



# **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended  
September 30, 2019**

**CITY OF WHARTON, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the fiscal year ended September 30, 2019*

Joan Andel, 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, TX 77488  
Phone (979) 532-2491° Fax (979) 532-0181

March 27, 2020

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, 2019 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 compliment 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 8,659. 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 converted to an Interstate 69 highway that will 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. These plants, which employ approximately 375 people, are the largest property taxpayers in the City, with combined assessed valuations of approximately \$61 million. Also, as part of the industrial base, the City has created an industrial district that has located within its boundary a 550 mega-watt natural gas electric generating plant. The district currently has a value estimated at \$579,436,000. The industrial district is a major revenue source for the City's General Fund.

The City also has a developing retail area located at the intersection of U.S. Highway 59 and Farm to Market 102. The growing area has a Buc-ees, Wal-Mart, restaurants and retail shopping outlet.

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 four 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.

### **MAJOR INITIATIVES**

During the 2019 fiscal year, the City's most important initiative continues to be to provide flood reduction improvements in the City. The United States Army Corp of Engineers (USACE), has secured funding for the construction phase of the flood reduction project which is approximately \$74 million. Construction plans for a segment of the project have been developed by Half & Associates Engineers engaged by USACE. The City will be responsible for all maintenance and costs associated with the the levee for all future years and must plan accordingly in order to comply with USACE standards which will be in force. Currently the City is in the midst of acquiring property and relocating homeowners for this project.

As part of the City's flood reduction initiative, the City has received approval of its 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 through these higher standards CRS helps protect property and people from potential flooding within the City.

Another major initiative within the City is the FM 1301 Extension and Overpass Project. The City has completed the final design of the overpass project. TxDOT and the City are working together on this project through an advance funding agreement. The City engaged IDC, Inc., an engineering firm to develop plans and specifications for this project. The City continues to pursue additional funding for this important project.

The following initiative is still in progress with the remainder of the 2011 issuance of bonds:

- Farm to Market 102 Relocation or Farm to Market 1301 to U.S. Highway 59 and Railroad Overpass Project,

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

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

The following initiatives are still in progress with the remainder of the 2019 bond issuance:

- Water line improvements
- Wastewater plant improvements
- Street improvements
- Airport improvements
- Civic Center improvements
- City Hall improvements

The utility cost reduction measures are still in progress with the 2015 issuance of the Qualified Energy Conservation Bonds.

The City has also completed and implemented a fifty (50) year sustainable drinking water supply plan.

All of the initiatives above, 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 Fund, Capital Project Funds, and Enterprise Funds. The General Fund and the Debt Service Fund are included in the annual appropriated budget and are reported in the attached audit document. City 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 City 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 City will apply for the Government Finance Officers Association of the United States and Canada (GFOA) Award of Excellence in Financial Reporting with its comprehensive annual financial report for the fiscal year ended September 30, 2019. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

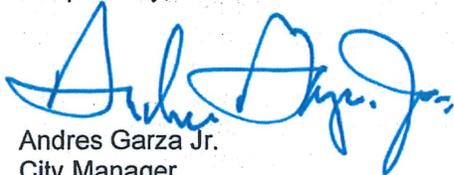
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. 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.

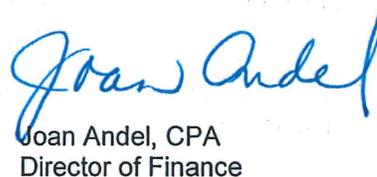
**ACKNOWLEDGEMENT**

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,



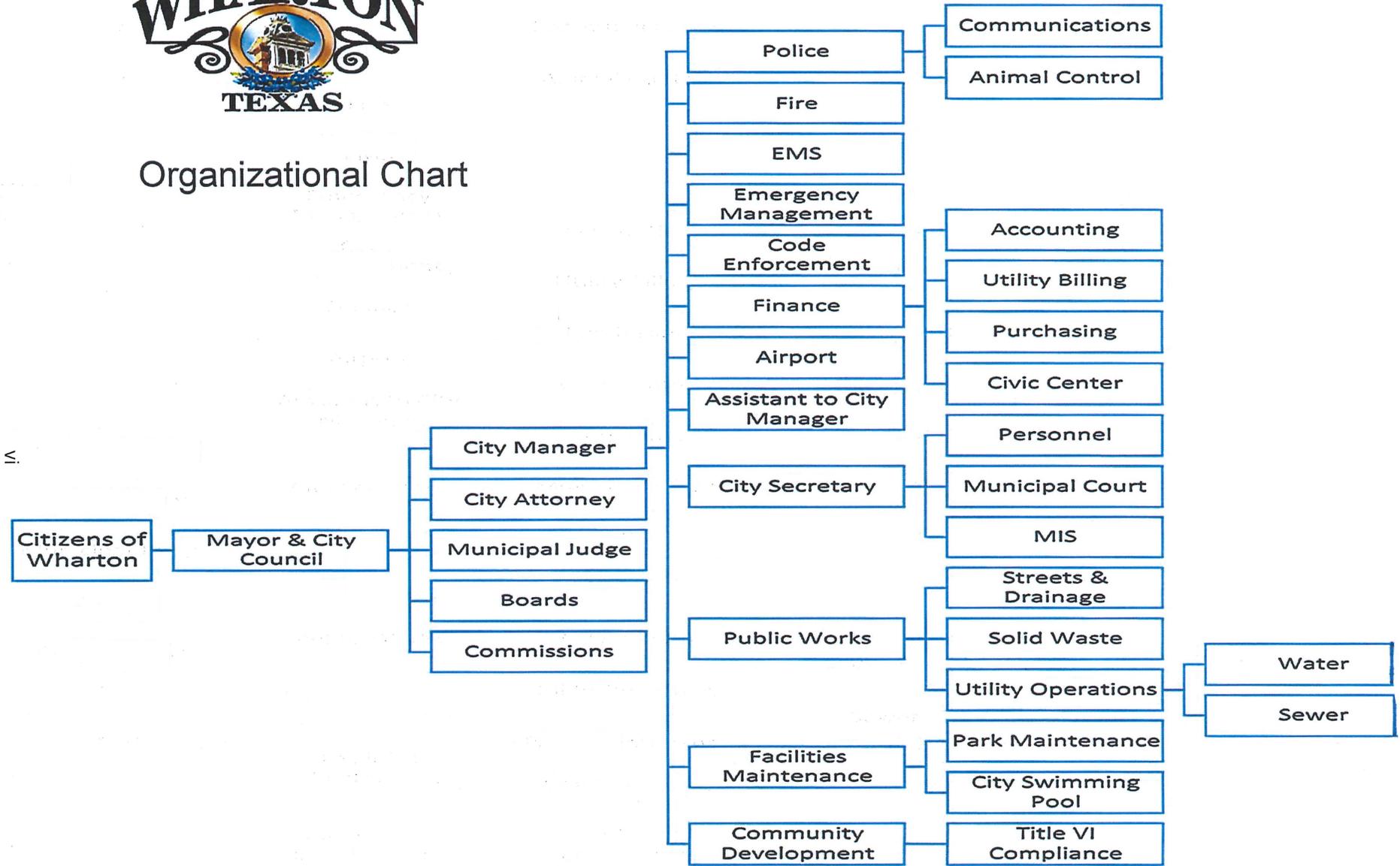
Andres Garza Jr.  
City Manager



Joan Andel, CPA  
Director of Finance



# Organizational Chart



**Elected Officials**

Tim Barker	Mayor
Clifford Jackson	Council Member District 1
Steven Schneider	Council Member District 2
Terry Freese	Council Member District 3
Donald Mueller	Council Member District 4
Russell Machann	Council Member At Large Place 5
Alice Heard-Roberts	Council Member At Large Place 6

**Appointed Officials**

Andres Garza, Jr.	City Manager
Paul Webb	City Attorney
Jared Culler	Municipal Judge
Joan Andel, CPA	Finance Director

**Department Heads**

Paula Favors	City Secretary
Terry Lynch	Police Chief
Anthony Abbott	Volunteer Fire Chief
Ronnie Bollom	Building Official
John Plaia	Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Makyla Monroe	Community Services Director
Stephen Johnson	Emergency Management Coordinator
David Allen	Airport Manager

**FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of changes in total OPEB liability and related ratios, and the schedules of employer contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was 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 nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

March 27, 2020

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, 2019. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2019, by \$21,934,997. Of this amount, \$496,555 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$16,456,357 for the fiscal year. The net expense was \$6,735,151.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$101,569. This represents a 1% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2019, the City's governmental funds reported combined ending fund balances of \$7,624,793, a net increase of \$2,519,308 in comparison with prior year. The net increase in fund balance was mainly due to the increase in the industrial district fee and the proceeds received during fiscal year 2019 from the 2019 Tax Notes and the 2019 Series Certificates of Obligation.
- At September 30, 2019, unassigned fund balance for the General Fund was \$1,916,870 or 31% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$3,919,325, or 19%, from the prior year.

**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 4 to 16

**Government-wide Financial Statements**

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

Pages 17 to 20

**Fund Financial Statements**

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

Pages 21 to 34

**Notes to Financial Statements**

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

Pages 35 to 72

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

The *statement of activities* presents information showing how the City's net position changed during fiscal year 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected 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. 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 35 through 72 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 and historical pension and OPEB benefits information. Required supplementary information can be found on pages 73 through 80 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 81 through 97 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,934,997 at the close of the fiscal year ended September 30, 2019.

At the end of fiscal year 2019, the City is able to report positive balances in all three categories of net position for the government as a whole.

### **City of Wharton, Texas**

#### **Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 8,249,112	\$ 5,614,481	\$ 3,535,586	\$ 2,275,038	\$ 11,784,698	\$ 7,889,519
Capital assets (net)	13,884,808	14,269,157	21,366,889	21,401,475	35,251,697	35,670,632
Other noncurrent assets	430,000	430,000	(430,000)	(430,000)	-	-
<b>Total assets</b>	<b>22,563,920</b>	<b>20,313,638</b>	<b>24,472,475</b>	<b>23,246,513</b>	<b>47,036,395</b>	<b>43,560,151</b>
<b>Total deferred out- flows of resources</b>	<b>782,516</b>	<b>270,402</b>	<b>401,467</b>	<b>129,002</b>	<b>1,183,983</b>	<b>399,404</b>
Current and other liabilities	2,023,737	1,495,288	1,684,789	1,475,719	3,708,526	2,971,007
Noncurrent liabilities	13,064,542	10,796,980	9,214,533	7,761,173	22,279,075	18,558,153
<b>Total liabilities</b>	<b>15,088,279</b>	<b>12,292,268</b>	<b>10,899,322</b>	<b>9,236,892</b>	<b>25,987,601</b>	<b>21,529,160</b>
<b>Total deferred in- flows of resources</b>	<b>183,430</b>	<b>318,614</b>	<b>114,350</b>	<b>227,231</b>	<b>297,780</b>	<b>545,845</b>
Net Position:						
Net investment in capital assets	5,346,151	6,021,228	15,399,868	14,992,726	20,746,019	21,013,954
Restricted	692,423	577,404	-	-	692,423	577,404
Unrestricted	2,036,153	1,374,526	(1,539,598)	(1,081,334)	496,555	293,192
<b>Total net position</b>	<b>\$ 8,074,727</b>	<b>\$ 7,973,158</b>	<b>\$ 13,860,270</b>	<b>\$ 13,911,392</b>	<b>\$ 21,934,997</b>	<b>\$ 21,884,550</b>

The largest portion of the City's net position (95%) 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 position of \$692,423 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$496,555 may be used to meet the government's ongoing obligations to citizens and creditors.

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

<b>City of Wharton, Texas</b>						
<b>Changes in Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 443,344	\$ 467,417	\$ 6,735,643	\$ 6,658,707	\$ 7,178,987	\$ 7,126,124
Operating grants and contributions	694,606	886,952	1,506,827	1,584,219	2,201,433	2,471,171
Capital grants and contributions	248,862	402,609	91,924	75,000	340,786	477,609
General revenues:						
Property taxes	1,927,053	1,920,441	-	-	1,927,053	1,920,441
Sales taxes	1,527,344	1,416,116	-	-	1,527,344	1,416,116
Franchise taxes	1,052,182	1,107,947	-	-	1,052,182	1,107,947
Other taxes	229,048	376,852	-	-	229,048	376,852
Unrestricted investment earnings	69,070	26,188	9,872	7,189	78,942	33,377
Industrial district payment	1,882,084	1,276,673	-	-	1,882,084	1,276,673
Miscellaneous	88,945	139,594	-	-	88,945	139,594
<b>Total revenues</b>	<b>8,162,538</b>	<b>8,020,789</b>	<b>8,344,266</b>	<b>8,325,115</b>	<b>16,506,804</b>	<b>16,345,904</b>
<b>EXPENSES</b>						
General government	1,673,997	1,883,507	-	-	1,673,997	1,883,507
Public safety	4,106,591	3,926,999	-	-	4,106,591	3,926,999
Public works	2,283,018	1,716,963	-	-	2,283,018	1,716,963
Cultural and recreation	309,231	281,150	-	-	309,231	281,150
Interest on long-term debt	552,115	416,720	-	-	552,115	416,720
Water and sewer	-	-	3,154,572	3,239,252	3,154,572	3,239,252
Solid waste	-	-	1,494,216	1,445,264	1,494,216	1,445,264
Emergency medical services	-	-	2,216,326	2,313,208	2,216,326	2,313,208
Civic center	-	-	314,049	268,924	314,049	268,924
Airport	-	-	352,242	350,530	352,242	350,530
<b>Total expenses</b>	<b>8,924,952</b>	<b>8,225,339</b>	<b>7,531,405</b>	<b>7,617,178</b>	<b>16,456,357</b>	<b>15,842,517</b>
Change in net position before transfers						
	(762,414)	(204,550)	812,861	707,937	50,447	503,387
Transfers	863,983	728,312	(863,983)	(728,312)	-	-
Change in net position	101,569	523,762	(51,122)	(20,375)	50,447	503,387
<b>Net position - October 1</b>	<b>7,973,158</b>	<b>7,449,396</b>	<b>13,911,392</b>	<b>13,931,767</b>	<b>21,884,550</b>	<b>21,381,163</b>
<b>Net position - September 30</b>	<b>\$ 8,074,727</b>	<b>\$ 7,973,158</b>	<b>\$ 13,860,270</b>	<b>\$ 13,911,392</b>	<b>\$ 21,934,997</b>	<b>\$ 21,884,550</b>

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

Governmental activities increased the City's net position by \$101,569 which was mainly due to the increase in the industrial district payment and net transfers from prior year, offset by the decrease in grants and contributions from the prior year, as well as the overall increase in expenses. There was a net decrease of \$51,122 in net position reported in connection with the City's business-type activities. This decrease is mainly due to the increase in net transfers offset by a decrease in expenses from the prior year. Overall, there was a \$50,447 increase in the net position of the City.

**Governmental Activities**

Governmental activities increased the City's net position by \$101,569. Key elements of this increase are as follows:

- Operating and capital grants and contributions decreased by \$346,093 or 27% from prior year, primarily due to declines in grant funds, WEDC contributions, and FEMA reimbursements.
- Other tax revenues relating to the collection of hotel and motel taxes decreased \$147,804 or 39% from prior year.
- Industrial district payment increased \$605,411 or 47% from prior year.
- Public works expenses increased by \$566,055 or 33% from prior year, primarily due to engineering and legal expenses relating to the levee acquisition project that were not capitalized.
- Interest on long-term debt increased by \$135,395 or 32% from prior year.
- Net transfers from other funds increased by \$135,671 or 19% from prior year.

**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	\$ 1,673,997	18.76%	\$ 919,918	66.33%	\$ (754,079)
Public safety	4,106,591	46.01%	253,288	18.26%	(3,853,303)
Public works	2,283,018	25.58%	202,138	14.58%	(2,080,880)
Cultural and recreation	309,231	3.46%	11,468	0.83%	(297,763)
Interest on long-term debt	552,115	6.19%	-	0.00%	(552,115)
<b>Total</b>	<b>\$ 8,924,952</b>	<b>100.00%</b>	<b>\$ 1,386,812</b>	<b>100.00%</b>	<b>\$ (7,538,140)</b>

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

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**City of Wharton, Texas**

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**Revenues by Source - Governmental Activities**

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<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 443,344	4.91%
Operating grants and contributions	694,606	7.70%
Capital grants and contributions	248,862	2.76%
Property taxes	1,927,053	21.34%
Sales taxes	1,527,344	16.92%
Franchise taxes	1,052,182	11.66%
Other taxes	229,048	2.54%
Unrestricted investment earnings	69,070	0.77%
Industrial district payment	1,882,084	20.84%
Miscellaneous	88,945	0.99%
Transfers	863,983	9.57%
	<u>\$ 9,026,521</u>	<u>100.00%</u>

Business-type Activities

Business-type activities decreased the City's net position by \$51,122. Key elements of this decrease are as follows:

- Water and sewer expenses decreased \$84,680 or 3% from the prior year, primarily due to declines in interest charges due to the refunding, as well as repairs and maintenance expenses and other services and charges.
- Solid waste expenses increased \$48,952 or 3% from the prior year, primarily due to an increase in other services and charges relating to solid waste services.
- Emergency medical services expenses decreased \$96,882 or 4% from the prior year, primarily due to declines in all categories of expenses. The largest contributors to this decrease were overtime, health insurance, supplies, vehicle maintenance, insurance, and depreciation expenses.
- Civic center expenses increased \$45,125 or 17% from the prior year, primarily due to an increase in personnel expense relating to the pension expense adjustment.
- Net transfers to other funds increased \$135,671 or 19% from the prior year.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)****Business-type Activities - (Continued)**

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City of Wharton, Texas					
Expenses and Program Revenues - Business-type Activities					
Functions/Programs	Expenses	% of Total	Revenues	% of Total	Net (Expense) Revenue
Water and sewer	\$ 3,154,572	41.88%	\$ 4,212,955	50.56%	\$ 1,058,383
Solid waste	1,494,216	19.84%	1,476,178	17.71%	(18,038)
Emergency medical services	2,216,326	29.43%	2,261,503	27.13%	45,177
Civic center	314,049	4.17%	119,570	1.43%	(194,479)
Airport	352,242	4.68%	264,188	3.17%	(88,054)
Total	<u>\$ 7,531,405</u>	<u>100.00%</u>	<u>\$ 8,334,394</u>	<u>100.00%</u>	<u>\$ 802,989</u>

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City of Wharton, Texas		
Revenues by Source - Business-type Activities		
Description	Revenues	% of Total
Charges for services	\$ 6,735,643	90.05%
Operating grants and contributions	1,506,827	20.14%
Capital grants and contributions	91,924	1.23%
Unrestricted investment earnings	9,872	0.13%
Transfers	(863,983)	-11.55%
	<u>\$ 7,480,283</u>	<u>100.00%</u>

**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, unassigned 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 2019, the City's governmental funds reported combined ending fund balances of \$7,624,793, an increase of \$2,519,308 in comparison with prior year. The net increase in fund balance was mainly due to the increase in the industrial district fee and the proceeds received during fiscal year 2019 from the 2019 Tax Notes and the 2019 Series Certificates of Obligation. The General Fund ended the fiscal year with an increase of \$441,403, the Debt Service Fund had an increase of \$132,845, the 2011 Bond Construction Fund increased \$11,232, and the 2019 Bond Construction Fund increased \$462,538.

