

**CITY OF WHARTON, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the fiscal year ended September 30, 2012*

Joan Andel, CPA  
*Finance Director*

Andres Garza, Jr.  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# City of Wharton

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

March 15, 2013

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, 2012 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 36 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 2012. 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 U.S. Highway 59 and Farm to Market 102. The growing area has a Buc-ees, Wal-Mart, restaurants and retail shopping outlet.

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

These four industries provide the City with a solid diverse economic base to support government activities and local citizens. The City, along with WEDC, is actively engaged in the promotion of economic development.

### **MAJOR INITIATIVES**

During the 2012 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 2012 fiscal year, the City completed many improvements throughout the City through the issuance of \$4 million in bonds which were issued in 2009:

- Drainage improvements,
- Street improvements,
- Hurricane shutters for police department and City Hall,
- Interior and exterior coating of water tank,
- Installation of quick connects for generators at City Hall, EMS department and for water system improvements.

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

- Additional drainage improvements,
- Airport improvements.

Also, during the 2012 fiscal year, the following initiatives were in progress through the issuance of the \$4,600,000 bonds which were issued in 2011:

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

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

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

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

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

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

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

**FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL – (Continued)**

The City maintains a General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, and Enterprise Funds. The General Fund, Debt Service Fund, and Enterprise 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, 2011. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

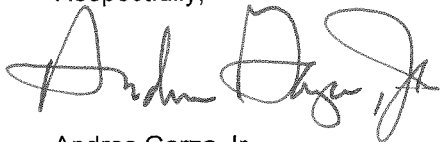
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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-one consecutive years (fiscal years ended 1991 - 2011). 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, 2011

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.



*Christopher P. Moynell*

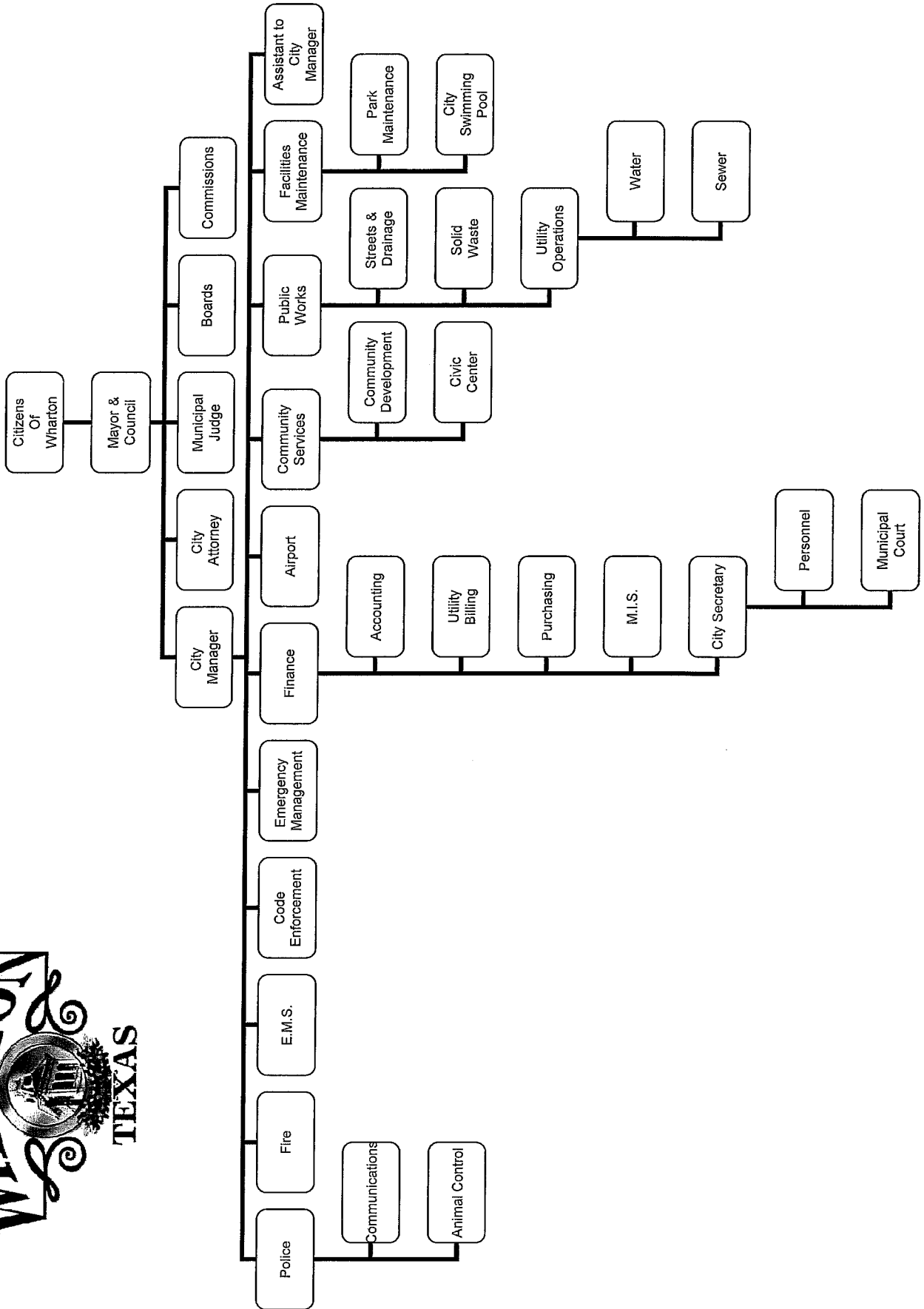
President

*Jeffrey R. Emer*

Executive Director



# Organizational Chart



**CITY OF WHARTON, TEXAS**

*DIRECTORY OF PRINCIPAL OFFICIALS*

*September 30, 2012*

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**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**



CERTIFIED PUBLIC ACCOUNTANTS  
101 S. MAIN, SUITE 400  
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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, 2012, 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 \$1,886,934 as of September 30, 2012, and total revenues of \$720,628 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, 2012, 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 13, 2013, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 & Wheeler, LLP*

March 13, 2013



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, 2012. 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, 2012, by \$22,273,104. Of this amount, \$2,492,284 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 \$11,475,958 for the fiscal year. The net expense was \$4,171,756.
- During the year, the City's general net expenses exceeded general revenues of the governmental activities by \$30,423. This represents a 0.36% increase in net assets from the previous fiscal year as a result of operations.
- At September 30, 2012, the City's governmental funds reported combined ending fund balances of \$5,811,468, a net decrease of \$598,952 in comparison with prior year. The net decrease in fund balance was mainly due to the spending of the proceeds from the 2011 Certificates of Obligation during fiscal year 2012.
- At September 30, 2012, unassigned fund balance for the General Fund was \$1,041,539 or 20.12% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net decrease of \$885,435, or 5.40%, from the prior year. The City entered into a capital lease in the amount of \$120,000 for police 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

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## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Government-wide Financial Statements**

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

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

The *statement of activities* presents information showing how the City's net assets changed during fiscal year 2012. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

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

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

### **Fund Financial Statements**

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

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

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

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

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## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Fund Financial Statements - (Continued)**

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

The City adopts an annual appropriated budget for its General and Debt Service Funds. 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 89 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 \$22,273,104 at the close of the fiscal year ended September 30, 2012.

At the end of fiscal year 2012, the City is able to report positive balances in all three categories of net assets for the government as a whole.

<b>City of Wharton, Texas</b>						
<b>Net Assets</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current assets	\$ 5,843,744	\$ 7,080,466	\$ 1,785,862	\$ 1,046,046	\$ 7,629,606	\$ 8,126,512
Capital assets (net)	12,938,540	12,681,723	17,817,363	17,406,376	30,755,903	30,088,099
Other noncurrent assets	738,818	258,220	(337,348)	180,003	401,470	438,223
<b>Total assets</b>	<b>19,521,102</b>	<b>20,020,409</b>	<b>19,265,877</b>	<b>18,632,425</b>	<b>38,786,979</b>	<b>38,652,834</b>
<b>LIABILITIES</b>						
Current and other liabilities	845,902	942,802	1,105,452	877,208	1,951,354	1,820,010
Noncurrent liabilities	10,226,144	10,658,974	4,336,377	4,795,848	14,562,521	15,454,822
<b>Total liabilities</b>	<b>11,072,046</b>	<b>11,601,776</b>	<b>5,441,829</b>	<b>5,673,056</b>	<b>16,513,875</b>	<b>17,274,832</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	6,145,777	6,243,600	13,128,337	12,227,323	19,274,114	18,470,923
Restricted	506,706	455,154	-	-	506,706	455,154
Unrestricted	1,796,573	1,719,879	695,711	732,046	2,492,284	2,451,925
<b>Total net assets</b>	<b>\$ 8,449,056</b>	<b>\$ 8,418,633</b>	<b>\$ 13,824,048</b>	<b>\$ 12,959,369</b>	<b>\$ 22,273,104</b>	<b>\$ 21,378,002</b>

The largest portion of the City's net assets (86.54%) 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 \$506,706 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$2,492,284 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities increased the City's net assets by \$30,423 or 0.36% which was mainly due to the increase in the capital grants and contributions from the prior year. There was also a net increase of \$864,679 in net assets reported in connection with the City's business-type activities. This increase is mainly due to the increase in capital grants and contributions and a decrease in water and sewer expenses from the prior year. Overall, there was an \$895,102 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	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 313,362	\$ 360,514	\$ 5,182,757	\$ 5,264,709	\$ 5,496,119	\$ 5,625,223
Operating grants and contributions	15,631	18,406	764,282	739,180	779,913	757,586
Capital grants and contributions	423,264	190,000	604,906	463,435	1,028,170	653,435
General revenues:						
Property taxes	1,962,365	1,948,184	-	-	1,962,365	1,948,184
Sales taxes	1,313,677	1,148,636	-	-	1,313,677	1,148,636
Franchise taxes	973,486	1,056,427	-	-	973,486	1,056,427
Other taxes	190,162	166,149	-	-	190,162	166,149
Unrestricted investment earnings	8,999	10,487	1,675	988	10,674	11,475
Industrial district payment	504,314	492,901	-	-	504,314	492,901
Miscellaneous	95,580	115,207	16,600	-	112,180	115,207
<b>Total revenues</b>	<b>5,800,840</b>	<b>5,506,911</b>	<b>6,570,220</b>	<b>6,468,312</b>	<b>12,371,060</b>	<b>11,975,223</b>
<b>EXPENSES</b>						
General government	976,628	871,330	-	-	976,628	871,330
Public safety	3,265,404	3,248,440	-	-	3,265,404	3,248,440
Public works	1,416,172	1,476,798	-	-	1,416,172	1,476,798
Cultural and recreation	215,656	218,256	-	-	215,656	218,256
Interest on long-term debt	401,230	303,499	-	-	401,230	303,499
Water and sewer	-	-	2,230,087	2,417,926	2,230,087	2,417,926
Solid waste	-	-	1,250,313	1,213,177	1,250,313	1,213,177
Emergency medical services	-	-	1,243,579	1,221,415	1,243,579	1,221,415
Civic center	-	-	217,927	232,364	217,927	232,364
Airport	-	-	258,962	251,866	258,962	251,866
<b>Total expenses</b>	<b>6,275,090</b>	<b>6,118,323</b>	<b>5,200,868</b>	<b>5,336,748</b>	<b>11,475,958</b>	<b>11,455,071</b>
Change in net assets before transfers	(474,250)	(611,412)	1,369,352	1,131,564	895,102	520,152
Transfers	504,673	487,142	(504,673)	(487,142)	-	-
Change in net assets	30,423	(124,270)	864,679	644,422	895,102	520,152
Net assets - beginning	8,418,633	8,542,903	12,959,369	12,314,947	21,378,002	20,857,850
Net assets - ending	\$ 8,449,056	\$ 8,418,633	\$ 13,824,048	\$ 12,959,369	\$ 22,273,104	\$ 21,378,002

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

Governmental Activities

Governmental activities increased the City's net assets by \$30,423. Key elements of this increase are as follows:

- Capital grants and contributions increased \$233,264 or 122.77% from prior year.
- Sales taxes increased by \$165,041 or 14.37% 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	\$ 976,628	15.56%	\$ 571,624	75.99%	\$ (405,004)
Public safety	3,265,404	52.04%	172,017	22.87%	(3,093,387)
Public works	1,416,172	22.57%	-	0.00%	(1,416,172)
Cultural and recreation	215,656	3.44%	8,616	1.14%	(207,040)
Interest on long-term debt	401,230	6.39%	-	0.00%	(401,230)
<b>Total</b>	<b>\$ 6,275,090</b>	<b>100.00%</b>	<b>\$ 752,257</b>	<b>100.00%</b>	<b>\$ (5,522,833)</b>

**City of Wharton, Texas**

**Revenues by Source - Governmental Activities**

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 313,362	4.97%
Operating grants and contributions	15,631	0.25%
Capital grants and contributions	423,264	6.71%
Property taxes	1,962,365	31.12%
Sales taxes	1,313,677	20.83%
Franchise taxes	973,486	15.44%
Other taxes	190,162	3.02%
Unrestricted investments earnings	8,999	0.14%
Industrial district payment	504,314	8.00%
Miscellaneous	95,580	1.52%
Transfers	504,673	8.00%
	<b>\$ 6,305,513</b>	<b>100.00%</b>

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

Business-type Activities

Business-type activities increased the City's net assets by \$864,679. Key elements of this increase are as follows:

- The \$476,306 capital contributions in the Airport Fund allowed for a \$516,451 increase in net assets. These contributions were in the form of capital costs contributed by the Texas Department of Transportation relating to the airport drainage improvement project.
- Expenses for water and sewer decreased \$187,839 or 7.77% which also contributed to the increase in the net assets. This primarily related to a decrease in operating expenses in the Water and Sewer Fund for fiscal year 2012.

