

CITY OF WHARTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2011

Joan Andel, CPA
Finance Director

Andres Garza, Jr.
City Manager

Issued By:
Finance Department

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Administrators' Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	v
Organization Chart	vi
Directory of Principal Officials.....	vii
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Statement of Net Assets - Proprietary Funds.....	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	28
Notes to Financial Statements	32
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund	63
Historical Pension Benefits Information	64
Notes to Required Supplementary Information.....	66
<u>Combining and Individual Fund Statements and Schedules</u>	
<i>Governmental Funds</i>	
Combining Statements	
Combining Balance Sheet - All Nonmajor Governmental Funds.....	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Nonmajor Governmental Funds	68
Special Revenue Funds	69
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	72

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Governmental Funds - (Continued)

Special Revenue Funds - (Continued)

Individual Statements and Schedules

Hotel/Motel Tax

Balance Sheet.....	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget (GAAP Basis) and Actual	75

Municipal Court Technology

Balance Sheet.....	76
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	77

Narcotics Control

Balance Sheet.....	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget (GAAP Basis) and Actual	79

Fire Department Special

Balance Sheet.....	80
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	81

Municipal Court Building Security

Balance Sheet.....	82
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	83

Ahldag Sewer System Project

Balance Sheet.....	84
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	85

Railroad Depot Restoration

Balance Sheet.....	86
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	87

Major Debt Service Fund	88
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Balance Sheet	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget (GAAP Basis) and Actual.....	90

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Governmental Funds - (Continued)

Capital Project Funds.....	91
Combining Statements	
Balance Sheet – Nonmajor Capital Project Funds.....	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Capital Project Funds.....	93
Individual Statements and Schedules	
Street Improvement	
Balance Sheet.....	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual.....	95
2010 Tax Notes	
Balance Sheet.....	96
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	97
2009 Bond Construction	
Balance Sheet.....	98
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	99
2011 Bond Construction	
Balance Sheet.....	100
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	101
General Fund.....	102
Balance Sheet.....	103
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual.....	104

Proprietary Funds

Enterprise Funds.....	106
Individual Statements and Schedules	
Water and Sewer	
Balance Sheet.....	107
Schedule of Revenues, Expenses, and Change in Fund Net Assets Budget (GAAP Basis) and Actual.....	108
Solid Waste	
Balance Sheet.....	109
Schedule of Revenues, Expenses, and Change in Fund Net Assets Budget (GAAP Basis) and Actual.....	110
Emergency Medical Services	
Balance Sheet.....	111
Schedule of Revenues, Expenses, and Change in Fund Net Assets Budget (GAAP Basis) and Actual.....	112

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Proprietary Funds (Continued)

Special Revenue Funds - (Continued)

Individual Statements and Schedules

Civic Center

Balance Sheet 113

Schedule of Revenues, Expenses, and Change in Fund Net Assets

Budget (GAAP Basis) and Actual 114

Airport

Balance Sheet 115

Schedule of Revenues, Expenses, and Change in Fund Net Assets

Budget (GAAP Basis) and Actual 116

STATISTICAL SECTION 117

Financial Trends

Net Assets by Component 118

Changes in Net Assets 120

Fund Balances, Governmental Funds 124

Changes in Fund Balances, Governmental Funds 126

Tax Revenues by Source, Governmental Funds 128

Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property 129

Direct and Overlapping Property Tax Rates 131

Principal Property Taxpayers (Unaudited) 132

Property Tax Levies and Collections 133

Water Produced and Consumed and Wastewater Treated 135

Water and Sewer Rates 137

Ten Largest Water Customers (Unaudited) 139

Debt Capacity

Ratios of Outstanding Debt by Type 140

Ratios of Net General Bonded Debt Outstanding 142

Direct and Overlapping Governmental Activities Debt (Unaudited) 144

Pledged-Revenue Coverage 145

STATISTICAL SECTION - (Continued)

Demographic and Economic Information

Demographic and Economic Statistics (Unaudited) 146

Principal Employers (Unaudited) 147

Operating Information

Full-Time-Equivalent City Government Employees by Function/Program 148

Operating Indicators by Function/Program 150

Capital Asset Statistics by Function/Program 152

SINGLE AUDIT SECTION

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* 154

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133 156

Schedule of Expenditures of Federal Awards 158

Notes to Schedule of Expenditures of Federal Awards 159

Schedule of Findings and Questioned Costs 160

Summary Schedule of Prior Audit Findings 161



INTRODUCTORY SECTION



City of Wharton

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March 28, 2012

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, 2011 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 8,832. This proximity to Houston appeals to both domestic and foreign industry. The City is located on U.S. Highway 59 that ties the United States to Mexico and is currently being studied for conversion to an interstate highway that would link Mexico to Canada.

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

ECONOMIC CONDITION AND OUTLOOK - (Continued)

The industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing. These plants, which employ approximately 300 people, are the largest taxpayer in the City, with combined assessed valuations of approximately \$52 million. They are also the largest purchaser of water, consuming approximately 37 million gallons a year. 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 has a value estimated at \$206,681,928 in tax year 2011. The industrial district is a major revenue source for the City's general fund.

In addition to the industrial base, the City has a major hospital and medical clinic which provide medical facilities to the Gulf Coast region. The hospital and medical clinic employ nearly 585 people. The hospital is also a regional cancer center, providing medical and economic impact to the community and surrounding area.

The City also has a developing retail area located at the intersection of HWY 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 2011 fiscal year, the City's most important initiative was to continue to provide drainage improvements and reduce flooding in the City. The City has completed the construction of the Santa Fe drainage outfall channel project. Additionally, the City continues its efforts to reduce flooding in the City. The final report regarding the Wharton Interim Feasibility Study identifies potential flooding solutions from the Colorado River in the Wharton area. The City, in conjunction with the US Army Corp of Engineers and the federal elected officials, is securing funding on an annual basis for the Preconstruction Engineering and Design (PED) as well as the construction phase of the project. Through the Water Resources Development Act of 2007 (WRDA), congressional authorization was received for the project. The City must continue to make this project a priority and prepare for the future funding necessary to implement the identified solutions.

As part of the City's flood reduction initiative, the City has 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.

The City is also in the pre-design and engineering phase of a railroad overpass project. TxDOT and the City are working together on this project and evaluating other options to ensure safety and access to the medical facilities and serve as an evacuation route since the Kansas City Railroad Company reactivated its railroad operations through the City.

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

MAJOR INITIATIVES - (Continued)

Another major initiative of the City is improvements at the Wharton Regional Airport. A drainage improvement project is currently being implemented at the airport.

During the 2011 fiscal year, the City completed many improvements throughout the City thru the issuance of \$4 million in bonds which were issued in 2009:

- Park improvements,
- Drainage improvements,
- Street improvements,
- Hurricane shutters for Police Department and City Hall
- Interior and exterior coating of water tank project started,
- Water system improvements including rework water well and water line improvements,
- Sanitary sewer system improvements and
- Installation of quick connects for generators at City Hall, EMS department and for water system improvements.
- Airport improvements.

The following initiatives are still in progress with the remainder of the 2009 issuance of bonds:

- Additional drainage improvements and completion of Santa Fe ditch,
- Interior and exterior coating of water tanks
- Hurricane shutters for Police Department and City Hall,
- Airport improvements.

Also, during the 2011 fiscal year, the City issued \$4,600,000 in additional bonds to be used for:

- Farm to Market 102 Relocation or Farm to Market 1301 to Hwy 59 and Railroad Overpass Project,
- Sidewalk enhancement,
- Flood reduction,
- Street improvements,
- Sewer plant improvements,
- Drainage improvements

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

FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL

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

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

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

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2010. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.


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


A Certificate of Achievement is valid for a period of one year only. The City of Wharton has received a Certificate of Achievement for the last twenty consecutive years (fiscal years ended 1991 - 2010). 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wharton
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



Linda C. Sandison

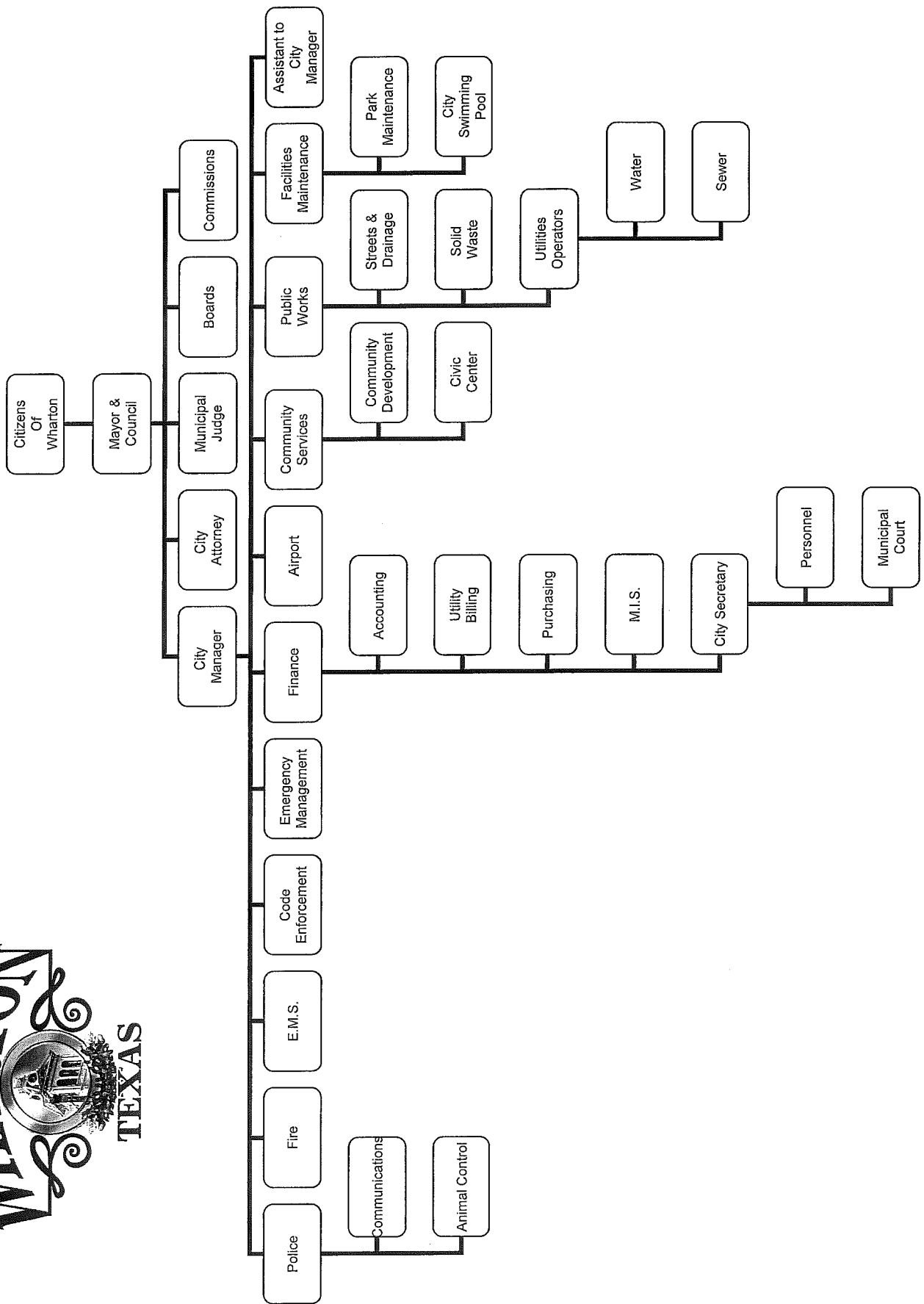
President

Jeffrey R. Emer

Executive Director



Organizational Chart



Elected Officials

Domingo Montalvo, Jr.	Mayor
Alfred Bryant	Council Member District 1
Karen Schulz	Council Member District 2
Terry David Lynch	Council Member District 3
Donald Mueller	Council Member District 4
Russell Machann	Council Member At Large Place 5
Jeff Gubbels	Council Member At Large Place 6

Appointed Officials

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

Department Heads

Paula Favors	City Secretary
Tim Guin	Police Chief
Anthony Abbott	Volunteer Fire Chief
Ronnie Bollom	Building Official
Carter Miska	Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Jo Knezek	Community Services Director
Jim Cooper	Emergency Management Coordinator



FINANCIAL SECTION



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VICTORIA, TEXAS 77901-8142

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wharton Economic Development Corporation, which statements reflect total assets of \$1,726,189 as of September 30, 2011, and total revenues of \$642,907 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included in the component unit column, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the City's internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audit.

The Honorable Mayor
and Members of the City Council

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension benefits information on pages 3 through 13 and 63 through 66 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual major and nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual major and nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

Harrison, Waldrop & Ullrich, LLP

March 28, 2012

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, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2011, by \$21,378,002. Of this amount, \$2,451,925 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$11,455,071 for the fiscal year. The net expense was \$4,418,827.
- During the year, the City's general net expenses exceeded general revenues of the governmental activities by \$124,270. This represents a 1.45% decrease in net assets from the previous fiscal year as a result of operations.
- At September 30, 2011, the City's governmental funds reported combined ending fund balances of \$6,410,420, a net increase of \$4,066,801 in comparison with prior year. The net increase in fund balance was mainly due to the issuance of the 2011 Certificates of Obligation during fiscal year 2011.
- At September 30, 2011, unassigned fund balance for the General Fund was \$1,427,875 or 28.81% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$3,644,066, or 28.55%, from the prior year. The City issued \$4,600,000 in certificates of obligation and entered into a capital lease in the amount of \$198,500 for emergency medical services equipment and vehicles during the fiscal 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 3 to 13

Government-wide Financial Statements

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

Pages 14 to 17

Fund Financial Statements

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

Pages 18 to 31

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 32 to 62

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net assets changed during fiscal year 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, cultural and recreation, and interest on long-term debt. The business-type activities of the City include water and wastewater services, solid waste disposal, emergency medical services, civic center, and airport operations. The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

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

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

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

The City maintains one type of *proprietary fund* known as enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities relating to water and wastewater services, solid waste disposal, emergency medical services, civic center operations, and airport operations.

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 32 through 62 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 information. Required supplementary information can be found on pages 63 through 66 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 67 through 116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,378,002 at the close of the fiscal year ended September 30, 2011.

At the end of fiscal year 2011, the City is able to report positive balances in all three categories of net assets for the government as a whole.

City of Wharton, Texas

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current assets	\$ 7,080,466	\$ 3,168,866	\$ 1,046,046	\$ 1,268,604	\$ 8,126,512	\$ 4,437,470
Capital assets (net)	12,681,723	12,771,153	17,406,376	17,020,709	30,088,099	29,791,862
Other noncurrent assets	<u>258,220</u>	<u>190,794</u>	<u>180,003</u>	<u>197,351</u>	<u>438,223</u>	<u>388,145</u>
Total assets	<u>20,020,409</u>	<u>16,130,813</u>	<u>18,632,425</u>	<u>18,486,664</u>	<u>38,652,834</u>	<u>34,617,477</u>
LIABILITIES						
Current and other liabilities	942,802	1,116,830	877,208	1,068,243	1,820,010	2,185,073
Noncurrent liabilities	<u>10,658,974</u>	<u>6,471,080</u>	<u>4,795,848</u>	<u>5,103,474</u>	<u>15,454,822</u>	<u>11,574,554</u>
Total liabilities	<u>11,601,776</u>	<u>7,587,910</u>	<u>5,673,056</u>	<u>6,171,717</u>	<u>17,274,832</u>	<u>13,759,627</u>
NET ASSETS						
Invested in capital assets, net of related debt	6,243,600	6,537,738	12,227,323	11,319,633	18,470,923	17,857,371
Restricted	455,154	416,831	-	-	455,154	416,831
Unrestricted	<u>1,719,879</u>	<u>1,588,334</u>	<u>732,046</u>	<u>995,314</u>	<u>2,451,925</u>	<u>2,583,648</u>
Total net assets	<u>\$ 8,418,633</u>	<u>\$ 8,542,903</u>	<u>\$ 12,959,369</u>	<u>\$ 12,314,947</u>	<u>\$ 21,378,002</u>	<u>\$ 20,857,850</u>

The largest portion of the City's net assets (84.71%) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has restricted net assets of \$455,154 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$2,715,193 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities decreased the City's net assets by \$124,270 or 1.45% which was mainly due to the decrease in the capital grants and contributions from the prior year. However, there was a net increase of \$644,422 in net assets reported in connection with the City's business-type activities. This increase is mainly due to the increase in charges for services and capital grants and contributions from the prior year. Overall, there was a \$520,152 increase in the net assets of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Wharton, Texas

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 360,514	\$ 354,118	\$ 5,264,709	\$ 4,990,011	\$ 5,625,223	\$ 5,344,129
Operating grants and contributions	18,406	117,340	739,180	562,695	757,586	680,035
Capital grants and contributions	190,000	401,689	463,435	54,400	653,435	456,089
General revenues:						
Property taxes	1,948,184	1,885,118	-	-	1,948,184	1,885,118
Sales taxes	1,148,636	1,149,211	-	-	1,148,636	1,149,211
Franchise taxes	1,056,427	1,031,751	-	-	1,056,427	1,031,751
Other taxes	166,149	151,129	-	-	166,149	151,129
Unrestricted investment earnings	10,487	18,048	988	958	11,475	19,006
Industrial district payment	492,901	682,573	-	-	492,901	682,573
Miscellaneous	115,207	140,162	-	-	115,207	140,162
Total revenues	5,506,911	5,931,139	6,468,312	5,608,064	11,975,223	11,539,203
EXPENSES						
General government	871,330	822,213	-	-	871,330	822,213
Public safety	3,248,440	3,285,594	-	-	3,248,440	3,285,594
Public works	1,476,798	2,120,461	-	-	1,476,798	2,120,461
Cultural and recreation	218,256	259,386	-	-	218,256	259,386
Interest on long-term debt	303,499	272,026	-	-	303,499	272,026
Water and sewer	-	-	2,417,926	2,390,453	2,417,926	2,390,453
Solid waste	-	-	1,213,177	1,209,574	1,213,177	1,209,574
Emergency medical services	-	-	1,221,415	1,160,083	1,221,415	1,160,083
Civic center	-	-	232,364	276,345	232,364	276,345
Airport	-	-	251,866	243,983	251,866	243,983
Total expenses	6,118,323	6,759,680	5,336,748	5,280,438	11,455,071	12,040,118
Change in net assets before transfers	(611,412)	(828,541)	1,131,564	327,626	520,152	(500,915)
Transfers	487,142	518,753	(487,142)	(518,753)	-	-
Change in net assets	(124,270)	(309,788)	644,422	(191,127)	520,152	(500,915)
Net assets - beginning	8,542,903	8,852,691	12,314,947	12,506,074	20,857,850	21,358,765
Net assets - ending	\$ 8,418,633	\$ 8,542,903	\$ 12,959,369	\$ 12,314,947	\$ 21,378,002	\$ 20,857,850

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental Activities

Governmental activities decreased the City's net assets by \$124,270. Key elements of this decrease are as follows:

- Capital grants and contributions decreased \$211,689 or 52.70% from prior year.
- Transfers from business-type activities decreased by \$31,611 or 6.09% 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	\$ 871,330	14.24%	\$ 348,992	61.34%	\$ (522,338)
Public safety	3,248,440	53.09%	210,256	36.96%	(3,038,184)
Public works	1,476,798	24.14%	-	0.00%	(1,476,798)
Cultural and recreation	218,256	3.57%	9,672	1.70%	(208,584)
Interest on long-term debt	303,499	4.96%	-	0.00%	(303,499)
Total	\$ 6,118,323	100.00%	\$ 568,920	100.00%	\$ (5,549,403)

City of Wharton, Texas

Revenues by Source - Governmental Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 360,514	6.01%
Operating grants and contributions	18,406	0.31%
Capital grants and contributions	190,000	3.17%
Property taxes	1,948,184	32.50%
Sales taxes	1,148,636	19.16%
Franchise taxes	1,056,427	17.63%
Other taxes	166,149	2.77%
Unrestricted investments earnings	10,487	0.18%
Industrial district payment	492,901	8.22%
Miscellaneous	115,207	1.92%
Transfers	487,142	8.13%
	\$ 5,994,053	100.00%

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Business-type activities increased the City's net assets by \$644,422. Key elements of this increase are as follows:

- Charges for services for all business-type activities increased \$274,698 from prior year which mainly was due to the increase in water and sewer charges of \$219,459. This increase was due to the drought that occurred during fiscal year 2011.
- Noncapital grants and contributions were \$739,180 for all business-type activities which mainly consists of that reported in the Emergency Medical Services Fund of \$727,510. This was an increase of \$176,485 or 31.36% from prior year. \$727,510 was received from the Emergency Services District in fiscal year 2011.
- The \$294,392 capital contributions in the Water and Sewer Fund allowed for a \$371,104 increase in net assets. These contributions were Community Development Block Grant proceeds that were awarded to the City by the Texas Department of Rural Affairs for the City's Ahldag addition sanitary sewer improvement project.