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## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS - (Continued)**

### Governmental Funds - Continued

The General Fund is the chief operating fund of the City. At the end of fiscal year 2019, unassigned fund balance of the General Fund was \$1,916,870, while total fund balance was \$2,361,033. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31% of the total General Fund expenditures, while total fund balance represents 38% of that same amount.

The fund balance of the City's General Fund increased \$441,403 during the current fiscal year. The factors related to the increase included a \$605,411 increase in the industrial district fee and a \$28,950 decrease in total expenditures compared to fiscal year 2018. As explained above, the 2019 Bond Construction Fund experienced an increase in fund balance during fiscal year 2019, which was due to the receipt of bond proceeds for capital projects.

### 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 position of proprietary funds at the end of the year amounted to:

<u>Fund</u>	<u>Unrestricted Net Position</u>
Water and sewer	\$ (1,854,105)
Solid waste	36,011
Emergency medical services	(21,007)
Civic center	23,469
Airport	<u>276,034</u>
	<u>\$ (1,539,598)</u>

This represents a decrease of \$458,264 from the prior year unrestricted net position 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 fiscal year 2019 General Fund original budget and fiscal year 2019 General Fund final amended budget resulted in no change to the overall total of revenues, expenditures, and other financing sources (uses). A few of the differences are briefly summarized as follows:

- A decrease of \$50,204 in tax revenue primarily due to a reduction in property taxes received.
- A decrease of \$68,750 in fines and forfeitures revenues was attributed to a reduction in fines and criminal traffic fees and related administrative fees.
- An increase of \$75,000 in miscellaneous revenue due to the receipt of insurance payments received for damaged vehicles.
- A decrease of \$81,648 in police expenditures is attributed to a reduction of \$52,227 in salaries and overtime due to staff not being hired and overtime not needed, and a reduction in worker's compensation of \$10,337 and related health insurance of \$20,500 accordingly.
- An increase in fire department expenditures of \$77,211 primarily due to Retired Firefighters Benefit increasing \$35,000, and vehicle maintenance of \$40,000 due to unbudgeted repairs to damaged fire vehicle.
- A decrease of \$56,117 in streets and drainage department expenditures due to vacancies in the street department for regular employees as well as part-time employees.
- An increase of \$91,135 in grant expenditures due to non-budgeting. At the time of the original budget calculation, there was uncertainty as to whether grants were going to be available.
- A decrease of \$35,000 in the sale of capital assets due to the City not selling any assets through Public Surplus in fiscal year 2019.

For fiscal year 2019, the General Fund's actual revenues were \$85,343 more than the final amended budget, and actual expenditures were \$356,057 less than the final amended budget. The most significant variance between the General Fund's actual revenues compared to the final amended budget was an increase in intergovernmental revenues of \$84,317, primarily attributed to an increase in grant funds received. There was one significant variance between the General Fund's actual expenditures compared to the final amended budget, which was that public safety expenditures were less than budget by \$162,184. The primary factors driving this variance related to a \$87,825 difference in police expenditures and a \$56,115 difference in streets and drainage expenditures. Both departments' expenditures decreased primarily due to less personnel expenditures for the reasons discussed above, as well as less need for building and equipment repairs than expected.

Additional budget information can be found in the General Fund budget comparison schedule on page 73.

## **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, 2019, amounts to \$35,251,697 (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 1.2% (a 2.7% decrease for governmental activities and a 0.2% decrease for business-type activities).

### **City of Wharton, Texas**

#### **Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	319,777	262,155	910,738	393,518	1,230,515	655,673
Machinery and equipment	2,081,268	2,203,976	975,064	1,127,227	3,056,332	3,331,203
Land improvements	-	-	974,079	997,156	974,079	997,156
Bldgs. and improvements	2,691,213	2,816,239	4,525,816	4,666,096	7,217,029	7,482,335
Infrastructure	7,619,265	7,813,502	-	-	7,619,265	7,813,502
Water and sewer system	-	-	13,662,099	13,898,385	13,662,099	13,898,385
<b>Total</b>	<b>\$ 13,884,808</b>	<b>\$ 14,269,157</b>	<b>\$ 21,366,889</b>	<b>\$ 21,401,475</b>	<b>\$ 35,251,697</b>	<b>\$ 35,670,632</b>

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

- The additions to the governmental activities capital assets during the fiscal year ended September 30, 2019, consisted of the following:
  - Infrastructure additions include the street improvement projects in the amount of \$223,506.
  - Construction in progress of \$319,777 includes drainage improvements, projects paid for from the Qualified Energy Conservation Bonds, and various other items.
  - Machinery and equipment additions include the following: Police vehicles, computer equipment, and maintenance equipment.
  - Building additions include hurricane shutters.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2019, consisted of the following:
  - Various water and sewer improvement projects in the amount of \$295,188.
  - Projects in progress at September 30, 2019 included the following: Water and sewer projects of \$757,627; projects paid for from the Qualified Energy Conservation Bonds of \$62,114; and Airport improvements of \$88,767.
  - Various equipment additions include AED units and laptops.

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 2019, the City had total bonded debt outstanding of \$22,016,514 (net of unamortized deferred amounts) of which 100% is backed by the full faith and credit of the government. In addition, the City had \$222,934 in OPEB liability, \$1,532,988 in net pension liability, and \$412,037 in compensated absences as of September 30, 2019.

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<b>City of Wharton, Texas</b>			
<b>Long-term Debt</b>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 6,085,537	\$ 1,914,463	\$ 8,000,000
Issuance premiums	764,058	418,494	1,182,552
Certificates of obligation	3,482,226	5,652,774	9,135,000
Qualified energy cons. bonds	344,847	884,115	1,228,962
Tax notes	2,177,200	292,800	2,470,000
OPEB liability	135,990	86,944	222,934
Net pension liability	935,123	597,865	1,532,988
Compensated absences	<u>296,411</u>	<u>115,626</u>	<u>412,037</u>
Total	<u>\$ 14,221,392</u>	<u>\$ 9,963,081</u>	<u>\$ 24,184,473</u>

The City's total outstanding debt increased by \$3,919,325 or 19% from the prior fiscal year. The key factors in this net increase were:

- The City issued tax notes which totaled \$1,550,000.
- The City issued 2019 Certificates of Obligation in the amount of \$2,825,000.
- The City issued the 2019 General Obligation Refunding Bonds in the amount of \$5,700,000.
- Issuance premiums relating to the issuance of debt during fiscal year 2019 totaled \$882,493.
- Payments made on the certificates and bonds, including refundings, during fiscal year 2019 totaled \$7,495,000.
- Payments made on the tax notes during fiscal year 2019 totaled \$170,000.
- Payments made on the capital leases during fiscal year 2019 totaled \$326,621.
- Net pension liability increased by \$1,246,484.

Additional information on the City's debt can be found in Note 10 of this report.

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

During the 2019 fiscal year, the City's most important initiative was to continue to provide drainage improvements and reduce flooding in the City. Through the Water Resources Development Act of 2007 (WRDA), congressional authorization was received for flooding solution from the Colorado River in the Wharton area. In February 2018 the City received notification that 100% funding was granted thru the FY2018 Supplemental Appropriations Act with the US Army Corp of Engineers. The City is currently in the acquisition and relocation phase of this project and is making this project a priority.

The City, thru the effects of Hurricane Harvey, continues to work diligently toward receiving all applicable outstanding reimbursements from FEMA.

The following initiatives are still in progress:

- Farm to Market 102 Relocation or Farm to Market 1301 to U.S. Highway 59 and Railroad Overpass Project.
- Utility cost reduction measures with the 2015 Issuance of the Qualified Energy Conservation Bonds.
- Sustainable future drinking water supply funded through a USDA loan.

Factors affecting the 2019-2020 General Fund budget were as follows:

- Net taxable assessed value before freeze for tax year 2019 increased by \$43,729,943 or 9.2% to approximately \$519 million.
- The top ten principal taxpayers account for 23% of total assessed valuation as compared to 24% nine years ago.
- The City's General fund projected ending unassigned fund balance for fiscal year 2020 to remain stable.

### **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 POSITION**  
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 8,787,282	\$ 691,118	\$ 9,478,400	\$ 751,367
Receivables, net	484,690	805,161	1,289,851	126,050
Internal balances	(1,883,294)	1,883,294	-	-
Due from component unit	218,380	-	218,380	-
Due from other governments	627,891	49,076	676,967	-
Prepaid items	14,163	-	14,163	-
Land held for sale	-	-	-	650,000
Inventory	-	106,937	106,937	2,000
<b>Total current assets</b>	<b>8,249,112</b>	<b>3,535,586</b>	<b>11,784,698</b>	<b>1,529,417</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,493,062	1,229,831	2,722,893	356,269
Buildings, infrastructure, and equipment, net	12,391,746	20,137,058	32,528,804	10,583
<b>Net capital assets</b>	<b>13,884,808</b>	<b>21,366,889</b>	<b>35,251,697</b>	<b>366,852</b>
Noncurrent internal balances	430,000	(430,000)	-	-
<b>Total noncurrent assets</b>	<b>14,314,808</b>	<b>20,936,889</b>	<b>35,251,697</b>	<b>366,852</b>
<b>Total assets</b>	<b>22,563,920</b>	<b>24,472,475</b>	<b>47,036,395</b>	<b>1,896,269</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	87,734	22,111	109,845	-
Deferred outflow related to OPEB	8,521	5,966	14,487	-
Deferred outflow related to pension	686,261	373,390	1,059,651	-
<b>Total deferred outflows of resources</b>	<b>782,516</b>	<b>401,467</b>	<b>1,183,983</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 516,016	\$ 476,932	\$ 992,948	\$ 8,287
Accrued expenditures/expenses	139,460	106,222	245,682	-
Due to primary government	-	-	-	218,380
Due to other governments	60,744	8,497	69,241	-
Deposits	910	243,701	244,611	-
Accrued interest payable	149,757	100,889	250,646	-
Compensated absences	29,641	11,599	41,240	-
Current portion of long-term obligations	<u>1,127,209</u>	<u>736,949</u>	<u>1,864,158</u>	-
Total current liabilities	<u>2,023,737</u>	<u>1,684,789</u>	<u>3,708,526</u>	<u>226,667</u>
Noncurrent liabilities				
Compensated absences	266,770	104,027	370,797	-
OPEB liability	135,990	86,944	222,934	-
Net pension liability	935,123	597,865	1,532,988	-
Noncurrent portion of long-term obligations	<u>11,726,659</u>	<u>8,425,697</u>	<u>20,152,356</u>	-
Total noncurrent liabilities	<u>13,064,542</u>	<u>9,214,533</u>	<u>22,279,075</u>	-
<b>Total liabilities</b>	<u>15,088,279</u>	<u>10,899,322</u>	<u>25,987,601</u>	<u>226,667</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow related to OPEB	15,773	10,085	25,858	-
Deferred inflow related to pension	<u>167,657</u>	<u>104,265</u>	<u>271,922</u>	-
<b>Total deferred inflows of resources</b>	<u>183,430</u>	<u>114,350</u>	<u>297,780</u>	-
<b>NET POSITION</b>				
Net investment in capital assets	5,346,151	15,399,868	20,746,019	366,852
Restricted for:				
Debt service	470,424	-	470,424	-
Cultural and recreation	67,807	-	67,807	-
Municipal court	46,749	-	46,749	-
Public safety	107,443	-	107,443	-
Unrestricted net position	<u>2,036,153</u>	<u>(1,539,598)</u>	<u>496,555</u>	<u>1,302,749</u>
<b>Total net position</b>	<u>\$ 8,074,727</u>	<u>\$ 13,860,270</u>	<u>\$ 21,934,997</u>	<u>\$ 1,669,601</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2019*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,673,997	\$ 417,544	\$ 502,374	\$ -
Public safety	4,106,591	14,332	8,982	229,974
Public works	2,283,018	-	183,250	18,888
Cultural and recreation	309,231	11,468	-	-
Interest on long-term debt	552,115	-	-	-
Total governmental activities	<u>8,924,952</u>	<u>443,344</u>	<u>694,606</u>	<u>248,862</u>
Business-type activities				
Water and sewer	3,154,572	4,126,572	-	86,383
Solid waste	1,494,216	1,476,178	-	-
Emergency medical services	2,216,326	802,705	1,457,751	1,047
Civic center	314,049	115,076	-	4,494
Airport	352,242	215,112	49,076	-
Total business-type activities	<u>7,531,405</u>	<u>6,735,643</u>	<u>1,506,827</u>	<u>91,924</u>
Total primary government	<u>\$ 16,456,357</u>	<u>\$ 7,178,987</u>	<u>\$ 2,201,433</u>	<u>\$ 340,786</u>
<b>Component Unit</b>				
Wharton Economic Development Corporation	<u>\$ 726,412</u>	<u>\$ 3,261</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 position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (754,079)	\$ -	\$ (754,079)	\$ -
(3,853,303)	-	(3,853,303)	-
(2,080,880)	-	(2,080,880)	-
(297,763)	-	(297,763)	-
(552,115)	-	(552,115)	-
<u>(7,538,140)</u>	<u>-</u>	<u>(7,538,140)</u>	<u>-</u>
-	1,058,383	1,058,383	-
-	(18,038)	(18,038)	-
-	45,177	45,177	-
-	(194,479)	(194,479)	-
-	(88,054)	(88,054)	-
<u>-</u>	<u>802,989</u>	<u>802,989</u>	<u>-</u>
<u>(7,538,140)</u>	<u>802,989</u>	<u>(6,735,151)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(723,151)</u>
613,798	-	613,798	-
1,313,255	-	1,313,255	-
1,527,344	-	1,527,344	770,791
1,052,182	-	1,052,182	-
229,048	-	229,048	-
69,070	9,872	78,942	4,348
1,882,084	-	1,882,084	-
88,945	-	88,945	638,140
863,983	(863,983)	-	-
<u>7,639,709</u>	<u>(854,111)</u>	<u>6,785,598</u>	<u>1,413,279</u>
101,569	(51,122)	50,447	690,128
<u>7,973,158</u>	<u>13,911,392</u>	<u>21,884,550</u>	<u>979,473</u>
<u>\$ 8,074,727</u>	<u>\$ 13,860,270</u>	<u>\$ 21,934,997</u>	<u>\$ 1,669,601</u>

**CITY OF WHARTON, TEXAS***BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2019*

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	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 769,236	\$ 477,627	\$ 1,757,901
Receivables, net	323,843	103,484	-
Due from other funds	1,148,956	187,852	557,756
Due from component unit	218,380	-	-
Due from other governments	275,985	5,218	-
Advances to other funds	430,000	-	-
Prepaid items	14,163	-	-
<b>Total assets</b>	<u>\$ 3,180,563</u>	<u>\$ 774,181</u>	<u>\$ 2,315,657</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 181,962	\$ -	\$ -
Accrued expenditures	138,554	-	-
Due to other governments	60,744	-	-
Due to other funds	203,655	154,000	-
Deposits	910	-	-
<b>Total liabilities</b>	<u>585,825</u>	<u>154,000</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	233,705	103,484	-
<b>Total deferred inflows of resources</b>	<u>233,705</u>	<u>103,484</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	444,163	-	-
Restricted	-	516,697	2,315,657
Committed	-	-	-
Unassigned	1,916,870	-	-
<b>Total fund balances</b>	<u>2,361,033</u>	<u>516,697</u>	<u>2,315,657</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 3,180,563</u>	<u>\$ 774,181</u>	<u>\$ 2,315,657</u>

The accompanying notes are an integral part of this statement.

<u>2019 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,074,250	\$ 3,708,268	\$ 8,787,282
-	57,363	484,690
-	346,383	2,240,947
-	-	218,380
-	346,688	627,891
-	-	430,000
-	-	14,163
<u>\$ 2,074,250</u>	<u>\$ 4,458,702</u>	<u>\$ 12,803,353</u>
\$ 9,712	\$ 324,342	\$ 516,016
-	906	139,460
-	-	60,744
1,602,000	2,164,586	4,124,241
-	-	910
<u>1,611,712</u>	<u>2,489,834</u>	<u>4,841,371</u>
-	-	337,189
-	-	337,189
-	-	444,163
462,538	1,671,281	4,966,173
-	475,749	475,749
-	(178,162)	1,738,708
<u>462,538</u>	<u>1,968,868</u>	<u>7,624,793</u>
<u>\$ 2,074,250</u>	<u>\$ 4,458,702</u>	<u>\$ 12,803,353</u>

**CITY OF WHARTON, TEXAS****RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES**

September 30, 2019

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<b>Total governmental fund balances</b>		<b>\$ 7,624,793</b>
<i>Amounts reported for governmental activities in the statement of net position 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 reported as "unavailable" in the funds.		210,279
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 unavailable revenues in the governmental funds and thus are not included in fund balance.		126,910
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 29,132,108	
Accumulated depreciation of governmental capital assets	<u>(15,247,300)</u>	13,884,808
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	87,734	
Deferred amount on OPEB	8,521	
Deferred amount on pension	<u>686,261</u>	782,516
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	(9,912,610)	
Bond premiums	(764,058)	
Tax notes	(2,177,200)	
OPEB liability	(135,990)	
Net pension liability	(935,123)	
Accrued interest payable	(149,757)	
Compensated absences	<u>(296,411)</u>	(14,371,149)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on OPEB	(15,773)	
Deferred amount on pension	<u>(167,657)</u>	<u>(183,430)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>8,074,727</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, 2019

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
<b>REVENUES</b>			
Taxes	\$ 3,217,147	\$ 1,333,693	\$ -
Licenses and permits	142,304	-	-
Intergovernmental	422,206	-	-
Charges for services	16,744	-	-
Fines and forfeitures	243,614	-	-
Investment income	12,403	13,103	11,232
Industrial district fee	1,882,084	-	-
Miscellaneous	55,505	-	-
<b>Total revenues</b>	<u>5,992,007</u>	<u>1,346,796</u>	<u>11,232</u>
<b>EXPENDITURES</b>			
Current			
General government	1,104,047	-	-
Public safety	3,650,477	-	-
Public works	1,145,555	-	-
Cultural and recreation	126,453	-	-
Capital outlay	204,908	-	-
Debt service			
Principal retirement	42,998	900,521	-
Interest and fiscal charges	3,882	319,622	-
Issuance costs	-	131,084	-
<b>Total expenditures</b>	<u>6,278,320</u>	<u>1,351,227</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(286,313)	(4,431)	11,232
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	4,497,300	-
Premium on bonds	-	567,828	-
Tax notes	-	-	-
Payment to escrow	-	(4,927,852)	-
Transfers in	912,716	-	-
Transfers out	(185,000)	-	-
<b>Total other financing sources (uses)</b>	<u>727,716</u>	<u>137,276</u>	<u>-</u>
Net change in fund balances	441,403	132,845	11,232
Fund balances at beginning of year	<u>1,919,630</u>	<u>383,852</u>	<u>2,304,425</u>
<b>Fund balances at end of year</b>	<u>\$ 2,361,033</u>	<u>\$ 516,697</u>	<u>\$ 2,315,657</u>

The accompanying notes are an integral part of this statement.

