

CITY OF WHARTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2014

Joan Andel, CPA
Finance Director

Andres Garza, Jr.
City Manager

Issued By:
Finance Department

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Administrators' Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting.....	v
Organizational Chart	vi
Directory of Principal Officials	vii
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position.....	15
Statement of Activities.....	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Net Position - Proprietary Funds.....	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	27
Statement of Cash Flows - Proprietary Funds	29
Notes to Financial Statements.....	33
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund.....	65
Historical Pension Benefits Information	66
Notes to Required Supplementary Information	68
<u>Combining and Individual Fund Statements and Schedules</u>	
<i>Governmental Funds</i>	
Combining Statements	
Combining Balance Sheet - All Nonmajor Governmental Funds.....	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Nonmajor Governmental Funds	70
Special Revenue Funds.....	71
Combining Balance Sheet - Nonmajor Special Revenue Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	74

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Governmental Funds - (Continued)

Capital Project Funds.....	76
Combining Statements	
Balance Sheet - Nonmajor Capital Project Funds.....	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds.....	78
Individual Statements and Schedules	
General Fund	79
Balance Sheet	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual.....	81
Debt Service Fund	83
Balance Sheet	84
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual.....	85

Proprietary Funds

Individual Statements and Schedules

Enterprise Funds.....	86
Water and Sewer	
Balance Sheet.....	87
Schedule of Revenues, Expenses, and Change in Fund Net Position Budget (GAAP Basis) and Actual.....	88
Solid Waste	
Balance Sheet.....	89
Schedule of Revenues, Expenses, and Change in Fund Net Position Budget (GAAP Basis) and Actual.....	90
Emergency Medical Services	
Balance Sheet.....	91
Schedule of Revenues, Expenses, and Change in Fund Net Position Budget (GAAP Basis) and Actual.....	92
Civic Center	
Balance Sheet.....	93
Schedule of Revenues, Expenses, and Change in Fund Net Position Budget (GAAP Basis) and Actual.....	94
Airport	
Balance Sheet.....	95
Schedule of Revenues, Expenses, and Change in Fund Net Position Budget (GAAP Basis) and Actual.....	96

	<u>Page</u>
STATISTICAL SECTION	97
<u>Financial Trends</u>	
Net Position by Component	98
Changes in Net Position	100
Fund Balances, Governmental Funds	104
Changes in Fund Balances, Governmental Funds.....	106
Tax Revenues by Source, Governmental Funds.....	108
<u>Revenue Capacity</u>	
Assessed and Estimated Actual Value of Taxable Property	109
Direct and Overlapping Property Tax Rates.....	111
Principal Property Taxpayers (Unaudited).....	112
Property Tax Levies and Collections	113
Water Produced and Consumed and Wastewater Treated.....	115
Water and Sewer Rates.....	117
Ten Largest Water Customers (Unaudited).....	119
<u>Debt Capacity</u>	
Ratios of Outstanding Debt by Type.....	120
Ratios of Net General Bonded Debt Outstanding.....	122
Direct and Overlapping Governmental Activities Debt (Unaudited)	124
Pledged-Revenue Coverage	125
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics (Unaudited)	126
Principal Employers (Unaudited)	127
<u>Operating Information</u>	
Full-Time-Equivalent City Government Employees by Function/Program	128
Operating Indicators by Function/Program.....	130
Capital Asset Statistics by Function/Program.....	132

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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* 134

INTRODUCTORY SECTION



City of Wharton

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

March 20, 2015

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, 2014 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 converted to an Interstate 69 highway that will link Mexico to Canada.

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

ECONOMIC CONDITION AND OUTLOOK - (Continued)

The industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing. These plants, which employ approximately 370 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 \$203,158,873 in tax year 2014. 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 365 people.

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 2014 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 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 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 2014 fiscal year, the City completed many improvements throughout the City through the issuance of \$4.6 million in bonds which were issued in 2011:

- Phase I Sidewalk Improvement Project,
- Sewer plant improvements

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

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

Also during the 2014 fiscal year, the City completed many improvements throughout the City through the issuance of \$5 million in bonds which were issued in 2013:

- Purchase of fire department ladder truck
- Payoff of capital lease commitment
- Purchase of street equipment
- Ground water storage tank improvements
- Street improvement project

The following initiatives are still in progress with the remainder of the 2013 bond issuance:

- Phase II Sidewalk Improvement project
- Park improvements
- Drainage improvements
- Wastewater collection improvements
- Wastewater plant improvements

The City has also initiated a sustainable future drinking water supply.