City of Wharton, Texas

Expenses and Program Revenues - Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water and sewer	\$ 2,417,926	45.31%	\$ 3,292,282	50.91%	\$ 874,356
Solid waste	1,213,177	22.73%	1,271,487	19.66%	58,310
Emergency medical services	1,221,415	22.89%	1,585,338	24.51%	363,923
Civic center	232,364	4.35%	49,661	0.77%	(182,703)
Airport	251,866	4.72%	268,556	4.15%	16,690
Total	\$ 5,336,748	100.00%	\$ 6,467,324	100.00%	\$ 1,130,576

City of Wharton, Texas

Revenues by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 5,264,709	88.02%
Operating grants and contributions	739,180	12.36%
Capital grants and contributions	463,435	7.75%
Unrestricted investment earnings	988	0.02%
Transfers	(487,142)	-8.15%
	\$ 5,981,170	100.00%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$6,410,420 an increase of \$4,066,801 in comparison with prior year. The net increase in fund balance was mainly due to the issuance of the 2011 Certificates of Obligation during fiscal year 2011 which amounted to \$4,600,000 in proceeds and is accounted for in the 2011 Bond Construction Fund, a major capital projects fund. The General Fund ended the fiscal year with an increase of \$67,535, the 2009 Bond Construction Fund decreased \$192,755, the Special Revenue Funds increased \$25,456, an increase in the Debt Service Fund of \$12,884, and a decrease of \$205,166 in the nonmajor Capital Project Funds. The decrease in the 2009 Bond Construction Fund, a major capital project fund, is due to the continued spending of the proceeds from the 2009 Certificates of Obligations on various construction projects throughout the City.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2011, unassigned fund balance of the General Fund was \$1,427,875, while total fund balance was \$1,454,499. 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 28.81% of the total General Fund expenditures, while total fund balance represents 29.35% of that same amount.

The fund balance of the City's General Fund increased by \$67,535 during the current fiscal year. These factors included revenues coming in \$10,564 more than the final budget and expenditures coming in \$56,971 less than the final budget.

Proprietary Funds

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

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

<u>Fund</u>	<u>Unrestricted Net Assets</u>
Water and sewer	\$ 56,152
Solid Waste	(17,746)
Emergency Medical Services	441,691
Civic Center	21,104
Airport	230,845
	<u>\$ 732,046</u>

This represents a decrease of \$263,268 from the prior year unrestricted net assets balances. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget were a net increase of \$152,459 to revenues and a net increase to expenditures of \$152,459. A few of the changes are briefly summarized as follows:

- An increase of \$13,000 in sales tax revenues.
- A net increase in franchise tax revenues of \$29,000.
- An increase of approximately \$33,000 in personnel expenditures in the City Manager department.
- An increase of approximately \$12,000 in personnel expenditures in the City Secretary department.
- An increase of \$41,000 in the legal and professional department.
- An increase of \$24,000 in fuel expenditures in the police department.
- \$56,410 increase in the streets and drainage department expenditures which consisted of a \$12,250 increase in fuel costs, \$11,000 increase in street maintenance costs, \$10,000 in drainage maintenance, and \$6,600 in equipment and vehicle maintenance costs.

For fiscal year 2011, the General Fund's revenues were \$10,564 more than the final budget and expenditures were \$56,971 less than the final budget. There were no significant variances between the General Fund's actual revenues and expenditures compared to the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$30,088,101 (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 increase in the City's investment in capital assets for the current fiscal year was 0.99% (a 0.70% decrease for governmental activities and a 2.27% increase for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	498,845	84,039	190,536	493,757	689,381	577,796
Machinery and equipment	1,629,945	2,003,231	671,597	500,327	2,301,542	2,503,558
Land improvements	-	-	265,881	271,635	265,881	271,635
Bldgs. and improvements	2,997,967	2,887,189	4,289,518	4,397,984	7,287,485	7,285,173
Infrastructure	6,381,681	6,623,409	-	-	6,381,681	6,623,409
Water and sewer system	-	-	11,669,753	11,037,913	11,669,753	11,037,913
Total	\$ 12,681,723	\$ 12,771,153	\$ 17,406,378	\$ 17,020,709	\$ 30,088,101	\$ 29,791,862

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)**Capital Assets - (Continued)**

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, 2011, consisted of the following:
 - The net increase in construction in progress of \$414,806 included the following projects: Auxiliary power system; FM 102 or 1301 extension; and various street improvements.
 - The net increase in buildings and improvements of \$110,778 includes the completion of improvements to the fire station.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2011, consisted of the following:
 - The construction costs on the Ahldag sewer system improvement project which was completed in fiscal year 2011 and totaled \$905,672.
 - In addition to the Ahldag sewer system improvement project, the increase in water and sewer system of \$148,334 included costs on various improvement projects.
 - Auxiliary power system (\$122,710) and Texas Department of Transportation Airport project (\$67,825) were still in progress at year-end.
 - The net increase of \$171,270 in machinery and equipment included the following: 4 EKG monitors; 2011 Chevrolet truck; 2011 Dodge Ram ambulance; and \$28,875 final payment on the 12,000 gallon fuel tank for the Airport.

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

Long-Term Debt

At the end of fiscal year 2011, the City had total bonded debt outstanding of \$15,125,525 (net of unamortized deferred amounts) of which 100% is backed by the full faith and credit of the government. In addition, the City had outstanding \$675,000 in tax anticipation notes, \$280,969 in capital leases, and \$324,941 in compensated absences as of September 30, 2011.

City of Wharton, Texas			
Long-term Debt			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 456,032	\$ 1,858,968	\$ 2,315,000
Issuance premiums	117,119	108,466	225,585
Loss on refunding	(11,192)	(33,868)	(45,060)
Certificates of obligation	9,519,606	3,110,394	12,630,000
Tax anticipation notes	675,000	-	675,000
Capital leases	145,877	135,092	280,969
Compensated absences	252,674	72,267	324,941
Total	<u>\$ 11,155,116</u>	<u>\$ 5,251,319</u>	<u>\$ 16,406,435</u>

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Long-Term Debt - (Continued)

The City's total outstanding debt increased by \$3,644,066 or 28.55% over the prior fiscal year. The key factors in this net increase were:

- The City issued certificates of obligations in the amount of \$4,600,000 during the fiscal year to fund various construction projects.
- The City entered into a capital lease in the amount of \$198,500 during the fiscal year for emergency medical services equipment and vehicles.
- Payments made on the certificates and bonds during fiscal year 2011 totaled \$960,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable assessed value before freeze for tax year 2011 decreased by \$6,314,237 or 1.5% to approximately \$412 million.
- The top ten principal taxpayers account for 24.31% of the total assessed valuation as compared to 38.08% nine years ago.
- The ad valorem tax rate for the General Fund was decreased by \$0.02441 per \$100 valuation to \$0.27973 per \$100 valuation for the 2012 fiscal year budget.
- The City is expecting sales tax revenue for fiscal year 2012 to be consistent with sales tax revenues in fiscal year 2011.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2012 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 ASSETS
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,141,348	\$ 575,407	\$ 6,716,755	\$ 1,206,607
Receivables, net	427,632	519,938	947,570	122,663
Internal balances	159,188	(159,188)	-	-
Due from component unit	13,895	-	13,895	-
Due from other governments	311,779	11,670	323,449	-
Deferred expenditures	26,624	-	26,624	2,399
Inventory	-	98,219	98,219	2,000
Total current assets	7,080,466	1,046,046	8,126,512	1,333,669
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,672,130	509,628	2,181,758	385,334
Buildings, infrastructure, and equipment, net	11,009,593	16,896,748	27,906,341	7,186
Net capital assets	12,681,723	17,406,376	30,088,099	392,520
Bond issue costs, net	258,220	180,003	438,223	-
Total noncurrent assets	12,939,943	17,586,379	30,526,322	392,520
Total assets	20,020,409	18,632,425	38,652,834	1,726,189

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 238,478	\$ 140,216	\$ 378,694	\$ -
Bank overdraft	22,553	-	22,553	-
Accrued expenditures/expenses	30,450	14,615	45,065	-
Due to primary government	-	-	-	13,895
Due to other governments	23,739	7,675	31,414	15,237
Deposits	50	182,262	182,312	-
Accrued interest payable	121,590	61,968	183,558	746
Unearned revenue	9,800	15,000	24,800	-
Compensated absences	25,267	7,226	32,493	-
Current portion of long-term obligations	470,875	448,246	919,121	96,121
Total current liabilities	942,802	877,208	1,820,010	125,999
Noncurrent liabilities				
Compensated absences	227,407	65,041	292,448	-
Noncurrent portion of long-term obligations (net of unamortized deferred amounts)	10,431,567	4,730,807	15,162,374	1,046,099
Total noncurrent liabilities	10,658,974	4,795,848	15,454,822	1,046,099
Total liabilities	11,601,776	5,673,056	17,274,832	1,172,098
NET ASSETS				
Invested in capital assets, net of related debt	6,243,600	12,227,323	18,470,923	392,520
Restricted for:				
Debt service	340,511	-	340,511	-
Cultural and recreation	81,552	-	81,552	-
Municipal court	20,105	-	20,105	-
Public safety	12,986	-	12,986	-
Unrestricted net assets	1,719,879	732,046	2,451,925	161,571
Total net assets	\$ 8,418,633	\$ 12,959,369	\$ 21,378,002	\$ 554,091

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2011

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 871,330	\$ 343,817	\$ 5,175	\$ -
Public safety	3,248,440	7,025	13,231	190,000
Public works	1,476,798	-	-	-
Cultural and recreation	218,256	9,672	-	-
Interest on long-term debt	303,499	-	-	-
Total governmental activities	<u>6,118,323</u>	<u>360,514</u>	<u>18,406</u>	<u>190,000</u>
Business-type activities				
Water and sewer	2,417,926	2,997,890	-	294,392
Solid waste	1,213,177	1,271,487	-	-
Emergency medical services	1,221,415	749,828	727,510	108,000
Civic center	232,364	49,661	-	-
Airport	251,866	195,843	11,670	61,043
Total business-type activities	<u>5,336,748</u>	<u>5,264,709</u>	<u>739,180</u>	<u>463,435</u>
Total primary government	<u>\$ 11,455,071</u>	<u>\$ 5,625,223</u>	<u>\$ 757,586</u>	<u>\$ 653,435</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 522,126</u>	<u>\$ 10,390</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Taxes:
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Sales taxes
 Franchise taxes
 Other taxes
 Unrestricted investment earnings
 Industrial district payment
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (522,338)	\$ -	\$ (522,338)	\$ -
(3,038,184)	-	(3,038,184)	-
(1,476,798)	-	(1,476,798)	-
(208,584)	-	(208,584)	-
(303,499)	-	(303,499)	-
<u>(5,549,403)</u>	<u>-</u>	<u>(5,549,403)</u>	<u>-</u>
-	874,356	874,356	-
-	58,310	58,310	-
-	363,923	363,923	-
-	(182,703)	(182,703)	-
-	16,690	16,690	-
<u>-</u>	<u>1,130,576</u>	<u>1,130,576</u>	<u>-</u>
<u>(5,549,403)</u>	<u>1,130,576</u>	<u>(4,418,827)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(511,736)</u>
1,233,647	-	1,233,647	-
714,537	-	714,537	-
1,148,636	-	1,148,636	621,492
1,056,427	-	1,056,427	-
166,149	-	166,149	-
10,487	988	11,475	6,025
492,901	-	492,901	-
115,207	-	115,207	5,000
487,142	(487,142)	-	-
<u>5,425,133</u>	<u>(486,154)</u>	<u>4,938,979</u>	<u>632,517</u>
(124,270)	644,422	520,152	120,781
<u>8,542,903</u>	<u>12,314,947</u>	<u>20,857,850</u>	<u>433,310</u>
<u>\$ 8,418,633</u>	<u>\$ 12,959,369</u>	<u>\$ 21,378,002</u>	<u>\$ 554,091</u>

CITY OF WHARTON, TEXAS**BALANCE SHEET****GOVERNMENTAL FUNDS**

September 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>2009 Bond Construction</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 560,368	\$ 339,860	\$ 619,545
Receivables, net	313,476	72,241	-
Due from other funds	891,856	50,000	8,873
Due from component unit	13,895	-	-
Due from other governments	237,275	-	-
Deferred expenditures	26,624	-	-
Total assets	<u>\$ 2,043,494</u>	<u>\$ 462,101</u>	<u>\$ 628,418</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 152,708	\$ -	\$ 6,757
Bank overdraft	22,553	-	-
Accrued expenditures	30,450	-	-
Accrued interest payable	-	12,901	-
Due to other governments	23,739	-	-
Due to other funds	89,861	-	516,189
Deposits	50	-	-
Deferred revenue	269,634	72,241	-
Total liabilities	<u>588,995</u>	<u>85,142</u>	<u>522,946</u>
Fund balances			
Nonspendable	26,624	-	-
Restricted	-	376,959	105,472
Unassigned	1,427,875	-	-
Total fund balances	<u>1,454,499</u>	<u>376,959</u>	<u>105,472</u>
Total liabilities and fund balances	<u>\$ 2,043,494</u>	<u>\$ 462,101</u>	<u>\$ 628,418</u>

The accompanying notes are an integral part of this statement.

<u>2011 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,535,155	\$ 86,420	\$ 6,141,348
-	41,915	427,632
-	2,478	953,207
-	-	13,895
-	74,504	311,779
-	-	26,624
<u>\$ 4,535,155</u>	<u>\$ 205,317</u>	<u>\$ 7,874,485</u>
\$ 78,827	\$ 186	\$ 238,478
-	-	22,553
-	-	30,450
-	-	12,901
-	-	23,739
97,481	90,488	794,019
-	-	50
-	-	341,875
<u>176,308</u>	<u>90,674</u>	<u>1,464,065</u>
-	-	26,624
4,358,847	114,643	4,955,921
-	-	1,427,875
<u>4,358,847</u>	<u>114,643</u>	<u>6,410,420</u>
<u>\$ 4,535,155</u>	<u>\$ 205,317</u>	<u>\$ 7,874,485</u>



CITY OF WHARTON, TEXAS

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

September 30, 2011

Total governmental fund balances		\$ 6,410,420
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		253,768
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.		78,307
Other noncurrent assets (for example, bond issue costs) used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$323,517 and the accumulated amortization is \$65,297.		258,220
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$21,673,223 and the accumulated depreciation is \$8,991,500.		12,681,723
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	\$ (9,975,638)	
Bond premiums	(117,119)	
Loss on refunding	11,192	
Tax anticipation notes payable	(675,000)	
Capital leases payable	(145,877)	
Accrued interest payable	(108,689)	
Compensated absences	<u>(252,674)</u>	<u>(11,263,805)</u>
Net assets of governmental activities		<u>\$ 8,418,633</u>

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>2009 Bond Construction</u>
REVENUES			
Taxes	\$ 3,462,872	\$ 720,287	\$ -
Licenses and permits	87,176	-	-
Intergovernmental	110,205	-	90,000
Charges for services	10,488	-	-
Fines and forfeitures	226,420	-	-
Investment income	1,021	589	7,550
Industrial district fee	492,901	-	-
Miscellaneous	11,869	-	-
Total revenues	<u>4,402,952</u>	<u>720,876</u>	<u>97,550</u>
EXPENDITURES			
Current			
General government	847,994	-	-
Public safety	2,916,785	-	-
Public works	1,034,337	-	62,224
Cultural and recreation	95,681	-	-
Capital outlay	10,750	-	256,994
Debt service			
Principal retirement	40,781	459,143	-
Interest and fiscal charges	9,279	248,849	-
Bond issuance costs	-	-	-
Total expenditures	<u>4,955,607</u>	<u>707,992</u>	<u>319,218</u>
Excess (deficiency) of revenues over expenditures	(552,655)	12,884	(221,668)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	42,892	-	28,913
Bonds issued	-	-	-
Premium on issuance of bonds	-	-	-
Transfers in	577,642	-	-
Transfers out	(344)	-	-
Total other financing sources (uses)	<u>620,190</u>	<u>-</u>	<u>28,913</u>
Net change in fund balances	67,535	12,884	(192,755)
Fund balances at beginning of year	<u>1,386,964</u>	<u>364,075</u>	<u>298,227</u>
Fund balances at end of year	<u>\$ 1,454,499</u>	<u>\$ 376,959</u>	<u>\$ 105,472</u>

The accompanying notes are an integral part of this statement.

