

CITY OF WHARTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2013

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 28, 2014

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, 2013 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 \$57 million. They are also the largest purchaser of water, consuming approximately 38 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 \$204,883,633 in tax year 2013. 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 2013 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)

During the 2013 fiscal year, the City completed many improvements throughout the City through the issuance of \$4.6 million in bonds which were issued in 2011:

- Street improvements,
- Flood reduction

The following initiatives are still in progress with the remainder of the 2011 issuance of bonds:

- Farm to Market 102 Relocation or Farm to Market 1301 to U.S. Highway 59 and Railroad Overpass Project,
- Sidewalk enhancement,
- 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 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. City Council approves the budget appropriations and any amendments at the department level within the budgeted funds. The department heads have discretion over line items within the departmental budget. Budgetary control is exercised generally by the Director of Finance and specifically at the department level by the department heads.

INDEPENDENT AUDIT

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

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, 2012. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

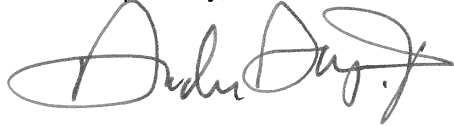
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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-two consecutive years (fiscal years ended 1991 - 2012). 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Wharton
Texas**

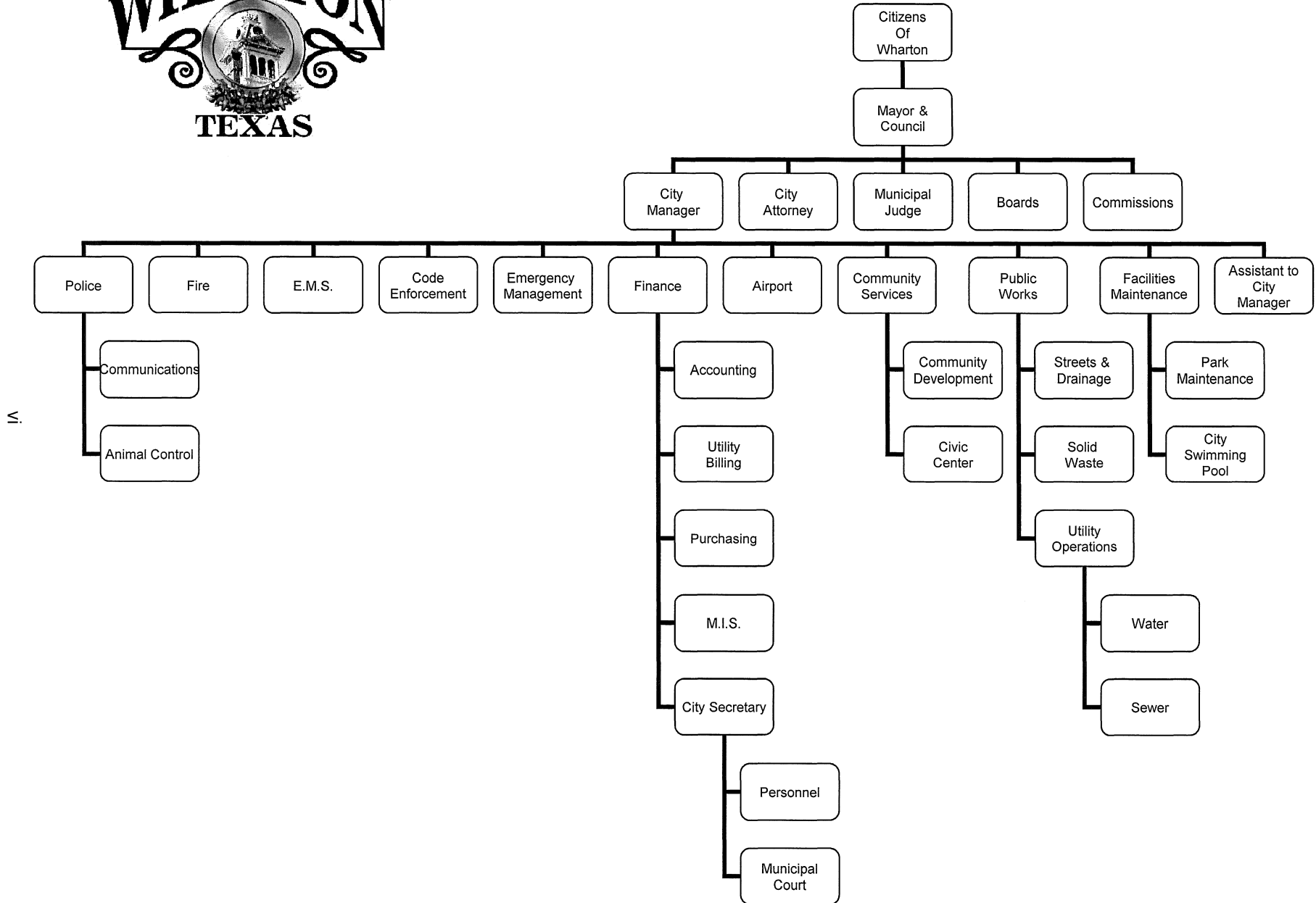
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



Organizational Chart



Elected Officials

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

Appointed Officials

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

Department Heads

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

March 28, 2014

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, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2013, by \$22,487,548. Of this amount, \$2,338,295 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$11,896,313 for the fiscal year. The net expense was \$4,832,873.
- During the year, the City's general net expenses exceeded general revenues of the governmental activities by \$50,990. This represents a 0.62% decrease in net position from the previous fiscal year as a result of operations.
- At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$5,272,658, a net decrease of \$538,810 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 2013.
- At September 30, 2013, unassigned fund balance for the General Fund was \$1,257,474 or 24.02% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net decrease of \$919,407, or 5.91%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

Independent Auditors' Report

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

Management's Discussion and Analysis

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

Pages 4 to 14

Government-wide Financial Statements

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

Pages 15 to 18

Fund Financial Statements

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

Pages 19 to 32

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 33 to 63

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the City's net position changed during fiscal year 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

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

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

Fund Financial Statements

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

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

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

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

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 33 through 63 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 64 through 67 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 68 through 95 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$22,487,548 at the close of the fiscal year ended September 30, 2013.

At the end of fiscal year 2013, the City is able to report positive balances in all three categories of net position for the government as a whole.

City of Wharton, Texas						
Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
ASSETS						
Current assets	\$ 5,649,652	\$ 5,843,744	\$ 1,842,495	\$ 1,785,862	\$ 7,492,147	\$ 7,629,606
Capital assets (net)	12,957,433	12,938,540	17,853,898	17,817,363	30,811,331	30,755,903
Other noncurrent assets	350,000	500,000	(350,000)	(500,000)	-	-
Total assets	18,957,085	19,282,284	19,346,393	19,103,225	38,303,478	38,385,509
DEFERRED OUTFLOWS						
Deferred amount						
on refunding	8,658	9,925	26,200	30,033	34,858	39,958
Total deferred out- flows of resources	8,658	9,925	26,200	30,033	34,858	39,958
LIABILITIES						
Current and other liabilities	1,066,682	845,902	1,092,811	1,105,452	2,159,493	1,951,354
Noncurrent liabilities	9,739,813	10,236,069	3,951,482	4,366,410	13,691,295	14,602,479
Total liabilities	10,806,495	11,081,971	5,044,293	5,471,862	15,850,788	16,553,833
NET POSITION						
Net investment in capital assets	6,025,382	6,145,777	13,568,618	13,128,337	19,594,000	19,274,114
Restricted	555,253	506,706	-	-	555,253	506,706
Unrestricted	1,578,613	1,557,755	759,682	533,059	2,338,295	2,090,814
Total net position	\$ 8,159,248	\$ 8,210,238	\$ 14,328,300	\$ 13,661,396	\$ 22,487,548	\$ 21,871,634

*Net positions of the 2012 governmental and business-type activities have been restated. See Note 15 of this report.

The largest portion of the City's net position (87.13%) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has restricted net position of \$555,253 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$2,338,295 may be used to meet the government's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Wharton, Texas

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
REVENUES						
Program revenues:						
Charges for services	\$ 371,090	\$ 313,362	\$ 5,412,823	\$ 5,182,757	\$ 5,783,913	\$ 5,496,119
Operating grants and contributions	2,238	15,631	775,650	764,282	777,888	779,913
Capital grants and contributions	50,000	423,264	451,639	604,906	501,639	1,028,170
General revenues:						
Property taxes	1,926,421	1,962,365	-	-	1,926,421	1,962,365
Sales taxes	1,274,114	1,313,677	-	-	1,274,114	1,313,677
Franchise taxes	1,047,976	973,486	-	-	1,047,976	973,486
Other taxes	196,669	190,162	-	-	196,669	190,162
Unrestricted investment earnings	8,052	8,999	2,235	1,675	10,287	10,674
Industrial district payment	922,448	504,314	-	-	922,448	504,314
Miscellaneous	70,872	95,580	-	16,600	70,872	112,180
Total revenues	5,869,880	5,800,840	6,642,347	6,570,220	12,512,227	12,371,060
EXPENSES						
General government	926,431	976,628	-	-	926,431	976,628
Public safety	3,430,366	3,265,404	-	-	3,430,366	3,265,404
Public works	1,397,798	1,416,172	-	-	1,397,798	1,416,172
Cultural and recreation	215,061	215,656	-	-	215,061	215,656
Interest on long-term debt	388,653	381,827	-	-	388,653	381,827
Water and sewer	-	-	2,377,966	2,214,274	2,377,966	2,214,274
Solid waste	-	-	1,300,929	1,250,313	1,300,929	1,250,313
Emergency medical services	-	-	1,395,931	1,243,579	1,395,931	1,243,579
Civic center	-	-	200,266	216,926	200,266	216,926
Airport	-	-	262,912	258,427	262,912	258,427
Total expenses	6,358,309	6,255,687	5,538,004	5,183,519	11,896,313	11,439,206
Change in net position before transfers	(488,429)	(454,847)	1,104,343	1,386,701	615,914	931,854
Transfers	437,439	504,673	(437,439)	(504,673)	-	-
Change in net position	(50,990)	49,826	666,904	882,028	615,914	931,854
Net position at beginning of year, as restated	8,210,238	8,160,412	13,661,396	12,779,368	21,871,634	20,939,780
Net position at end of year	\$ 8,159,248	\$ 8,210,238	\$ 14,328,300	\$ 13,661,396	\$ 22,487,548	\$ 21,871,634

*Net positions of the 2012 governmental and business-type activities have been restated. See Note 15 of this report

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental activities decreased the City's net position by \$50,990 which was mainly due to the decrease in the capital grants and contributions from the prior year. There was a net increase of \$666,904 in net position reported in connection with the City's business-type activities. This increase is mainly due to the increase in charges for services and a decrease in transfers to other funds from the prior year. Overall, there was a \$615,914 increase in the net position of the City.

Governmental Activities

Governmental activities decreased the City's net position by \$50,990. Key elements of this decrease are as follows:

- Capital grants and contributions decreased \$373,264 or 88.19% from prior year.
- Public safety expenses increased by \$164,962 or 5.05% 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	\$ 926,431	14.57%	\$ 317,267	74.95%	\$ (609,164)
Public safety	3,430,366	53.95%	95,120	22.47%	(3,335,246)
Public works	1,397,798	21.99%	-	0.00%	(1,397,798)
Cultural and recreation	215,061	3.38%	10,941	2.58%	(204,120)
Interest on long-term debt	<u>388,653</u>	<u>6.11%</u>	<u>-</u>	<u>0.00%</u>	<u>(388,653)</u>
Total	<u>\$ 6,358,309</u>	<u>100.00%</u>	<u>\$ 423,328</u>	<u>100.00%</u>	<u>\$ (5,934,981)</u>

City of Wharton, Texas

Revenues by Source - Governmental Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 371,090	5.88%
Operating grants and contributions	2,238	0.04%
Capital grants and contributions	50,000	0.79%
Property taxes	1,926,421	30.53%
Sales taxes	1,274,114	20.20%
Franchise taxes	1,047,976	16.62%
Other taxes	196,669	3.12%
Unrestricted investment earnings	8,052	0.13%
Industrial district payment	922,448	14.63%
Miscellaneous	70,872	1.12%
Transfers	<u>437,439</u>	<u>6.94%</u>
	<u>\$ 6,307,319</u>	<u>100.00%</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Business-type activities increased the City's net position by \$666,904. Key elements of this increase are as follows:

- Charges for services increased \$230,066 or 4.44% from the prior year. This was mainly due to the increase in utility rates in fiscal year 2013.
- Transfers to other funds decreased \$67,234 from the prior year.

City of Wharton, Texas

Expenses and Program Revenues - Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water and sewer	\$ 2,377,966	42.94%	\$ 2,999,959	45.18%	\$ 621,993
Solid waste	1,300,929	23.49%	1,338,967	20.17%	38,038
Emergency medical services	1,395,931	25.21%	1,777,855	26.77%	381,924
Civic center	200,266	3.61%	55,344	0.83%	(144,922)
Airport	<u>262,912</u>	<u>4.75%</u>	<u>467,987</u>	<u>7.05%</u>	<u>205,075</u>
Total	<u>\$ 5,538,004</u>	<u>100.00%</u>	<u>\$ 6,640,112</u>	<u>100.00%</u>	<u>\$ 1,102,108</u>

City of Wharton, Texas

Revenues by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 5,412,823	87.23%
Operating grants and contributions	775,650	12.50%
Capital grants and contributions	451,639	7.28%
Unrestricted investment earnings	2,235	0.04%
Transfers	<u>(437,439)</u>	<u>-7.05%</u>
	<u>\$ 6,204,908</u>	<u>100.00%</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$5,272,658, a decrease of \$538,810 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 2013. The expenditures are accounted for in the 2011 Bond Construction Fund which is reported as a major capital project fund at September 30, 2013. The General Fund ended the fiscal year with an increase of \$64,325 and the 2011 Bond Construction Fund decreased \$649,927.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2013, unassigned fund balance of the General Fund was \$1,257,474, while total fund balance was \$1,626,973. 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 24.02% of the total General Fund expenditures, while total fund balance represents 31.08% of that same amount.

The fund balance of the City's General Fund increased \$64,325 during the current fiscal year. These factors included revenues coming in \$20,986 more than the final budget and expenditures coming in \$40,032 less than the final budget.

Proprietary Funds

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

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

<u>Fund</u>	<u>Unrestricted Net Position</u>
Water and sewer	\$ (231,499)
Solid waste	(4,985)
Emergency medical services	742,567
Civic center	16,690
Airport	236,909
	<u>\$ 759,682</u>

This represents an increase of \$226,623 from the prior year unrestricted net position balances. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget were a net decrease of \$18,908 to revenues, a net decrease to expenditures of \$4,508, and a net increase of \$15,000 to other financing sources. A few of the changes are briefly summarized as follows:

- A decrease of approximately \$16,000 in ad valorem tax revenues.
- An increase of approximately \$19,000 in sales tax revenues.
- A decrease of approximately \$28,000 in miscellaneous revenues.
- An increase of \$29,000 in the police department which consisted of an increase of \$26,000 in fuel costs, a decrease of \$5,000 in building and equipment maintenance, \$3,000 decrease in continuing education, and an increase of \$11,000 in professional fees.
- A decrease of \$19,000 in the streets and drainage department which consisted of a decrease of \$72,000 in salary and benefits and an increase of \$53,000 in maintenance accounts.
- An increase of \$32,000 in the garage department for salary and benefits, supplies, and maintenance.
- A decrease of \$28,000 in the facilities maintenance department which consisted of a decrease of \$25,000 in salary and benefits and \$3,000 in utilities.