**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	\$ 2,230,087	42.88%	\$ 2,953,740	45.08%	\$ 723,653
Solid waste	1,250,313	24.04%	1,299,841	19.84%	49,528
Emergency medical services	1,243,579	23.91%	1,543,618	23.56%	300,039
Civic center	217,927	4.19%	59,474	0.91%	(158,453)
Airport	<u>258,962</u>	<u>4.98%</u>	<u>695,272</u>	<u>10.61%</u>	<u>436,310</u>
Total	<u>\$ 5,200,868</u>	<u>100.00%</u>	<u>\$ 6,551,945</u>	<u>100.00%</u>	<u>\$ 1,351,077</u>

**City of Wharton, Texas**

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

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 5,182,757	85.45%
Operating grants and contributions	764,282	12.60%
Capital grants and contributions	604,906	9.97%
Unrestricted investment earnings	1,675	0.03%
Miscellaneous	16,600	0.27%
Transfers	<u>(504,673)</u>	<u>-8.32%</u>
	<u>\$ 6,065,547</u>	<u>100.00%</u>

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## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

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

As of the end of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$5,811,468, a decrease of \$598,952 in comparison with prior year. The net decrease in fund balance was mainly due to the spending of the 2011 Certificates of Obligation proceeds on various capital projects during fiscal year 2012. The expenditures are accounted for in the 2011 Bond Construction Fund which is reported as a major capital project fund at September 30, 2012. The General Fund ended the fiscal year with an increase of \$108,149, the 2009 Bond Construction Fund decreased \$105,472, the 2011 Bond Construction Fund decreased \$646,288, the Special Revenue Funds increased \$6,203, and an increase in the Debt Service Fund of \$38,456. 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 2012, unassigned fund balance of the General Fund was \$1,041,539, while total fund balance was \$1,562,648. 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 20.12% of the total General Fund expenditures, while total fund balance represents 30.18% of that same amount.

The fund balance of the City's General Fund increased by \$108,149 during the current fiscal year. These factors included revenues coming in \$41,641 more than the final budget, expenditures coming in \$53,841 more than the final budget, and recognizing \$120,000 of capital lease proceeds.

### **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	\$ (194,709)
Solid Waste	(18,173)
Emergency Medical Services	660,740
Civic Center	6,259
Airport	<u>241,594</u>
	<u>\$ 695,711</u>

This represents a decrease of \$36,335 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 \$62,213 to revenues, a net increase to expenditures of \$56,974, and a net decrease of \$5,239 to other financing sources. A few of the changes are briefly summarized as follows:

- An increase of \$144,575 in sales tax revenues.
- A net decrease in franchise tax revenues of \$68,891.
- A net decrease of \$17,500 in licenses and permits.
- A net increase of \$50,800 in intergovernmental revenues.
- A net decrease of \$33,389 in fines and forfeitures.
- An increase of \$22,885 in legal and professional department.
- An increase of \$33,150 in central services department for professional services.
- A decrease of \$25,067 in the police department which consisted of a decrease of \$50,282 in salaries and benefits, an increase of \$15,250 in fuel costs, an increase of \$6,000 in vehicle maintenance, and an increase of \$7,750 in professional fees.
- A decrease of \$24,389 in the fire department in salaries and benefits.
- An increase of \$11,145 in the emergency management department for computer software and supplies.
- An increase in equipment maintenance of \$47,000.
- A decrease in code enforcement of \$6,644.

For fiscal year 2012, the General Fund's revenues were \$41,641 more than the final budget and expenditures were \$53,841 more than the final budget. The only significant variances between the General Fund's actual revenues and expenditures compared to the final budget related to the capital lease that the City entered into during fiscal year 2012. The capital outlay expenditures had a negative variance of \$120,000 and the capital lease proceeds, an other financing source, had a positive variance of \$120,000 both of which are reflected on the General Fund budget comparison schedule on page 63.

## **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, 2012, amounts to \$30,755,903 (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 2.22% (a 2.03% increase for governmental activities and a 2.36% increase for business-type activities).

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

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	831,540	498,845	624,130	190,536	1,455,670	689,381
Machinery and equipment	1,409,737	1,629,945	727,488	671,597	2,137,225	2,301,542
Land improvements	-	-	260,127	265,881	260,127	265,881
Bldgs. and improvements	3,423,963	2,997,967	4,205,278	4,289,518	7,629,241	7,287,485
Infrastructure	6,100,015	6,381,681	-	-	6,100,015	6,381,681
Water and sewer system	-	-	11,681,247	11,669,753	11,681,247	11,669,753
<b>Total</b>	<b>\$ 12,938,540</b>	<b>\$ 12,681,723</b>	<b>\$ 17,817,363</b>	<b>\$ 17,406,378</b>	<b>\$ 30,755,903</b>	<b>\$ 30,088,101</b>

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**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, 2012, consisted of the following:
  - The net increase in construction in progress of \$332,695 included the following projects: FM 102 or 1301 extension; various street improvements; and the sidewalk enhancement project.
  - The net increase in buildings and improvements of \$425,996 includes the completion of the auxiliary power system project and the hurricane shutters for various city buildings.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2012, consisted of the following:
  - The auxiliary power system project which was completed in fiscal year 2012 and totaled \$133,913.
  - In addition to the auxiliary power system project, the water and sewer system additions included costs of \$304,000 on tank improvements.
  - Texas Department of Transportation Airport drainage project (\$624,130) was still in progress at year-end.
  - The net increase of \$55,891 in machinery and equipment included the following: 3 EKG monitors and a portable diesel generator.

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 2012, the City had total bonded debt outstanding of \$14,463,795 (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 \$515,000 in tax anticipation notes, \$215,553 in capital leases, and \$326,652 in compensated absences as of September 30, 2012.

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<b>City of Wharton, Texas</b>			
<b><u>Long-term Debt</u></b>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 350,782	\$ 1,659,218	\$ 2,010,000
Issuance premiums	109,879	98,874	208,753
Loss on refunding	(9,925)	(30,033)	(39,958)
Certificates of obligation	9,357,006	2,927,994	12,285,000
Tax anticipation notes	515,000	-	515,000
Capital leases	182,580	32,973	215,553
Compensated absences	<u>250,542</u>	<u>76,110</u>	<u>326,652</u>
Total	<u>\$ 10,755,864</u>	<u>\$ 4,765,136</u>	<u>\$ 15,521,000</u>

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## **CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)**

### **Long-Term Debt - (Continued)**

The City's total outstanding debt decreased by \$885,435 or 5.40% over the prior fiscal year. The key factors in this net decrease were:

- The City entered into a capital lease in the amount of \$120,000 during the fiscal year for police vehicles.
- Payments made on the certificates and bonds during fiscal year 2012 totaled \$650,000.
- Payments made on the tax anticipation notes during fiscal year 2012 totaled \$160,000.

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 2012 increased by \$29,904,598 or 7.2% to approximately \$442 million.
- The top ten principal taxpayers account for 24.49% of the total assessed valuation as compared to 35.96% nine years ago.
- The ad valorem tax rate for the General Fund was decreased by \$0.0223 per \$100 valuation to \$0.25743 per \$100 valuation for the 2013 fiscal year budget.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2013 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,975,152	\$ 1,076,643	\$ 6,051,795	\$ 1,374,232
Receivables, net	461,754	552,341	1,014,095	113,884
Internal balances	98,948	(98,948)	-	-
Due from primary government	-	-	-	3,065
Due from component unit	16,285	-	16,285	-
Due from other governments	270,496	174,372	444,868	-
Deferred expenditures	21,109	-	21,109	2,501
Inventory	-	81,454	81,454	2,000
<b>Total current assets</b>	<b>5,843,744</b>	<b>1,785,862</b>	<b>7,629,606</b>	<b>1,495,682</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	2,004,825	943,223	2,948,048	385,334
Buildings, infrastructure, and equipment, net	10,933,715	16,874,140	27,807,855	5,918
<b>Net capital assets</b>	<b>12,938,540</b>	<b>17,817,363</b>	<b>30,755,903</b>	<b>391,252</b>
Bond issue costs, net	238,818	162,652	401,470	-
Noncurrent internal balances	500,000	(500,000)	-	-
<b>Total noncurrent assets</b>	<b>13,677,358</b>	<b>17,480,015</b>	<b>31,157,373</b>	<b>391,252</b>
<b>Total assets</b>	<b>19,521,102</b>	<b>19,265,877</b>	<b>38,786,979</b>	<b>1,886,934</b>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 130,710	\$ 321,678	\$ 452,388	\$ 13,269
Accrued expenditures/expenses	47,972	25,572	73,544	-
Due to primary government	-	-	-	16,285
Due to component unit	3,065	-	3,065	-
Due to other governments	27,926	7,836	35,762	-
Deposits	200	189,602	189,802	-
Accrued interest payable	106,309	59,005	165,314	559
Unearned revenue	-	73,000	73,000	-
Compensated absences	25,054	7,611	32,665	-
Current portion of long-term obligations	504,666	421,148	925,814	100,062
Total current liabilities	<u>845,902</u>	<u>1,105,452</u>	<u>1,951,354</u>	<u>130,175</u>
Noncurrent liabilities				
Compensated absences	225,488	68,499	293,987	-
Noncurrent portion of long-term obligations (net of unamortized deferred amounts)	10,000,656	4,267,878	14,268,534	946,037
Total noncurrent liabilities	<u>10,226,144</u>	<u>4,336,377</u>	<u>14,562,521</u>	<u>946,037</u>
<b>Total liabilities</b>	<u>11,072,046</u>	<u>5,441,829</u>	<u>16,513,875</u>	<u>1,076,212</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,145,777	13,128,337	19,274,114	391,252
Restricted for:				
Debt service	385,860	-	385,860	-
Cultural and recreation	84,922	-	84,922	-
Municipal court	13,215	-	13,215	-
Public safety	22,709	-	22,709	-
Unrestricted net assets	<u>1,796,573</u>	<u>695,711</u>	<u>2,492,284</u>	<u>419,470</u>
<b>Total net assets</b>	<u>\$ 8,449,056</u>	<u>\$ 13,824,048</u>	<u>\$ 22,273,104</u>	<u>\$ 810,722</u>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2012

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 976,628	\$ 299,099	\$ 4,230	\$ 268,295
Public safety	3,265,404	5,647	11,401	154,969
Public works	1,416,172	-	-	-
Cultural and recreation	215,656	8,616	-	-
Interest on long-term debt	401,230	-	-	-
Total governmental activities	<u>6,275,090</u>	<u>313,362</u>	<u>15,631</u>	<u>423,264</u>
Business-type activities				
Water and sewer	2,230,087	2,840,140	-	113,600
Solid waste	1,250,313	1,299,841	-	-
Emergency medical services	1,243,579	801,108	727,510	15,000
Civic center	217,927	59,474	-	-
Airport	258,962	182,194	36,772	476,306
Total business-type activities	<u>5,200,868</u>	<u>5,182,757</u>	<u>764,282</u>	<u>604,906</u>
Total primary government	<u>\$ 11,475,958</u>	<u>\$ 5,496,119</u>	<u>\$ 779,913</u>	<u>\$ 1,028,170</u>
<b>Component Unit</b>				
Wharton Economic Development Corporation	<u>\$ 463,997</u>	<u>\$ 10,170</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	
\$ (405,004)	\$ -	\$ (405,004)	\$ -
(3,093,387)	-	(3,093,387)	-
(1,416,172)	-	(1,416,172)	-
(207,040)	-	(207,040)	-
(401,230)	-	(401,230)	-
<u>(5,522,833)</u>	<u>-</u>	<u>(5,522,833)</u>	<u>-</u>
-	723,653	723,653	-
-	49,528	49,528	-
-	300,039	300,039	-
-	(158,453)	(158,453)	-
-	436,310	436,310	-
<u>-</u>	<u>1,351,077</u>	<u>1,351,077</u>	<u>-</u>
<u>(5,522,833)</u>	<u>1,351,077</u>	<u>(4,171,756)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(453,827)</u>
1,129,871	-	1,129,871	-
832,494	-	832,494	-
1,313,677	-	1,313,677	705,603
973,486	-	973,486	-
190,162	-	190,162	-
8,999	1,675	10,674	4,410
504,314	-	504,314	-
95,580	16,600	112,180	445
504,673	(504,673)	-	-
<u>5,553,256</u>	<u>(486,398)</u>	<u>5,066,858</u>	<u>710,458</u>
30,423	864,679	895,102	256,631
<u>8,418,633</u>	<u>12,959,369</u>	<u>21,378,002</u>	<u>554,091</u>
<u>\$ 8,449,056</u>	<u>\$ 13,824,048</u>	<u>\$ 22,273,104</u>	<u>\$ 810,722</u>



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

September 30, 2012

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	<u>General</u>	<u>Debt Service</u>	<u>2009 Bond Construction</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 603,458	\$ 413,205	\$ 108,016
Receivables, net	340,262	76,754	-
Due from other funds	260,766	4,730	7,000
Due from component unit	16,285	-	-
Due from other governments	268,583	-	-
Advances to other funds	500,000	-	-
Deferred expenditures	21,109	-	-
<b>Total assets</b>	<u>\$ 2,010,463</u>	<u>\$ 494,689</u>	<u>\$ 115,016</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 101,259	\$ -	\$ -
Accrued expenditures	46,436	-	-
Due to component unit	3,065	-	-
Due to other governments	27,926	-	-
Due to other funds	23,280	2,520	115,016
Deposits	200	-	-
Deferred revenue	245,649	76,754	-
<b>Total liabilities</b>	<u>447,815</u>	<u>79,274</u>	<u>115,016</u>
<b>Fund balances</b>			
Nonspendable	521,109	-	-
Restricted	-	415,415	-
Unassigned	1,041,539	-	-
<b>Total fund balances</b>	<u>1,562,648</u>	<u>415,415</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,010,463</u>	<u>\$ 494,689</u>	<u>\$ 115,016</u>

The accompanying notes are an integral part of this statement.

