206,072)</u>
<u>(34,006)</u>	<u>84,308</u>	<u>1,143,852</u>
<u>787</u>	<u>686</u>	<u>2,468</u>
<u>787</u>	<u>686</u>	<u>2,468</u>
(29,597)	(54,669)	(105,697)
<u>172,728</u>	<u>126,214</u>	<u>446,709</u>
<u>\$ 143,131</u>	<u>\$ 71,545</u>	<u>\$ 341,012</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2009

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 658,124	\$ 27,258	\$ (332,064)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	466,064	-	96,104
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(21,056)	(4,421)	50,050
(Increase) decrease in inventory	11,190	-	-
Increase (decrease) in accounts payable	(156,348)	(1,709)	20,791
Increase (decrease) in accrued expenses	1,859	44	2,448
Increase (decrease) in deposits	786	75	-
Increase (decrease) in due to other governments	-	434	-
Increase (decrease) in compensated absences	(193)	(55)	464
Total adjustments	<u>302,302</u>	<u>(5,632)</u>	<u>169,857</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 960,426</u>	<u>\$ 21,626</u>	<u>\$ (162,207)</u>
<b>Noncash capital and related financing activities</b>			
Assets acquired from contributions	<u>\$ 123,311</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

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<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (194,192)	\$ (35,374)	\$ 123,752
48,199	80,528	690,895
1,481	1,630	27,684
-	14,496	25,686
4,657	18,172	(114,437)
282	207	4,840
(200)	200	861
-	-	434
<u>972</u>	<u>(311)</u>	<u>877</u>
<u>55,391</u>	<u>114,922</u>	<u>636,840</u>
\$ <u>(138,801)</u>	\$ <u>79,548</u>	\$ <u>760,592</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>123,311</u>

(concluded)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wharton, Texas (the "City"), was organized in 1846 and has adopted a Home Rule Charter. The Charter, as amended, provides for a council-manager form of government. The City Council is the principal legislative body of the City and is composed of a mayor and six council members, two of which are elected at large and four of which are elected by the district, who serve two-year terms. The Mayor presides at City Council meetings and is entitled to vote on all matters considered by the City Council. All powers of the City are vested in the City Council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City. The City provides the following services: public safety to include police, fire and emergency medical services, highways and streets, water and wastewater, sanitation, recreation, public improvements, planning and zoning, and general administration.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. The component units discussed in this note are included in the City's financial statements because of the significance of their financial relationships with the City.

Component Unit

The component unit column in the financial statements includes the financial data from one component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the City.

The component unit column is made of the following:

The Wharton Economic Development Corporation (WEDC) - was created for the purpose of assisting in the promotion, development, and economic growth in the City. This is to be achieved through assistance in the retention of existing businesses and industries and the attraction of new businesses and industries and aid in their development and growth. WEDC was incorporated under the Texas Development Corporation Act of 1979, as amended; Article 5190.6 Vernon's Ann.CIV.ST. Section 4A, as amended, and qualifies as a tax-exempt organization under Code Section 501(c)(4) of the Internal Revenue Code. WEDC's primary source of income is from voter approved sales tax assessed in the City. All powers of WEDC are vested in the Board of Directors appointed by the City Council. The City is also able to impose its will on WEDC, including approving its annual budgets and bonded debt issuance.

The component unit is discretely presented in the financial statements. Complete financial statements of WEDC can be obtained from the WEDC office, 1944 N. Fulton, Wharton, Texas 77488.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

A. Reporting Entity - (Continued)

Other Entities

Other governmental entities operating and providing services within the City's boundaries include the following:

County of Wharton, Texas  
Wharton County Central Appraisal District  
Wharton County Junior College  
Wharton County Rural Fire District #1  
Wharton Independent School District  
Coastal Bend Groundwater Conservation District

None of these entities have been included in the City's financial reporting entity based on evaluation of the prescribed criteria discussed above.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City and its component unit. 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. Likewise, the primary government is reported separately from its legally separate component unit.

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 discretely presented component units. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

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. The City considers property taxes as available if they are collected within 60 days after year-end. A 120 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has three Capital Project Funds, one of which has been reported as a major fund. The 2009 Bond Construction Fund accounts for the use of the proceeds from the City's 2009 Certificates of Obligation on various capital improvement projects.

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Water and Sewer Fund, an enterprise fund, accounts for the activities of the City related to its sewage treatment plant and water distribution system.

The Solid Waste Fund, an enterprise fund, accounts for the operation of the City's garbage collection.

The Emergency Medical Services Fund, an enterprise fund, accounts for the emergency medical services provided to the residents of the City.

The Civic Center Fund, an enterprise fund, accounts for the operation of the City's civic center.

The Airport Fund, an enterprise fund, accounts for the operation of the City's airport.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

Additionally, the City reports the following fund types:

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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 between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes 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 fund 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Procedures in establishing budgetary data reflected in the financial statements are as follows:

1. City department and division leaders shall submit budget requests for the next fiscal year to and as directed by the City Manager for review and consolidation. The City Manager shall submit a proposed annual budget to the City Council before August 31<sup>st</sup> of each fiscal year. Before taxes are levied, but after a public hearing or hearings, the City Council shall adopt an annual budget. The budget shall be adopted by a majority of all members of the City Council not later than fifteen days prior to the beginning of the fiscal year.
2. At any time during the fiscal year, the City Manager is authorized to transfer unencumbered budgeted amounts between line-items within a department; however, any revisions that alter the total budgeted expenditures of any department must be approved by the City Council.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

D. Budgets and Budgetary Accounting - (Continued)

3. Legally adopted annual budgets for the General Fund, certain special revenue funds (the Hotel/Motel Tax Fund, and Narcotics Control Fund), the Debt Service Fund, certain capital project funds (the Street Improvement Fund), and all enterprise funds are prepared on a basis consistent with GAAP. They are presented at the departmental level (i.e., City Manager, City Secretary, etc.), which is the legal level of budgetary control.
4. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2009.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly 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; 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 of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City and the City's component unit, WEDC, are recorded at amortized cost, which as of September 30, 2009, approximates fair value.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes. The allowance on the unpaid property taxes is equal to 10% of the outstanding property taxes and the allowance on the penalties and interest is equal to 50% of the assessed amount.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

H. Inventories and Prepaid Items

Inventories of materials and supplies held by the enterprise funds are valued at the lower of cost (first-in, first-out) or market. Estimated cost is used when actual cost figures are not available. Inventories are not maintained in the General Fund since materials and supplies are charged to related expenditure accounts when purchased. As these amounts are not material to the financial statements, the exclusion of inventories does not materially affect their financial position or result of operations of the General Fund.

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as deferred expenditures (governmental funds) or prepaid expenses (proprietary funds) in the fund financial statements and as deferred expenditures/expenses in the government-wide statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred (interest earnings minus interest expense) during the construction phase of capital assets of business-type activities is capitalized as part of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Water and sewer system	50
Land improvements	50
Infrastructure	50
Machinery and equipment	5-15

J. Compensated Absences

Vacation, compensated time worked, and sick leave are accrued as a liability when earned by the employees since the employees' right to receive this compensation is already rendered and it is probable that the City will compensate the employees for benefits through paid time off or through cash payments at termination.

Employees receive 80 hours of vacation time for the first five years of employment and an additional eight hours for each year beyond the first five up to a maximum of 120 hours. Vacation time is earned on the first day of the fiscal year and must be used by the last day of the fiscal year. However, in some instances vacation time may be carried forward with approval by the City Manager. Upon termination, up to 120 hours of accumulated vacation will be paid to the employee.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

J. Compensated Absences - (Continued)

Employees receive eight hours of sick leave for each month of service. All employees hired after April 12, 1999, will not be eligible for payment for any unused sick leave at termination. Sick leave in excess of 45 days will only be paid upon illness while in the employment of the City.

Employees may accumulate unlimited compensated time for overtime at one and one-half times each hour earned; however, department heads may only accumulate compensated time at a straight-time rate. Employees may choose to be either paid for compensated time earned or use it as time off in the future. Upon termination, an employee will be paid for all unused compensated time.

All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term Obligations

In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

M. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2008-2009.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Principal retirement	\$ 47,000	\$ 48,577	\$ (1,577)

These over expenditures were funded by an available fund balance in the General Fund.

B. Deficit Fund Equity

As of September 30, 2009, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Assets</u>
Solid Waste	\$ 61,457
Nonmajor Governmental Funds	
Special Revenue Funds	
Santa Fe Trail	9,600

Steps will be taken to eliminate these deficits in the upcoming fiscal year.

**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 149,076	43

The investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool.

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

A. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of the City's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

B. Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with TexPool. The pool operates in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard & Poor's.

**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**

C. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

E. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2009, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 14 for discussions relative to the investments of the City's component unit.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2009, consisted of the following:

	General	Debt Service	Water and Sewer	Solid Waste	Emergency Medical Services	Civic Center	Airport	Nonmajor Funds	Total
Gross receivables:									
Accounts	\$ -	\$ -	\$ 253,461	\$ 134,140	\$ 1,140,514	\$ 3,195	\$ 10,936	\$ 36,061	\$ 1,578,307
Ad valorem taxes	265,167	76,265	-	-	-	-	-	-	341,432
Franchise taxes	85,018	-	-	-	-	-	-	-	85,018
Fines	137,807	-	-	-	-	-	-	-	137,807
Other	330,642	-	-	-	-	-	-	-	330,642
Total gross receivables	818,634	76,265	253,461	134,140	1,140,514	3,195	10,936	36,061	2,473,206
Less: Allowances	474,503	18,709	-	-	1,108,878	-	-	-	1,602,090
Total net receivables	\$ 344,131	\$ 57,556	\$ 253,461	\$ 134,140	\$ 31,636	\$ 3,195	\$ 10,936	\$ 36,061	\$ 871,116

**NOTE 4: RECEIVABLES - (Continued)**

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem receivable	\$ 192,753	\$ -	\$ 192,753
Fines	55,123	-	55,123
Other	6,850	-	6,850
Debt Service Fund			
Ad valorem receivable	<u>57,556</u>	<u>-</u>	<u>57,556</u>
	<u>\$ 312,282</u>	<u>\$ -</u>	<u>\$ 312,282</u>

The City's property taxes are levied annually on October 1<sup>st</sup> on the basis of the Appraisal District's assessed values as of January 1<sup>st</sup> of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Wharton County Tax Assessor-Collector and are due and payable on January 31<sup>st</sup>. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on February 1<sup>st</sup> of the subsequent calendar year.

The City provides an exemption from property taxes of \$10,000 of the assessed value of residential homesteads for persons 65 years of age or older. An exemption from \$1,500 to \$3,000 is allowed to disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City, under Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population and by City Home Rule Charter, is limited to levy ad valorem tax at a rate up to \$2.50 per \$100 assessed valuation for general government services. Within the \$2.50 maximum levy, there is no legal limit on the amount of property taxes that can be levied for debt service.

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.5128 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.35928 and \$0.15352, respectively. The resulting adjusted total tax levy was \$1,972,485 on the total adjusted taxable valuation of \$346,726,144 for the 2008 tax year.

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

The City has amounts due from other governments as of the end of the current fiscal year. Amounts due from federal, state, and local governments as of September 30, 2009, are summarized as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 210,059	\$ -	\$ -	\$ -	\$ 210,059
Property taxes collected not yet remitted	2,549	900	-	-	3,449
Federal and state grants	<u>217</u>	<u>-</u>	<u>65,947</u>	<u>34,765</u>	<u>100,929</u>
	<u>\$ 212,825</u>	<u>\$ 900</u>	<u>\$ 65,947</u>	<u>\$ 34,765</u>	<u>\$ 314,437</u>

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**NOTE 6: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	26,606	-	11,266	15,340
Total capital assets not being depreciated	<u>1,199,891</u>	<u>-</u>	<u>11,266</u>	<u>1,188,625</u>
Capital assets, being depreciated				
Machinery and equipment	3,764,928	105,502	182,740	3,687,690
Buildings and improvements	3,969,880	85,590	-	4,055,470
Infrastructure	<u>11,032,796</u>	<u>168,925</u>	<u>-</u>	<u>11,201,721</u>
Total capital assets being depreciated	<u>18,767,604</u>	<u>360,017</u>	<u>182,740</u>	<u>18,944,881</u>
Less accumulated depreciation for				
Machinery and equipment	2,286,622	246,901	145,492	2,388,031
Buildings and improvements	984,909	75,617	-	1,060,526
Infrastructure	<u>4,146,801</u>	<u>212,110</u>	<u>-</u>	<u>4,358,911</u>
Total accumulated depreciation	<u>7,418,332</u>	<u>534,628</u>	<u>145,492</u>	<u>7,807,468</u>
Total capital assets being depreciated, net	<u>11,349,272</u>	<u>(174,611)</u>	<u>37,248</u>	<u>11,137,413</u>
Governmental activities capital assets, net	<u>\$ 12,549,163</u>	<u>\$ (174,611)</u>	<u>\$ 48,514</u>	<u>\$ 12,326,038</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	214,209	172,311	214,209	172,311
Total capital assets not being depreciated	<u>533,302</u>	<u>172,311</u>	<u>214,209</u>	<u>491,404</u>
Capital assets, being depreciated				
Machinery and equipment	1,962,210	156,860	65,148	2,053,922
Land improvements	45,735	241,982	-	287,717
Buildings and improvements	5,444,990	64,366	-	5,509,356
Water and sewer system	<u>18,056,570</u>	<u>264,836</u>	<u>-</u>	<u>18,321,406</u>
Total capital assets being depreciated	<u>25,509,505</u>	<u>728,044</u>	<u>65,148</u>	<u>26,172,401</u>
Less accumulated depreciation for				
Machinery and equipment	1,428,624	173,492	65,148	1,536,968
Land improvements	4,574	5,754	-	10,328
Buildings and improvements	894,440	108,466	-	1,002,906
Water and sewer system	<u>6,822,566</u>	<u>394,460</u>	<u>-</u>	<u>7,217,026</u>
Total accumulated depreciation	<u>9,150,204</u>	<u>682,172</u>	<u>65,148</u>	<u>9,767,228</u>
Total capital assets being depreciated, net	<u>16,359,301</u>	<u>45,872</u>	<u>-</u>	<u>16,405,173</u>
Business-type activities capital assets, net	<u>\$ 16,892,603</u>	<u>\$ 218,183</u>	<u>\$ 214,209</u>	<u>\$ 16,896,577</u>

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**NOTE 6: CAPITAL ASSETS - (Continued)**

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

<b>Governmental activities</b>	
General government	\$ 17,224
Public safety	189,288
Public works	290,621
Cultural and recreation	37,495
Total depreciation expense - governmental activities	<u>\$ 534,628</u>
<b>Business-type activities</b>	
Water and sewer	\$ 457,876
Emergency medical services	96,104
Civic center	48,199
Airport	79,993
Total depreciation expense - business-type activities	<u>\$ 682,172</u>

At September 30, 2009, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,081. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

**NOTE 7: EMPLOYEES' RETIREMENT PLAN**Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

**NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)**

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 191,887	100%	\$ -
2008	138,670	100%	-
2007	142,048	100%	-

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

	Actuarial Valuation Information		
	12/31/08	12/31/07	12/31/06
Actuarial cost method	projected unit credit	projected unit credit	unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
Amortization period in years	29 - closed	30 - closed	25 - open
Asset valuation method	amortized cost	amortized cost	amortized cost
Investment return	7.50%	7.00%	7.00%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of living adjustments	2.1%	2.1%	N/A

**NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)**

Contributions - (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ 5,437,481	\$ 6,639,042	\$ 1,201,561	81.90%	\$ 3,498,244	34.35%
12/31/07	5,225,360	6,190,137	964,777	84.41%	3,221,388	29.95%
12/31/06	5,342,676	5,729,629	386,953	93.25%	3,287,506	11.77%
12/31/05	4,870,630	5,277,872	407,242	92.28%	3,061,854	13.30%
12/31/04	4,529,921	4,928,170	398,249	91.92%	3,109,715	12.81%
12/31/03	4,319,465	4,744,440	424,975	91.04%	2,674,524	15.89%
12/31/02	4,030,311	4,392,391	362,080	91.76%	2,698,111	13.42%
12/31/01	3,765,295	4,104,529	339,234	91.74%	2,622,790	12.93%
12/31/00	3,490,489	3,790,518	300,029	92.08%	2,509,618	11.96%

**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

**NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008, there were 186 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2008, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,939
Terminated participants entitled to benefits but not yet receiving them	1,975
Active participants (vested and nonvested)	<u>4,340</u>
	<u>8,254</u>

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**NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

Plan Description - (Continued)

Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977), created TERSRS and established the applicable benefit provisions. The 79<sup>th</sup> Legislature, Regular Session (2005) recodified the provision and gave the TERSRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off duty death benefits and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contribution provisions were originally established by Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TERSRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TERSRS actuarially sound.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2007, total contributions (dues and prior services) of \$2,439,339 were paid into TERSRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. The City's contributions into TERSRS for fiscal year ending September 30, 2009, were \$15,165. Total contributions made were greater than the contributions required by the state statute and were greater than the contributions required based on the revised August 31, 2006, actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008, revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009, (\$415,405 to help pay for the TERSRS's administrative expenses) and with the assumed continuation of legislative appropriations of 1) the maximum state contribution amount in future years for up to 30 years as is necessary for the TERSRS to have a 30-year amortization period, and 2) approximately \$425,000 each year to help pay for the TERSRS's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009, are equal to the contributions required.

**NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

Annual Required Contributions - (Continued)

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate, and in compliance with GASB Statement No. 27. In our opinion, each assumption used in the August 31, 2008, actuarial valuation is reasonable (taking into account the experience of the plan and reasonable expectations) and represents a reasonable estimate of anticipated experience under the plan solely with respect to that individual assumption.

Actuarial Valuation Information

Following is a tabular summary of actuarial valuation information for the 8/31/06 and 8/31/08 valuation dates:

	Actuarial Valuation Information	
	8/31/06	8/31/08
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period in years	30 years	6 years
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value
Investment return	8.00%, net of expenses	8.00%, net of expenses
Projected salary increases	n/a	n/a
Inflation	3.75%	3.50%
Cost of living adjustment	none	none

Required Supplementary Information

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability <sup>1</sup> (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2004	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680
8/31/2006 <sup>2</sup>	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/2008 <sup>3</sup>	60,987,157	64,227,341	3,240,184	95.0%	8,254	393

Notes:

<sup>1</sup> The actuarial accrued liability is based upon the entry age actuarial cost method.

<sup>2</sup> Changes in actuarial assumptions and methods, as well as benefit and contribution provisions, were first reflected in this valuation.

<sup>3</sup> Changes in actuarial assumptions were reflected in this valuation.

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**NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)****Required Supplementary Information - (Continued)**

Three-Year Trend Information - State-wide			
<u>Fiscal Year Ending August 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2006	\$ 2,753,035 <sup>1</sup>	\$ 2,753,035 <sup>4</sup>	100%
2007	3,162,742 <sup>2</sup>	3,162,742 <sup>5</sup>	100%
2008	3,160,764 <sup>3</sup>	11,239,339 <sup>6</sup>	356%

## Notes:

<sup>1</sup> Based on the revised August 31, 2004, actuarial valuation.<sup>2</sup> Based on the August 31, 2006, actuarial valuation.<sup>3</sup> Based on the August 31, 2008, actuarial valuation.<sup>4</sup> Includes a state contribution of \$675,307.<sup>5</sup> Includes a state contribution of \$709,072.<sup>6</sup> Includes a state contribution of \$8,800,000.

State contributions to the City's plan for the fiscal year 2009 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Wharton, Texas			
<u>Year Ended September 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Obligation</u>
2009	\$ 15,165	100%	\$ -
2008	21,552	100%	-
2007	20,835	100%	-

**NOTE 10: RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property, workers compensation, and health and liability insurance through commercial insurance carriers. The City has not retained any risks other than the deductible and is covered up to the limits of coverage after the deductible. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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**NOTE 11: LONG-TERM DEBT****A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 4,365,621	\$ 1,562,400	\$ 224,640	\$ 5,703,381	\$ 236,975
General obligation bonds	491,400	-	145,600	345,800	152,425
Plus deferred amounts:					
Issuance premiums	-	33,193	-	33,193	-
Total bonds and certificates payable	<u>4,857,021</u>	<u>1,595,593</u>	<u>370,240</u>	<u>6,082,374</u>	<u>389,400</u>
Tax anticipation notes	<u>665,000</u>	-	-	<u>665,000</u>	<u>100,000</u>
Capital leases payable	<u>273,891</u>	-	<u>48,577</u>	<u>225,314</u>	<u>38,656</u>
Compensated absences	<u>261,699</u>	<u>224,258</u>	<u>212,236</u>	<u>273,721</u>	<u>27,372</u>
Total governmental activity long-term liabilities	<u>\$ 6,057,611</u>	<u>\$ 1,819,851</u>	<u>\$ 631,053</u>	<u>\$ 7,246,409</u>	<u>\$ 555,428</u>
<b>Business-type activities</b>					
Bonds					
Certificates of obligation	\$ 2,989,379	\$ 2,437,600	\$ 160,360	\$ 5,266,619	\$ 173,025
General obligation bonds	588,600	300,000	174,400	714,200	242,575
Plus deferred amounts:					
Issuance premiums	-	51,787	-	51,787	-
Total bonds and certificates payable	<u>3,577,979</u>	<u>2,789,387</u>	<u>334,760</u>	<u>6,032,606</u>	<u>415,600</u>
Capital leases payable	<u>718,000</u>	-	<u>718,000</u>	-	-
Compensated absences	<u>60,080</u>	<u>69,190</u>	<u>68,313</u>	<u>60,957</u>	<u>6,155</u>
Total business-type activity long-term liabilities	<u>\$ 4,356,059</u>	<u>\$ 2,858,577</u>	<u>\$ 1,121,073</u>	<u>\$ 6,093,563</u>	<u>\$ 421,755</u>

In prior years, the City defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2009, \$365,000 of bonds outstanding was considered defeased.

Compensated absences are generally liquidated by the General Fund for the governmental activities. Please see Note 14 for discussions relative to the notes payable of the City's component unit.

**NOTE 11: LONG-TERM DEBT - (Continued)**

**B. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 1998	9/98 - 12/10	4.15 - 4.25%	\$ 2,745,000
Refunding Series 2009	6/10 - 6/14	4.65%	300,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 152,425	\$ 11,457	\$ 242,575	\$ 23,295	\$ 429,752
2011	193,375	4,109	286,625	16,082	500,191
2012	-	-	60,000	8,603	68,603
2013	-	-	60,000	5,813	65,813
2014	-	-	65,000	3,023	68,023
	<u>\$ 345,800</u>	<u>\$ 15,566</u>	<u>\$ 714,200</u>	<u>\$ 56,816</u>	<u>\$ 1,132,382</u>

**C. Combination Tax and Revenue Certificates of Obligation**

The City also issues combination tax and revenue certificates of obligation (C.O.'s) to provide funds for the acquisition and construction of major capital facilities payable from the proceeds of an annual ad valorem tax and further payable from a junior and subordinate pledge of the net revenues of the City's water and sewer system. The C.O.'s have been issued for both governmental and business-type activities. C.O.'s currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Series 1995	11/95 - 05/10	5.10 - 5.25%	\$ 750,000
Series 1998	09/98 - 12/13	4.15 - 4.45%	1,285,000
Series 2000	09/00 - 12/20	4.45 - 5.00%	2,785,000
Series 2004	10/04 - 12/20	3.60 - 4.10%	1,715,000
Series 2006	11/06 - 12/27	3.60 - 4.125%	2,965,000
Series 2009	12/10 - 12/29	2.00 - 4.50%	4,000,000
			<u>\$ 13,500,000</u>

**NOTE 11: LONG-TERM DEBT - (Continued)**

C. Combination Tax and Revenue Certificates of Obligation - (Continued)

Annual debt service requirements to maturity for C.O.'s are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2010	\$ 236,975	\$ 218,120	\$ 173,025	\$ 209,037	\$ 837,157
2011	99,518	222,574	335,482	224,101	881,675
2012	251,600	217,185	303,400	210,416	982,601
2013	261,825	205,920	313,175	199,773	980,693
2014	272,250	193,576	327,750	187,103	980,679
2015-2019	1,640,700	772,724	1,854,300	679,992	4,947,716
2020-2024	1,647,307	417,390	1,102,693	279,181	3,446,571
2025-2029	1,160,556	130,379	709,444	109,758	2,110,137
2030	132,650	2,985	147,350	3,315	286,300
	<u>\$ 5,703,381</u>	<u>\$ 2,380,853</u>	<u>\$ 5,266,619</u>	<u>\$ 2,102,676</u>	<u>\$ 15,453,529</u>

D. Tax Anticipation Notes

The City issued tax anticipation notes to provide funds for the acquisition and renovation of the new police station, including related equipment and cost of issuance related to the notes. The notes are payable from and secured by ad valorem taxes and are designated as a qualified tax-exempt obligation. The notes have been issued for governmental activities.

Tax anticipation notes currently outstanding are as follows:

	Term	Interest Rates	Original Amount
Refunding Series 1998	3/08 - 12/14	3.00%	\$ 665,000

Annual debt service requirements to maturity for tax anticipation notes are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2010	\$ 100,000	\$ 18,450	\$ 118,450
2011	105,000	15,375	120,375
2012	110,000	12,150	122,150
2013	115,000	8,775	123,775
2014	115,000	5,325	120,325
2015	120,000	1,800	121,800
	<u>\$ 665,000</u>	<u>\$ 61,875</u>	<u>\$ 726,875</u>

**NOTE 11: LONG-TERM DEBT - (Continued)**

E. Capital Leases

Lease purchase agreement on a Caterpillar motor grader. The original amount of the lease, entered into in 2007, was \$184,350. The lease is payable in annual installments of \$23,424 and bears interest at a rate of 5.55%.

\$ 154,313

Lease purchase agreement on a Motorola communications console. The original amount of the lease, entered into in 2007, was \$111,744. The lease is payable in annual installments of \$26,636 and bears interest at a rate of 6.15%.

71,001

\$ 225,314

The present value of the capital leases after deduction of imputed interest is \$225,314.

Year	Governmental Activities		Total
	Principal	Interest	
2010	\$ 38,656	\$ 11,404	\$ 50,060
2011	40,781	9,279	50,060
2012	43,025	7,035	50,060
2013	18,759	4,665	23,424
2014	19,624	3,800	23,424
2015-2017	64,469	5,804	70,273
	<u>\$ 225,314</u>	<u>\$ 41,987</u>	<u>\$ 267,301</u>

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**NOTE 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. The Water and Sewer Fund is expected to repay the General Fund approximately 30% of the year-end balance during fiscal year 2009. Interfund receivable and payable balances as of September 30, 2009, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2009 Bond Construction	\$ 54,333
	Water and Sewer	527,134
	Solid Waste	151,208
	Emergency Medical Services	2,111
	Civic Center	9
	Airport	106
	Nonmajor Governmental	90,756
Debt Service	General	133
	2009 Bond Construction	4,000
Nonmajor Governmental	General	867
	2009 Bond Construction	49,000
Water and Sewer	General	22,751
	2009 Bond Construction	1,501,321
	Nonmajor Governmental	49,000
	Solid Waste	1,683
	Airport	1,500
Solid Waste	General	1,486
Emergency Medical Services	General	16,525
Civic Center	General	8,380
	Water and Sewer	285
	Nonmajor Governmental	56,204
Airport	General	1,390
	2009 Bond Construction	197,812
		<u>\$ 2,737,994</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds.

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**NOTE 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)****B. Interfund Transfers - (Continued)**

During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Civic Center</u>	
Nonmajor Governmental	\$ 40,000	\$ -	\$ 206,204	\$ 246,204
Water and Sewer	292,000	75,000	-	367,000
Emergency Medical Services	44,056	-	-	44,056
	<u>\$ 376,056</u>	<u>\$ 75,000</u>	<u>\$ 206,204</u>	<u>\$ 657,260</u>

**NOTE 13: COMMITMENTS AND CONTINGENCIES****Grant Programs**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2009, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Construction and Acquisition Commitments**

As of September 30, 2009, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Ahldag sewer improvements	\$ 124,708
FM 1301 engineering	66,073
Total	<u>\$ 190,781</u>

The commitments are being funded by various federal grants, bond proceeds, and service revenues.

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**NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION**

As described in Note 1, the Wharton Economic Development Corporation (WEDC) is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit:

A. Organization

WEDC, a public instrumentality and nonprofit corporation, under Section 501(c)(4) was created under Section 4B of the Development Corporation Act of 1979, Article 5190.6 of the Revised Civil Statutes of Texas (the "Act") on March 13, 1998. Under the Act, the Board of Directors consists of seven members appointed by and who serve at the pleasure of the City Council of the City for two-year terms.

WEDC may enter into any project authorized by the Act including, but not limited to, such projects as promotion and development of new and expanded business enterprises, job training centers, infrastructure improvements, public safety, municipal buildings, civic centers, recreation facilities, and other related facilities.

WEDC prepares annual financial statements as of September 30<sup>th</sup> of each year. WEDC reports its financial results as a governmental type of entity.

B. Summary of Significant Accounting Policies

The accounting and reporting policies of WEDC conform to GAAP, as applicable to governmental units. For inclusion in this report, WEDC's operations are reported as a governmental fund type.

Budgets and Budgetary Accounting

The Board of Directors submits an annual budget to the City for approval in accordance with the Texas Municipal Budget Act. In September of each year, the Board of Directors, with approval by the City, adopts an annual fiscal year appropriated budget for the General Fund. Once approved, the Board of Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by functions and departments. This constitutes the legal level of control. Expenditures may not exceed appropriations and beginning fund balances. Budget revisions at this level are subject to final review by the Board of Directors. Within these above control levels, the Board of Directors may transfer appropriations without approval by the City.

The budget of WEDC is prepared on a basis consistent with GAAP. Revenues are budgeted in the year receipts are expected, and expenditures are budgeted in the year that the applicable purchase occurs. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

For the year ended September 30, 2009, the budget, as amended, anticipated \$209,550 more in expenditures than revenues. This amount is to be funded from existing fund balance of \$691,850.

Deposits and investments

WEDC's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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**NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

WEDC has adopted a written investment policy regarding the investments of its funds as defined in the Public Investment Act (Chapter 2256.001 Texas Government Code). The investments of WEDC are in compliance with the Board of Directors investment policy and the Public Funds Investment Act. WEDC is authorized to invest in obligations and instruments as follows: 1) obligations of the United States and its agencies, 2) direct obligations of the State of Texas or its agencies, 3) repurchase agreements and revenue repurchase agreements as defined by the Public Funds Investment Act, 4) No-load Securities Exchange Commission registered money markets funds, 5) Constant Dollar Texas Local Government Investments Pools as defined by the Public Funds Investment Act, 6) certificates of deposits, and 7) other instruments and obligations authorized by statute.

Capital Assets

WEDC's capital assets, which consist of furniture and fixtures, are recorded at cost. Real estate held for development is not subject to depreciation. Depreciation has been charged against these assets using a straight-line method from 5 to 7 years.

Compensated Absences and Retirement Plans

WEDC follows the City's policies for compensated absences, retirement, and other benefits for its employees.

Federal Income Taxes

WEDC is exempt from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.

C. Deposits and Investments

As of September 30, 2009, WEDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 1,629	33

The investment pool operates in a manner consistent with SEC Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool.

As previously discussed, the investments are reported in the accompanying statements at amortized cost.

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**NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

C. Deposits and Investments - (Continued)

Interest Rate Risk

In accordance with WEDC's investment policy, WEDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of WEDC's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

Credit Risk

It is WEDC's policy to limit its investments to those with ratings of not less than A or its equivalent. WEDC's investments in the public funds investment pools include those with TexPool. The pool operates in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard & Poor's.

Concentration of Credit Risk

WEDC's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, WEDC was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, WEDC's deposits may not be returned to it. WEDC's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to WEDC by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2009, and for the year then ended, WEDC was not exposed to any custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, WEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. WEDC's investment policy requires that securities be held in the name of WEDC or held on behalf of WEDC and that all securities are purchased using the delivery versus payment method. As of September 30, 2009, and for the year then ended, WEDC was not exposed to any custodial credit risk.