2019 Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 229,048	\$ 4,779,888
-	-	142,304
-	748,947	1,171,153
-	-	16,744
-	15,270	258,884
17,663	14,669	69,070
-	-	1,882,084
-	5,643	61,148
<u>17,663</u>	<u>1,013,577</u>	<u>8,381,275</u>
-	393,362	1,497,409
-	22,823	3,673,300
-	24,045	1,169,600
-	105,596	232,049
68,716	936,963	1,210,587
-	295,259	1,238,778
-	4,325	327,829
51,656	51,181	233,921
<u>120,372</u>	<u>1,833,554</u>	<u>9,583,473</u>
(102,709)	(819,977)	(1,202,198)
1,101,750	-	5,599,050
63,497	-	631,325
-	1,555,000	1,555,000
-	-	(4,927,852)
-	915,000	1,827,716
<u>(600,000)</u>	<u>(178,733)</u>	<u>(963,733)</u>
<u>565,247</u>	<u>2,291,267</u>	<u>3,721,506</u>
462,538	1,471,290	2,519,308
-	497,578	5,105,485
<u>\$ 462,538</u>	<u>\$ 1,968,868</u>	<u>\$ 7,624,793</u>

**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, 2019*


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<b>Total net change in fund balances - governmental funds</b>		<b>\$ 2,519,308</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 580,420		
Depreciation expense	<u>(964,769)</u>		(384,349)

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Bonds at par value	(5,599,050)		
(Premium) discount	(631,325)		
Tax notes	<u>(1,555,000)</u>		(7,785,375)

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities.

4,927,852

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 and certificates principal retirement	818,597		
Tax notes principal retirement	115,600		
Capital lease principal retirement	<u>213,704</u>		1,147,901

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	(10,821)		
Other revenues	<u>(209,292)</u>		(220,113)

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:

Decrease in compensated absences	17,153		
Decrease in loss on refunding	(10,582)		
Decrease in bond premium	45,009		
Increase in accrued interest	(24,792)		
Net OPEB costs	(17,332)		
Net pension costs	<u>(113,111)</u>		<u>(103,655)</u>

<b>Change in net position of governmental activities</b>		<b>\$ <u>101,569</u></b>
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The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2019

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 181,265	\$ 108,426	\$ 304,616
Receivables, net			
Accounts	441,950	172,578	82,278
Due from other funds	2,688,300	2,732	15,161
Due from other governments	-	-	-
Inventory	68,139	-	-
<b>Total current assets</b>	<b>3,379,654</b>	<b>283,736</b>	<b>402,055</b>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	1,034,377	-	10,575
Buildings, improvements, and equipment, net	13,960,822	-	643,186
Net capital assets	14,995,199	-	653,761
<b>Total noncurrent assets</b>	<b>14,995,199</b>	<b>-</b>	<b>653,761</b>
<b>Total assets</b>	<b>18,374,853</b>	<b>283,736</b>	<b>1,055,816</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	2,824	-	-
Deferred outflow related to OPEB	2,173	-	3,793
Deferred outflow related to pension	123,132	-	227,334
<b>Total deferred outflows of resources</b>	<b>128,129</b>	<b>-</b>	<b>231,127</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	156,688	232,729	48,425
Accrued expenses	40,835	1,311	55,808
Due to other governments	-	8,497	-
Deposits	216,951	75	-
Accrued interest payable	84,066	-	-
Due to other funds	1,403,701	5,072	2,324
Compensated absences	4,434	41	7,019
Current portion of long-term obligations	629,648	-	-
<b>Total current liabilities</b>	<b>2,536,323</b>	<b>247,725</b>	<b>113,576</b>
Noncurrent liabilities			
Advances from other funds	430,000	-	-
Compensated absences	39,905	-	63,173
OPEB liability	33,440	-	53,504
Net pension liability	199,288	-	367,917
Noncurrent portion of long-term obligations	6,945,208	-	-
<b>Total noncurrent liabilities</b>	<b>7,647,841</b>	<b>-</b>	<b>484,594</b>
<b>Total liabilities</b>	<b>10,184,164</b>	<b>247,725</b>	<b>598,170</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to OPEB	3,879	-	6,206
Deferred inflow related to pension	42,192	-	60,388
<b>Total deferred inflows of resources</b>	<b>46,071</b>	<b>-</b>	<b>66,594</b>
<b>NET POSITION</b>			
Net investment in capital assets	10,126,852	-	643,186
Unrestricted net position	(1,854,105)	36,011	(21,007)
<b>Total net position</b>	<b>\$ 8,272,747</b>	<b>\$ 36,011</b>	<b>\$ 622,179</b>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 38,982	\$ 57,829	\$ 691,118
54,453	53,902	805,161
443,238	246,959	3,396,390
-	49,076	49,076
-	38,798	106,937
<u>536,673</u>	<u>446,564</u>	<u>5,048,682</u>
46,911	137,968	1,229,831
1,294,850	4,238,200	20,137,058
<u>1,341,761</u>	<u>4,376,168</u>	<u>21,366,889</u>
1,341,761	4,376,168	21,366,889
<u>1,878,434</u>	<u>4,822,732</u>	<u>26,415,571</u>
371	18,916	22,111
-	-	5,966
22,924	-	373,390
<u>23,295</u>	<u>18,916</u>	<u>401,467</u>
9,909	29,181	476,932
5,231	3,037	106,222
-	-	8,497
26,375	300	243,701
6,526	10,297	100,889
1,172	100,827	1,513,096
59	46	11,599
55,829	51,472	736,949
<u>105,101</u>	<u>195,160</u>	<u>3,197,885</u>
-	-	430,000
531	418	104,027
-	-	86,944
30,660	-	597,865
607,721	872,768	8,425,697
<u>638,912</u>	<u>873,186</u>	<u>9,644,533</u>
<u>744,013</u>	<u>1,068,346</u>	<u>12,842,418</u>
-	-	10,085
1,685	-	104,265
<u>1,685</u>	<u>-</u>	<u>114,350</u>
1,132,562	3,497,268	15,399,868
23,469	276,034	(1,539,598)
<u>\$ 1,156,031</u>	<u>\$ 3,773,302</u>	<u>\$ 13,860,270</u>

**CITY OF WHARTON, TEXAS***STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**PROPRIETARY FUNDS**For the year ended September 30, 2019*

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,126,572	\$ 1,476,178	\$ 802,705
<b>Total operating revenues</b>	<u>4,126,572</u>	<u>1,476,178</u>	<u>802,705</u>
<b>OPERATING EXPENSES</b>			
Personnel	1,036,716	44,112	1,787,169
Materials and supplies	119,213	61	109,556
Repairs and maintenance	270,662	-	76,165
Other services and charges	844,470	1,450,043	147,353
Depreciation and amortization	679,490	-	96,083
<b>Total operating expenses</b>	<u>2,950,551</u>	<u>1,494,216</u>	<u>2,216,326</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	1,176,021	(18,038)	(1,413,621)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Noncapital grants and contributions	-	-	1,457,751
Investment income	894	294	8,007
Interest and fiscal charges	(204,021)	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>(203,127)</u>	<u>294</u>	<u>1,465,758</u>
Income (loss) before transfers and contributions	972,894	(17,744)	52,137
Contributions and transfers			
Capital grants and contributions	86,383	-	1,047
Transfers in	-	-	-
Transfers out	(914,304)	(25,000)	(98,412)
<b>Total contributions and transfers</b>	<u>(827,921)</u>	<u>(25,000)</u>	<u>(97,365)</u>
Change in net position	144,973	(42,744)	(45,228)
Net position at beginning of year	<u>8,127,774</u>	<u>78,755</u>	<u>667,407</u>
<b>Net position at end of year</b>	<u>\$ 8,272,747</u>	<u>\$ 36,011</u>	<u>\$ 622,179</u>

The accompanying notes are an integral part of this statement.

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 115,076	\$ 215,112	\$ 6,735,643
<u>115,076</u>	<u>215,112</u>	<u>6,735,643</u>
153,178	87,888	3,109,063
13,743	4,588	247,161
20,845	56,307	423,979
36,237	41,896	2,519,999
<u>77,441</u>	<u>140,690</u>	<u>993,704</u>
<u>301,444</u>	<u>331,369</u>	<u>7,293,906</u>
(186,368)	(116,257)	(558,263)
-	49,076	1,506,827
76	601	9,872
<u>(12,605)</u>	<u>(20,873)</u>	<u>(237,499)</u>
<u>(12,529)</u>	<u>28,804</u>	<u>1,279,200</u>
(198,897)	(87,453)	720,937
4,494	-	91,924
173,733	-	173,733
<u>-</u>	<u>-</u>	<u>(1,037,716)</u>
<u>178,227</u>	<u>-</u>	<u>(772,059)</u>
(20,670)	(87,453)	(51,122)
<u>1,176,701</u>	<u>3,860,755</u>	<u>13,911,392</u>
<u>\$ 1,156,031</u>	<u>\$ 3,773,302</u>	<u>\$ 13,860,270</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2019

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 4,122,473	\$ 1,478,616	\$ 782,532
Cash paid to suppliers for goods and services	(1,290,156)	(1,336,943)	(304,432)
Cash paid to employees for services	(1,003,589)	(43,897)	(1,741,325)
<b>Net cash provided (used) by operating activities</b>	<u>1,828,728</u>	<u>- 97,776</u>	<u>(1,263,225)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowing (repayments) to other funds	(725,037)	(18,254)	(69,329)
Transfers in from other funds	-	-	-
Transfers out to other funds	(914,304)	(25,000)	(98,412)
Noncapital grants and contributions	-	-	1,457,751
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,639,341)</u>	<u>(43,254)</u>	<u>1,290,010</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(736,404)	-	(1,047)
Proceeds from capital grants and contributions	53,460	-	1,047
Proceeds from issuance of debt	2,082,900	-	-
Principal paid on long-term debt	(1,597,087)	-	-
Interest paid on long-term debt	(225,243)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(422,374)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	894	294	8,007
<b>Net cash provided (used) by investing activities</b>	<u>894</u>	<u>294</u>	<u>8,007</u>
Net increase (decrease) in cash and cash equivalents	(232,093)	54,816	34,792
Cash and cash equivalents at beginning of year	<u>413,358</u>	<u>53,610</u>	<u>269,824</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 181,265</u>	<u>\$ 108,426</u>	<u>\$ 304,616</u>

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 118,708	\$ 206,447	\$ 6,708,776
(65,153)	(94,919)	(3,091,603)
<u>(148,070)</u>	<u>(87,551)</u>	<u>(3,024,432)</u>
<u>(94,515)</u>	<u>23,977</u>	<u>592,741</u>
(419,583)	(233,575)	(1,465,778)
173,733	-	173,733
-	-	(1,037,716)
-	56,501	1,514,252
<u>(245,850)</u>	<u>(177,074)</u>	<u>(815,509)</u>
(13,854)	(90,217)	(841,522)
-	-	54,507
395,500	447,550	2,925,950
(22,063)	(160,389)	(1,779,539)
<u>(9,495)</u>	<u>(20,163)</u>	<u>(254,901)</u>
<u>350,088</u>	<u>176,781</u>	<u>104,495</u>
<u>76</u>	<u>601</u>	<u>9,872</u>
<u>76</u>	<u>601</u>	<u>9,872</u>
9,799	24,285	(108,401)
<u>29,183</u>	<u>33,544</u>	<u>799,519</u>
<u>\$ 38,982</u>	<u>\$ 57,829</u>	<u>\$ 691,118</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2019

	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)	\$ 1,176,021	\$ (18,038)	\$ (1,413,621)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	679,490	-	96,083
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(13,734)	(203)	(20,173)
(Increase) decrease in due from other governments	2,500	-	-
(Increase) decrease in inventory	(16,005)	-	-
(Increase) decrease in deferred outflow related to OPEB	1,423	-	2,440
(Increase) decrease in deferred outflow related to pension	(89,896)	-	(176,826)
Increase (decrease) in accounts payable	(39,806)	113,161	28,642
Increase (decrease) in accrued expenses	13,451	184	4,909
Increase (decrease) in deposits	7,135	-	-
Increase (decrease) in due to other governments	-	2,641	-
Increase (decrease) in compensated absences	(6,197)	31	(2,287)
Increase (decrease) in OPEB liability	(2,167)	-	(8,214)
Increase (decrease) in net pension liability	156,312	-	293,426
Increase (decrease) in deferred inflow related to OPEB	3,879	-	6,206
Increase (decrease) in deferred inflow related to pension	(43,678)	-	(73,810)
Total adjustments	<u>652,707</u>	<u>115,814</u>	<u>150,396</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,828,728</u>	<u>\$ 97,776</u>	<u>\$ (1,263,225)</u>
<b>Noncash capital and related financing activities</b>			
Noncash capital grants and contributions	<u>\$ 86,383</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>
\$ (186,368)	\$ (116,257)	\$ (558,263)
77,441	140,690	993,704
(4,398)	(8,665)	(47,173)
-	-	2,500
-	(14,777)	(30,782)
-	-	3,863
(15,805)	-	(282,527)
5,672	22,649	130,318
1,143	411	20,098
8,030	-	15,165
-	-	2,641
318	(74)	(8,209)
-	-	(10,381)
24,930	-	474,668
-	-	10,085
<u>(5,478)</u>	<u>-</u>	<u>(122,966)</u>
<u>91,853</u>	<u>140,234</u>	<u>1,151,004</u>
<u>\$ (94,515)</u>	<u>\$ 23,977</u>	<u>\$ 592,741</u>
<u>\$ 4,494</u>	<u>\$ -</u>	<u>\$ 90,877</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 Street, 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 position 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.

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

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.

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 and reports financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest.

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has eight Capital Project Funds, two of which have been reported as major funds. The 2011 Bond Construction Fund accounts for the use of the proceeds from the City's 2011 Certificates of Obligation on various capital improvement projects. The 2019 Bond Construction Fund accounts for the use of the proceeds from the City's 2019 Certificates of Obligation on various capital improvement projects.

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

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

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.

Additionally, the City reports the following fund types:

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The City has seven Special Revenue Funds, none of which is reported as a major fund.

The proprietary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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.

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.

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

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

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.

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.
3. Legally adopted annual budgets for the General Fund and the Debt Service Fund 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, 2019.

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

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, 2019, 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 uncollectables. 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.

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 prepaid items in both the fund financial statements and in the government-wide statements and recorded when purchased rather than when consumed.

---

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

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 position. 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 acquisition value at the date of donation.

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

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.

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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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

M. Pensions and OPEB

For purposes of measuring the net pension liability, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension and OPEB expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension and OPEB liability is obtained from TMRS through reports prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68 and No. 75.

N. Fund Equity

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2019. This Statement did not have an impact on the City's functions, financial position or results of operations.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

O. 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 funds. There were two situations of expenditures exceeding the amounts appropriated during the fiscal year 2018-2019.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Debt Service Fund			
Principal retirement	\$ 850,000	\$ 900,521	\$ (50,521)
Issuance costs	-	131,084	(131,084)

B. Deficit Fund Equity

As of September 30, 2019, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
Nonmajor Governmental	
Municipal Court Technology	\$ 6,571
Railroad Depot Restoration	267
2013 Bond Construction	171,324

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

**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Public Funds Investment Pool			
TexPool	\$ 5,108,087	34	AAAm

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. 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.

Investments in the pool are classified as cash and cash equivalents for reporting purposes.

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

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 S&P Global.

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.

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, 2019, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 16 for discussions relative to the investments of the City's component unit.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2019, consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:									
Accounts	\$ 399,156	\$ -	\$ 441,950	\$ 172,578	\$ 3,825,447	\$ 54,453	\$ 53,902	\$ 57,363	\$ 5,004,849
Ad valorem taxes	183,696	154,962	-	-	-	-	-	-	338,658
Franchise taxes	81,738	-	-	-	-	-	-	-	81,738
Fines	293,668	-	-	-	-	-	-	-	293,668
Other	7,917	-	-	-	-	-	-	-	7,917
Total gross receivables	966,175	154,962	441,950	172,578	3,825,447	54,453	53,902	57,363	5,726,830
Less: Allowances	642,332	51,478	-	-	3,743,169	-	-	-	4,436,979
Total net receivables	<u>\$ 323,843</u>	<u>\$ 103,484</u>	<u>\$ 441,950</u>	<u>\$ 172,578</u>	<u>\$ 82,278</u>	<u>\$ 54,453</u>	<u>\$ 53,902</u>	<u>\$ 57,363</u>	<u>\$ 1,289,851</u>

The City's governmental funds report unavailable 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 unavailable 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	\$ 106,795	\$ -	\$ 106,795
Fines	117,467	-	117,467
Other	9,443	-	9,443
Debt Service Fund			
Ad valorem receivable	103,484	-	103,484
	<u>\$ 337,189</u>	<u>\$ -</u>	<u>\$ 337,189</u>

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

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 \$0.41594 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.09953 and \$0.31641, respectively. The resulting adjusted total tax levy was \$1,967,905 on the total adjusted taxable valuation of \$475,189,045 for the 2018 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, 2019, are summarized as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Sales taxes	\$ 252,099	\$ -	\$ -	\$ -	\$ 252,099
Federal and state grants	20,153	-	49,076	346,688	415,917
Property taxes	2,447	5,218	-	-	7,665
Other	1,286	-	-	-	1,286
	<u>\$ 275,985</u>	<u>\$ 5,218</u>	<u>\$ 49,076</u>	<u>\$ 346,688</u>	<u>\$ 676,967</u>

**NOTE 6: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2019, 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	262,155	57,622	-	319,777
Total capital assets not being depreciated	<u>1,435,440</u>	<u>57,622</u>	<u>-</u>	<u>1,493,062</u>
Capital assets, being depreciated				
Machinery and equipment	6,985,067	294,025	-	7,279,092
Buildings and improvements	5,013,066	5,267	-	5,018,333
Infrastructure	15,118,115	223,506	-	15,341,621
Total capital assets being depreciated	<u>27,116,248</u>	<u>522,798</u>	<u>-</u>	<u>27,639,046</u>
Less accumulated depreciation for				
Machinery and equipment	4,781,091	416,733	-	5,197,824
Buildings and improvements	2,196,827	130,293	-	2,327,120
Infrastructure	7,304,613	417,743	-	7,722,356
Total accumulated depreciation	<u>14,282,531</u>	<u>964,769</u>	<u>-</u>	<u>15,247,300</u>
Total capital assets being depreciated, net	<u>12,833,717</u>	<u>(441,971)</u>	<u>-</u>	<u>12,391,746</u>
Governmental activities capital assets, net	<u>\$ 14,269,157</u>	<u>\$ (384,349)</u>	<u>\$ -</u>	<u>\$ 13,884,808</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	393,518	517,220	-	910,738
Total capital assets not being depreciated	<u>712,611</u>	<u>517,220</u>	<u>-</u>	<u>1,229,831</u>
Capital assets, being depreciated				
Machinery and equipment	4,153,530	29,114	-	4,182,644
Land improvements	1,153,850	-	-	1,153,850
Buildings and improvements	6,713,857	-	-	6,713,857
Water and sewer system	25,144,204	295,188	-	25,439,392
Total capital assets being depreciated	<u>37,165,441</u>	<u>324,302</u>	<u>-</u>	<u>37,489,743</u>
Less accumulated depreciation for				
Machinery and equipment	3,026,303	181,277	-	3,207,580
Land improvements	156,694	23,077	-	179,771
Buildings and improvements	2,047,761	140,280	-	2,188,041
Water and sewer system	11,245,819	531,474	-	11,777,293
Total accumulated depreciation	<u>16,476,577</u>	<u>876,108</u>	<u>-</u>	<u>17,352,685</u>
Total capital assets being depreciated, net	<u>20,603,508</u>	<u>(551,806)</u>	<u>-</u>	<u>20,137,058</u>
Business-type activities capital assets, net	<u>\$ 21,316,119</u>	<u>\$ (34,586)</u>	<u>\$ -</u>	<u>\$ 21,366,889</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	\$ 48,238
Public safety	366,612
Public works	472,737
Cultural and recreation	<u>77,182</u>
Total depreciation expense - governmental activities	<u>\$ 964,769</u>
<b>Business-type activities</b>	
Water and sewer	\$ 599,415
Emergency medical services	96,084
Civic center	58,670
Airport	<u>121,939</u>
Total depreciation expense - business-type activities	<u>\$ 876,108</u>

At September 30, 2019, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,061. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

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

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**NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**

Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2019 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>100</u>
	<u>205</u>

Contributions

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

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.88% and 6.15% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$321,961, and were equal to the required contributions.