For fiscal year 2013, the General Fund's revenues were \$20,986 more than the final budget and expenditures were \$40,032 less than the final budget. There were no significant variances between the General Fund's actual revenues and expenditures compared to the final budget. Additional budget information can be found in the General Fund budget comparison schedule on page 64.

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, 2013, amounts to \$30,811,331 (net of accumulated depreciation). This investment in capital assets includes land, machinery and equipment, buildings, infrastructure, and water and wastewater distribution system. The total net increase in the City's investment in capital assets for the current fiscal year was 0.18% (a 0.15% increase for governmental activities and a 0.21% increase for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	927,777	831,540	114,490	624,130	1,042,267	1,455,670
Machinery and equipment	1,220,962	1,409,737	919,289	727,488	2,140,251	2,137,225
Land improvements	-	-	1,112,542	260,127	1,112,542	260,127
Bldgs. and improvements	3,294,207	3,423,963	4,126,268	4,205,278	7,420,475	7,629,241
Infrastructure	6,341,202	6,100,015	-	-	6,341,202	6,100,015
Water and sewer system	-	-	11,262,216	11,681,247	11,262,216	11,681,247
Total	\$ 12,957,433	\$ 12,938,540	\$ 17,853,898	\$ 17,817,363	\$ 30,811,331	\$ 30,755,903

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, 2013, consisted of the following:
 - The net increase in construction in progress of \$96,237 included the following projects: FM 102 or 1301 extension and the sidewalk enhancement project.
 - The net increase in infrastructure of \$547,402 includes the completion of various street improvement projects and drainage improvements.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2013, consisted of the following:
 - The water tank and plant improvement projects began in fiscal year 2013 and were still in progress at year end (\$114,490).
 - Texas Department of Transportation Airport drainage project (\$866,133) was completed in fiscal year 2013.
 - The net increase of \$284,950 in machinery and equipment included the following: Power loader and ambulance.

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 2013, the City had total bonded debt outstanding of \$13,821,921 (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 \$345,000 in tax anticipation notes, \$124,739 in capital leases, and \$349,891 in compensated absences as of September 30, 2013.

City of Wharton, Texas

Long-term Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 240,782	\$ 1,454,218	\$ 1,695,000
Issuance premiums	102,639	89,282	191,921
Certificates of obligation	9,190,181	2,744,819	11,935,000
Tax anticipation notes	345,000	-	345,000
Capital leases	124,739	-	124,739
Compensated absences	279,433	70,458	349,891
Total	\$ 10,282,774	\$ 4,358,777	\$ 14,641,551

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Long-Term Debt - (Continued)

The City's total outstanding debt decreased by \$919,407 or 5.91% over the prior fiscal year. The key factors in this net decrease were:

- Payments made on the certificates and bonds during fiscal year 2013 totaled \$665,000.
- Payments made on the tax anticipation notes during fiscal year 2013 totaled \$170,000.

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 2013 increased by \$2,699,543 or 0.6% to approximately \$440 million.
- The top ten principal taxpayers account for 25.3% of the total assessed valuation as compared to 36.92% nine years ago.
- The ad valorem tax rate for the General Fund was decreased by \$0.01535 per \$100 valuation to \$0.24208 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 POSITION
September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,823,466	\$ 1,074,027	\$ 5,897,493	\$ 833,851
Receivables, net	445,569	645,951	1,091,520	162,605
Internal balances	18,527	(18,527)	-	-
Due from component unit	17,365	-	17,365	-
Due from other governments	325,226	48,140	373,366	-
Prepaid items	19,499	-	19,499	-
Inventory	-	92,904	92,904	2,000
Total current assets	5,649,652	1,842,495	7,492,147	998,456
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	2,101,062	433,583	2,534,645	385,335
Buildings, infrastructure, and equipment, net	10,856,371	17,420,315	28,276,686	4,548
Net capital assets	12,957,433	17,853,898	30,811,331	389,883
Noncurrent internal balances	350,000	(350,000)	-	-
Total noncurrent assets	13,307,433	17,503,898	30,811,331	389,883
Total assets	18,957,085	19,346,393	38,303,478	1,388,339
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	8,658	26,200	34,858	-
Total deferred outflows of resources	8,658	26,200	34,858	-

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 283,486	\$ 394,289	\$ 677,775	\$ 4,114
Accrued expenditures/expenses	60,637	31,903	92,540	-
Due to primary government	-	-	-	17,365
Due to other governments	80,197	7,781	87,978	34,469
Deposits	-	195,997	195,997	-
Accrued interest payable	99,400	55,544	154,944	181
Unearned revenue	-	-	-	-
Compensated absences	27,943	7,047	34,990	-
Current portion of long-term obligations	515,019	400,250	915,269	139,111
Total current liabilities	<u>1,066,682</u>	<u>1,092,811</u>	<u>2,159,493</u>	<u>195,240</u>
Noncurrent liabilities				
Compensated absences	251,491	63,413	314,904	-
Noncurrent portion of long-term obligations	9,488,322	3,888,069	13,376,391	198,361
Total noncurrent liabilities	<u>9,739,813</u>	<u>3,951,482</u>	<u>13,691,295</u>	<u>198,361</u>
Total liabilities	<u>10,806,495</u>	<u>5,044,293</u>	<u>15,850,788</u>	<u>393,601</u>
NET POSITION				
Net investment in capital assets	6,025,382	13,568,618	19,594,000	389,883
Restricted for:				
Debt service	398,223	-	398,223	-
Cultural and recreation	69,706	-	69,706	-
Municipal court	17,787	-	17,787	-
Public safety	69,537	-	69,537	-
Unrestricted net position	<u>1,578,613</u>	<u>759,682</u>	<u>2,338,295</u>	<u>604,855</u>
Total net position	<u>\$ 8,159,248</u>	<u>\$ 14,328,300</u>	<u>\$ 22,487,548</u>	<u>\$ 994,738</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 926,431	\$ 317,267	\$ -	\$ -
Public safety	3,430,366	42,882	2,238	50,000
Public works	1,397,798	-	-	-
Cultural and recreation	215,061	10,941	-	-
Interest on long-term debt	388,653	-	-	-
Total governmental activities	<u>6,358,309</u>	<u>371,090</u>	<u>2,238</u>	<u>50,000</u>
Business-type activities				
Water and sewer	2,377,966	2,999,959	-	-
Solid waste	1,300,929	1,338,967	-	-
Emergency medical services	1,395,931	840,708	727,510	209,637
Civic center	200,266	55,344	-	-
Airport	262,912	177,845	48,140	242,002
Total business-type activities	<u>5,538,004</u>	<u>5,412,823</u>	<u>775,650</u>	<u>451,639</u>
Total primary government	<u>\$ 11,896,313</u>	<u>\$ 5,783,913</u>	<u>\$ 777,888</u>	<u>\$ 501,639</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 522,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Industrial district payment

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (609,164)	\$ -	\$ (609,164)	\$ -
(3,335,246)	-	(3,335,246)	-
(1,397,798)	-	(1,397,798)	-
(204,120)	-	(204,120)	-
(388,653)	-	(388,653)	-
<u>(5,934,981)</u>	<u>-</u>	<u>(5,934,981)</u>	<u>-</u>
-	621,993	621,993	-
-	38,038	38,038	-
-	381,924	381,924	-
-	(144,922)	(144,922)	-
-	205,075	205,075	-
<u>-</u>	<u>1,102,108</u>	<u>1,102,108</u>	<u>-</u>
<u>(5,934,981)</u>	<u>1,102,108</u>	<u>(4,832,873)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(522,387)</u>
1,100,116	-	1,100,116	-
826,305	-	826,305	-
1,274,114	-	1,274,114	691,651
1,047,976	-	1,047,976	-
196,669	-	196,669	-
8,052	2,235	10,287	4,137
922,448	-	922,448	-
70,872	-	70,872	10,615
<u>437,439</u>	<u>(437,439)</u>	<u>-</u>	<u>-</u>
<u>5,883,991</u>	<u>(435,204)</u>	<u>5,448,787</u>	<u>706,403</u>
(50,990)	666,904	615,914	184,016
<u>8,210,238</u>	<u>13,661,396</u>	<u>21,871,634</u>	<u>810,722</u>
<u>\$ 8,159,248</u>	<u>\$ 14,328,300</u>	<u>\$ 22,487,548</u>	<u>\$ 994,738</u>

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

September 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,050,002	\$ 417,247	\$ 3,217,641
Receivables, net	320,947	77,848	-
Due from other funds	101,173	2,528	20,830
Due from component unit	17,365	-	-
Due from other governments	325,226	-	-
Advances to other funds	350,000	-	-
Prepaid items	19,499	-	-
Total assets	<u>\$ 2,184,212</u>	<u>\$ 497,623</u>	<u>\$ 3,238,471</u>
LIABILITIES			
Accounts payable	\$ 128,810	\$ -	\$ 146,404
Accrued expenditures	58,533	-	2,104
Due to other governments	80,197	-	-
Due to other funds	64,873	-	27,331
Total liabilities	<u>332,413</u>	<u>-</u>	<u>175,839</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	224,826	77,848	-
Total deferred inflows of resources	<u>224,826</u>	<u>77,848</u>	<u>-</u>
FUND BALANCES			
Nonspendable	369,499	-	-
Restricted	-	419,775	3,062,632
Unassigned	1,257,474	-	-
Total fund balances	<u>1,626,973</u>	<u>419,775</u>	<u>3,062,632</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,184,212</u>	<u>\$ 497,623</u>	<u>\$ 3,238,471</u>

The accompanying notes are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 138,576	\$ 4,823,466
46,774	445,569
27,331	151,862
-	17,365
-	325,226
-	350,000
-	19,499
<u>\$ 212,681</u>	<u>\$ 6,132,987</u>
\$ 8,272	\$ 283,486
-	60,637
-	80,197
<u>41,131</u>	<u>133,335</u>
<u>49,403</u>	<u>557,655</u>
<u>-</u>	<u>302,674</u>
<u>-</u>	<u>302,674</u>
-	369,499
157,141	3,639,548
<u>6,137</u>	<u>1,263,611</u>
<u>163,278</u>	<u>5,272,658</u>
<u>\$ 212,681</u>	<u>\$ 6,132,987</u>

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

September 30, 2013

Total governmental fund balances		\$ 5,272,658
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		237,474
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		65,200
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	\$ 23,277,804	
Accumulated depreciation of governmental capital assets	<u>(10,320,371)</u>	12,957,433
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	(9,430,963)	
Bond premiums	(102,639)	
Loss on refunding	8,658	
Tax anticipation notes payable	(345,000)	
Capital leases payable	(124,739)	
Accrued interest payable	(99,400)	
Compensated absences	<u>(279,434)</u>	<u>(10,373,517)</u>
Net position of governmental activities		<u>\$ 8,159,248</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
REVENUES			
Taxes	\$ 3,453,734	\$ 840,521	\$ -
Licenses and permits	98,609	-	-
Intergovernmental	52,238	-	-
Charges for services	12,888	-	-
Fines and forfeitures	211,780	-	-
Investment income	1,691	715	5,359
Industrial district fee	922,448	-	-
Miscellaneous	3,911	-	-
Total revenues	<u>4,757,299</u>	<u>841,236</u>	<u>5,359</u>
EXPENDITURES			
Current			
General government	815,638	-	57,729
Public safety	3,132,721	-	-
Public works	1,041,924	-	-
Cultural and recreation	77,422	-	-
Capital outlay	97,351	-	597,557
Debt service			
Principal retirement	57,841	446,825	-
Interest and fiscal charges	11,484	390,051	-
Total expenditures	<u>5,234,381</u>	<u>836,876</u>	<u>655,286</u>
Excess (deficiency) of revenues over expenditures	(477,082)	4,360	(649,927)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	22,707	-	-
Transfers in	568,700	-	-
Transfers out	(50,000)	-	-
Total other financing sources (uses)	<u>541,407</u>	<u>-</u>	<u>-</u>
Net change in fund balances	64,325	4,360	(649,927)
Fund balances at beginning of year	<u>1,562,648</u>	<u>415,415</u>	<u>3,712,559</u>
Fund balances at end of year	<u>\$ 1,626,973</u>	<u>\$ 419,775</u>	<u>\$ 3,062,632</u>

The accompanying notes are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 196,669	\$ 4,490,924
-	98,609
-	52,238
-	12,888
12,031	223,811
287	8,052
-	922,448
<u>54,021</u>	<u>57,932</u>
<u>263,008</u>	<u>5,866,902</u>
7,409	880,776
7,298	3,140,019
-	1,041,924
76,632	154,054
93,909	788,817
-	504,666
-	<u>401,535</u>
<u>185,248</u>	<u>6,911,791</u>
77,760	(1,044,889)
-	22,707
100,000	668,700
<u>(135,328)</u>	<u>(185,328)</u>
<u>(35,328)</u>	<u>506,079</u>
42,432	(538,810)
<u>120,846</u>	<u>5,811,468</u>
<u>\$ 163,278</u>	<u>\$ 5,272,658</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, 2013

Total net change in fund balances - governmental funds \$ (538,810)

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	\$ 740,990	
Depreciation expense	<u>(722,097)</u>	18,893

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	276,825	
Tax anticipation notes principal retirement	170,000	
Capital lease principal retirement	<u>57,841</u>	504,666

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	(14,327)	
Other revenues	<u>(5,403)</u>	(19,730)

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	(28,891)	
Decrease in loss on refunding	(1,267)	
Decrease in bond premium	7,240	
Decrease in accrued interest	<u>6,909</u>	<u>(16,009)</u>

Change in net position of governmental activities \$ (50,990)