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<u>2011 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,781,005	\$ 69,468	\$ 4,975,152
-	44,738	461,754
-	4,882	277,378
-	-	16,285
-	1,913	270,496
-	-	500,000
-	-	21,109
<u>\$ 3,781,005</u>	<u>\$ 121,001</u>	<u>\$ 6,522,174</u>

\$ 29,296	\$ 155	\$ 130,710
1,536	-	47,972
-	-	3,065
-	-	27,926
37,614	-	178,430
-	-	200
-	-	322,403
<u>68,446</u>	<u>155</u>	<u>710,706</u>

-	-	521,109
3,712,559	120,846	4,248,820
-	-	1,041,539
<u>3,712,559</u>	<u>120,846</u>	<u>5,811,468</u>
<u>\$ 3,781,005</u>	<u>\$ 121,001</u>	<u>\$ 6,522,174</u>

**CITY OF WHARTON, TEXAS**

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

September 30, 2012

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<b>Total governmental fund balances</b>		<b>\$ 5,811,468</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		251,801
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.		70,602
Issuance cost related to debt is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt.		238,818
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 22,616,328	
Accumulated depreciation of governmental capital assets	<u>(9,677,788)</u>	12,938,540
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	(9,707,788)	
Bond premiums	(109,879)	
Loss on refunding	9,925	
Tax anticipation notes payable	(515,000)	
Capital leases payable	(182,580)	
Accrued interest payable	(106,309)	
Compensated absences	<u>(250,542)</u>	<u>(10,862,173)</u>
<b>Net assets of governmental activities</b>		<b>\$ <u>8,449,056</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**

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

*GOVERNMENTAL FUNDS*

*For the year ended September 30, 2012*

	<u>General</u>	<u>Debt Service</u>	<u>2009 Bond Construction</u>
<b>REVENUES</b>			
Taxes	\$ 3,447,569	\$ 846,726	\$ -
Licenses and permits	67,112	-	-
Intergovernmental	160,516	-	268,295
Charges for services	9,866	-	-
Fines and forfeitures	217,993	-	-
Investment income	1,002	726	791
Industrial district fee	504,314	-	-
Miscellaneous	37,293	-	-
<b>Total revenues</b>	<u>4,445,665</u>	<u>847,452</u>	<u>269,086</u>
<b>EXPENDITURES</b>			
Current			
General government	837,027	-	88,203
Public safety	2,949,589	-	-
Public works	1,059,999	-	-
Cultural and recreation	82,791	-	-
Capital outlay	155,828	-	299,772
Debt service			
Principal retirement	83,297	427,850	-
Interest and fiscal charges	9,034	381,146	-
<b>Total expenditures</b>	<u>5,177,565</u>	<u>808,996</u>	<u>387,975</u>
Excess (deficiency) of revenues over expenditures	(731,900)	38,456	(118,889)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	26,349	-	-
Capital lease	120,000	-	-
Transfers in	693,700	-	13,417
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>840,049</u>	<u>-</u>	<u>13,417</u>
Net change in fund balances	108,149	38,456	(105,472)
Fund balances at beginning of year	<u>1,454,499</u>	<u>376,959</u>	<u>105,472</u>
<b>Fund balances at end of year</b>	<u>\$ 1,562,648</u>	<u>\$ 415,415</u>	<u>\$ -</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>
\$ -	\$ 190,162	\$ 4,484,457
-	-	67,112
-	10,084	438,895
-	-	9,866
-	11,265	229,258
6,360	120	8,999
-	-	504,314
-	<u>10,402</u>	<u>47,695</u>
<u>6,360</u>	<u>222,033</u>	<u>5,790,596</u>
86,813	18,063	1,030,106
-	10,653	2,960,242
-	-	1,059,999
-	71,858	154,649
565,835	-	1,021,435
-	-	511,147
-	-	<u>390,180</u>
<u>652,648</u>	<u>100,574</u>	<u>7,127,758</u>
(646,288)	121,459	(1,337,162)
-	-	26,349
-	-	120,000
-	-	707,117
-	<u>(115,256)</u>	<u>(115,256)</u>
-	<u>(115,256)</u>	<u>738,210</u>
(646,288)	6,203	(598,952)
<u>4,358,847</u>	<u>114,643</u>	<u>6,410,420</u>
<u>\$ 3,712,559</u>	<u>\$ 120,846</u>	<u>\$ 5,811,468</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, 2012*

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**Total net change in fund balances - governmental funds** \$ (598,952)

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

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

Increase in capital assets	\$ 1,021,434	
Depreciation expense	<u>(758,183)</u>	263,251

The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase (decrease) net assets. (6,434)

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

Capital lease		(120,000)
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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	267,850	
Tax anticipation notes principal retirement	160,000	
Capital lease principal retirement	<u>83,297</u>	511,147

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	(4,839)	
Other revenues	<u>(4,832)</u>	(9,671)

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	2,132	
Decrease in bond issuance costs	(19,403)	
Decrease in loss on refunding	(1,267)	
Decrease in bond premium	7,240	
Decrease in accrued interest	<u>2,380</u>	<u>(8,918)</u>

**Change in net assets of governmental activities** \$ 30,423

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2012

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 107,847	\$ 70,505	\$ 704,450
Receivables, net			
Accounts	308,282	147,088	77,504
Due from other funds	133,322	2,961	8,997
Due from other governments	120,600	-	6,600
Inventory	40,344	-	-
Total current assets	<u>710,395</u>	<u>220,554</u>	<u>797,551</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	276,750	-	-
Buildings, improvements, and equipment, net	11,954,996	-	315,000
Net capital assets	<u>12,231,746</u>	<u>-</u>	<u>315,000</u>
Bond issue costs, net	146,948	-	-
Total noncurrent assets	<u>12,378,694</u>	<u>-</u>	<u>315,000</u>
<b>Total assets</b>	<u>13,089,089</u>	<u>220,554</u>	<u>1,112,551</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	160,018	100,370	21,295
Accrued expenses	9,259	462	13,223
Due to other governments	-	7,836	-
Deposits	180,837	75	-
Accrued interest payable	52,802	-	-
Due to other funds	111,025	129,984	4,189
Deferred revenue	-	-	73,000
Compensated absences	3,811	-	2,510
Current portion of capital leases payable	-	-	32,973
Current portion of certificates of obligation	174,650	-	-
Current portion of general obligation bonds	185,000	-	-
Total current liabilities	<u>877,402</u>	<u>238,727</u>	<u>147,190</u>
Noncurrent liabilities			
Advances from other funds	500,000	-	-
Compensated absences	34,300	-	22,594
Bonds and certificates (net of unamortized deferred amounts)	3,792,416	-	-
Total noncurrent liabilities	<u>4,326,716</u>	<u>-</u>	<u>22,594</u>
<b>Total liabilities</b>	<u>5,204,118</u>	<u>238,727</u>	<u>169,784</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,079,680	-	282,027
Unrestricted net assets	(194,709)	(18,173)	660,740
<b>Total net assets</b>	<u>\$ 7,884,971</u>	<u>\$ (18,173)</u>	<u>\$ 942,767</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 21,376	\$ 172,465	\$ 1,076,643
4,665	14,802	552,341
492	497	146,269
-	47,172	174,372
-	41,110	81,454
<u>26,533</u>	<u>276,046</u>	<u>2,031,079</u>
-	666,473	943,223
<u>1,383,461</u>	<u>3,220,683</u>	<u>16,874,140</u>
<u>1,383,461</u>	<u>3,887,156</u>	<u>17,817,363</u>
7,838	7,866	162,652
<u>1,391,299</u>	<u>3,895,022</u>	<u>17,980,015</u>
<u>1,417,832</u>	<u>4,171,068</u>	<u>20,011,094</u>
4,038	35,957	321,678
1,599	1,029	25,572
-	-	7,836
8,390	300	189,602
2,394	3,809	59,005
6	13	245,217
-	-	73,000
1,169	121	7,611
-	-	32,973
-	8,525	183,175
<u>20,000</u>	<u>-</u>	<u>205,000</u>
<u>37,596</u>	<u>49,754</u>	<u>1,350,669</u>
-	-	500,000
10,516	1,089	68,499
<u>193,560</u>	<u>281,902</u>	<u>4,267,878</u>
<u>204,076</u>	<u>282,991</u>	<u>4,336,377</u>
<u>241,672</u>	<u>332,745</u>	<u>5,687,046</u>
1,169,901	3,596,729	13,128,337
6,259	241,594	695,711
<u>\$ 1,176,160</u>	<u>\$ 3,838,323</u>	<u>\$ 13,824,048</u>



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

For the year ended September 30, 2012

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,840,140	\$ 1,299,841	\$ 801,108
<b>Total operating revenues</b>	<u>2,840,140</u>	<u>1,299,841</u>	<u>801,108</u>
<b>OPERATING EXPENSES</b>			
Personnel	740,400	35,946	895,012
Materials and supplies	86,402	46	85,576
Repairs and maintenance	200,626	-	40,373
Other services and charges	569,242	1,214,321	130,585
Depreciation and amortization	472,156	-	86,153
<b>Total operating expenses</b>	<u>2,068,826</u>	<u>1,250,313</u>	<u>1,237,699</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	771,314	49,528	(436,591)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Noncapital grants and contributions	-	-	727,510
Investment income	494	45	975
Gain (loss) on disposition of capital assets	(6,475)	-	16,600
Interest and fiscal charges	(154,786)	-	(5,880)
<b>Total nonoperating revenues (expenses)</b>	<u>(160,767)</u>	<u>45</u>	<u>739,205</u>
Income (loss) before transfers and contributions	610,547	49,573	302,614
Contributions and transfers			
Capital grants and contributions	113,600	-	22,188
Transfers in	-	-	-
Transfers out	(607,911)	(50,000)	(49,206)
<b>Total contributions and transfers</b>	<u>(494,311)</u>	<u>(50,000)</u>	<u>(27,018)</u>
Change in net assets	116,236	(427)	275,596
Net assets at beginning of year	7,768,735	(17,746)	667,171
<b>Net assets at end of year</b>	<u>\$ 7,884,971</u>	<u>\$ (18,173)</u>	<u>\$ 942,767</u>

The accompanying notes are an integral part of this statement.

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
<u>\$ 59,474</u>	<u>\$ 182,194</u>	<u>\$ 5,182,757</u>
<u>59,474</u>	<u>182,194</u>	<u>5,182,757</u>
97,858	68,761	1,837,977
6,805	8,544	187,373
18,174	38,489	297,662
38,882	46,662	1,999,692
<u>49,644</u>	<u>84,422</u>	<u>692,375</u>
<u>211,363</u>	<u>246,878</u>	<u>5,015,079</u>
(151,889)	(64,684)	167,678
-	36,772	764,282
20	141	1,675
-	-	10,125
<u>(6,564)</u>	<u>(12,084)</u>	<u>(179,314)</u>
<u>(6,544)</u>	<u>24,829</u>	<u>596,768</u>
(158,433)	(39,855)	764,446
-	556,306	692,094
115,256	-	115,256
<u>-</u>	<u>-</u>	<u>(707,117)</u>
<u>115,256</u>	<u>556,306</u>	<u>100,233</u>
(43,177)	516,451	864,679
<u>1,219,337</u>	<u>3,321,872</u>	<u>12,959,369</u>
<u>\$ 1,176,160</u>	<u>\$ 3,838,323</u>	<u>\$ 13,824,048</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2012

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 2,848,317	\$ 1,284,606	\$ 786,102
Cash paid to suppliers for goods and services	(744,006)	(1,162,496)	(260,917)
Cash paid to employees for services	(733,275)	(35,757)	(889,512)
<b>Net cash provided (used) by operating activities</b>	<u>1,371,036</u>	<u>86,353</u>	<u>(364,327)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowing (repayments) to other funds	274,932	13,313	67,154
Transfers in from other funds	-	-	-
Transfers out to other funds	(594,494)	(50,000)	(49,206)
Grants and contributions	-	-	727,510
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(319,562)</u>	<u>(36,687)</u>	<u>745,458</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(467,048)	-	(33,393)
Proceeds from sale of capital assets	-	-	10,000
Proceeds from capital grants and contributions	-	-	73,000
Principal paid on long-term debt	(354,300)	-	(102,119)
Interest paid on long-term debt	(173,151)	-	(5,880)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(994,499)</u>	<u>-</u>	<u>(58,392)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	494	45	975
<b>Net cash provided (used) by investing activities</b>	<u>494</u>	<u>45</u>	<u>975</u>
Net increase (decrease) in cash and cash equivalents	57,469	49,711	323,714
Cash and cash equivalents at beginning of year	<u>50,378</u>	<u>20,794</u>	<u>380,736</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 107,847</u>	<u>\$ 70,505</u>	<u>\$ 704,450</u>

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 58,434	\$ 180,235	\$ 5,157,694
(63,505)	(55,414)	(2,286,338)
<u>(97,058)</u>	<u>(67,575)</u>	<u>(1,823,177)</u>
<u>(102,129)</u>	<u>57,246</u>	<u>1,048,179</u>
4,834	66,109	426,342
115,256	-	115,256
-	-	(693,700)
-	1,270	728,780
<u>120,090</u>	<u>67,379</u>	<u>576,678</u>
-	(24,720)	(525,161)
-	-	10,000
-	-	73,000
(19,500)	(8,350)	(484,269)
<u>(7,472)</u>	<u>(12,363)</u>	<u>(198,866)</u>
<u>(26,972)</u>	<u>(45,433)</u>	<u>(1,125,296)</u>
<u>20</u>	<u>141</u>	<u>1,675</u>
<u>20</u>	<u>141</u>	<u>1,675</u>
(8,991)	79,333	501,236
<u>30,367</u>	<u>93,132</u>	<u>575,407</u>
<u>\$ 21,376</u>	<u>\$ 172,465</u>	<u>\$ 1,076,643</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2012

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 771,314	\$ 49,528	\$ (436,591)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	472,156	-	86,153
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	272	(15,235)	(15,006)
(Increase) decrease in inventory	5,913	-	-
Increase (decrease) in accounts payable	106,351	51,710	(4,383)
Increase (decrease) in accrued expenses	3,487	189	6,187
Increase (decrease) in deposits	7,905	-	-
Increase (decrease) in due to other governments	-	161	-
Increase (decrease) in compensated absences	3,638	-	(687)
Total adjustments	<u>599,722</u>	<u>36,825</u>	<u>72,264</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 1,371,036</u></b>	<b><u>\$ 86,353</u></b>	<b><u>\$ (364,327)</u></b>
<b>Noncash capital and related financing activities</b>			
Assets acquired from contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,188</u>

The accompanying notes are an integral part of this statement.