<u>2011 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 166,149	\$ 4,349,308
-	-	87,176
-	8,201	208,406
-	-	10,488
-	12,986	239,406
1,218	109	10,487
-	-	492,901
-	11,614	23,483
<u>1,218</u>	<u>199,059</u>	<u>5,421,655</u>
-	7,493	855,487
-	13,656	2,930,441
-	-	1,096,561
-	61,954	157,635
219,942	205,510	693,196
-	-	499,924
4,600	-	262,728
86,829	-	86,829
<u>311,371</u>	<u>288,613</u>	<u>6,582,801</u>
(310,153)	(89,554)	(1,161,146)
-	-	71,805
4,600,000	-	4,600,000
69,000	-	69,000
-	344	577,986
-	(90,500)	(90,844)
<u>4,669,000</u>	<u>(90,156)</u>	<u>5,227,947</u>
4,358,847	(179,710)	4,066,801
-	294,353	2,343,619
<u>\$ 4,358,847</u>	<u>\$ 114,643</u>	<u>\$ 6,410,420</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, 2011*

Total net change in fund balances - governmental funds		\$ 4,066,801
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2010/2011 capital outlays is to increase net assets.		696,445
Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(785,875)
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	\$ 304,143	
Tax anticipation notes principal retirement	155,000	
Capital lease principal retirement	<u>40,781</u>	499,924
Proceeds of long-term debt during the year are recognized as other financing sources in the governmental funds but increases the liabilities in the statement of net assets. In the current year, this amount consisted of:		
2011 Certificates of Obligation		(4,600,000)
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	4,486	
Other revenues	<u>8,965</u>	13,451
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	7,926	
Net increase in bond issuance costs	67,426	
Decrease in loss on refunding	(1,267)	
Net increase in bond premium	(64,635)	
Increase in accrued interest	<u>(24,466)</u>	<u>(15,016)</u>
Change in net assets of governmental activities		\$ <u>(124,270)</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 50,378	\$ 20,794	\$ 380,736
Receivables, net			
Accounts	308,554	131,853	62,498
Due from other funds	468,328	-	76,166
Due from other governments	-	-	-
Inventory	46,257	-	-
Total current assets	<u>873,517</u>	<u>152,647</u>	<u>519,400</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	399,460	-	-
Buildings, improvements, and equipment, net	11,824,666	-	360,572
Net capital assets	<u>12,224,126</u>	<u>-</u>	<u>360,572</u>
Bond issue costs, net	162,762	-	-
Total noncurrent assets	<u>12,386,888</u>	<u>-</u>	<u>360,572</u>
Total assets	<u>13,260,405</u>	<u>152,647</u>	<u>879,972</u>
LIABILITIES			
Current liabilities			
Accounts payable	53,668	48,660	25,678
Accrued expenses	5,772	273	7,036
Due to other governments	-	7,675	-
Deposits	172,932	75	-
Accrued interest payable	55,601	-	-
Due to other funds	657,681	113,710	4,204
Deferred revenue	-	-	15,000
Compensated absences	3,447	-	2,579
Current portion of capital leases payable	-	-	66,096
Current portion of certificates of obligation	174,050	-	-
Current portion of general obligation bonds	180,250	-	-
Total current liabilities	<u>1,303,401</u>	<u>170,393</u>	<u>120,593</u>
Noncurrent liabilities			
Compensated absences	31,026	-	23,212
Capital leases payable	-	-	68,996
Bonds and certificates (net of unamortized deferred amounts)	4,157,243	-	-
Total noncurrent liabilities	<u>4,188,269</u>	<u>-</u>	<u>92,208</u>
Total liabilities	<u>5,491,670</u>	<u>170,393</u>	<u>212,801</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,712,583	-	225,480
Unrestricted net assets	56,152	(17,746)	441,691
Total net assets	<u>\$ 7,768,735</u>	<u>\$ (17,746)</u>	<u>\$ 667,171</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 30,367	\$ 93,132	\$ 575,407
3,890	13,143	519,938
5,320	66,637	616,451
-	11,670	11,670
-	51,962	98,219
<u>39,577</u>	<u>236,544</u>	<u>1,821,685</u>
-	110,168	509,628
1,431,660	3,279,850	16,896,748
<u>1,431,660</u>	<u>3,390,018</u>	<u>17,406,376</u>
<u>8,839</u>	<u>8,402</u>	<u>180,003</u>
<u>1,440,499</u>	<u>3,398,420</u>	<u>17,586,379</u>
<u>1,480,076</u>	<u>3,634,964</u>	<u>19,408,064</u>
3,682	8,528	140,216
1,045	489	14,615
-	-	7,675
8,655	600	182,262
2,491	3,876	61,968
-	44	775,639
-	-	15,000
1,144	56	7,226
-	-	66,096
-	8,350	182,400
<u>19,500</u>	<u>-</u>	<u>199,750</u>
<u>36,517</u>	<u>21,943</u>	<u>1,652,847</u>
10,295	508	65,041
-	-	68,996
<u>213,927</u>	<u>290,641</u>	<u>4,661,811</u>
<u>224,222</u>	<u>291,149</u>	<u>4,795,848</u>
<u>260,739</u>	<u>313,092</u>	<u>6,448,695</u>
1,198,233	3,091,027	12,227,323
21,104	230,845	732,046
<u>\$ 1,219,337</u>	<u>\$ 3,321,872</u>	<u>\$ 12,959,369</u>

CITY OF WHARTON, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 2,997,890	\$ 1,271,487	\$ 749,828
Total operating revenues	<u>2,997,890</u>	<u>1,271,487</u>	<u>749,828</u>
OPERATING EXPENSES			
Personnel	745,490	33,857	863,450
Materials and supplies	91,137	-	84,296
Repairs and maintenance	189,019	-	34,386
Other services and charges	749,175	1,179,320	129,786
Depreciation and amortization	476,124	-	100,963
Total operating expenses	<u>2,250,945</u>	<u>1,213,177</u>	<u>1,212,881</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	746,945	58,310	(463,053)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	-	-	727,510
Investment income	184	94	534
Interest and fiscal charges	(166,981)	-	(8,534)
Total nonoperating revenues (expenses)	<u>(166,797)</u>	<u>94</u>	<u>719,510</u>
Income (loss) before transfers and contributions	580,148	58,404	256,457
Contributions and transfers			
Capital grants and contributions	294,392	-	108,000
Transfers in	-	-	-
Transfers out	(503,436)	(25,000)	(49,206)
Total contributions and transfers	<u>(209,044)</u>	<u>(25,000)</u>	<u>58,794</u>
Change in net assets	371,104	33,404	315,251
Net assets at beginning of year	7,397,631	(51,150)	351,920
Net assets at end of year	<u>\$ 7,768,735</u>	<u>\$ (17,746)</u>	<u>\$ 667,171</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 49,661	\$ 195,843	\$ 5,264,709
<u>49,661</u>	<u>195,843</u>	<u>5,264,709</u>
105,812	64,342	1,812,951
4,850	6,063	186,346
17,868	36,626	277,899
47,784	49,109	2,155,174
<u>49,644</u>	<u>83,928</u>	<u>710,659</u>
<u>225,958</u>	<u>240,068</u>	<u>5,143,029</u>
(176,297)	(44,225)	121,680
-	11,670	739,180
53	123	988
<u>(6,406)</u>	<u>(11,798)</u>	<u>(193,719)</u>
<u>(6,353)</u>	<u>(5)</u>	<u>546,449</u>
(182,650)	(44,230)	668,129
-	61,043	463,435
90,500	-	90,500
<u>-</u>	<u>-</u>	<u>(577,642)</u>
<u>90,500</u>	<u>61,043</u>	<u>(23,707)</u>
(92,150)	16,813	644,422
<u>1,311,487</u>	<u>3,305,059</u>	<u>12,314,947</u>
<u>\$ 1,219,337</u>	<u>\$ 3,321,872</u>	<u>\$ 12,959,369</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2011

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 2,980,519	\$ 1,277,868	\$ 736,120
Cash paid to suppliers for goods and services	(1,021,374)	(1,179,611)	(244,718)
Cash paid to employees for services	(735,964)	(33,851)	(859,929)
Net cash provided (used) by operating activities	<u>1,223,181</u>	<u>64,406</u>	<u>(368,527)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	22,713	(25,967)	(65,325)
Transfers in from other funds	-	-	-
Transfers out to other funds	(503,436)	(25,000)	(49,206)
Grants and contributions	-	-	727,510
Net cash provided (used) by noncapital financing activities	<u>(480,723)</u>	<u>(50,967)</u>	<u>612,979</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(315,186)	-	(274,690)
Proceeds from capital grants and contributions	294,392	-	123,000
Proceeds from issuance of debt	-	-	198,500
Principal paid on long-term debt	(597,363)	-	(63,408)
Interest paid on long-term debt	(175,179)	-	(8,533)
Net cash provided (used) by capital and related financing activities	<u>(793,336)</u>	<u>-</u>	<u>(25,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	184	94	534
Net cash provided (used) by investing activities	<u>184</u>	<u>94</u>	<u>534</u>
Net increase (decrease) in cash and cash equivalents	(50,694)	13,533	219,855
Cash and cash equivalents at beginning of year	101,072	7,261	160,881
Cash and cash equivalents at end of year	<u>\$ 50,378</u>	<u>\$ 20,794</u>	<u>\$ 380,736</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 54,569	\$ 191,977	\$ 5,241,053
(71,407)	(103,080)	(2,620,190)
<u>(105,741)</u>	<u>(64,313)</u>	<u>(1,799,798)</u>
<u>(122,579)</u>	<u>24,584</u>	<u>821,065</u>
(7,290)	26,473	(49,396)
90,500	-	90,500
-	-	(577,642)
-	-	<u>727,510</u>
<u>83,210</u>	<u>26,473</u>	<u>190,972</u>
-	(96,700)	(686,576)
-	61,043	478,435
-	-	198,500
(21,000)	(37,494)	(719,265)
<u>(6,534)</u>	<u>(12,627)</u>	<u>(202,873)</u>
<u>(27,534)</u>	<u>(85,778)</u>	<u>(931,779)</u>
<u>53</u>	<u>123</u>	<u>988</u>
<u>53</u>	<u>123</u>	<u>988</u>
(66,850)	(34,598)	81,246
<u>97,217</u>	<u>127,730</u>	<u>494,161</u>
<u>\$ 30,367</u>	<u>\$ 93,132</u>	<u>\$ 575,407</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2011

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 746,945	\$ 58,310	\$ (463,053)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	476,124	-	100,963
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(12,277)	6,381	(13,708)
(Increase) decrease in inventory	11,968	-	-
Increase (decrease) in accounts payable	(4,011)	(282)	3,750
Increase (decrease) in accrued expenses	263	6	124
Increase (decrease) in deposits	(5,094)	-	-
Increase (decrease) in due to other governments	-	(9)	-
Increase (decrease) in compensated absences	9,263	-	3,397
Total adjustments	<u>476,236</u>	<u>6,096</u>	<u>94,526</u>
Net cash provided (used) by operating activities	<u>\$ 1,223,181</u>	<u>\$ 64,406</u>	<u>\$ (368,527)</u>
Noncash capital and related financing activities			
Assets acquired from contributions	<u>\$ 294,392</u>	<u>\$ -</u>	<u>\$ -</u>

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>
\$ (176,297)	\$ (44,225)	\$ 121,680
49,644	83,928	710,659
1,913	(3,966)	(21,657)
-	(14,011)	(2,043)
(905)	2,729	1,281
191	29	613
2,995	100	(1,999)
-	-	(9)
<u>(120)</u>	<u>-</u>	<u>12,540</u>
<u>53,718</u>	<u>68,809</u>	<u>699,385</u>
\$ <u>(122,579)</u>	\$ <u>24,584</u>	\$ <u>821,065</u>
\$ <u>-</u>	\$ <u>61,043</u>	\$ <u>355,435</u>

(concluded)



INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies.....	33
2	Stewardship, Compliance, and Accountability.....	40
3	Deposits and Investments.....	40
4	Receivables.....	41
5	Due from Other Governments.....	42
6	Capital Assets.....	43
7	Employees' Retirement Plan.....	44
8	Supplemental Death Benefit Plan.....	47
9	Texas Emergency Services Retirement System.....	47
10	Risk Management.....	49
11	Long-term Debt.....	50
12	Interfund Receivables, Payables, and Transfers.....	54
13	Commitments and Contingencies.....	55
14	Fund Balances.....	56
15	Wharton Economic Development Corporation.....	57



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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

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

A. Reporting Entity - (Continued)

Other Entities

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for 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 four Capital Project Funds, two of which have been reported as major funds. The 2009 Bond Construction Fund accounts for the use of the proceeds from the City's 2009 Certificates of Obligation on various capital improvement projects. The 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 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.

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

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

Additionally, the City reports the following fund types:

The Special Revenue Funds account 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.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Budgets and Budgetary Accounting

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

1. City department and division leaders shall submit budget requests for the next fiscal year to and as directed by the City Manager for review and consolidation. The City Manager shall submit a proposed annual budget to the City Council before August 31st 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.

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

D. Budgets and Budgetary Accounting - (Continued)

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

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2011.

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, 2011, approximates fair value.

G. Receivables and Payables

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

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

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

H. Inventories and Prepaid Items

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

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

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

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

J. Compensated Absences - (Continued)

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

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

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

K. Long-term Obligations

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

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

L. Fund Equity

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 2011. This Statement did not have an impact on the City's functions, financial position or results of operations.

M. Use of Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund. There was one situation of expenditures exceeding the amount appropriated during the fiscal year 2010-2011.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Transfers out	\$ -	\$ 344	\$ (344)

This over expenditure was funded by an available fund balance in the General Fund.

B. Deficit Fund Equity

As of September 30, 2011, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Assets</u>
Solid Waste	\$ 17,746

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

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 169,970	44

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

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

A. Interest Rate Risk

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

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**B. Credit Risk**

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

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. The City also held deposits in a bank other than in the depository bank during fiscal year 2010 and at year-end. The amount on deposit exceeded the FDIC coverage by \$5,903 and therefore this amount is subject to custodial credit risk at September 30, 2011.

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, 2011, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 15 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

Receivables at September 30, 2011, 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	\$ -	\$ -	\$ 308,554	\$ 131,853	\$ 62,498	\$ 3,890	\$ 13,143	\$ 41,915	\$ 561,853
Ad valorem taxes	250,200	94,770	-	-	-	-	-	-	344,970
Franchise taxes	43,916	-	-	-	-	-	-	-	43,916
Fines	178,420	-	-	-	-	-	-	-	178,420
Other	338,371	-	-	-	-	-	-	-	338,371
Total gross receivables	810,907	94,770	308,554	131,853	62,498	3,890	13,143	41,915	1,467,530
Less: Allowances	497,431	22,529	-	-	-	-	-	-	519,960
Total net receivables	<u>\$ 313,476</u>	<u>\$ 72,241</u>	<u>\$ 308,554</u>	<u>\$ 131,853</u>	<u>\$ 62,498</u>	<u>\$ 3,890</u>	<u>\$ 13,143</u>	<u>\$ 41,915</u>	<u>\$ 947,570</u>

NOTE 4: RECEIVABLES - (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem receivable	\$ 181,527	\$ -	\$ 181,527
Fines	71,368	-	71,368
Other	6,939	9,800	16,739
Debt Service Fund			
Ad valorem receivable	<u>72,241</u>	<u>-</u>	<u>72,241</u>
	<u>\$ 332,075</u>	<u>\$ 9,800</u>	<u>\$ 341,875</u>

The City's property taxes are levied annually on October 1st on the basis of the Appraisal District's assessed values as of January 1st 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 31st. 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 1st 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 \$0.48000 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.30414 and \$0.17586, respectively. The resulting adjusted total tax levy was \$2,013,066 on the total adjusted taxable valuation of \$360,083,887 for the 2010 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, 2011, are summarized as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 237,275	\$ -	\$ -	\$ 237,275
Federal and state grants	-	74,504	11,670	86,174
	<u>\$ 237,275</u>	<u>\$ 74,504</u>	<u>\$ 11,670</u>	<u>\$ 323,449</u>

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	84,039	446,651	31,845	498,845
Total capital assets not being depreciated	<u>1,257,324</u>	<u>446,651</u>	<u>31,845</u>	<u>1,672,130</u>
Capital assets, being depreciated				
Machinery and equipment	4,619,295	13,998	222,820	4,410,473
Buildings and improvements	4,055,470	223,444	-	4,278,914
Infrastructure	11,267,509	44,197	-	11,311,706
Total capital assets being depreciated	<u>19,942,274</u>	<u>281,639</u>	<u>222,820</u>	<u>20,001,093</u>
Less accumulated depreciation for				
Machinery and equipment	2,616,064	387,284	222,820	2,780,528
Buildings and improvements	1,168,281	112,666	-	1,280,947
Infrastructure	4,644,100	285,925	-	4,930,025
Total accumulated depreciation	<u>8,428,445</u>	<u>785,875</u>	<u>222,820</u>	<u>8,991,500</u>
Total capital assets being depreciated, net	<u>11,513,829</u>	<u>(504,236)</u>	<u>-</u>	<u>11,009,593</u>
Governmental activities capital assets, net	<u>\$ 12,771,153</u>	<u>\$ (57,585)</u>	<u>\$ 31,845</u>	<u>\$ 12,681,723</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	493,757	190,535	493,756	190,536
Total capital assets not being depreciated	<u>812,850</u>	<u>190,535</u>	<u>493,756</u>	<u>509,629</u>
Capital assets, being depreciated				
Machinery and equipment	2,197,649	324,360	-	2,522,009
Land improvements	287,717	-	-	287,717
Buildings and improvements	5,509,356	-	-	5,509,356
Water and sewer system	18,652,713	1,054,006	-	19,706,719
Total capital assets being depreciated	<u>26,647,435</u>	<u>1,378,366</u>	<u>-</u>	<u>28,025,801</u>
Less accumulated depreciation for				
Machinery and equipment	1,697,322	153,090	-	1,850,412
Land improvements	16,082	5,754	-	21,836
Buildings and improvements	1,111,372	108,466	-	1,219,838
Water and sewer system	7,614,800	422,166	-	8,036,966
Total accumulated depreciation	<u>10,439,576</u>	<u>689,476</u>	<u>-</u>	<u>11,129,052</u>
Total capital assets being depreciated, net	<u>16,207,859</u>	<u>688,890</u>	<u>-</u>	<u>16,896,749</u>
Business-type activities capital assets, net	<u>\$ 17,020,709</u>	<u>\$ 879,425</u>	<u>\$ 493,756</u>	<u>\$ 17,406,378</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 21,040
Public safety	316,642
Public works	387,572
Cultural and recreation	60,621
Total depreciation expense - governmental activities	<u>\$ 785,875</u>
Business-type activities	
Water and sewer	\$ 456,921
Emergency medical services	100,963
Civic center	48,199
Airport	83,393
Total depreciation expense - business-type activities	<u>\$ 689,476</u>

At September 30, 2011, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,081. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

NOTE 7: EMPLOYEES' RETIREMENT PLANPlan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions

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

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

Contributions Required and Contributions Made				
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2011	\$ 358,693	100%	\$ -	
2010	314,888	100%	-	
2009	191,887	100%	-	

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	Actuarial Valuation Information			
	12/31/10 Restructured	12/31/10 Prior to Restructuring	12/31/09	12/31/08
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	27.2 years; closed period	27.2 years; closed period	28.2 years; closed period	29.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	amortized cost
Investment rate of return *	7.0%	7.5%	7.5%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of living adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/10 ²	\$ 8,856,728	\$ 10,164,826	\$ 1,308,098	87.13%	\$ 3,790,148	34.51%
12/31/10 ¹	6,781,455	8,964,618	2,183,163	75.65%	3,790,148	57.60%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

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

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

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.

The City's contributions to the TMRS SDBF for the years ended 2011, 2010, and 2009 were \$1,137, \$1,450, and \$1,399, respectively, which equaled the required contributions each year.

NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Fire Fighters' Pension Commissioner (FFPC) is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. The Office of the FFPC issues a publicly available annual financial report that includes financial statements and required supplementary information (RSI). This report may be obtained by writing to FFPC, 920 Colorado Street, 11th Floor, Austin, Texas 78701 in addition, the report is available on FFPC's website at www.ffpc.state.tx.us. At August 31, 2010, there were 199 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2010, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,167
Terminated participants entitled to benefits but not yet receiving them	2,106
Active participants (vested and nonvested)	<u>4,371</u>
	<u>8,644</u>

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

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

Plan Description - (Continued)

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

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

Funding Policy

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

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior services) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2008, actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010, revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010, (\$502,941 to help pay for the TESRS's administrative expenses) and with the assumed continuation of legislative appropriations of 1) the maximum state contribution amount in future years for up to 30 years as is necessary for the TESRS to have a 30-year amortization period, and 2) approximately \$500,000 each year to help pay for the TESRS's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

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

Annual Required Contributions - (Continued)

Without the expected future annual contributions from the state, TESRS would have an inadequate contribution arrangement.