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 123,721	\$ 5,273	\$ 756,527
Receivables, net			
Accounts	357,134	155,643	63,880
Due from other funds	39,300	50,854	5,788
Due from other governments	-	-	-
Inventory	37,841	-	-
Total current assets	<u>557,996</u>	<u>211,770</u>	<u>826,195</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	391,240	-	-
Buildings, improvements, and equipment, net	11,512,706	-	534,122
Net capital assets	<u>11,903,946</u>	<u>-</u>	<u>534,122</u>
Total noncurrent assets	<u>11,903,946</u>	<u>-</u>	<u>534,122</u>
Total assets	<u>12,461,942</u>	<u>211,770</u>	<u>1,360,317</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	23,161	-	-
Total deferred outflows of resources	<u>23,161</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities			
Accounts payable	72,049	208,318	36,619
Accrued expenses	10,896	581	17,476
Due to other governments	-	7,781	-
Deposits	187,722	75	-
Accrued interest payable	49,514	-	-
Due to other funds	109,449	-	5,626
Compensated absences	3,303	-	2,391
Current portion of certificates of obligation	178,550	-	-
Current portion of general obligation bonds	192,000	-	-
Total current liabilities	<u>803,483</u>	<u>216,755</u>	<u>62,112</u>
Noncurrent liabilities			
Advances from other funds	350,000	-	-
Compensated absences	29,723	-	21,516
Bonds and certificates (net of unamortized deferred amounts)	3,439,851	-	-
Total noncurrent liabilities	<u>3,819,574</u>	<u>-</u>	<u>21,516</u>
Total liabilities	<u>4,623,057</u>	<u>216,755</u>	<u>83,628</u>
NET POSITION			
Net investment in capital assets	8,093,545	-	534,122
Unrestricted net position	(231,499)	(4,985)	742,567
Total net position	<u>\$ 7,862,046</u>	<u>\$ (4,985)</u>	<u>\$ 1,276,689</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 44,626	\$ 143,880	\$ 1,074,027
6,299	62,995	645,951
256	375	96,573
-	48,140	48,140
-	55,063	92,904
<u>51,181</u>	<u>310,453</u>	<u>1,957,595</u>
-	42,343	433,583
<u>1,335,262</u>	<u>4,038,225</u>	<u>17,420,315</u>
<u>1,335,262</u>	<u>4,080,568</u>	<u>17,853,898</u>
<u>1,335,262</u>	<u>4,080,568</u>	<u>17,853,898</u>
<u>1,386,443</u>	<u>4,391,021</u>	<u>19,811,493</u>
3,039	-	26,200
<u>3,039</u>	<u>-</u>	<u>26,200</u>
9,601	67,702	394,289
1,756	1,194	31,903
-	-	7,781
7,900	300	195,997
2,306	3,724	55,544
8	17	115,100
1,292	61	7,047
-	9,700	188,250
<u>20,000</u>	<u>-</u>	<u>212,000</u>
<u>42,863</u>	<u>82,698</u>	<u>1,207,911</u>
-	-	350,000
11,628	546	63,413
<u>176,231</u>	<u>271,987</u>	<u>3,888,069</u>
<u>187,859</u>	<u>272,533</u>	<u>4,301,482</u>
<u>230,722</u>	<u>355,231</u>	<u>5,509,393</u>
1,142,070	3,798,881	13,568,618
16,690	236,909	759,682
<u>\$ 1,158,760</u>	<u>\$ 4,035,790</u>	<u>\$ 14,328,300</u>

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

For the year ended September 30, 2013

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 2,999,959	\$ 1,338,967	\$ 840,708
Total operating revenues	<u>2,999,959</u>	<u>1,338,967</u>	<u>840,708</u>
OPERATING EXPENSES			
Personnel	804,120	35,379	1,008,402
Materials and supplies	102,757	46	97,021
Repairs and maintenance	218,994	-	62,682
Other services and charges	632,804	1,265,504	137,923
Depreciation and amortization	473,376	-	88,572
Total operating expenses	<u>2,232,051</u>	<u>1,300,929</u>	<u>1,394,600</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	767,908	38,038	(553,892)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	-	-	727,510
Investment income	591	150	1,204
Interest and fiscal charges	(145,915)	-	(1,331)
Total nonoperating revenues (expenses)	<u>(145,324)</u>	<u>150</u>	<u>727,383</u>
Income (loss) before transfers and contributions	622,584	38,188	173,491
Contributions and transfers			
Capital grants and contributions	45,933	-	209,637
Transfers in	-	-	-
Transfers out	(544,494)	(25,000)	(49,206)
Total contributions and transfers	<u>(498,561)</u>	<u>(25,000)</u>	<u>160,431</u>
Change in net position	124,023	13,188	333,922
Net position at beginning of year, as restated	<u>7,738,023</u>	<u>(18,173)</u>	<u>942,767</u>
Net position at end of year	<u>\$ 7,862,046</u>	<u>\$ (4,985)</u>	<u>\$ 1,276,689</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 55,344	\$ 177,845	\$ 5,412,823
<u>55,344</u>	<u>177,845</u>	<u>5,412,823</u>
89,106	65,803	2,002,810
2,267	3,171	205,262
20,364	50,333	352,373
33,603	39,382	2,109,216
<u>48,644</u>	<u>93,380</u>	<u>703,972</u>
<u>193,984</u>	<u>252,069</u>	<u>5,373,633</u>
(138,640)	(74,224)	39,190
-	48,140	775,650
32	258	2,235
<u>(6,282)</u>	<u>(10,843)</u>	<u>(164,371)</u>
<u>(6,250)</u>	<u>37,555</u>	<u>613,514</u>
(144,890)	(36,669)	652,704
-	242,002	497,572
135,328	-	135,328
<u>-</u>	<u>-</u>	<u>(618,700)</u>
<u>135,328</u>	<u>242,002</u>	<u>14,200</u>
(9,562)	205,333	666,904
<u>1,168,322</u>	<u>3,830,457</u>	<u>13,661,396</u>
<u>\$ 1,158,760</u>	<u>\$ 4,035,790</u>	<u>\$ 14,328,300</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2013

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 2,957,992	\$ 1,330,412	\$ 854,332
Cash paid to suppliers for goods and services	(1,040,021)	(1,157,657)	(282,302)
Cash paid to employees for services	(807,569)	(35,260)	(1,005,346)
Net cash provided (used) by operating activities	<u>1,110,402</u>	<u>137,495</u>	<u>(433,316)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	(57,554)	(177,877)	4,646
Transfers in from other funds	-	-	-
Transfers out to other funds	(544,494)	(25,000)	(49,206)
Grants and contributions	-	-	727,510
Net cash provided (used) by noncapital financing activities	<u>(602,048)</u>	<u>(202,877)</u>	<u>682,950</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(96,252)	-	(307,694)
Proceeds from sale of capital assets	7,000	-	6,600
Proceeds from capital grants and contributions	113,600	-	136,637
Principal paid on long-term debt	(359,650)	-	(32,973)
Interest paid on long-term debt	(157,769)	-	(1,331)
Net cash provided (used) by capital and related financing activities	<u>(493,071)</u>	<u>-</u>	<u>(198,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	591	150	1,204
Net cash provided (used) by investing activities	<u>591</u>	<u>150</u>	<u>1,204</u>
Net increase (decrease) in cash and cash equivalents	15,874	(65,232)	52,077
Cash and cash equivalents at beginning of year	<u>107,847</u>	<u>70,505</u>	<u>704,450</u>
Cash and cash equivalents at end of year	<u>\$ 123,721</u>	<u>\$ 5,273</u>	<u>\$ 756,527</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 53,220	\$ 129,652	\$ 5,325,608
(50,671)	(75,094)	(2,605,745)
<u>(87,714)</u>	<u>(66,241)</u>	<u>(2,002,130)</u>
<u>(85,165)</u>	<u>(11,683)</u>	<u>717,733</u>
238	126	(230,421)
135,328	-	135,328
-	-	(618,700)
-	47,172	774,682
<u>135,566</u>	<u>47,298</u>	<u>60,889</u>
-	(44,790)	(448,736)
-	-	13,600
-	-	250,237
(20,000)	(8,525)	(421,148)
<u>(7,183)</u>	<u>(11,143)</u>	<u>(177,426)</u>
<u>(27,183)</u>	<u>(64,458)</u>	<u>(783,473)</u>
32	258	2,235
<u>32</u>	<u>258</u>	<u>2,235</u>
23,250	(28,585)	(2,616)
<u>21,376</u>	<u>172,465</u>	<u>1,076,643</u>
<u>\$ 44,626</u>	<u>\$ 143,880</u>	<u>\$ 1,074,027</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2013

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 767,908	\$ 38,038	\$ (553,892)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	473,376	-	88,572
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(48,852)	(8,555)	13,624
(Increase) decrease in inventory	2,503	-	-
Increase (decrease) in accounts payable	(87,969)	107,948	15,324
Increase (decrease) in accrued expenses	1,637	119	4,253
Increase (decrease) in deposits	6,885	-	-
Increase (decrease) in due to other governments	-	(55)	-
Increase (decrease) in compensated absences	(5,086)	-	(1,197)
Total adjustments	<u>342,494</u>	<u>99,457</u>	<u>120,576</u>
Net cash provided (used) by operating activities	<u>\$ 1,110,402</u>	<u>\$ 137,495</u>	<u>\$ (433,316)</u>
Noncash capital and related financing activities			
Assets acquired from contributions	<u>\$ 126,720</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (138,640)	\$ (74,224)	\$ 39,190
48,644	93,380	703,972
(1,634)	(48,193)	(93,610)
-	(13,953)	(11,450)
5,563	31,745	72,611
157	165	6,331
(490)	-	6,395
-	-	(55)
<u>1,235</u>	<u>(603)</u>	<u>(5,651)</u>
<u>53,475</u>	<u>62,541</u>	<u>678,543</u>
<u>\$ (85,165)</u>	<u>\$ (11,683)</u>	<u>\$ 717,733</u>
<u>\$ -</u>	<u>\$ 242,002</u>	<u>\$ 368,722</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.

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

A. Reporting Entity - (Continued)

Other Entities

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

D. Budgets and Budgetary Accounting - (Continued)

3. Legally adopted annual budgets for the General Fund, 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, 2013.

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, 2013, approximates fair value.

G. Receivables and Payables

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

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

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

H. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as prepaid items in both the fund financial statements and 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 position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

J. Compensated Absences

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

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

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

J. Compensated Absences - (Continued)

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

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

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

K. Long-Term Obligations

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

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

L. 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 2013. 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 were no situations of expenditures exceeding the amount appropriated during the fiscal year 2012-2013.

B. Deficit Fund Equity

As of September 30, 2013, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
Solid Waste	\$ 4,985

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

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2013, 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	\$ 151,298	60

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 position 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, 2013, and for the year then ended, the City was not exposed to any custodial credit risk.

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

NOTE 4: RECEIVABLES

Receivables at September 30, 2013, 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	\$ 344,692	\$ -	\$ 357,134	\$ 155,643	\$ 63,880	\$ 6,299	\$ 62,995	\$ 46,774	\$ 1,037,417
Ad valorem taxes	223,061	106,281	-	-	-	-	-	-	329,342
Franchise taxes	87,439	-	-	-	-	-	-	-	87,439
Fines	154,810	-	-	-	-	-	-	-	154,810
Other	7,734	-	-	-	-	-	-	-	7,734
Total gross receivables	817,736	106,281	357,134	155,643	63,880	6,299	62,995	46,774	1,616,742
Less: Allowances	<u>496,789</u>	<u>28,433</u>	-	-	-	-	-	-	<u>525,222</u>
Total net receivables	<u>\$ 320,947</u>	<u>\$ 77,848</u>	<u>\$ 357,134</u>	<u>\$ 155,643</u>	<u>\$ 63,880</u>	<u>\$ 6,299</u>	<u>\$ 62,995</u>	<u>\$ 46,774</u>	<u>\$ 1,091,520</u>

NOTE 4: RECEIVABLES - (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem receivable	\$ 159,626	\$ -	\$ 159,626
Fines	61,924	-	61,924
Other	3,276	-	3,276
Debt Service Fund			
Ad valorem receivable	<u>77,848</u>	<u>-</u>	<u>77,848</u>
	<u>\$ 302,674</u>	<u>\$ -</u>	<u>\$ 302,674</u>

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.4502 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.2574 and \$0.1928, respectively. The resulting adjusted total tax levy was \$1,922,537 on the total adjusted taxable valuation of \$379,657,730 for the 2012 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, 2013, are summarized as follows:

	<u>General</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 325,226	\$ -	\$ 325,226
Federal and state grants	-	48,140	48,140
	<u>\$ 325,226</u>	<u>\$ 48,140</u>	<u>\$ 373,366</u>

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	831,540	424,168	327,931	927,777
Total capital assets not being depreciated	<u>2,004,825</u>	<u>424,168</u>	<u>327,931</u>	<u>2,101,062</u>
Capital assets, being depreciated				
Machinery and equipment	4,457,144	97,351	79,514	4,474,981
Buildings and improvements	4,836,350	-	-	4,836,350
Infrastructure	11,318,009	547,402	-	11,865,411
Total capital assets being depreciated	<u>20,611,503</u>	<u>644,753</u>	<u>79,514</u>	<u>21,176,742</u>
Less accumulated depreciation for				
Machinery and equipment	3,047,407	286,126	79,514	3,254,019
Buildings and improvements	1,412,387	129,756	-	1,542,143
Infrastructure	5,217,994	306,215	-	5,524,209
Total accumulated depreciation	<u>9,677,788</u>	<u>722,097</u>	<u>79,514</u>	<u>10,320,371</u>
Total capital assets being depreciated, net	<u>10,933,715</u>	<u>(77,344)</u>	<u>-</u>	<u>10,856,371</u>
Governmental activities capital assets, net	<u>\$ 12,938,540</u>	<u>\$ 346,824</u>	<u>\$ 327,931</u>	<u>\$ 12,957,433</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	624,130	114,490	624,130	114,490
Total capital assets not being depreciated	<u>943,223</u>	<u>114,490</u>	<u>624,130</u>	<u>433,583</u>
Capital assets, being depreciated				
Machinery and equipment	2,632,838	337,950	53,000	2,917,788
Land improvements	287,717	866,133	-	1,153,850
Buildings and improvements	5,534,076	30,000	-	5,564,076
Water and sewer system	20,149,229	12,230	-	20,161,459
Total capital assets being depreciated	<u>28,603,860</u>	<u>1,246,313</u>	<u>53,000</u>	<u>29,797,173</u>
Less accumulated depreciation for				
Machinery and equipment	1,905,350	146,149	53,000	1,998,499
Land improvements	27,590	13,718	-	41,308
Buildings and improvements	1,328,798	109,010	-	1,437,808
Water and sewer system	8,467,982	431,261	-	8,899,243
Total accumulated depreciation	<u>11,729,720</u>	<u>700,138</u>	<u>53,000</u>	<u>12,376,858</u>
Total capital assets being depreciated, net	<u>16,874,140</u>	<u>546,175</u>	<u>-</u>	<u>17,420,315</u>
Business-type activities capital assets, net	<u>\$ 17,817,363</u>	<u>\$ 660,665</u>	<u>\$ 624,130</u>	<u>\$ 17,853,898</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 37,967
Public safety	266,337
Public works	356,786
Cultural and recreation	<u>61,007</u>
Total depreciation expense - governmental activities	<u>\$ 722,097</u>
Business-type activities	
Water and sewer	\$ 469,987
Emergency medical services	88,572
Civic center	48,199
Airport	<u>93,380</u>
Total depreciation expense - business-type activities	<u>\$ 700,138</u>

At September 30, 2013, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,081. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

NOTE 7: EMPLOYEES' RETIREMENT PLANPlan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2012</u>	<u>Plan Year 2013</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
2013	\$ 331,442	100%	\$ -
2012	317,246	100%	-
2011	358,693	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	Actuarial Valuation Information		
	12/31/10	12/31/11	12/31/12
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	27.2 years; closed period	26.4 years; closed period	25.6 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%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

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

The funded status as of December 31, 2012, 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)
12/31/12	\$ 10,521,060	\$ 11,382,374	\$ 861,314	92.4%	\$ 3,822,604	22.5%

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

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

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$1,529, \$1,121, and \$1,137, respectively, which equaled the required contributions each year.

NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Fire Fighters' Pension Commissioner (FFPC) is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost sharing multiple-employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. The Office of the FFPC issues a publicly available annual financial report that includes financial statements and required supplementary information (RSI). This report may be obtained by writing to FFPC, 920 Colorado Street, 11th Floor, Austin, Texas 78701, in addition, the report is available on FFPC's website at www.ffpc.state.tx.us. At August 31, 2012, there were 188 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, 2012, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,750
Terminated participants entitled to benefits but not yet receiving them	2,252
Active participants (vested and nonvested)	<u>4,446</u>
	<u>9,448</u>

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

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

Plan Description - (Continued)

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

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

Funding Policy

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

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2012, total contributions (dues and prior services) of \$3,517,455 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, 2012 and 2013. 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, 2010, 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, 2012, 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, 2013, (\$528,538 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 \$530,000 each year to help pay for the TESRS's administrative expenses.