D. Sales Taxes

WEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. WEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2009, was \$99,135. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

**NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

**E. Capital Assets**

WEDC's capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Real estate held for development	\$ 253,548	\$ -	\$ -	\$ 253,548
Total capital assets not being depreciated	<u>253,548</u>	<u>-</u>	<u>-</u>	<u>253,548</u>
Capital assets, being depreciated				
Leasehold improvements	8,975	-	-	8,975
Furniture and fixtures	25,842	2,246	-	28,088
Total capital assets being depreciated	<u>34,817</u>	<u>2,246</u>	<u>-</u>	<u>37,063</u>
Less accumulated depreciation for				
Furniture and fixtures	22,532	2,988	-	25,520
Total accumulated depreciation	<u>22,532</u>	<u>2,988</u>	<u>-</u>	<u>25,520</u>
Total capital assets being depreciated, net	<u>12,285</u>	<u>(742)</u>	<u>-</u>	<u>11,543</u>
Governmental activities capital assets, net	<u>\$ 265,833</u>	<u>\$ (742)</u>	<u>\$ -</u>	<u>\$ 265,091</u>

**F. Long-term Debt**

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sales tax revenue bonds	\$ 780,000	\$ -	\$ 75,000	\$ 705,000	\$ 75,000
Less deferred amounts:					
Issuance discounts	(15,300)	-	(1,700)	(13,600)	-
	<u>\$ 764,700</u>	<u>\$ -</u>	<u>\$ 73,300</u>	<u>\$ 691,400</u>	<u>\$ 75,000</u>

During the year ended September 30, 2007, WEDC issued Sales Tax Revenue Bonds in the amount of \$850,000 to provide for certain City infrastructure improvements. The bonds will be repaid over a ten-year period by sales tax revenues. Payments of principal and interest will be made in semi-annual installments at an interest rate of 4.35%. WEDC reserves the right to redeem the bonds in whole or from time to time in part, in integral multiples of \$5,000, on any date at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption; provided, however, that WEDC may make only one partial redemption each calendar year or portion thereof in which the bonds may be outstanding, for a par amount of not less than \$100,000.

**NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

F. Long-term Debt - (Continued)

Annual debt service requirements to maturity for sales tax revenue bonds and notes payable are as follows:

Year	Sales Tax Revenue Bonds		Total
	Principal	Interest	
2010	\$ 75,000	\$ 29,907	\$ 104,907
2011	75,000	26,536	101,536
2012	80,000	23,056	103,056
2013	80,000	19,576	99,576
2014	85,000	16,096	101,096
2015-2017	310,000	22,294	332,294
	<u>\$ 705,000</u>	<u>\$ 137,465</u>	<u>\$ 842,465</u>

G. Operating Lease Agreements

Lease Expense Agreements

WEDC leases its office facilities from the City on an annual lease agreement that requires \$1,154 per month for office space and \$1,000 per year for administrative support. Either WEDC or the City can terminate this lease by giving 30-days notice.

Lease Income Agreements

WEDC leases real estate to a manufacturing company for \$8,640 per year under the terms of the one-year lease effective July 31, 2008. This lease was renewed on November 17, 2009 with the same terms.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. During the 2009 fiscal year, WEDC received \$2,100 in rental income from the lease. This lease is automatically renewed each year unless one party terminates the lease, with 30 days notice.

H. Related Party Transactions

During the normal course of business, WEDC purchased goods and services from businesses in and around the City of Wharton. On occasion, there are companies that WEDC conducts business with that are owned wholly, or partially owned, by members of the board of directors of WEDC. WEDC has established conflict of interest policies, as are outlined in WEDC's by-laws, which provide procedures when a business transaction involves a conflict of interest and/or the appearance of self-dealing with employees, officers or board members of WEDC.

The City pays WEDC's payroll each month from City funds, and WEDC generally reimburses the City the following month. At September 30, 2009, WEDC owed the City \$14,246 for wages and benefits previously paid by the City.

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**NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

I. Sales Tax Rebate Agreements

WEDC, along with the City, as part of a business development plan to bring in new businesses to Wharton, has entered into a ten-year agreement effective August 16, 2008 with Buc-ee's, Ltd. ("Buc-ee's") whereby, collectively, WEDC and the City rebate Buc-ee's each month 1.5% of the sales tax collected from Buc-ee's based on Buc-ee's taxable sales for the month. WEDC's portion due to Buc-ee's each month is one-third of the total amount reimbursed to Buc-ee's. WEDC made the first tax rebate payment in the amount of \$9,311 to Buc-ee's in July 2009.

Separate from the sales tax agreement, WEDC also agreed to pay Buc-ee's \$250,000 during 2009 as an added incentive to build a store location in Wharton. This amount was paid by WEDC in August 2009.

**Required Supplementary Information**

**CITY OF WHARTON, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009			Variance Positive (Negative)	2008
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 3,693,056	\$ 3,628,161	\$ 3,635,704	\$ 7,543	\$ 3,870,982
Licenses and permits	78,700	72,700	72,908	208	127,166
Intergovernmental	58,500	139,500	137,223	(2,277)	131,860
Charges for services	20,000	16,000	12,709	(3,291)	28,248
Fines and forfeitures	190,400	237,400	244,022	6,622	150,425
Investment income	15,000	5,000	4,842	(158)	21,979
Industrial district fee	312,300	467,000	467,451	451	79,268
Miscellaneous	86,450	121,450	68,015	(53,435)	149,015
<b>Total revenues</b>	<b>4,454,406</b>	<b>4,687,211</b>	<b>4,642,874</b>	<b>(44,337)</b>	<b>4,558,943</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	783,647	786,392	781,164	5,228	758,343
Public safety	2,751,240	2,796,384	2,788,284	8,100	2,445,745
Public works	1,126,753	1,138,418	1,134,945	3,473	1,178,623
Cultural and recreation	128,873	129,973	129,379	594	146,016
Capital outlay	63,000	123,000	122,601	399	106,758
Debt service	62,100	62,100	62,048	52	98,007
<b>Total expenditures</b>	<b>4,915,613</b>	<b>5,036,267</b>	<b>5,018,421</b>	<b>17,846</b>	<b>4,733,492</b>
Excess (deficiency) of revenues over expenditures	(461,207)	(349,056)	(375,547)	(26,491)	(174,549)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	461,207	349,056	376,056	(27,000)	418,486
Transfers out	-	-	-	-	(36,865)
<b>Total other financing sources (uses)</b>	<b>461,207</b>	<b>349,056</b>	<b>376,056</b>	<b>(27,000)</b>	<b>381,621</b>
Net change in fund balance	-	-	509	509	207,072
Fund balance at beginning of year	1,418,203	1,418,203	1,418,203	-	1,211,131
<b>Fund balance at end of year</b>	<b>\$ 1,418,203</b>	<b>\$ 1,418,203</b>	<b>\$ 1,418,712</b>	<b>\$ 509</b>	<b>\$ 1,418,203</b>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHARTON, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
*September 30, 2009*

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**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2009, the City complied with budgetary restrictions at all departmental levels except the following. The following table details these variances:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund Principal retirement	\$ 47,000	\$ 48,577	\$ (1,577)

**Combining and Individual Fund Statements and Schedules**

**CITY OF WHARTON, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
*September 30, 2009*

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 149,889	\$ 37,875	\$ 187,764
Receivables, net	36,061	-	36,061
Due from other funds	49,867	-	49,867
Due from other governments	65,947	-	65,947
<b>Total assets</b>	<u>\$ 301,764</u>	<u>\$ 37,875</u>	<u>\$ 339,639</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 25,925	\$ 335	\$ 26,260
Due to other funds	158,420	37,540	195,960
<b>Total liabilities</b>	<u>184,345</u>	<u>37,875</u>	<u>222,220</u>
<b>Fund balances</b>			
Unreserved, undesignated reported in:			
Special revenue funds	117,419	-	117,419
<b>Total fund balances</b>	<u>117,419</u>	<u>-</u>	<u>117,419</u>
<b>Total liabilities and fund balances</b>	<u>\$ 301,764</u>	<u>\$ 37,875</u>	<u>\$ 339,639</u>

**Required Supplementary Information**

**CITY OF WHARTON, TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009			Variance Positive (Negative)	2008
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 3,693,056	\$ 3,628,161	\$ 3,635,704	\$ 7,543	\$ 3,870,982
Licenses and permits	78,700	72,700	72,908	208	127,166
Intergovernmental	58,500	139,500	137,223	(2,277)	131,860
Charges for services	20,000	16,000	12,709	(3,291)	28,248
Fines and forfeitures	190,400	237,400	244,022	6,622	150,425
Investment income	15,000	5,000	4,842	(158)	21,979
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<b>EXPENDITURES</b>					
<b>Current</b>					
General government	783,647	786,392	781,164	5,228	758,343
Public safety	2,751,240	2,796,384	2,788,284	8,100	2,445,745
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Capital outlay	63,000	123,000	122,601	399	106,758
Debt service	62,100	62,100	62,048	52	98,007
<b>Total expenditures</b>	<b>4,915,613</b>	<b>5,036,267</b>	<b>5,018,421</b>	<b>17,846</b>	<b>4,733,492</b>
Excess (deficiency) of revenues over expenditures	(461,207)	(349,056)	(375,547)	(26,491)	(174,549)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	461,207	349,056	376,056	(27,000)	418,486
Transfers out	-	-	-	-	(36,865)
<b>Total other financing sources (uses)</b>	<b>461,207</b>	<b>349,056</b>	<b>376,056</b>	<b>(27,000)</b>	<b>381,621</b>
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Fund balance at beginning of year	1,418,203	1,418,203	1,418,203	-	1,211,131
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The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHARTON, TEXAS**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*September 30, 2009*

---

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

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<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund Principal retirement	\$ 47,000	\$ 48,577	\$ (1,577)

**Combining and Individual Fund Statements and Schedules**

**CITY OF WHARTON, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
September 30, 2009

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 149,889	\$ 37,875	\$ 187,764
Receivables, net	36,061	-	36,061
Due from other funds	49,867	-	49,867
Due from other governments	65,947	-	65,947
<b>Total assets</b>	<b>\$ 301,764</b>	<b>\$ 37,875</b>	<b>\$ 339,639</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 25,925	\$ 335	\$ 26,260
Due to other funds	158,420	37,540	195,960
<b>Total liabilities</b>	<b>184,345</b>	<b>37,875</b>	<b>222,220</b>
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Unreserved, undesignated reported in:			
Special revenue funds	117,419	-	117,419
<b>Total fund balances</b>	<b>117,419</b>	<b>-</b>	<b>117,419</b>
<b>Total liabilities and fund balances</b>	<b>\$ 301,764</b>	<b>\$ 37,875</b>	<b>\$ 339,639</b>

**CITY OF WHARTON, TEXAS**

*ALL NONMAJOR GOVERNMENTAL FUNDS*

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*

*For the year ended September 30, 2009*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 174,996	\$ -	\$ 174,996
Intergovernmental	168,678	97,310	265,988
Fines and forfeitures	14,468	-	14,468
Investment income	937	406	1,343
Miscellaneous	30,856	-	30,856
<b>Total revenues</b>	<u>389,935</u>	<u>97,716</u>	<u>487,651</u>
<b>EXPENDITURES</b>			
Current			
General government	24,250	-	24,250
Public safety	22,300	-	22,300
Public works	-	37,541	37,541
Cultural and recreation	51,350	-	51,350
Capital outlay	123,311	229,878	353,189
<b>Total expenditures</b>	<u>221,211</u>	<u>267,419</u>	<u>488,630</u>
Excess (deficiency) of revenues over expenditures	168,724	(169,703)	(979)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	75,000	75,000
Transfers out	(246,204)	-	(246,204)
<b>Total other financing sources (uses)</b>	<u>(246,204)</u>	<u>75,000</u>	<u>(171,204)</u>
Net change in fund balances	(77,480)	(94,703)	(172,183)
Fund balances at beginning of year	194,899	94,703	289,602
<b>Fund balances at end of year</b>	<u>\$ 117,419</u>	<u>\$ -</u>	<u>\$ 117,419</u>

## SPECIAL REVENUE FUNDS

The City maintains eleven Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Texas Capital Buc-ee's Fund is reported as a major fund.

**Hotel/Motel Tax Fund** - Accounts for the collection of hotel and motel taxes collected within the City.

**Municipal Court Technology and Building Security Funds** - Account for funds received in addition to municipal court fines to enhance these specific areas.

**Narcotics Control Fund** - Accounts for the funds received from narcotics contraband seized within the City as a result of a final conviction or forfeiture by the federal government and the State of Texas. The funds are to be used solely for law enforcement purposes and for matching funds for LLEBG and other law enforcement grants.

**Fire Department Special Fund** - Accounts for funds received from services rendered by the Wharton Volunteer Fire Department and used for the purchase of fire department equipment and supplies.

**Texas Capital Funds** - Account for federal funds received for various projects that relate to economic development within the City.

**Ahldag Sewer System Project** - Accounts for federal funds received for replacement of sanitary sewer lines in the Ahldag Addition.

**Railroad Depot Restoration Fund** - Accounts for the railroad restoration project financed by grant proceeds and local contributions.

**Santa Fe Trail Fund** - Accounts for funds received to finance the "Santa Fe Trail Project".

**CITY OF WHARTON, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING BALANCE SHEET**

September 30, 2009

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	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 69,530	\$ 6,744	\$ 20,793	\$ 21,857
Receivables, net				
Accounts	36,061	-	-	-
Due from other funds	-	-	867	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<u>\$ 105,591</u>	<u>\$ 6,744</u>	<u>\$ 21,660</u>	<u>\$ 21,857</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 8	\$ -	\$ 3,437	\$ -
Due to other funds	56,204	-	-	-
<b>Total liabilities</b>	<u>56,212</u>	<u>-</u>	<u>3,437</u>	<u>-</u>
Fund balances				
Unreserved, undesignated	49,379	6,744	18,223	21,857
<b>Total liabilities and fund balances</b>	<u>\$ 105,591</u>	<u>\$ 6,744</u>	<u>\$ 21,660</u>	<u>\$ 21,857</u>

<u>Municipal Court Building Security</u>	<u>Texas Capital Buc-ee's</u>	<u>Ahldag Sewer System Project</u>	<u>Railroad Depot Restoration</u>	<u>Santa Fe Trail</u>	<u>Total</u>
\$ 6,921	\$ -	\$ -	\$ 24,044	\$ -	\$ 149,889
-	-	-	-	-	36,061
-	-	49,000	-	-	49,867
-	<u>10,000</u>	<u>55,947</u>	-	-	<u>65,947</u>
<u>\$ 6,921</u>	<u>\$ 10,000</u>	<u>\$ 104,947</u>	<u>\$ 24,044</u>	<u>\$ -</u>	<u>\$ 301,764</u>
\$ -	\$ 10,000	\$ 12,331	\$ 149	\$ -	\$ 25,925
-	-	<u>92,616</u>	-	<u>9,600</u>	<u>158,420</u>
-	<u>10,000</u>	<u>104,947</u>	<u>149</u>	<u>9,600</u>	<u>184,345</u>
<u>6,921</u>	-	-	<u>23,895</u>	<u>(9,600)</u>	<u>117,419</u>
<u>\$ 6,921</u>	<u>\$ 10,000</u>	<u>\$ 104,947</u>	<u>\$ 24,044</u>	<u>\$ -</u>	<u>\$ 301,764</u>

**CITY OF WHARTON, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS*

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*

*For the year ended September 30, 2009*

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
<b>REVENUES</b>				
Taxes	\$ 174,996	\$ -	\$ -	\$ -
Intergovernmental	-	-	30,367	-
Fines and forfeitures	-	8,572	-	-
Investment income	653	43	160	65
Miscellaneous	-	-	243	20,905
<b>Total revenues</b>	<u>175,649</u>	<u>8,615</u>	<u>30,770</u>	<u>20,970</u>
<b>EXPENDITURES</b>				
Current				
General government	-	9,250	-	-
Public safety	-	-	15,300	7,000
Cultural and recreation	48,182	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>48,182</u>	<u>9,250</u>	<u>15,300</u>	<u>7,000</u>
Excess (deficiency) of revenues over expenditures	127,467	(635)	15,470	13,970
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(206,204)	-	(40,000)	-
<b>Total other financing sources (uses)</b>	<u>(206,204)</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balances	(78,737)	(635)	(24,530)	13,970
Fund balances at beginning of year	128,116	7,379	42,753	7,887
<b>Fund balances at end of year</b>	<u>\$ 49,379</u>	<u>\$ 6,744</u>	<u>\$ 18,223</u>	<u>\$ 21,857</u>

<u>Municipal Court Building Security</u>	<u>Texas Capital Buc-ee's</u>	<u>Ahldag Sewer System Project</u>	<u>Railroad Depot Restoration</u>	<u>Santa Fe Trail</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,996
-	15,000	123,311	-	-	168,678
5,896	-	-	-	-	14,468
15	-	-	-	1	937
-	-	-	108	9,600	30,856
<u>5,911</u>	<u>15,000</u>	<u>123,311</u>	<u>108</u>	<u>9,601</u>	<u>389,935</u>
-	15,000	-	-	-	24,250
-	-	-	-	-	22,300
-	-	-	2,681	487	51,350
-	-	123,311	-	-	123,311
-	15,000	123,311	2,681	487	221,211
5,911	-	-	(2,573)	9,114	168,724
-	-	-	-	-	(246,204)
-	-	-	-	-	(246,204)
5,911	-	-	(2,573)	9,114	(77,480)
1,010	-	-	26,468	(18,714)	194,899
<u>\$ 6,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,895</u>	<u>\$ (9,600)</u>	<u>\$ 117,419</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**HOTEL/MOTEL TAX**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,530	\$ 80,969
Receivables, net		
Accounts	<u>36,061</u>	<u>55,630</u>
<b>Total assets</b>	<u>\$ 105,591</u>	<u>\$ 136,599</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 8	\$ 387
Due to other funds	<u>56,204</u>	<u>8,096</u>
<b>Total liabilities</b>	<u>56,212</u>	<u>8,483</u>
Fund balance		
Unreserved, undesignated	<u>49,379</u>	<u>128,116</u>
<b>Total liabilities and fund balance</b>	<u>\$ 105,591</u>	<u>\$ 136,599</u>