Three-Year Trend Information - State-wide			
<u>Fiscal Year Ending August 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2010	\$ 2,875,103 ³	\$ 2,875,103	100%
2009	2,698,271 ³	2,698,271	100%
2008	3,160,764 ²	11,239,339 ¹	356%

¹ Includes a state contribution of \$8,800,000.

² Based on the August 31, 2006, actuarial valuation.

³ Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2011 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Wharton, Texas			
<u>Year Ended September 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Obligation</u>
2011	\$ 20,915	100%	\$ -
2010	15,525	100%	-
2009	15,165	100%	-

NOTE 10: RISK MANAGEMENT

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

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

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 5,013,989	\$ 4,600,000	\$ 94,383	\$ 9,519,606	\$ 162,600
General obligation bonds	665,792	-	209,760	456,032	105,250
Plus deferred amounts:					
Issuance premiums	52,484	69,000	4,365	117,119	-
Loss on refunding	<u>(12,459)</u>	<u>-</u>	<u>(1,267)</u>	<u>(11,192)</u>	<u>-</u>
Total bonds and certificates payable	<u>5,719,806</u>	<u>4,669,000</u>	<u>307,241</u>	<u>10,081,565</u>	<u>267,850</u>
Tax anticipation notes	<u>830,000</u>	<u>-</u>	<u>155,000</u>	<u>675,000</u>	<u>160,000</u>
Capital leases payable	<u>186,658</u>	<u>-</u>	<u>40,781</u>	<u>145,877</u>	<u>43,025</u>
Compensated absences	<u>260,600</u>	<u>185,120</u>	<u>193,046</u>	<u>252,674</u>	<u>25,267</u>
Total governmental activity long-term liabilities	<u>\$ 6,997,064</u>	<u>\$ 4,854,120</u>	<u>\$ 696,068</u>	<u>\$ 11,155,116</u>	<u>\$ 496,142</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 3,371,011	\$ -	\$ 260,617	\$ 3,110,394	\$ 182,400
General obligation bonds	2,254,208	-	395,240	1,858,968	199,750
Plus deferred amounts:					
Issuance premiums	118,059	-	9,593	108,466	-
Loss on refunding	<u>(37,702)</u>	<u>-</u>	<u>(3,834)</u>	<u>(33,868)</u>	<u>-</u>
Total bonds and certificates payable	<u>5,705,576</u>	<u>-</u>	<u>661,616</u>	<u>5,043,960</u>	<u>382,150</u>
Capital leases payable	<u>-</u>	<u>198,500</u>	<u>63,408</u>	<u>135,092</u>	<u>66,096</u>
Compensated absences	<u>59,729</u>	<u>69,089</u>	<u>56,551</u>	<u>72,267</u>	<u>7,227</u>
Total business-type activity long-term liabilities	<u>\$ 5,765,305</u>	<u>\$ 267,589</u>	<u>\$ 781,575</u>	<u>\$ 5,251,319</u>	<u>\$ 455,473</u>

NOTE 11: 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, 2011, \$2,095,000 of bonds and certificates outstanding was considered defeased.

Compensated absences are generally liquidated by the General Fund for the governmental activities. Please see Note 15 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 2009	6/10 - 6/14	4.65%	\$ 300,000
Refunding Series 2010	6/11 - 6/21	2.00 - 4.00%	2,680,000

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 105,250	\$ 14,805	\$ 199,750	\$ 62,948	\$ 382,753
2013	110,000	11,956	205,000	58,106	385,062
2014	108,000	8,738	212,000	53,435	382,173
2015	19,000	4,973	156,000	46,527	226,500
2016	19,250	4,385	155,750	41,865	221,250
2017-2021	94,532	11,375	930,468	115,224	1,151,599
	<u>\$ 456,032</u>	<u>\$ 56,232</u>	<u>\$ 1,858,968</u>	<u>\$ 378,105</u>	<u>\$ 2,749,337</u>

NOTE 11: 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 2000	09/00 - 12/20	4.45 - 5.00%	\$ 2,785,000
Series 2004	10/04 - 12/20	3.60 - 4.10%	1,715,000
Series 2006	11/06 - 12/27	3.60 - 4.125%	2,965,000
Series 2009	12/10 - 12/29	2.00 - 4.50%	4,000,000
Series 2011	07/11 - 06/30	2.00 - 4.00%	4,600,000
			<u>\$ 16,065,000</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>	
2012	\$ 162,600	\$ 355,193	\$ 182,400	\$ 122,957	\$ 823,150
2013	166,825	362,727	183,175	118,519	831,246
2014	176,750	355,064	188,250	113,198	833,262
2015	314,975	344,434	185,025	106,146	950,580
2016	505,525	331,628	199,475	98,400	1,135,028
2017-2021	2,875,100	1,371,306	969,900	360,159	5,576,465
2022-2026	3,071,975	807,676	628,025	198,325	4,706,001
2027-2030	2,245,856	207,156	574,144	50,510	3,077,666
	<u>\$ 9,519,606</u>	<u>\$ 4,135,184</u>	<u>\$ 3,110,394</u>	<u>\$ 1,168,214</u>	<u>\$ 17,933,398</u>

D. Tax Anticipation Notes

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

Tax anticipation notes currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 1998	03/08 - 12/14	3.00%	\$ 665,000
Series 2010	12/10 - 06/15	4.40%	265,000

NOTE 11: LONG-TERM DEBT - (Continued)

D. Tax Anticipation Notes - (Continued)

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

Year	Governmental Activities		Total
	Principal	Interest	
2012	\$ 160,000	\$ 21,610	\$ 181,610
2013	170,000	16,035	186,035
2014	170,000	10,165	180,165
2015	175,000	4,120	179,120
	<u>\$ 675,000</u>	<u>\$ 51,930</u>	<u>\$ 726,930</u>

E. Capital Leases

Lease purchase agreement on a Caterpillar motor grader. The original amount of the lease, entered into in 2007, was \$184,350. The lease is payable in annual installments of \$23,424 and bears interest at a rate of 5.55%. \$ 120,784

Lease purchase agreement on a Motorola communications console. The original amount of the lease, entered into in 2007, was \$111,744. The lease is payable in annual installments of \$26,636 and bears interest at a rate of 6.15%. 25,093

Lease purchase agreement on emergency medical services vehicles and equipment. The original amount of the lease, entered into in 2010, was \$198,500. The lease is payable in annual installments of \$71,985 and bears interest at a rate of 4.36%. 135,092

\$ 280,969

The present value of the capital leases after deduction of imputed interest is \$280,969.

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 43,025	\$ 7,035	\$ 66,096	\$ 5,889	\$ 122,045
2013	18,759	4,665	68,996	2,989	95,409
2014	19,624	3,800	-	-	23,424
2015	20,528	2,896	-	-	23,424
2016	21,475	1,949	-	-	23,424
2017	22,466	959	-	-	23,425
	<u>\$ 145,877</u>	<u>\$ 21,304</u>	<u>\$ 135,092</u>	<u>\$ 8,878</u>	<u>\$ 311,151</u>

NOTE 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. The Water and Sewer Fund is expected to repay the General Fund approximately 35% of the year-end balance during fiscal year 2012. Interfund receivable and payable balances as of September 30, 2011, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2009 Bond Construction	\$ 2,590
	2011 Bond Construction	96,125
	Water and Sewer	607,681
	Solid Waste	94,861
	Emergency Medical Services	4,204
	Airport	44
	Nonmajor Governmental	86,351
Debt Service	Water and Sewer	50,000
2009 Bond Construction	General	2,450
	2011 Bond Construction	1,356
	Solid Waste	930
	Nonmajor Governmental	4,137
Nonmajor Governmental	General	2,478
Water and Sewer	General	2,178
	2009 Bond Construction	448,231
	Solid Waste	17,919
Emergency Medical Services	General	76,166
Civic Center	General	5,320
Airport	General	1,269
	2009 Bond Construction	<u>65,368</u>
		<u>\$ 1,569,658</u>

NOTE 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)

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>Nonmajor Governmental</u>	<u>Civic Center</u>	
General	\$ -	\$ 344	\$ -	\$ 344
Nonmajor Governmental	-	-	90,500	90,500
Water and Sewer	503,436	-	-	503,436
Solid Waste	25,000	-	-	25,000
Emergency Medical Services	49,206	-	-	49,206
	<u>\$ 577,642</u>	<u>\$ 344</u>	<u>\$ 90,500</u>	<u>\$ 668,486</u>

NOTE 13: COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2011, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Construction and Acquisition Commitments

As of September 30, 2011, 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>
Ground water storage tank rehabilitation	\$ 304,000
Sidewalk enhancement project	75,000
FM 1301 extension to US 59 and overpass project	<u>729,783</u>
Total	<u>\$ 1,108,783</u>

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

NOTE 14: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2011:

	<u>Governmental Fund Balances</u>			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
General				
Deferred expenditures	\$ 26,624	\$ -	\$ -	\$ 26,624
Unassigned	-	-	1,427,875	1,427,875
Debt Service				
Long-term debt	-	376,959	-	376,959
2009 Bond Construction				
Various capital projects	-	105,472	-	105,472
2011 Bond Construction				
Various capital projects	-	4,358,847	-	4,358,847
Nonmajor Governmental				
Cultural and recreation	-	81,552	-	81,552
Municipal court	-	20,105	-	20,105
Public safety	-	12,986	-	12,986
	<u>\$ 26,624</u>	<u>\$ 4,955,921</u>	<u>\$ 1,427,875</u>	<u>\$ 6,410,420</u>

NOTE 15: 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 30th 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, 2011, the budget, as amended, anticipated \$68,326 more in expenditures than revenues. This amount is to be funded from existing fund balance of \$1,304,537.

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.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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

Capital Assets

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

Compensated Absences and Retirement Plans

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

Federal Income Taxes

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

C. Deposits and Investments

As of September 30, 2011, WEDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 1,635	44

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

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

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, WEDC's deposits may not be returned to it. WEDC's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to WEDC by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2011, and for the year then ended, WEDC was not exposed to any custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, WEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. WEDC's investment policy requires that securities be held in the name of WEDC or held on behalf of WEDC and that all securities are purchased using the delivery versus payment method. As of September 30, 2011, and for the year then ended, WEDC was not exposed to any custodial credit risk.

D. Sales Taxes

WEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. WEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2011, was \$118,638. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

E. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Real estate held for development	\$ 385,335	\$ -	\$ -	\$ 385,335
Total capital assets not being depreciated	<u>385,335</u>	<u>-</u>	<u>-</u>	<u>385,335</u>
Capital assets, being depreciated				
Leasehold improvements	8,975	-	-	8,975
Furniture and fixtures	<u>28,088</u>	<u>-</u>	<u>-</u>	<u>28,088</u>
Total capital assets being depreciated	<u>37,063</u>	<u>-</u>	<u>-</u>	<u>37,063</u>
Less accumulated depreciation for				
Furniture and fixtures	<u>28,008</u>	<u>1,870</u>	<u>-</u>	<u>29,878</u>
Total accumulated depreciation	<u>28,008</u>	<u>1,870</u>	<u>-</u>	<u>29,878</u>
Total capital assets being depreciated, net	<u>9,055</u>	<u>(1,870)</u>	<u>-</u>	<u>7,185</u>
Governmental activities capital assets, net	<u>\$ 394,390</u>	<u>\$ (1,870)</u>	<u>\$ -</u>	<u>\$ 392,520</u>

F. Long-term Debt

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Sales tax revenue bonds	\$ 630,000	\$ -	\$ 630,000	\$ -	\$ -
Less deferred amounts:					
Issuance discounts	(11,900)	-	(11,900)	-	-
Notes payable	<u>-</u>	<u>1,150,000</u>	<u>7,780</u>	<u>1,142,220</u>	<u>96,121</u>
	<u>\$ 618,100</u>	<u>\$ 1,150,000</u>	<u>\$ 625,880</u>	<u>\$ 1,142,220</u>	<u>\$ 96,121</u>

During the year ended September 30, 2007, WEDC issued Sales Tax Revenue Bonds in the amount of \$850,000 to provide for certain City infrastructure improvements. The bonds were paid off as of August 2011 by making the annual principal payment of \$80,000 and by redemption of bonds payment of \$550,000. WEDC obtained a 3.85% loan at a bank in the amount of \$1,150,000 and paid off the Sales Tax Revenue Bonds of \$550,000 and received additional cash of \$600,000 to be used in the FM 1301 extension project with the City. The bank loan requires monthly principal and interest payments of \$11,593 until August 25, 2021. The loan also requires the pledge of WEDC sales tax revenues and that WEDC maintains a constant cash balance of at least two times the monthly principal and interest payments which is \$23,186.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**F. Long-term Debt - (Continued)**

Annual debt service requirements to maturity for the notes payable are as follows:

<u>Year</u>	<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 96,121	\$ 42,990	\$ 139,111
2013	100,062	39,050	139,112
2014	104,038	35,073	139,111
2015	108,173	30,939	139,112
2016	112,397	26,715	139,112
2017-2021	<u>621,429</u>	<u>62,532</u>	<u>683,961</u>
	<u>\$ 1,142,220</u>	<u>\$ 237,299</u>	<u>\$ 1,379,519</u>

G. Operating Lease Agreements**Lease Expense Agreements**

WEDC leases its office facilities from the City on an annual lease agreement that requires \$1,154 per month for office space and \$1,000 per year for administrative support. Either WEDC or the City can terminate this lease by giving 30-days notice. For the year ended September 30, 2011, \$14,851 was paid under this agreement.

Lease Income Agreements

WEDC leases real estate to a manufacturing company for \$8,640 per year under the terms of the one-year lease effective July 10, 2011.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. During the 2011 fiscal year, WEDC received \$1,750 in rental income from the lease. This lease is automatically renewed each year unless one party terminates the lease, with 30 days notice.

H. Related Party Transactions

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

The City pays WEDC's payroll each month from City funds, and WEDC generally reimburses the City the following month. At September 30, 2011, WEDC owed the City \$13,895 for wages and benefits previously paid by the City.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

I. Sales Tax Rebate Agreements

WEDC, along with the City, as part of a business development plan to bring in new businesses to Wharton, has entered into a ten-year agreement effective August 16, 2008 with Buc-ee's, Ltd. (Buc-ee's) whereby, collectively, WEDC and the City rebate Buc-ee's each month 1.5% of the sales tax collected from Buc-ee's based on Buc-ee's taxable sales for the month. WEDC's portion due to Buc-ee's each month is one-third of the total amount reimbursed to Buc-ee's. During the year ended September 30, 2010, WEDC incurred \$47,758 in tax rate expenditures.

WEDC entered into a rebate agreement with King Ranch Turfgrass, L.P. effective January 1, 2009 until December 18, 2018 (10 years) whereby WEDC would rebate this company a percentage of WEDC sales taxes collected on this company's sales. For the year ended September 30, 2011, WEDC's rebate expenditure under this agreement was \$7,297.

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, 2011

With comparative totals for the year ended September 30, 2010

	2011			Variance Positive (Negative)	2010
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,422,455	\$ 3,464,815	\$ 3,462,872	\$ (1,943)	\$ 3,359,518
Licenses and permits	79,300	88,300	87,176	(1,124)	70,814
Intergovernmental	109,500	109,500	110,205	705	139,060
Charges for services	16,500	14,000	10,488	(3,512)	28,815
Fines and forfeitures	216,700	222,700	226,420	3,720	220,665
Investment income	3,000	1,000	1,021	21	2,030
Industrial district fee	492,901	492,901	492,901	-	682,573
Miscellaneous	23,750	13,000	11,869	(1,131)	95,522
Total revenues	<u>4,364,106</u>	<u>4,406,216</u>	<u>4,402,952</u>	<u>(3,264)</u>	<u>4,598,997</u>
EXPENDITURES					
Current					
General government	779,895	874,842	847,994	26,848	794,131
Public safety	2,921,350	2,937,448	2,916,785	20,663	2,962,399
Public works	1,001,620	1,041,631	1,034,337	7,294	1,059,057
Cultural and recreation	107,538	98,191	95,681	2,510	122,335
Capital outlay	-	10,750	10,750	-	151,516
Debt service	50,060	50,060	50,060	-	50,060
Total expenditures	<u>4,860,463</u>	<u>5,012,922</u>	<u>4,955,607</u>	<u>57,315</u>	<u>5,139,498</u>
Excess (deficiency) of revenues over expenditures	(496,357)	(606,706)	(552,655)	54,051	(540,501)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	42,500	42,892	392	-
Transfers in	496,357	564,206	577,642	13,436	508,753
Transfers out	-	-	(344)	(344)	-
Total other financing sources (uses)	<u>496,357</u>	<u>606,706</u>	<u>620,190</u>	<u>13,484</u>	<u>508,753</u>
Net change in fund balance	-	-	67,535	67,535	(31,748)
Fund balance at beginning of year	1,386,964	1,386,964	1,386,964	-	1,418,712
Fund balance at end of year	<u>\$ 1,386,964</u>	<u>\$ 1,386,964</u>	<u>\$ 1,454,499</u>	<u>\$ 67,535</u>	<u>\$ 1,386,964</u>

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

CITY OF WHARTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 HISTORICAL PENSION BENEFITS INFORMATION
 September 30, 2011

TEXAS MUNICIPAL RETIREMENT SYSTEM

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10 ²	\$ 8,856,728	\$ 10,164,826	\$ 1,308,098	87.13%	\$ 3,790,148	34.51%
12/31/10 ¹	6,781,455	8,964,618	2,183,163	75.65%	3,790,148	57.60%
12/31/09	6,082,674	8,225,454	2,142,780	73.95%	3,624,616	59.12%
12/31/08	5,437,481	6,639,042	1,201,561	81.90%	3,498,244	34.35%
12/31/07	5,225,360	6,190,137	964,777	84.41%	3,221,388	29.95%
12/31/06	5,342,676	5,729,629	386,953	93.25%	3,287,506	11.77%
12/31/05	4,870,630	5,277,872	407,242	92.28%	3,061,854	13.30%
12/31/04	4,529,921	4,928,170	398,249	91.92%	3,109,715	12.81%
12/31/03	4,319,465	4,744,440	424,975	91.04%	2,674,524	15.89%
12/31/02	4,030,311	4,392,391	362,080	91.76%	2,698,111	13.42%
12/31/01	3,765,295	4,104,529	339,234	91.74%	2,622,790	12.93%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Actuarial Valuation Information

	8/31/08	8/31/10
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period	6 years	30 years
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value	market value smoothed by a 5-year deferred recognition method with a 80% - 120% corridor on market value
Investment rate of return *	8.00%, net of expenses	7.75%, net of expenses
Projected salary increases	n/a	n/a
* Includes inflation at	3.50%	3.50%
Cost of living adjustment	none	none

CITY OF WHARTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL PENSION BENEFITS INFORMATION
 September 30, 2011

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008 ²	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010 ³	64,113,803	79,953,215	15,839,412	80.2%	8,708	1,819

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

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

³ Changes in actuarial assumptions were reflected in this valuation.

Three-Year Trend Information - State-wide			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$ 2,875,103 ³	\$ 2,875,103	100%
2009	2,698,271 ³	2,698,271	100%
2008	3,160,764 ²	11,239,339 ¹	356%

¹ Includes a state contribution of \$8,800,000.