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

Annual Required Contributions - (Continued)

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

Three-Year Trend Information - State-wide			
<u>Fiscal Year Ending August 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2012	\$ 4,423,898 ^{1,2}	\$ 3,517,455	80%
2011	3,125,329 ²	3,125,329	100%
2010	2,875,103 ³	2,875,103	100%

¹ Includes a requested state contribution of \$906,443.

² Based on the revised August 31, 2010 actuarial valuation.

³ Based on the August 31, 2008 actuarial valuation.

State contributions to the City's plan for the fiscal year 2013 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Wharton, Texas			
<u>Year Ended September 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Obligation</u>
2013	\$ 25,335	100%	\$ -
2012	18,355	100%	-
2011	20,915	100%	-

NOTE 10: RISK MANAGEMENT

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

NOTE 11: LONG-TERM DEBT

A. Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,357,006	\$ -	\$ 166,825	\$ 9,190,181	\$ 176,750
General obligation bonds	350,782	-	110,000	240,782	108,000
Plus deferred amounts:					
Issuance premiums	<u>109,879</u>	<u>-</u>	<u>7,240</u>	<u>102,639</u>	<u>-</u>
Total bonds and certificates payable	<u>9,817,667</u>	<u>-</u>	<u>284,065</u>	<u>9,533,602</u>	<u>284,750</u>
Tax anticipation notes	<u>515,000</u>	<u>-</u>	<u>170,000</u>	<u>345,000</u>	<u>170,000</u>
Capital leases payable	<u>182,580</u>	<u>-</u>	<u>57,841</u>	<u>124,739</u>	<u>60,269</u>
Compensated absences	<u>250,542</u>	<u>272,233</u>	<u>243,342</u>	<u>279,433</u>	<u>27,943</u>
Total governmental activity long-term liabilities	<u>\$ 10,765,789</u>	<u>\$ 272,233</u>	<u>\$ 755,248</u>	<u>\$ 10,282,774</u>	<u>\$ 542,962</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 2,927,994	\$ -	\$ 183,175	\$ 2,744,819	\$ 188,250
General obligation bonds	1,659,218	-	205,000	1,454,218	212,000
Plus deferred amounts:					
Issuance premiums	<u>98,874</u>	<u>-</u>	<u>9,592</u>	<u>89,282</u>	<u>-</u>
Total bonds and certificates payable	<u>4,686,086</u>	<u>-</u>	<u>397,767</u>	<u>4,288,319</u>	<u>400,250</u>
Capital leases payable	<u>32,973</u>	<u>-</u>	<u>32,973</u>	<u>-</u>	<u>-</u>
Compensated absences	<u>76,110</u>	<u>103,103</u>	<u>108,755</u>	<u>70,458</u>	<u>7,046</u>
Total business-type activity long-term liabilities	<u>\$ 4,795,169</u>	<u>\$ 103,103</u>	<u>\$ 539,495</u>	<u>\$ 4,358,777</u>	<u>\$ 407,296</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, 2013, \$1,640,000 of bonds and certificates outstanding was considered defeased.

Compensated absences are generally liquidated by the General Fund for the governmental activities. Please see Note 16 for discussions relative to the notes payable of the City's component unit.

B. General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 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>	
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	18,250	3,021	176,750	30,579	228,600
2019-2021	57,282	4,574	587,718	47,426	697,000
	<u>\$ 240,782</u>	<u>\$ 29,472</u>	<u>\$ 1,454,218</u>	<u>\$ 257,051</u>	<u>\$ 1,981,523</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>	
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	529,925	295,324	240,075	79,767	1,145,091
2019-2023	2,980,625	1,156,390	724,375	286,896	5,148,286
2024-2028	3,095,231	559,707	689,769	140,044	4,484,751
2029-2030	1,063,200	60,302	286,800	12,998	1,423,300
	<u>\$ 9,190,181</u>	<u>\$ 3,417,265</u>	<u>\$ 2,744,819</u>	<u>\$ 926,739</u>	<u>\$ 16,279,004</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:

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 170,000	\$ 10,165	\$ 180,165
2015	175,000	4,120	179,120
	<u>\$ 345,000</u>	<u>\$ 14,285</u>	<u>\$ 359,285</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%. \$ 84,093

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%. 40,646

\$ 124,739

The present value of the capital leases after deduction of imputed interest is \$124,739.

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$ 124,739</u>	<u>\$ 11,230</u>	<u>\$ 135,969</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, 2013, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 6,903
	Water and Sewer	88,619
	Emergency Medical Services	5,626
	Civic Center	8
	Airport	17
		<u>101,173</u>
Debt Service	General	2,528
2011 Bond Construction	Water and Sewer	20,830
Nonmajor Governmental	2011 Bond Construction	27,331
Water and Sewer	General	5,072
	2009 Bond Construction	34,228
		<u>39,300</u>
Solid Waste	General	50,854
Emergency Medical Services	General	5,788
Civic Center	General	256
Airport	General	375
		<u>\$ 248,435</u>

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>\$ 350,000</u>

The amount payable to the General Fund relates to working capital loans made to the Water and Sewer Fund. \$150,000 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>Capital Improvement</u>	<u>Civic Center</u>	
General	\$ -	\$ 50,000	\$ -	\$ 50,000
Nonmajor Governmental	-	-	135,328	135,328
Water and Sewer	519,494	25,000	-	544,494
Solid Waste	-	25,000	-	25,000
Emergency Medical Services	49,206	-	-	49,206
	<u>\$ 568,700</u>	<u>\$ 100,000</u>	<u>\$ 135,328</u>	<u>\$ 804,028</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, 2013, 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, 2013, 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	\$ 207,302
FM 1301 extension to US 59 and overpass project	470,044
Hydropneumatic tank addition	102,265
Total	<u>\$ 779,611</u>

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

NOTE 14: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2013:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Prepaid items	\$ 19,499	\$ -	\$ -	\$ -	\$ 19,499
Long-term interfund advances	350,000	-	-	-	350,000
Unassigned	-	-	-	1,257,474	1,257,474
Debt Service					
Long-term debt	-	419,775	-	-	419,775
2011 Bond Construction					
Various capital projects	-	3,062,632	-	-	3,062,632
Nonmajor Governmental					
Various capital projects	-	111	6,137	-	6,248
Arts and tourism	-	69,706	-	-	69,706
Municipal court security and technology	-	17,787	-	-	17,787
Law enforcement	-	20,713	-	-	20,713
Fire department	-	48,824	-	-	48,824
	<u>\$ 369,499</u>	<u>\$ 3,639,548</u>	<u>\$ 6,137</u>	<u>\$ 1,257,474</u>	<u>\$ 5,272,658</u>

NOTE 15: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

In fiscal year 2013, the City implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of GASB Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 65 resulted in the adjustment to the beginning net position of the governmental and business-type activities in the government-wide and the Water and Sewer, Civic Center, and Airport Funds' financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods which resulted in a decrease of \$238,818 and \$162,652 for the governmental and business-type activities, respectively, to the September 30, 2012 unrestricted net position. The unrestricted net position decreased \$146,948 for the Water and Sewer Fund, \$7,838 for the Civic Center Fund, and \$7,866 for the Airport Fund.

NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION

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

A. Organization

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

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

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2013, the budget, as amended, anticipated \$238,462 more in expenditures than revenues. This amount is to be funded from existing fund balance of \$1,466,128. There were two overages during the 2013 fiscal year which were 'Contingency' and 'Industrial Conferences' in the amount of \$2,199 and \$1,532, respectively.

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.

NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities statement of net position.

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.

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. WEDC did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2013. This Statement did not have an impact on WEDC's functions, financial position or results of operations.

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, 2013, WEDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 1,639	60
Certificate of Deposit	242,715	180

NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

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 position 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.

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, 2013, and for the year then ended, WEDC was not exposed to any custodial credit risk.

It is managements' recent understanding that WEDC and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation.

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, 2013, and for the year then ended, WEDC was not exposed to any custodial credit risk.

NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

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, 2013, was \$162,605. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

E. Sales Tax Rebate Agreement

WEDC, along with the City, and as part of a business development plan to bring in new businesses to the City, entered into a 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 monthly 1.5% of the sales tax collected as a result of Buc-ee's taxable sales. During the year ended September 30, 2013, tax rebate expenditures of \$48,987 were incurred.

WEDC entered into a rebate agreement with King Ranch Turfgrass L.P. (King Ranch) effective January 1, 2009 until December 18, 2018 (10 years) whereby WEDC would rebate King Ranch a percentage of sales tax collected as a result of King Ranch's sales. For the year ended September 30, 2013, tax rebate expenditures of \$8,113 were incurred.

F. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Real estate held for development	\$ 385,335	\$ -	\$ -	\$ 385,335
Total capital assets not being depreciated	<u>385,335</u>	<u>-</u>	<u>-</u>	<u>385,335</u>
Capital assets, being depreciated				
Leasehold improvements	8,975	-	-	8,975
Furniture and fixtures	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	31,374	1,141	-	32,515
Total accumulated depreciation	<u>31,374</u>	<u>1,141</u>	<u>-</u>	<u>32,515</u>
Total capital assets being depreciated, net	<u>5,689</u>	<u>(1,141)</u>	<u>-</u>	<u>4,548</u>
Governmental activities capital assets, net	<u>\$ 391,024</u>	<u>\$ (1,141)</u>	<u>\$ -</u>	<u>\$ 389,883</u>

NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Long-Term Debt

Long-term liability activity for the year ended September 30, 2013, 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	\$ 1,046,099	\$ -	\$ 708,627	\$ 337,472	\$ 139,111
	<u>\$ 1,046,099</u>	<u>\$ -</u>	<u>\$ 708,627</u>	<u>\$ 337,472</u>	<u>\$ 139,111</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. In May 2013, WEDC paid-down its note with Prosperity Bank with the \$600,000 that was reserved for the future FM 1301 extension project with the City.

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>	
2014	\$ 128,223	\$ 10,888	\$ 139,111
2015	133,319	5,793	139,112
2016	75,930	950	76,880
	<u>\$ 337,472</u>	<u>\$ 17,631</u>	<u>\$ 355,103</u>

H. 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, 2013, \$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 until July 31, 2012. The lease was extended to July 31, 2014.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. During the 2013 fiscal year, WEDC received \$1,975 from the lease. This lease is automatically renewed each year unless one party terminates the lease, with 30 days notice.

NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

I. 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, 2013, WEDC owed the City \$17,365 for wages and benefits previously paid by the City.

J. Accounting Changes and Accounting Standards

In fiscal year 2013, WEDC implemented Governmental Accounting Standards Board (GASB) Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65 "Items Previously Reported as Assets and Liabilities". Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement No. 65 resulted in no adjustment to the beginning net position of the governmental activities in the government-wide financial statements.

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, 2013

With comparative totals for the year ended September 30, 2012

	2013			Variance Positive (Negative)	2012
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,415,491	\$ 3,432,872	\$ 3,453,734	\$ 20,862	\$ 3,447,569
Licenses and permits	88,300	97,225	98,609	1,384	67,112
Intergovernmental	51,500	52,000	52,238	238	160,516
Charges for services	12,250	11,750	12,888	1,138	9,866
Fines and forfeitures	224,922	208,322	211,780	3,458	217,993
Investment income	764	1,600	1,691	91	1,002
Industrial district fee	922,448	922,448	922,448	-	504,314
Miscellaneous	39,546	10,096	3,911	(6,185)	37,293
Total revenues	4,755,221	4,736,313	4,757,299	20,986	4,445,665
EXPENDITURES					
Current					
General government	850,788	831,134	815,638	15,496	837,027
Public safety	3,115,050	3,147,431	3,132,721	14,710	2,949,589
Public works	1,062,612	1,047,787	1,041,924	5,863	1,059,999
Cultural and recreation	100,776	80,969	77,422	3,547	82,791
Capital outlay	84,000	97,750	97,351	399	155,828
Debt service	65,695	69,342	69,325	17	92,331
Total expenditures	5,278,921	5,274,413	5,234,381	40,032	5,177,565
Excess (deficiency) of revenues over expenditures	(523,700)	(538,100)	(477,082)	61,018	(731,900)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	5,000	20,000	22,707	2,707	26,349
Capital lease	-	-	-	-	120,000
Transfers in	568,700	568,700	568,700	-	693,700
Transfers out	(50,000)	(50,000)	(50,000)	-	-
Total other financing sources (uses)	523,700	538,700	541,407	2,707	840,049
Net change in fund balance	-	600	64,325	63,725	108,149
Fund balance at beginning of year	1,562,648	1,562,648	1,562,648	-	1,454,499
Fund balance at end of year	\$ 1,562,648	\$ 1,563,248	\$ 1,626,973	\$ 63,725	\$ 1,562,648

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, 2013

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)
12/31/12	\$ 10,521,060	\$ 11,382,374	\$ 861,314	92.43%	\$ 3,822,604	22.53%
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%

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

	Actuarial Valuation Information	
	8/31/10	8/31/12
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period	30 years	Infinity
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 80% - 120% 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 *	7.75%, 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, 2013

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008 ²	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010 ³	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984
8/31/2012 ²	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585

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

² Changes in actuarial assumptions were reflected in this valuation.

³ Changes in actuarial assumption and method were reflected in this valuation.

Three-Year Trend Information - State-wide			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	\$ 4,423,898 ^{1,2}	\$ 3,517,455	80%
2011	3,125,329 ²	3,125,329	100%
2010	2,875,103 ³	2,875,103	100%

¹ Includes a requested state contribution of \$906,443.

² Based on the revised August 31, 2010 actuarial valuation.

³ Based on the August 31, 2008 actuarial valuation.

State contributions to the City's plan for the fiscal year 2013 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
2013	\$ 25,335	100%	\$ -
2012	18,355	100%	-
2011	20,915	100%	-

CITY OF WHARTON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2013

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, 2013, the City complied with budgetary restrictions at all departmental levels.