**CITY OF WHARTON, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****HOTEL/MOTEL TAX****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance	2008
	Final Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Hotel/motel	\$ 185,000	\$ 174,996	\$ (10,004)	\$ 199,153
Investment income	2,500	653	(1,847)	2,914
<b>Total revenues</b>	<u>187,500</u>	<u>175,649</u>	<u>(11,851)</u>	<u>202,067</u>
<b>EXPENDITURES</b>				
Current				
Cultural and recreation	<u>50,900</u>	<u>48,182</u>	<u>2,718</u>	<u>41,173</u>
<b>Total expenditures</b>	<u>50,900</u>	<u>48,182</u>	<u>2,718</u>	<u>41,173</u>
Excess (deficiency) of revenues over expenditures	136,600	127,467	(9,133)	160,894
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(206,204)</u>	<u>(206,204)</u>	<u>-</u>	<u>(120,600)</u>
Net change in fund balance	(69,604)	(78,737)	(9,133)	40,294
Fund balance at beginning of year	<u>128,116</u>	<u>128,116</u>	<u>-</u>	<u>87,822</u>
<b>Fund balance at end of year</b>	<u>\$ 58,512</u>	<u>\$ 49,379</u>	<u>\$ (9,133)</u>	<u>\$ 128,116</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**MUNICIPAL COURT TECHNOLOGY**  
**BALANCE SHEET**  
September 30, 2009  
With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,744	\$ 7,379
<b>Total assets</b>	<u>\$ 6,744</u>	<u>\$ 7,379</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities	\$ -	\$ -
Fund balance		
Unreserved, undesignated	<u>6,744</u>	<u>7,379</u>
<b>Total liabilities and fund balance</b>	<u>\$ 6,744</u>	<u>\$ 7,379</u>

**CITY OF WHARTON, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**MUNICIPAL COURT TECHNOLOGY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

*For the year ended September 30, 2009*

*With comparative totals for the year ended September 30, 2008*

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	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Fines and forfeitures		
Municipal court fees	\$ 8,572	\$ 2,365
Investment income	<u>43</u>	<u>327</u>
<b>Total revenues</b>	<u>8,615</u>	<u>2,692</u>
 <b>EXPENDITURES</b>		
Current		
General government	<u>9,250</u>	<u>4,476</u>
<b>Total expenditures</b>	<u>9,250</u>	<u>4,476</u>
 Excess (deficiency) of revenues over expenditures	(635)	(1,784)
 <b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>
 Net change in fund balance	(635)	(1,784)
 Fund balance at beginning of year	<u>7,379</u>	<u>9,163</u>
 <b>Fund balance at end of year</b>	<u>\$ 6,744</u>	<u>\$ 7,379</u>

**CITY OF WHARTON, TEXAS**

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

NARCOTICS CONTROL

BALANCE SHEET

September 30, 2009

With comparative totals for September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,793	\$ 42,753
Due from other funds	<u>867</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 21,660</u>	<u>\$ 42,753</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	<u>\$ 3,437</u>	<u>\$ -</u>
<b>Total liabilities</b>	<u>3,437</u>	<u>-</u>
Fund balance		
Unreserved, undesignated	<u>18,223</u>	<u>42,753</u>
<b>Total liabilities and fund balance</b>	<u>\$ 21,660</u>	<u>\$ 42,753</u>

**CITY OF WHARTON, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****NARCOTICS CONTROL****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Intergovernmental	\$ 29,500	\$ 30,367	\$ 867	\$ 31,122
Investment income	500	160	(340)	1,055
Miscellaneous	-	243	243	1,038
<b>Total revenues</b>	<u>30,000</u>	<u>30,770</u>	<u>770</u>	<u>33,215</u>
<b>EXPENDITURES</b>				
Current				
Public safety	<u>16,200</u>	<u>15,300</u>	<u>900</u>	<u>12,418</u>
<b>Total expenditures</b>	<u>16,200</u>	<u>15,300</u>	<u>900</u>	<u>12,418</u>
Excess (deficiency) of revenues over expenditures	13,800	15,470	1,670	20,797
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	(26,200)	(24,530)	1,670	14,797
Fund balance at beginning of year	<u>42,753</u>	<u>42,753</u>	<u>-</u>	<u>27,956</u>
<b>Fund balance at end of year</b>	<u>\$ 16,553</u>	<u>\$ 18,223</u>	<u>\$ 1,670</u>	<u>\$ 42,753</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**FIRE DEPARTMENT SPECIAL**  
**BALANCE SHEET**  
 September 30, 2009  
 With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,857	\$ 1,064
Due from other funds	<u>-</u>	<u>6,823</u>
<b>Total assets</b>	<u>\$ 21,857</u>	<u>\$ 7,887</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balance		
Unreserved, undesignated	<u>21,857</u>	<u>7,887</u>
<b>Total liabilities and fund balance</b>	<u>\$ 21,857</u>	<u>\$ 7,887</u>

**CITY OF WHARTON, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****FIRE DEPARTMENT SPECIAL****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE***For the year ended September 30, 2009**With comparative totals for the year ended September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Investment income	\$ 65	\$ 122
Miscellaneous	<u>20,905</u>	<u>12,111</u>
<b>Total revenues</b>	<u>20,970</u>	<u>12,233</u>
<b>EXPENDITURES</b>		
Current		
Public safety	<u>7,000</u>	<u>9,559</u>
<b>Total expenditures</b>	<u>7,000</u>	<u>9,559</u>
Excess (deficiency) of revenues over expenditures	13,970	2,674
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>
Net change in fund balance	13,970	2,674
Fund balance at beginning of year	<u>7,887</u>	<u>5,213</u>
<b>Fund balance at end of year</b>	<u>\$ 21,857</u>	<u>\$ 7,887</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**MUNICIPAL COURT BUILDING SECURITY**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,921	\$ 1,010
<b>Total assets</b>	<u>\$ 6,921</u>	<u>\$ 1,010</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities	\$ -	\$ -
Fund balance		
Unreserved, undesignated	<u>6,921</u>	<u>1,010</u>
<b>Total liabilities and fund balance</b>	<u>\$ 6,921</u>	<u>\$ 1,010</u>

**CITY OF WHARTON, TEXAS**

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

MUNICIPAL COURT BUILDING SECURITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Fines and forfeitures		
Municipal court fees	\$ 5,896	\$ 3,155
Investment income	<u>15</u>	<u>789</u>
<b>Total revenues</b>	<u>5,911</u>	<u>3,944</u>
<b>EXPENDITURES</b>		
Current		
General government	<u>-</u>	<u>29,146</u>
<b>Total expenditures</b>	<u>-</u>	<u>29,146</u>
Excess (deficiency) of revenues over expenditures	5,911	(25,202)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>
Net change in fund balance	5,911	(25,202)
Fund balance at beginning of year	<u>1,010</u>	<u>26,212</u>
<b>Fund balance at end of year</b>	<u>\$ 6,921</u>	<u>\$ 1,010</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**TEXAS CAPITAL BUC-EE'S**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Due from other governments	\$ 10,000	\$ -
<b>Total assets</b>	<u>\$ 10,000</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 10,000	\$ -
Total liabilities	<u>10,000</u>	<u>-</u>
Fund balance		
Unreserved, undesignated	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 10,000</u>	<u>\$ -</u>

**CITY OF WHARTON, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**TEXAS CAPITAL BUC-EE'S**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

*For the year ended September 30, 2009*

*With comparative totals for the year ended September 30, 2008*

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	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Intergovernmental	\$ 15,000	\$ 720,000
Miscellaneous	-	503,381
<b>Total revenues</b>	<u>15,000</u>	<u>1,223,381</u>
<b>EXPENDITURES</b>		
Current		
General government	15,000	-
Capital outlay	-	1,223,381
<b>Total expenditures</b>	<u>15,000</u>	<u>1,223,381</u>
Excess (deficiency) of revenues over expenditures	-	-
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**AHLDAG SEWER SYSTEM PROJECT**  
**BALANCE SHEET**  
*September 30, 2009*

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<b>ASSETS</b>	
Due from other funds	\$ 49,000
Due from other governments	<u>55,947</u>
<b>Total assets</b>	<u>\$ 104,947</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 12,331
Due to other funds	<u>92,616</u>
<b>Total liabilities</b>	<u>104,947</u>
 Fund balance	
Unreserved, undesignated	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 104,947</u>

**CITY OF WHARTON, TEXAS**

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

AHLDAG SEWER SYSTEM PROJECT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2009

---

<b>REVENUES</b>	
Intergovernmental	\$ 123,311
<b>Total revenues</b>	<u>123,311</u>
<b>EXPENDITURES</b>	
Capital outlay	<u>123,311</u>
<b>Total expenditures</b>	<u>123,311</u>
Excess (deficiency) of revenues over expenditures	-
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>
Net change in fund balance	-
Fund balance at beginning of year	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**RAILROAD DEPOT RESTORATION**  
**BALANCE SHEET**  
September 30, 2009  
With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 24,044	\$ 18,392
Due from other funds	<u>-</u>	<u>8,096</u>
<b>Total assets</b>	<u>\$ 24,044</u>	<u>\$ 26,488</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 149	\$ 20
<b>Total liabilities</b>	<u>149</u>	<u>20</u>
Fund balance		
Unreserved, undesignated	<u>23,895</u>	<u>26,468</u>
<b>Total liabilities and fund balance</b>	<u>\$ 24,044</u>	<u>\$ 26,488</u>

**CITY OF WHARTON, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**RAILROAD DEPOT RESTORATION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

*For the year ended September 30, 2009*

*With comparative totals for the year ended September 30, 2008*

---

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Miscellaneous	\$ 108	\$ 31,720
<b>Total revenues</b>	<u>108</u>	<u>31,720</u>
<b>EXPENDITURES</b>		
Current		
Cultural and recreation	<u>2,681</u>	<u>3,272</u>
<b>Total expenditures</b>	<u>2,681</u>	<u>3,272</u>
Excess (deficiency) of revenues over expenditures	(2,573)	28,448
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,573)	28,448
Fund balance at beginning of year	<u>26,468</u>	<u>(1,980)</u>
<b>Fund balance at end of year</b>	<u>\$ 23,895</u>	<u>\$ 26,468</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**SANTA FE TRAIL**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Due to other funds	<u>\$ 9,600</u>	<u>\$ 18,714</u>
<b>Total liabilities</b>	<u>9,600</u>	<u>18,714</u>
Fund balance		
Unreserved, undesignated	<u>(9,600)</u>	<u>(18,714)</u>
<b>Total liabilities and fund balance</b>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**SANTA FE TRAIL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
*For the year ended September 30, 2009*  
*With comparative totals for the year ended September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Investment income	\$ 1	\$ 18
Miscellaneous	<u>9,600</u>	<u>15,721</u>
<b>Total revenues</b>	<u>9,601</u>	<u>15,739</u>
<b>EXPENDITURES</b>		
Current		
Cultural and recreation	<u>487</u>	<u>1,466</u>
<b>Total expenditures</b>	<u>487</u>	<u>1,466</u>
Excess (deficiency) of revenues over expenditures	9,114	14,273
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>
Net change in fund balance	9,114	14,273
Fund balance at beginning of year	<u>(18,714)</u>	<u>(32,987)</u>
<b>Fund balance at end of year</b>	<u>\$ (9,600)</u>	<u>\$ (18,714)</u>

## **MAJOR DEBT SERVICE FUND**

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

**CITY OF WHARTON, TEXAS**  
**MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND**  
**BALANCE SHEET**  
September 30, 2009  
With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 357,926	\$ 339,125
Receivables, net		
Taxes	57,556	58,531
Due from other funds	4,133	21,637
Due from other governments	900	-
<b>Total assets</b>	<u>\$ 420,515</u>	<u>\$ 419,293</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accrued interest payable	\$ 4,947	\$ -
Deferred revenue	57,556	58,531
<b>Total liabilities</b>	<u>62,503</u>	<u>58,531</u>
Fund balance		
Unreserved, undesignated	358,012	360,762
<b>Total fund balance</b>	<u>358,012</u>	<u>360,762</u>
<b>Total liabilities and fund balance</b>	<u>\$ 420,515</u>	<u>\$ 419,293</u>

**CITY OF WHARTON, TEXAS**

**MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes	\$ 588,500	\$ 593,121	\$ 4,621	\$ 447,696
Investment income	3,000	3,708	708	10,733
<b>Total revenues</b>	<u>591,500</u>	<u>596,829</u>	<u>5,329</u>	<u>458,429</u>
<b>EXPENDITURES</b>				
Debt service				353,090
Principal retirement	370,240	370,240	-	
Interest and fiscal charges	229,340	229,339	1	202,852
<b>Total expenditures</b>	<u>599,580</u>	<u>599,579</u>	<u>1</u>	<u>555,942</u>
Excess (deficiency) of revenues over expenditures	(8,080)	(2,750)	5,330	(97,513)
<b>OTHER FINANCING SOURCES (USES)</b>	-	-	-	-
Net change in fund balance	(8,080)	(2,750)	5,330	(97,513)
Fund balance at beginning of year	<u>337,185</u>	<u>360,762</u>	<u>(23,577)</u>	<u>458,275</u>
<b>Fund balance at end of year</b>	<u>\$ 329,105</u>	<u>\$ 358,012</u>	<u>\$ (18,247)</u>	<u>\$ 360,762</u>

## CAPITAL PROJECT FUNDS

The City maintains three Capital Project Funds: Street Improvement Fund, the 2006 Bond Construction Fund, and the 2009 Bond Construction Fund. The purpose of these funds is to account for the acquisition or construction of City facilities, usually accounting for proceeds of bond issues and local sources. These funds are not used to account for projects financed by proprietary funds, trust funds, or Special Revenue Funds. The 2009 Bond Construction Fund is reported as a major fund.