² Based on the August 31, 2006, actuarial valuation.

³ Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2011 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Wharton, Texas			
Year Ended September 30	Annual Required Contributions (ARC)	Percentage Contributed	Net Obligation
2011	\$ 20,915	100%	\$ -
2010	15,525	100%	-
2009	15,165	100%	-

CITY OF WHARTON, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2011

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the year ended September 30, 2011, the City complied with budgetary restrictions at all departmental levels except the following. The following table details this variance:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Transfers out	\$ -	\$ 344	\$ (344)

Combining and Individual Fund Statements and Schedules

CITY OF WHARTON, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2011

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 80,323	\$ 6,097	\$ 86,420
Receivables, net	41,915	-	41,915
Due from other funds	2,478	-	2,478
Due from other governments	<u>74,504</u>	<u>-</u>	<u>74,504</u>
Total assets	<u>\$ 199,220</u>	<u>\$ 6,097</u>	<u>\$ 205,317</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 146	\$ 40	\$ 186
Due to other funds	<u>84,431</u>	<u>6,057</u>	<u>90,488</u>
Total liabilities	<u>84,577</u>	<u>6,097</u>	<u>90,674</u>
Fund balances			
Restricted			
Cultural and recreation	81,552	-	81,552
Municipal court	20,105	-	20,105
Public safety	<u>12,986</u>	<u>-</u>	<u>12,986</u>
Total fund balances	<u>114,643</u>	<u>-</u>	<u>114,643</u>
Total liabilities and fund balances	<u>\$ 199,220</u>	<u>\$ 6,097</u>	<u>\$ 205,317</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, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 166,149	\$ -	\$ 166,149
Intergovernmental	8,201	-	8,201
Fines and forfeitures	12,986	-	12,986
Investment income	109	-	109
Miscellaneous	11,614	-	11,614
Total revenues	<u>199,059</u>	<u>-</u>	<u>199,059</u>
EXPENDITURES			
Current			
General government	7,493	-	7,493
Public safety	13,656	-	13,656
Cultural and recreation	61,954	-	61,954
Capital outlay	-	205,510	205,510
Total expenditures	<u>83,103</u>	<u>205,510</u>	<u>288,613</u>
Excess (deficiency) of revenues over expenditures	115,956	(205,510)	(89,554)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	344	344
Transfers out	(90,500)	-	(90,500)
Total other financing sources (uses)	<u>(90,500)</u>	<u>344</u>	<u>(90,156)</u>
Net change in fund balances	25,456	(205,166)	(179,710)
Fund balances at beginning of year	89,187	205,166	294,353
Fund balances at end of year	<u>\$ 114,643</u>	<u>\$ -</u>	<u>\$ 114,643</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.

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

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

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2011

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
ASSETS				
Cash and cash equivalents	\$ 25,282	\$ 2,896	\$ 20,252	\$ 130
Receivables, net				
Accounts	41,915	-	-	-
Due from other funds	-	44	-	2,404
Due from other governments	-	-	-	-
Total assets	<u>\$ 67,197</u>	<u>\$ 2,940</u>	<u>\$ 20,252</u>	<u>\$ 2,534</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	9,800	-
Total liabilities	<u>-</u>	<u>-</u>	<u>9,800</u>	<u>-</u>
Fund balances				
Restricted				
Cultural and recreation	67,197	-	-	-
Municipal court	-	2,940	-	-
Public safety	-	-	10,452	2,534
Total fund balances	<u>67,197</u>	<u>2,940</u>	<u>10,452</u>	<u>2,534</u>
Total liabilities and fund balances	<u>\$ 67,197</u>	<u>\$ 2,940</u>	<u>\$ 20,252</u>	<u>\$ 2,534</u>

<u>Municipal Court Building Security</u>	<u>Ahldag Sewer System Project</u>	<u>Railroad Depot Restoration</u>	<u>Total</u>
\$ 17,135	\$ -	\$ 14,628	\$ 80,323
-	-	-	41,915
30	-	-	2,478
<u>-</u>	<u>74,504</u>	<u>-</u>	<u>74,504</u>
<u>\$ 17,165</u>	<u>\$ 74,504</u>	<u>\$ 14,628</u>	<u>\$ 199,220</u>

\$ -	\$ -	\$ 146	\$ 146
<u>-</u>	<u>74,504</u>	<u>127</u>	<u>84,431</u>
<u>-</u>	<u>74,504</u>	<u>273</u>	<u>84,577</u>

-	-	14,355	81,552
17,165	-	-	20,105
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,986</u>
<u>17,165</u>	<u>-</u>	<u>14,355</u>	<u>114,643</u>
<u>\$ 17,165</u>	<u>\$ 74,504</u>	<u>\$ 14,628</u>	<u>\$ 199,220</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, 2011

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
REVENUES				
Taxes	\$ 166,149	\$ -	\$ -	\$ -
Intergovernmental	-	-	8,201	-
Fines and forfeitures	-	7,636	-	-
Investment income	69	3	17	2
Miscellaneous	-	-	496	11,092
Total revenues	<u>166,218</u>	<u>7,639</u>	<u>8,714</u>	<u>11,094</u>
EXPENDITURES				
Current				
General government	-	7,493	-	-
Public safety	-	-	5,096	8,560
Cultural and recreation	<u>57,811</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>57,811</u>	<u>7,493</u>	<u>5,096</u>	<u>8,560</u>
Excess (deficiency) of revenues over expenditures	108,407	146	3,618	2,534
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(90,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(90,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	17,907	146	3,618	2,534
Fund balances at beginning of year	<u>49,290</u>	<u>2,794</u>	<u>6,834</u>	<u>-</u>
Fund balances at end of year	<u>\$ 67,197</u>	<u>\$ 2,940</u>	<u>\$ 10,452</u>	<u>\$ 2,534</u>

<u>Municipal Court Building Security</u>	<u>Ahldag Sewer System Project</u>	<u>Railroad Depot Restoration</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 166,149
-	-	-	8,201
5,350	-	-	12,986
18	-	-	109
-	-	26	11,614
<u>5,368</u>	<u>-</u>	<u>26</u>	<u>199,059</u>
-	-	-	7,493
-	-	-	13,656
-	-	4,143	61,954
-	-	4,143	83,103
5,368	-	(4,117)	115,956
-	-	-	(90,500)
-	-	-	(90,500)
5,368	-	(4,117)	25,456
<u>11,797</u>	<u>-</u>	<u>18,472</u>	<u>89,187</u>
<u>\$ 17,165</u>	<u>\$ -</u>	<u>\$ 14,355</u>	<u>\$ 114,643</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
HOTEL/MOTEL TAX
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 25,282	\$ 6,917
Receivables, net		
Accounts	<u>41,915</u>	<u>42,373</u>
Total assets	<u>\$ 67,197</u>	<u>\$ 49,290</u>
LIABILITIES AND FUND BALANCE		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balance		
Restricted		
Cultural and recreation	<u>67,197</u>	<u>49,290</u>
Total liabilities and fund balance	<u>\$ 67,197</u>	<u>\$ 49,290</u>

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Hotel/motel	\$ 150,000	\$ 166,149	\$ 16,149	\$ 151,129
Investment income	100	69	(31)	76
Total revenues	<u>150,100</u>	<u>166,218</u>	<u>16,118</u>	<u>151,205</u>
EXPENDITURES				
Current				
Cultural and recreation	<u>59,600</u>	<u>57,811</u>	<u>1,789</u>	<u>71,294</u>
Total expenditures	<u>59,600</u>	<u>57,811</u>	<u>1,789</u>	<u>71,294</u>
Excess (deficiency) of revenues over expenditures	90,500	108,407	17,907	79,911
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(90,500)</u>	<u>(90,500)</u>	<u>-</u>	<u>(80,000)</u>
Net change in fund balance	-	17,907	17,907	(89)
Fund balance at beginning of year	<u>49,290</u>	<u>49,290</u>	<u>-</u>	<u>49,379</u>
Fund balance at end of year	<u>\$ 49,290</u>	<u>\$ 67,197</u>	<u>\$ 17,907</u>	<u>\$ 49,290</u>

CITY OF WHARTON, TEXAS
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 MUNICIPAL COURT TECHNOLOGY
 BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 2,896	\$ 2,485
Due from other funds	<u>44</u>	<u>434</u>
Total assets	<u>\$ 2,940</u>	<u>\$ 2,919</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ 125</u>
Total liabilities	<u>-</u>	<u>125</u>
Fund balance		
Restricted		
Municipal court	<u>2,940</u>	<u>2,794</u>
Total liabilities and fund balance	<u>\$ 2,940</u>	<u>\$ 2,919</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
MUNICIPAL COURT TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Fines and forfeitures		
Municipal court fees	\$ 7,636	\$ 7,783
Investment income	<u>3</u>	<u>17</u>
Total revenues	<u>7,639</u>	<u>7,800</u>
EXPENDITURES		
Current		
General government	<u>7,493</u>	<u>11,750</u>
Total expenditures	<u>7,493</u>	<u>11,750</u>
Excess (deficiency) of revenues over expenditures	146	(3,950)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	146	(3,950)
Fund balance at beginning of year	<u>2,794</u>	<u>6,744</u>
Fund balance at end of year	<u>\$ 2,940</u>	<u>\$ 2,794</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
NARCOTICS CONTROL
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 20,252	\$ 6,834
Total assets	<u>\$ 20,252</u>	<u>\$ 6,834</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 9,800	\$ -
Total liabilities	<u>9,800</u>	<u>-</u>
Fund balance		
Restricted		
Public safety	<u>10,452</u>	<u>6,834</u>
Total liabilities and fund balance	<u>\$ 20,252</u>	<u>\$ 6,834</u>

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

NARCOTICS CONTROL

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$ 8,000	\$ 8,201	\$ 201	\$ 13,681
Investment income	500	17	(483)	25
Miscellaneous	-	496	496	15,140
Total revenues	<u>8,500</u>	<u>8,714</u>	<u>214</u>	<u>28,846</u>
EXPENDITURES				
Current				
Public safety	<u>8,500</u>	<u>5,096</u>	<u>3,404</u>	<u>10,235</u>
Total expenditures	<u>8,500</u>	<u>5,096</u>	<u>3,404</u>	<u>10,235</u>
Excess (deficiency) of revenues over expenditures	-	3,618	3,618	18,611
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	-	3,618	3,618	(11,389)
Fund balance at beginning of year	<u>6,834</u>	<u>6,834</u>	<u>-</u>	<u>18,223</u>
Fund balance at end of year	<u>\$ 6,834</u>	<u>\$ 10,452</u>	<u>\$ 3,618</u>	<u>\$ 6,834</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FIRE DEPARTMENT SPECIAL
BALANCE SHEET
September 30, 2010
With comparative totals for September 30, 2009

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 130	\$ -
Due from other funds	<u>2,404</u>	<u>-</u>
Total assets	<u>\$ 2,534</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balance		
Restricted		
Public safety	<u>2,534</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,534</u>	<u>\$ -</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****FIRE DEPARTMENT SPECIAL****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Investment income	\$ 2	\$ 44
Miscellaneous	<u>11,092</u>	<u>13,278</u>
Total revenues	<u>11,094</u>	<u>13,322</u>
EXPENDITURES		
Current		
Public safety	<u>8,560</u>	<u>35,179</u>
Total expenditures	<u>8,560</u>	<u>35,179</u>
Excess (deficiency) of revenues over expenditures	2,534	(21,857)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	2,534	(21,857)
Fund balance at beginning of year	<u>-</u>	<u>21,857</u>
Fund balance at end of year	<u>\$ 2,534</u>	<u>\$ -</u>

CITY OF WHARTON, TEXAS
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 MUNICIPAL COURT BUILDING SECURITY
 BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 17,135	\$ 11,742
Due from other funds	<u>30</u>	<u>55</u>
Total assets	<u>\$ 17,165</u>	<u>\$ 11,797</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Restricted		
Municipal court	<u>17,165</u>	<u>11,797</u>
Total liabilities and fund balance	<u>\$ 17,165</u>	<u>\$ 11,797</u>

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

MUNICIPAL COURT BUILDING SECURITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Fines and forfeitures		
Municipal court fees	\$ 5,350	\$ 5,394
Investment income	<u>18</u>	<u>19</u>
Total revenues	<u>5,368</u>	<u>5,413</u>
EXPENDITURES		
Current		
General government	<u>-</u>	<u>537</u>
Total expenditures	<u>-</u>	<u>537</u>
Excess (deficiency) of revenues over expenditures	5,368	4,876
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	5,368	4,876
Fund balance at beginning of year	<u>11,797</u>	<u>6,921</u>
Fund balance at end of year	<u>\$ 17,165</u>	<u>\$ 11,797</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AHLDAG SEWER SYSTEM PROJECT
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Due from other funds	\$ -	\$ 63,202
Due from other governments	<u>74,504</u>	<u>239,020</u>
Total assets	<u>\$ 74,504</u>	<u>\$ 302,222</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 61,140
Due to other funds	<u>74,504</u>	<u>241,082</u>
Total liabilities	<u>74,504</u>	<u>302,222</u>
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 74,504</u>	<u>\$ 302,222</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****AHLDAG SEWER SYSTEM PROJECT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE***For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	<u>2011</u>	<u>2010</u>
REVENUES		
Intergovernmental	\$ -	\$ 226,689
Total revenues	<u>-</u>	<u>226,689</u>
EXPENDITURES		
Capital outlay	-	321,445
Total expenditures	<u>-</u>	<u>321,445</u>
Excess (deficiency) of revenues over expenditures	-	(94,756)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	94,756
Net change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

CITY OF WHARTON, TEXAS
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 RAILROAD DEPOT RESTORATION
 BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 14,628	\$ 18,641
Due from other funds	<u>-</u>	<u>31</u>
Total assets	<u>\$ 14,628</u>	<u>\$ 18,672</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 146	\$ 200
Due to other funds	<u>127</u>	<u>-</u>
Total liabilities	<u>273</u>	<u>200</u>
Fund balance		
Restricted		
Cultural and recreation	<u>14,355</u>	<u>18,472</u>
Total liabilities and fund balance	<u>\$ 14,628</u>	<u>\$ 18,672</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****RAILROAD DEPOT RESTORATION****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE***For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	<u>2011</u>	<u>2010</u>
REVENUES		
Miscellaneous	\$ 26	\$ 345
Total revenues	<u>26</u>	<u>345</u>
EXPENDITURES		
Current		
Cultural and recreation	<u>4,143</u>	<u>5,768</u>
Total expenditures	<u>4,143</u>	<u>5,768</u>
Excess (deficiency) of revenues over expenditures	(4,117)	(5,423)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	(4,117)	(5,423)
Fund balance at beginning of year	<u>18,472</u>	<u>23,895</u>
Fund balance at end of year	<u>\$ 14,355</u>	<u>\$ 18,472</u>



MAJOR 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
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 339,860	\$ 365,623
Receivables, net		
Taxes	72,241	66,264
Due from other funds	<u>50,000</u>	<u>-</u>
Total assets	<u>\$ 462,101</u>	<u>\$ 431,887</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued interest payable	\$ 12,901	\$ 1,548
Deferred revenue	<u>72,241</u>	<u>66,264</u>
Total liabilities	<u>85,142</u>	<u>67,812</u>
Fund balance		
Restricted		
Long-term debt	<u>376,959</u>	<u>364,075</u>
Total fund balance	<u>376,959</u>	<u>364,075</u>
Total liabilities and fund balance	<u>\$ 462,101</u>	<u>\$ 431,887</u>

CITY OF WHARTON, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 724,143	\$ 720,287	\$ (3,856)	\$ 736,857
Investment income	<u>1,000</u>	<u>589</u>	<u>(411)</u>	<u>991</u>
Total revenues	<u>725,143</u>	<u>720,876</u>	<u>(4,267)</u>	<u>737,848</u>
EXPENDITURES				
Debt service				
Principal retirement	459,143	459,143	-	489,400
Interest and fiscal charges	253,000	248,849	4,151	242,386
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,506</u>
Total expenditures	<u>712,143</u>	<u>707,992</u>	<u>4,151</u>	<u>760,292</u>
Excess (deficiency) of revenues over expenditures	13,000	12,884	(116)	(22,444)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	665,663
Premium on issuance of bonds	-	-	-	21,306
Payment to escrow	<u>-</u>	<u>-</u>	<u>-</u>	<u>(658,462)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,507</u>
Net change in fund balance	13,000	12,884	(116)	6,063
Fund balance at beginning of year	<u>364,075</u>	<u>364,075</u>	<u>-</u>	<u>358,012</u>
Fund balance at end of year	<u>\$ 377,075</u>	<u>\$ 376,959</u>	<u>\$ (116)</u>	<u>\$ 364,075</u>



CAPITAL PROJECT FUNDS

The City maintains four Capital Project Funds: Street Improvement Fund, the 2010 Tax Notes Fund, the 2009 Bond Construction Fund, and the 2011 Bond Construction 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 2009 Bond Construction Fund and the 2011 Bond Construction Fund are reported as major funds.