Combining and Individual Fund Statements and Schedules

CITY OF WHARTON, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 118,528	\$ 20,048	\$ 138,576
Receivables, net	46,774	-	46,774
Due from other funds	-	27,331	27,331
Total assets	<u>\$ 165,302</u>	<u>\$ 47,379</u>	<u>\$ 212,681</u>
LIABILITIES			
Accounts payable	\$ 8,272	\$ -	\$ 8,272
Due to other funds	-	41,131	41,131
Total liabilities	<u>8,272</u>	<u>41,131</u>	<u>49,403</u>
FUND BALANCES			
Restricted			
Cultural and recreation	69,706	-	69,706
Municipal court	17,787	-	17,787
Public safety	69,537	-	69,537
Various capital projects	-	111	111
Committed			
Various capital projects	-	6,137	6,137
Total fund balances	<u>157,030</u>	<u>6,248</u>	<u>163,278</u>
Total liabilities and fund balances	<u>\$ 165,302</u>	<u>\$ 47,379</u>	<u>\$ 212,681</u>

CITY OF WHARTON, TEXAS*ALL NONMAJOR GOVERNMENTAL FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2013*

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes	\$ 196,669	\$ -	\$ 196,669
Fines and forfeitures	12,031	-	12,031
Investment income	130	157	287
Miscellaneous	54,021	-	54,021
Total revenues	<u>262,851</u>	<u>157</u>	<u>263,008</u>
EXPENDITURES			
Current			
General government	7,409	-	7,409
Public safety	7,298	-	7,298
Cultural and recreation	76,632	-	76,632
Capital outlay	-	93,909	93,909
Total expenditures	<u>91,339</u>	<u>93,909</u>	<u>185,248</u>
Excess (deficiency) of revenues over expenditures	171,512	(93,752)	77,760
OTHER FINANCING SOURCES (USES)			
Transfers in	-	100,000	100,000
Transfers out	(135,328)	-	(135,328)
Total other financing sources (uses)	<u>(135,328)</u>	<u>100,000</u>	<u>(35,328)</u>
Net change in fund balances	36,184	6,248	42,432
Fund balances at beginning of year	120,846	-	120,846
Fund balances at end of year	<u>\$ 157,030</u>	<u>\$ 6,248</u>	<u>\$ 163,278</u>

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

September 30, 2013

	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
ASSETS				
Cash and cash equivalents	\$ 25,063	\$ 1,934	\$ 20,713	\$ 48,824
Receivables, net				
Accounts	<u>46,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 71,837</u>	<u>\$ 1,934</u>	<u>\$ 20,713</u>	<u>\$ 48,824</u>
LIABILITIES				
Accounts payable	<u>\$ 8,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>8,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted				
Cultural and recreation	63,829	-	-	-
Municipal court	-	1,934	-	-
Public safety	<u>-</u>	<u>-</u>	<u>20,713</u>	<u>48,824</u>
Total fund balances	<u>63,829</u>	<u>1,934</u>	<u>20,713</u>	<u>48,824</u>
Total liabilities and fund balances	<u>\$ 71,837</u>	<u>\$ 1,934</u>	<u>\$ 20,713</u>	<u>\$ 48,824</u>

Municipal Court Building Security	Railroad Depot Restoration	Total
\$ 15,853	\$ 6,141	\$ 118,528
<u>-</u>	<u>-</u>	<u>46,774</u>
<u>\$ 15,853</u>	<u>\$ 6,141</u>	<u>\$ 165,302</u>
<u>\$ -</u>	<u>\$ 264</u>	<u>\$ 8,272</u>
<u>-</u>	<u>264</u>	<u>8,272</u>
-	5,877	69,706
15,853	-	17,787
<u>-</u>	<u>-</u>	<u>69,537</u>
<u>15,853</u>	<u>5,877</u>	<u>157,030</u>
<u>\$ 15,853</u>	<u>\$ 6,141</u>	<u>\$ 165,302</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, 2013*

	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
REVENUES				
Taxes	\$ 196,669	\$ -	\$ -	\$ -
Fines and forfeitures	-	7,104	69	-
Investment income	63	3	23	22
Miscellaneous	-	-	12,828	41,184
Total revenues	<u>196,732</u>	<u>7,107</u>	<u>12,920</u>	<u>41,206</u>
EXPENDITURES				
Current				
General government	-	7,409	-	-
Public safety	-	-	4,890	2,408
Cultural and recreation	<u>73,498</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>73,498</u>	<u>7,409</u>	<u>4,890</u>	<u>2,408</u>
Excess (deficiency) of revenues over expenditures	123,234	(302)	8,030	38,798
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(135,328)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(135,328)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,094)	(302)	8,030	38,798
Fund balances at beginning of year	<u>75,923</u>	<u>2,236</u>	<u>12,683</u>	<u>10,026</u>
Fund balances at end of year	<u>\$ 63,829</u>	<u>\$ 1,934</u>	<u>\$ 20,713</u>	<u>\$ 48,824</u>

Municipal Court Building Security	Railroad Depot Restoration	Total
\$ -	\$ -	\$ 196,669
4,858	-	12,031
16	3	130
-	9	54,021
<u>4,874</u>	<u>12</u>	<u>262,851</u>
-	-	7,409
-	-	7,298
-	3,134	76,632
-	3,134	91,339
4,874	(3,122)	171,512
-	-	(135,328)
-	-	(135,328)
4,874	(3,122)	36,184
<u>10,979</u>	<u>8,999</u>	<u>120,846</u>
<u>\$ 15,853</u>	<u>\$ 5,877</u>	<u>\$ 157,030</u>

CAPITAL PROJECT FUNDS

The City maintains three Capital Project Funds: 2011 Bond Construction Fund, the 2009 Bond Construction Fund, and the Capital Improvement Fund. The purpose of these funds is to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The 2011 Bond Construction Fund is reported as a major fund.

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

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

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

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

September 30, 2013

	<u>2009 Bond Construction</u>	<u>Capital Improvement</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,008	\$ 13,040	\$ 20,048
Due from other funds	<u>27,331</u>	<u>-</u>	<u>27,331</u>
Total assets	<u>\$ 34,339</u>	<u>\$ 13,040</u>	<u>\$ 47,379</u>
LIABILITIES			
Due to other funds	<u>\$ 34,228</u>	<u>\$ 6,903</u>	<u>\$ 41,131</u>
Total liabilities	<u>34,228</u>	<u>6,903</u>	<u>41,131</u>
FUND BALANCES			
Restricted			
Various capital projects	111	-	111
Committed			
Various capital projects	<u>-</u>	<u>6,137</u>	<u>6,137</u>
Total fund balances	<u>111</u>	<u>6,137</u>	<u>6,248</u>
Total liabilities and fund balances	<u>\$ 34,339</u>	<u>\$ 13,040</u>	<u>\$ 47,379</u>

CITY OF WHARTON, TEXAS*NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**For the year ended September 30, 2013*

	<u>2009 Bond Construction</u>	<u>Capital Improvement</u>	<u>Total</u>
REVENUES			
Investment income	\$ 111	\$ 46	\$ 157
Total revenues	<u>111</u>	<u>46</u>	<u>157</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>93,909</u>	<u>93,909</u>
Total expenditures	<u>-</u>	<u>93,909</u>	<u>93,909</u>
Excess (deficiency) of revenues over expenditures	111	(93,863)	(93,752)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	111	6,137	6,248
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 111</u>	<u>\$ 6,137</u>	<u>\$ 6,248</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, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,050,002	\$ 603,458
Receivables, net		
Taxes	247,065	259,156
Fines	61,924	67,077
Other	11,958	14,029
Due from other funds	101,173	260,766
Due from component unit	17,365	16,285
Due from other governments	325,226	268,583
Advances to other funds	350,000	500,000
Prepaid items	19,499	21,109
Total assets	<u>\$ 2,184,212</u>	<u>\$ 2,010,463</u>
LIABILITIES		
Accounts payable	\$ 128,810	\$ 101,259
Accrued expenditures	58,533	46,436
Due to component unit	-	3,065
Due to other governments	80,197	27,926
Due to other funds	64,873	23,280
Deposits	-	200
Total liabilities	<u>332,413</u>	<u>202,166</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	224,826	245,649
Total deferred inflows of resources	<u>224,826</u>	<u>245,649</u>
FUND BALANCE		
Nonspendable		
Prepaid items	19,499	21,109
Long-term receivables	350,000	500,000
Unassigned	1,257,474	1,041,539
Total fund balance	<u>1,626,973</u>	<u>1,562,648</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,184,212</u>	<u>\$ 2,010,463</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, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 1,130,000	\$ 1,131,644	\$ 1,644	\$ 1,160,406
Sales	1,272,000	1,274,114	2,114	1,313,677
Franchise	1,030,872	1,047,976	17,104	973,486
Licenses and permits	97,225	98,609	1,384	67,112
Intergovernmental	52,000	52,238	238	160,516
Charges for services	11,750	12,888	1,138	9,866
Fines and forfeitures	208,322	211,780	3,458	217,993
Investment income	1,600	1,691	91	1,002
Industrial district fee	922,448	922,448	-	504,314
Miscellaneous	10,096	3,911	(6,185)	37,293
Total revenues	4,736,313	4,757,299	20,986	4,445,665
EXPENDITURES				
Current				
General government				
Mayor and council	34,900	28,505	6,395	22,829
City manager	226,844	223,858	2,986	226,111
City secretary	88,662	86,125	2,537	75,253
Legal and professional	61,250	60,449	801	72,553
Finance	251,380	251,102	278	246,197
Municipal court	109,201	107,731	1,470	96,378
Central services	58,897	57,868	1,029	97,706
Total general government	831,134	815,638	15,496	837,027
Public safety				
Police	1,990,908	1,986,964	3,944	1,870,795
Fire	310,700	305,142	5,558	271,977
Code enforcement	205,845	204,188	1,657	178,861
Emergency management	80,558	79,546	1,012	95,467
Animal control	53,780	53,356	424	53,204
Communications	505,640	503,525	2,115	479,285
Total public safety	3,147,431	3,132,721	14,710	2,949,589
Public works				
Streets and drainage	682,644	681,027	1,617	763,090
Garage	158,460	156,194	2,266	98,958
Facilities maintenance	206,683	204,703	1,980	197,951
Total public works	1,047,787	1,041,924	5,863	1,059,999

(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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Community services	\$ 19,542	\$ 19,252	\$ 290	\$ 20,721
Recreation	22,250	21,899	351	23,569
Community pool	39,177	36,271	2,906	38,501
Total cultural and recreation	80,969	77,422	3,547	82,791
Capital outlay	97,750	97,351	399	155,828
Debt service				
Principal retirement	57,842	57,841	1	83,297
Interest and fiscal charges	11,500	11,484	16	9,034
Total debt service	69,342	69,325	17	92,331
Total expenditures	5,274,413	5,234,381	40,032	5,177,565
Excess (deficiency) of revenues over expenditures	(538,100)	(477,082)	61,018	(731,900)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	20,000	22,707	2,707	26,349
Capital lease	-	-	-	120,000
Transfers in	568,700	568,700	-	693,700
Transfers out	(50,000)	(50,000)	-	-
Total other financing sources (uses)	538,700	541,407	2,707	840,049
Net change in fund balance	\$ 600	64,325	\$ 63,725	108,149
Fund balance at beginning of year		1,562,648		1,454,499
Fund balance at end of year		\$ 1,626,973		\$ 1,562,648

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, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 417,247	\$ 413,205
Receivables, net		
Taxes	77,848	76,754
Due from other funds	<u>2,528</u>	<u>4,730</u>
Total assets	<u>\$ 497,623</u>	<u>\$ 494,689</u>
LIABILITIES		
Due to other funds	<u>\$ -</u>	<u>\$ 2,520</u>
Total liabilities	<u>-</u>	<u>2,520</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>77,848</u>	<u>76,754</u>
Total deferred inflows of resources	<u>77,848</u>	<u>76,754</u>
FUND BALANCE		
Restricted		
Long-term debt	<u>419,775</u>	<u>415,415</u>
Total fund balance	<u>419,775</u>	<u>415,415</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 497,623</u>	<u>\$ 494,689</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, 2013**With comparative totals for the year ended September 30, 2012*

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 849,750	\$ 840,521	\$ (9,229)	\$ 846,726
Investment income	<u>1,000</u>	<u>715</u>	<u>(285)</u>	<u>726</u>
Total revenues	<u>850,750</u>	<u>841,236</u>	<u>(9,514)</u>	<u>847,452</u>
EXPENDITURES				
Debt service				
Principal retirement	446,825	446,825	-	427,850
Interest and fiscal charges	<u>390,715</u>	<u>390,051</u>	<u>664</u>	<u>381,146</u>
Total expenditures	<u>837,540</u>	<u>836,876</u>	<u>664</u>	<u>808,996</u>
Excess (deficiency) of revenues over expenditures	13,210	4,360	(8,850)	38,456
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	13,210	4,360	(8,850)	38,456
Fund balance at beginning of year	<u>415,415</u>	<u>415,415</u>	<u>-</u>	<u>376,959</u>
Fund balance at end of year	<u>\$ 428,625</u>	<u>\$ 419,775</u>	<u>\$ (8,850)</u>	<u>\$ 415,415</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, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 123,721	\$ 107,847
Receivables, net		
Accounts	357,134	308,282
Due from other funds	39,300	133,322
Due from other governments	-	120,600
Inventory	<u>37,841</u>	<u>40,344</u>
Total current assets	<u>557,996</u>	<u>710,395</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,122,759	1,125,291
Water and sewer system	<u>20,161,458</u>	<u>20,149,229</u>
Total capital assets	21,284,217	21,274,520
Accumulated depreciation	<u>(9,771,511)</u>	<u>(9,319,524)</u>
Subtotal	11,512,706	11,954,996
Land	276,750	276,750
Construction in progress	<u>114,490</u>	<u>-</u>
Net capital assets	<u>11,903,946</u>	<u>12,231,746</u>
Total noncurrent assets	<u>11,903,946</u>	<u>12,231,746</u>
Total assets	<u>12,461,942</u>	<u>12,942,141</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>23,161</u>	<u>26,550</u>
Total deferred outflows of resources	<u>23,161</u>	<u>26,550</u>
LIABILITIES		
Current liabilities		
Accounts payable	72,049	160,018
Accrued expenses	10,896	9,259
Deposits	187,722	180,837
Accrued interest payable	49,514	52,802
Due to other funds	109,449	111,025
Compensated absences	3,303	3,811
Current portion of certificates of obligation	178,550	174,650
Current portion of general obligation bonds	<u>192,000</u>	<u>185,000</u>
Total current liabilities	<u>803,483</u>	<u>877,402</u>
Noncurrent liabilities		
Advances from other funds	350,000	500,000
Compensated absences	29,723	34,300
Bonds and certificates (net of unamortized deferred amounts)	<u>3,439,851</u>	<u>3,818,966</u>
Total noncurrent liabilities	<u>3,819,574</u>	<u>4,353,266</u>
Total liabilities	<u>4,623,057</u>	<u>5,230,668</u>
NET POSITION		
Net investment in capital assets	8,093,545	8,079,680
Unrestricted net position, as restated	<u>(231,499)</u>	<u>(341,657)</u>
Total net position	<u>\$ 7,862,046</u>	<u>\$ 7,738,023</u>

CITY OF WHARTON, TEXAS

MAJOR ENTERPRISE FUND - WATER AND SEWER

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

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Water	\$ 1,531,046	\$ 1,479,076	\$ (51,970)	\$ 1,412,530
Sewer	1,440,572	1,396,255	(44,317)	1,325,477
Penalties	36,000	45,798	9,798	40,366
Connection and installation fees	43,000	65,878	22,878	51,145
Other	7,500	12,952	5,452	10,622
Total operating revenues	<u>3,058,118</u>	<u>2,999,959</u>	<u>(58,159)</u>	<u>2,840,140</u>
OPERATING EXPENSES				
Water and sewer operations				
Personnel	867,052	804,120	62,932	740,400
Materials and supplies	94,025	102,757	(8,732)	86,402
Repairs and maintenance	230,780	218,994	11,786	200,626
Other services and charges	628,925	632,804	(3,879)	569,242
Depreciation and amortization	458,000	473,376	(15,376)	456,342
Total operating expenses	<u>2,278,782</u>	<u>2,232,051</u>	<u>46,731</u>	<u>2,053,012</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	779,336	767,908	(11,428)	787,128
NONOPERATING REVENUES (EXPENSES)				
Investment income	200	591	391	494
Gain (loss) on disposition of capital assets	-	-	-	(6,475)
Interest and fiscal charges	(158,017)	(145,915)	12,102	(154,786)
Total nonoperating revenues (expenses)	<u>(157,817)</u>	<u>(145,324)</u>	<u>12,493</u>	<u>(160,767)</u>
Income (loss) before contributions and transfers	621,519	622,584	1,065	626,361
Contributions and transfers				
Capital grants and contributions	-	45,933	45,933	113,600
Transfers out	(544,494)	(544,494)	-	(607,911)
Total contributions and transfers	<u>(544,494)</u>	<u>(498,561)</u>	<u>45,933</u>	<u>(494,311)</u>
Change in net position	<u>\$ 77,025</u>	124,023	<u>\$ 46,998</u>	132,050
Net position at beginning of year, as restated		<u>7,738,023</u>		<u>7,605,973</u>
Net position at end of year		<u>\$ 7,862,046</u>		<u>\$ 7,738,023</u>