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, 2013. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

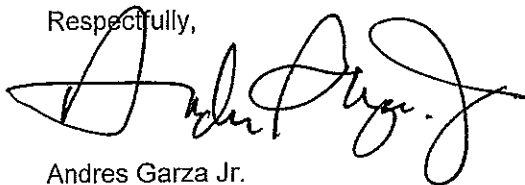
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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-three consecutive years (fiscal years ended 1991 - 2013). 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**

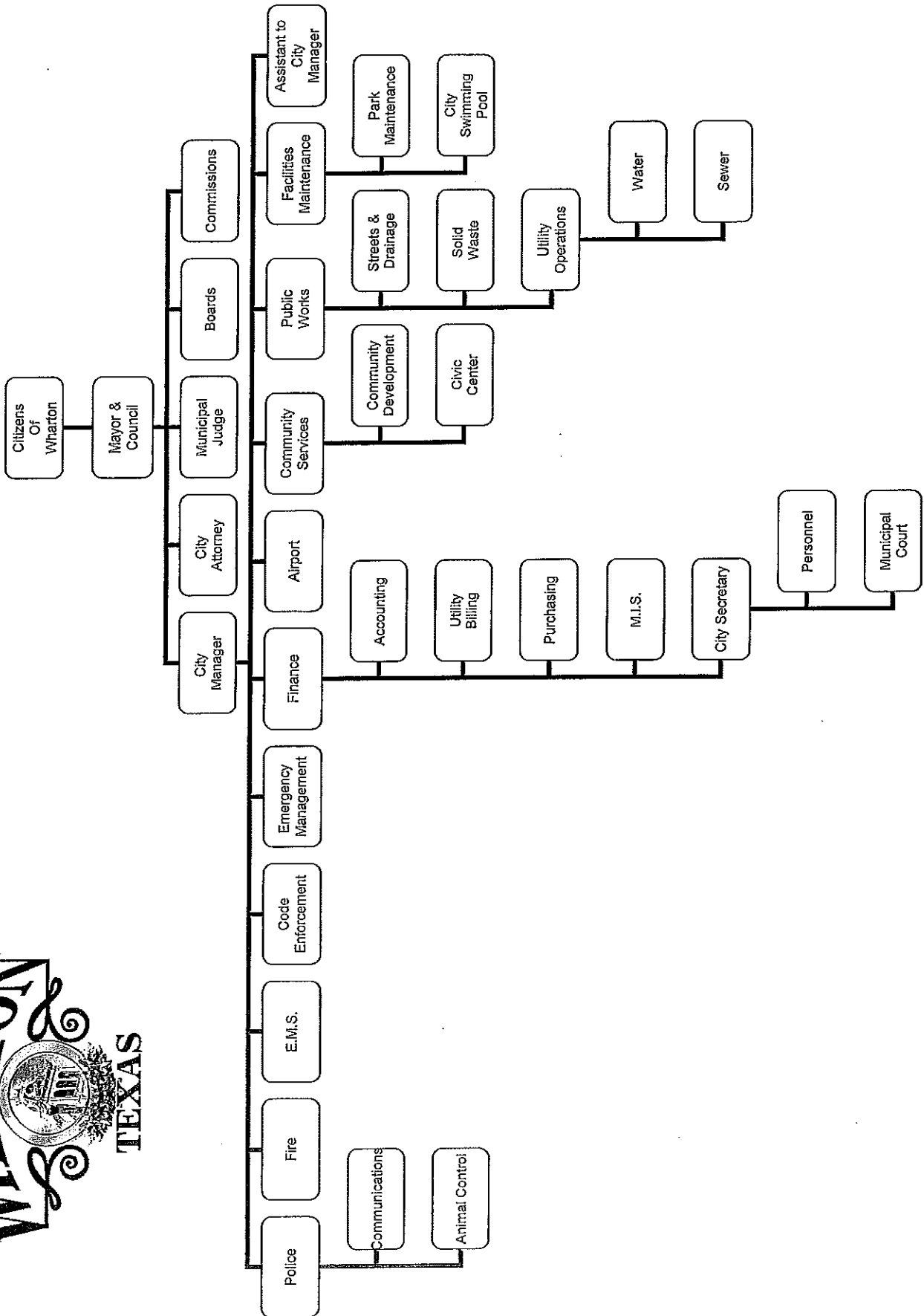
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



Organizational Chart



Elected Officials

Domingo Montalvo, Jr.	Mayor
Alfred Bryant	Council Member District 1
Steven Schneider	Council Member District 2
Timothy Barker	Council Member District 3
Donald Mueller	Council Member District 4
Russell Machann	Council Member At Large Place 5
Jeff Gubbels	Council Member At Large Place 6

Appointed Officials

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

Department Heads

Paula Favors	City Secretary
Terry Lynch	Police Chief
Anthony Abbott	Volunteer Fire Chief
Ronnie Bollom	Building Official
Kyle Marchant	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