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

2010 Tax Notes Fund - Accounts for the use of the proceeds from the City's 2010 Tax Anticipation Notes.

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

2011 Bond Construction Fund - Accounts for the use of the proceeds from the City's 2011 Certificates of Obligation.

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
September 30, 2011

	<u>Street Improvement</u>	<u>2010 Tax Notes</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 6,097	\$ 6,097
Total assets	<u>\$ -</u>	<u>\$ 6,097</u>	<u>\$ 6,097</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ 40	\$ 40
Due to other funds	<u>-</u>	<u>6,057</u>	<u>6,057</u>
Total liabilities	<u>-</u>	<u>6,097</u>	<u>6,097</u>
Fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 6,097</u>	<u>\$ 6,097</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, 2011*

	<u>Street Improvement</u>	<u>2010 Tax Notes</u>	<u>Total</u>
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>205,510</u>	<u>205,510</u>
Total expenditures	<u>-</u>	<u>205,510</u>	<u>205,510</u>
Excess (deficiency) of revenues over expenditures	-	(205,510)	(205,510)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>344</u>	<u>-</u>	<u>344</u>
Total other financing sources (uses)	<u>344</u>	<u>-</u>	<u>344</u>
Net change in fund balances	344	(205,510)	(205,166)
Fund balances at beginning of year	<u>(344)</u>	<u>205,510</u>	<u>205,166</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
STREET IMPROVEMENT
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 2
Due from other funds	<u>-</u>	<u>50,000</u>
Total assets	<u>\$ -</u>	<u>\$ 50,002</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 206
Due to other funds	<u>-</u>	<u>50,140</u>
Total liabilities	<u>-</u>	<u>50,346</u>
Fund balance		
Unassigned	<u>-</u>	<u>(344)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 50,002</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****STREET IMPROVEMENT****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Investment income	\$ -	\$ -	\$ -	\$ 71
Total revenues	-	-	-	71
EXPENDITURES				
Current				
Public works	-	-	-	77,789
Capital outlay	-	-	-	42,626
Total expenditures	-	-	-	120,415
Excess (deficiency) of revenues over expenditures	-	-	-	(120,344)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	344	344	120,000
Total other financing sources (uses)	-	344	344	120,000
Net change in fund balance	-	344	344	(344)
Fund balance at beginning of year	(344)	(344)	-	-
Fund balance at end of year	\$ (344)	\$ -	\$ 344	\$ (344)

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
2010 TAX NOTES
BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 6,097	\$ 213,970
Total assets	<u>\$ 6,097</u>	<u>\$ 213,970</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 40	\$ 8,460
Due to other funds	<u>6,057</u>	<u>-</u>
Total liabilities	<u>6,097</u>	<u>8,460</u>
Fund balance		
Restricted		
Various capital projects	<u>-</u>	<u>205,510</u>
Total liabilities and fund balance	<u>\$ 6,097</u>	<u>\$ 213,970</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****2010 TAX NOTES****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2010

With comparative totals for September 30, 2009

	<u>2011</u>	<u>2010</u>
REVENUES	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES		
Current		
Public safety	-	6,105
Capital outlay	205,510	43,185
Debt service		
Bond issuance costs	-	10,200
Total expenditures	<u>205,510</u>	<u>59,490</u>
Excess (deficiency) of revenues over expenditures	(205,510)	(59,490)
OTHER FINANCING SOURCES (USES)		
Debt issued	-	265,000
Total other financing sources (uses)	<u>-</u>	<u>265,000</u>
Net change in fund balance	(205,510)	205,510
Fund balance at beginning of year	<u>205,510</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 205,510</u>

CITY OF WHARTON, TEXAS
MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
2009 BOND CONSTRUCTION
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 619,545	\$ 240,319
Investments	-	1,259,824
Due from other funds	<u>8,873</u>	<u>5,905</u>
Total assets	<u>\$ 628,418</u>	<u>\$ 1,506,048</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 6,757	\$ 126,577
Accrued expenditures	-	2,487
Due to other funds	<u>516,189</u>	<u>1,078,757</u>
Total liabilities	<u>522,946</u>	<u>1,207,821</u>
Fund balance		
Restricted		
Various capital projects	<u>105,472</u>	<u>298,227</u>
Total fund balance	<u>105,472</u>	<u>298,227</u>
Total liabilities and fund balance	<u>\$ 628,418</u>	<u>\$ 1,506,048</u>

CITY OF WHARTON, TEXAS**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****2009 BOND CONSTRUCTION****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2010

With comparative totals for September 30, 2009

	<u>2011</u>	<u>2010</u>
REVENUES		
Intergovernmental	\$ 90,000	\$ 25,000
Investment income	7,550	14,775
Miscellaneous	<u>-</u>	<u>100,015</u>
Total revenues	<u>97,550</u>	<u>139,790</u>
EXPENDITURES		
Current		
Public works	62,224	611,817
Capital outlay	<u>256,994</u>	<u>613,722</u>
Total expenditures	<u>319,218</u>	<u>1,225,539</u>
Excess (deficiency) of revenues over expenditures	(221,668)	(1,085,749)
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	28,913	-
Transfers out	<u>-</u>	<u>(94,756)</u>
Total other financing sources (uses)	<u>28,913</u>	<u>(94,756)</u>
Net change in fund balance	(192,755)	(1,180,505)
Fund balance at beginning of year	<u>298,227</u>	<u>1,478,732</u>
Fund balance at end of year	<u>\$ 105,472</u>	<u>\$ 298,227</u>

CITY OF WHARTON, TEXAS
MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
2011 BOND CONSTRUCTION
BALANCE SHEET
September 30, 2011

ASSETS

Cash and cash equivalents \$ 4,535,155

Total assets \$ 4,535,155

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable \$ 78,827

Due to other funds 97,481

Total liabilities 176,308

Fund balance

Restricted

Various capital projects 4,358,847

Total liabilities and fund balance \$ 4,535,155

CITY OF WHARTON, TEXAS

MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS

2011 BOND CONSTRUCTION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2011

REVENUES	
Investment income	\$ 1,218
Total revenues	<u>1,218</u>
EXPENDITURES	
Capital outlay	219,942
Debt service	
Interest and fiscal charges	4,600
Bond issuance costs	<u>86,829</u>
Total expenditures	<u>311,371</u>
Excess (deficiency) of revenues over expenditures	(310,153)
OTHER FINANCING SOURCES (USES)	
Bonds issued	4,600,000
Premium on bonds	<u>69,000</u>
Total other financing sources (uses)	<u>4,669,000</u>
Net change in fund balance	4,358,847
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	<u>\$ 4,358,847</u>



GENERAL FUND

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



CITY OF WHARTON TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 560,368	\$ 292,246
Receivables, net		
Taxes	225,442	266,503
Fines	71,368	57,520
Other	16,666	20,837
Due from other funds	891,856	1,101,851
Due from component unit	13,895	20,208
Due from other governments	237,275	208,243
Deferred expenditures	<u>26,624</u>	<u>9,281</u>
Total assets	<u>\$ 2,043,494</u>	<u>\$ 1,976,689</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 152,708	\$ 173,296
Bank overdraft	22,553	64,482
Accrued expenditures	30,450	32,366
Due to other governments	23,739	35,711
Due to other funds	89,861	31,360
Deposits	50	150
Deferred revenue	<u>269,634</u>	<u>252,360</u>
Total liabilities	<u>588,995</u>	<u>589,725</u>
Fund balance		
Nonspendable		
Deferred expenditures	26,624	9,281
Unassigned	<u>1,427,875</u>	<u>1,377,683</u>
Total fund balance	<u>1,454,499</u>	<u>1,386,964</u>
Total liabilities and fund balance	<u>\$ 2,043,494</u>	<u>\$ 1,976,689</u>

CITY OF WHARTON TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 1,256,890	\$ 1,257,809	\$ 919	\$ 1,178,556
Sales	1,150,000	1,148,636	(1,364)	1,149,211
Franchise	1,057,925	1,056,427	(1,498)	1,031,751
Licenses and permits	88,300	87,176	(1,124)	70,814
Intergovernmental	109,500	110,205	705	139,060
Charges for services	14,000	10,488	(3,512)	28,815
Fines and forfeitures	222,700	226,420	3,720	220,665
Investment income	1,000	1,021	21	2,030
Industrial district fee	492,901	492,901	-	682,573
Miscellaneous	13,000	11,869	(1,131)	95,522
Total revenues	4,406,216	4,402,952	(3,264)	4,598,997
EXPENDITURES				
Current				
General government				
Mayor and council	27,525	26,124	1,401	26,616
City manager	224,859	219,240	5,619	194,316
City secretary	107,062	103,576	3,486	91,078
Legal and professional	91,000	82,245	8,755	54,295
Finance	262,704	256,417	6,287	250,734
Municipal court	95,195	94,253	942	109,336
Central services	66,497	66,139	358	67,756
Total general government	874,842	847,994	26,848	794,131
Public safety				
Police	1,866,157	1,858,825	7,332	1,885,191
Fire	284,406	278,629	5,777	291,069
Code enforcement	176,374	173,064	3,310	176,951
Emergency management	80,291	80,071	220	82,211
Animal control	51,264	51,101	163	53,768
Communications	478,956	475,095	3,861	473,209
Total public safety	2,937,448	2,916,785	20,663	2,962,399
Public works				
Streets and drainage	753,607	747,818	5,789	729,009
Garage	84,093	83,582	511	110,909
Facilities maintenance	203,931	202,937	994	219,139
Total public works	1,041,631	1,034,337	7,294	1,059,057

(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, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Community services	\$ 22,009	\$ 21,762	\$ 247	\$ 20,655
Recreation	31,270	30,997	273	59,433
Community pool	44,912	42,922	1,990	42,247
Total cultural and recreation	98,191	95,681	2,510	122,335
Capital outlay	10,750	10,750	-	151,516
Debt service				
Principal retirement	40,781	40,781	-	38,656
Interest and fiscal charges	9,279	9,279	-	11,404
Total debt service	50,060	50,060	-	50,060
Total expenditures	<u>5,012,922</u>	<u>4,955,607</u>	<u>57,315</u>	<u>5,139,498</u>
Excess (deficiency) of revenues over expenditures	(606,706)	(552,655)	54,051	(540,501)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	42,500	42,892	392	-
Transfers in	564,206	577,642	13,436	508,753
Transfers out	-	(344)	(344)	-
Total other financing sources (uses)	<u>606,706</u>	<u>620,190</u>	<u>13,484</u>	<u>508,753</u>
Net change in fund balance	\$ <u>-</u>	67,535	\$ <u>67,535</u>	(31,748)
Fund balance at beginning of year		<u>1,386,964</u>		<u>1,418,712</u>
Fund balance at end of year		<u>\$ 1,454,499</u>		<u>\$ 1,386,964</u>



ENTERPRISE FUNDS

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

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

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

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

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

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

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - WATER AND SEWER
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50,378	\$ 101,072
Receivables, net		
Accounts	308,554	296,277
Due from other funds	468,328	837,271
Inventory	<u>46,257</u>	<u>58,225</u>
Total current assets	<u>873,517</u>	<u>1,292,845</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,020,042	999,247
Water and sewer system	<u>19,706,720</u>	<u>18,652,714</u>
Total capital assets	20,726,762	19,651,961
Accumulated depreciation	<u>(8,902,096)</u>	<u>(8,445,174)</u>
Subtotal	11,824,666	11,206,787
Land	276,750	276,750
Construction in progress	<u>122,710</u>	<u>493,757</u>
Net capital assets	<u>12,224,126</u>	<u>11,977,294</u>
Bond issue costs, net	<u>162,762</u>	<u>178,575</u>
Total noncurrent assets	<u>12,386,888</u>	<u>12,155,869</u>
Total assets	<u>13,260,405</u>	<u>13,448,714</u>
LIABILITIES		
Current liabilities		
Accounts payable	53,668	57,679
Accrued expenses	5,772	5,509
Deposits	172,932	178,026
Accrued interest payable	55,601	55,233
Due to other funds	657,681	615,343
Compensated absences	3,447	2,521
Current portion of certificates of obligation	174,050	206,623
Current portion of general obligation bonds	<u>180,250</u>	<u>390,740</u>
Total current liabilities	<u>1,303,401</u>	<u>1,511,674</u>
Noncurrent liabilities		
Compensated absences	31,026	22,689
Bonds and certificates (net of unamortized deferred amounts)	<u>4,157,243</u>	<u>4,516,720</u>
Total noncurrent liabilities	<u>4,188,269</u>	<u>4,539,409</u>
Total liabilities	<u>5,491,670</u>	<u>6,051,083</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,712,583	6,863,211
Unrestricted net assets	<u>56,152</u>	<u>534,420</u>
Total net assets	<u>\$ 7,768,735</u>	<u>\$ 7,397,631</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - WATER AND SEWER
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011		Variance	2010
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Water	\$ 1,465,000	\$ 1,553,023	\$ 88,023	\$ 1,368,837
Sewer	1,340,000	1,355,695	15,695	1,299,675
Penalties	36,000	35,876	(124)	32,821
Connection and installation fees	53,000	49,662	(3,338)	62,805
Other	8,500	3,634	(4,866)	14,293
Total operating revenues	<u>2,902,500</u>	<u>2,997,890</u>	<u>95,390</u>	<u>2,778,431</u>
OPERATING EXPENSES				
Water and sewer operations				
Personnel	790,464	745,490	44,974	724,041
Materials and supplies	100,841	91,137	9,704	88,858
Repairs and maintenance	169,400	189,019	(19,619)	151,830
Other services and charges	707,775	749,175	(41,400)	744,459
Depreciation and amortization	468,023	476,124	(8,101)	473,567
Total operating expenses	<u>2,236,503</u>	<u>2,250,945</u>	<u>(14,442)</u>	<u>2,182,755</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	665,997	746,945	80,948	595,676
NONOPERATING REVENUES (EXPENSES)				
Investment income	200	184	(16)	245
Interest and fiscal charges	(176,197)	(166,981)	9,216	(207,698)
Total nonoperating revenues (expenses)	<u>(175,997)</u>	<u>(166,797)</u>	<u>9,200</u>	<u>(207,453)</u>
Income (loss) before contributions and transfers	490,000	580,148	90,148	388,223
Contributions and transfers				
Capital grants and contributions	-	294,392	294,392	-
Transfers out	(490,000)	(503,436)	(13,436)	(501,094)
Total contributions and transfers	<u>(490,000)</u>	<u>(209,044)</u>	<u>280,956</u>	<u>(501,094)</u>
Change in net assets	<u>\$ -</u>	371,104	<u>\$ 371,104</u>	(112,871)
Net assets at beginning of year		<u>7,397,631</u>		<u>7,510,502</u>
Net assets at end of year		<u>\$ 7,768,735</u>		<u>\$ 7,397,631</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - SOLID WASTE
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,794	\$ 7,261
Receivables, net		
Accounts	131,853	138,234
Due from other funds	<u>-</u>	<u>14,554</u>
Total assets	<u>152,647</u>	<u>160,049</u>
LIABILITIES		
Current liabilities		
Accounts payable	48,660	48,942
Accrued expenses	273	267
Due to other governments	7,675	7,684
Deposits	75	75
Due to other funds	<u>113,710</u>	<u>154,231</u>
Total liabilities	<u>170,393</u>	<u>211,199</u>
NET ASSETS		
Unrestricted net assets	<u>(17,746)</u>	<u>(51,150)</u>
Total net assets	<u>\$ (17,746)</u>	<u>\$ (51,150)</u>

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
OPERATING REVENUES				
Solid waste fees	\$ 1,163,000	\$ 1,164,537	\$ 1,537	\$ 1,162,390
Garbage collection fee	100,000	105,709	5,709	106,930
Other	500	1,241	741	463
Total operating revenues	<u>1,263,500</u>	<u>1,271,487</u>	<u>7,987</u>	<u>1,269,783</u>
OPERATING EXPENSES				
Solid waste operations				
Personnel	34,209	33,857	352	35,220
Materials and supplies	100	-	100	-
Other services and charges	<u>1,204,291</u>	<u>1,179,320</u>	<u>24,971</u>	<u>1,174,354</u>
Total operating expenses	<u>1,238,600</u>	<u>1,213,177</u>	<u>25,423</u>	<u>1,209,574</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	24,900	58,310	33,410	60,209
NONOPERATING REVENUES (EXPENSES)				
Investment income	<u>100</u>	<u>94</u>	<u>(6)</u>	<u>98</u>
Total nonoperating revenues (expenses)	<u>100</u>	<u>94</u>	<u>(6)</u>	<u>98</u>
Income (loss) before contributions and transfers	25,000	58,404	33,404	60,307
Transfers				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(50,000)</u>
Total transfers	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(50,000)</u>
Change in net assets	<u>\$ -</u>	<u>33,404</u>	<u>\$ 33,404</u>	<u>10,307</u>
Net assets at beginning of year		<u>(51,150)</u>		<u>(61,457)</u>
Net assets at end of year		<u>\$ (17,746)</u>		<u>\$ (51,150)</u>

CITY OF WHARTON, TEXAS**MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES****BALANCE SHEET**

September 30, 2011

With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 380,736	\$ 160,881
Receivables, net		
Accounts	62,498	48,790
Due from other funds	<u>76,166</u>	<u>8,415</u>
Total current assets	<u>519,400</u>	<u>218,086</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,203,045	928,355
Less accumulated depreciation	<u>(842,473)</u>	<u>(741,510)</u>
Net capital assets	<u>360,572</u>	<u>186,845</u>
Total assets	<u>879,972</u>	<u>404,931</u>
LIABILITIES		
Current liabilities		
Accounts payable	25,678	21,928
Accrued expenses	7,036	6,912
Due to other funds	4,204	1,776
Deferred revenue	15,000	-
Compensated absences	2,579	2,240
Current portion of capital leases payable	<u>66,096</u>	<u>-</u>
Total current liabilities	<u>120,593</u>	<u>32,856</u>
Noncurrent liabilities		
Compensated absences	23,212	20,155
Capital leases payable	<u>68,996</u>	<u>-</u>
Total noncurrent liabilities	<u>92,208</u>	<u>20,155</u>
Total liabilities	<u>212,801</u>	<u>53,011</u>
NET ASSETS		
Invested in capital assets, net of related debt	225,480	186,845
Unrestricted net assets	<u>441,691</u>	<u>165,075</u>
Total net assets	<u>\$ 667,171</u>	<u>\$ 351,920</u>

CITY OF WHARTON, TEXAS

MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES

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

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
OPERATING REVENUES				
Ambulance services	\$ 655,689	\$ 748,215	\$ 92,526	\$ 701,944
Other	1,000	1,613	613	1,190
Total operating revenues	<u>656,689</u>	<u>749,828</u>	<u>93,139</u>	<u>703,134</u>
OPERATING EXPENSES				
Emergency medical services				
Personnel	886,418	863,450	22,968	852,897
Materials and supplies	90,400	84,296	6,104	72,078
Repairs and maintenance	48,100	34,386	13,714	26,199
Other services and charges	141,225	129,786	11,439	130,735
Depreciation	98,150	100,963	(2,813)	78,174
Total operating expenses	<u>1,264,293</u>	<u>1,212,881</u>	<u>51,412</u>	<u>1,160,083</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(607,604)	(463,053)	144,551	(456,949)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	727,510	727,510	-	515,496
Investment income	300	534	234	271
Interest and fiscal charges	(9,000)	(8,534)	466	-
Total nonoperating revenues (expenses)	<u>718,810</u>	<u>719,510</u>	<u>700</u>	<u>515,767</u>
Income (loss) before contributions and transfers	111,206	256,457	145,251	58,818
Contributions and transfers				
Capital grants and contributions	-	108,000	108,000	54,400
Transfers out	(49,206)	(49,206)	-	(47,659)
Total contributions and transfers	<u>(49,206)</u>	<u>58,794</u>	<u>108,000</u>	<u>6,741</u>
Change in net assets	<u>\$ 62,000</u>	315,251	<u>\$ 253,251</u>	65,559
Net assets at beginning of year		<u>351,920</u>		<u>286,361</u>
Net assets at end of year		<u>\$ 667,171</u>		<u>\$ 351,920</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - CIVIC CENTER
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30,367	\$ 97,217
Receivables, net		
Accounts	3,890	5,803
Due from other funds	<u>5,320</u>	<u>1,495</u>
Total current assets	<u>39,577</u>	<u>104,515</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	126,949	126,949
Buildings and improvements	<u>1,986,788</u>	<u>1,986,788</u>
Total capital assets	<u>2,113,737</u>	<u>2,113,737</u>
Less accumulated depreciation	<u>(682,077)</u>	<u>(633,878)</u>
Net capital assets	<u>1,431,660</u>	<u>1,479,859</u>
Bond issue costs, net	<u>8,839</u>	<u>9,839</u>
Total noncurrent assets	<u>1,440,499</u>	<u>1,489,698</u>
Total assets	<u>1,480,076</u>	<u>1,594,213</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,682	4,587
Accrued expenses	1,045	854
Deposits	8,655	5,660
Accrued interest payable	2,491	1,807
Due to other funds	-	3,465
Compensated absences	1,144	1,156
Current portion of certificates of obligation	-	16,500
Current portion of general obligation bonds	<u>19,500</u>	<u>4,500</u>
Total current liabilities	<u>36,517</u>	<u>38,529</u>
Noncurrent liabilities		
Compensated absences	10,295	10,403
Bonds and certificates (net of unamortized deferred amounts)	<u>213,927</u>	<u>233,794</u>
Total noncurrent liabilities	<u>224,222</u>	<u>244,197</u>
Total liabilities	<u>260,739</u>	<u>282,726</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,198,233	1,229,565
Unrestricted net assets	<u>21,104</u>	<u>81,922</u>
Total net assets	<u>\$ 1,219,337</u>	<u>\$ 1,311,487</u>