**Street Improvement Fund** - Accounts for the improvement and construction of the City's streets.

**2006 Bond Construction Fund** - Accounts for the use of the proceeds from the City's 2006 Certificates of Obligation.

**2009 Bond Construction Fund** - Accounts for the use of the proceeds from the City's 2009 Certificates of Obligation.

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**COMBINING BALANCE SHEET**  
*September 30, 2009*

	<u>Street Improvement</u>	<u>2006 Bond Construction</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 37,875	\$ -	\$ 37,875
<b>Total assets</b>	<u>\$ 37,875</u>	<u>\$ -</u>	<u>\$ 37,875</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 335	\$ -	\$ 335
Due to other funds	<u>37,540</u>	<u>-</u>	<u>37,540</u>
<b>Total liabilities</b>	<u>37,875</u>	<u>-</u>	<u>37,875</u>
Fund balance			
Unreserved, undesignated	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 37,875</u>	<u>\$ -</u>	<u>\$ 37,875</u>

**CITY OF WHARTON, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2009

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	<u>Street Improvement</u>	<u>2006 Bond Construction</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 97,310	\$ 97,310
Investment income	<u>56</u>	<u>350</u>	<u>406</u>
<b>Total revenues</b>	<u>56</u>	<u>97,660</u>	<u>97,716</u>
<b>EXPENDITURES</b>			
Current			
Public works	37,541	-	37,541
Capital outlay	<u>21,949</u>	<u>207,929</u>	<u>229,878</u>
<b>Total expenditures</b>	<u>59,490</u>	<u>207,929</u>	<u>267,419</u>
Excess (deficiency) of revenues over expenditures	(59,434)	(110,269)	(169,703)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>75,000</u>	<u>-</u>	<u>75,000</u>
<b>Total other financing sources (uses)</b>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Net change in fund balances	15,566	(110,269)	(94,703)
Fund balances at beginning of year	<u>(15,566)</u>	<u>110,269</u>	<u>94,703</u>
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**STREET IMPROVEMENT**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 37,875	\$ 6,109
<b>Total assets</b>	<u>\$ 37,875</u>	<u>\$ 6,109</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 335	\$ 21,675
Due to other funds	<u>37,540</u>	<u>-</u>
<b>Total liabilities</b>	<u>37,875</u>	<u>21,675</u>
Fund balance		
Unreserved, undesignated	<u>-</u>	<u>(15,566)</u>
<b>Total liabilities and fund balance</b>	<u>\$ 37,875</u>	<u>\$ 6,109</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**STREET IMPROVEMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
*For the year ended September 30, 2009*  
*With comparative totals for the year ended September 30, 2008*

	2009			2008
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Investment income	\$ 100	\$ 56	\$ (44)	\$ 1,252
Miscellaneous	-	-	-	71,595
<b>Total revenues</b>	<u>100</u>	<u>56</u>	<u>(44)</u>	<u>72,847</u>
<b>EXPENDITURES</b>				
Current				
Public works	27,500	37,541	(10,041)	1,140
Capital outlay	<u>32,500</u>	<u>21,949</u>	<u>10,551</u>	<u>131,468</u>
<b>Total expenditures</b>	<u>60,000</u>	<u>59,490</u>	<u>510</u>	<u>132,608</u>
Excess (deficiency) of revenues over expenditures	(59,900)	(59,434)	466	(59,761)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>100,000</u>
<b>Total other financing sources (uses)</b>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	15,100	15,566	466	40,239
Fund balance at beginning of year	<u>(15,566)</u>	<u>(15,566)</u>	<u>-</u>	<u>(55,805)</u>
<b>Fund balance at end of year</b>	<u>\$ (466)</u>	<u>\$ -</u>	<u>\$ 466</u>	<u>\$ (15,566)</u>

**CITY OF WHARTON, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**2006 BOND CONSTRUCTION**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 7,069
Due from other funds	-	43,991
Due from other governments	-	<u>306,009</u>
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 357,069</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ -	\$ 2,234
Due to other funds	-	<u>244,566</u>
<b>Total liabilities</b>	-	<u>246,800</u>
Fund balance		
Unreserved, undesignated	-	<u>110,269</u>
<b>Total liabilities and fund balance</b>	<u>\$ -</u>	<u>\$ 357,069</u>

**CITY OF WHARTON, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****2006 BOND CONSTRUCTION****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2009

With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Intergovernmental	\$ 97,310	\$ -
Investment income	350	26,346
Miscellaneous	-	614,373
<b>Total revenues</b>	<u>97,660</u>	<u>640,719</u>
<b>EXPENDITURES</b>		
Current		
Public works	-	417
Cultural and recreation	-	3,991
Capital outlay	207,929	2,410,049
Debt service		
Bond issuance costs	-	32,715
<b>Total expenditures</b>	<u>207,929</u>	<u>2,447,172</u>
Excess (deficiency) of revenues over expenditures	(110,269)	(1,806,453)
<b>OTHER FINANCING SOURCES (USES)</b>		
Bonds issued	-	665,000
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>665,000</u>
Net change in fund balance	(110,269)	(1,141,453)
Fund balance at beginning of year	<u>110,269</u>	<u>1,251,722</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ 110,269</u>

**CITY OF WHARTON, TEXAS**  
**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**2009 BOND CONSTRUCTION**  
**BALANCE SHEET**  
*September 30, 2009*

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**ASSETS**

Cash and cash equivalents \$ 3,285,198

**Total assets** \$ 3,285,198

**LIABILITIES AND FUND BALANCE**

Liabilities

Due to other funds \$ 1,806,466

**Total liabilities** 1,806,466

Fund balance

Unreserved, undesignated 1,478,732

**Total liabilities and fund balance** \$ 3,285,198

**CITY OF WHARTON, TEXAS**  
**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**2009 BOND CONSTRUCTION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
*For the year ended September 30, 2009*

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<b>REVENUES</b>	
Investment income	\$ 23
<b>Total revenues</b>	<u>23</u>
<b>EXPENDITURES</b>	
Current	
Public works	54,333
Debt service	
Bond issuance costs	<u>62,551</u>
<b>Total expenditures</b>	<u>116,884</u>
Excess (deficiency) of revenues over expenditures	(116,861)
<b>OTHER FINANCING SOURCES (USES)</b>	
Debt issued	1,562,400
Premium on issuance of bonds	<u>33,193</u>
<b>Total other financing sources (uses)</b>	<u>1,595,593</u>
Net change in fund balance	1,478,732
Fund balance at beginning of year	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 1,478,732</u>

## **GENERAL FUND**

The General Fund is a constitutional fund and is utilized to account for all of the City's revenues and expenditures except those which are required to be classed in other constitutional funds and such other funds that are presented separately to facilitate proper accountability.

**CITY OF WHARTON TEXAS**  
**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 551,660	\$ 166,223
Receivables, net		
Taxes	277,771	272,447
Fines	55,123	31,763
Other	11,237	65,741
Due from other funds	825,657	1,134,926
Due from component unit	32,525	7,076
Due from other governments	212,825	261,328
Deferred expenditures	<u>12,571</u>	<u>14,184</u>
<b>Total assets</b>	<u>\$ 1,979,369</u>	<u>\$ 1,953,688</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 203,082	\$ 159,805
Accrued expenditures	19,054	12,513
Due to other governments	32,163	28,809
Due to other funds	51,532	81,552
Deposits	100	50
Deferred revenue	<u>254,726</u>	<u>252,756</u>
<b>Total liabilities</b>	<u>560,657</u>	<u>535,485</u>
Fund balance		
Reserved for deferred expenditures	12,571	14,184
Unreserved, undesignated	<u>1,406,141</u>	<u>1,404,019</u>
<b>Total fund balance</b>	<u>1,418,712</u>	<u>1,418,203</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,979,369</u>	<u>\$ 1,953,688</u>

**CITY OF WHARTON TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 1,403,000	\$ 1,406,876	\$ 3,876	\$ 1,582,916
Sales	1,227,515	1,237,646	10,131	1,240,084
Franchise	997,646	991,182	(6,464)	1,047,982
Licenses and permits	72,700	72,908	208	127,166
Intergovernmental	139,500	137,223	(2,277)	131,860
Charges for services	16,000	12,709	(3,291)	28,248
Fines and forfeitures	237,400	244,022	6,622	150,425
Investment income	5,000	4,842	(158)	21,979
Industrial district fee	467,000	467,451	451	79,268
Miscellaneous	121,450	68,015	(53,435)	149,015
<b>Total revenues</b>	<b>4,687,211</b>	<b>4,642,874</b>	<b>(44,337)</b>	<b>4,558,943</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Mayor and council	29,375	29,103	272	24,404
City manager	185,566	184,455	1,111	177,433
City secretary	80,334	79,848	486	86,310
Legal and professional	61,000	60,200	800	77,456
Finance	241,746	240,541	1,205	227,161
Municipal court	122,428	122,398	30	107,469
Community services coordinator	946	17	929	1,120
Central services	64,997	64,602	395	56,990
<b>Total general government</b>	<b>786,392</b>	<b>781,164</b>	<b>5,228</b>	<b>758,343</b>
<b>Public safety</b>				
Police	1,828,851	1,826,955	1,896	1,575,632
Fire	282,780	282,636	144	286,000
Code enforcement	165,436	161,097	4,339	162,518
Emergency management	55,019	54,278	741	33,193
Animal control	53,141	53,066	75	31,163
Communications	411,157	410,252	905	357,239
<b>Total public safety</b>	<b>2,796,384</b>	<b>2,788,284</b>	<b>8,100</b>	<b>2,445,745</b>
<b>Public works</b>				
Streets and drainage	819,475	817,361	2,114	818,544
Garage	105,750	104,893	857	90,292
Facilities maintenance	213,193	212,691	502	204,787
Flood reduction project	-	-	-	65,000
<b>Total public works</b>	<b>1,138,418</b>	<b>1,134,945</b>	<b>3,473</b>	<b>1,178,623</b>

(continued)

**CITY OF WHARTON TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

*For the year ended September 30, 2009*

*With comparative totals for the year ended September 30, 2008*

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
<b>Current - (continued)</b>				
<b>Cultural and recreation</b>				
Community services	\$ 24,696	\$ 24,338	\$ 358	\$ 58,239
Recreation	47,650	47,593	57	41,562
Community pool	57,627	57,448	179	46,215
Total cultural and recreation	129,973	129,379	594	146,016
<b>Capital outlay</b>	123,000	122,601	399	106,758
<b>Debt service</b>				
Principal retirement	47,000	48,577	(1,577)	80,448
Interest and fiscal charges	15,100	13,471	1,629	17,559
Total debt service	62,100	62,048	52	98,007
<b>Total expenditures</b>	5,036,267	5,018,421	17,846	4,733,492
Excess (deficiency) of revenues over expenditures	(349,056)	(375,547)	(26,491)	(174,549)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	349,056	376,056	27,000	418,486
Transfers out	-	-	-	(36,865)
<b>Total other financing sources (uses)</b>	349,056	376,056	27,000	381,621
Net change in fund balance	\$ -	509	\$ 509	207,072
Fund balance at beginning of year		1,418,203		1,211,131
<b>Fund balance at end of year</b>		\$ 1,418,712		\$ 1,418,203

## **ENTERPRISE FUNDS**

Enterprise Funds account for the acquisition, operations, and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. Debt service amounts are also included.

**Water and Sewer Fund** - Accounts for the activities of the City related to its sewage treatment plant and water distribution system.

**Solid Waste Fund** - Accounts for the operations of the solid waste removal services provided to the residents of the City through a private company.

**Emergency Medical Services Fund** - Accounts for the emergency medical services provided to the residents of the City.

**Civic Center Fund** - Accounts for the operation of the City's civic center.

**Airport Fund** - Accounts for the operation of the City's airport.

**CITY OF WHARTON, TEXAS**  
**MAJOR ENTERPRISE FUND - WATER AND SEWER**  
**BALANCE SHEET**  
September 30, 2009  
With comparative totals for September 30, 2008

	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 60,302	\$ 49,310
Receivables, net		
Accounts	253,461	232,405
Due from other funds	1,576,255	579
Inventory	45,618	56,808
Total current assets	<u>1,935,636</u>	<u>339,102</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	928,638	928,638
Water and sewer system	18,321,407	18,056,570
Total capital assets	19,250,045	18,985,208
Accumulated depreciation	(7,981,631)	(7,523,755)
Subtotal	11,268,414	11,461,453
Land	276,750	276,750
Construction in progress	172,311	187,215
Net capital assets	<u>11,717,475</u>	<u>11,925,418</u>
Bond issue costs, net	111,778	18,447
Total noncurrent assets	<u>11,829,253</u>	<u>11,943,865</u>
<b>Total assets</b>	<u>13,764,889</u>	<u>12,282,967</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	76,496	232,844
Accrued expenses	3,960	2,101
Deposits	174,350	173,564
Accrued interest payable	52,967	51,907
Due to other funds	527,419	709,766
Compensated absences	2,556	2,575
Current portion of capital leases payable	-	78,000
Current portion of certificates of obligation	114,150	104,685
Current portion of general obligation bonds	242,575	174,400
Total current liabilities	<u>1,194,473</u>	<u>1,529,842</u>
Noncurrent liabilities		
Compensated absences	23,001	23,175
Capital leases payable, net of current portion	-	640,000
Certificates of obligation, net of current portion	4,565,288	2,395,934
General obligation bonds, net of current portion	471,625	414,200
Total noncurrent liabilities	<u>5,059,914</u>	<u>3,473,309</u>
<b>Total liabilities</b>	<u>6,254,387</u>	<u>5,003,151</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,323,837	8,118,199
Unrestricted net assets	1,186,665	(838,383)
<b>Total net assets</b>	<u>\$ 7,510,502</u>	<u>\$ 7,279,816</u>

**CITY OF WHARTON, TEXAS**

**MAJOR ENTERPRISE FUND - WATER AND SEWER**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**

**BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance	2008
	Final Budget	Actual	Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Water	\$ 1,408,000	\$ 1,404,044	\$ (3,956)	\$ 1,186,719
Sewer	1,295,000	1,292,502	(2,498)	1,134,643
Penalties	32,000	33,247	1,247	30,164
Connection and installation fees	29,700	29,935	235	41,961
Other	13,500	14,154	654	18,455
<b>Total operating revenues</b>	<u>2,778,200</u>	<u>2,773,882</u>	<u>(4,318)</u>	<u>2,411,942</u>
<b>OPERATING EXPENSES</b>				
Water and sewer operations				
Personnel	642,593	639,637	2,956	593,529
Materials and supplies	98,600	102,533	(3,933)	86,429
Repairs and maintenance	176,100	178,515	(2,415)	218,652
Other services and charges	749,300	729,009	20,291	604,245
Depreciation and amortization	365,355	466,064	(100,709)	453,892
<b>Total operating expenses</b>	<u>2,031,948</u>	<u>2,115,758</u>	<u>(83,810)</u>	<u>1,956,747</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	746,252	658,124	(88,128)	455,195
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	-	-	-	10,605
Investment income	350	363	13	1,920
Interest and fiscal charges	(190,132)	(184,112)	6,020	(181,497)
<b>Total nonoperating revenues (expenses)</b>	<u>(189,782)</u>	<u>(183,749)</u>	<u>6,033</u>	<u>(168,972)</u>
Income (loss) before contributions and transfers	556,470	474,375	(82,095)	286,223
Contributions and transfers				
Capital grants and contributions	-	123,311	123,311	457,687
Transfers out	(340,000)	(367,000)	(27,000)	(452,151)
<b>Total contributions and transfers</b>	<u>(340,000)</u>	<u>(243,689)</u>	<u>96,311</u>	<u>5,536</u>
Change in net assets	\$ <u>216,470</u>	230,686	\$ <u>14,216</u>	291,759
Net assets at beginning of year		<u>7,279,816</u>		<u>6,988,057</u>
<b>Net assets at end of year</b>		<u>\$ 7,510,502</u>		<u>\$ 7,279,816</u>

**CITY OF WHARTON, TEXAS**  
**MAJOR ENTERPRISE FUND - SOLID WASTE**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 16,876	\$ 592
Receivables, net		
Accounts	134,140	129,719
Due from other funds	<u>1,486</u>	<u>4,816</u>
<b>Total assets</b>	<u>152,502</u>	<u>135,127</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	52,915	54,624
Accrued expenses	167	123
Due to other governments	7,770	7,336
Deposits	150	75
Due to other funds	152,891	161,840
Compensated absences	<u>66</u>	<u>121</u>
<b>Total liabilities</b>	<u>213,959</u>	<u>224,119</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>(61,457)</u>	<u>(88,992)</u>
<b>Total net assets</b>	<u>\$ (61,457)</u>	<u>\$ (88,992)</u>

**CITY OF WHARTON, TEXAS**

**MAJOR ENTERPRISE FUND - SOLID WASTE**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**

**BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Solid waste fees	\$ 1,197,664	\$ 1,192,239	\$ (5,425)	\$ 1,095,282
Garbage collection fee	100,000	107,871	7,871	55,411
Other	-	524	524	512
<b>Total operating revenues</b>	<u>1,297,664</u>	<u>1,300,634</u>	<u>2,970</u>	<u>1,151,205</u>
<b>OPERATING EXPENSES</b>				
Solid waste operations				
Personnel	34,264	32,443	1,821	29,364
Materials and supplies	100	10	90	133
Other services and charges	1,239,100	1,240,923	(1,823)	1,139,005
<b>Total operating expenses</b>	<u>1,273,464</u>	<u>1,273,376</u>	<u>88</u>	<u>1,168,502</u>
Operating income (loss) before nonoperating revenues (expenses)	24,200	27,258	3,058	(17,297)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	200	277	77	1,009
Total nonoperating revenues (expenses)	<u>200</u>	<u>277</u>	<u>77</u>	<u>1,009</u>
Change in net assets	\$ <u>24,400</u>	27,535	\$ <u>3,135</u>	(16,288)
Net assets at beginning of year		<u>(88,992)</u>		<u>(72,704)</u>
<b>Net assets at end of year</b>		\$ <u>(61,457)</u>		\$ <u>(88,992)</u>

**CITY OF WHARTON, TEXAS**  
**MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 49,158	\$ 97,865
Receivables, net		
Accounts	31,636	81,686
Due from other funds	<u>16,525</u>	<u>45,291</u>
Total current assets	<u>97,319</u>	<u>224,842</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	928,355	852,027
Less accumulated depreciation	<u>(663,336)</u>	<u>(632,380)</u>
Net capital assets	<u>265,019</u>	<u>219,647</u>
<b>Total assets</b>	<u>362,338</u>	<u>444,489</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	46,637	25,846
Accrued expenses	5,359	2,911
Due to other funds	2,111	-
Compensated absences	<u>2,187</u>	<u>2,141</u>
Total current liabilities	<u>56,294</u>	<u>30,898</u>
Noncurrent liabilities		
Compensated absences	<u>19,683</u>	<u>19,265</u>
<b>Total liabilities</b>	<u>75,977</u>	<u>50,163</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	265,019	219,647
Unrestricted net assets	<u>21,342</u>	<u>174,679</u>
<b>Total net assets</b>	<u>\$ 286,361</u>	<u>\$ 394,326</u>