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**NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	2.4%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

**NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**

Net Pension Liability - (Continued)

*Actuarial Assumptions - (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	<u>5.00%</u>	7.75%
<b>Total</b>	<u>100.00%</u>	

*Discount Rate*

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

	<b>Increase (Decrease)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2017</b>	\$ 16,120,672	\$ 15,834,167	\$ 286,505
Changes for the year:			
Service cost	530,197	-	530,197
Interest	1,087,522	-	1,087,522
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(250,455)	-	(250,455)
Change of assumptions	-	-	-
Contributions - Employer	-	333,407	(333,407)
Contributions - Employee	-	271,062	(271,062)
Net investment income	-	(474,041)	474,041
Benefit payments, including refunds of employee contributions	(548,659)	(548,659)	-
Administrative expense	-	(9,167)	9,167
Other changes	-	(480)	480
Net changes	<u>818,605</u>	<u>(427,878)</u>	<u>1,246,483</u>
<b>Balance at 12/31/2018</b>	<u>\$ 16,939,277</u>	<u>\$ 15,406,289</u>	<u>\$ 1,532,988</u>

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**NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)****Net Pension Liability - (Continued)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$3,801,422	\$1,532,988	\$(330,851)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2019 the City recognized pension expense of \$504,246.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 271,922
Changes in actuarial assumptions	12,007	-
Difference between projected and actual investment earnings	820,478	-
Contributions subsequent to the measurement date	227,166	-
Total	\$ 1,059,651	\$ 271,922

\$227,166 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2019	\$ 208,857
2020	30,779
2021	42,155
2022	278,780
2023	-
Thereafter	-
Total	\$ 560,561

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**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)**

Plan Description and Benefits Provided

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2018 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>100</u>
Total	<u>137</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.22%	0.03%
2018	0.21%	0.03%
2019	0.22%	0.04%

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**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)**

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

*Actuarial Assumptions*

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Inflation	2.5%
Salary increases	3.5% to 10.5 % including inflation
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)**

Total OPEB Liability - (Continued)

*Changes in Total OPEB Liability*

The following details the changes in the Total OPEB liability:

<b>Balance at 12/31/17</b>	\$ 237,378
Changes for the year:	
Service cost	9,758
Interest	7,992
Change of benefit terms	-
Difference between expected and actual experience	(14,135)
Change of assumptions	(16,432)
Benefit payments	(1,627)
Net changes	<u>(14,444)</u>
<b>Balance at 12/31/18</b>	<u>\$ 222,934</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1.0% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1.0% Increase in Discount Rate (4.71%)
City's Total OPEB Liability:	\$267,490	\$222,934	\$188,293

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$15,922.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,958
Changes in actuarial assumptions	12,941	13,900
Contributions subsequent to the measurement date	1,546	-
Total	<u>\$ 14,487</u>	<u>\$ 25,858</u>

**NOTE 9: 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 10: LONG-TERM DEBT****A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 7,654,976	\$ 1,101,750	\$ 5,274,500	\$ 3,482,226	\$ 170,388
General obligation bonds	1,949,682	4,497,300	361,445	6,085,537	606,400
Qualified energy cons. bonds	370,873	-	26,026	344,847	26,421
Plus deferred amounts:					
Issuance premiums	<u>240,273</u>	<u>631,325</u>	<u>107,540</u>	<u>764,058</u>	<u>-</u>
Total bonds and certificates payable	<u>10,215,804</u>	<u>6,230,375</u>	<u>5,769,511</u>	<u>10,676,668</u>	<u>803,209</u>
Tax notes	<u>737,800</u>	<u>1,555,000</u>	<u>115,600</u>	<u>2,177,200</u>	<u>324,000</u>
Capital leases payable	<u>213,704</u>	<u>-</u>	<u>213,704</u>	<u>-</u>	<u>-</u>
Net pension liability	<u>163,307</u>	<u>771,816</u>	<u>-</u>	<u>935,123</u>	<u>-</u>
OPEB liability	<u>140,053</u>	<u>-</u>	<u>4,063</u>	<u>135,990</u>	<u>-</u>
Compensated absences	<u>313,564</u>	<u>279,659</u>	<u>296,812</u>	<u>296,411</u>	<u>29,641</u>
Total governmental activity long-term liabilities	<u>\$ 11,784,232</u>	<u>\$ 8,836,850</u>	<u>\$ 6,399,690</u>	<u>\$ 14,221,392</u>	<u>\$ 1,156,850</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 5,525,024	\$ 1,723,250	\$ 1,595,500	\$ 5,652,774	\$ 279,612
General obligation bonds	975,318	1,202,700	263,555	1,914,463	333,600
Qualified energy cons. bonds	950,843	-	66,728	884,115	67,737
Plus deferred amounts:					
Issuance premiums	<u>225,257</u>	<u>251,168</u>	<u>57,931</u>	<u>418,494</u>	<u>-</u>
Total bonds and certificates payable	<u>7,676,442</u>	<u>3,177,118</u>	<u>1,983,714</u>	<u>8,869,846</u>	<u>680,949</u>
Tax notes	<u>347,200</u>	<u>-</u>	<u>54,400</u>	<u>292,800</u>	<u>56,000</u>
Capital leases payable	<u>112,917</u>	<u>-</u>	<u>112,917</u>	<u>-</u>	<u>-</u>
Net pension liability	<u>123,197</u>	<u>474,668</u>	<u>-</u>	<u>597,865</u>	<u>-</u>
OPEB liability	<u>97,325</u>	<u>-</u>	<u>10,381</u>	<u>86,944</u>	<u>-</u>
Compensated absences	<u>123,835</u>	<u>154,536</u>	<u>162,745</u>	<u>115,626</u>	<u>11,599</u>
Total business-type activity long-term liabilities	<u>\$ 8,480,916</u>	<u>\$ 3,806,322</u>	<u>\$ 2,324,157</u>	<u>\$ 9,963,081</u>	<u>\$ 748,548</u>

**NOTE 10: LONG-TERM DEBT - (Continued)**

A. Changes in Long-term Liabilities - (Continued)

The City has defeased certain outstanding bonds and certificates by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old bonds and certificates. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2019, \$8,565,000 of bonds and certificates outstanding was considered defeased.

For governmental activities, compensated absences, OPEB liability, and net pension liability are generally liquidated by the General Fund.

Please see Note 16 for discussions relative to the notes payable of the City's component unit.

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 2010	06/11 - 06/21	2.00 - 4.00%	\$ 2,680,000
Refunding Series 2013	12/13 - 12/26	3.00 - 4.00%	3,600,000
Refunding Series 2019	03/19 - 09/30	3.00 - 5.00%	5,700,000
			<u>\$ 11,980,000</u>

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>	
2020	\$ 606,400	\$ 253,009	\$ 333,600	\$ 80,066	\$ 1,273,075
2021	630,922	228,855	344,078	66,570	1,270,425
2022	496,150	206,857	123,850	53,293	880,150
2023	520,230	184,747	129,770	47,653	882,400
2024	548,255	161,205	136,745	41,670	887,875
2025-2029	2,770,730	408,413	709,270	107,287	3,995,700
2030	512,850	15,386	137,150	4,114	669,500
	<u>\$ 6,085,537</u>	<u>\$ 1,458,472</u>	<u>\$ 1,914,463</u>	<u>\$ 400,653</u>	<u>\$ 9,859,125</u>

**NOTE 10: LONG-TERM DEBT - (Continued)**

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 2013	06/14 - 06/33	3.00 - 4.125%	\$ 5,000,000
Series 2015	10/15 - 12/32	2.00 - 3.50%	2,705,000
Series 2019	03/19 - 06/39	3.00 - 5.00%	2,825,000
			<u>\$ 10,530,000</u>

Annual debt service requirements to maturity for C.O.s 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>	
2020	\$ 170,388	\$ 128,041	\$ 279,612	\$ 202,922	\$ 780,963
2021	175,886	122,485	289,114	194,128	781,613
2022	182,224	116,657	297,776	184,806	781,463
2023	187,722	110,583	307,278	175,117	780,700
2024	195,414	103,135	319,586	163,453	781,588
2025-2029	1,106,588	389,054	1,803,412	615,485	3,914,539
2030-2034	1,113,004	159,160	1,806,996	247,960	3,327,120
2035-2039	351,000	32,999	549,000	51,615	984,614
	<u>\$ 3,482,226</u>	<u>\$ 1,162,114</u>	<u>\$ 5,652,774</u>	<u>\$ 1,835,486</u>	<u>\$ 12,132,600</u>

**NOTE 10: LONG-TERM DEBT - (Continued)**

D. Qualified Energy Conservation Bonds

On August 25, 2016 the City issued the taxable 2015 Series Public Property Finance Contract, Qualified Energy Conservation Bonds (QECCB), in the amount of \$1,596,383. The Bonds were issued to finance the City's energy savings project that they have subsequently contracted with Pepco Energy Services for various energy savings measures for City buildings and facilities. Pepco Energy Services has guaranteed payment of the bonds should actual energy savings be insufficient for the entire term of the bonds.

QECCBs are a form of taxable bonds which receive a direct subsidy payment from the Federal government to help offset the cost of the borrowing. The subsidy is intended to promote qualified energy products. The federal subsidy equates to approximately 70% of the interest cost of the financing. The actual savings will depend on the actual reduction in future utility costs as a result of the energy savings project.

Annual debt service requirements to maturity for QECCBs are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 26,421	\$ 5,224	\$ 67,737	\$ 13,394	\$ 112,776
2021	26,821	4,824	68,763	12,368	112,776
2022	27,227	4,418	69,805	11,326	112,776
2023	27,640	4,005	70,862	10,269	112,776
2024	28,059	3,587	71,936	9,195	112,777
2025-2029	146,800	11,426	376,363	29,295	563,884
2030-2031	61,879	1,410	158,649	3,615	225,553
	<u>\$ 344,847</u>	<u>\$ 34,894</u>	<u>\$ 884,115</u>	<u>\$ 89,462</u>	<u>\$ 1,353,318</u>

**NOTE 10: LONG-TERM DEBT - (Continued)**

E. Tax Notes

The City also issues tax notes to provide funds for the acquisition, repair, replacement and construction of facilities and equipment. The tax notes have been issued for both governmental and business-type activities. Tax notes currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Series 2017	06/18 - 06/24	2.09%	\$ 1,220,000
Series 2019	04/19 - 09/26	2.32%	1,555,000
			<u>\$ 2,775,000</u>

Annual debt service requirements to maturity for the tax notes 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>	
2020	\$ 324,000	\$ 52,688	\$ 56,000	\$ 6,120	\$ 438,808
2021	337,400	41,837	57,600	4,949	441,786
2022	340,800	34,291	59,200	3,745	438,036
2023	345,800	26,673	59,200	2,508	434,181
2024	354,200	18,940	60,800	1,271	435,211
2025-2026	475,000	13,804	-	-	488,804
	<u>\$ 2,177,200</u>	<u>\$ 188,233</u>	<u>\$ 292,800</u>	<u>\$ 18,593</u>	<u>\$ 2,676,826</u>

F. Refunding Bonds

In March 2019, the City issued \$5,700,000 General Obligation Refunding Bonds with interest varying between 3.00% and 5.00% to advance refund \$4,000,000 of the City's Certificates of Obligation, Taxable Series 2009 Bonds, which were still outstanding in the amount of \$2,475,000 with interest rates ranging from 2.00% to 4.50% and \$4,600,000 of the City's Certificates of Obligation, Taxable Series 2011 Bonds, which were still outstanding in the amount of \$3,665,000 with interest rates ranging from 2.00% to 4.00%. The refunding proceeds also provided funding for costs of issuance. As a result, the bonds are considered defeased and the refunded portion of the liability has been removed from the governmental-type activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$6,245,693 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the bonds resulted in an economic gain of \$474,986 and an increase in cash flow of \$512,408.

**NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Interfund Receivables and Payables

Due To/From Other Funds

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. Interfund receivable and payable balances as of September 30, 2019, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 154,000
	Nonmajor Governmental	282,247
	Water and Sewer	682,218
	Solid Waste	5,072
	Emergency Medical Services	2,324
	Civic Center	1,172
	Airport	21,923
		<u>1,148,956</u>
Debt Service	Nonmajor Governmental	36,625
	Water and Sewer	151,227
		<u>187,852</u>
2011 Bond Construction	Water and Sewer	557,756
Nonmajor Governmental	General	192,444
	2019 Bond Construction	517
	Nonmajor Governmental	62,018
	Water and Sewer	12,500
	Airport	78,904
		<u>346,383</u>
Water and Sewer	General	1,056
	2019 Bond Construction	979,686
	Nonmajor Governmental	1,707,558
		<u>2,688,300</u>
Solid Waste	General	1,850
	Nonmajor Governmental	882
		<u>2,732</u>
Emergency Medical Services	General	7,728
	Nonmajor Governmental	7,433
		<u>15,161</u>
Civic Center	General	577
	2019 Bond Construction	396,475
	Nonmajor Governmental	46,186
		<u>443,238</u>
Airport	2019 Bond Construction	225,322
	Nonmajor Governmental	21,637
		<u>246,959</u>
		<u>\$ 5,637,337</u>

**NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued**

A. Interfund Receivables and Payables - (Continued)

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>\$ 430,000</u>

The amount payable to the General Fund relates to working capital loans made to the Water and Sewer Fund. \$50,000 of the balance is scheduled to be collected in the subsequent year.

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.

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>Civic Center</u>	<u>Nonmajor Governmental</u>	
General	\$ -	\$ -	\$ 185,000	\$ 185,000
Nonmajor Governmental	-	173,733	5,000	178,733
2019 Bond Construction	-	-	600,000	600,000
Water and Sewer	814,304	-	100,000	914,304
Solid Waste	-	-	25,000	25,000
Emergency Medical Services	98,412	-	-	98,412
	<u>\$ 912,716</u>	<u>\$ 173,733</u>	<u>\$ 915,000</u>	<u>\$ 2,001,449</u>

**NOTE 12: 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 collectability of any related receivable at September 30, 2019, 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.

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**NOTE 12: COMMITMENTS AND CONTINGENCIES - (Continued)**Construction and Acquisition Commitments

As of September 30, 2019, 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>
Levee acquisition	\$ 2,283,735
Energy savings project	811,416
Total	<u>\$ 3,095,151</u>

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

**NOTE 13: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2019:

	<u>Governmental Fund Balances</u>				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 14,163	\$ -	\$ -	\$ -	\$ 14,163
Long-term interfund advances	430,000	-	-	-	430,000
Unassigned	-	-	-	1,916,870	1,916,870
Debt Service					
Long-term debt	-	516,697	-	-	516,697
2011 Bond Construction					
Various capital projects	-	2,315,657	-	-	2,315,657
2019 Bond Construction					
Various capital projects	-	462,538	-	-	462,538
Nonmajor Governmental					
Various capital projects	-	1,449,282	475,749	-	1,925,031
Arts and tourism	-	67,807	-	-	67,807
Municipal court security and technology	-	46,749	-	-	46,749
Law enforcement	-	43,433	-	-	43,433
Fire department	-	387	-	-	387
Disaster relief	-	63,623	-	-	63,623
Unassigned	-	-	-	(178,162)	(178,162)
	<u>\$ 444,163</u>	<u>\$ 4,966,173</u>	<u>\$ 475,749</u>	<u>\$ 1,738,708</u>	<u>\$ 7,624,793</u>

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**NOTE 14: SALES TAX REBATE AGREEMENT**

The City, along with the Wharton Economic Development Corporation (WEDC), and as part of a business development plan to bring in new businesses to the City, entered into a ten year agreement effective August 16, 2008 with Buc-ee's, Ltd. (Buc-ee's) whereby, collectively, the City and WEDC rebate Buc-ee's monthly 1.5% of the sales tax collected as a result of Buc-ee's taxable sales. During the year ended September 30, 2019, tax rebate expenditures of \$14,237 were incurred.

**NOTE 15: SUBSEQUENT EVENT**

There were no subsequent events that required adjustment to or disclosure in the consolidated financial statements except as described above.

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**NOTE 16: 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, 2019, the final budget anticipated \$772,635 more in expenditures than revenues. WEDC actual expenditures relating to travel exceeded budgeted expenditures for the year ended September 30, 2019 by \$4. WEDC did not over-expend any other budgeted expenditures.

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 17: 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 market 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.

Inventory

WEDC inventory, consisting of materials and supplies, is recorded using the purchases method.