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (151,889)	\$ (64,684)	\$ 167,678
49,644	84,422	692,375
(775)	(1,659)	(32,403)
-	10,852	16,765
356	27,429	181,463
554	540	10,957
(265)	(300)	7,340
-	-	161
<u>246</u>	<u>646</u>	<u>3,843</u>
<u>49,760</u>	<u>121,930</u>	<u>880,501</u>
\$ (102,129)	\$ 57,246	\$ 1,048,179
<u>\$ -</u>	<u>\$ 556,306</u>	<u>\$ 563,494</u>

(concluded)

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

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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



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

A. Reporting Entity - (Continued)

Other Entities

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for 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 two Capital Project Funds, both 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.

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

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

Additionally, the City reports the following fund types:

The Special Revenue Funds account 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 31<sup>st</sup> of each fiscal year. Before taxes are levied, but after a public hearing or hearings, the City Council shall adopt an annual budget. The budget shall be adopted by a majority of all members of the City Council not later than fifteen days prior to the beginning of the fiscal year.
2. At any time during the fiscal year, the City Manager is authorized to transfer unencumbered budgeted amounts between line-items within a department; however, any revisions that alter the total budgeted expenditures of any department must be approved by the City Council.

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

D. Budgets and Budgetary Accounting - (Continued)

3. Legally adopted annual budgets for the General Fund, the Debt Service 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, 2012.

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, 2012, approximates fair value.

G. Receivables and Payables

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

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

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

H. Inventories and Prepaid Items

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

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

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

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

J. Compensated Absences - (Continued)

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

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

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

K. Long-term Obligations

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

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

L. Fund Equity

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 2012. This Statement did not have an impact on the City's functions, financial position or results of operations.

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

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 2011-2012.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund Capital outlay	\$ 35,828	\$ 155,828	\$ (120,000)

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

B. Deficit Fund Equity

As of September 30, 2012, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Assets</u>
Solid Waste	\$ 18,173

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

**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2012, 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	\$ 151,057	41

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 and therefore the City was not exposed to custodial credit risk.

E. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2012, 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, 2012, 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	\$ 336,469	\$ -	\$ 308,282	\$ 147,088	\$ 77,504	\$ 4,665	\$ 14,802	\$ 44,738	\$ 933,548
Ad valorem taxes	244,271	101,070	-	-	-	-	-	-	345,341
Franchise taxes	84,109	-	-	-	-	-	-	-	84,109
Fines	167,691	-	-	-	-	-	-	-	167,691
Other	10,504	-	-	-	-	-	-	-	10,504
Total gross receivables	843,044	101,070	308,282	147,088	77,504	4,665	14,802	44,738	1,541,193
Less: Allowances	502,782	24,316	-	-	-	-	-	-	527,098
Total net receivables	\$ 340,262	\$ 76,754	\$ 308,282	\$ 147,088	\$ 77,504	\$ 4,665	\$ 14,802	\$ 44,738	\$ 1,014,095



**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	\$ 175,047	\$ -	\$ 175,047
Fines	67,077	-	67,077
Other	3,525	-	3,525
Debt Service Fund			
Ad valorem receivable	<u>76,754</u>	<u>-</u>	<u>76,754</u>
	<u>\$ 322,403</u>	<u>\$ -</u>	<u>\$ 322,403</u>

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.48801 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.27973 and \$0.20828, respectively. The resulting adjusted total tax levy was \$2,015,775 on the total adjusted taxable valuation of \$354,476,829 for the 2011 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, 2012, are summarized as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Emergency Medical Services</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 230,918	\$ -	\$ -	\$ -	\$ -	\$ 230,918
Federal and state grants	14,969	-	113,600	-	47,172	175,741
Other	<u>22,696</u>	<u>1,913</u>	<u>7,000</u>	<u>6,600</u>	<u>-</u>	<u>38,209</u>
	<u>\$ 268,583</u>	<u>\$ 1,913</u>	<u>\$ 120,600</u>	<u>\$ 6,600</u>	<u>\$ 47,172</u>	<u>\$ 444,868</u>

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**NOTE 6: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	<u>498,845</u>	<u>559,531</u>	<u>226,836</u>	<u>831,540</u>
Total capital assets not being depreciated	<u>1,672,130</u>	<u>559,531</u>	<u>226,836</u>	<u>2,004,825</u>
Capital assets, being depreciated				
Machinery and equipment	4,410,473	125,000	78,329	4,457,144
Buildings and improvements	4,278,914	557,436	-	4,836,350
Infrastructure	<u>11,311,706</u>	<u>6,303</u>	<u>-</u>	<u>11,318,009</u>
Total capital assets being depreciated	<u>20,001,093</u>	<u>688,739</u>	<u>78,329</u>	<u>20,611,503</u>
Less accumulated depreciation for				
Machinery and equipment	2,780,528	338,774	71,895	3,047,407
Buildings and improvements	1,280,947	131,440	-	1,412,387
Infrastructure	<u>4,930,025</u>	<u>287,969</u>	<u>-</u>	<u>5,217,994</u>
Total accumulated depreciation	<u>8,991,500</u>	<u>758,183</u>	<u>71,895</u>	<u>9,677,788</u>
Total capital assets being depreciated, net	<u>11,009,593</u>	<u>(69,444)</u>	<u>6,434</u>	<u>10,933,715</u>
Governmental activities capital assets, net	<u>\$ 12,681,723</u>	<u>\$ 490,087</u>	<u>\$ 233,270</u>	<u>\$ 12,938,540</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	<u>190,536</u>	<u>556,304</u>	<u>122,710</u>	<u>624,130</u>
Total capital assets not being depreciated	<u>509,629</u>	<u>556,304</u>	<u>122,710</u>	<u>943,223</u>
Capital assets, being depreciated				
Machinery and equipment	2,522,009	187,829	77,000	2,632,838
Land improvements	287,717	-	-	287,717
Buildings and improvements	5,509,356	24,720	-	5,534,076
Water and sewer system	<u>19,706,719</u>	<u>442,510</u>	<u>-</u>	<u>20,149,229</u>
Total capital assets being depreciated	<u>28,025,801</u>	<u>655,059</u>	<u>77,000</u>	<u>28,603,860</u>
Less accumulated depreciation for				
Machinery and equipment	1,850,412	125,462	70,524	1,905,350
Land improvements	21,836	5,754	-	27,590
Buildings and improvements	1,219,838	108,960	-	1,328,798
Water and sewer system	<u>8,036,966</u>	<u>431,016</u>	<u>-</u>	<u>8,467,982</u>
Total accumulated depreciation	<u>11,129,052</u>	<u>671,192</u>	<u>70,524</u>	<u>11,729,720</u>
Total capital assets being depreciated, net	<u>16,896,749</u>	<u>(16,133)</u>	<u>6,476</u>	<u>16,874,140</u>
Business-type activities capital assets, net	<u>\$ 17,406,378</u>	<u>\$ 540,171</u>	<u>\$ 129,186</u>	<u>\$ 17,817,363</u>

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

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

<b>Governmental activities</b>	
General government	\$ 37,993
Public safety	299,195
Public works	359,988
Cultural and recreation	<u>61,007</u>
Total depreciation expense - governmental activities	<u>\$ 758,183</u>
<b>Business-type activities</b>	
Water and sewer	\$ 452,953
Emergency medical services	86,153
Civic center	48,199
Airport	<u>83,887</u>
Total depreciation expense - business-type activities	<u>\$ 671,192</u>

At September 30, 2012, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,081. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

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

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at [www.TMRS.com](http://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 2012</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
2012	\$ 317,246	100%	\$ -
2011	358,693	100%	-
2010	314,888	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	Actuarial Valuation Information		
	12/31/11	12/31/10	12/31/09
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.4 years; closed period	27.2 years; closed period	28.2 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.5%
Projected salary increases *	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%
	2.1%	2.1%	2.1%

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**NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)**Funded Status and Funding Progress

The funded status as of December 31, 2011, under the two separate actuarial valuations is presented as follows:

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)
12/31/11	\$ 9,755,282	\$ 10,937,968	\$ 1,182,686	89.19%	\$ 3,737,365	31.64%

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.

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**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

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

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 2012, 2011, and 2010 were \$1,121, \$1,137, and \$1,450, 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, 11<sup>th</sup> Floor, Austin, Texas 78701 in addition, the report is available on FFPC's website at [www.ffpc.state.tx.us](http://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, 65<sup>th</sup> Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> 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.

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**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, 65<sup>th</sup> Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in 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.

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**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			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$ 2,875,103 <sup>3</sup>	\$ 2,875,103	100%
2009	2,698,271 <sup>3</sup>	2,698,271	100%
2008	3,160,764 <sup>2</sup>	11,239,339 <sup>1</sup>	356%

<sup>1</sup> Includes a state contribution of \$8,800,000.

<sup>2</sup> Based on the August 31, 2006, actuarial valuation.

<sup>3</sup> Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2012 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
2012	\$ 18,355	100%	\$ -
2011	20,915	100%	-
2010	15,525	100%	-

**NOTE 10: RISK MANAGEMENT**

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



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

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 9,519,606	\$ -	\$ 162,600	\$ 9,357,006	\$ 166,825
General obligation bonds	456,032	-	105,250	350,782	110,000
Plus deferred amounts:					
Issuance premiums	117,119	-	7,240	109,879	-
Loss on refunding	<u>(11,192)</u>	<u>-</u>	<u>(1,267)</u>	<u>(9,925)</u>	<u>-</u>
Total bonds and certificates payable	<u>10,081,565</u>	<u>-</u>	<u>273,823</u>	<u>9,807,742</u>	<u>276,825</u>
Tax anticipation notes	<u>675,000</u>	<u>-</u>	<u>160,000</u>	<u>515,000</u>	<u>170,000</u>
Capital leases payable	<u>145,877</u>	<u>120,000</u>	<u>83,297</u>	<u>182,580</u>	<u>57,841</u>
Compensated absences	<u>252,674</u>	<u>170,800</u>	<u>172,932</u>	<u>250,542</u>	<u>25,054</u>
Total governmental activity long-term liabilities	<u>\$ 11,155,116</u>	<u>\$ 290,800</u>	<u>\$ 690,052</u>	<u>\$ 10,755,864</u>	<u>\$ 529,720</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 3,110,394	\$ -	\$ 182,400	\$ 2,927,994	\$ 183,175
General obligation bonds	1,858,968	-	199,750	1,659,218	205,000
Plus deferred amounts:					
Issuance premiums	108,466	-	9,592	98,874	-
Loss on refunding	<u>(33,868)</u>	<u>-</u>	<u>(3,835)</u>	<u>(30,033)</u>	<u>-</u>
Total bonds and certificates payable	<u>5,043,960</u>	<u>-</u>	<u>387,907</u>	<u>4,656,053</u>	<u>388,175</u>
Capital leases payable	<u>135,092</u>	<u>-</u>	<u>102,119</u>	<u>32,973</u>	<u>32,973</u>
Compensated absences	<u>72,267</u>	<u>63,424</u>	<u>59,581</u>	<u>76,110</u>	<u>7,611</u>
Total business-type activity long-term liabilities	<u>\$ 5,251,319</u>	<u>\$ 63,424</u>	<u>\$ 549,607</u>	<u>\$ 4,765,136</u>	<u>\$ 428,759</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, 2012, \$1,875,000 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>	
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	19,000	3,781	166,000	37,219	226,000
2018-2022	<u>75,532</u>	<u>7,595</u>	<u>764,468</u>	<u>78,005</u>	<u>925,600</u>
	<u>\$ 350,782</u>	<u>\$ 41,428</u>	<u>\$ 1,659,218</u>	<u>\$ 315,157</u>	<u>\$ 2,366,585</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 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>\$ 13,280,000</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>	
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	523,950	314,416	231,050	89,290	1,158,706
2018-2022	2,919,675	1,265,586	850,325	321,345	5,356,931
2023-2027	3,185,256	684,330	669,744	169,697	4,709,027
2028-2030	1,564,050	121,807	420,950	28,662	2,135,469
	<u>\$ 9,357,006</u>	<u>\$ 3,779,992</u>	<u>\$ 2,927,994</u>	<u>\$ 1,045,257</u>	<u>\$ 17,110,249</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	
2013	\$ 170,000	\$ 16,035	\$ 186,035
2014	170,000	10,165	180,165
2015	175,000	4,120	179,120
	<u>\$ 515,000</u>	<u>\$ 30,320</u>	<u>\$ 545,320</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%. \$ 102,852

Lease purchase agreement on police vehicles. The original amount of the lease, entered into in 2011, was \$120,000. The lease is payable in annual installments of \$42,272 and bears interest at a rate of 4.00%. 79,728

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%. 32,973

\$ 215,553

The present value of the capital leases after deduction of imputed interest is \$215,553.

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 57,841	\$ 7,854	\$ 32,973	\$ 1,437	\$ 100,105
2014	60,269	5,426	-	-	65,695
2015	20,528	2,896	-	-	23,424
2016	21,475	1,949	-	-	23,424
2017	22,467	959	-	-	23,426
	<u>\$ 182,580</u>	<u>\$ 19,084</u>	<u>\$ 32,973</u>	<u>\$ 1,437</u>	<u>\$ 236,074</u>

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

A. Interfund Receivables and Payables

Due To/From Other Funds

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2012, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 2,520
	2011 Bond Construction	35,514
	Water and Sewer	106,295
	Solid Waste	112,229
	Emergency Medical Services	4,189
	Civic Center	6
	Airport	13
		<u>260,766</u>
Debt Service	Water and Sewer	4,730
2009 Bond Construction	General	4,900
	2011 Bond Construction	2,100
		<u>7,000</u>
Nonmajor Governmental	General	4,882
Water and Sewer	General	551
	2009 Bond Construction	115,016
	Solid Waste	17,755
		<u>133,322</u>
Solid Waste	General	2,961
Emergency Medical Services	General	8,997
Civic Center	General	492
Airport	General	497
		<u>\$ 423,647</u>

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>\$ 500,000</u>

The amount payable to the General Fund relates to working capital loans made to the Water and Sewer Fund. None of the balance is scheduled to be collected in the subsequent year.