CITY OF WHARTON, TEXAS*MAJOR ENTERPRISE FUND - SOLID WASTE**BALANCE SHEET**September 30, 2013**With comparative totals for September 30, 2012*

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,273	\$ 70,505
Receivables, net		
Accounts	155,643	147,088
Due from other funds	<u>50,854</u>	<u>2,961</u>
Total assets	<u>211,770</u>	<u>220,554</u>
LIABILITIES		
Current liabilities		
Accounts payable	208,318	100,370
Accrued expenses	581	462
Due to other governments	7,781	7,836
Deposits	75	75
Due to other funds	<u>-</u>	<u>129,984</u>
Total liabilities	<u>216,755</u>	<u>238,727</u>
NET POSITION		
Unrestricted net position	<u>(4,985)</u>	<u>(18,173)</u>
Total net position	<u>\$ (4,985)</u>	<u>\$ (18,173)</u>

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
OPERATING REVENUES				
Solid waste fees	\$ 1,229,000	\$ 1,232,800	\$ 3,800	\$ 1,193,759
Garbage collection fee	104,000	104,723	723	105,568
Other	500	1,444	944	514
Total operating revenues	<u>1,333,500</u>	<u>1,338,967</u>	<u>5,467</u>	<u>1,299,841</u>
OPERATING EXPENSES				
Solid waste operations				
Personnel	39,900	35,379	4,521	35,946
Materials and supplies	100	46	54	46
Other services and charges	1,268,600	1,265,504	3,096	1,214,321
Total operating expenses	<u>1,308,600</u>	<u>1,300,929</u>	<u>7,671</u>	<u>1,250,313</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	24,900	38,038	13,138	49,528
NONOPERATING REVENUES (EXPENSES)				
Investment income	100	150	50	45
Total nonoperating revenues (expenses)	<u>100</u>	<u>150</u>	<u>50</u>	<u>45</u>
Income (loss) before contributions and transfers	25,000	38,188	13,188	49,573
Transfers				
Transfers out	(25,000)	(25,000)	-	(50,000)
Total transfers	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(50,000)</u>
Change in net position	\$ -	13,188	\$ 13,188	(427)
Net position at beginning of year		(18,173)		(17,746)
Net position at end of year		<u>\$ (4,985)</u>		<u>\$ (18,173)</u>

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

September 30, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 756,527	\$ 704,450
Receivables, net		
Accounts	63,880	77,504
Due from other funds	5,788	8,997
Due from other governments	-	6,600
Total current assets	<u>826,195</u>	<u>797,551</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,516,319	1,208,625
Less accumulated depreciation	<u>(982,197)</u>	<u>(893,625)</u>
Net capital assets	<u>534,122</u>	<u>315,000</u>
Total assets	<u>1,360,317</u>	<u>1,112,551</u>
LIABILITIES		
Current liabilities		
Accounts payable	36,619	21,295
Accrued expenses	17,476	13,223
Due to other funds	5,626	4,189
Unearned revenue	-	73,000
Compensated absences	2,391	2,510
Current portion of capital leases payable	-	32,973
Total current liabilities	<u>62,112</u>	<u>147,190</u>
Noncurrent liabilities		
Compensated absences	<u>21,516</u>	<u>22,594</u>
Total noncurrent liabilities	<u>21,516</u>	<u>22,594</u>
Total liabilities	<u>83,628</u>	<u>169,784</u>
NET POSITION		
Net investment in capital assets	534,122	282,027
Unrestricted net position	<u>742,567</u>	<u>660,740</u>
Total net position	<u>\$ 1,276,689</u>	<u>\$ 942,767</u>

CITY OF WHARTON, TEXAS*MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2013**With comparative totals for the year ended September 30, 2012*

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
OPERATING REVENUES				
Ambulance services	\$ 663,479	\$ 840,706	\$ 177,227	\$ 800,897
Other	-	2	2	211
Total operating revenues	<u>663,479</u>	<u>840,708</u>	<u>177,229</u>	<u>801,108</u>
OPERATING EXPENSES				
Emergency medical services				
Personnel	1,035,058	1,008,402	26,656	895,012
Materials and supplies	105,200	97,021	8,179	85,576
Repairs and maintenance	71,300	62,682	8,618	40,373
Other services and charges	154,350	137,923	16,427	130,585
Depreciation	98,150	88,572	9,578	86,153
Total operating expenses	<u>1,464,058</u>	<u>1,394,600</u>	<u>69,458</u>	<u>1,237,699</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(800,579)	(553,892)	246,687	(436,591)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	727,510	727,510	-	727,510
Investment income	300	1,204	904	975
Gain (loss) on disposition of capital assets	-	-	-	16,600
Interest and fiscal charges	(3,025)	(1,331)	1,694	(5,880)
Total nonoperating revenues (expenses)	<u>724,785</u>	<u>727,383</u>	<u>2,598</u>	<u>739,205</u>
Income (loss) before contributions and transfers	(75,794)	173,491	249,285	302,614
Contributions and transfers				
Capital grants and contributions	125,000	209,637	84,637	22,188
Transfers out	(49,206)	(49,206)	-	(49,206)
Total contributions and transfers	<u>75,794</u>	<u>160,431</u>	<u>84,637</u>	<u>(27,018)</u>
Change in net position	<u>\$ -</u>	333,922	<u>\$ 333,922</u>	275,596
Net position at beginning of year		<u>942,767</u>		<u>667,171</u>
Net position at end of year		<u>\$ 1,276,689</u>		<u>\$ 942,767</u>

CITY OF WHARTON, TEXAS

MAJOR ENTERPRISE FUND - CIVIC CENTER

BALANCE SHEET

September 30, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 44,626	\$ 21,376
Receivables, net		
Accounts	6,299	4,665
Due from other funds	<u>256</u>	<u>492</u>
Total current assets	<u>51,181</u>	<u>26,533</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>(778,475)</u>	<u>(730,276)</u>
Net capital assets	<u>1,335,262</u>	<u>1,383,461</u>
Total noncurrent assets	<u>1,335,262</u>	<u>1,383,461</u>
Total assets	<u>1,386,443</u>	<u>1,409,994</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>3,039</u>	<u>3,483</u>
Total deferred outflows of resources	<u>3,039</u>	<u>3,483</u>
LIABILITIES		
Current liabilities		
Accounts payable	9,601	4,038
Accrued expenses	1,756	1,599
Deposits	7,900	8,390
Accrued interest payable	2,306	2,394
Due to other funds	8	6
Compensated absences	1,292	1,169
Current portion of general obligation bonds	<u>20,000</u>	<u>20,000</u>
Total current liabilities	<u>42,863</u>	<u>37,596</u>
Noncurrent liabilities		
Compensated absences	11,628	10,516
Bonds and certificates (net of unamortized deferred amounts)	<u>176,231</u>	<u>197,043</u>
Total noncurrent liabilities	<u>187,859</u>	<u>207,559</u>
Total liabilities	<u>230,722</u>	<u>245,155</u>
NET POSITION		
Net investment in capital assets	1,142,070	1,169,901
Unrestricted net position, as restated	<u>16,690</u>	<u>(1,579)</u>
Total net position	<u>\$ 1,158,760</u>	<u>\$ 1,168,322</u>

CITY OF WHARTON, TEXAS

MAJOR ENTERPRISE FUND - CIVIC CENTER

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

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
OPERATING REVENUES				
Civic center fees	\$ 52,851	\$ 55,344	\$ 2,493	\$ 57,824
Other	-	-	-	1,650
Total operating revenues	<u>52,851</u>	<u>55,344</u>	<u>2,493</u>	<u>59,474</u>
OPERATING EXPENSES				
Civic center operations				
Personnel	88,950	89,106	(156)	97,858
Materials and supplies	4,081	2,267	1,814	6,805
Repairs and maintenance	21,000	20,364	636	18,174
Other services and charges	34,715	33,603	1,112	38,882
Depreciation and amortization	48,000	48,644	(644)	48,643
Total operating expenses	<u>196,746</u>	<u>193,984</u>	<u>2,762</u>	<u>210,362</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(143,895)	(138,640)	5,255	(150,888)
NONOPERATING REVENUES (EXPENSES)				
Investment income	200	32	(168)	20
Interest and fiscal charges	(7,473)	(6,282)	1,191	(6,564)
Total nonoperating revenues (expenses)	<u>(7,273)</u>	<u>(6,250)</u>	<u>1,023</u>	<u>(6,544)</u>
Income (loss) before transfers	(151,168)	(144,890)	6,278	(157,432)
Transfers				
Transfers in	<u>136,168</u>	<u>135,328</u>	<u>(840)</u>	<u>115,256</u>
Total transfers	<u>136,168</u>	<u>135,328</u>	<u>(840)</u>	<u>115,256</u>
Change in net position	<u>\$ (15,000)</u>	<u>(9,562)</u>	<u>\$ 5,438</u>	<u>(42,176)</u>
Net position at beginning of year, as restated		<u>1,168,322</u>		<u>1,210,498</u>
Net position at end of year		<u>\$ 1,158,760</u>		<u>\$ 1,168,322</u>

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

September 30, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 143,880	\$ 172,465
Receivables, net		
Accounts	62,995	14,802
Due from other funds	375	497
Due from other governments	48,140	47,172
Inventory	55,063	41,110
Total current assets	<u>310,453</u>	<u>276,046</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	186,761	171,972
Land improvements	1,153,850	287,717
Buildings and improvements	3,577,288	3,547,288
Total capital assets	4,917,899	4,006,977
Less accumulated depreciation	(879,674)	(786,294)
Subtotal	4,038,225	3,220,683
Land	42,343	42,343
Construction in progress	-	624,130
Net capital assets	<u>4,080,568</u>	<u>3,887,156</u>
Total assets	<u>4,391,021</u>	<u>4,163,202</u>
LIABILITIES		
Current liabilities		
Accounts payable	67,702	35,957
Accrued expenses	1,194	1,029
Deposits	300	300
Accrued interest payable	3,724	3,809
Due to other funds	17	13
Compensated absences	61	121
Current portion of certificates of obligation	9,700	8,525
Total current liabilities	<u>82,698</u>	<u>49,754</u>
Noncurrent liabilities		
Compensated absences	546	1,089
Certificates (net of unamortized deferred amounts)	271,987	281,902
Total noncurrent liabilities	<u>272,533</u>	<u>282,991</u>
Total liabilities	<u>355,231</u>	<u>332,745</u>
NET POSITION		
Net investment in capital assets	3,798,881	3,596,729
Unrestricted net position, as restated	236,909	233,728
Total net position	<u>\$ 4,035,790</u>	<u>\$ 3,830,457</u>

CITY OF WHARTON, TEXAS

MAJOR ENTERPRISE FUND - AIRPORT

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

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
OPERATING REVENUES				
Airport fees	\$ 180,137	\$ 177,085	\$ (3,052)	\$ 182,194
Other	500	760	260	-
Total operating revenues	<u>180,637</u>	<u>177,845</u>	<u>(2,792)</u>	<u>182,194</u>
OPERATING EXPENSES				
Airport operations				
Personnel	66,905	65,803	1,102	68,761
Materials and supplies	5,100	3,171	1,929	8,544
Repairs and maintenance	19,304	50,333	(31,029)	38,489
Other services and charges	47,250	39,382	7,868	46,662
Depreciation and amortization	<u>80,600</u>	<u>93,380</u>	<u>(12,780)</u>	<u>83,887</u>
Total operating expenses	<u>219,159</u>	<u>252,069</u>	<u>(32,910)</u>	<u>246,343</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(38,522)	(74,224)	(35,702)	(64,149)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	50,000	48,140	(1,860)	36,772
Investment income	150	258	108	141
Interest and fiscal charges	<u>(11,628)</u>	<u>(10,843)</u>	<u>785</u>	<u>(12,084)</u>
Total nonoperating revenues (expenses)	<u>38,522</u>	<u>37,555</u>	<u>(967)</u>	<u>24,829</u>
Income (loss) before contributions	-	(36,669)	(36,669)	(39,320)
Contributions				
Capital grants and contributions	-	<u>242,002</u>	<u>242,002</u>	<u>556,306</u>
Total contributions	-	<u>242,002</u>	<u>242,002</u>	<u>556,306</u>
Change in net position	\$ -	205,333	\$ 205,333	516,986
Net position at beginning of year, as restated		<u>3,830,457</u>		<u>3,313,471</u>
Net position at end of year		<u>\$ 4,035,790</u>		<u>\$ 3,830,457</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	97
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....	108
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	125
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	127

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 3,041,931	\$ 3,462,536	\$ 4,277,648	\$ 5,330,747
Restricted	375,245	377,314	500,635	613,877
Unrestricted	<u>1,992,192</u>	<u>1,370,948</u>	<u>1,378,511</u>	<u>1,257,718</u>
Total governmental activities net position	<u>\$ 5,409,368</u>	<u>\$ 5,210,798</u>	<u>\$ 6,156,794</u>	<u>\$ 7,202,342</u>
Business-type activities				
Net investment in capital assets	\$ 11,071,602	\$ 11,130,958	\$ 11,286,468	\$ 11,500,738
Unrestricted	<u>(241,357)</u>	<u>66,413</u>	<u>114,408</u>	<u>180,125</u>
Total business-type activities net position	<u>\$ 10,830,245</u>	<u>\$ 11,197,371</u>	<u>\$ 11,400,876</u>	<u>\$ 11,680,863</u>
Primary government				
Net investment in capital assets	\$ 14,113,533	\$ 14,593,494	\$ 15,564,116	\$ 16,831,485
Restricted	375,245	377,314	500,635	613,877
Unrestricted	<u>1,750,835</u>	<u>1,437,361</u>	<u>1,492,919</u>	<u>1,437,843</u>
Total primary government activities net position	<u>\$ 16,239,613</u>	<u>\$ 16,408,169</u>	<u>\$ 17,557,670</u>	<u>\$ 18,883,205</u>