Capital Assets

WEDC's capital assets, which consist of real estate held for development, furniture, fixtures, and equipment, 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. Accumulated benefits payable is not considered material to the accompanying financial statements. As such, no liability for these benefits has been reported as of September 30, 2019.

Fund Equity

Fund balances of WEDC classified as nonspendable are balances that are not in spendable form, such as inventories or prepaid items. Fund balances classified as restricted are balances with constraints placed on the use of resources by grantors, creditors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by WEDC's Board of Directors. These amounts cannot be used for other purposes unless the Board removes or changes the constraints through the same type of action used to initially commit them. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The intent can be expressed by the Board of Directors or by a Board designee.

For the classification of Governmental Fund balances, when more than one classification is available, WEDC will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources.

WEDC generally aims to maintain an unassigned fund balance of approximately 10 - 15% of budgeted expenditures for the fiscal year to be used for unanticipated needs.

Federal Income Taxes

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

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**NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

C. Deposits and Investments

As of September 30, 2019, WEDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Public Funds Investment Pool			
TexPool	\$ 1,720	34	AAAm
Certificate of Deposit	240,408	180	N/A

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. 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.

Investments in the pool and certificate of deposit are classified as cash and cash equivalents for reporting purposes.

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 maximum weighted average maturity of the overall portfolio of WEDC's operating funds cannot exceed six months.

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 S&P Global.

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.

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**NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

C. Deposits and Investments - (Continued)

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, 2019, WEDC had deposits in six financial institutions and the deposits were FDIC or NCUA insured at each institution up to \$250,000. WEDC had no pledged collateral agreements in place during the year. At September 30, 2019, WEDC had no uninsured cash balances.

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, 2019, 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-third 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, 2019, was \$126,050. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

E. Sales Tax Rebate Agreement

WEDC, along with the City, and as part of a business development plan to bring in new businesses to the City, entered into a rebate agreement with King Ranch Turfgrass L.P. (King Ranch) effective January 1, 2009 until December 18, 2018 (10 years) whereby WEDC would rebate King Ranch a percentage of sales tax collected as a result of King Ranch's sales. For the year ended September 30, 2019, tax rebate expenditures of \$8,194 were incurred.

The company collects sales tax on each taxable transaction and then pays that tax on a monthly basis to the Texas Comptroller's Office. WEDC's portion will be reimbursed based on the twelve month accumulation of Comptroller sales tax receipts. Recapture is not applicable.

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**NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**F. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Real estate held for development	<u>\$ 415,335</u>	<u>\$ -</u>	<u>\$ 59,066</u>	<u>\$ 356,269</u>
Total capital assets not being depreciated	<u>415,335</u>	<u>-</u>	<u>59,066</u>	<u>356,269</u>
Capital assets being depreciated				
Leasehold improvements	<u>11,020</u>	<u>-</u>	<u>-</u>	<u>11,020</u>
Furniture and fixtures	<u>42,153</u>	<u>-</u>	<u>-</u>	<u>42,153</u>
Total capital assets being depreciated	<u>53,173</u>	<u>-</u>	<u>-</u>	<u>53,173</u>
Less accumulated depreciation for				
Furniture and fixtures	<u>39,042</u>	<u>3,548</u>	<u>-</u>	<u>42,590</u>
Total accumulated depreciation	<u>39,042</u>	<u>3,548</u>	<u>-</u>	<u>42,590</u>
Total capital assets being depreciated, net	<u>14,131</u>	<u>(3,548)</u>	<u>-</u>	<u>10,583</u>
Governmental activities capital assets, net	<u>\$ 429,466</u>	<u>\$ (3,548)</u>	<u>\$ 59,066</u>	<u>\$ 366,852</u>

G. Operating Lease AgreementsLease 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. For the year ended September 30, 2019, \$14,851 was paid under this agreement.

Lease Income Agreements

WEDC leases real estate to a manufacturing company for \$720 per month under the terms of the one-year lease effective August 1, 2018. The lease has an extension option where the landlord and tenant can agree to renew and extend the lease for an additional month with no expiration. The manufacturing company purchased the property from WEDC in November 2018.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. The lease is automatically renewed each year unless one party terminates the lease with 30 days notice. During the fiscal year 2019, WEDC received \$1,725 from the lease.

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**NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

H. Related Party Transactions

During the normal course of business, WEDC purchased goods and services from businesses in and around the City. On occasion, there are companies that WEDC conducted business with that are owned wholly by, partially owned by, or employers of 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, 2019, WEDC owed the City \$35,130 for wages and benefits previously paid by the City. WEDC also owed the City \$150,000 for parks and pool maintenance, as well as \$33,250 for mowing expenses.

I. Commitments

As of September 30, 2019, WEDC had approved but not yet paid \$69,504 for business restoration grants and other various construction projects. This amount decreased from \$405,154 as of September 30, 2018 due to the deletion of outstanding commitments that were deemed to no longer be valid. WEDC has committed to paying \$24,688 in sales tax rebates, \$1,512 in business disaster loans, and \$43,304 for various construction projects. These commitments are being funded by the sales tax revenues received from the City.

J. Employees' Retirement Plan

WEDC provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The employees of WEDC are treated as employees of the City of Wharton for retirement plan purposes. Please see Note 7 for discussions relative to the funding arrangements.

**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, 2019**With comparative totals for the year ended September 30, 2018*

	2019			Variance Positive (Negative)	2018
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 3,239,223	\$ 3,189,019	\$ 3,217,147	\$ 28,128	\$ 3,344,874
Licenses and permits	93,507	123,110	142,304	19,194	119,824
Intergovernmental	354,750	337,889	422,206	84,317	482,695
Charges for services	9,350	9,350	16,744	7,394	14,841
Fines and forfeitures	304,450	273,200	243,614	(29,586)	296,751
Investment income	1,500	1,500	12,403	10,903	3,594
Industrial district fee	1,838,530	1,870,000	1,882,084	12,084	1,276,673
Miscellaneous	29,546	102,596	55,505	(47,091)	118,524
<b>Total revenues</b>	<u>5,870,856</u>	<u>5,906,664</u>	<u>5,992,007</u>	<u>85,343</u>	<u>5,657,776</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,064,671	1,144,657	1,104,047	40,610	1,128,610
Public safety	3,835,773	3,812,661	3,650,477	162,184	3,577,413
Public works	1,283,924	1,227,258	1,145,555	81,703	1,131,552
Cultural and recreation	76,201	133,801	126,453	7,348	113,749
Capital outlay	282,000	248,500	204,908	43,592	283,482
Debt service	91,000	67,500	46,880	20,620	72,464
<b>Total expenditures</b>	<u>6,633,569</u>	<u>6,634,377</u>	<u>6,278,320</u>	<u>356,057</u>	<u>6,307,270</u>
Excess (deficiency) of revenues over expenditures	(762,713)	(727,713)	(286,313)	441,400	(649,494)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	35,000	-	-	-	22,261
Transfers in	912,713	912,713	912,716	3	-
Transfers out	(185,000)	(185,000)	(185,000)	-	897,212
<b>Total other financing sources (uses)</b>	<u>762,713</u>	<u>727,713</u>	<u>727,716</u>	<u>3</u>	<u>919,473</u>
Net change in fund balance	-	-	441,403	441,403	269,979
Fund balance at beginning of year	<u>1,919,630</u>	<u>1,919,630</u>	<u>1,919,630</u>	<u>-</u>	<u>1,649,651</u>
<b>Fund balance at end of year</b>	<u>\$ 1,919,630</u>	<u>\$ 1,919,630</u>	<u>\$ 2,361,033</u>	<u>\$ 441,403</u>	<u>\$ 1,919,630</u>

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

**CITY OF WHARTON, TEXAS**

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

*TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION*

*Last ten years*

	Measurement Year		
	2014	2015	2016
<b>Total Pension Liability</b>			
Service cost	\$ 392,673	\$ 467,271	\$ 486,516
Interest (on the total pension liability)	883,991	935,232	964,799
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(148,089)	(69,977)	(3,204)
Change of assumptions	-	87,049	-
Benefit payments, including refunds of employee contributions	<u>(458,381)</u>	<u>(409,355)</u>	<u>(583,296)</u>
<b>Net Change in Total Pension Liability</b>	670,194	1,010,220	864,815
<b>Total Pension Liability - Beginning</b>	<u>12,661,298</u>	<u>13,331,492</u>	<u>14,341,712</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 13,331,492</u>	<u>\$ 14,341,712</u>	<u>\$ 15,206,527</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 329,560	\$ 319,404	\$ 299,573
Contributions - Employee	224,191	241,608	247,717
Net Investment Income	690,883	18,970	878,757
Benefit payments, including refunds of employee contributions	(458,381)	(409,355)	(583,296)
Administrative expense	(7,213)	(11,554)	(9,933)
Other	<u>(593)</u>	<u>(570)</u>	<u>(536)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	778,447	158,503	832,282
<b>Plan Fiduciary Net Position - Beginning</b>	<u>12,076,821</u>	<u>12,855,268</u>	<u>13,013,771</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 12,855,268</u>	<u>\$ 13,013,771</u>	<u>\$ 13,846,053</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 476,224	\$ 1,327,941	\$ 1,360,474
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	96.43%	90.74%	91.05%
<b>Covered Payroll</b>	\$ 4,483,820	\$ 4,832,168	\$ 4,954,339
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	10.62%	27.48%	27.46%

NOTE: Information for the prior five years was not readily available. The City will compile the respective information over the next five years as provided by TMRS on a "measurement date" basis.

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

Measurement Year	
2017	2018
\$ 530,477	\$ 530,197
1,026,605	1,087,522
-	-
(117,320)	(250,455)
-	-
<u>(525,617)</u>	<u>(548,659)</u>
914,145	818,605
<u>15,206,527</u>	<u>16,120,672</u>
<u>\$ 16,120,672</u>	<u>\$ 16,939,277</u>
\$ 335,008	\$ 333,407
271,482	271,062
1,917,689	(474,041)
(525,617)	(548,659)
(9,945)	(9,167)
<u>(502)</u>	<u>(480)</u>
1,988,115	(427,878)
<u>13,846,053</u>	<u>15,834,167</u>
<u>\$ 15,834,168</u>	<u>\$ 15,406,289</u>
\$ 286,504	\$ 1,532,988
98.22%	90.95%
\$ 5,429,650	\$ 5,421,238
5.28%	28.28%

**CITY OF WHARTON, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION**  
*Last ten fiscal years*

	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	\$ 313,995	\$ 298,670	\$ 327,765
Contribution in relation to the actuarially determined contribution	<u>(317,405)</u>	<u>(308,435)</u>	<u>(339,250)</u>
Contribution deficiency (excess)	<u>\$ (3,410)</u>	<u>\$ (9,765)</u>	<u>\$ (11,485)</u>
Covered employee payroll	\$ 4,629,029	\$ 4,817,630	\$ 5,339,237
Contributions as a percentage of covered employee payroll	6.86%	6.40%	6.35%

NOTE: Information for the prior five fiscal years was not readily available. The City will compile the respective information over the next five fiscal years.

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

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Fiscal Year	
2018	2019
\$ 329,837	\$ 321,961
<u>(341,254)</u>	<u>(333,697)</u>
<u>\$ (11,417)</u>	<u>\$ (11,736)</u>
\$ 5,358,388	\$ 5,404,745
6.37%	6.17%

**CITY OF WHARTON, TEXAS**

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT  
Last ten years*

	Measurement Year	
	2017	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 8,687	\$ 9,758
Interest (on the total OPEB liability)	7,836	7,992
Change of benefit terms	-	-
Difference between expected and actual experience	-	(14,135)
Change of assumptions	18,706	(16,432)
Benefit payments	(1,629)	(1,627)
<b>Net Change in Total OPEB Liability</b>	33,600	(14,444)
<b>Total OPEB Liability - Beginning</b>	203,778	237,378
<b>Total OPEB Liability - Ending</b>	\$ 237,378	\$ 222,934
<b>Covered Payroll</b>	\$ 5,429,650	\$ 5,421,238
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	4.37%	4.11%

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight years as provided by TMRS on a "measurement date" basis.

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

**CITY OF WHARTON, TEXAS**

*SCHEDULE OF EMPLOYER CONTRIBUTIONS*

*TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT*

*Last ten fiscal years*

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	Fiscal Year	
	2018	2019
Actuarially Determined Contribution	\$ 1,608	\$ 2,008
Contribution in relation to the actuarially determined contribution	<u>(1,608)</u>	<u>(2,008)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,358,388	\$ 5,404,745
Contributions as a percentage of covered payroll	0.0300%	0.0372%

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight years.

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

**NOTE 1: BUDGETARY INFORMATION**

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, 2019, the City complied with budgetary restrictions at all departmental levels in the General Fund.

**NOTE 3: DEFINED BENEFIT PENSION PLAN**

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

There were no benefit changes during the year.

**NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.

**Combining and Individual Fund Statements and Schedules**

**CITY OF WHARTON, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
*September 30, 2019*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 114,294	\$ 3,593,974	\$ 3,708,268
Receivables, net	57,363	-	57,363
Due from other funds	57,775	288,608	346,383
Due from other governments	346,688	-	346,688
<b>Total assets</b>	<u>\$ 576,120</u>	<u>\$ 3,882,582</u>	<u>\$ 4,458,702</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 17,351	\$ 306,991	\$ 324,342
Accrued expenditures	-	906	906
Due to other funds	343,608	1,820,978	2,164,586
<b>Total liabilities</b>	<u>360,959</u>	<u>2,128,875</u>	<u>2,489,834</u>
<b>FUND BALANCES</b>			
Restricted			
Cultural and recreation	67,807	-	67,807
Municipal court	46,749	-	46,749
Public safety	107,443	-	107,443
Various capital projects	-	1,449,282	1,449,282
Committed			
Various capital projects	-	475,749	475,749
Unassigned	(6,838)	(171,324)	(178,162)
<b>Total fund balances</b>	<u>215,161</u>	<u>1,753,707</u>	<u>1,968,868</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 576,120</u>	<u>\$ 3,882,582</u>	<u>\$ 4,458,702</u>

**CITY OF WHARTON, TEXAS****ALL NONMAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the year ended September 30, 2019

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 229,048	\$ -	\$ 229,048
Intergovernmental	730,059	18,888	748,947
Fines and forfeitures	15,270	-	15,270
Investment income	970	13,699	14,669
Miscellaneous	5,643	-	5,643
<b>Total revenues</b>	<u>980,990</u>	<u>32,587</u>	<u>1,013,577</u>
<b>EXPENDITURES</b>			
Current			
General government	393,362	-	393,362
Public safety	22,823	-	22,823
Public works	-	24,045	24,045
Cultural and recreation	105,596	-	105,596
Capital outlay	-	936,963	936,963
Debt service			
Principal retirement	32,300	262,959	295,259
Interest and fiscal charges	4,325	-	4,325
Issuance costs	-	51,181	51,181
<b>Total expenditures</b>	<u>558,406</u>	<u>1,275,148</u>	<u>1,833,554</u>
Excess (deficiency) of revenues over expenditures	422,584	(1,242,561)	(819,977)
<b>OTHER FINANCING SOURCES (USES)</b>			
Tax notes	-	1,555,000	1,555,000
Transfers in	5,000	910,000	915,000
Transfers out	(178,733)	-	(178,733)
<b>Total other financing sources (uses)</b>	<u>(173,733)</u>	<u>2,465,000</u>	<u>2,291,267</u>
Net change in fund balances	248,851	1,222,439	1,471,290
Fund balances at beginning of year	(33,690)	531,268	497,578
<b>Fund balances at end of year</b>	<u>\$ 215,161</u>	<u>\$ 1,753,707</u>	<u>\$ 1,968,868</u>

## SPECIAL REVENUE FUNDS

The City maintains seven Special Revenue Funds. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**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.

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

**Disaster Relief Fund** - Accounts for the activities of the City associated with disasters such as floods, hurricanes, etc.

**CITY OF WHARTON, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS*

*COMBINING BALANCE SHEET*

*September 30, 2019*

	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 16,786	\$ 5,702	\$ 43,433	\$ 387
Receivables, net				
Accounts	57,363	-	-	-
Due from other funds	-	31	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<u>\$ 74,149</u>	<u>\$ 5,733</u>	<u>\$ 43,433</u>	<u>\$ 387</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,342	\$ -	\$ -	\$ -
Due to other funds	-	12,304	-	-
<b>Total liabilities</b>	<u>6,342</u>	<u>12,304</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted				
Cultural and recreation	67,807	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	43,433	387
Unassigned	-	(6,571)	-	-
<b>Total fund balances</b>	<u>67,807</u>	<u>(6,571)</u>	<u>43,433</u>	<u>387</u>
<b>Total liabilities and fund balances</b>	<u>\$ 74,149</u>	<u>\$ 5,733</u>	<u>\$ 43,433</u>	<u>\$ 387</u>

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Municipal Court Building Security	Railroad Depot Restoration	Disaster Relief	Total
\$ 46,726	\$ 1,260	\$ -	\$ 114,294
-	-	-	57,363
23	-	57,721	57,775
<u>-</u>	<u>-</u>	<u>346,688</u>	<u>346,688</u>
<u>\$ 46,749</u>	<u>\$ 1,260</u>	<u>\$ 404,409</u>	<u>\$ 576,120</u>
\$ -	\$ 1,527	\$ 9,482	\$ 17,351
<u>-</u>	<u>-</u>	<u>331,304</u>	<u>343,608</u>
<u>-</u>	<u>1,527</u>	<u>340,786</u>	<u>360,959</u>
-	-	-	67,807
46,749	-	-	46,749
-	-	63,623	107,443
<u>-</u>	<u>(267)</u>	<u>-</u>	<u>(6,838)</u>
<u>46,749</u>	<u>(267)</u>	<u>63,623</u>	<u>215,161</u>
<u>\$ 46,749</u>	<u>\$ 1,260</u>	<u>\$ 404,409</u>	<u>\$ 576,120</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, 2019

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
<b>REVENUES</b>				
Taxes	\$ 229,048	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and forfeitures	-	8,321	1,080	-
Investment income	382	13	261	41
Miscellaneous	-	-	5,443	-
<b>Total revenues</b>	<u>229,430</u>	<u>8,334</u>	<u>6,784</u>	<u>41</u>
<b>EXPENDITURES</b>				
Current				
General government	-	8,041	-	-
Public safety	-	-	2,019	20,804
Cultural and recreation	101,673	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>101,673</u>	<u>8,041</u>	<u>2,019</u>	<u>20,804</u>
Excess (deficiency) of revenues over expenditures	127,757	293	4,765	(20,763)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(178,733)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(178,733)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(50,976)	293	4,765	(20,763)
Fund balances at beginning of year	118,783	(6,864)	38,668	21,150
<b>Fund balances at end of year</b>	<u>\$ 67,807</u>	<u>\$ (6,571)</u>	<u>\$ 43,433</u>	<u>\$ 387</u>

Municipal Court Building Security	Railroad Depot Restoration	Disaster Relief	Total
\$ -	\$ -	\$ -	\$ 229,048
-	-	730,059	730,059
5,869	-	-	15,270
266	7	-	970
-	200	-	5,643
<u>6,135</u>	<u>207</u>	<u>730,059</u>	<u>980,990</u>
-	-	385,321	393,362
-	-	-	22,823
-	3,923	-	105,596
-	-	32,300	32,300
-	-	4,325	4,325
-	<u>3,923</u>	<u>421,946</u>	<u>558,406</u>
6,135	(3,716)	308,113	422,584
-	5,000	-	5,000
-	-	-	(178,733)
-	<u>5,000</u>	-	<u>(173,733)</u>
6,135	1,284	308,113	248,851
<u>40,614</u>	<u>(1,551)</u>	<u>(244,490)</u>	<u>(33,690)</u>
<u>\$ 46,749</u>	<u>\$ (267)</u>	<u>\$ 63,623</u>	<u>\$ 215,161</u>

## CAPITAL PROJECT FUNDS

The City maintains eight Capital Project Funds: the 2011 Bond Construction Fund, the 2013 Bond Construction Fund, the Qualified Energy Conservation Bonds Fund, the Capital Improvement Fund, the 2015 Bond Construction Fund, the 2017 Tax Notes Fund, the 2019 Bond Construction Fund, and the 2019 Tax Notes Fund. The purpose of these funds is to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The 2011 Bond Construction Fund and the 2019 Bond Construction funds are reported as major funds.