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2014, 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 20, 2015, 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, LLP

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

March 20, 2015

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, 2014. 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, 2014, by \$21,708,670. Of this amount, \$2,438,632 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 \$13,308,468 for the fiscal year. The net expense was \$5,629,294.
- During the year, the City's general net expenses exceeded general revenues of the governmental activities by \$125,948. This represents a 1.67% decrease in net position from the previous fiscal year as a result of operations.
- At September 30, 2014, the City's governmental funds reported combined ending fund balances of \$5,431,194, a net increase of \$158,536 in comparison with prior year. The net increase in fund balance was mainly due to the receipt of the proceeds from the 2013 Certificates of Obligation during fiscal year 2014.
- At September 30, 2014, unassigned fund balance for the General Fund was \$1,366,287 or 25.32% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$4,386,897, or 29.96%, 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 64

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 2014. 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 64 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 65 through 68 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 69 through 96 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 \$21,708,670 at the close of the fiscal year ended September 30, 2014.

At the end of fiscal year 2014, 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	
	2014	2013*	2014	2013	2014	2013*
ASSETS						
Current assets	\$ 5,844,815	\$ 5,649,652	\$ 4,655,934	\$ 1,842,495	\$ 10,500,749	\$ 7,492,147
Capital assets (net)	13,600,970	12,331,680	17,905,916	17,853,898	31,506,886	30,185,578
Other noncurrent assets	325,000	350,000	(325,000)	(350,000)	-	-
Total assets	19,770,785	18,331,332	22,236,850	19,346,393	42,007,635	37,677,725
DEFERRED OUTFLOWS						
Deferred amount on refunding	116,334	8,658	53,104	26,200	169,438	34,858
Total deferred out- flows of resources	116,334	8,658	53,104	26,200	169,438	34,858
LIABILITIES						
Current and other liabilities	1,200,805	1,066,682	1,328,137	1,092,811	2,528,942	2,159,493
Noncurrent liabilities	11,278,767	9,739,813	6,660,694	3,951,482	17,939,461	13,691,295
Total liabilities	12,479,572	10,806,495	7,988,831	5,044,293	20,468,403	15,850,788
NET POSITION						
Net investment in capital assets	5,203,356	5,399,629	13,575,582	13,568,618	18,778,938	18,968,247
Restricted	491,100	555,253	-	-	491,100	555,253
Unrestricted	1,713,091	1,578,613	725,541	759,682	2,438,632	2,338,295
Total net position	\$ 7,407,547	\$ 7,533,495	\$ 14,301,123	\$ 14,328,300	\$ 21,708,670	\$ 21,861,795

*Net position of the 2013 governmental activities has been restated. See Note 16 of this report.

The largest portion of the City's net position (86.50%) 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 \$491,100 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$2,438,632 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	
	2014	2013*	2014	2013	2014	2013*
REVENUES						
Program revenues:						
Charges for services	\$ 337,511	\$ 371,090	\$ 5,576,639	\$ 5,412,823	\$ 5,914,150	\$ 5,783,913
Operating grants and contributions	99,327	2,238	898,511	775,650	997,838	777,888
Capital grants and contributions	547,318	50,000	219,868	451,639	767,186	501,639
General revenues:						
Property taxes	1,906,728	1,926,421	-	-	1,906,728	1,926,421
Sales taxes	1,252,647	1,274,114	-	-	1,252,647	1,274,114
Franchise taxes	1,052,147	1,047,976	-	-	1,052,147	1,047,976
Other taxes	181,243	196,669	-	-	181,243	196,669
Unrestricted investment earnings	13,075	8,052	2,463	2,235	15,538	10,287
Industrial district payment	905,337	922,448	-	-	905,337	922,448
Miscellaneous	162,529	70,872	-	-	162,529	70,872
Total revenues	6,457,862	5,869,880	6,697,481	6,642,347	13,155,343	12,512,227
EXPENSES						
General government	902,639	926,431	-	-	902,639	926,431
Public safety	3,686,833	3,430,366	-	-	3,686,833	3,430,366
Public works	1,856,576	1,576,819	-	-	1,856,576	1,576,819
Cultural and recreation	209,509	215,061	-	-	209,509	215,061
Interest on long-term debt	542,435	388,653	-	-	542,435	388,653
Water and sewer	-	-	2,656,570	2,377,966	2,656,570	2,377,966
Solid waste	-	-	1,289,653	1,300,929	1,289,653	1,300,929
Emergency medical services	-	-	1,669,455	1,395,931	1,669,455	1,395,931
Civic center	-	-	225,854	200,266	225,854	200,266
Airport	-	-	268,944	262,912	268,944	262,912
Total expenses	7,197,992	6,537,330	6,110,476	5,538,004	13,308,468	12,075,334
Change in net position before transfers	(740,130)	(667,450)	587,005	1,104,343	(153,125)	436,893
Transfers	614,182	437,439	(614,182)	(437,439)	-	-
Change in net position	(125,948)	(230,011)	(27,177)	666,904	(153,125)	436,893
Net position at beginning of year, as restated	7,533,495	7,763,506	14,328,300	13,661,396	21,861,795	21,424,902
Net position at end of year	\$ 7,407,547	\$ 7,533,495	\$ 14,301,123	\$ 14,328,300	\$ 21,708,670	\$ 21,861,795