**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>2009 Bond Construction</u>	<u>Civic Center</u>	
Nonmajor Governmental	\$ -	\$ -	\$ 115,256	\$ 115,256
Water and Sewer	594,494	13,417	-	607,911
Solid Waste	50,000	-	-	50,000
Emergency Medical Services	49,206	-	-	49,206
	<u>\$ 693,700</u>	<u>\$ 13,417</u>	<u>\$ 115,256</u>	<u>\$ 822,373</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, 2012, 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, 2012, 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>
Sidewalk enhancement project	\$ 37,500
FM 1301 extension to US 59 and overpass project	<u>648,865</u>
Total	<u>\$ 686,365</u>

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

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**NOTE 14: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2012:

	<u>Governmental Fund Balances</u>			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
General				
Deferred expenditures	\$ 21,109	\$ -	\$ -	\$ 21,109
Long-term interfund advances	500,000	-	-	500,000
Unassigned	-	-	1,041,539	1,041,539
Debt Service				
Long-term debt	-	415,415	-	415,415
2011 Bond Construction				
Various capital projects	-	3,712,559	-	3,712,559
Nonmajor Governmental				
Arts and tourism	-	84,922	-	84,922
Municipal court security and technology	-	13,215	-	13,215
Law enforcement	-	12,683	-	12,683
Fire department	-	10,026	-	10,026
	<u>\$ 521,109</u>	<u>\$ 4,248,820</u>	<u>\$ 1,041,539</u>	<u>\$ 5,811,468</u>

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2012, the budget, as amended, anticipated total revenues to equal total expenditures. Any excess would 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, short-term certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.



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**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, 2012, WEDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool TexPool	\$ 1,637	41

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

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

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**NOTE 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, 2012, 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, 2012, 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, 2012, was \$113,737. 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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Real estate held for development	\$ 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	28,088	-	-	28,088
Total capital assets being depreciated	<u>37,063</u>	<u>-</u>	<u>-</u>	<u>37,063</u>
Less accumulated depreciation for				
Furniture and fixtures	29,878	1,268	-	31,146
Total accumulated depreciation	<u>29,878</u>	<u>1,268</u>	<u>-</u>	<u>31,146</u>
Total capital assets being depreciated, net	<u>7,185</u>	<u>(1,268)</u>	<u>-</u>	<u>5,917</u>
Governmental activities capital assets, net	<u>\$ 392,520</u>	<u>\$ (1,268)</u>	<u>\$ -</u>	<u>\$ 391,252</u>

F. Long-term Debt

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 1,142,220	\$ -	\$ 96,121	\$ 1,046,099	\$ 100,062
	<u>\$ 1,142,220</u>	<u>\$ -</u>	<u>\$ 96,121</u>	<u>\$ 1,046,099</u>	<u>\$ 100,062</u>

In August 2011, WEDC entered into a note agreement with a bank for \$1,150,000. Terms of the note agreement call for interest at 3.85% with monthly principal and interest payments of \$11,593 until August 25, 2021. The loan is secured by a pledge of WEDC sales tax revenues and requires a minimum cash balance of two times the monthly debt payment. The loan proceeds were used to repay outstanding sales tax revenue bonds of \$550,000 and to reserve \$600,000 of cash for the future FM 1301 extension project with the City.

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**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>	
2013	\$ 100,062	\$ 39,049	\$ 139,111
2014	104,038	35,073	139,111
2015	108,173	30,938	139,111
2016	112,397	26,714	139,111
2017	116,938	22,173	139,111
2018-2021	504,491	40,362	544,853
	<u>\$ 1,046,099</u>	<u>\$ 194,309</u>	<u>\$ 1,240,408</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, 2012, \$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. The lease was extended to July 31, 2013.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. During the 2012 fiscal year, WEDC received \$1,530 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, 2012, WEDC owed the City \$16,285 for wages and benefits previously paid by the City.

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**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, 2012, WEDC incurred \$51,073 in tax rebate 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, 2012, WEDC's rebate expenditure under this agreement was \$5,284.

**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, 2012

With comparative totals for the year ended September 30, 2011

	2012			Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 3,351,068	\$ 3,416,505	\$ 3,447,569	\$ 31,064	\$ 3,462,872
Licenses and permits	87,300	69,800	67,112	(2,688)	87,176
Intergovernmental	109,500	160,300	160,516	216	110,205
Charges for services	17,000	8,900	9,866	966	10,488
Fines and forfeitures	247,988	214,599	217,993	3,394	226,420
Investment income	1,435	950	1,002	52	1,021
Industrial district fee	504,314	504,314	504,314	-	492,901
Miscellaneous	23,206	28,656	37,293	8,637	11,869
<b>Total revenues</b>	<b>4,341,811</b>	<b>4,404,024</b>	<b>4,445,665</b>	<b>41,641</b>	<b>4,402,952</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	807,397	848,711	837,027	11,684	847,994
Public safety	3,019,605	2,970,630	2,949,589	21,041	2,916,785
Public works	1,044,188	1,083,340	1,059,999	23,341	1,034,337
Cultural and recreation	105,501	87,257	82,791	4,466	95,681
Capital outlay	-	35,828	155,828	(120,000)	10,750
Debt service	90,059	97,958	92,331	5,627	50,060
<b>Total expenditures</b>	<b>5,066,750</b>	<b>5,123,724</b>	<b>5,177,565</b>	<b>(53,841)</b>	<b>4,955,607</b>
Excess (deficiency) of revenues over expenditures	(724,939)	(719,700)	(731,900)	(12,200)	(552,655)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	15,000	26,000	26,349	349	42,892
Capital lease	-	-	120,000	120,000	-
Transfers in	709,939	693,700	693,700	-	577,642
Transfers out	-	-	-	-	(344)
<b>Total other financing sources (uses)</b>	<b>724,939</b>	<b>719,700</b>	<b>840,049</b>	<b>120,349</b>	<b>620,190</b>
Net change in fund balance	-	-	108,149	108,149	67,535
Fund balance at beginning of year	1,454,499	1,454,499	1,454,499	-	1,386,964
<b>Fund balance at end of year</b>	<b>\$ 1,454,499</b>	<b>\$ 1,454,499</b>	<b>\$ 1,562,648</b>	<b>\$ 108,149</b>	<b>\$ 1,454,499</b>

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, 2012

**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)
12/31/11	\$ 9,755,282	\$ 10,937,968	\$ 1,182,686	89.19%	\$ 3,737,365	31.64%
12/31/10	8,856,728	10,164,826	1,308,098	87.13%	3,790,148	34.51%
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%

**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, 2012

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

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

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

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

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

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

<sup>1</sup> Includes a state contribution of \$8,800,000.

<sup>2</sup> Based on the August 31, 2006, actuarial valuation.

<sup>3</sup> Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2012 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
2012	\$ 18,355	100%	\$ -
2011	20,915	100%	-
2010	15,525	100%	-

**CITY OF WHARTON, TEXAS**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
 September 30, 2012

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**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2012, 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>Negative Variance</u>
General Fund			
Capital outlay	\$ 35,828	\$ 155,828	\$ (120,000)

**Combining and Individual Fund Statements and Schedules**

## SPECIAL REVENUE FUNDS

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

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

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

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

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

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

**CITY OF WHARTON, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS*

*COMBINING BALANCE SHEET*

*September 30, 2012*

	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,220	\$ 2,193	\$ 10,770	\$ 5,219
Receivables, net				
Accounts	44,738	-	-	-
Due from other funds	-	43	-	4,807
Due from other governments	-	-	1,913	-
<b>Total assets</b>	<u>\$ 75,958</u>	<u>\$ 2,236</u>	<u>\$ 12,683</u>	<u>\$ 10,026</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 35	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted				
Cultural and recreation	75,923	-	-	-
Municipal court	-	2,236	-	-
Public safety	-	-	12,683	10,026
<b>Total fund balances</b>	<u>75,923</u>	<u>2,236</u>	<u>12,683</u>	<u>10,026</u>
<b>Total liabilities and fund balances</b>	<u>\$ 75,958</u>	<u>\$ 2,236</u>	<u>\$ 12,683</u>	<u>\$ 10,026</u>

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Municipal Court Building Security	Railroad Depot Restoration	Total
\$ 10,947	\$ 9,119	\$ 69,468
-	-	44,738
32	-	4,882
<u>-</u>	<u>-</u>	<u>1,913</u>
<u>\$ 10,979</u>	<u>\$ 9,119</u>	<u>\$ 121,001</u>
<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 155</u>
<u>-</u>	<u>120</u>	<u>155</u>
-	8,999	84,922
10,979	-	13,215
<u>-</u>	<u>-</u>	<u>22,709</u>
<u>10,979</u>	<u>8,999</u>	<u>120,846</u>
<u>\$ 10,979</u>	<u>\$ 9,119</u>	<u>\$ 121,001</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, 2012*

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
<b>REVENUES</b>				
Taxes	\$ 190,162	\$ -	\$ -	\$ -
Intergovernmental	-	-	10,084	-
Fines and forfeitures	-	6,587	117	-
Investment income	65	3	20	6
Miscellaneous	-	-	2,338	7,811
<b>Total revenues</b>	<u>190,227</u>	<u>6,590</u>	<u>12,559</u>	<u>7,817</u>
<b>EXPENDITURES</b>				
Current				
General government	-	7,294	-	-
Public safety	-	-	10,328	325
Cultural and recreation	66,245	-	-	-
<b>Total expenditures</b>	<u>66,245</u>	<u>7,294</u>	<u>10,328</u>	<u>325</u>
Excess (deficiency) of revenues over expenditures	123,982	(704)	2,231	7,492
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(115,256)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(115,256)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,726	(704)	2,231	7,492
Fund balances at beginning of year	67,197	2,940	10,452	2,534
<b>Fund balances at end of year</b>	<u>\$ 75,923</u>	<u>\$ 2,236</u>	<u>\$ 12,683</u>	<u>\$ 10,026</u>

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Municipal Court Building Security	Railroad Depot Restoration	Total
\$ -	\$ -	\$ 190,162
-	-	10,084
4,561	-	11,265
22	4	120
-	253	10,402
<u>4,583</u>	<u>257</u>	<u>222,033</u>
10,769	-	18,063
-	-	10,653
-	5,613	71,858
<u>10,769</u>	<u>5,613</u>	<u>100,574</u>
(6,186)	(5,356)	121,459
<u>-</u>	<u>-</u>	<u>(115,256)</u>
<u>-</u>	<u>-</u>	<u>(115,256)</u>
(6,186)	(5,356)	6,203
<u>17,165</u>	<u>14,355</u>	<u>114,643</u>
<u>\$ 10,979</u>	<u>\$ 8,999</u>	<u>\$ 120,846</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, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 603,458	\$ 560,368
Receivables, net		
Taxes	259,156	225,442
Fines	67,077	71,368
Other	14,029	16,666
Due from other funds	260,766	891,856
Due from component unit	16,285	13,895
Due from other governments	268,583	237,275
Advances to other funds	500,000	-
Deferred expenditures	21,109	26,624
<b>Total assets</b>	<u>\$ 2,010,463</u>	<u>\$ 2,043,494</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 101,259	\$ 149,669
Bank overdraft	-	22,553
Accrued expenditures	46,436	30,450
Due to component unit	3,065	3,039
Due to other governments	27,926	23,739
Due to other funds	23,280	89,861
Deposits	200	50
Deferred revenue	245,649	269,634
<b>Total liabilities</b>	<u>447,815</u>	<u>588,995</u>
Fund balance		
Nonspendable		
Deferred expenditures	521,109	26,624
Unassigned	1,041,539	1,427,875
<b>Total fund balance</b>	<u>1,562,648</u>	<u>1,454,499</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,010,463</u>	<u>\$ 2,043,494</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, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 1,151,000	\$ 1,160,406	\$ 9,406	\$ 1,257,809
Sales	1,310,000	1,313,677	3,677	1,148,636
Franchise	955,505	973,486	17,981	1,056,427
Licenses and permits	69,800	67,112	(2,688)	87,176
Intergovernmental	160,300	160,516	216	110,205
Charges for services	8,900	9,866	966	10,488
Fines and forfeitures	214,599	217,993	3,394	226,420
Investment income	950	1,002	52	1,021
Industrial district fee	504,314	504,314	-	492,901
Miscellaneous	28,656	37,293	8,637	11,869
<b>Total revenues</b>	<b>4,404,024</b>	<b>4,445,665</b>	<b>41,641</b>	<b>4,402,952</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Mayor and council	23,415	22,829	586	26,124
City manager	227,098	226,111	987	219,240
City secretary	78,302	75,253	3,049	103,576
Legal and professional	72,885	72,553	332	82,245
Finance	248,042	246,197	1,845	256,417
Municipal court	98,222	96,378	1,844	94,253
Central services	100,747	97,706	3,041	66,139
Total general government	848,711	837,027	11,684	847,994
<b>Public safety</b>				
Police	1,876,852	1,870,795	6,057	1,858,825
Fire	277,378	271,977	5,401	278,629
Code enforcement	182,691	178,861	3,830	173,064
Emergency management	95,929	95,467	462	80,071
Animal control	54,578	53,204	1,374	51,101
Communications	483,202	479,285	3,917	475,095
Total public safety	2,970,630	2,949,589	21,041	2,916,785
<b>Public works</b>				
Streets and drainage	772,919	763,090	9,829	747,818
Garage	100,086	98,958	1,128	83,582
Facilities maintenance	210,335	197,951	12,384	202,937
Total public works	1,083,340	1,059,999	23,341	1,034,337