**CITY OF WHARTON, TEXAS****MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Ambulance services	\$ 811,000	\$ 760,575	\$ (50,425)	\$ 781,296
Other	3,200	5,508	2,308	1,000
<b>Total operating revenues</b>	<u>814,200</u>	<u>766,083</u>	<u>(48,117)</u>	<u>782,296</u>
<b>OPERATING EXPENSES</b>				
Emergency medical services				
Personnel	733,173	732,161	1,012	680,515
Materials and supplies	113,100	81,392	31,708	74,126
Repairs and maintenance	34,200	33,792	408	37,631
Other services and charges	164,300	154,698	9,602	127,120
Depreciation	97,446	96,104	1,342	98,150
<b>Total operating expenses</b>	<u>1,142,219</u>	<u>1,098,147</u>	<u>44,072</u>	<u>1,017,542</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(328,019)	(332,064)	(4,045)	(235,246)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	208,000	208,000	-	221,582
Gain on sale of capital assets	21,800	21,800	-	-
Investment income	2,000	355	(1,645)	3,027
<b>Total nonoperating revenues (expenses)</b>	<u>231,800</u>	<u>230,155</u>	<u>(1,645)</u>	<u>224,609</u>
Income (loss) before contributions and transfers	(96,219)	(101,909)	(5,690)	(10,637)
Contributions and transfers				
Capital grants and contributions	38,000	38,000	-	50,000
Transfers out	(44,056)	(44,056)	-	(41,335)
<b>Total contributions and transfers</b>	<u>(6,056)</u>	<u>(6,056)</u>	<u>-</u>	<u>8,665</u>
Change in net assets	\$ <u>(102,275)</u>	(107,965)	\$ <u>(5,690)</u>	(1,972)
Net assets at beginning of year		<u>394,326</u>		<u>396,298</u>
<b>Net assets at end of year</b>		<u>\$ 286,361</u>		<u>\$ 394,326</u>

**CITY OF WHARTON, TEXAS**  
**MAJOR ENTERPRISE FUND - CIVIC CENTER**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 143,131	\$ 172,728
Receivables, net		
Accounts	3,195	4,676
Due from other funds	64,869	1,094
Total current assets	<u>211,195</u>	<u>178,498</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	126,949	126,949
Buildings and improvements	1,986,788	1,986,788
Total capital assets	2,113,737	2,113,737
Less accumulated depreciation	<u>(585,678)</u>	<u>(537,479)</u>
Net capital assets	<u>1,528,059</u>	<u>1,576,258</u>
<b>Total assets</b>	<u>1,739,254</u>	<u>1,754,756</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	11,254	6,597
Accrued expenses	759	477
Deposits	6,600	6,800
Accrued interest payable	4,750	4,981
Due to other funds	9	15
Compensated absences	1,250	1,153
Current portion of certificates of obligation	<u>20,525</u>	<u>19,190</u>
Total current liabilities	<u>45,147</u>	<u>39,213</u>
Noncurrent liabilities		
Compensated absences	11,251	10,376
Certificates of obligation, net of current portion	<u>243,180</u>	<u>263,705</u>
Total noncurrent liabilities	<u>254,431</u>	<u>274,081</u>
<b>Total liabilities</b>	<u>299,578</u>	<u>313,294</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,264,354	1,293,363
Unrestricted net assets	<u>175,322</u>	<u>148,099</u>
<b>Total net assets</b>	<u>\$ 1,439,676</u>	<u>\$ 1,441,462</u>

**CITY OF WHARTON, TEXAS****MAJOR ENTERPRISE FUND - CIVIC CENTER****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance	2008
	Final Budget	Actual	Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Civic center fees	\$ 71,851	\$ 71,116	\$ (735)	\$ 88,072
Other	500	-	(500)	30
<b>Total operating revenues</b>	<u>72,351</u>	<u>71,116</u>	<u>(1,235)</u>	<u>88,102</u>
<b>OPERATING EXPENSES</b>				
Civic center operations				
Personnel	119,343	120,004	(661)	81,424
Materials and supplies	8,781	9,494	(713)	6,644
Repairs and maintenance	39,800	39,554	246	28,574
Other services and charges	48,515	48,057	458	38,367
Depreciation	48,000	48,199	(199)	48,199
<b>Total operating expenses</b>	<u>264,439</u>	<u>265,308</u>	<u>(869)</u>	<u>203,208</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(192,088)	(194,192)	(2,104)	(115,106)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	700	787	87	4,155
Interest and fiscal charges	(14,816)	(14,585)	231	(18,958)
Total nonoperating revenues (expenses)	<u>(14,116)</u>	<u>(13,798)</u>	<u>318</u>	<u>(14,803)</u>
Income (loss) before transfers	(206,204)	(207,990)	(1,786)	(129,909)
Transfers				
Transfers in	206,204	206,204	-	120,600
Total transfers	<u>206,204</u>	<u>206,204</u>	<u>-</u>	<u>120,600</u>
Change in net assets	\$ -	(1,786)	\$ (1,786)	(9,309)
Net assets at beginning of year		1,441,462		1,450,771
<b>Net assets at end of year</b>		<u>\$ 1,439,676</u>		<u>\$ 1,441,462</u>

**CITY OF WHARTON, TEXAS****MAJOR ENTERPRISE FUND - AIRPORT****BALANCE SHEET**

September 30, 2009

With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 71,545	\$ 126,214
Receivables, net		
Accounts	10,936	12,566
Due from other funds	199,202	1,046
Due from other governments	34,765	21,474
Inventory	24,387	38,883
Total current assets	<u>340,835</u>	<u>200,183</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	69,979	54,596
Land improvements	287,717	45,735
Buildings and improvements	3,522,568	3,458,202
Total capital assets	3,880,264	3,558,533
Less accumulated depreciation	(536,583)	(456,590)
Subtotal	3,343,681	3,101,943
Land	42,343	42,343
Construction in progress	-	26,994
Net capital assets	<u>3,386,024</u>	<u>3,171,280</u>
Bond issue costs, net	9,472	1,936
<b>Total assets</b>	<u>3,736,331</u>	<u>3,373,399</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	23,344	5,172
Accrued expenses	465	258
Deposits	700	500
Accrued interest payable	2,998	2,972
Due to other funds	1,606	44,135
Compensated absences	96	127
Current portion of certificates of obligation	38,350	36,485
Total current liabilities	<u>67,559</u>	<u>89,649</u>
Noncurrent liabilities		
Compensated absences	867	1,147
Certificates of obligation, net of current portion	336,913	169,380
Total noncurrent liabilities	<u>337,780</u>	<u>170,527</u>
<b>Total liabilities</b>	<u>405,339</u>	<u>260,176</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,010,761	2,965,415
Unrestricted net assets	320,231	147,808
<b>Total net assets</b>	<u>\$ 3,330,992</u>	<u>\$ 3,113,223</u>

**CITY OF WHARTON, TEXAS****MAJOR ENTERPRISE FUND - AIRPORT****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Airport fees	\$ 177,000	\$ 181,240	\$ 4,240	\$ 185,813
Other	500	695	195	225
<b>Total operating revenues</b>	<u>177,500</u>	<u>181,935</u>	<u>4,435</u>	<u>186,038</u>
<b>OPERATING EXPENSES</b>				
Airport operations				
Personnel	67,273	67,511	(238)	58,319
Materials and supplies	5,750	5,331	419	4,044
Repairs and maintenance	33,000	16,613	16,387	40,367
Other services and charges	49,050	47,326	1,724	43,764
Depreciation and amortization	60,000	80,528	(20,528)	72,460
<b>Total operating expenses</b>	<u>215,073</u>	<u>217,309</u>	<u>(2,236)</u>	<u>218,954</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(37,573)	(35,374)	2,199	(32,916)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	34,765	34,765	-	32,754
Investment income	650	686	36	4,825
Interest and fiscal charges	(9,445)	(8,230)	1,215	(33,107)
<b>Total nonoperating revenues (expenses)</b>	<u>25,970</u>	<u>27,221</u>	<u>1,251</u>	<u>4,472</u>
Income (loss) before contributions	(11,603)	(8,153)	3,450	(28,444)
Contributions				
Capital grants and contributions	35,450	225,922	190,472	223,226
<b>Total contributions</b>	<u>35,450</u>	<u>225,922</u>	<u>190,472</u>	<u>223,226</u>
Change in net assets	\$ <u>23,847</u>	217,769	\$ <u>193,922</u>	194,782
Net assets at beginning of year		<u>3,113,223</u>		<u>2,918,441</u>
<b>Net assets at end of year</b>		<u>\$ 3,330,992</u>		<u>\$ 3,113,223</u>

**STATISTICAL SECTION**

## STATISTICAL SECTION

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

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<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	115
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues .....	126
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future .....	137
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments .....	143
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs .....	145

**CITY OF WHARTON, TEXAS**  
**NET ASSETS BY COMPONENT (1)**  
*Last six fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Governmental activities</b>			
Invested in capital assets, net of related debt	\$ 3,041,931	\$ 3,462,536	\$ 4,277,648
Restricted	375,245	377,314	500,635
Unrestricted	1,992,192	1,370,948	1,378,511
<b>Total governmental activities net assets</b>	<b>\$ 5,409,368</b>	<b>\$ 5,210,798</b>	<b>\$ 6,156,794</b>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 11,071,602	\$ 11,130,958	\$ 11,286,468
Unrestricted	(241,357)	66,413	114,408
<b>Total business-type activities net assets</b>	<b>\$ 10,830,245</b>	<b>\$ 11,197,371</b>	<b>\$ 11,400,876</b>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 14,113,533	\$ 14,593,494	\$ 15,564,116
Restricted	375,245	377,314	500,635
Unrestricted	1,750,835	1,437,361	1,492,919
<b>Total primary government activities net assets</b>	<b>\$ 16,239,613</b>	<b>\$ 16,408,169</b>	<b>\$ 17,557,670</b>

(1) Accrual basis of accounting

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

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Fiscal Year		
2007	2008	2009
\$ 5,330,747	\$ 6,863,521	\$ 6,832,082
613,877	513,775	418,240
<u>1,257,718</u>	<u>1,526,710</u>	<u>1,602,369</u>
<u>\$ 7,202,342</u>	<u>\$ 8,904,006</u>	<u>\$ 8,852,691</u>

\$ 11,500,738	\$ 12,596,624	\$ 10,863,971
180,125	(456,789)	1,642,103
<u>\$ 11,680,863</u>	<u>\$ 12,139,835</u>	<u>\$ 12,506,074</u>

\$ 16,831,485	\$ 19,460,145	\$ 17,696,053
613,877	513,775	418,240
<u>1,437,843</u>	<u>1,069,921</u>	<u>3,244,472</u>
<u>\$ 18,883,205</u>	<u>\$ 21,043,841</u>	<u>\$ 21,358,765</u>

**CITY OF WHARTON, TEXAS**  
**CHANGES IN NET ASSETS (1)**  
*Last six fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Governmental activities</b>			
Expenses			
General government	\$ 1,292,705	\$ 1,735,633	\$ 1,208,119
Public safety	2,156,564	2,408,652	2,546,521
Public works	2,386,715	2,091,123	1,430,714
Culture and recreation	244,138	224,491	186,343
Interest on long-term debt	110,051	151,537	146,131
Total expenses	<u>6,190,173</u>	<u>6,611,436</u>	<u>5,517,828</u>
Program revenues			
Charges for services			
General government	83,691	51,505	144,315
Public safety	228,705	234,982	242,056
Public works	19,383	-	-
Culture and recreation	7,384	5,917	12,247
Operating grants and contributions	767,326	1,689,193	471,859
Capital grants and contributions	1,099,881	214,510	934,450
Total program revenues	<u>2,206,370</u>	<u>2,196,107</u>	<u>1,804,927</u>
Total governmental activities net program expense	(3,983,803)	(4,415,329)	(3,712,901)
General revenues and other changes in net assets			
Taxes			
Property taxes	1,754,009	1,916,640	1,836,399
Sales taxes	1,049,238	1,124,445	1,292,565
Franchise taxes	792,682	818,192	893,839
Other taxes	56,798	90,170	134,824
Unrestricted investment earnings	24,683	55,969	61,579
Industrial district payment	-	-	-
Miscellaneous	163,753	119,270	98,561
Transfers	266,300	247,012	341,130
Total general revenues and other changes in net assets	<u>4,107,463</u>	<u>4,371,698</u>	<u>4,658,897</u>
<b>Total governmental activities change in net assets</b>	<u>\$ 123,660</u>	<u>\$ (43,631)</u>	<u>\$ 945,996</u>

Fiscal Year		
2007	2008	2009
\$ 1,197,103	\$ 1,316,196	\$ 822,357
2,653,594	2,825,817	3,012,237
1,300,791	1,817,233	1,644,418
215,996	248,535	218,224
<u>222,145</u>	<u>231,552</u>	<u>250,056</u>
<u>5,589,629</u>	<u>6,439,333</u>	<u>5,947,292</u>
166,240	261,706	356,333
244,350	55,071	-
-	-	-
12,808	15,397	11,634
526,724	729,601	289,500
<u>824,211</u>	<u>1,899,894</u>	<u>123,311</u>
<u>1,774,333</u>	<u>2,961,669</u>	<u>780,778</u>
(3,815,296)	(3,477,664)	(5,166,514)
1,914,766	1,928,867	1,947,147
1,319,795	1,240,084	1,237,646
924,196	1,047,982	991,182
175,474	199,153	174,996
174,312	65,870	9,916
-	79,268	467,451
76,942	245,218	82,009
<u>275,359</u>	<u>372,886</u>	<u>204,852</u>
<u>4,860,844</u>	<u>5,179,328</u>	<u>5,115,199</u>
\$ <u>1,045,548</u>	\$ <u>1,701,664</u>	\$ <u>(51,315)</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**CHANGES IN NET ASSETS (1)**  
*Last six fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Business-type activities</b>			
Expenses			
Water and sewer	\$ 1,687,953	\$ 1,805,704	\$ 1,885,041
Solid waste	1,324,001	1,179,798	1,195,075
Emergency medical services	1,146,702	1,107,249	1,093,960
Civic center	199,272	176,969	185,618
Airport	100,092	104,536	129,760
<b>Total expenses</b>	<u>4,458,020</u>	<u>4,374,256</u>	<u>4,489,454</u>
Program revenues			
Charges for services			
Water and sewer	1,925,359	2,210,061	2,209,304
Solid waste	1,160,779	1,185,713	1,178,801
Emergency medical services	788,728	695,402	797,431
Civic center	48,103	77,548	76,894
Airport	118,795	120,482	117,446
Operating grants and contributions	169,607	191,440	221,110
Capital grants and contributions	821,243	454,269	389,104
<b>Total program revenues</b>	<u>5,032,614</u>	<u>4,934,915</u>	<u>4,990,090</u>
<b>Total governmental activities net program expense</b>	574,594	560,659	500,636
General revenues and other changes in net assets			
Unrestricted investment earnings	6,665	11,062	18,688
Miscellaneous	167,516	42,417	25,311
Transfers	(266,300)	(247,012)	(341,130)
<b>Total general revenues and other changes in net assets</b>	<u>(92,119)</u>	<u>(193,533)</u>	<u>(297,131)</u>
<b>Total business-type activities change in net assets</b>	<u>\$ 482,475</u>	<u>\$ 367,126</u>	<u>\$ 203,505</u>
<b>Total primary government change in net assets</b>	<u>\$ 606,135</u>	<u>\$ 323,495</u>	<u>\$ 1,149,501</u>

(1) Accrual basis of accounting

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year		
2007	2008	2009
\$ 2,067,083	\$ 2,162,499	\$ 2,311,685
1,242,914	1,175,700	1,273,376
1,339,596	1,300,504	1,098,147
188,687	222,166	279,893
221,619	252,061	225,539
<u>5,059,899</u>	<u>5,112,930</u>	<u>5,188,640</u>
2,283,549	2,436,197	2,785,697
1,279,305	1,158,403	1,300,634
988,845	1,065,258	766,083
80,373	88,102	71,116
171,888	186,038	181,935
255,649	243,467	242,765
614,784	752,387	387,233
<u>5,674,393</u>	<u>5,929,852</u>	<u>5,735,463</u>
614,494	816,922	546,823
21,204	14,936	2,468
-	-	21,800
<u>(275,359)</u>	<u>(372,886)</u>	<u>(204,852)</u>
<u>(254,155)</u>	<u>(357,950)</u>	<u>(180,584)</u>
\$ <u>360,339</u>	\$ <u>458,972</u>	\$ <u>366,239</u>
\$ <u>1,405,887</u>	\$ <u>2,160,636</u>	\$ <u>314,924</u>

**CITY OF WHARTON, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
*Last six fiscal years*

	Fiscal Year		
	2004	2005	2006
General Fund			
Reserved for encumbrances	\$ 12,925	\$ 21,887	\$ 20,409
Unreserved	<u>1,195,181</u>	<u>1,146,653</u>	<u>1,203,420</u>
Total general fund	<u>\$ 1,208,106</u>	<u>\$ 1,168,540</u>	<u>\$ 1,223,829</u>
All Other Governmental Funds			
Unreserved, reported in			
Special revenue funds	\$ 250,688	\$ 244,936	\$ 56,102
Debt service fund	365,845	366,349	431,913
Capital project funds	<u>71,833</u>	<u>754,942</u>	<u>255,294</u>
Total all other governmental funds	<u>\$ 688,366</u>	<u>\$ 1,366,227</u>	<u>\$ 743,309</u>

(1) Modified accrual basis of accounting

Note: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is available only beginning in 2004.