(1) Accrual basis of accounting

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 6,863,521	\$ 6,832,082	\$ 6,537,738	\$ 6,243,600	\$ 6,145,777	\$ 6,025,382
513,775	418,240	416,831	455,154	506,706	555,253
1,526,710	1,602,369	1,588,334	1,719,879	1,557,755	1,578,613
\$ 8,904,006	\$ 8,852,691	\$ 8,542,903	\$ 8,418,633	\$ 8,210,238	\$ 8,159,248
\$ 12,596,624	\$ 10,863,971	\$ 11,319,633	\$ 12,227,323	\$ 13,128,337	\$ 13,568,618
(456,789)	1,642,103	995,314	732,046	533,059	759,682
\$ 12,139,835	\$ 12,506,074	\$ 12,314,947	\$ 12,959,369	\$ 13,661,396	\$ 14,328,300
\$ 19,460,145	\$ 17,696,053	\$ 17,857,371	\$ 18,470,923	\$ 19,274,114	\$ 19,594,000
513,775	418,240	416,831	455,154	506,706	555,253
1,069,921	3,244,472	2,583,648	2,451,925	2,090,814	2,338,295
\$ 21,043,841	\$ 21,358,765	\$ 20,857,850	\$ 21,378,002	\$ 21,871,634	\$ 22,487,548

CITY OF WHARTON, TEXAS

CHANGES IN NET POSITION (1)

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Expenses				
General government	\$ 1,292,705	\$ 1,735,633	\$ 1,208,119	\$ 1,197,103
Public safety	2,156,564	2,408,652	2,546,521	2,653,594
Public works	2,386,715	2,091,123	1,430,714	1,300,791
Culture and recreation	244,138	224,491	186,343	215,996
Interest on long-term debt	110,051	151,537	146,131	222,145
Total expenses	<u>6,190,173</u>	<u>6,611,436</u>	<u>5,517,828</u>	<u>5,589,629</u>
Program revenues				
Charges for services				
General government	83,691	51,505	144,315	166,240
Public safety	228,705	234,982	242,056	244,350
Public works	19,383	-	-	-
Culture and recreation	7,384	5,917	12,247	12,808
Operating grants and contributions	767,326	1,689,193	471,859	526,724
Capital grants and contributions	1,099,881	214,510	934,450	824,211
Total program revenues	<u>2,206,370</u>	<u>2,196,107</u>	<u>1,804,927</u>	<u>1,774,333</u>
Total governmental activities net program expense	(3,983,803)	(4,415,329)	(3,712,901)	(3,815,296)
General revenues and other changes in net position				
Taxes				
Property taxes	1,754,009	1,916,640	1,836,399	1,914,766
Sales taxes	1,049,238	1,124,445	1,292,565	1,319,795
Franchise taxes	792,682	818,192	893,839	924,196
Other taxes	56,798	90,170	134,824	175,474
Unrestricted investment earnings	24,683	55,969	61,579	174,312
Industrial district payment	-	-	-	-
Miscellaneous	163,753	119,270	98,561	76,942
Transfers	266,300	247,012	341,130	275,359
Total general revenues and other changes in net position	<u>4,107,463</u>	<u>4,371,698</u>	<u>4,658,897</u>	<u>4,860,844</u>
Total governmental activities change in net position	<u>\$ 123,660</u>	<u>\$ (43,631)</u>	<u>\$ 945,996</u>	<u>\$ 1,045,548</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 1,316,196	\$ 822,357	\$ 822,213	\$ 871,330	\$ 976,628	\$ 926,431
2,825,817	3,012,237	3,285,594	3,248,440	3,265,404	3,430,366
1,817,233	1,644,418	2,120,461	1,476,798	1,416,172	1,397,798
248,535	218,224	259,386	218,256	215,656	215,061
<u>231,552</u>	<u>250,056</u>	<u>272,026</u>	<u>303,499</u>	<u>381,827</u>	<u>388,653</u>
<u>6,439,333</u>	<u>5,947,292</u>	<u>6,759,680</u>	<u>6,118,323</u>	<u>6,255,687</u>	<u>6,358,309</u>
261,706	356,333	324,198	343,817	299,099	317,267
55,071	-	18,250	7,025	5,647	42,882
-	-	-	-	-	-
15,397	11,634	11,670	9,672	8,616	10,941
729,601	289,500	117,340	18,406	15,631	2,238
<u>1,899,894</u>	<u>123,311</u>	<u>401,689</u>	<u>190,000</u>	<u>423,264</u>	<u>50,000</u>
<u>2,961,669</u>	<u>780,778</u>	<u>873,147</u>	<u>568,920</u>	<u>752,257</u>	<u>423,328</u>
(3,477,664)	(5,166,514)	(5,886,533)	(5,549,403)	(5,503,430)	(5,934,981)
1,928,867	1,947,147	1,885,118	1,948,184	1,962,365	1,926,421
1,240,084	1,237,646	1,149,211	1,148,636	1,313,677	1,274,114
1,047,982	991,182	1,031,751	1,056,427	973,486	1,047,976
199,153	174,996	151,129	166,149	190,162	196,669
65,870	9,916	18,048	10,487	8,999	8,052
79,268	467,451	682,573	492,901	504,314	922,448
245,218	82,009	140,162	115,207	95,580	70,872
<u>372,886</u>	<u>204,852</u>	<u>518,753</u>	<u>487,142</u>	<u>504,673</u>	<u>437,439</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>5,883,991</u>
\$ <u>1,701,664</u>	\$ <u>(51,315)</u>	\$ <u>(309,788)</u>	\$ <u>(124,270)</u>	\$ <u>49,826</u>	\$ <u>(50,990)</u>

(continued)

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

	Fiscal Year			
	2004	2005	2006	2007
Business-type activities				
Expenses				
Water and sewer	\$ 1,687,953	\$ 1,805,704	\$ 1,885,041	\$ 2,067,083
Solid waste	1,324,001	1,179,798	1,195,075	1,242,914
Emergency medical services	1,146,702	1,107,249	1,093,960	1,339,596
Civic center	199,272	176,969	185,618	188,687
Airport	100,092	104,536	129,760	221,619
Total expenses	<u>4,458,020</u>	<u>4,374,256</u>	<u>4,489,454</u>	<u>5,059,899</u>
Program revenues				
Charges for services				
Water and sewer	1,925,359	2,210,061	2,209,304	2,283,549
Solid waste	1,160,779	1,185,713	1,178,801	1,279,305
Emergency medical services	788,728	695,402	797,431	988,845
Civic center	48,103	77,548	76,894	80,373
Airport	118,795	120,482	117,446	171,888
Operating grants and contributions	169,607	191,440	221,110	255,649
Capital grants and contributions	821,243	454,269	389,104	614,784
Total program revenues	<u>5,032,614</u>	<u>4,934,915</u>	<u>4,990,090</u>	<u>5,674,393</u>
Total business-type activities net program expense	574,594	560,659	500,636	614,494
General revenues and other changes in net position				
Unrestricted investment earnings	6,665	11,062	18,688	21,204
Miscellaneous	167,516	42,417	25,311	-
Transfers	(266,300)	(247,012)	(341,130)	(275,359)
Total general revenues and other changes in net position	<u>(92,119)</u>	<u>(193,533)</u>	<u>(297,131)</u>	<u>(254,155)</u>
Total business-type activities change in net position	<u>\$ 482,475</u>	<u>\$ 367,126</u>	<u>\$ 203,505</u>	<u>\$ 360,339</u>
Total primary government change in net position	<u>\$ 606,135</u>	<u>\$ 323,495</u>	<u>\$ 1,149,501</u>	<u>\$ 1,405,887</u>

(1) Accrual basis of accounting

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	2,162,499	\$	2,311,685	\$	2,390,453	\$	2,417,926	\$	2,214,274	\$	2,377,966
	1,175,700		1,273,376		1,209,574		1,213,177		1,250,313		1,300,929
	1,300,504		1,098,147		1,160,083		1,221,415		1,243,579		1,395,931
	222,166		279,893		276,345		232,364		216,926		200,266
	252,061		225,539		243,983		251,866		258,427		262,912
	<u>5,112,930</u>		<u>5,188,640</u>		<u>5,280,438</u>		<u>5,336,748</u>		<u>5,183,519</u>		<u>5,538,004</u>
	2,436,197		2,785,697		2,778,431		2,997,890		2,840,140		2,999,959
	1,158,403		1,300,634		1,269,783		1,271,487		1,299,841		1,338,967
	1,065,258		766,083		703,134		749,828		801,108		840,708
	88,102		71,116		67,951		49,661		59,474		55,344
	186,038		181,935		170,712		195,843		182,194		177,845
	243,467		242,765		562,695		739,180		764,282		775,650
	752,387		387,233		54,400		463,435		604,906		451,639
	<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>		<u>6,640,112</u>
	816,922		546,823		326,668		1,130,576		1,368,426		1,102,108
	14,936		2,468		958		988		1,675		2,235
	-		21,800		-		-		16,600		-
	<u>(372,886)</u>		<u>(204,852)</u>		<u>(518,753)</u>		<u>(487,142)</u>		<u>(504,673)</u>		<u>(437,439)</u>
	<u>(357,950)</u>		<u>(180,584)</u>		<u>(517,795)</u>		<u>(486,154)</u>		<u>(486,398)</u>		<u>(435,204)</u>
\$	<u>458,972</u>	\$	<u>366,239</u>	\$	<u>(191,127)</u>	\$	<u>644,422</u>	\$	<u>882,028</u>	\$	<u>666,904</u>
\$	<u>2,160,636</u>	\$	<u>314,924</u>	\$	<u>(500,915)</u>	\$	<u>520,152</u>	\$	<u>931,854</u>	\$	<u>615,914</u>

CITY OF WHARTON, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Long-term interfund advances	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	12,925	21,887	20,409	17,719
Unreserved	<u>1,195,181</u>	<u>1,146,653</u>	<u>1,203,420</u>	<u>1,193,412</u>
Total general fund	<u>\$ 1,208,106</u>	<u>\$ 1,168,540</u>	<u>\$ 1,223,829</u>	<u>\$ 1,211,131</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ -	\$ -
Arts and tourism	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Various capital projects	-	-	-	-
Committed				
Various capital projects	-	-	-	-
Unreserved, reported in				
Special revenue funds	250,688	244,936	56,102	122,721
Debt service fund	365,845	366,349	431,913	458,275
Capital project funds	<u>71,833</u>	<u>754,942</u>	<u>255,294</u>	<u>1,195,917</u>
Total all other governmental funds	<u>\$ 688,366</u>	<u>\$ 1,366,227</u>	<u>\$ 743,309</u>	<u>\$ 1,776,913</u>

(1) Modified accrual basis of accounting

NOTE: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2012.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ 26,624	\$ 21,109	\$ 19,499
-	-	-	-	500,000	350,000
-	-	-	1,427,875	1,041,539	1,257,474
14,184	12,571	9,281	-	-	-
<u>1,404,019</u>	<u>1,406,141</u>	<u>1,377,683</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>\$ 1,626,973</u>
\$ -	\$ -	\$ -	\$ 376,959	\$ 415,415	\$ 419,775
-	-	-	81,552	84,922	69,706
-	-	-	20,105	13,215	17,787
-	-	-	12,986	22,709	69,537
-	-	-	4,464,319	3,712,559	3,062,743
-	-	-	-	-	6,137
194,899	117,419	89,187	-	-	-
360,762	358,012	364,075	-	-	-
<u>94,703</u>	<u>1,478,732</u>	<u>(293,086)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 650,364</u>	<u>\$ 1,954,163</u>	<u>\$ 160,176</u>	<u>\$ 4,955,921</u>	<u>\$ 4,248,820</u>	<u>\$ 3,645,685</u>

CITY OF WHARTON, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 3,651,309	\$ 3,933,874	\$ 4,210,088	\$ 4,325,427
Licenses and permits	83,691	63,597	66,286	150,149
Intergovernmental	1,867,207	1,851,081	1,285,045	569,126
Charges for services	21,996	9,522	16,171	15,042
Fines and forfeitures	223,122	227,231	230,221	236,772
Investment income	24,683	55,969	61,579	174,312
Industrial district payment	-	-	-	-
Miscellaneous	163,753	148,553	202,510	1,045,302
Total revenues	<u>6,035,761</u>	<u>6,289,827</u>	<u>6,071,900</u>	<u>6,516,130</u>
Expenditures				
Current				
General government	1,273,723	1,728,216	1,183,005	1,188,056
Public safety	1,997,416	2,274,101	2,437,946	2,539,906
Public works	932,792	1,591,928	1,314,051	1,869,878
Culture and recreation	240,805	472,851	950,388	378,528
Capital outlay	1,631,152	630,338	775,590	1,597,770
Debt service				
Principal retirement	274,480	296,622	304,633	414,041
Interest and fiscal charges	113,749	134,394	148,665	185,521
Bond issuance costs	-	39,194	-	54,877
Total expenditures	<u>6,464,117</u>	<u>7,167,644</u>	<u>7,114,278</u>	<u>8,228,577</u>
Excess (deficiency) of revenues over expenditures	(428,356)	(877,817)	(1,042,378)	(1,712,447)
Other financing sources (uses)				
Debt issued	-	1,269,100	-	2,161,900
Premium on issuance of bonds	-	-	-	-
Payment to escrow	-	-	-	-
Capital lease proceeds	221,349	-	133,619	296,094
Sale of capital assets	-	-	-	-
Transfers in	728,142	531,064	527,276	653,834
Transfers out	(461,842)	(284,052)	(186,146)	(378,475)
Total other financing sources (uses)	<u>487,649</u>	<u>1,516,112</u>	<u>474,749</u>	<u>2,733,353</u>
Change in fund balances	<u>\$ 59,293</u>	<u>\$ 638,295</u>	<u>\$ (567,629)</u>	<u>\$ 1,020,906</u>
Debt service as a percentage of noncapital expenditures	<u>6.41%</u>	<u>6.37%</u>	<u>7.01%</u>	<u>9.19%</u>

(1) Modified accrual basis of accounting

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	4,517,831	\$	4,403,821	\$	4,247,504	\$	4,349,308	\$	4,484,457	\$	4,490,924
	127,166		72,908		70,814		87,176		67,112		98,609
	1,724,602		403,211		409,430		208,406		438,895		52,238
	28,248		12,709		28,815		10,488		9,866		12,888
	155,945		258,490		233,842		239,406		229,258		223,811
	65,870		9,916		18,048		10,487		8,999		8,052
	79,268		467,451		682,573		492,901		504,314		922,448
	1,475,063		98,871		233,900		23,483		47,695		57,932
	<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>		<u>5,866,902</u>
	1,321,674		805,414		811,418		855,487		1,030,106		880,776
	2,524,255		2,810,584		3,013,918		2,930,441		2,960,242		3,140,019
	1,531,189		1,226,819		1,748,663		1,096,561		1,059,999		1,041,924
	195,918		180,729		199,397		157,635		154,649		154,054
	3,871,656		475,790		1,172,494		693,196		1,021,435		788,817
	433,538		418,817		528,056		499,924		511,147		504,666
	220,411		242,810		253,790		262,728		390,180		401,535
	32,715		62,551		38,706		86,829		-		-
	<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>		<u>6,911,791</u>
	(1,957,363)		(496,137)		(1,841,516)		(1,161,146)		(1,337,162)		(1,044,889)
	665,000		1,562,400		930,663		4,600,000		-		-
	-		33,193		21,306		69,000		-		-
	-		-		(658,462)		-		-		-
	-		-		-		-		120,000		-
	-		-		-		71,805		26,349		22,707
	536,351		451,056		723,509		577,986		707,117		668,700
	(163,465)		(246,204)		(204,756)		(90,844)		(115,256)		(185,328)
	<u>1,037,886</u>		<u>1,800,445</u>		<u>812,260</u>		<u>5,227,947</u>		<u>738,210</u>		<u>506,079</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>(538,810)</u>
	<u>10.27%</u>		<u>11.26%</u>		<u>11.82%</u>		<u>12.96%</u>		<u>14.76%</u>		<u>14.69%</u>