(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, 2012

With comparative totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
<b>Current - (continued)</b>				
<b>Cultural and recreation</b>				
Community services	\$ 20,855	\$ 20,721	\$ 134	\$ 21,762
Recreation	24,375	23,569	806	30,997
Community pool	42,027	38,501	3,526	42,922
Total cultural and recreation	87,257	82,791	4,466	95,681
<b>Capital outlay</b>	35,828	155,828	(120,000)	10,750
<b>Debt service</b>				
Principal retirement	81,358	83,297	(1,939)	40,781
Interest and fiscal charges	16,600	9,034	7,566	9,279
Total debt service	97,958	92,331	5,627	50,060
<b>Total expenditures</b>	5,123,724	5,177,565	(53,841)	4,955,607
Excess (deficiency) of revenues over expenditures	(719,700)	(731,900)	(12,200)	(552,655)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	26,000	26,349	349	42,892
Capital lease	-	120,000	120,000	-
Transfers in	693,700	693,700	-	577,642
Transfers out	-	-	-	(344)
<b>Total other financing sources (uses)</b>	719,700	840,049	120,349	620,190
Net change in fund balance	\$ -	108,149	\$ 108,149	67,535
Fund balance at beginning of year		1,454,499		1,386,964
<b>Fund balance at end of year</b>		\$ 1,562,648		\$ 1,454,499

## **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, 2012

With comparative totals for September 30, 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 413,205	\$ 339,860
Receivables, net		
Taxes	76,754	72,241
Due from other funds	<u>4,730</u>	<u>50,000</u>
<b>Total assets</b>	<u>\$ 494,689</u>	<u>\$ 462,101</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accrued interest payable	\$ -	\$ 12,901
Due to other funds	2,520	-
Deferred revenue	<u>76,754</u>	<u>72,241</u>
<b>Total liabilities</b>	<u>79,274</u>	<u>85,142</u>
Fund balance		
Restricted		
Long-term debt	<u>415,415</u>	<u>376,959</u>
<b>Total fund balance</b>	<u>415,415</u>	<u>376,959</u>
<b>Total liabilities and fund balance</b>	<u>\$ 494,689</u>	<u>\$ 462,101</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, 2012  
 With comparative totals for the year ended September 30, 2011

	2011		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes	\$ 828,000	\$ 846,726	\$ 18,726	\$ 720,287
Investment income	1,000	726	(274)	589
<b>Total revenues</b>	<u>829,000</u>	<u>847,452</u>	<u>18,452</u>	<u>720,876</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	427,850	427,850	-	459,143
Interest and fiscal charges	<u>386,273</u>	<u>381,146</u>	<u>5,127</u>	<u>248,849</u>
<b>Total expenditures</b>	<u>814,123</u>	<u>808,996</u>	<u>5,127</u>	<u>707,992</u>
Excess (deficiency) of revenues over expenditures	14,877	38,456	23,579	12,884
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	14,877	38,456	23,579	12,884
Fund balance at beginning of year	<u>376,959</u>	<u>376,959</u>	<u>-</u>	<u>364,075</u>
<b>Fund balance at end of year</b>	<u>\$ 391,836</u>	<u>\$ 415,415</u>	<u>\$ 23,579</u>	<u>\$ 376,959</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, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 107,847	\$ 50,378
Receivables, net		
Accounts	308,282	308,554
Due from other funds	133,322	468,328
Due from other governments	120,600	-
Inventory	40,344	46,257
Total current assets	<u>710,395</u>	<u>873,517</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,125,291	1,020,042
Water and sewer system	20,149,229	19,706,720
Total capital assets	<u>21,274,520</u>	<u>20,726,762</u>
Accumulated depreciation	<u>(9,319,524)</u>	<u>(8,902,096)</u>
Subtotal	11,954,996	11,824,666
Land	276,750	276,750
Construction in progress	-	122,710
Net capital assets	<u>12,231,746</u>	<u>12,224,126</u>
Bond issue costs, net	<u>146,948</u>	<u>162,762</u>
Total noncurrent assets	<u>12,378,694</u>	<u>12,386,888</u>
<b>Total assets</b>	<u>13,089,089</u>	<u>13,260,405</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	160,018	53,668
Accrued expenses	9,259	5,772
Deposits	180,837	172,932
Accrued interest payable	52,802	55,601
Due to other funds	111,025	157,681
Compensated absences	3,811	3,447
Current portion of certificates of obligation	174,650	174,050
Current portion of general obligation bonds	185,000	180,250
Total current liabilities	<u>877,402</u>	<u>803,401</u>
Noncurrent liabilities		
Advances from other funds	500,000	500,000
Compensated absences	34,300	31,026
Bonds and certificates (net of unamortized deferred amounts)	<u>3,792,416</u>	<u>4,157,243</u>
Total noncurrent liabilities	<u>4,326,716</u>	<u>4,688,269</u>
<b>Total liabilities</b>	<u>5,204,118</u>	<u>5,491,670</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	8,079,680	7,712,583
Unrestricted net assets	<u>(194,709)</u>	<u>56,152</u>
<b>Total net assets</b>	<u>\$ 7,884,971</u>	<u>\$ 7,768,735</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, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Water	\$ 1,404,000	\$ 1,412,530	\$ 8,530	\$ 1,553,023
Sewer	1,314,000	1,325,477	11,477	1,355,695
Penalties	36,000	40,366	4,366	35,876
Connection and installation fees	41,000	51,145	10,145	49,662
Other	5,000	10,622	5,622	3,634
<b>Total operating revenues</b>	<u>2,800,000</u>	<u>2,840,140</u>	<u>40,140</u>	<u>2,997,890</u>
<b>OPERATING EXPENSES</b>				
Water and sewer operations				
Personnel	756,360	740,400	15,960	745,490
Materials and supplies	90,580	86,402	4,178	91,137
Repairs and maintenance	213,850	200,626	13,224	189,019
Other services and charges	577,825	569,242	8,583	749,175
Depreciation and amortization	458,000	472,156	(14,156)	476,124
<b>Total operating expenses</b>	<u>2,096,615</u>	<u>2,068,826</u>	<u>27,789</u>	<u>2,250,945</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	703,385	771,314	67,929	746,945
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	200	494	294	184
Gain (loss) on disposition of capital assets	-	(6,475)	(6,475)	-
Interest and fiscal charges	(172,000)	(154,786)	17,214	(166,981)
<b>Total nonoperating revenues (expenses)</b>	<u>(171,800)</u>	<u>(160,767)</u>	<u>11,033</u>	<u>(166,797)</u>
Income (loss) before contributions and transfers	531,585	610,547	78,962	580,148
Contributions and transfers				
Capital grants and contributions	110,000	113,600	3,600	294,392
Transfers out	(594,494)	(607,911)	(13,417)	(503,436)
<b>Total contributions and transfers</b>	<u>(484,494)</u>	<u>(494,311)</u>	<u>(9,817)</u>	<u>(209,044)</u>
Change in net assets	<u>\$ 47,091</u>	116,236	<u>\$ 69,145</u>	371,104
Net assets at beginning of year		<u>7,768,735</u>		<u>7,397,631</u>
<b>Net assets at end of year</b>		<u>\$ 7,884,971</u>		<u>\$ 7,768,735</u>

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

September 30, 2012

With comparative totals for September 30, 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 70,505	\$ 20,794
Receivables, net		
Accounts	147,088	131,853
Due from other funds	<u>2,961</u>	<u>-</u>
<b>Total assets</b>	<u>220,554</u>	<u>152,647</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	100,370	48,660
Accrued expenses	462	273
Due to other governments	7,836	7,675
Deposits	75	75
Due to other funds	<u>129,984</u>	<u>113,710</u>
<b>Total liabilities</b>	<u>238,727</u>	<u>170,393</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>(18,173)</u>	<u>(17,746)</u>
<b>Total net assets</b>	<u>\$ (18,173)</u>	<u>\$ (17,746)</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, 2012**With comparative totals for the year ended September 30, 2011*

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Solid waste fees	\$ 1,190,500	\$ 1,193,759	\$ 3,259	\$ 1,164,537
Garbage collection fee	105,218	105,568	350	105,709
Other	500	514	14	1,241
<b>Total operating revenues</b>	<u>1,296,218</u>	<u>1,299,841</u>	<u>3,623</u>	<u>1,271,487</u>
<b>OPERATING EXPENSES</b>				
Solid waste operations				
Personnel	35,668	35,946	(278)	33,857
Materials and supplies	100	46	54	-
Other services and charges	1,210,550	1,214,321	(3,771)	1,179,320
<b>Total operating expenses</b>	<u>1,246,318</u>	<u>1,250,313</u>	<u>(3,995)</u>	<u>1,213,177</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	49,900	49,528	(372)	58,310
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	100	45	(55)	94
Total nonoperating revenues (expenses)	<u>100</u>	<u>45</u>	<u>(55)</u>	<u>94</u>
Income (loss) before contributions and transfers	50,000	49,573	(427)	58,404
Transfers				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(25,000)</u>
Total transfers	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(25,000)</u>
Change in net assets	\$ <u>-</u>	(427)	\$ <u>(427)</u>	33,404
Net assets at beginning of year		<u>(17,746)</u>		<u>(51,150)</u>
<b>Net assets at end of year</b>		<u>\$ (18,173)</u>		<u>\$ (17,746)</u>

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

September 30, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 704,450	\$ 380,736
Receivables, net		
Accounts	77,504	62,498
Due from other funds	8,997	76,166
Due from other governments	6,600	-
Total current assets	<u>797,551</u>	<u>519,400</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,208,625	1,203,045
Less accumulated depreciation	<u>(893,625)</u>	<u>(842,473)</u>
Net capital assets	<u>315,000</u>	<u>360,572</u>
<b>Total assets</b>	<u>1,112,551</u>	<u>879,972</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	21,295	25,678
Accrued expenses	13,223	7,036
Due to other funds	4,189	4,204
Deferred revenue	73,000	15,000
Compensated absences	2,510	2,579
Current portion of capital leases payable	<u>32,973</u>	<u>66,096</u>
Total current liabilities	<u>147,190</u>	<u>120,593</u>
Noncurrent liabilities		
Compensated absences	22,594	23,212
Capital leases payable	<u>-</u>	<u>68,996</u>
Total noncurrent liabilities	<u>22,594</u>	<u>92,208</u>
<b>Total liabilities</b>	<u>169,784</u>	<u>212,801</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	282,027	225,480
Unrestricted net assets	<u>660,740</u>	<u>441,691</u>
<b>Total net assets</b>	<u>\$ 942,767</u>	<u>\$ 667,171</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, 2012  
 With comparative totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Ambulance services	\$ 685,982	\$ 800,897	\$ 114,915	\$ 748,215
Other	150	211	61	1,613
<b>Total operating revenues</b>	<u>686,132</u>	<u>801,108</u>	<u>114,976</u>	<u>749,828</u>
<b>OPERATING EXPENSES</b>				
Emergency medical services				
Personnel	920,736	895,012	25,724	863,450
Materials and supplies	96,900	85,576	11,324	84,296
Repairs and maintenance	39,100	40,373	(1,273)	34,386
Other services and charges	138,850	130,585	8,265	129,786
Depreciation	98,150	86,153	11,997	100,963
<b>Total operating expenses</b>	<u>1,293,736</u>	<u>1,237,699</u>	<u>56,037</u>	<u>1,212,881</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(607,604)	(436,591)	171,013	(463,053)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	727,510	727,510	-	727,510
Investment income	300	975	675	534
Gain (loss) on disposition of capital assets	-	16,600	16,600	-
Interest and fiscal charges	(9,000)	(5,880)	3,120	(8,534)
<b>Total nonoperating revenues (expenses)</b>	<u>718,810</u>	<u>739,205</u>	<u>20,395</u>	<u>719,510</u>
Income (loss) before contributions and transfers	111,206	302,614	191,408	256,457
Contributions and transfers				
Capital grants and contributions	-	22,188	22,188	108,000
Transfers out	(49,206)	(49,206)	-	(49,206)
<b>Total contributions and transfers</b>	<u>(49,206)</u>	<u>(27,018)</u>	<u>22,188</u>	<u>58,794</u>
Change in net assets	<u>\$ 62,000</u>	275,596	<u>\$ 213,596</u>	315,251
Net assets at beginning of year		<u>667,171</u>		<u>351,920</u>
<b>Net assets at end of year</b>		<u>\$ 942,767</u>		<u>\$ 667,171</u>

**CITY OF WHARTON, TEXAS**

MAJOR ENTERPRISE FUND - CIVIC CENTER

BALANCE SHEET

September 30, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 21,376	\$ 30,367
Receivables, net		
Accounts	4,665	3,890
Due from other funds	<u>492</u>	<u>5,320</u>
Total current assets	<u>26,533</u>	<u>39,577</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	2,113,737	2,113,737
Less accumulated depreciation	<u>(730,276)</u>	<u>(682,077)</u>
Net capital assets	<u>1,383,461</u>	<u>1,431,660</u>
Bond issue costs, net	<u>7,838</u>	<u>8,839</u>
Total noncurrent assets	<u>1,391,299</u>	<u>1,440,499</u>
<b>Total assets</b>	<u>1,417,832</u>	<u>1,480,076</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	4,038	3,682
Accrued expenses	1,599	1,045
Deposits	8,390	8,655
Accrued interest payable	2,394	2,491
Due to other funds	6	-
Compensated absences	1,169	1,144
Current portion of general obligation bonds	<u>20,000</u>	<u>19,500</u>
Total current liabilities	<u>37,596</u>	<u>36,517</u>
Noncurrent liabilities		
Compensated absences	10,516	10,295
Bonds and certificates (net of unamortized deferred amounts)	<u>193,560</u>	<u>213,927</u>
Total noncurrent liabilities	<u>204,076</u>	<u>224,222</u>
<b>Total liabilities</b>	<u>241,672</u>	<u>260,739</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,169,901	1,198,233
Unrestricted net assets	<u>6,259</u>	<u>21,104</u>
<b>Total net assets</b>	<u>\$ 1,176,160</u>	<u>\$ 1,219,337</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, 2012