**2013 Bond Construction Fund** - Accounts for the use of the proceeds from the City's 2013 Certificates of Obligation.

**Qualified Energy Conservation Bonds Fund** - Accounts for the use of the proceeds from the bonds for utility cost reduction measures in City buildings and facilities.

**Capital Improvement Fund** - Accounts for monies transferred from other City funds for the improvement and construction of the City's streets.

**2015 Bond Construction Fund** - Accounts for the use of the proceeds from the City's 2015 Certificates of Obligation.

**2017 Tax Notes Fund** - Accounts for the use of the proceeds from the City's 2017 Tax Notes.

**2019 Tax Notes Fund** - Accounts for the use of the proceeds from the City's 2019 Tax Notes.

**CITY OF WHARTON, TEXAS***NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**COMBINING BALANCE SHEET**September 30, 2019*

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	<u>Capital Improvement</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>	<u>Qualified Energy Cons. Bonds</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 492,103	\$ 231,776	\$ 369,585	\$ 811,417
Due from other funds	<u>20</u>	<u>517</u>	<u>91,403</u>	<u>737</u>
<b>Total assets</b>	<u>\$ 492,123</u>	<u>\$ 232,293</u>	<u>\$ 460,988</u>	<u>\$ 812,154</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 554	\$ 690	\$ -	\$ 83,741
Accrued expenditures	-	906	-	-
Due to other funds	<u>15,820</u>	<u>402,021</u>	<u>325,124</u>	<u>639,971</u>
<b>Total liabilities</b>	<u>16,374</u>	<u>403,617</u>	<u>325,124</u>	<u>723,712</u>
<b>FUND BALANCES</b>				
Restricted				
Various capital projects	-	-	135,864	88,442
Committed				
Various capital projects	475,749	-	-	-
Unassigned	<u>-</u>	<u>(171,324)</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<u>475,749</u>	<u>(171,324)</u>	<u>135,864</u>	<u>88,442</u>
<b>Total liabilities and fund balances</b>	<u>\$ 492,123</u>	<u>\$ 232,293</u>	<u>\$ 460,988</u>	<u>\$ 812,154</u>

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<u>2017 Tax Notes</u>	<u>2019 Tax Notes</u>	<u>Total</u>
\$ 369,247	\$ 1,319,846	\$ 3,593,974
<u>195,931</u>	<u>-</u>	<u>288,608</u>
<u>\$ 565,178</u>	<u>\$ 1,319,846</u>	<u>\$ 3,882,582</u>
\$ -	\$ 222,006	\$ 306,991
-	-	906
<u>422,254</u>	<u>15,788</u>	<u>1,820,978</u>
<u>422,254</u>	<u>237,794</u>	<u>2,128,875</u>
142,924	1,082,052	1,449,282
-	-	475,749
<u>-</u>	<u>-</u>	<u>(171,324)</u>
<u>142,924</u>	<u>1,082,052</u>	<u>1,753,707</u>
<u>\$ 565,178</u>	<u>\$ 1,319,846</u>	<u>\$ 3,882,582</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, 2019*

	<u>Capital Improvement</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>	<u>Qualified Energy Cons. Bonds</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 18,888	\$ -
Investment income	<u>613</u>	<u>541</u>	<u>542</u>	<u>-</u>
<b>Total revenues</b>	<u>613</u>	<u>541</u>	<u>19,430</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Public works	-	24,045	-	-
Capital outlay	419,023	-	41,286	-
Debt service				
Principal retirement	-	-	-	-
Issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>419,023</u>	<u>24,045</u>	<u>41,286</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(418,410)	(23,504)	(21,856)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Tax notes	-	-	-	-
Transfers in	<u>910,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>910,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	491,590	(23,504)	(21,856)	-
Fund balances at beginning of year	<u>(15,841)</u>	<u>(147,820)</u>	<u>157,720</u>	<u>88,442</u>
<b>Fund balances at end of year</b>	<u>\$ 475,749</u>	<u>\$ (171,324)</u>	<u>\$ 135,864</u>	<u>\$ 88,442</u>

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<u>2017 Tax Notes</u>	<u>2019 Tax Notes</u>	<u>Total</u>
\$ -	\$ -	\$ 18,888
<u>899</u>	<u>11,104</u>	<u>13,699</u>
<u>899</u>	<u>11,104</u>	<u>32,587</u>
-	-	24,045
43,783	432,871	936,963
262,959	-	262,959
<u>-</u>	<u>51,181</u>	<u>51,181</u>
<u>306,742</u>	<u>484,052</u>	<u>1,275,148</u>
(305,843)	(472,948)	(1,242,561)
-	1,555,000	1,555,000
<u>-</u>	<u>-</u>	<u>910,000</u>
<u>-</u>	<u>1,555,000</u>	<u>2,465,000</u>
(305,843)	1,082,052	1,222,439
<u>448,767</u>	<u>-</u>	<u>531,268</u>
<u>\$ 142,924</u>	<u>\$ 1,082,052</u>	<u>\$ 1,753,707</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**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2019**With comparative totals for the year ended September 30, 2018*

	2019		Variance Positive (Negative)	2018
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 628,763	\$ 637,621	\$ 8,858	\$ 820,811
Sales	1,520,000	1,527,344	7,344	1,416,116
Franchise	1,040,256	1,052,182	11,926	1,107,947
Licenses and permits	123,110	142,304	19,194	119,824
Intergovernmental	337,889	422,206	84,317	482,695
Charges for services	9,350	16,744	7,394	14,841
Fines and forfeitures	273,200	243,614	(29,586)	296,751
Investment income	1,500	12,403	10,903	3,594
Industrial district fee	1,870,000	1,882,084	12,084	1,276,673
Miscellaneous	102,596	55,505	(47,091)	118,524
<b>Total revenues</b>	<b>5,906,664</b>	<b>5,992,007</b>	<b>85,343</b>	<b>5,657,776</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Mayor and council	100,650	93,214	7,436	37,287
City manager	295,661	288,256	7,405	277,588
City secretary	125,109	120,592	4,517	114,215
Legal and professional	89,000	87,915	1,085	93,259
Finance	297,241	290,466	6,775	299,143
Municipal court	152,849	148,261	4,588	157,388
Central services	84,147	75,343	8,804	149,730
<b>Total general government</b>	<b>1,144,657</b>	<b>1,104,047</b>	<b>40,610</b>	<b>1,128,610</b>
<b>Public safety</b>				
Police	2,306,635	2,218,810	87,825	2,348,274
Fire	477,752	461,867	15,885	330,399
Code enforcement	293,780	264,665	29,115	254,479
Emergency management	110,078	103,515	6,563	102,944
Animal control	66,560	63,621	2,939	60,054
Communications	557,856	537,999	19,857	481,263
<b>Total public safety</b>	<b>3,812,661</b>	<b>3,650,477</b>	<b>162,184</b>	<b>3,577,413</b>
<b>Public works</b>				
Streets and drainage	821,759	765,644	56,115	769,970
Garage	144,489	126,297	18,192	132,133
Facilities maintenance	261,010	253,614	7,396	229,449
<b>Total public works</b>	<b>1,227,258</b>	<b>1,145,555</b>	<b>81,703</b>	<b>1,131,552</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, 2019**With comparative totals for the year ended September 30, 2018*

	2019		Variance Positive (Negative)	2018
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
<b>Current - (continued)</b>				
<b>Cultural and recreation</b>				
Recreation	\$ 67,000	\$ 62,837	\$ 4,163	\$ 57,709
Community pool	66,801	63,616	3,185	56,040
Total cultural and recreation	133,801	126,453	7,348	113,749
<b>Capital outlay</b>	248,500	204,908	43,592	283,482
<b>Debt service</b>				
Principal retirement	60,000	42,998	17,002	64,300
Interest and fiscal charges	7,500	3,882	3,618	8,164
Total debt service	67,500	46,880	20,620	72,464
<b>Total expenditures</b>	6,634,377	6,278,320	356,057	6,307,270
Excess (deficiency) of revenues over expenditures	(727,713)	(286,313)	441,400	(649,494)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	22,261
Transfers in	912,713	912,716	3	897,212
Transfers out	(185,000)	(185,000)	-	-
<b>Total other financing sources (uses)</b>	727,713	727,716	3	919,473
Net change in fund balance	\$ -	441,403	\$ 441,403	269,979
Fund balance at beginning of year		1,919,630		1,649,651
<b>Fund balance at end of year</b>		\$ 2,361,033		\$ 1,919,630

(concluded)

## **DEBT SERVICE FUND**

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest.

**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, 2019**With comparative totals for the year ended September 30, 2018*

	2019		Variance Positive (Negative)	2018
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,202,000	\$ 1,333,693	\$ 131,693	\$ 1,139,371
Investment income	1,000	13,103	12,103	12,139
<b>Total revenues</b>	<u>1,203,000</u>	<u>1,346,796</u>	<u>143,796</u>	<u>1,151,510</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	850,000	900,521	(50,521)	816,190
Interest and fiscal charges	330,000	319,622	10,378	392,372
Issuance costs	-	131,084	(131,084)	-
<b>Total expenditures</b>	<u>1,180,000</u>	<u>1,351,227</u>	<u>(171,227)</u>	<u>1,208,562</u>
Excess (deficiency) of revenues over expenditures	23,000	(4,431)	(27,431)	(57,052)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	4,497,300	4,497,300	-
Premium on bonds	-	567,828	567,828	-
Payment to escrow	-	(4,927,852)	(4,927,852)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>137,276</u>	<u>137,276</u>	<u>-</u>
Net change in fund balance	23,000	132,845	109,845	(57,052)
Fund balance at beginning of year	<u>383,852</u>	<u>383,852</u>	<u>-</u>	<u>440,904</u>
<b>Fund balance at end of year</b>	<u>\$ 406,852</u>	<u>\$ 516,697</u>	<u>\$ 109,845</u>	<u>\$ 383,852</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.

<u>Contents</u>	<u>Page</u>
<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 .....	99
<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 .....	110
<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.....	121
<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 .....	127
<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 .....	129

**CITY OF WHARTON, TEXAS**  
**NET POSITION BY COMPONENT (1)**  
*Last ten fiscal years*

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 6,537,738	\$ 6,243,600	\$ 6,145,777	\$ 5,399,629
Restricted	416,831	455,154	506,706	555,253
Unrestricted	1,588,334	1,719,879	1,557,755	1,578,613
Total governmental activities net position	<u>\$ 8,542,903</u>	<u>\$ 8,418,633</u>	<u>\$ 8,210,238</u>	<u>\$ 7,533,495</u>
Business-type activities				
Net investment in capital assets	\$ 11,319,633	\$ 12,227,323	\$ 13,128,337	\$ 13,568,618
Unrestricted	995,314	732,046	533,059	759,682
Total business-type activities net position	<u>\$ 12,314,947</u>	<u>\$ 12,959,369</u>	<u>\$ 13,661,396</u>	<u>\$ 14,328,300</u>
Primary government				
Net investment in capital assets	\$ 17,857,371	\$ 18,470,923	\$ 19,274,114	\$ 18,968,247
Restricted	416,831	455,154	506,706	555,253
Unrestricted	2,583,648	2,451,925	2,090,814	2,338,295
Total primary government activities net position	<u>\$ 20,857,850</u>	<u>\$ 21,378,002</u>	<u>\$ 21,871,634</u>	<u>\$ 21,861,795</u>

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 5,203,356	\$ 5,276,256	\$ 5,049,412	\$ 5,849,449	\$ 6,021,228	\$ 5,346,151
491,100	540,953	560,730	626,562	577,404	692,423
1,713,091	1,328,869	1,520,167	1,136,105	1,374,526	2,036,153
<u>\$ 7,407,547</u>	<u>\$ 7,146,078</u>	<u>\$ 7,130,309</u>	<u>\$ 7,612,116</u>	<u>\$ 7,973,158</u>	<u>\$ 8,074,727</u>
\$ 13,575,582	\$ 13,273,028	\$ 14,570,164	\$ 15,009,120	\$ 14,992,726	\$ 15,399,868
725,541	1,277,183	(350,995)	(965,105)	(1,081,334)	(1,539,598)
<u>\$ 14,301,123</u>	<u>\$ 14,550,211</u>	<u>\$ 14,219,169</u>	<u>\$ 14,044,015</u>	<u>\$ 13,911,392</u>	<u>\$ 13,860,270</u>
\$ 18,778,938	\$ 18,549,284	\$ 19,619,576	\$ 20,858,569	\$ 21,013,954	\$ 20,746,019
491,100	540,953	560,730	626,562	577,404	692,423
2,438,632	2,606,052	1,169,172	171,000	293,192	496,555
<u>\$ 21,708,670</u>	<u>\$ 21,696,289</u>	<u>\$ 21,349,478</u>	<u>\$ 21,656,131</u>	<u>\$ 21,884,550</u>	<u>\$ 21,934,997</u>

**CITY OF WHARTON, TEXAS**  
**CHANGES IN NET POSITION (1)**  
*Last ten fiscal years*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental activities</b>				
Expenses				
General government	\$ 822,213	\$ 871,330	\$ 976,628	\$ 926,431
Public safety	3,285,594	3,248,440	3,265,404	3,430,366
Public works	2,120,461	1,476,798	1,416,172	1,576,819
Culture and recreation	259,386	218,256	215,656	215,061
Interest on long-term debt	<u>272,026</u>	<u>303,499</u>	<u>381,827</u>	<u>388,653</u>
Total expenses	<u>6,759,680</u>	<u>6,118,323</u>	<u>6,255,687</u>	<u>6,537,330</u>
Program revenues				
Charges for services				
General government	324,198	343,817	299,099	317,267
Public safety	18,250	7,025	5,647	42,882
Culture and recreation	11,670	9,672	8,616	10,941
Operating grants and contributions	117,340	18,406	15,631	2,238
Capital grants and contributions	<u>401,689</u>	<u>190,000</u>	<u>423,264</u>	<u>50,000</u>
Total program revenues	<u>873,147</u>	<u>568,920</u>	<u>752,257</u>	<u>423,328</u>
Total governmental activities net program expense	(5,886,533)	(5,549,403)	(5,503,430)	(6,114,002)
General revenues and other changes in net position				
Taxes				
Property taxes	1,885,118	1,948,184	1,962,365	1,926,421
Sales taxes	1,149,211	1,148,636	1,313,677	1,274,114
Franchise taxes	1,031,751	1,056,427	973,486	1,047,976
Other taxes	151,129	166,149	190,162	196,669
Unrestricted investment earnings	18,048	10,487	8,999	8,052
Industrial district payment	682,573	492,901	504,314	922,448
Miscellaneous	140,162	115,207	95,580	70,872
Transfers	<u>518,753</u>	<u>487,142</u>	<u>504,673</u>	<u>437,439</u>
Total general revenues and other changes in net position	<u>5,576,745</u>	<u>5,425,133</u>	<u>5,553,256</u>	<u>5,883,991</u>
<b>Total governmental activities change in net position</b>	<u>\$ (309,788)</u>	<u>\$ (124,270)</u>	<u>\$ 49,826</u>	<u>\$ (230,011)</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 902,639	\$ 956,481	\$ 1,033,645	\$ 1,538,531	\$ 1,883,507	\$ 1,673,997
3,686,833	3,560,086	3,732,614	3,999,508	3,926,999	4,106,591
1,856,576	1,830,354	1,925,823	1,877,799	1,716,963	2,283,018
209,509	216,496	247,724	260,815	281,150	309,231
542,435	410,719	437,013	391,646	416,720	552,115
<u>7,197,992</u>	<u>6,974,136</u>	<u>7,376,819</u>	<u>8,068,299</u>	<u>8,225,339</u>	<u>8,924,952</u>
331,367	359,180	390,566	457,165	453,443	417,544
399	900	6,040	12,633	5,493	14,332
5,745	8,995	8,877	7,661	8,481	11,468
99,327	125,634	159,932	606,537	886,952	694,606
547,318	250,000	497,778	887,238	402,609	248,862
<u>984,156</u>	<u>744,709</u>	<u>1,063,193</u>	<u>1,971,234</u>	<u>1,756,978</u>	<u>1,386,812</u>
(6,213,836)	(6,229,427)	(6,313,626)	(6,097,065)	(6,468,361)	(7,538,140)
1,906,728	1,906,722	1,929,445	1,905,008	1,920,441	1,927,053
1,252,647	1,295,561	1,391,868	1,283,407	1,416,116	1,527,344
1,052,147	1,077,112	1,101,070	1,122,792	1,107,947	1,052,182
181,243	217,309	252,562	279,726	376,852	229,048
13,075	10,942	15,218	20,409	26,188	69,070
905,337	877,318	830,603	1,059,353	1,276,673	1,882,084
162,529	59,034	76,199	104,429	139,594	88,945
614,162	788,246	700,892	803,748	728,312	863,983
<u>6,087,868</u>	<u>6,232,244</u>	<u>6,297,857</u>	<u>6,578,872</u>	<u>6,992,123</u>	<u>7,639,709</u>
\$ (125,968)	\$ 2,817	\$ (15,769)	\$ 481,807	\$ 523,762	\$ 101,569

(continued)