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

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Total</u>
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
2013	1,940,658	31,507	1,274,114	1,047,976	196,669	4,490,924

(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				
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	
2013	2012	160,858,531	303,624,146	112,288,730	14,731,697	153,986,762	437,516,342	

(1) Includes tax-exempt property

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

SOURCE: Wharton County Appraisal District

<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ -	\$ 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%
(57,858,612)	379,657,730	0.45023	1,709,333	227,122	1,936,455	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
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	0.5647	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	1.9536
2010	0.1896	0.2971	0.4867	1.2366	0.1467	0.0300	0.5438	0.0071	1.9642
2011	0.1759	0.3041	0.4800	1.2362	0.1445	0.0300	0.5318	0.0073	1.9498
2012	0.2083	0.2797	0.4880	1.2404	0.1441	0.0300	0.4692	0.0073	1.8910
2013	0.1928	0.2574	0.4502	1.2259	0.1382	0.0300	0.5022	0.0073	1.9036

(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

2013		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 32,893,120	7.52%
J-M Manufacturing Company, Inc.	24,450,940	5.59%
GCMC Re Partners LP	12,305,202	2.81%
M-I LLC	8,485,420	1.94%
Wal-Mart Property Tax Dept.	7,032,768	1.61%
Wal-Mart Stores Texas LP	6,871,122	1.57%
Reddy Partnership Briar Pointe LP	5,361,793	1.23%
Wharton RP LTD	4,664,981	1.07%
Geokinetics Inc	4,315,630	0.99%
Centerpoint Energy Houston Electric	4,247,530	0.97%
	<u>\$ 110,628,506</u>	<u>25.30%</u>

2004		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 53,950,800	18.17%
J-M Manufacturing Company, Inc.	18,251,350	6.15%
Guld Coast Hospital, LP	8,988,100	3.03%
Anadrill Division of STC	5,983,550	2.02%
Centerpoint Energy Houston	5,032,970	1.70%
Gulf Coast Hospital, LP	4,728,140	1.59%
Southwestern Bell Telephone Co.	4,046,460	1.36%
South Texas Medical Joint Venture	3,190,480	1.07%
Schlumberger- Wharton	2,900,710	0.98%
South Texas Medical Clinics, P.A.	2,529,920	0.85%
	<u>\$ 109,602,480</u>	<u>36.92%</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>
2004	\$ 1,738,355	\$ 135	\$ 1,738,490	\$ 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	1,842,630	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%
2013	1,951,751	(29,214)	1,922,537	1,894,657	98.55%

SOURCE: City of Wharton

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 51,660	\$ 1,731,928	99.62%
37,499	1,827,862	99.68%
42,663	1,836,465	99.67%
76,538	1,897,465	99.70%
49,684	1,934,237	99.63%
40,835	1,956,937	99.21%
42,376	1,884,054	97.27%
43,640	1,936,021	96.43%
25,930	1,927,199	95.61%
-	1,894,657	98.55%

CITY OF WHARTON, TEXAS

WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED

Last ten fiscal years

<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
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
2013	522,205,000	395,144,500	127,060,500	24%	319,831,000

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

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

SOURCE: City of Wharton Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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
13.62	2.67	14.64	2.78

CITY OF WHARTON, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
Water Rates (per 2,000 gallons)				
Base Rate	\$ 9.10	\$ 9.10	\$ 9.10	\$ 10.20
Water usage rate				
2,000-4,000	1.82	1.82	1.82	1.95
4,000-7,000	1.88	1.88	1.88	2.00
7,000-11,000	1.96	1.96	1.96	2.10
11,000-15,000	2.05	2.05	2.05	2.20
15,000-50,000	2.18	2.18	2.18	2.35
50,000-100,000	2.31	2.31	2.31	2.45
100,000-150,000	2.51	2.51	2.51	2.60
>150,000	2.71	2.71	2.71	2.80
Sewer Rates (per 2,000 gallons)				
Base Rate	9.80	9.80	9.80	11.00
Sewer usage rate				
2,000-4,000	1.51	1.51	1.51	1.70
4,000-7,000	1.89	1.89	1.89	2.10
7,000-11,000	2.07	2.07	2.07	2.30
11,000-15,000	2.24	2.24	2.24	2.50
15,000-50,000	2.41	2.41	2.41	2.70
50,000-100,000	2.58	2.58	2.58	2.90
100,000-150,000	2.76	2.76	2.76	3.10
>150,000	2.93	2.93	2.93	3.30

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					
2008	2009	2010	2011	2012	2013
\$ 10.20	\$ 11.75	\$ 12.97	\$ 12.97	\$ 12.97	\$ 13.62
1.95	2.25	2.45	2.45	2.45	2.57
2.00	2.30	2.54	2.54	2.54	2.67
2.10	2.40	2.65	2.65	2.65	2.78
2.20	2.55	2.81	2.81	2.81	2.95
2.35	2.70	2.98	2.98	2.98	3.13
2.45	2.80	3.09	3.09	3.09	3.24
2.60	3.00	3.31	3.31	3.31	3.48
2.80	3.20	3.53	3.53	3.53	3.71
11.00	12.65	13.94	13.94	13.94	14.64
1.70	1.95	2.15	2.15	2.15	2.26
2.10	2.40	2.65	2.65	2.65	2.78
2.30	2.65	2.92	2.92	2.92	3.07
2.50	2.85	3.15	3.15	3.15	3.31
2.70	3.10	3.41	3.41	3.41	3.58
2.90	3.35	3.70	3.70	3.70	3.89
3.10	3.55	3.92	3.92	3.92	4.12
3.30	3.80	4.20	4.20	4.20	4.41

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

2013			
<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	30,340,000	7.68%
Briar Pointe LTD	Apartment Complex	17,549,500	4.44%
Millcreek Apartments	Apartment Complex	10,714,700	2.71%
Gulf Coast Medical Center	Hospital	9,530,700	2.41%
J-M Eagle	Manufacturing	8,028,800	2.03%
Wharton ISD	Public school	7,716,900	1.95%
The Meadow Associate	Apartment Complex	6,588,900	1.67%
WCJC	Junior College	6,004,300	1.52%
Buc-ee's	Retail drive in grocery	5,783,600	1.46%
CLVR Acquisition	Apartment Complex	5,141,100	1.30%
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*

Fiscal Year	Governmental Activities				
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	Plus: Issuance Premiums
2004	\$ 1,156,162	\$ 1,016,925	\$ -	\$ 194,533	\$ -
2005	2,295,537	891,800	-	152,761	-
2006	2,193,222	764,400	-	211,547	-
2007	4,226,697	632,450	-	354,339	-
2008	4,365,621	491,400	665,000	273,891	-
2009	5,703,381	345,800	665,000	225,314	33,193
2010	5,013,989	665,792	830,000	186,658	52,484
2011	9,519,606	456,032	675,000	145,877	117,119
2012	9,357,006	350,782	515,000	182,580	109,879
2013	9,190,181	240,782	345,000	124,739	102,639

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

<u>Business-type Activities</u>						
<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Plus: Issuance Premiums</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 2,593,838	\$ 1,218,075	\$ 75,652	\$ -	\$ 6,255,185	2.7%	\$ 675.58
2,924,463	1,068,200	59,407	-	7,392,168	3.0%	801.58
2,811,778	915,600	882,458	-	7,779,005	3.0%	842.43
3,488,303	757,550	792,000	-	10,251,339	3.7%	1,119.14
2,989,379	588,600	718,000	-	10,091,891	3.7%	1,102.94
5,266,619	714,200	-	51,787	13,005,294	4.8%	1,421.34
3,371,011	2,254,208	-	118,059	12,492,201	4.7%	1,414.42
3,110,394	1,858,968	135,092	108,466	16,126,554	5.5%	1,825.92
2,927,994	1,659,218	32,973	98,874	15,234,306	4.9%	1,724.90
2,744,819	1,454,218	-	89,282	14,291,660	4.3%	1,618.17

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

Fiscal Year	General Bonded Debt Outstanding				Less: Amounts Restricted to Repaying Principal
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	Total	
2004	\$ 3,750,000	\$ 2,235,000	\$ -	\$ 5,985,000	\$ 342,984
2005	5,220,000	1,960,000	-	7,180,000	377,314
2006	5,005,000	1,680,000	-	6,685,000	458,750
2007	7,715,000	1,390,000	-	9,105,000	461,402
2008	7,355,000	1,080,000	-	8,435,000	334,517
2009	10,970,000	1,060,000	84,980	12,114,980	336,973
2010	8,385,000	2,920,000	170,543	11,475,543	346,116
2011	12,630,000	2,315,000	225,585	15,170,585	340,511
2012	12,285,000	2,010,000	208,753	14,503,753	385,860
2013	11,935,000	1,695,000	191,921	13,821,921	398,223

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

SOURCE: City of Wharton

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 5,642,016	1.90%	\$ 609.35
6,802,686	2.17%	737.66
6,226,250	1.90%	674.27
8,643,598	2.50%	943.62
8,100,483	2.11%	885.30
11,778,007	2.96%	1,287.21
11,129,427	2.78%	1,260.13
14,830,074	3.54%	1,679.13
14,117,893	3.42%	1,598.49
13,423,698	3.07%	1,519.89

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

September 30, 2013

	<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	9/30/2013	<u>\$ 10,003,341</u>	100.00%	<u>\$ 10,003,341</u>
Overlapping Debt:				
Wharton County	9/30/2013	752,700	15.15%	114,034
Wharton Independent School District	9/30/2013	<u>23,071,693</u>	44.66%	<u>10,303,818</u>
Total Overlapping Debt		<u>23,824,393</u>		<u>10,417,852</u>
Total		<u>\$ 33,827,734</u>		<u>\$ 20,421,193</u>

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

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

SOURCE: Wharton County and Wharton Independent School District

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
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
2013	3,000,550	1,758,675	1,241,875	207,228	5.99

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
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%
2013	8,832	333,408,000	37,750	2,130	6.2%

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 Seven Years Ago

2013

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
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>

2006

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	395	2.19%
South Texas Medical Center	375	2.08%
Gulf Coast Medical Center	367	2.03%
Nan Ya Plastics Corp. USA	320	1.77%
Wharton 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			
	2004	2005	2006	2007
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	2.0	2.0	2.0
Finance	3.0	3.0	3.0	3.0
Municipal court	2.5	2.5	2.5	2.5
Community services coordinator	0.5	0.5	0.5	0.5
Central services	0.5	0.5	-	-
Public safety				
Police	21.5	23.5	24.5	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	0.5
Animal control	1.0	1.0	1.0	1.0
Communications	8.0	8.0	8.0	8.0
DARE	1.0	1.0	1.0	1.0
Public works				
Public works	11.5	11.5	11.5	11.5
Garage	2.0	2.0	2.0	2.0
Facilities maintenance	4.0	5.0	4.0	4.0
Water/wastewater				
City planning	1.5	1.0	1.0	1.0
Administration	2.0	2.0	2.0	2.0
Water operations	6.0	7.0	7.0	7.0
Sewer operations	3.0	4.0	4.0	4.0
Beautification	1.0	1.0	1.0	1.0
EMS	9.0	8.0	8.0	8.0
Civic Center	4.0	2.5	2.5	2.5
Airport	-	-	-	-
Total	90.0	93.5	93.0	93.0

SOURCE: City of Wharton

Fiscal Year					
2008	2009	2010	2011	2012	2013
2.0	2.0	2.0	2.0	2.0	2.0
2.0	1.0	1.0	1.0	1.0	1.0
4.0	4.0	3.0	3.0	3.0	2.5
2.5	2.5	2.0	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	24.0	25.0	25.0	25.0
2.0	2.0	2.0	2.0	2.0	2.0
4.0	3.0	3.0	3.0	3.0	3.5
0.5	0.5	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0	9.0	9.0
1.0	-	-	-	-	-
11.5	11.5	11.0	10.5	10.5	10.2
2.0	2.0	2.0	1.0	1.0	2.0
5.0	4.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	-	-	-
1.0	1.5	2.0	1.5	1.5	2.0
7.0	7.5	7.5	8.5	8.5	8.5
4.0	4.0	4.0	4.0	4.0	4.5
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	14.0	14.0
2.5	2.5	3.0	2.5	2.5	2.8
1.5	2.0	1.5	2.0	1.5	1.5
<u>97.5</u>	<u>95.5</u>	<u>94.0</u>	<u>92.5</u>	<u>98.0</u>	<u>100.0</u>

CITY OF WHARTON, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government				
Building permits issued	1,357	1,152	1,048	1,099
Building inspections conducted	1,323	1,387	1,484	1,003
Public safety				
Police				
Physical arrests	1,114	957	908	789
Traffic violations	3,066	2,610	3,401	3,238
Fire				
Fire calls	475	502	511	457
Public works				
Streets (miles)	95	95	95	97
Culture and recreation				
Parks and recreation				
Park rental	N/A	99	103	96
Community center rentals	322	496	320	294
Swimming pool				
Single admissions	N/A	N/A	4,824	4,770
Season passes	N/A	N/A	19	87
Aerobics	N/A	N/A	41	43
Swim lessons	N/A	N/A	29	29
Party rentals	N/A	N/A	11	6
Water and wastewater				
Water				
New connections/taps	9	7	3	14
Average daily consumption	1.1 mgd	1.1mgd	1.2 mgd	1.1 mgd
Peak daily consumption	N/A	N/A	N/A	1.9 mgd
Wastewater				
Average daily sewage treatment	.6 mgd	.7 mgd	.5 mgd	1.2 mgd
EMS				
Ambulance loads	2,784	2,444	2,874	2,928

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2008	2009	2010	2011	2012	2013
1,031	947	348	390	351	706
1,658	959	1,080	1,235	1,286	1,663
657	881	759	746	1,281	1,399
1,932	4,521	3,896	3,459	2,494	3,295
527	512	459	519	530	559
97	97	97	97	97	97
58	57	33	43	25	40
310	303	278	273	221	217
2,633	2,979	2,585	2,086	1,445	1,449
56	49	32	24	22	23
32	44	26	56	40	20
42	34	22	42	45	54
12	7	6	6	7	2
17	13	14	14	2	4
1.4 mgd	1.2mgd	1.1mgd	1.2mgd	1.1mgd	1.3mgd
1.9 mgd	1.9 mgd	1.9mgd	2.6mgd	2.2mgd	2.3mgd
.95 mgd	.73 mgd	.92 mgd	.79 mgd	.88 mgd	.88 mgd
3,309	3,425	3,203	3,208	3,364	3,253

CITY OF WHARTON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
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	96	96.5
Streetlights	624	624	624	852
School zone flashers	4	4	4	8
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	80
Fire hydrants	430	430	430	470
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	77	77	77	80
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						
2008	2009	2010	2011	2012	2013	
1	1	1	1	1	1	1
8	8	9	9	9	9	9
1	1	1	1	1	1	1
96.5	96.5	97.0	97.0	97.0	97.0	97.0
852	852	852	852	858	858	858
8	8	8	8	8	8	8
90	92	92	92	92	92	92
10	11	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
80.5	80.5	80.5	80.5	80.5	80.5	80.5
475	478	478	478	478	478	481
3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd
83	84	84	84	84	84	84
15	15	15	15	15	15	15
2.0 mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2014. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 28, 2014