With comparative totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Civic center fees	\$ 55,573	\$ 57,824	\$ 2,251	\$ 49,271
Other	1,600	1,650	50	390
<b>Total operating revenues</b>	<u>57,173</u>	<u>59,474</u>	<u>2,301</u>	<u>49,661</u>
<b>OPERATING EXPENSES</b>				
Civic center operations				
Personnel	100,877	97,858	3,019	105,812
Materials and supplies	6,581	6,805	(224)	4,850
Repairs and maintenance	18,450	18,174	276	17,868
Other services and charges	40,015	38,882	1,133	47,784
Depreciation and amortization	48,000	49,644	(1,644)	49,644
<b>Total operating expenses</b>	<u>213,923</u>	<u>211,363</u>	<u>2,560</u>	<u>225,958</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(156,750)	(151,889)	4,861	(176,297)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	200	20	(180)	53
Interest and fiscal charges	(7,473)	(6,564)	909	(6,406)
<b>Total nonoperating revenues (expenses)</b>	<u>(7,273)</u>	<u>(6,544)</u>	<u>729</u>	<u>(6,353)</u>
Income (loss) before transfers	(164,023)	(158,433)	5,590	(182,650)
Transfers				
Transfers in	115,256	115,256	-	90,500
<b>Total transfers</b>	<u>115,256</u>	<u>115,256</u>	<u>-</u>	<u>90,500</u>
Change in net assets	\$ <u>(48,767)</u>	(43,177)	\$ <u>5,590</u>	(92,150)
Net assets at beginning of year		<u>1,219,337</u>		<u>1,311,487</u>
<b>Net assets at end of year</b>		<u>\$ 1,176,160</u>		<u>\$ 1,219,337</u>



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

September 30, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 172,465	\$ 93,132
Receivables, net		
Accounts	14,802	13,143
Due from other funds	497	66,637
Due from other governments	47,172	11,670
Inventory	41,110	51,962
Total current assets	<u>276,046</u>	<u>236,544</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	171,972	171,972
Land improvements	287,717	287,717
Buildings and improvements	3,547,288	3,522,568
Total capital assets	4,006,977	3,982,257
Less accumulated depreciation	<u>(786,294)</u>	<u>(702,407)</u>
Subtotal	3,220,683	3,279,850
Land	42,343	42,343
Construction in progress	624,130	67,825
Net capital assets	<u>3,887,156</u>	<u>3,390,018</u>
Bond issue costs, net	7,866	8,402
<b>Total assets</b>	<u>4,171,068</u>	<u>3,634,964</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	35,957	8,528
Accrued expenses	1,029	489
Deposits	300	600
Accrued interest payable	3,809	3,876
Due to other funds	13	44
Compensated absences	121	56
Current portion of certificates of obligation	8,525	8,350
Total current liabilities	<u>49,754</u>	<u>21,943</u>
Noncurrent liabilities		
Compensated absences	1,089	508
Certificates (net of unamortized deferred amounts)	281,902	290,641
Total noncurrent liabilities	<u>282,991</u>	<u>291,149</u>
<b>Total liabilities</b>	<u>332,745</u>	<u>313,092</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,596,729	3,091,027
Unrestricted net assets	241,594	230,845
<b>Total net assets</b>	<u>\$ 3,838,323</u>	<u>\$ 3,321,872</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, 2012

With comparative totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Airport fees	\$ 191,137	\$ 182,194	\$ (8,943)	\$ 190,543
Other	500	-	(500)	5,300
<b>Total operating revenues</b>	<u>191,637</u>	<u>182,194</u>	<u>(9,443)</u>	<u>195,843</u>
<b>OPERATING EXPENSES</b>				
Airport operations				
Personnel	65,699	68,761	(3,062)	64,342
Materials and supplies	8,610	8,544	66	6,063
Repairs and maintenance	28,000	38,489	(10,489)	36,626
Other services and charges	47,250	46,662	588	49,109
Depreciation and amortization	80,600	84,422	(3,822)	83,928
<b>Total operating expenses</b>	<u>230,159</u>	<u>246,878</u>	<u>(16,719)</u>	<u>240,068</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(38,522)	(64,684)	(26,162)	(44,225)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	50,000	36,772	(13,228)	11,670
Investment income	150	141	(9)	123
Interest and fiscal charges	(11,628)	(12,084)	(456)	(11,798)
<b>Total nonoperating revenues (expenses)</b>	<u>38,522</u>	<u>24,829</u>	<u>(13,693)</u>	<u>(5)</u>
Income (loss) before contributions	-	(39,855)	(39,855)	(44,230)
Contributions				
Capital grants and contributions	-	556,306	556,306	61,043
<b>Total contributions</b>	<u>-</u>	<u>556,306</u>	<u>556,306</u>	<u>61,043</u>
Change in net assets	\$ -	516,451	\$ 516,451	16,813
Net assets at beginning of year		<u>3,321,872</u>		<u>3,305,059</u>
<b>Net assets at end of year</b>		<u>\$ 3,838,323</u>		<u>\$ 3,321,872</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>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	91
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....	102
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future .....	113
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments .....	119
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs .....	121

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

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	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	2012
\$ 5,330,747	\$ 6,863,521	\$ 6,832,082	\$ 6,537,738	\$ 6,243,600	\$ 6,145,777
613,877	513,775	418,240	416,831	455,154	506,706
<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>1,796,573</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>	<u>\$ 8,449,056</u>
\$ 11,500,738	\$ 12,596,624	\$ 10,863,971	\$ 11,319,633	\$ 12,227,323	\$ 13,128,337
180,125	(456,789)	1,642,103	995,314	732,046	695,711
<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>	<u>\$ 13,824,048</u>
\$ 16,831,485	\$ 19,460,145	\$ 17,696,053	\$ 17,857,371	\$ 18,470,923	\$ 19,274,114
613,877	513,775	418,240	416,831	455,154	506,706
<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>2,492,284</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>	<u>\$ 22,273,104</u>

**CITY OF WHARTON, TEXAS**

*CHANGES IN NET ASSETS (1)*

*Last nine fiscal years*

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,197,103	\$ 1,316,196	\$ 822,357	\$ 822,213	\$ 871,330	\$ 976,628
2,653,594	2,825,817	3,012,237	3,285,594	3,248,440	3,265,404
1,300,791	1,817,233	1,644,418	2,120,461	1,476,798	1,416,172
215,996	248,535	218,224	259,386	218,256	215,656
222,145	231,552	250,056	272,026	303,499	401,230
<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>	<u>6,275,090</u>
166,240	261,706	356,333	324,198	343,817	299,099
244,350	55,071	-	18,250	7,025	5,647
-	-	-	-	-	-
12,808	15,397	11,634	11,670	9,672	8,616
526,724	729,601	289,500	117,340	18,406	15,631
824,211	1,899,894	123,311	401,689	190,000	423,264
<u>1,774,333</u>	<u>2,961,669</u>	<u>780,778</u>	<u>873,147</u>	<u>568,920</u>	<u>752,257</u>
(3,815,296)	(3,477,664)	(5,166,514)	(5,886,533)	(5,549,403)	(5,522,833)
1,914,766	1,928,867	1,947,147	1,885,118	1,948,184	1,962,365
1,319,795	1,240,084	1,237,646	1,149,211	1,148,636	1,313,677
924,196	1,047,982	991,182	1,031,751	1,056,427	973,486
175,474	199,153	174,996	151,129	166,149	190,162
174,312	65,870	9,916	18,048	10,487	8,999
-	79,268	467,451	682,573	492,901	504,314
76,942	245,218	82,009	140,162	115,207	95,580
275,359	372,886	204,852	518,753	487,142	504,673
<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>5,553,256</u>
\$ <u>1,045,548</u>	\$ <u>1,701,664</u>	\$ <u>(51,315)</u>	\$ <u>(309,788)</u>	\$ <u>(124,270)</u>	\$ <u>30,423</u>

(continued)

**CITY OF WHARTON, TEXAS**

**CHANGES IN NET ASSETS (1)**

*Last nine fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Business-type activities</b>			
Expenses			
Water and sewer	\$ 1,687,953	\$ 1,805,704	\$ 1,885,041
Solid waste	1,324,001	1,179,798	1,195,075
Emergency medical services	1,146,702	1,107,249	1,093,960
Civic center	199,272	176,969	185,618
Airport	<u>100,092</u>	<u>104,536</u>	<u>129,760</u>
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	<u>821,243</u>	<u>454,269</u>	<u>389,104</u>
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	<u>(266,300)</u>	<u>(247,012)</u>	<u>(341,130)</u>
Total general revenues and other changes in net assets	<u>(92,119)</u>	<u>(193,533)</u>	<u>(297,131)</u>
<b>Total business-type activities change in net assets</b>	<u>\$ 482,475</u>	<u>\$ 367,126</u>	<u>\$ 203,505</u>
<b>Total primary government change in net assets</b>	<u>\$ 606,135</u>	<u>\$ 323,495</u>	<u>\$ 1,149,501</u>

(1) Accrual basis of accounting

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



Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 2,067,083	\$ 2,162,499	\$ 2,311,685	\$ 2,390,453	\$ 2,417,926	\$ 2,230,087
1,242,914	1,175,700	1,273,376	1,209,574	1,213,177	1,250,313
1,339,596	1,300,504	1,098,147	1,160,083	1,221,415	1,243,579
188,687	222,166	279,893	276,345	232,364	217,927
221,619	252,061	225,539	243,983	251,866	258,962
<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>	<u>5,200,868</u>
2,283,549	2,436,197	2,785,697	2,778,431	2,997,890	2,840,140
1,279,305	1,158,403	1,300,634	1,269,783	1,271,487	1,299,841
988,845	1,065,258	766,083	703,134	749,828	801,108
80,373	88,102	71,116	67,951	49,661	59,474
171,888	186,038	181,935	170,712	195,843	182,194
255,649	243,467	242,765	562,695	739,180	764,282
614,784	752,387	387,233	54,400	463,435	604,906
<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>	<u>6,551,945</u>
614,494	816,922	546,823	326,668	1,130,576	1,351,077
21,204	14,936	2,468	958	988	1,675
-	-	21,800	-	-	16,600
<u>(275,359)</u>	<u>(372,886)</u>	<u>(204,852)</u>	<u>(518,753)</u>	<u>(487,142)</u>	<u>(504,673)</u>
<u>(254,155)</u>	<u>(357,950)</u>	<u>(180,584)</u>	<u>(517,795)</u>	<u>(486,154)</u>	<u>(486,398)</u>
\$ <u>360,339</u>	\$ <u>458,972</u>	\$ <u>366,239</u>	\$ <u>(191,127)</u>	\$ <u>644,422</u>	\$ <u>864,679</u>
\$ <u>1,405,887</u>	\$ <u>2,160,636</u>	\$ <u>314,924</u>	\$ <u>(500,915)</u>	\$ <u>520,152</u>	\$ <u>895,102</u>

**CITY OF WHARTON, TEXAS***FUND BALANCES, GOVERNMENTAL FUNDS (1)**Last nine 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	2012
\$ -	\$ -	\$ -	\$ -	\$ 26,624	\$ 521,109
-	-	-	-	1,427,875	1,041,539
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>\$ 1,211,131</u>	<u>\$ 1,418,203</u>	<u>\$ 1,418,712</u>	<u>\$ 1,386,964</u>	<u>\$ 1,454,499</u>	<u>\$ 1,562,648</u>
\$ -	\$ -	\$ -	\$ -	\$ 376,959	\$ 415,415
-	-	-	-	81,552	84,922
-	-	-	-	20,105	13,215
-	-	-	-	12,986	22,709
-	-	-	-	4,464,319	3,712,559
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>\$ 1,776,913</u>	<u>\$ 650,364</u>	<u>\$ 1,954,163</u>	<u>\$ 160,176</u>	<u>\$ 4,955,921</u>	<u>\$ 4,248,820</u>

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

Last nine 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	2012
\$ 4,325,427	\$ 4,517,831	\$ 4,403,821	\$ 4,247,504	\$ 4,349,308	\$ 4,484,457
150,149	127,166	72,908	70,814	87,176	67,112
569,126	1,724,602	403,211	409,430	208,406	438,895
15,042	28,248	12,709	28,815	10,488	9,866
236,772	155,945	258,490	233,842	239,406	229,258
174,312	65,870	9,916	18,048	10,487	8,999
-	79,268	467,451	682,573	492,901	504,314
<u>1,045,302</u>	<u>1,475,063</u>	<u>98,871</u>	<u>233,900</u>	<u>23,483</u>	<u>47,695</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>	<u>5,790,596</u>
1,188,056	1,321,674	805,414	811,418	855,487	1,030,106
2,539,906	2,524,255	2,810,584	3,013,918	2,930,441	2,960,242
1,869,878	1,531,189	1,226,819	1,748,663	1,096,561	1,059,999
378,528	195,918	180,729	199,397	157,635	154,649
1,597,770	3,871,656	475,790	1,172,494	693,196	1,021,435
414,041	433,538	418,817	528,056	499,924	511,147
185,521	220,411	242,810	253,790	262,728	390,180
54,877	32,715	62,551	38,706	86,829	-
<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>	<u>7,127,758</u>
(1,712,447)	(1,957,363)	(496,137)	(1,841,516)	(1,161,146)	(1,337,162)
2,161,900	665,000	1,562,400	930,663	4,600,000	-
-	-	33,193	21,306	69,000	-
-	-	-	(658,462)	-	-
296,094	-	-	-	-	120,000
-	-	-	-	71,805	26,349
653,834	536,351	451,056	723,509	577,986	707,117
(378,475)	(163,465)	(246,204)	(204,756)	(90,844)	(115,256)
<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>738,210</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>(598,952)</u>
<u>9.19%</u>	<u>10.27%</u>	<u>11.26%</u>	<u>11.82%</u>	<u>12.96%</u>	<u>14.76%</u>

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

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<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Total</u>
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
2012	1,967,205	39,927	1,313,677	973,486	190,162	4,484,457