**CITY OF WHARTON, TEXAS**  
**CHANGES IN NET POSITION (1)**  
*Last ten fiscal years*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Business-type activities</b>				
Expenses				
Water and sewer	\$ 2,390,453	\$ 2,417,926	\$ 2,214,274	\$ 2,377,966
Solid waste	1,209,574	1,213,177	1,250,313	1,300,929
Emergency medical services	1,160,083	1,221,415	1,243,579	1,395,931
Civic center	276,345	232,364	216,926	200,266
Airport	<u>243,983</u>	<u>251,866</u>	<u>258,427</u>	<u>262,912</u>
Total expenses	<u>5,280,438</u>	<u>5,336,748</u>	<u>5,183,519</u>	<u>5,538,004</u>
Program revenues				
Charges for services				
Water and sewer	2,778,431	2,997,890	2,840,140	2,999,959
Solid waste	1,269,783	1,271,487	1,299,841	1,338,967
Emergency medical services	703,134	749,828	801,108	840,708
Civic center	67,951	49,661	59,474	55,344
Airport	170,712	195,843	182,194	177,845
Operating grants and contributions	562,695	739,180	764,282	775,650
Capital grants and contributions	<u>54,400</u>	<u>463,435</u>	<u>604,906</u>	<u>451,639</u>
Total program revenues	<u>5,607,106</u>	<u>6,467,324</u>	<u>6,551,945</u>	<u>6,640,112</u>
Total business-type activities net program expense	326,668	1,130,576	1,368,426	1,102,108
General revenues and other changes in net position				
Unrestricted investment earnings	958	988	1,675	2,235
Miscellaneous	-	-	16,600	-
Transfers	<u>(518,753)</u>	<u>(487,142)</u>	<u>(504,673)</u>	<u>(437,439)</u>
Total general revenues and other changes in net position	<u>(517,795)</u>	<u>(486,154)</u>	<u>(486,398)</u>	<u>(435,204)</u>
<b>Total business-type activities change in net position</b>	<u>\$ (191,127)</u>	<u>\$ 644,422</u>	<u>\$ 882,028</u>	<u>\$ 666,904</u>
<b>Total primary government change in net position</b>	<u>\$ (500,915)</u>	<u>\$ 520,152</u>	<u>\$ 931,854</u>	<u>\$ 436,893</u>

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$	2,656,570	\$ 2,561,784	\$ 2,886,182	\$ 2,989,213	\$ 3,239,252	\$ 3,154,572
	1,289,653	1,343,826	1,332,985	1,498,067	1,445,264	1,494,216
	1,669,455	1,771,503	2,067,077	2,260,933	2,313,208	2,216,326
	225,854	234,636	285,146	263,521	268,924	314,049
	268,944	267,542	296,475	319,099	350,530	352,242
	<u>6,110,476</u>	<u>6,179,291</u>	<u>6,867,865</u>	<u>7,330,833</u>	<u>7,617,178</u>	<u>7,531,405</u>
	3,140,678	3,219,570	3,585,465	3,742,104	4,048,367	4,126,572
	1,345,910	1,379,460	1,401,478	1,475,518	1,465,834	1,476,178
	833,862	963,612	825,885	774,356	827,044	802,705
	82,269	74,102	76,282	84,736	91,518	115,076
	173,920	171,931	211,211	210,464	225,944	215,112
	898,511	847,681	1,036,169	1,451,379	1,584,219	1,506,827
	219,868	628,072	99,446	216,716	75,000	91,924
	<u>6,695,018</u>	<u>7,284,428</u>	<u>7,235,936</u>	<u>7,955,273</u>	<u>8,317,926</u>	<u>8,334,394</u>
	584,542	1,105,137	368,071	624,440	700,748	802,989
	2,463	2,451	1,779	4,154	7,189	9,872
	-	-	-	-	-	-
	<u>(614,182)</u>	<u>(788,246)</u>	<u>(700,892)</u>	<u>(803,748)</u>	<u>(728,312)</u>	<u>(863,983)</u>
	<u>(611,719)</u>	<u>(785,795)</u>	<u>(699,113)</u>	<u>(799,594)</u>	<u>(721,123)</u>	<u>(854,111)</u>
\$	<u>(27,177)</u>	<u>\$ 319,342</u>	<u>\$ (331,042)</u>	<u>\$ (175,154)</u>	<u>\$ (20,375)</u>	<u>\$ (51,122)</u>
\$	<u>(153,145)</u>	<u>\$ 322,159</u>	<u>\$ (346,811)</u>	<u>\$ 306,653</u>	<u>\$ 503,387</u>	<u>\$ 50,447</u>

(concluded)

**CITY OF WHARTON, TEXAS**

*FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

	Fiscal Year			
	2010	2011	2012	2013
<b>General Fund</b>				
Nonspendable				
Prepaid items	\$ -	\$ 26,624	\$ 21,109	\$ 19,499
Long-term interfund advances	-	-	500,000	350,000
Unassigned	-	1,427,875	1,041,539	1,257,474
Reserved				
Prepaid items	9,281	-	-	-
Unreserved	<u>1,377,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total general fund</b>	<u>\$ 1,386,964</u>	<u>\$ 1,454,499</u>	<u>\$ 1,562,648</u>	<u>\$ 1,626,973</u>
<b>All Other Governmental Funds</b>				
Restricted				
Retirement of long-term debt	\$ -	\$ 376,959	\$ 415,415	\$ 419,775
Arts and tourism	-	81,552	84,922	69,706
Municipal court	-	20,105	13,215	17,787
Public safety	-	12,986	22,709	69,537
Various capital projects	-	4,464,319	3,712,559	3,062,743
Committed				
Various capital projects	-	-	-	6,137
Unassigned	-	-	-	-
Unreserved, reported in				
Special revenue funds	89,187	-	-	-
Debt service fund	364,075	-	-	-
Capital project funds	<u>(293,086)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total all other governmental funds</b>	<u>\$ 160,176</u>	<u>\$ 4,955,921</u>	<u>\$ 4,248,820</u>	<u>\$ 3,645,685</u>

(1) Modified accrual basis of accounting

NOTE: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 26,809	\$ 7,847	\$ 11,767	\$ 15,648	\$ 29,107	\$ 14,163
325,000	430,000	430,000	430,000	430,000	430,000
1,366,287	1,289,786	1,320,205	1,251,623	1,460,523	1,916,870
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,718,096</u>	<u>\$ 1,727,633</u>	<u>\$ 1,761,972</u>	<u>\$ 1,697,271</u>	<u>\$ 1,919,630</u>	<u>\$ 2,361,033</u>
\$ 436,098	\$ 468,843	\$ 426,192	\$ 440,904	\$ 383,852	\$ 516,697
76,610	75,716	85,835	123,710	118,783	67,807
21,373	26,463	33,954	33,046	40,614	46,749
12,660	19,841	42,700	49,346	59,818	107,443
3,100,671	3,036,452	2,703,475	2,446,906	2,999,354	4,227,477
65,686	18,886	23,987	123,601	-	475,749
-	(141,516)	-	(667,035)	(416,566)	(178,162)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,713,098</u>	<u>\$ 3,504,685</u>	<u>\$ 3,316,143</u>	<u>\$ 2,550,478</u>	<u>\$ 3,185,855</u>	<u>\$ 5,263,760</u>

**CITY OF WHARTON, TEXAS**

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

*Last ten fiscal years*

	Fiscal Year			
	2010	2011	2012	2013
<b>Revenues</b>				
Taxes	\$ 4,247,504	\$ 4,349,308	\$ 4,484,457	\$ 4,490,924
Licenses and permits	70,814	87,176	67,112	98,609
Intergovernmental	409,430	208,406	438,895	52,238
Charges for services	28,815	10,488	9,866	12,888
Fines and forfeitures	233,842	239,406	229,258	223,811
Investment income	18,048	10,487	8,999	8,052
Industrial district payment	682,573	492,901	504,314	922,448
Miscellaneous	233,900	23,483	47,695	57,932
<b>Total revenues</b>	<u>5,924,926</u>	<u>5,421,655</u>	<u>5,790,596</u>	<u>5,866,902</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	811,418	855,487	1,030,106	880,776
Public safety	3,013,918	2,930,441	2,960,242	3,140,019
Public works	1,748,663	1,096,561	1,059,999	1,041,924
Culture and recreation	199,397	157,635	154,649	154,054
Capital outlay	1,172,494	693,196	1,021,435	788,817
<b>Debt service</b>				
Principal retirement	528,056	499,924	511,147	504,666
Interest and fiscal charges	253,790	262,728	390,180	401,535
Bond issuance costs	38,706	86,829	-	-
<b>Total expenditures</b>	<u>7,766,442</u>	<u>6,582,801</u>	<u>7,127,758</u>	<u>6,911,791</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,841,516)	(1,161,146)	(1,337,162)	(1,044,889)
<b>Other financing sources (uses)</b>				
Debt issued	930,663	4,600,000	-	-
Premium on issuance of bonds	21,306	69,000	-	-
Payment to escrow	(658,462)	-	-	-
Capital lease proceeds	-	-	120,000	-
Sale of capital assets	-	71,805	26,349	22,707
Transfers in	723,509	577,986	707,117	668,700
Transfers out	(204,756)	(90,844)	(115,256)	(185,328)
<b>Total other financing sources (uses)</b>	<u>812,260</u>	<u>5,227,947</u>	<u>738,210</u>	<u>506,079</u>
<b>Change in fund balances</b>	<u>\$ (1,029,256)</u>	<u>\$ 4,066,801</u>	<u>\$ (598,952)</u>	<u>\$ (538,810)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>11.82%</u>	<u>12.96%</u>	<u>14.76%</u>	<u>14.69%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 4,438,356	\$ 4,556,387	\$ 4,669,025	\$ 4,630,579	\$ 4,861,097	\$ 4,779,888
106,913	78,284	72,173	107,737	119,824	142,304
534,532	368,740	657,505	1,018,415	1,537,236	1,171,153
5,745	13,965	14,671	7,736	14,841	16,744
216,090	254,392	303,077	335,266	326,769	258,884
13,075	10,942	15,218	20,409	26,188	69,070
905,337	877,318	830,603	1,059,353	1,276,673	1,882,084
165,450	30,626	27,512	62,125	126,461	61,148
<u>6,385,498</u>	<u>6,190,654</u>	<u>6,589,784</u>	<u>7,241,620</u>	<u>8,289,089</u>	<u>8,381,275</u>
853,986	915,778	980,663	1,452,868	1,846,867	1,497,409
3,365,083	3,263,634	3,380,267	3,548,522	3,585,001	3,673,300
1,468,361	1,348,961	1,459,995	1,269,851	1,156,208	1,169,600
148,503	145,207	173,288	185,054	203,807	232,049
2,126,657	992,335	1,301,302	1,537,300	857,068	1,210,587
635,139	629,592	672,323	737,577	880,490	1,238,778
369,490	415,373	413,034	409,857	400,536	327,829
144,026	12,145	34,897	-	33,929	233,921
<u>9,111,245</u>	<u>7,723,025</u>	<u>8,415,769</u>	<u>9,141,029</u>	<u>8,963,906</u>	<u>9,583,473</u>
(2,725,747)	(1,532,371)	(1,825,985)	(1,899,409)	(674,817)	(1,202,198)
4,988,000	446,987	911,692	-	829,600	7,154,050
210,350	-	36,798	-	-	631,325
(3,048,579)	-	-	-	-	(4,927,852)
-	98,262	-	237,211	-	-
59,109	-	22,400	28,084	22,261	-
832,403	1,135,081	869,616	977,147	1,022,212	1,827,716
<u>(157,000)</u>	<u>(346,835)</u>	<u>(168,724)</u>	<u>(173,399)</u>	<u>(293,900)</u>	<u>(963,733)</u>
<u>2,884,283</u>	<u>1,333,495</u>	<u>1,671,782</u>	<u>1,069,043</u>	<u>1,580,173</u>	<u>3,721,506</u>
\$ <u>158,536</u>	\$ <u>(198,876)</u>	\$ <u>(154,203)</u>	\$ <u>(830,366)</u>	\$ <u>905,356</u>	\$ <u>2,519,308</u>
<u>14.29%</u>	<u>15.39%</u>	<u>15.26%</u>	<u>14.84%</u>	<u>15.63%</u>	<u>17.40%</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>
2010	\$ 1,885,528	\$ 29,885	\$ 1,149,211	\$ 1,031,751	\$ 151,129	\$ 4,247,504
2011	1,943,973	34,123	1,148,636	1,056,427	166,149	4,349,308
2012	1,967,205	39,927	1,313,677	973,486	190,162	4,484,457
2013	1,940,658	31,507	1,274,114	1,047,976	196,669	4,490,924
2014	1,902,409	49,910	1,252,647	1,052,147	181,243	4,438,356
2015	1,921,229	45,176	1,295,561	1,077,112	217,309	4,556,387
2016	1,896,911	26,614	1,391,868	1,101,070	252,562	4,669,025
2017	1,912,854	31,800	1,283,407	1,122,792	279,726	4,630,579
2018	1,924,447	35,735	1,416,116	1,107,947	376,852	4,861,097
2019	1,938,334	32,980	1,527,344	1,052,182	229,048	4,779,888

(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				
2010	2009	\$ 134,238,048	\$ 293,263,575	\$ 85,649,768	\$ 10,313,265	\$122,858,027	\$ 400,606,629	
2011	2010	132,783,911	313,355,331	104,006,153	10,748,193	142,015,425	418,878,163	
2012	2011	158,551,625	292,890,841	100,583,287	13,350,409	152,812,236	412,563,926	
2013	2012	160,858,531	303,624,146	112,288,730	14,731,697	153,986,762	437,516,342	
2014	2013	158,970,406	308,221,307	115,595,295	13,288,647	155,859,770	440,215,885	
2015	2014	160,882,365	316,997,605	113,475,604	13,375,139	156,077,570	448,653,143	
2016	2015	163,259,708	307,892,863	107,946,641	13,236,985	147,283,978	445,052,219	
2017	2016	176,233,464	325,076,722	103,456,879	14,744,456	154,782,623	464,728,898	
2018	2017	194,285,276	330,156,401	102,569,810	14,300,774	159,501,700	481,810,561	
2019	2018	193,971,019	315,781,000	104,276,784	13,908,304	152,748,062	475,189,045	

(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

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<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>
\$ (56,401,904)	\$ 344,204,725	\$ 0.48671	\$ 1,675,279	\$ 219,172	\$ 1,894,451	100.00%
(58,794,276)	360,083,887	0.48000	1,728,403	224,862	1,953,265	100.00%
(58,087,097)	354,476,829	0.48801	1,729,882	227,140	1,957,022	100.00%
(57,858,612)	379,657,730	0.45023	1,709,333	227,122	1,936,455	100.00%
(55,784,991)	384,430,894	0.44563	1,713,139	220,267	1,933,406	100.00%
(56,612,009)	392,041,134	0.43202	1,693,696	223,270	1,916,966	100.00%
(59,084,772)	385,967,447	0.44205	1,706,169	228,687	1,934,856	100.00%
(62,108,003)	402,620,895	0.42450	1,709,126	233,753	1,942,879	100.00%
(68,613,716)	413,196,845	0.41008	1,694,438	247,433	1,941,871	100.00%
(70,243,405)	404,945,640	0.41594	1,684,331	248,485	1,932,815	100.00%

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

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>					
	<u>Debt Service</u>	<u>General Fund</u>	<u>Total</u>	<u>School District</u>	<u>Junior College</u>	<u>Fire District</u>	(1) <u>Wharton County</u>	<u>Groundwater District</u>	<u>Total</u>
2010	\$0.1896	\$0.2971	\$0.4867	\$1.2366	\$0.1467	\$ 0.0300	\$ 0.5438	\$ 0.0071	\$ 1.9642
2011	0.1759	0.3041	0.4800	1.2362	0.1445	0.0300	0.5318	0.0073	1.9498
2012	0.2083	0.2797	0.4880	1.2404	0.1441	0.0300	0.4692	0.0073	1.8910
2013	0.1928	0.2574	0.4502	1.2259	0.1382	0.0300	0.5022	0.0073	1.9036
2014	0.2035	0.2421	0.4456	1.2149	0.1342	0.0300	0.4881	0.0076	1.8748
2015	0.2346	0.1975	0.4321	1.1970	0.1266	0.0300	0.4340	0.0077	1.7953
2016	0.2357	0.2064	0.4421	1.1971	0.1303	0.0300	0.4900	0.0085	1.8559
2017	0.2501	0.1744	0.4245	1.1970	0.1371	0.0300	0.4900	0.0085	1.8626
2018	0.2643	0.1458	0.4101	1.1970	0.1355	0.0500	0.4750	0.0085	1.8660
2019	0.3164	0.0995	0.4159	1.1970	0.1435	0.0500	0.4740	0.0083	1.8727

(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*

2019		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp, USA	\$ 32,320,920	6.80%
JM Eagle	29,372,740	6.18%
Ranger Energy Leasing LLC	7,191,810	1.51%
Wal-Mart Stores Texas LP	6,927,727	1.46%
Buc-ees LTD	6,772,773	1.43%
Centerpoint Energy Houston Electric	5,010,820	1.05%
Williamsburg Dove LLC	4,801,053	1.01%
Kansas City Southern Railway	4,750,260	1.00%
Wal-Mart Property Tax Dept	4,748,751	1.00%
Reliq Gulf Coast LLC	4,647,035	0.98%
	<u>\$ 106,543,889</u>	<u>22.42%</u>

2010		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 29,577,966	7.38%
J-M Manufacturing Company, Inc.	26,745,630	6.68%
Signature Gulf Coast Hospital LP	8,644,280	2.16%
Signature Gulf Coast Hospital LP	6,765,660	1.69%
Wal-Mart Stores Texas, LP	6,497,420	1.62%
Wal-Mart Property Tax Dept.	6,044,358	1.51%
Wharton RP LTD	5,024,174	1.25%
Centerpoint Energy Houston	4,237,188	1.06%
H E Butt Grocery Co.	3,150,028	0.79%
Reddy Partnership	2,976,703	0.74%
	<u>\$ 99,663,407</u>	<u>24.88%</u>

SOURCE: Wharton County Central Appraisal District

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

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Adjustments</u>	Total <u>Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
2010	\$ 1,947,068	\$ (10,116)	\$ 1,936,952	\$ 1,841,678	95.08%
2011	2,013,066	(5,280)	2,007,786	1,892,381	94.25%
2012	2,011,601	4,175	2,015,776	1,901,269	94.32%
2013	1,951,751	(29,214)	1,922,537	1,894,657	98.55%
2014	1,943,203	(26,382)	1,916,821	1,869,799	97.55%
2015	1,937,738	(8,817)	1,928,921	1,867,997	96.84%
2016	1,965,060	(3,990)	1,961,070	1,869,850	95.35%
2017	1,959,650	(35,715)	1,923,935	1,863,194	96.84%
2018	1,966,387	(19,050)	1,947,337	1,877,009	96.39%
2019	1,975,928	(8,023)	1,967,905	1,888,629	95.97%

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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 45,368	\$ 1,887,046	97.42%
57,080	1,949,461	97.10%
45,803	1,947,072	96.59%
26,057	1,920,714	99.91%
29,840	1,899,639	99.10%
25,905	1,893,902	98.18%
88,128	1,957,978	99.84%
46,528	1,909,722	99.26%
28,178	1,905,187	97.84%
-	1,888,629	95.97%

**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>
2010	467,475,000	397,033,300	70,441,700	15%	337,000,000
2011	543,198,000	446,501,900	96,696,100	18%	314,000,000
2012	517,636,000	414,037,000	103,599,000	20%	321,304,000
2013	522,205,000	395,144,500	127,060,500	24%	319,831,000
2014	503,413,000	360,895,800	142,517,200	28%	276,870,000
2015	509,232,000	364,982,000	144,250,000	28%	382,082,000
2016	527,944,000	390,678,560	137,265,440	26%	334,400,000
2017	503,059,000	375,067,000	127,992,000	25%	404,399,000
2018	482,441,000	426,041,500	56,399,500	12%	353,400,000
2019	523,885,000	455,779,950	68,105,050	13%	346,573,000

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".