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance	2010
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Civic center fees	\$ 64,732	\$ 49,271	\$ (15,461)	\$ 67,951
Other	500	390	(110)	-
Total operating revenues	<u>65,232</u>	<u>49,661</u>	<u>(15,571)</u>	<u>67,951</u>
OPERATING EXPENSES				
Civic center operations				
Personnel	104,341	105,812	(1,471)	121,958
Materials and supplies	5,781	4,850	931	6,880
Repairs and maintenance	17,700	17,868	(168)	33,679
Other services and charges	44,015	47,784	(3,769)	54,137
Depreciation and amortization	48,000	49,644	(1,644)	48,440
Total operating expenses	<u>219,837</u>	<u>225,958</u>	<u>(6,121)</u>	<u>265,094</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(154,605)	(176,297)	(21,692)	(197,143)
NONOPERATING REVENUES (EXPENSES)				
Investment income	200	53	(147)	205
Interest and fiscal charges	(6,826)	(6,406)	420	(11,251)
Total nonoperating revenues (expenses)	<u>(6,626)</u>	<u>(6,353)</u>	<u>273</u>	<u>(11,046)</u>
Income (loss) before transfers	(161,231)	(182,650)	(21,419)	(208,189)
Transfers				
Transfers in	<u>90,500</u>	<u>90,500</u>	-	<u>80,000</u>
Total transfers	<u>90,500</u>	<u>90,500</u>	-	<u>80,000</u>
Change in net assets	<u>\$ (70,731)</u>	(92,150)	<u>\$ (21,419)</u>	(128,189)
Net assets at beginning of year		<u>1,311,487</u>		<u>1,439,676</u>
Net assets at end of year		<u>\$ 1,219,337</u>		<u>\$ 1,311,487</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - AIRPORT
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 93,132	\$ 127,730
Receivables, net		
Accounts	13,143	9,177
Due from other funds	66,637	116,744
Due from other governments	11,670	-
Inventory	51,962	37,951
Total current assets	<u>236,544</u>	<u>291,602</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	171,972	143,097
Land improvements	287,717	287,717
Buildings and improvements	<u>3,522,568</u>	<u>3,522,568</u>
Total capital assets	3,982,257	3,953,382
Less accumulated depreciation	<u>(702,407)</u>	<u>(619,014)</u>
Subtotal	3,279,850	3,334,368
Land	42,343	42,343
Construction in progress	67,825	-
Net capital assets	<u>3,390,018</u>	<u>3,376,711</u>
Bond issue costs, net	<u>8,402</u>	<u>8,937</u>
Total assets	<u>3,634,964</u>	<u>3,677,250</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,528	5,799
Accrued expenses	489	460
Deposits	600	500
Accrued interest payable	3,876	4,491
Due to other funds	44	23,678
Compensated absences	56	56
Current portion of certificates of obligation	<u>8,350</u>	<u>37,494</u>
Total current liabilities	<u>21,943</u>	<u>72,478</u>
Noncurrent liabilities		
Compensated absences	508	508
Certificates (net of unamortized deferred amounts)	<u>290,641</u>	<u>299,205</u>
Total noncurrent liabilities	<u>291,149</u>	<u>299,713</u>
Total liabilities	<u>313,092</u>	<u>372,191</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,091,027	3,040,012
Unrestricted net assets	<u>230,845</u>	<u>265,047</u>
Total net assets	<u>\$ 3,321,872</u>	<u>\$ 3,305,059</u>

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance	2010
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Airport fees	\$ 181,000	\$ 190,543	\$ 9,543	\$ 169,728
Other	5,000	5,300	300	984
Total operating revenues	<u>186,000</u>	<u>195,843</u>	<u>9,843</u>	<u>170,712</u>
OPERATING EXPENSES				
Airport operations				
Personnel	66,168	64,342	1,826	62,631
Materials and supplies	7,800	6,063	1,737	12,878
Repairs and maintenance	24,500	36,626	(12,126)	20,362
Other services and charges	50,121	49,109	1,012	51,081
Depreciation and amortization	80,600	83,928	(3,328)	82,965
Total operating expenses	<u>229,189</u>	<u>240,068</u>	<u>(10,879)</u>	<u>229,917</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(43,189)	(44,225)	(1,036)	(59,205)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	10,000	11,670	1,670	47,199
Investment income	150	123	(27)	139
Interest and fiscal charges	(12,648)	(11,798)	850	(14,066)
Total nonoperating revenues (expenses)	<u>(2,498)</u>	<u>(5)</u>	<u>2,493</u>	<u>33,272</u>
Income (loss) before contributions	(45,687)	(44,230)	1,457	(25,933)
Contributions				
Capital grants and contributions	-	61,043	61,043	-
Total contributions	<u>-</u>	<u>61,043</u>	<u>61,043</u>	<u>-</u>
Change in net assets	\$ <u>(45,687)</u>	16,813	\$ <u>62,500</u>	(25,933)
Net assets at beginning of year		<u>3,305,059</u>		<u>3,330,992</u>
Net assets at end of year		<u>\$ 3,321,872</u>		<u>\$ 3,305,059</u>



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>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	118
Revenue Capacity	
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.....	129
Debt Capacity	
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	140
Demographic and Economic Information	
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.....	146
Operating Information	
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.....	148

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

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

(1) Accrual basis of accounting

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 5,330,747	\$ 6,863,521	\$ 6,832,082	\$ 6,537,738	\$ 6,243,600
613,877	513,775	418,240	416,831	455,154
<u>1,257,718</u>	<u>1,526,710</u>	<u>1,602,369</u>	<u>1,588,334</u>	<u>1,719,879</u>
<u>\$ 7,202,342</u>	<u>\$ 8,904,006</u>	<u>\$ 8,852,691</u>	<u>\$ 8,542,903</u>	<u>\$ 8,418,633</u>
\$ 11,500,738	\$ 12,596,624	\$ 10,863,971	\$ 11,319,633	\$ 12,227,323
180,125	(456,789)	1,642,103	995,314	732,046
<u>\$ 11,680,863</u>	<u>\$ 12,139,835</u>	<u>\$ 12,506,074</u>	<u>\$ 12,314,947</u>	<u>\$ 12,959,369</u>
\$ 16,831,485	\$ 19,460,145	\$ 17,696,053	\$ 17,857,371	\$ 18,470,923
613,877	513,775	418,240	416,831	455,154
<u>1,437,843</u>	<u>1,069,921</u>	<u>3,244,472</u>	<u>2,583,648</u>	<u>2,451,925</u>
<u>\$ 18,883,205</u>	<u>\$ 21,043,841</u>	<u>\$ 21,358,765</u>	<u>\$ 20,857,850</u>	<u>\$ 21,378,002</u>

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

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 1,197,103	\$ 1,316,196	\$ 822,357	\$ 822,213	\$ 871,330
2,653,594	2,825,817	3,012,237	3,285,594	3,248,440
1,300,791	1,817,233	1,644,418	2,120,461	1,476,798
215,996	248,535	218,224	259,386	218,256
222,145	231,552	250,056	272,026	303,499
<u>5,589,629</u>	<u>6,439,333</u>	<u>5,947,292</u>	<u>6,759,680</u>	<u>6,118,323</u>
166,240	261,706	356,333	324,198	343,817
244,350	55,071	-	18,250	7,025
-	-	-	-	-
12,808	15,397	11,634	11,670	9,672
526,724	729,601	289,500	117,340	18,406
824,211	1,899,894	123,311	401,689	190,000
<u>1,774,333</u>	<u>2,961,669</u>	<u>780,778</u>	<u>873,147</u>	<u>568,920</u>
(3,815,296)	(3,477,664)	(5,166,514)	(5,886,533)	(5,549,403)
1,914,766	1,928,867	1,947,147	1,885,118	1,948,184
1,319,795	1,240,084	1,237,646	1,149,211	1,148,636
924,196	1,047,982	991,182	1,031,751	1,056,427
175,474	199,153	174,996	151,129	166,149
174,312	65,870	9,916	18,048	10,487
-	79,268	467,451	682,573	492,901
76,942	245,218	82,009	140,162	115,207
275,359	372,886	204,852	518,753	487,142
<u>4,860,844</u>	<u>5,179,328</u>	<u>5,115,199</u>	<u>5,576,745</u>	<u>5,425,133</u>
\$ <u>1,045,548</u>	\$ <u>1,701,664</u>	\$ <u>(51,315)</u>	\$ <u>(309,788)</u>	\$ <u>(124,270)</u>

(continued)

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

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

(1) Accrual basis of accounting

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 2,067,083	\$ 2,162,499	\$ 2,311,685	\$ 2,390,453	\$ 2,417,926
1,242,914	1,175,700	1,273,376	1,209,574	1,213,177
1,339,596	1,300,504	1,098,147	1,160,083	1,221,415
188,687	222,166	279,893	276,345	232,364
221,619	252,061	225,539	243,983	251,866
<u>5,059,899</u>	<u>5,112,930</u>	<u>5,188,640</u>	<u>5,280,438</u>	<u>5,336,748</u>
2,283,549	2,436,197	2,785,697	2,778,431	2,997,890
1,279,305	1,158,403	1,300,634	1,269,783	1,271,487
988,845	1,065,258	766,083	703,134	749,828
80,373	88,102	71,116	67,951	49,661
171,888	186,038	181,935	170,712	195,843
255,649	243,467	242,765	562,695	739,180
614,784	752,387	387,233	54,400	463,435
<u>5,674,393</u>	<u>5,929,852</u>	<u>5,735,463</u>	<u>5,607,106</u>	<u>6,467,324</u>
614,494	816,922	546,823	326,668	1,130,576
21,204	14,936	2,468	958	988
-	-	21,800	-	-
<u>(275,359)</u>	<u>(372,886)</u>	<u>(204,852)</u>	<u>(518,753)</u>	<u>(487,142)</u>
<u>(254,155)</u>	<u>(357,950)</u>	<u>(180,584)</u>	<u>(517,795)</u>	<u>(486,154)</u>
\$ <u>360,339</u>	\$ <u>458,972</u>	\$ <u>366,239</u>	\$ <u>(191,127)</u>	\$ <u>644,422</u>
\$ <u>1,405,887</u>	\$ <u>2,160,636</u>	\$ <u>314,924</u>	\$ <u>(500,915)</u>	\$ <u>520,152</u>

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

	Fiscal Year		
	2004	2005	2006
General Fund			
Nonspendable			
Deferred expenditures	\$ -	\$ -	\$ -
Unassigned	-	-	-
Reserved			
Deferred expenditures	12,925	21,887	20,409
Unreserved	<u>1,195,181</u>	<u>1,146,653</u>	<u>1,203,420</u>
Total general fund	<u>\$ 1,208,106</u>	<u>\$ 1,168,540</u>	<u>\$ 1,223,829</u>
All Other Governmental Funds			
Restricted			
Retirement of long-term debt	\$ -	\$ -	\$ -
Cultural and recreation	-	-	-
Municipal court	-	-	-
Public safety	-	-	-
Various capital projects	-	-	-
Unreserved, reported in			
Special revenue funds	250,688	244,936	56,102
Debt service fund	365,845	366,349	431,913
Capital project funds	<u>71,833</u>	<u>754,942</u>	<u>255,294</u>
Total all other governmental funds	<u>\$ 688,366</u>	<u>\$ 1,366,227</u>	<u>\$ 743,309</u>

(1) Modified accrual basis of accounting

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

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ 26,624
-	-	-	-	1,427,875
17,719	14,184	12,571	9,281	-
<u>1,193,412</u>	<u>1,404,019</u>	<u>1,406,141</u>	<u>1,377,683</u>	<u>-</u>
<u>\$ 1,211,131</u>	<u>\$ 1,418,203</u>	<u>\$ 1,418,712</u>	<u>\$ 1,386,964</u>	<u>\$ 1,454,499</u>
\$ -	\$ -	\$ -	\$ -	\$ 376,959
-	-	-	-	81,552
-	-	-	-	20,105
-	-	-	-	12,986
-	-	-	-	4,464,319
122,721	194,899	117,419	89,187	-
458,275	360,762	358,012	364,075	-
<u>1,195,917</u>	<u>94,703</u>	<u>1,478,732</u>	<u>(293,086)</u>	<u>-</u>
<u>\$ 1,776,913</u>	<u>\$ 650,364</u>	<u>\$ 1,954,163</u>	<u>\$ 160,176</u>	<u>\$ 4,955,921</u>

CITY OF WHARTON, TEXAS**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**

Last eight fiscal years

	Fiscal Year		
	2004	2005	2006
Revenues			
Taxes	\$ 3,651,309	\$ 3,933,874	\$ 4,210,088
Licenses and permits	83,691	63,597	66,286
Intergovernmental	1,867,207	1,851,081	1,285,045
Charges for services	21,996	9,522	16,171
Fines and forfeitures	223,122	227,231	230,221
Investment income	24,683	55,969	61,579
Industrial district payment	-	-	-
Miscellaneous	163,753	148,553	202,510
Total revenues	<u>6,035,761</u>	<u>6,289,827</u>	<u>6,071,900</u>
Expenditures			
Current			
General government	1,273,723	1,728,216	1,183,005
Public safety	1,997,416	2,274,101	2,437,946
Public works	932,792	1,591,928	1,314,051
Culture and recreation	240,805	472,851	950,388
Capital outlay	1,631,152	630,338	775,590
Debt service			
Principal retirement	274,480	296,622	304,633
Interest and fiscal charges	113,749	134,394	148,665
Bond issuance costs	-	39,194	-
Total expenditures	<u>6,464,117</u>	<u>7,167,644</u>	<u>7,114,278</u>
Excess (deficiency) of revenues over expenditures	(428,356)	(877,817)	(1,042,378)
Other financing sources (uses)			
Debt issued	-	1,269,100	-
Premium on issuance of bonds	-	-	-
Payment to escrow	-	-	-
Capital lease proceeds	221,349	-	133,619
Sale of capital assets	-	-	-
Transfers in	728,142	531,064	527,276
Transfers out	(461,842)	(284,052)	(186,146)
Total other financing sources (uses)	<u>487,649</u>	<u>1,516,112</u>	<u>474,749</u>
Change in fund balances	<u>\$ 59,293</u>	<u>\$ 638,295</u>	<u>\$ (567,629)</u>
Debt service as a percentage of noncapital expenditures	<u>6.41%</u>	<u>6.37%</u>	<u>7.01%</u>

(1) Modified accrual basis of accounting

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

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	4,325,427	\$	4,517,831	\$	4,403,821	\$	4,247,504	\$	4,349,308
	150,149		127,166		72,908		70,814		87,176
	569,126		1,724,602		403,211		409,430		208,406
	15,042		28,248		12,709		28,815		10,488
	236,772		155,945		258,490		233,842		239,406
	174,312		65,870		9,916		18,048		10,487
	-		79,268		467,451		682,573		492,901
	<u>1,045,302</u>		<u>1,475,063</u>		<u>98,871</u>		<u>233,900</u>		<u>23,483</u>
	<u>6,516,130</u>		<u>8,173,993</u>		<u>5,727,377</u>		<u>5,924,926</u>		<u>5,421,655</u>
	1,188,056		1,321,674		805,414		811,418		855,487
	2,539,906		2,524,255		2,810,584		3,013,918		2,930,441
	1,869,878		1,531,189		1,226,819		1,748,663		1,096,561
	378,528		195,918		180,729		199,397		157,635
	1,597,770		3,871,656		475,790		1,172,494		693,196
	414,041		433,538		418,817		528,056		499,924
	185,521		220,411		242,810		253,790		262,728
	<u>54,877</u>		<u>32,715</u>		<u>62,551</u>		<u>38,706</u>		<u>86,829</u>
	<u>8,228,577</u>		<u>10,131,356</u>		<u>6,223,514</u>		<u>7,766,442</u>		<u>6,582,801</u>
	(1,712,447)		(1,957,363)		(496,137)		(1,841,516)		(1,161,146)
	2,161,900		665,000		1,562,400		930,663		4,600,000
	-		-		33,193		21,306		69,000
	-		-		-		(658,462)		-
	296,094		-		-		-		-
	-		-		-		-		71,805
	653,834		536,351		451,056		723,509		577,986
	<u>(378,475)</u>		<u>(163,465)</u>		<u>(246,204)</u>		<u>(204,756)</u>		<u>(90,844)</u>
	<u>2,733,353</u>		<u>1,037,886</u>		<u>1,800,445</u>		<u>812,260</u>		<u>5,227,947</u>
\$	<u>1,020,906</u>	\$	<u>(919,477)</u>	\$	<u>1,304,308</u>	\$	<u>(1,029,256)</u>	\$	<u>4,066,801</u>
	<u>9.19%</u>		<u>10.27%</u>		<u>11.26%</u>		<u>11.82%</u>		<u>12.96%</u>



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

<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>
2002	\$ 1,820,968	\$ 24,176	\$ 1,151,185	\$ 785,180	\$ 52,236	\$ 3,833,745
2003	1,778,107	34,225	1,235,592	796,546	48,856	3,893,326
2004	1,725,441	27,150	1,049,238	792,682	56,798	3,651,309
2005	1,858,369	42,698	1,124,445	818,192	90,170	3,933,874
2006	1,846,026	42,835	1,292,565	893,839	134,824	4,210,089
2007	1,870,702	40,867	1,319,795	918,589	175,474	4,325,427
2008	1,980,041	50,571	1,240,084	1,047,982	199,153	4,517,831
2009	1,962,203	37,794	1,237,646	991,182	174,996	4,403,821
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

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

(1) Includes tax-exempt property

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

SOURCE: Wharton County Appraisal District

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

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

Fiscal Year	City Direct Rates			Overlapping Rates					
	Debt Service	General Fund	Total	School District	Junior College	Fire District	(1) Wharton County	Groundwater District	Total
2002	\$0.1919	\$0.4034	\$0.5953	\$1.4850	\$0.1564	\$ 0.0300	\$ 0.6875	\$ -	\$ 2.3589
2003	0.1367	0.4488	0.5855	1.5000	0.1674	0.0300	0.6999	0.0200	2.4173
2004	0.1184	0.4671	0.5855	1.5000	0.1740	0.0300	0.6999	0.0200	2.4239
2005	0.1112	0.4743	0.5855	1.5000	0.1689	0.0300	0.6899	0.0190	2.4078
2006	0.1247	0.4400	0.5646	1.4850	0.1560	0.0300	0.6699	0.0165	2.3574
2007	0.1262	0.4238	0.5500	1.5658	0.1358	0.0300	0.5736	0.0112	2.3164
2008	0.1125	0.4003	0.5128	1.2229	0.1349	0.0300	0.5634	0.0085	1.9597
2009	0.1535	0.3593	0.5128	1.2327	0.1380	0.0300	0.5458	0.0071	1.9537
2010	0.1896	0.2971	0.4867	1.2366	0.1467	0.0300	0.5438	0.0071	1.9641
2011	0.1759	0.3041	0.4800	1.2362	0.1445	0.0300	0.5318	0.0073	1.9498

(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

2011		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 27,888,680	6.66%
J-M Manufacturing Company, Inc.	24,345,080	5.81%
Signature Gulf Coast Hospital, LP	8,443,730	2.02%
Wal-Mart Stores Texas, LP	6,387,427	1.52%
Signature Gulf Coast Hospital, LP	5,989,550	1.43%
Wal-Mart Property Tax Dept.	5,589,401	1.33%
Wharton RP LTD	5,074,136	1.21%
Centerpoint Energy Houston	4,280,940	1.02%
Buc-ee's	4,209,967	1.01%
M-I LLC	3,607,550	0.86%
	<u>\$ 95,816,461</u>	<u>22.87%</u>

2002		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 58,994,400	18.93%
J-M Manufacturing Company, Inc.	18,988,510	6.09%
Guld Coast Hospital, LP	9,000,000	2.89%
Anadrill Division of STC	7,199,810	2.31%
Reliant Energy - Houston	5,283,810	1.70%
Gulf Coast Hospital, LP	5,276,940	1.69%
Southwestern Bell Telephone Co.	4,617,730	1.48%
Schlumberger- Wharton	3,513,370	1.13%
South Texas Medical Joint Venture	3,258,050	1.05%
South Texas Medical Clinics, P.A.	2,519,570	0.81%
	<u>\$ 118,652,190</u>	<u>38.08%</u>

SOURCE: Wharton County Central Appraisal District

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

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

SOURCE: City of Wharton

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 52,254	\$ 1,843,023	99.61%
49,509	1,774,355	99.62%
50,998	1,731,266	99.58%
36,557	1,826,920	99.63%
41,522	1,835,324	99.60%
73,135	1,894,062	99.52%
40,968	1,925,521	99.18%
31,129	1,947,231	98.72%
25,487	1,867,165	96.40%
-	1,892,381	94.25%

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

<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>
2002	601,210,000	392,679,800	208,530,200	35%	206,576,000
2003	567,697,000	406,842,700	160,854,300	28%	207,436,000
2004	549,844,000	414,229,300	135,614,700	25%	236,780,000
2005	557,524,000	413,543,800	143,980,200	26%	239,161,000
2006	542,031,000	430,111,800	111,919,200	21%	197,909,000
2007	506,389,000	413,042,500	93,346,500	18%	437,312,000
2008	519,351,000	464,899,900	54,451,100	10%	343,549,000
2009	541,913,000	442,428,300	99,484,700	18%	266,410,000
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

NOTES: Water and sewer usage rates shown are for 5,000 - 7,000 gallon usage range.