(1) Modified accrual basis of accounting

**CITY OF WHARTON, TEXAS**

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

*Last ten fiscal years*

Fiscal Year	Tax Roll	Real Property				Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property	Personal Property				
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	
2012	2011	158,551,625	292,890,841	100,583,287	13,350,409	152,812,236	412,563,926	

(1) Includes tax-exempt property

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

SOURCE: Wharton County Appraisal District

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<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ -	\$ 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%
(58,087,097)	354,476,829	0.48801	1,729,882	227,140	1,957,022	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
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
2012	0.2083	0.2797	0.4880	1.2404	0.1441	0.0300	0.4692	0.0073	1.8910

(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*

2012		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 27,888,680	6.76%
J-M Manufacturing Company, Inc.	24,345,080	5.90%
Signature Gulf Coast Hospital, LP	16,606,094	4.03%
Wal-Mart Stores Texas, LP	6,387,427	1.55%
Wal-Mart Property Tax Dept.	5,589,401	1.35%
Wharton RP LTD	5,074,136	1.23%
Centerpoint Energy Houston	4,280,940	1.04%
Buc-ee's	4,209,967	1.02%
M-I LLC	3,607,550	0.87%
H.E. Butt Grocery Co.	3,041,797	0.74%
	<u>\$ 101,031,072</u>	<u>24.49%</u>

2003		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 53,950,800	17.70%
J-M Manufacturing Company, Inc.	18,251,350	5.99%
Guld Coast Hospital, LP	8,988,100	2.95%
Anadrill Division of STC	5,983,550	1.96%
Centerpoint Energy Houston	5,032,970	1.65%
Gulf Coast Hospital, LP	4,728,140	1.55%
Southwestern Bell Telephone Co.	4,046,460	1.33%
South Texas Medical Joint Venture	3,190,480	1.05%
Schlumberger- Wharton	2,900,710	0.95%
South Texas Medical Clinics, P.A.	2,529,920	0.83%
	<u>\$ 109,602,480</u>	<u>35.96%</u>

SOURCE: Wharton County Central Appraisal District

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

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Adjustments</u>	Total <u>Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
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%
2012	2,011,601	4,175	2,015,776	1,901,269	94.32%

SOURCE: City of Wharton

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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 49,670	\$ 1,774,516	99.63%
51,585	1,731,853	99.62%
37,134	1,827,497	99.66%
42,316	1,836,118	99.65%
76,024	1,896,951	99.67%
48,453	1,933,006	99.57%
37,702	1,953,804	99.05%
36,923	1,878,601	96.99%
34,719	1,927,100	95.98%
-	1,901,269	94.32%

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

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<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
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
2012	517,636,000	414,037,000	103,599,000	20%	321,304,000

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

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Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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
12.97	2.54	13.94	2.65

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

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	Fiscal Year			
	2003	2004	2005	2006
Water Rates (per 2,000 gallons)				
Base Rate	\$ 7.91	\$ 9.10	\$ 9.10	\$ 9.10
Water usage rate				
2,000-4,000	1.59	1.82	1.82	1.82
4,000-7,000	1.64	1.88	1.88	1.88
7,000-11,000	1.71	1.96	1.96	1.96
11,000-15,000	1.79	2.05	2.05	2.05
15,000-50,000	1.90	2.18	2.18	2.18
50,000-100,000	2.01	2.31	2.31	2.31
100,000-150,000	2.19	2.51	2.51	2.51
>150,000	2.36	2.71	2.71	2.71
Sewer Rates (per 2,000 gallons)				
Base Rate	8.50	9.80	9.80	9.80
Sewer usage rate				
2,000-4,000	1.32	1.51	1.51	1.51
4,000-7,000	1.65	1.89	1.89	1.89
7,000-11,000	1.80	2.07	2.07	2.07
11,000-15,000	1.95	2.24	2.24	2.24
15,000-50,000	2.10	2.41	2.41	2.41
50,000-100,000	2.25	2.58	2.58	2.58
100,000-150,000	2.40	2.76	2.76	2.76
>150,000	2.55	2.93	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						
2007	2008	2009	2010	2011	2012	
\$ 10.20	\$ 10.20	\$ 11.75	12.97	12.97	12.97	
1.95	1.95	2.25	2.45	2.45	2.45	2.45
2.00	2.00	2.30	2.54	2.54	2.54	2.54
2.10	2.10	2.40	2.65	2.65	2.65	2.65
2.20	2.20	2.55	2.81	2.81	2.81	2.81
2.35	2.35	2.70	2.98	2.98	2.98	2.98
2.45	2.45	2.80	3.09	3.09	3.09	3.09
2.60	2.60	3.00	3.31	3.31	3.31	3.31
2.80	2.80	3.20	3.53	3.53	3.53	3.53
11.00	11.00	12.65	13.94	13.94	13.94	13.94
1.70	1.70	1.95	2.15	2.15	2.15	2.15
2.10	2.10	2.40	2.65	2.65	2.65	2.65
2.30	2.30	2.65	2.92	2.92	2.92	2.92
2.50	2.50	2.85	3.15	3.15	3.15	3.15
2.70	2.70	3.10	3.41	3.41	3.41	3.41
2.90	2.90	3.35	3.70	3.70	3.70	3.70
3.10	3.10	3.55	3.92	3.92	3.92	3.92
3.30	3.30	3.80	4.20	4.20	4.20	4.20



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

2012			
<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	30,280,300	7.31%
Briar Pointe LTD	Apartment Complex	18,710,800	4.52%
Millcreek Apartments	Apartment Complex	10,547,400	2.55%
Wharton ISD	Public school	8,464,600	2.04%
WCJC	Junior College	6,774,600	1.64%
J-M Eagle	Manufacturing	5,999,400	1.45%
The Meadow Associate	Apartment Complex	5,684,700	1.37%
Buc-ee's	Retail drive in grocery	5,358,800	1.29%
Gulf Coast Medical Center	Hospital	5,265,700	1.27%
Southwest LTC	Skilled Nursing Facility	5,098,400	1.23%

2006			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	35,210,000	8.19%
Gulf Coast Medical Center	Hospital	16,355,000	3.80%
JM Eagle	Manufacturing	7,354,900	1.71%
The Meadow Associate	Apartment Complex	4,976,800	1.16%
Rio Posada Apartments	Apartment Complex	4,009,700	0.93%
South Texas Medical Clinic	Medical	3,971,900	0.92%
Morning Star Apartments	Apartment Complex	3,627,000	0.84%
Wharton ISD-Tiger Stadium	Public school	3,524,400	0.82%
Wharton ISD	School	3,232,400	0.75%
Hearthstone Assisted Living	Assisted Living	3,078,200	0.72%

SOURCE: City of Wharton Utility Billing Department

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

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Fiscal Year	Governmental Activities				Business-type Activities	
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	Certificates of Obligation	General Obligation Bonds
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
2012	9,357,006	350,782	515,000	182,580	2,927,994	1,659,218

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

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Business-type Activities

<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ -	\$ 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
32,973	15,025,553	4.8%	1,701.26

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

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<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u>				<u>Debt Service Monies Available (1)</u>
	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Tax Anticipation Notes</u>	<u>Total</u>	
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
2012	12,285,000	2,010,000	515,000	14,810,000	415,415

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

(1) This is the amount restricted for debt service principal payments.

SOURCE: City of Wharton

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<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>
\$ 4,063,428	\$ 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
4,587,212	9,807,373	2.38%	1,110.44

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

September 30, 2012

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	<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	9/30/2012	<u>\$ 10,405,368</u>	100.00%	<u>\$ 10,405,368</u>
Overlapping Debt:				
Wharton County	9/30/2012	2,915,000	15.15%	441,623
Wharton Independent School District	9/30/2012	<u>23,442,940</u>	44.66%	<u>10,469,617</u>
Total Overlapping Debt		<u>26,357,940</u>		<u>10,911,240</u>
Total		<u>\$ 36,763,308</u>		<u>\$ 21,316,608</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*

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<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>
2003	\$ 1,875,592	\$ 1,152,349	\$ 723,243	\$ 315,910	2.29
2004	1,927,029	1,163,994	763,035	312,795	2.44
2005	2,212,044	1,258,856	953,188	293,307	3.25
2006	2,213,933	1,341,092	872,841	294,576	2.96
2007	2,286,698	1,446,595	840,103	227,480	3.69
2008	2,438,117	1,527,110	911,007	217,255	4.19
2009	2,774,245	1,649,694	1,124,551	308,641	3.64
2010	2,778,676	1,709,188	1,069,488	286,909	3.73
2011	2,998,074	1,774,821	1,223,253	327,687	3.73
2012	2,840,634	1,596,670	1,243,964	293,826	4.23

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

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

SOURCE: City of Wharton

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

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
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%
2012	8,832	314,030,592	35,556	2,137	6.3%

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

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



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


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2012		
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%
Maxim Production Company	240	1.26%
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%
	<u>2,411</u>	<u>12.65%</u>

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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			
	2003	2004	2005	2006
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	2.0	2.0
Finance	3.0	3.0	3.0	3.0
Municipal court	3.0	2.5	2.5	2.5
Community services coordinator	0.5	0.5	0.5	0.5
Central services	0.5	0.5	0.5	-
Public safety				
Police	22.0	21.5	23.5	24.5
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	3.0	3.0	3.0
Emergency management	-	-	0.5	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	11.0	11.5	11.5	11.5
Garage	1.5	2.0	2.0	2.0
Facilities maintenance	4.0	4.0	5.0	4.0
Water/wastewater				
City planning	2.0	1.5	1.0	1.0
Administration	2.0	2.0	2.0	2.0
Water operations	6.5	6.0	7.0	7.0
Sewer operations	3.5	3.0	4.0	4.0
Beautification	1.0	1.0	1.0	1.0
EMS	9.0	9.0	8.0	8.0
Civic Center	3.5	4.0	2.5	2.5
Airport	-	-	-	-
<b>Total</b>	<b>91.0</b>	<b>90.0</b>	<b>93.5</b>	<b>93.0</b>

SOURCE: City of Wharton

Fiscal Year					
2007	2008	2009	2010	2011	2012
2.0	2.0	2.0	2.0	2.0	2.0
2.0	2.0	1.0	1.0	1.0	1.0
3.0	4.0	4.0	3.0	3.0	3.0
2.5	2.5	2.5	2.0	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	24.0	25.0	25.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	4.0	3.0	3.0	3.0	3.0
0.5	0.5	0.5	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
8.0	9.0	9.0	9.0	9.0	9.0
1.0	1.0	-	-	-	-
11.5	11.5	11.5	11.0	10.5	10.5
2.0	2.0	2.0	2.0	1.0	1.0
4.0	5.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	-	-
2.0	1.0	1.5	2.0	1.5	1.5
7.0	7.0	7.5	7.5	8.5	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	14.0
2.5	2.5	2.5	3.0	2.5	2.5
-	1.5	2.0	1.5	2.0	1.5
<u>93.0</u>	<u>97.5</u>	<u>95.5</u>	<u>94.0</u>	<u>92.5</u>	<u>98.0</u>

**CITY OF WHARTON, TEXAS**

**OPERATING INDICATORS BY FUNCTION/PROGRAM**

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General government				
Building permits issued	1,734	1,357	1,152	1,048
Building inspections conducted	N/A	1,323	1,387	1,484
Public safety				
Police				
Physical arrests	968	1,114	957	908
Traffic violations	2,587	3,066	2,610	3,401
Fire				
Fire calls	438	475	502	511
Public works				
Streets (miles)	95	95	95	95
Culture and recreation				
Parks and recreation				
Park rental	N/A	N/A	99	103
Community center rentals	286	322	496	320
Swimming pool				
Single admissions	N/A	N/A	N/A	4,824
Season passes	N/A	N/A	N/A	19
Aerobics	N/A	N/A	N/A	41
Swim lessons	N/A	N/A	N/A	29
Party rentals	N/A	N/A	N/A	11
Water and wastewater				
Water				
New connections/taps	4	9	7	3
Average daily consumption	1.1 mgd	1.1 mgd	1.1mgd	1.2 mgd
Peak daily consumption	N/A	N/A	N/A	N/A
Wastewater				
Average daily sewage treatment	.6 mgd	.6 mgd	.7 mgd	.5 mgd
EMS				
Ambulance loads	2,688	2,784	2,444	2,874

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2007	2008	2009	2010	2011	2012
1,099	1,031	947	348	390	351
1,003	1,658	959	1,080	1,235	1,286
789	657	881	759	746	1,281
3,238	1,932	4,521	3,896	3,459	2,494
457	527	512	459	519	530
97	97	97	97	97	97
96	58	57	33	43	25
294	310	303	278	273	221
4,770	2,633	2,979	2,585	2,086	1,445
87	56	49	32	24	22
43	32	44	26	56	40
29	42	34	22	42	45
6	12	7	6	6	7
14	17	13	14	14	2
1.1 mgd	1.4 mgd	1.2mgd	1.1mgd	1.2mgd	1.1mgd
1.9 mgd	1.9 mgd	1.9 mgd	1.9mgd	2.6mgd	2.2mgd
1.2 mgd	.95 mgd	.73 mgd	.92 mgd	.79 mgd	.88 mgd
2,928	3,309	3,425	3,203	3,208	3,364

**CITY OF WHARTON, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2003	2004	2005	2006
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	96
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						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
8	8	8	9	9	9	9
1	1	1	1	1	1	1
96.5	96.5	96.5	97.0	97.0	97.0	97.0
852	852	852	852	852	852	858
8	8	8	8	8	8	8
90	90	92	92	92	92	92
10	10	11	11	11	11	11
5	5	5	5	5	5	5
1	1	1	1	1	1	1
1	1	1	1	1	1	1
80	80.5	80.5	80.5	80.5	80.5	80.5
470	475	478	478	478	478	478
3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd
80	83	84	84	84	84	84
15	15	15	15	15	15	15
2.0 mgd	2.0 mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd

**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**





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

The Honorable Mayor  
and Members of 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2013. 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 & Ullrich, LLP*

March 13, 2013