SOURCE: City of Wharton Utility Department

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Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 12.97	\$ 2.54	\$ 13.94	\$ 2.65
12.97	2.54	13.94	2.65
12.97	2.54	13.94	2.65
13.62	2.67	14.64	2.78
14.71	2.88	15.81	3.00
15.16	2.97	16.29	3.09
16.68	3.27	17.92	3.40
18.35	3.48	19.71	3.06
19.82	3.76	21.29	3.31
21.41	4.06	23.00	3.58

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

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	Fiscal Year			
	2010	2011	2012	2013
Water Rates (per 2,000 gallons)				
Base Rate	\$ 12.97	\$ 12.97	\$ 12.97	\$ 13.62
Water usage rate				
2,000-4,000	2.45	2.45	2.45	2.57
4,000-7,000	2.54	2.54	2.54	2.67
7,000-11,000	2.65	2.65	2.65	2.78
11,000-15,000	2.81	2.81	2.81	2.95
15,000-50,000	2.98	2.98	2.98	3.13
50,000-100,000	3.09	3.09	3.09	3.24
100,000-150,000	3.31	3.31	3.31	3.48
>150,000	3.53	3.53	3.53	3.71
Sewer Rates (per 2,000 gallons)				
Base Rate	13.94	13.94	13.94	14.64
Sewer usage rate				
2,000-4,000	2.15	2.15	2.15	2.26
4,000-7,000	2.65	2.65	2.65	2.78
7,000-11,000	2.92	2.92	2.92	3.07
11,000-15,000	3.15	3.15	3.15	3.31
15,000-50,000	3.41	3.41	3.41	3.58
50,000-100,000	3.70	3.70	3.70	3.89
100,000-150,000	3.92	3.92	3.92	4.12
>150,000	4.20	4.20	4.20	4.41

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.

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Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 14.71	\$ 15.16	\$ 16.68	\$ 18.35	\$ 19.82	\$ 21.41	
2.78	2.87	3.16	3.48	3.76	4.06	
2.88	2.97	3.27	3.60	3.89	4.21	
3.00	3.09	3.40	3.74	4.04	4.37	
3.19	3.29	3.62	3.98	4.30	4.65	
3.38	3.49	3.84	4.22	4.56	4.93	
3.50	3.61	3.98	4.38	4.73	5.11	
3.76	3.88	4.27	4.70	5.08	5.49	
4.00	4.12	4.54	4.99	5.39	5.83	
15.81	16.29	17.92	19.71	21.29	23.00	
2.44	2.52	2.78	3.06	3.31	3.58	
3.00	3.09	3.40	3.74	4.04	4.37	
3.32	3.42	3.77	4.15	4.49	4.85	
3.57	3.68	4.05	4.46	4.82	5.21	
3.87	3.99	4.39	4.83	5.22	5.64	
4.20	4.33	4.77	5.25	5.67	6.13	
4.45	4.59	5.05	5.56	6.01	6.49	
4.76	4.91	5.41	5.95	6.43	6.95	

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

2019			
<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	32,685,800	8.37%
Briar Pointe LTD	Apartment Complex	13,694,400	3.51%
Buc-ee's #30	Retail	6,081,300	1.56%
Wharton County Junior College	Junior College	5,979,500	1.53%
JM Eagle	Manufacturing	5,126,400	1.31%
Wharton Valhalla Nursing OP	Skilled Nursing Facility	4,894,900	1.25%
Wharton ISD	Public School	4,763,000	1.22%
Wharton County	County	4,635,200	1.19%
The Meadow Associate	Apartment Complex	4,596,300	1.18%
Colorado Bend Power Plant	Power Plant	4,416,800	1.13%
2010			
<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	28,398,000	7.15%
Briar Pointe-Reddy Partnership	Apartment Complex	15,793,100	3.98%
Gulf Coast Medical Center	Hospital	11,224,700	2.83%
Millcreek Apartments	Apartment Complex	7,848,900	1.98%
J-M Eagle	Manufacturing	5,502,000	1.39%
Southwest LTC	Skilled Nursing Facility	6,071,100	1.53%
Wharton County Jail	County Jail	4,068,400	1.02%
The Meadow Associate	Apartment Complex	5,291,100	1.33%
Buc-ee's	Retail	3,875,500	0.98%
Regency Nursing Center	Skilled Nursing Facility	3,451,100	0.87%

SOURCE: City of Wharton Utility Billing Department

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

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Fiscal Year	Governmental Activities					
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	Qualified Energy Cons. Bonds	Plus: Issuance Premiums
2010	\$ 5,013,989	\$ 665,792	\$ 830,000	\$ 186,658	\$ -	\$ 52,484
2011	9,519,606	456,032	675,000	145,877	-	117,119
2012	9,357,006	350,782	515,000	182,580	-	109,879
2013	9,190,181	240,782	345,000	124,739	-	102,639
2014	8,130,275	3,017,032	175,000	-	-	292,312
2015	7,863,400	2,848,632	-	78,945	447,945	271,636
2016	8,440,842	2,555,482	-	60,200	421,767	285,714
2017	8,049,128	2,254,282	-	278,004	396,511	262,993
2018	7,654,976	1,949,682	737,800	213,704	370,873	240,273
2019	3,482,226	6,085,537	2,177,200	-	344,847	764,058

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

<u>Certificates of Obligation</u>	<u>Business-type Activities</u>					<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Tax Anticipation Notes</u>	<u>Capital Leases</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Plus: Issuance Premiums</u>			
\$ 3,371,011	\$2,254,208	\$ -	\$ -	\$ -	\$118,059	\$12,492,201	4.7%	\$ 1,414
3,110,394	1,858,968	-	135,092	-	108,466	16,126,554	5.5%	1,826
2,927,994	1,659,218	-	32,973	-	98,874	15,234,306	4.9%	1,725
2,744,819	1,454,218	-	-	-	89,282	14,291,660	4.3%	1,618
4,979,725	1,832,968	-	-	-	211,266	18,638,578	5.3%	2,110
4,726,600	1,646,368	-	36,219	1,149,396	194,121	19,263,262	6.0%	2,225
6,274,158	1,434,518	-	27,621	1,081,322	270,559	20,852,183	6.2%	2,390
5,905,872	1,210,718	-	145,824	1,016,573	247,908	19,767,813	5.6%	2,250
5,525,024	975,318	347,200	112,917	950,843	225,257	19,303,867	5.4%	2,201
5,652,774	1,914,463	292,800	-	884,115	418,494	22,016,514	6.1%	2,511

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

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General Bonded Debt Outstanding					
<u>Fiscal Year</u>	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Plus: Issuance Premiums</u>	<u>Total</u>
2010	\$ 8,385,000	\$ 2,920,000	\$ -	\$ 225,585	\$ 11,530,585
2011	12,630,000	2,315,000	-	208,753	15,153,753
2012	12,285,000	2,010,000	-	191,921	14,486,921
2013	11,935,000	1,695,000	-	503,578	14,133,578
2014	13,110,000	4,850,000	-	503,578	18,463,578
2015	12,590,000	4,495,000	1,596,383	465,757	19,147,140
2016	14,715,000	3,990,000	1,503,089	556,273	20,764,362
2017	13,955,000	3,465,000	1,413,084	510,901	19,343,985
2018	13,180,000	2,925,000	1,321,716	465,530	17,892,246
2019	9,135,000	8,000,000	1,228,962	1,182,552	19,546,514

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

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<u>Less: Amounts Restricted to Repaying Principal</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 346,116	\$ 11,184,469	2.79%	\$ 1,266
340,511	14,813,242	3.54%	1,677
385,860	14,101,061	3.42%	1,597
398,223	13,735,355	3.14%	1,555
380,457	18,083,121	4.11%	2,047
418,933	18,728,207	4.17%	2,163
426,192	20,338,170	4.57%	2,331
440,904	18,903,081	4.07%	2,152
383,852	17,508,394	3.63%	1,997
516,697	19,029,817	4.00%	2,170

**CITY OF WHARTON, TEXAS**

*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
(UNAUDITED)*

September 30, 2019

	<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	9/30/2019	<u>\$ 12,853,868</u>	100.00%	<u>\$ 12,853,868</u>
Overlapping Debt:				
Wharton County	9/30/2019	-	0.00%	-
Wharton Independent School District	9/30/2019	<u>79,917,294</u>	43.34%	<u>34,636,155</u>
Total Overlapping Debt		<u>79,917,294</u>		<u>34,636,155</u>
Total		<u>\$ 92,771,162</u>		<u>\$ 47,490,023</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**  
**PLEDGED-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>
2010	\$ 2,778,676	\$ 1,709,188	\$ 1,069,488	\$ 286,909	3.73
2011	2,998,074	1,774,821	1,223,253	327,687	3.73
2012	2,840,634	1,596,670	1,243,964	293,826	4.23
2013	3,000,550	1,758,675	1,241,875	207,228	5.99
2014	3,141,454	1,817,838	1,323,616	524,053	2.53
2015	3,220,308	1,812,956	1,407,352	613,876	2.29
2016	3,586,031	2,022,299	1,563,732	680,670	2.30
2017	3,742,790	2,184,950	1,557,840	862,816	1.81
2018	4,049,782	2,384,729	1,665,053	865,748	1.92
2019	4,127,466	2,271,061	1,856,405	835,796	2.22

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

"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.

**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
2010	8,832	\$ 263,732,352	\$ 29,861	2,180	8.0%
2011	8,832	294,988,800	33,400	2,165	8.8%
2012	8,832	314,030,592	35,556	2,137	6.3%
2013	8,832	333,408,000	37,750	2,130	6.2%
2014	8,832	352,873,728	39,954	2,205	5.9%
2015	8,659	318,857,056	36,824	2,208	4.2%
2016	8,726	334,118,540	38,290	2,212	5.0%
2017	8,785	350,073,465	39,849	2,201	4.9%
2018	8,769	355,451,415	40,535	2,080	4.5%
2019	8,769	363,676,737	41,473	1,998	3.7%

NOTE: 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 Nine Years Ago*

2019		
Employer	Employees	Percentage of Total City Employment
Wharton County Junior College	362	1.90%
Wharton ISD	339	1.78%
HEB Food Store	243	1.28%
Wharton County Foods	235	1.23%
Nan Ya Plastics Corp, USA	226	1.19%
Wal-Mart	200	1.05%
Wharton County	188	0.99%
J-M Manufacturing	147	0.77%
City of Wharton	100	0.52%
Buc'ee's	100	0.52%
	<u>2,140</u>	<u>11.23%</u>
2010		
Employer	Employees	Percentage of Total City Employment
Wharton ISD	400	2.02%
Gulf Coast Medical Center	350	1.76%
South Texas Medical Clinic	325	1.64%
Wal-Mart	260	1.31%
Wharton County	253	1.28%
Maxim Production Co.	240	1.21%
Wharton County Junior College	236	1.19%
Nan Ya Plastics Corp, USA	205	1.03%
HEB Food Store	130	0.66%
J-M Manufacturing	102	0.51%
	<u>2,501</u>	<u>12.61%</u>

SOURCE: 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			
	2010	2011	2012	2013
General government				
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	2.5
Municipal court	2.0	2.0	2.0	2.0
Community services coordinator	0.5	-	-	-
Central services	0.5	0.5	0.5	0.5
Public safety				
Police	24.0	25.0	25.0	25.0
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	3.0	3.0	3.5
Emergency management	1.0	1.0	1.0	1.0
Animal control	1.0	1.0	1.0	1.0
Communications	9.0	9.0	9.0	9.0
Public works				
Public works	11.0	10.5	10.5	10.2
Garage	2.0	1.0	1.0	2.0
Facilities maintenance	4.0	4.0	4.0	4.0
Water/wastewater				
City planning	1.0	-	-	-
Administration	2.0	1.5	1.5	2.0
Water operations	7.5	8.5	8.5	8.5
Sewer operations	4.0	4.0	4.0	4.5
Beautification	1.0	1.0	1.0	1.0
EMS	8.0	8.0	14.0	14.0
Civic Center	3.0	2.5	2.5	2.8
Airport	1.5	2.0	1.5	1.5
<b>Total</b>	<u>94.0</u>	<u>92.5</u>	<u>98.0</u>	<u>100.0</u>

Fiscal Year					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
2.5	2.5	2.5	2.5	2.5	2.5
2.5	2.5	2.5	3.0	3.0	3.0
-	-	-	-	-	-
0.5	0.8	0.8	0.8	0.8	0.8
25.0	25.0	25.0	25.0	25.0	25.0
2.0	2.0	2.0	2.0	2.0	2.0
3.5	3.5	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0	9.0	9.0
9.0	9.0	9.5	9.0	9.5	9.5
2.0	2.0	2.0	2.0	2.0	1.5
4.0	4.0	4.0	4.0	4.0	4.0
-	1.3	0.3	1.0	1.0	2.0
2.0	2.0	2.0	2.0	2.0	2.5
9.5	9.5	10.5	9.5	10.5	10.0
2.5	2.5	2.5	2.5	2.5	3.5
1.0	1.0	1.0	1.0	1.0	1.0
20.0	19.0	18.0	19.0	20.0	20.0
2.8	2.8	2.3	2.8	2.8	2.8
1.5	1.5	1.5	1.5	1.5	1.5
<u>104.3</u>	<u>104.9</u>	<u>104.3</u>	<u>105.6</u>	<u>108.1</u>	<u>109.6</u>

**CITY OF WHARTON, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2010	2011	2012	2013
General government				
Building permits issued	348	390	351	706
Building inspections conducted	1,080	1,235	1,286	1,663
Public safety				
Police				
Physical arrests	759	746	1,281	1,399
Traffic violations	3,896	3,459	2,494	3,295
Fire				
Fire calls	459	519	530	559
Public works				
Streets (miles)	97	97	97	97
Culture and recreation				
Parks and recreation				
Park rental	33	43	25	40
Community center rentals	278	273	221	217
Swimming pool				
Single admissions	2,585	2,086	1,445	1,449
Season passes	32	24	22	23
Aerobics	26	56	40	20
Swim lessons	22	42	45	54
Party rentals	6	6	7	2
Water and wastewater				
Water				
New connections/taps	14	14	2	4
Average daily consumption	1.1mgd	1.2mgd	1.1mgd	1.3mgd
Peak daily consumption	1.9mgd	2.6mgd	2.2mgd	2.3mgd
Wastewater				
Average daily sewage treatment	.92 mgd	.79 mgd	.88 mgd	.88 mgd
EMS				
Ambulance loads	3,203	3,208	3,364	3,253

Fiscal Year					
2014	2015	2016	2017	2018	2019
415	666	701	799	479	364
1,318	861	746	1,264	1,538	1,210
1,112	1,347	2,047	1,095	868	922
4,677	6,701	8,748	8,677	6,826	6,504
549	551	539	600	438	457
97	97	97	97	97	97
62	29	41	18	25	45
245	267	352	388	351	337
1,584	1,778	1,980	1,364	1,422	1,602
12	7	6	3	5	5
24	26	18	24	21	27
45	52	15	35	20	30
2	1	1	3	6	7
5	10	8	-	-	-
1.0mgd	1.1mgd	1.0mgd	1.6 mgd	1.2 mgd	1.1 mgd
2.0mgd	2.1mgd	2.0mgd	1.7 mgd	1.6 mgd	1.49 mgd
.76 mgd	.87 mgd	.91 mgd	1 mgd	.97 mgd	1.02 mgd
3,326	3,770	3,545	3,490	3,248	3,244

**CITY OF WHARTON, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2010	2011	2012	2013
<b>Public safety</b>				
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire stations	1	1	1	1
<b>Highways and streets</b>				
Streets (miles)	97.0	97.0	97.0	97.0
Streetlights	852	852	858	858
School zone flashers	8	8	8	8
<b>Culture and recreation</b>				
Acreage	92	92	92	92
Parks	11	11	11	11
Baseball/softball diamonds	5	5	5	5
Community centers	1	1	1	1
Swimming pools	1	1	1	1
<b>Water and wastewater</b>				
Water				
Water mains (miles)	80.5	80.5	80.5	80.5
Fire hydrants	478	478	478	481
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	84	84	84	84
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0mgd	2.0mgd	2.0mgd	2.0mgd

Fiscal Year

2014	2015	2016	2017	2018	2019
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
97.0	97.0	97.0	97.0	97.0	97.0
858	858	858	858	858	858
8	8	8	8	8	8
92	92	92	92	92	92
11	11	11	11	11	11
5	5	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
80.5	80.5	80.5	80.5	80.5	80.5
481	482	482	482	482	482
3.5mgd	3.5mgd	3.5mgd	3.5 mgd	3.5 mgd	3.5 mgd
84	84	84	84	84	84
15	15	15	15	15	15
2.0mgd	2.0mgd	2.0mgd	2.0 mgd	2.0 mgd	2.0 mgd

**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**



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

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

We have audited, 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2020. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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

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 of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

March 27, 2020

**CITY OF WHARTON, TEXAS**  
*SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS*  
*For the year ended September 30, 2019*

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**2018-1 General Ledger Accounts**

*Condition:* The finding was a significant deficiency stating that various general ledger accounts were not completely reconciled on a regular basis.

*Recommendation:* The City should place into effect procedures that will ensure general ledger accounts are reconciled on a regular basis.

*Current Status:* The City has made progress on timely reconciliations in order to provide management with accurate financial data.

**2018-2 Submission of Single Audit Package**

*Condition:* The finding was a significant deficiency stating that the City did not submit the required Single Audit package to the Federal Audit Clearinghouse in the required time period.

*Recommendation:* The City should submit the package within the allotted time period.

*Current Status:* The City was not required to submit a Single Audit package for fiscal year ended September 30, 2019 but as a result of the more timely general ledger account reconciliations, the City plans to make future submissions on time.