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Fiscal Year		
2007	2008	2009
\$ 17,719	\$ 14,184	\$ 12,571
<u>1,193,412</u>	<u>1,404,019</u>	<u>1,406,141</u>
<u>\$ 1,211,131</u>	<u>\$ 1,418,203</u>	<u>\$ 1,418,712</u>
\$ 122,721	\$ 194,899	\$ 117,419
458,275	360,762	358,012
<u>1,195,917</u>	<u>94,703</u>	<u>1,478,732</u>
<u>\$ 1,776,913</u>	<u>\$ 650,364</u>	<u>\$ 1,954,163</u>

**CITY OF WHARTON, TEXAS**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**

*Last six fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Revenues</b>			
Taxes	\$ 3,651,309	\$ 3,933,874	\$ 4,210,088
Licenses and permits	83,691	63,597	66,286
Intergovernmental	1,867,207	1,851,081	1,285,045
Charges for services	21,996	9,522	16,171
Fines and forfeitures	223,122	227,231	230,221
Investment income	24,683	55,969	61,579
Industrial district payment	-	-	-
Miscellaneous	163,753	148,553	202,510
<b>Total revenues</b>	<b>6,035,761</b>	<b>6,289,827</b>	<b>6,071,900</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,273,723	1,728,216	1,183,005
Public safety	1,997,416	2,274,101	2,437,946
Public works	932,792	1,591,928	1,314,051
Culture and recreation	240,805	472,851	950,388
Capital outlay	1,631,152	630,338	775,590
<b>Debt service</b>			
Principal retirement	274,480	296,622	304,633
Interest and fiscal charges	113,749	134,394	148,665
Bond issue costs	-	39,194	-
<b>Total expenditures</b>	<b>6,464,117</b>	<b>7,167,644</b>	<b>7,114,278</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(428,356)</b>	<b>(877,817)</b>	<b>(1,042,378)</b>
<b>Other financing sources (uses)</b>			
Debt issued	-	1,269,100	-
Premium on issuance of bonds	-	-	-
Capital lease proceeds	221,349	-	133,619
Transfers in	728,142	531,064	527,276
Transfers out	(461,842)	(284,052)	(186,146)
<b>Total other financing sources (uses)</b>	<b>487,649</b>	<b>1,516,112</b>	<b>474,749</b>
<b>Change in fund balances</b>	<b>\$ 59,293</b>	<b>\$ 638,295</b>	<b>\$ (567,629)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.41%</b>	<b>6.95%</b>	<b>7.01%</b>

(1) Modified accrual basis of accounting

Note: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the changes in fund balance information is available only beginning in 2004.

Fiscal Year		
2007	2008	2009
\$ 4,325,427	\$ 4,517,831	\$ 4,403,821
150,149	127,166	72,908
569,126	1,724,602	403,211
15,042	28,248	12,709
236,772	155,945	258,490
174,312	65,870	9,916
-	79,268	467,451
<u>1,045,302</u>	<u>1,475,063</u>	<u>98,871</u>
<u>6,516,130</u>	<u>8,173,993</u>	<u>5,727,377</u>
1,188,056	1,321,674	805,414
2,539,906	2,524,255	2,810,584
1,869,878	1,531,189	1,226,819
378,528	195,918	180,729
1,597,770	3,871,656	475,790
414,041	433,538	418,817
185,521	220,411	242,810
54,877	32,715	62,551
<u>8,228,577</u>	<u>10,131,356</u>	<u>6,223,514</u>
(1,712,447)	(1,957,363)	(496,137)
2,161,900	665,000	1,562,400
-	-	33,193
296,094	-	-
653,834	536,351	451,056
<u>(378,475)</u>	<u>(163,465)</u>	<u>(246,204)</u>
<u>2,733,353</u>	<u>1,037,886</u>	<u>1,800,445</u>
\$ <u>1,020,906</u>	\$ <u>(919,477)</u>	\$ <u>1,304,308</u>
<u>10.03%</u>	<u>10.78%</u>	<u>12.33%</u>

**CITY OF WHARTON, TEXAS****TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)***Last ten fiscal years*

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<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Total</u>
2000	\$ 1,688,814	\$ 28,994	\$ 1,147,398	\$ 737,086	\$ 55,150	\$ 3,657,442
2001	1,670,559	24,321	1,217,512	830,621	59,252	3,802,265
2002	1,820,968	24,176	1,151,185	785,180	52,236	3,833,745
2003	1,778,107	34,225	1,235,592	796,546	48,856	3,893,326
2004	1,725,441	27,150	1,049,238	792,682	56,798	3,651,309
2005	1,858,369	42,698	1,124,445	818,192	90,170	3,933,874
2006	1,846,026	42,835	1,292,565	893,839	134,824	4,210,089
2007	1,870,702	40,867	1,319,795	918,589	175,474	4,325,427
2008	1,980,041	50,571	1,240,084	1,047,982	199,153	4,517,831
2009	1,962,203	37,794	1,237,646	991,182	174,996	4,403,821

(1) Modified accrual basis of accounting

**CITY OF WHARTON, TEXAS**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

*Last ten fiscal years*

Fiscal Year	Tax Roll	Real Property				Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property	Personal Property				
2000	1999	\$76,751,960	\$145,334,750	\$17,723,952	\$136,033,890	\$93,094,354	\$282,750,198	
2001	2000	80,629,021	147,551,241	17,705,074	131,551,070	94,431,643	283,004,763	
2002	2001	85,677,155	146,377,776	18,813,483	140,437,510	79,692,269	311,613,655	
2003	2002	90,014,100	151,308,122	19,386,761	127,143,500	83,092,699	304,759,784	
2004	2003	94,534,520	153,336,918	17,544,851	117,443,460	85,963,800	296,895,949	
2005	2004	100,566,970	161,689,206	22,823,136	119,002,010	90,722,440	313,358,882	
2006	2005	108,295,179	165,152,854	26,663,705	124,211,890	95,987,751	328,335,877	
2007	2006	135,066,795	197,960,574	27,341,467	119,532,580	134,278,532	345,622,884	
2008	2007	143,400,935	216,067,975	29,168,446	123,191,717	128,243,153	383,585,920	
2009	2008	151,738,474	229,199,375	33,527,938	111,476,192	128,235,483	397,706,496	

(1) Includes tax-exempt property

NOTE: Property in the City is reassessed annually. The City assesses property at 100% of actual taxable value for all types of real and personal property. Tax rates are per \$100 of assessed value.

SOURCE: Wharton County Appraisal District

<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ -	\$ 282,750,198	\$ 0.60000	\$ 1,696,501	\$ -	\$ 1,696,501	100.00%
-	283,004,763	0.60000	1,698,029	-	1,698,029	100.00%
-	311,613,655	0.59528	1,854,974	-	1,854,974	100.00%
-	304,759,784	0.58551	1,784,399	-	1,784,399	100.00%
-	296,895,949	0.58551	1,738,355	-	1,738,355	100.00%
-	313,358,882	0.58551	1,834,748	-	1,834,748	100.00%
(36,519,880)	291,815,997	0.56473	1,647,972	203,336	1,851,308	100.00%
(41,353,364)	304,269,520	0.54997	1,673,391	200,837	1,874,228	100.00%
(46,568,829)	337,017,091	0.51281	1,728,257	204,946	1,933,203	100.00%
(50,980,352)	346,726,144	0.51280	1,778,012	206,332	1,984,344	100.00%

**CITY OF WHARTON, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**PER \$100 OF ASSESSED VALUE**  
*Last ten fiscal years*

Fiscal Year	City Direct Rates			Overlapping Rates					
	Debt Service	General Fund	Total	School District	Junior College	Fire District	(1) Wharton County	Groundwater District	Total
2000	\$0.1851	\$0.4149	\$0.6000	\$1.4650	\$0.1564	\$0.0300	\$ 0.6600	\$ -	\$ 2.3114
2001	0.18500	0.41500	0.60000	1.4850	0.1564	0.0300	0.6900	-	2.3614
2002	0.19185	0.40343	0.59528	1.4850	0.1564	0.0300	0.6875	-	2.3589
2003	0.13674	0.44877	0.58551	1.5000	0.1674	0.0300	0.6999	0.0200	2.4173
2004	0.11844	0.46707	0.58551	1.5000	0.1740	0.0300	0.6999	0.0200	2.4239
2005	0.11121	0.47430	0.58551	1.5000	0.1689	0.0300	0.6899	0.0190	2.4078
2006	0.12468	0.43995	0.56463	1.4850	0.1560	0.0300	0.6699	0.0165	2.3574
2007	0.12622	0.42375	0.54997	1.5658	0.1358	0.0300	0.5736	0.0112	2.3164
2008	0.11252	0.40029	0.51281	1.2229	0.1349	0.0300	0.5634	0.0085	1.9597
2009	0.15352	0.35928	0.51280	1.2327	0.1380	0.0300	0.5458	0.0071	1.9537

(1) Includes the Farm to Market and Lateral Roads Tax

SOURCE: Wharton County Tax Office

**CITY OF WHARTON, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**(UNAUDITED)**  
**Current Year and Nine Years Ago**

<b>2009</b>		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Nan Ya Plastics Corp. USA	\$ 35,047,340	8.81%
J-M Manufacturing Company, Inc.	27,170,280	6.83%
Signature Gulf Coast Hospital LP	8,645,120	2.17%
Signature Gulf Coast Hospital LP	7,210,450	1.81%
Wal-Mart Stores Texas, LP	6,497,420	1.63%
Wal-Mart Property Tax Dept.	5,689,365	1.43%
Wireline Division of STC	4,999,210	1.26%
Centerpoint Energy Houston	4,381,415	1.10%
H E Butt Grocery Co.	3,206,130	0.81%
Reddy Partnership	2,950,000	0.74%
	<u>\$ 105,796,730</u>	<u>26.59%</u>

<b>2000</b>		
<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Nan Ya Plastics Corp. USA	\$ 77,843,830	27.53%
J-M Manufacturing Company, Inc.	19,555,400	6.92%
Health Trust - The Hospital Corporation	16,353,210	5.78%
Southwestern Bell Telephone Co.	5,018,800	1.77%
Houston Lighting & Power Co.	4,262,580	1.51%
South Texas Medical Joint Venture	3,574,860	1.26%
Briar Point Ltd.	2,262,930	0.80%
Wharton Assisted Living	2,050,640	0.73%
South Texas Medical Clinic PA	1,960,090	0.69%
Formosa Plastics Development Corp	1,653,256	0.58%
	<u>\$ 134,535,596</u>	<u>47.57%</u>

SOURCE: Wharton County Central Appraisal District

**CITY OF WHARTON, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last ten fiscal years*

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
2000	\$ 1,696,501	\$ (3,540)	\$ 1,692,961	\$ 1,640,572	96.91%
2001	1,702,578	(2,974)	1,699,604	1,643,704	96.71%
2002	1,854,974	(4,820)	1,850,154	1,790,769	96.79%
2003	1,784,399	(3,219)	1,781,180	1,724,846	96.84%
2004	1,738,355	135	1,738,491	1,680,268	96.65%
2005	1,834,748	(1,025)	1,833,723	1,790,363	97.64%
2006	1,840,931	1,699	1,842,629	1,793,802	97.35%
2007	1,872,269	30,899	1,903,168	1,820,927	95.68%
2008	1,930,230	11,151	1,941,381	1,884,553	97.07%
2009	1,983,352	(10,867)	1,972,485	1,916,102	97.14%

SOURCE: City of Wharton

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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 44,744	\$ 1,685,316	99.55%
47,478	1,691,182	99.50%
51,773	1,842,542	99.59%
47,630	1,772,476	99.51%
48,677	1,728,945	99.45%
33,672	1,824,035	99.47%
38,091	1,831,893	99.42%
66,314	1,887,241	99.16%
23,220	1,907,773	98.27%
-	1,916,102	97.14%

**CITY OF WHARTON, TEXAS**  
**WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED**  
*Last ten fiscal years*

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<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
2000	584,366,000	495,740,100	88,625,900	15%	209,236,000
2001	557,572,000	449,564,300	108,007,700	19%	193,561,000
2002	601,210,000	392,679,800	208,530,200	35%	206,576,000
2003	567,697,000	406,842,700	160,854,300	28%	207,436,000
2004	549,844,000	414,229,300	135,614,700	25%	236,780,000
2005	557,524,000	413,543,800	143,980,200	26%	239,161,000
2006	542,031,000	430,111,800	111,919,200	21%	197,909,000
2007	506,389,000	413,042,500	93,346,500	18%	437,312,000
2008	519,351,000	464,899,900	54,451,100	10%	343,549,000
2009	541,913,000	442,428,300	99,484,700	18%	266,410,000

NOTES: Water and sewer usage rates shown are for 5,000 - 7,000 gallon usage range.  
 Full detail of rate information can be found on schedule titled "Water and Sewer Rates".  
 N/A denotes information not available

SOURCE: City of Wharton Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 6.88	\$ 1.43	\$ 8.50	\$ 1.37
6.88	1.43	8.50	1.37
6.88	1.43	8.50	1.37
7.91	1.64	8.50	1.65
7.91	1.64	8.50	1.65
9.10	1.88	9.80	1.89
9.10	1.88	9.80	1.89
10.20	2.00	11.00	2.10
10.20	2.00	11.00	2.10
11.75	2.30	12.65	2.40

**CITY OF WHARTON, TEXAS**  
**WATER AND SEWER RATES**  
*Last ten fiscal years*

	Fiscal Year			
	2000	2001	2002	2003
<b>Water Rates (per 2,000 gallons)</b>				
Base Rate	\$ 6.88	\$ 6.88	\$ 7.91	\$ 7.91
<b>Water usage rate</b>				
2,000-4,000	1.38	1.38	1.59	1.59
4,000-7,000	1.43	1.43	1.64	1.64
7,000-11,000	1.49	1.49	1.71	1.71
11,000-15,000	1.56	1.56	1.79	1.79
15,000-50,000	1.65	1.65	1.90	1.90
50,000-100,000	1.75	1.75	2.01	2.01
100,000-150,000	1.90	1.90	2.19	2.19
>150,000	2.05	2.05	2.36	2.36
<b>Sewer Rates (per 2,000 gallons)</b>				
Base Rate	8.50	8.50	8.50	8.50
<b>Sewer usage rate</b>				
2,000-4,000	1.32	1.32	1.32	1.32
4,000-7,000	1.37	1.37	1.65	1.65
7,000-11,000	1.43	1.43	1.80	1.80
11,000-15,000	1.50	1.50	1.95	1.95
15,000-50,000	1.59	1.59	2.10	2.10
50,000-100,000	1.69	1.69	2.25	2.25
100,000-150,000	1.84	1.84	2.40	2.40
>150,000	1.99	1.99	2.55	2.55

**NOTES:** Increases in water and sewer are approved by the City Council.

Sewer consumption rates for residential customers are based on the average of the last three-month period of December, January, and February that preceded the billing date.