Full detail of rate information can be found on schedule titled "Water and Sewer Rates".

N/A denotes information not available

SOURCE: City of Wharton Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 6.88	\$ 1.43	\$ 8.50	\$ 1.37
7.91	1.64	8.50	1.65
7.91	1.64	8.50	1.65
9.10	1.88	9.80	1.89
9.10	1.88	9.80	1.89
10.20	2.00	11.00	2.10
10.20	2.00	11.00	2.10
11.75	2.30	12.65	2.40
12.97	2.54	13.94	2.65
12.97	2.54	13.94	2.65

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

	Fiscal Year			
	2002	2003	2004	2005
Water Rates (per 2,000 gallons)				
Base Rate	\$ 7.91	\$ 7.91	\$ 9.10	\$ 9.10
Water usage rate				
2,000-4,000	1.59	1.59	1.82	1.82
4,000-7,000	1.64	1.64	1.88	1.88
7,000-11,000	1.71	1.71	1.96	1.96
11,000-15,000	1.79	1.79	2.05	2.05
15,000-50,000	1.90	1.90	2.18	2.18
50,000-100,000	2.01	2.01	2.31	2.31
100,000-150,000	2.19	2.19	2.51	2.51
>150,000	2.36	2.36	2.71	2.71
Sewer Rates (per 2,000 gallons)				
Base Rate	8.50	8.50	9.80	9.80
Sewer usage rate				
2,000-4,000	1.32	1.32	1.51	1.51
4,000-7,000	1.65	1.65	1.89	1.89
7,000-11,000	1.80	1.80	2.07	2.07
11,000-15,000	1.95	1.95	2.24	2.24
15,000-50,000	2.10	2.10	2.41	2.41
50,000-100,000	2.25	2.25	2.58	2.58
100,000-150,000	2.40	2.40	2.76	2.76
>150,000	2.55	2.55	2.93	2.93

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

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

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 9.10	\$ 10.20	\$ 10.20	\$ 11.75	12.97	12.97	
1.82	1.95	1.95	2.25	2.45	2.45	
1.88	2.00	2.00	2.30	2.54	2.54	
1.96	2.10	2.10	2.40	2.65	2.65	
2.05	2.20	2.20	2.55	2.81	2.81	
2.18	2.35	2.35	2.70	2.98	2.98	
2.31	2.45	2.45	2.80	3.09	3.09	
2.51	2.60	2.60	3.00	3.31	3.31	
2.71	2.80	2.80	3.20	3.53	3.53	
9.80	11.00	11.00	12.65	13.94	13.94	
1.51	1.70	1.70	1.95	2.15	2.15	
1.89	2.10	2.10	2.40	2.65	2.65	
2.07	2.30	2.30	2.65	2.92	2.92	
2.24	2.50	2.50	2.85	3.15	3.15	
2.41	2.70	2.70	3.10	3.41	3.41	
2.58	2.90	2.90	3.35	3.70	3.70	
2.76	3.10	3.10	3.55	3.92	3.92	
2.93	3.30	3.30	3.80	4.20	4.20	



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

2011			
<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	29,670,600	6.65%
Briar Pointe LTD	Apartment Complex	16,004,300	3.58%
Millcreek Apartments	Apartment Complex	11,261,600	2.52%
Wharton ISD	Public school	10,049,500	2.25%
J-M Eagle	Manufacturing	7,840,000	1.76%
WCJC	Junior College	6,126,500	1.37%
Southwest LTC	Skilled Nursing Facility	6,014,600	1.35%
The Meadow Associate	Apartment Complex	5,880,700	1.32%
Gulf Coast Medical Center	Hospital	5,658,200	1.27%
Buc-ee's	Retail drive in grocery	5,536,300	1.24%

2002			
<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	26,607,000	6.78%
Gulf Coast Medical Center	Hospital	16,099,000	4.10%
Briar Pointe LTD	Apartment Complex	14,005,200	3.57%
Wharton ISD	School	12,084,200	3.08%
Avalon Place	Nursing Home facility	10,238,100	2.61%
JM Eagle	Manufacturing	9,551,200	2.43%
Riverbend Apartments	Apartment Complex	7,672,500	1.95%
Millcreek Apartments	Apartment Complex	6,507,800	1.66%
Rio Posada Apartments	Apartment Complex	5,860,400	1.49%
Wharton County Junior College	School	5,209,200	1.33%

SOURCE: City of Wharton Utility Billing Department

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

Fiscal Year	Governmental Activities				Business-type Activities	
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	Certificates of Obligation	General Obligation Bonds
2002	\$ 1,526,772	\$ 1,195,400	\$ -	\$ 10,926	\$ 2,808,228	\$ 1,429,600
2003	1,285,372	1,136,200	-	-	2,704,628	1,358,800
2004	1,156,162	1,016,925	-	194,533	2,593,838	1,218,075
2005	2,295,537	891,800	-	152,761	2,924,463	1,068,200
2006	2,193,222	764,400	-	211,547	2,811,778	915,600
2007	4,226,697	632,450	-	354,339	3,488,303	757,550
2008	4,365,621	491,400	665,000	273,891	2,989,379	588,600
2009	5,703,381	345,800	665,000	225,314	5,266,619	714,200
2010	5,013,989	665,792	830,000	186,658	3,371,011	2,254,208
2011	9,519,606	456,032	675,000	145,877	3,110,394	1,858,968

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

Business-type Activities

<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 26,772	\$ 6,997,698	3.1%	\$ 751.87
-	6,485,000	2.8%	699.42
75,652	6,255,185	2.7%	675.58
59,407	7,392,168	3.0%	801.58
882,458	7,779,005	3.0%	842.43
792,000	10,251,339	3.7%	1,119.14
718,000	10,091,891	3.7%	1,102.94
-	12,920,314	4.7%	1,412.06
-	12,321,658	4.7%	1,395.12
135,092	15,900,969	5.4%	1,800.38

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

Fiscal Year	General Bonded Debt Outstanding			Total	Debt Service Monies Available
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes		
2002	\$ 4,335,000	\$ 2,625,000	\$ -	\$ 6,960,000	\$ 388,765
2003	3,990,000	2,495,000	-	6,485,000	375,937
2004	3,750,000	2,235,000	-	5,985,000	365,845
2005	5,220,000	1,960,000	-	7,180,000	366,349
2006	5,005,000	1,680,000	-	6,685,000	431,913
2007	7,715,000	1,390,000	-	9,105,000	458,275
2008	7,355,000	1,080,000	665,000	9,100,000	360,762
2009	10,970,000	1,060,000	665,000	12,695,000	358,012
2010	8,385,000	2,920,000	830,000	12,135,000	364,075
2011	12,630,000	2,315,000	675,000	15,620,000	376,959

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

SOURCE: City of Wharton

<u>Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 4,237,828	\$ 2,333,407	0.75%	\$ 250.72
4,063,428	2,045,635	0.67%	220.63
3,811,913	1,807,242	0.61%	195.19
3,992,663	2,820,988	0.90%	305.90
3,727,378	2,525,709	0.77%	273.52
4,245,853	4,400,872	1.27%	480.44
3,577,979	5,161,259	1.35%	564.07
5,980,819	6,356,169	1.60%	694.66
5,625,219	6,145,706	1.53%	695.85
4,969,362	10,273,679	2.45%	1,163.23

CITY OF WHARTON, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

(UNAUDITED)

September 30, 2011

	<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	9/30/2010	<u>\$ 15,620,000</u>	100.00%	<u>\$ 15,620,000</u>
Overlapping Debt:				
Wharton County	9/30/2010	2,915,000	15.15%	441,623
Wharton Independent School District	9/30/2010	<u>23,977,940</u>	44.66%	<u>10,708,548</u>
Total Overlapping Debt		<u>26,892,940</u>		<u>11,150,171</u>
Total		<u>\$ 42,512,940</u>		<u>\$ 26,770,171</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>
2002	(1)	\$ 1,965,030	\$ 1,533,509	\$ 431,521	\$ 299,226	1.44
2003	(2)	1,875,592	1,152,349	723,243	315,910	2.29
2004	(2)	1,927,029	1,163,994	763,035	312,795	2.44
2005	(2)	2,212,044	1,258,856	953,188	293,307	3.25
2006	(2)	2,213,933	1,341,092	872,841	294,576	2.96
2007	(2)	2,286,698	1,446,595	840,103	227,480	3.69
2008	(2)	2,438,117	1,527,110	911,007	217,255	4.19
2009	(2)	2,774,245	1,649,694	1,124,551	308,641	3.64
2010	(2)	2,778,676	1,709,188	1,069,488	553,585	1.93
2011	(2)	2,998,074	1,774,821	1,223,253	427,792	2.86

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

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

SOURCE: City of Wharton

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

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
2002	9,307	\$ 222,753,738	\$ 23,934	2,616	5.7%
2003	9,272	228,267,368	24,619	2,520	6.2%
2004	9,259	234,613,801	25,339	2,450	5.9%
2005	9,222	245,710,968	26,644	2,543	5.3%
2006	9,234	258,376,554	27,981	2,399	5.0%
2007	9,160	273,526,760	29,861	2,280	4.4%
2008	9,150	273,228,150	29,861	2,265	4.3%
2009	9,150	273,228,150	29,861	2,221	6.3%
2010	8,832	263,732,352	29,861	2,180	8.0%
2011	8,832	294,988,800	33,400	2,165	8.8%

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

SOURCE: (1) Population based on U.S. Census Bureau

(2) U.S. Department of Commerce, Bureau of Economic Analysis (for Wharton County)

(3) Wharton Independent School District

(4) U.S. Department of Labor - Bureau of Labor (for Wharton County)

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

2011		
Employer	Employees	Percentage of Total City Employment
Wharton ISD	400	2.10%
South Texas Medical Center	350	1.84%
Wal-Mart	260	1.36%
Wharton County	253	1.33%
Wharton County Junior College	236	1.24%
Gulf Coast Medical Center	235	1.23%
Nan Ya Plastics	205	1.08%
HEB Food Store	130	0.68%
J-M Manufacturing	102	0.54%
Buc-ee's	100	0.52%
	<u>2,271</u>	<u>11.92%</u>

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

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

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

CITY OF WHARTON, TEXAS

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

Last ten fiscal years

Function/Program	Fiscal Year			
	2002	2003	2004	2005
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	1.0	2.0
Finance	3.0	3.0	3.0	3.0
Municipal court	3.0	3.0	2.5	2.5
Community services coordinator	0.5	0.5	0.5	0.5
Central services	0.5	0.5	0.5	0.5
Public safety				
Police	21.5	22.0	21.5	23.5
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	3.0	3.0	3.0
Emergency management	-	-	-	0.5
Animal control	1.0	1.0	1.0	1.0
Communications	8.0	8.0	8.0	8.0
DARE	1.0	1.0	1.0	1.0
Public works				
Public works	11.5	11.0	11.5	11.5
Garage	1.5	1.5	2.0	2.0
Facilities maintenance	4.0	4.0	4.0	5.0
Water/wastewater				
City planning	1.5	2.0	1.5	1.0
Administration	2.0	2.0	2.0	2.0
Water operations	5.5	6.5	6.0	7.0
Sewer operations	4.0	3.5	3.0	4.0
Beautification	1.0	1.0	1.0	1.0
EMS	11.0	9.0	9.0	8.0
Civic Center	3.5	3.5	4.0	2.5
Airport	-	-	-	-
Total	92.0	91.0	90.0	93.5

SOURCE: City of Wharton

Fiscal Year					
2006	2007	2008	2009	2010	2011
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	1.0	1.0	1.0
3.0	3.0	4.0	4.0	3.0	3.0
2.5	2.5	2.5	2.5	2.0	2.0
0.5	0.5	0.5	0.5	0.5	-
-	-	-	0.5	0.5	0.5
24.5	24.5	24.5	24.5	24.0	25.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	4.0	3.0	3.0	3.0
0.5	0.5	0.5	0.5	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	9.0	9.0	9.0	9.0
1.0	1.0	1.0	-	-	-
11.5	11.5	11.5	11.5	11.0	10.5
2.0	2.0	2.0	2.0	2.0	1.0
4.0	4.0	5.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	-
2.0	2.0	1.0	1.5	2.0	1.5
7.0	7.0	7.0	7.5	7.5	8.5
4.0	4.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	8.0	8.0
2.5	2.5	2.5	2.5	3.0	2.5
-	-	1.5	2.0	1.5	2.0
<u>93.0</u>	<u>93.0</u>	<u>97.5</u>	<u>95.5</u>	<u>94.0</u>	<u>92.5</u>

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

Function/Program	Fiscal Year			
	2002	2003	2004	2005
General government				
Building permits issued	1,261	1,734	1,357	1,152
Building inspections conducted	N/A	N/A	1,323	1,387
Public safety				
Police				
Physical arrests	988	968	1,114	957
Traffic violations	4,685	2,587	3,066	2,610
Fire				
Fire calls	403	438	475	502
Public works				
Streets (miles)	95	95	95	95
Culture and recreation				
Parks and recreation				
Park rental	N/A	N/A	N/A	99
Community center rentals	316	286	322	496
Swimming pool				
Single admissions	N/A	N/A	N/A	N/A
Season passes	N/A	N/A	N/A	N/A
Aerobics	N/A	N/A	N/A	N/A
Swim lessons	N/A	N/A	N/A	N/A
Party rentals	N/A	N/A	N/A	N/A
Water and wastewater				
Water				
New connections/taps	14	4	9	7
Average daily consumption	1.1 mgd	1.1 mgd	1.1 mgd	1.1mgd
Peak daily consumption	N/A	N/A	N/A	N/A
Wastewater				
Average daily sewage treatment	.6 mgd	.6 mgd	.6 mgd	.7 mgd
EMS				
Ambulance loads	2,491	2,688	2,784	2,444

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2006	2007	2008	2009	2010	2011
1,048	1,099	1,031	947	348	390
1,484	1,003	1,658	959	1,080	1,235
908	789	657	881	759	746
3,401	3,238	1,932	4,521	3,896	3,459
511	457	527	512	459	519
95	97	97	97	97	97
103	96	58	57	33	43
320	294	310	303	278	273
4,824	4,770	2,633	2,979	2,585	2,086
19	87	56	49	32	24
41	43	32	44	26	56
29	29	42	34	22	42
11	6	12	7	6	6
3	14	17	13	14	14
1.2 mgd	1.1 mgd	1.4 mgd	1.2mgd	1.1mgd	1.2mgd
N/A	1.9 mgd	1.9 mgd	1.9 mgd	1.9mgd	2.6mgd
.5 mgd	1.2 mgd	.95 mgd	.73 mgd	.92 mgd	.79 mgd
2,874	2,928	3,309	3,425	3,203	3,208

CITY OF WHARTON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2002	2003	2004	2005
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	8	8	8
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	95	95	95	95
Streetlights	624	624	624	624
School zone flashers	4	4	4	4
Culture and recreation				
Acreage	90	90	90	90
Parks	10	10	10	10
Baseball/softball diamonds	5	5	5	5
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	75	75	75	75
Fire hydrants	430	430	430	430
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	77	77	77	77
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd

SOURCE: Various City departments

Fiscal Year						
2006	2007	2008	2009	2010	2011	
1	1	1	1	1	1	1
8	8	8	8	9	9	
1	1	1	1	1	1	
96	96.5	96.5	96.5	97.0	97.0	
624	852	852	852	852	852	
4	8	8	8	8	8	
90	90	90	92	92	92	
10	10	10	11	11	11	
5	5	5	5	5	5	
1	1	1	1	1	1	
1	1	1	1	1	1	
75	80	80.5	80.5	80.5	80.5	
430	470	475	478	478	478	
3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	
77	80	83	84	84	84	
15	15	15	15	15	15	
2.0 mgd	2.0 mgd	2.0 mgd	2.0mgd	2.0mgd	2.0mgd	



SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

The Honorable Mayor
and Members of the City Council

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

Harrison, Waldrop & Wherk, LLP

March 28, 2012



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Wharton, Texas' (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect the City's major federal program for the year ended September 30, 2011. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Mayor
and Members of the City Council

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Harrison, Waldrop & Uhenk, LLP

March 28, 2012

CITY OF WHARTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2011

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
FEDERAL EXPENDITURES			
U.S. Department of Housing and Urban Development			
<i>Passed through Texas Department of Rural Affairs</i>			
Community Development Block Grant	14.228	R729710	\$ 294,392
Total U.S. Department of Housing and Urban Development			<u>294,392</u>
U.S. Department of Homeland Security			
FY 2010 Assistance to Firefighters Grant	97.044	EMW-2010-FO-04338	<u>108,000</u>
<i>Passed through Texas Department of Public Safety</i>			
2010 Homeland Security Grant Program	97.073	2010-SS-T0-0008	<u>90,000</u>
Total U.S. Department of Homeland Security			<u>198,000</u>
U.S. Department of Transportation			
<i>Passed through Texas Department of Transportation - Division of Aviation</i>			
FY2011 Routine Airport Maintenance Program	20.106	M113WHRTN	11,670
Airport Improvement Grant	20.106	1013WHRTN	<u>61,043</u>
Total U.S. Department of Transportation			<u>72,713</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 565,105</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WHARTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2011

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wharton, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

CITY OF WHARTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes no

Identification of major program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

CITY OF WHARTON, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2011

None were reported.