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 9.10	\$ 9.10	\$ 9.10	\$ 10.20	\$ 10.20	\$ 11.75
1.82	1.82	1.82	1.95	1.95	2.25
1.88	1.88	1.88	2.00	2.00	2.30
1.96	1.96	1.96	2.10	2.10	2.40
2.05	2.05	2.05	2.20	2.20	2.55
2.18	2.18	2.18	2.35	2.35	2.70
2.31	2.31	2.31	2.45	2.45	2.80
2.51	2.51	2.51	2.60	2.60	3.00
2.71	2.71	2.71	2.80	2.80	3.20
9.80	9.80	9.80	11.00	11.00	12.65
1.51	1.51	1.51	1.70	1.70	1.95
1.89	1.89	1.89	2.10	2.10	2.40
2.07	2.07	2.07	2.30	2.30	2.65
2.24	2.24	2.24	2.50	2.50	2.85
2.41	2.41	2.41	2.70	2.70	3.10
2.58	2.58	2.58	2.90	2.90	3.35
2.76	2.76	2.76	3.10	3.10	3.55
2.93	2.93	2.93	3.30	3.30	3.80

**CITY OF WHARTON, TEXAS**  
**TEN LARGEST WATER CUSTOMERS**  
**(UNAUDITED)**  
*Current Year and Nine Years Ago*

2009			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	27,149,400	6.14%
Briar Pointe-Reddy Partnership	Apartment Complex	13,953,000	3.15%
Gulf Coast Medical Center	Hospital	13,835,600	3.13%
Millcreek Apartments	Apartment Complex	7,991,900	1.81%
J-M Eagle	Manufacturing	6,661,500	1.51%
Southwest LTC	Skilled Nursing Facility	5,609,300	1.27%
Wharton County Jail	County Jail	4,781,600	1.08%
The Meadow Associate	Apartment Complex	4,344,500	0.98%
Wharton ISD	Football Stadium	3,295,400	0.74%
Wharton ISD	High School	3,107,400	0.70%

2000			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	35,210,000	8.97%
Gulf Coast Medical Center	Hospital	16,355,000	4.16%
J-M MFG Co.	Manufacturing	7,354,900	1.87%
The Meadow Associate	Apartment Complex	4,976,800	1.27%
Rio Posada Apartments	Apartment Complex	4,009,700	1.02%
South Texas Medical Clinic	Medical	3,971,900	1.01%
Morning Star Apartments	Apartment Complex	3,627,000	0.92%
WISD Tiger Stadium	School	3,524,400	0.90%
Wharton ISD	School	3,232,400	0.82%
Hearthstone Assisted Living	Assisted Living	3,078,200	0.78%

SOURCE: City of Wharton Utility Billing Department

**CITY OF WHARTON, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last ten fiscal years*

Fiscal Year	Governmental Activities				Business-type Activities	
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	Certificates of Obligation	General Obligation Bonds
2000	\$ 1,975,000	\$ 2,945,000	\$ -	\$ 58,837	\$ -	\$ -
2001	1,758,772	1,250,000	-	30,391	2,906,228	1,495,000
2002	1,526,772	1,195,400	-	10,926	2,808,228	1,429,600
2003	1,285,372	1,136,200	-	-	2,704,628	1,358,800
2004	1,156,162	1,016,925	-	194,533	2,593,838	1,218,075
2005	2,295,537	891,800	-	152,761	2,924,463	1,068,200
2006	2,193,222	764,400	-	211,547	2,811,778	915,600
2007	4,226,697	632,450	-	354,339	3,488,303	757,550
2008	4,365,621	491,400	665,000	273,891	2,989,379	588,600
2009	5,703,381	345,800	665,000	225,314	5,266,619	714,200

(1) The Special Assessment bonds were issued for water and sewer improvements in the TARZ zone.

NOTE: Details regarding the City's outstanding debt can be found in the notes to financial statements.

<u>Business-type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Special Assessment Bonds (1)</u>			
\$ 70,000	\$ -	\$ 415,000	\$ 5,463,837	2.7%	\$ 589.47
-	48,213	-	7,488,604	3.4%	802.29
-	26,772	-	6,997,698	3.1%	751.87
-	-	-	6,485,000	2.8%	699.42
-	75,652	-	6,255,185	2.7%	675.58
-	59,407	-	7,392,168	3.0%	801.58
-	882,458	-	7,779,005	3.0%	842.43
-	792,000	-	10,251,339	3.7%	1,119.14
-	718,000	-	10,091,891	3.7%	1,102.94
-	-	-	12,920,314	4.7%	1,412.06

**CITY OF WHARTON, TEXAS**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
*Last ten fiscal years*

General Bonded Debt Outstanding					
Fiscal Year	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Special Assessment Bonds (1)	Total
2000	\$ 1,975,000	\$ 2,945,000	\$ -	\$ 415,000	\$ 5,335,000
2001	4,665,000	2,745,000	-	-	7,410,000
2002	4,335,000	2,625,000	-	-	6,960,000
2003	3,990,000	2,495,000	-	-	6,485,000
2004	3,750,000	2,235,000	-	-	5,985,000
2005	5,220,000	1,960,000	-	-	7,180,000
2006	5,005,000	1,680,000	-	-	6,685,000
2007	7,715,000	1,390,000	-	-	9,105,000
2008	7,355,000	1,080,000	665,000	-	9,100,000
2009	10,970,000	1,060,000	665,000	-	12,695,000

(1) The Special Assessment bonds were issued for water and sewer improvements in the TARZ zone.

NOTE: Details regarding the City's outstanding debt can be found in the notes to financial statements.

SOURCE: City of Wharton

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<u>Debt Service Monies Available</u>	<u>Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 520,899	\$ 1,927,610	\$ 2,886,491	1.02%	\$ 311.41
223,958	4,401,228	2,784,814	0.98%	298.35
388,765	4,237,828	2,333,407	0.75%	250.72
375,937	4,063,428	2,045,635	0.67%	220.63
365,845	3,811,913	1,807,242	0.61%	195.19
366,349	3,992,663	2,820,988	0.90%	305.90
431,913	3,727,378	2,525,709	0.77%	273.52
458,275	4,245,853	4,400,872	1.27%	480.44
360,762	3,577,979	5,161,259	1.35%	564.07
358,012	5,980,819	6,356,169	1.60%	694.66

**CITY OF WHARTON, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**(UNAUDITED)**  
**September 30, 2009**

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Wharton	9/30/2009	<u>\$ 12,695,000</u>	100.00%	<u>\$ 12,695,000</u>
Overlapping Debt:				
Wharton County	9/30/2009	4,300,000	15.15%	651,624
Wharton Independent School District	9/30/2009	<u>24,987,940</u>	44.66%	<u>11,159,159</u>
Total Overlapping Debt		<u>29,287,940</u>		<u>11,810,782</u>
Total		<u>\$ 41,982,940</u>		<u>\$ 24,505,782</u>

NOTES: 1 There is no legal debt limit for the City. Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in a tax levy for general bonded debt of over \$1.00 for cities under 5,000 population, or \$1.50 for cities over 5,000 population.

2 The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each government's total taxable value.

SOURCE: Wharton County and Wharton Independent School District

**CITY OF WHARTON, TEXAS**  
**PLEGDED-REVENUE COVERAGE**  
*Last ten fiscal years*

<u>Fiscal Year</u>		<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
2000	(1)	\$ 1,995,158	\$ 1,369,640	\$ 625,518	\$ 191,528	3.27
2001	(1)	1,884,591	1,600,028	284,563	312,989	0.91
2002	(1)	1,965,030	1,533,509	431,521	299,226	1.44
2003	(2)	1,875,592	1,152,349	723,243	315,910	2.29
2004	(2)	1,927,029	1,163,994	763,035	312,795	2.44
2005	(2)	2,212,044	1,258,856	953,188	293,307	3.25
2006	(2)	2,213,933	1,341,092	872,841	294,576	2.96
2007	(2)	2,286,698	1,446,595	840,103	227,480	3.69
2008	(2)	2,438,117	1,527,110	911,007	217,255	4.19
2009	(2)	2,774,245	1,649,694	1,124,551	308,641	3.64

(1) Revenues and expenses of the Water and Sewer Fund net of debt service.

(2) "Gross Revenue" as used herein refers to all operating revenues and all interest income of the Water and Sewer Fund. "Direct Operating Expenses" is defined as all operating expenses of the Water and Sewer Fund (which does not include capital outlay or interest expense) less depreciation.

SOURCE: City of Wharton

**CITY OF WHARTON, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**(UNAUDITED)**  
*Last ten fiscal years*

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
2000	9,269	\$ 205,957,180	\$ 22,220	2,667	4.5%
2001	9,334	222,811,914	23,871	2,605	4.3%
2002	9,307	222,753,738	23,934	2,616	5.7%
2003	9,272	228,267,368	24,619	2,520	6.2%
2004	9,259	234,613,801	25,339	2,450	5.9%
2005	9,222	245,710,968	26,644	2,543	5.3%
2006	9,234	258,376,554	27,981	2,399	5.0%
2007	9,160	273,526,760	29,861	2,280	4.4%
2008	9,150	273,228,150	29,861	2,265	4.3%
2009	9,150	273,228,150	29,861	2,221	6.3%

**NOTES:** The unemployment rates are a twelve month average from October through September for Wharton County.

**SOURCE:** (1) Population based on U.S. Census Bureau  
(2) U.S. Department of Commerce, Bureau of Economic Analysis (for Wharton County)  
(3) Wharton Independent School District  
(4) U.S. Department of Labor - Bureau of Labor (for Wharton County)

**CITY OF WHARTON, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**(UNAUDITED)**  
*Current Year and Three Years Ago*

2009		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	391	2.17%
Gulf Coast Medical Center	350	1.94%
South Texas Medical Ctr	331	1.83%
Wharton Co Jr College	300	1.66%
Wal-Mart	270	1.50%
Maxim Production Co	258	1.43%
Wharton County	227	1.26%
Nan Ya Plastics Corp. USA	200	1.11%
HEB Food Store	100	0.55%
J-M Manufacturing	96	0.53%
	<u>2,523</u>	<u>13.98%</u>

2006		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	395	2.19%
South Texas Medical Center	375	2.08%
Gulf Coast Medical Center	367	2.03%
Nan Ya Plastics Corp. USA	320	1.77%
Wharton Junior College	286	1.58%
Wal-Mart	260	1.44%
Schlumberger	126	0.70%
HEB Food Store	120	0.66%
J-M Manufacturing	102	0.56%
City of Wharton	93	0.52%
	<u>2,444</u>	<u>13.53%</u>

NOTE: Information for nine years ago was not readily available.

SOURCE: "Focus on Wharton - Wharton Economic Development Corporation"

**CITY OF WHARTON, TEXAS**

**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2000	2001	2002	2003
<b>General government</b>				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	1.0	1.0
Finance	3.0	3.0	3.0	3.0
Municipal court	3.0	3.0	3.0	3.0
Community services coordinator	0.5	0.5	0.5	0.5
Central services	-	-	0.5	0.5
<b>Public safety</b>				
Police	21.0	21.0	21.5	22.0
Fire	1.5	1.5	2.0	2.0
Code enforcement	2.0	3.0	3.0	3.0
Emergency management	-	-	-	-
Animal control	1.0	1.0	1.0	1.0
Communications	8.0	8.0	8.0	8.0
DARE	1.0	1.0	1.0	1.0
<b>Public works</b>				
Public works	11.5	11.5	11.5	11.0
Garage	2.0	2.0	1.5	1.5
Facilities maintenance	4.0	4.0	4.0	4.0
<b>Water/wastewater</b>				
City planning	1.5	1.5	1.5	2.0
Administration	2.0	2.0	2.0	2.0
Water operations	5.0	5.0	5.5	6.5
Sewer operations	4.0	4.0	4.0	3.5
Beautification	-	0.5	1.0	1.0
EMS	11.0	11.0	11.0	9.0
Civic Center	3.0	3.5	3.5	3.5
Aiport	-	-	-	-
<b>Total</b>	<b>88.0</b>	<b>90.0</b>	<b>92.0</b>	<b>91.0</b>

SOURCE: City of Wharton

Fiscal Year					
2004	2005	2006	2007	2008	2009
2.0	2.0	2.0	2.0	2.0	2.0
1.0	2.0	2.0	2.0	2.0	1.0
3.0	3.0	3.0	3.0	4.0	4.0
2.5	2.5	2.5	2.5	2.5	2.5
0.5	0.5	0.5	0.5	0.5	0.5
0.5	0.5	-	-	-	0.5
21.5	23.5	24.5	24.5	24.5	24.5
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	4.0	3.0
-	0.5	0.5	0.5	0.5	0.5
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	9.0	9.0
1.0	1.0	1.0	1.0	1.0	-
11.5	11.5	11.5	11.5	11.5	11.5
2.0	2.0	2.0	2.0	2.0	2.0
4.0	5.0	4.0	4.0	5.0	4.0
1.5	1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	1.0	1.5
6.0	7.0	7.0	7.0	7.0	7.5
3.0	4.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	8.0	8.0	8.0	8.0	8.0
4.0	2.5	2.5	2.5	2.5	2.5
-	-	-	-	1.5	2.0
<u>90.0</u>	<u>93.5</u>	<u>93.0</u>	<u>93.0</u>	<u>97.5</u>	<u>95.5</u>

**CITY OF WHARTON, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
*Last ten fiscal years*

Function/Program	Fiscal Year			
	2000	2001	2002	2003
<b>General government</b>				
Building permits issued	1,301	1,343	1,261	1,734
Building inspections conducted	N/A	N/A	N/A	N/A
<b>Public safety</b>				
<b>Police</b>				
Physical arrests	883	989	988	968
Traffic violations	4,314	3,325	4,685	2,587
<b>Fire</b>				
Fire calls	357	410	403	438
<b>Public works</b>				
Streets (miles)	95	95	95	95
<b>Culture and recreation</b>				
<b>Parks and recreation</b>				
Park rental	N/A	N/A	N/A	N/A
Community center rentals	333	336	316	286
<b>Swimming pool</b>				
Single admissions	N/A	N/A	N/A	N/A
Season passes	N/A	N/A	N/A	N/A
Aerobics	N/A	N/A	N/A	N/A
Swim lessons	N/A	N/A	N/A	N/A
Party rentals	N/A	N/A	N/A	N/A
<b>Water and wastewater</b>				
<b>Water</b>				
New connections/taps	4	21	14	4
Average daily consumption	1.4 mgd	1.2 mgd	1.1 mgd	1.1 mgd
Peak daily consumption	N/A	N/A	N/A	N/A
<b>Wastewater</b>				
Average daily sewage treatment	.6 mgd	.5 mgd	.6 mgd	.6 mgd
<b>EMS</b>				
Ambulance loads	2,769	2,760	2,491	2,688

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2004	2005	2006	2007	2008	2009
1,357	1,152	1,048	1,099	1,031	947
1,323	1,387	1,484	1,003	1,658	959
1,114	957	908	789	657	881
3,066	2,610	3,401	3,238	1,932	4,521
475	502	511	457	527	512
95	95	95	97	97	97
N/A	99	103	96	58	57
322	496	320	294	310	303
N/A	N/A	4,824	4,770	2,633	2,979
N/A	N/A	19	87	56	49
N/A	N/A	41	43	32	44
N/A	N/A	29	29	42	34
N/A	N/A	11	6	12	7
9	7	3	14	17	13
1.1 mgd	1.1mgd	1.2 mgd	1.1 mgd	1.4 mgd	1.2mgd
N/A	N/A	N/A	1.9 mgd	1.9 mgd	1.9 mgd
.6 mgd	.7 mgd	.5 mgd	1.2 mgd	.95 mgd	.73 mgd
2,784	2,444	2,874	2,928	3,309	3,425

**CITY OF WHARTON, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
*Last ten fiscal years*

Function/Program	Fiscal Year			
	2000	2001	2002	2003
<b>Public safety</b>				
<b>Police</b>				
Stations	1	1	1	1
Patrol units	8	8	8	8
Fire stations	1	1	1	1
<b>Highways and streets</b>				
Streets (miles)	95	95	95	95
Streetlights	624	624	624	624
School zone flashers	4	4	4	4
<b>Culture and recreation</b>				
Acreage	90	90	90	90
Parks	10	10	10	10
Baseball/softball diamonds	5	5	5	5
Community centers	1	1	1	1
Swimming pools	1	1	1	1
<b>Water and wastewater</b>				
<b>Water</b>				
Water mains (miles)	75	75	75	75
Fire hydrants	430	430	430	430
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
<b>Wastewater</b>				
Sanitary sewers (miles)	77	77	77	77
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd

SOURCE: Various City departments

Fiscal Year						
2004	2005	2006	2007	2008	2009	
1	1	1	1	1	1	1
8	8	8	8	8	8	8
1	1	1	1	1	1	1
95	95	96	96.5	96.5	96.5	96.5
624	624	624	852	852	852	852
4	4	4	8	8	8	8
90	90	90	90	90	90	92
10	10	10	10	10	10	11
5	5	5	5	5	5	5
1	1	1	1	1	1	1
1	1	1	1	1	1	1
75	75	75	80	80.5	80.5	80.5
430	430	430	470	475	478	478
3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd
77	77	77	80	83	84	84
15	15	15	15	15	15	15
2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0mgd

**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

The Honorable Mayor and Members  
of City Council

Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor and members of City Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Harrison Waldrop + Uhenke, LLP*

March 11, 2010