*Net position of the 2013 governmental activities has been restated. See Note 16 of this report

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental activities decreased the City's net position by \$125,948 which was mainly due to the increase in the expenses from the prior year. There was also a net decrease of \$27,177 in net position reported in connection with the City's business-type activities. This decrease is mainly due to the increase in expenses and an increase in transfers to other funds from the prior year. Overall, there was a \$153,125 decrease in the net position of the City.

Governmental Activities

Governmental activities decreased the City's net position by \$125,948. Key elements of this decrease are as follows:

- Public safety expenses increased \$256,467 or 7.48% from prior year.
- Public works expenses increased by \$279,757 or 17.74% from prior year.
- Interest expenses increased by \$153,782 which was mainly due to the issuance costs on the debt issued during fiscal year 2014 and the increase in interest costs.

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	\$ 902,639	12.54%	\$ 331,367	33.67%	\$ (571,272)
Public safety	3,686,833	51.22%	219,013	22.25%	(3,467,820)
Public works	1,856,576	25.79%	427,015	43.39%	(1,429,561)
Cultural and recreation	209,509	2.91%	6,761	0.69%	(202,748)
Interest on long-term debt	<u>542,435</u>	<u>7.54%</u>	<u>-</u>	<u>0.00%</u>	<u>(542,435)</u>
Total	<u>\$ 7,197,992</u>	<u>100.00%</u>	<u>\$ 984,156</u>	<u>100.00%</u>	<u>\$ (6,213,836)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental Activities - (Continued)

City of Wharton, Texas

Revenues by Source - Governmental Activities

Description	Revenues	% of Total
Charges for services	\$ 337,511	4.77%
Operating grants and contributions	99,327	1.40%
Capital grants and contributions	547,318	7.74%
Property taxes	1,906,728	26.96%
Sales taxes	1,252,647	17.71%
Franchise taxes	1,052,147	14.88%
Other taxes	181,243	2.56%
Unrestricted investment earnings	13,075	0.19%
Industrial district payment	905,337	12.80%
Miscellaneous	162,529	2.30%
Transfers	614,182	8.69%
	<u>\$ 7,072,044</u>	<u>100.00%</u>

Business-type Activities

Business-type activities decreased the City's net position by \$27,177. Key elements of this decrease are as follows:

- Water and sewer expenses increased \$278,604 or 11.72% from the prior year.
- Emergency medical services expenses increased \$273,524 or 19.59% from the prior year.
- Transfers to other funds increased \$176,743 or 40.40% from the prior year.

City of Wharton, Texas

Expenses and Program Revenues - Business-type Activities

Functions/Programs	Expenses	% of Total	Revenues	% of Total	Net (Expense) Revenue
Water and sewer	\$ 2,656,570	43.47%	\$ 3,360,546	50.20%	\$ 703,976
Solid waste	1,289,653	21.11%	1,345,910	20.10%	56,257
Emergency medical services	1,669,455	27.32%	1,686,372	25.19%	16,917
Civic center	225,854	3.70%	82,269	1.23%	(143,585)
Airport	268,944	4.40%	219,921	3.28%	(49,023)
Total	<u>\$ 6,110,476</u>	<u>100.00%</u>	<u>\$ 6,695,018</u>	<u>100.00%</u>	<u>\$ 584,542</u>

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

City of Wharton, Texas

Revenues by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 5,576,639	91.67%
Operating grants and contributions	898,511	14.77%
Capital grants and contributions	219,868	3.62%
Unrestricted investment earnings	2,463	0.04%
Transfers	<u>(614,182)</u>	<u>-10.10%</u>
	<u>\$ 6,083,299</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 2014, the City's governmental funds reported combined ending fund balances of \$5,431,194, an increase of \$158,536 in comparison with prior year. The net increase in fund balance was mainly due to the receipt of the 2013 Certificates of Obligation proceeds during fiscal year 2014. The monies are accounted for in the 2013 Bond Construction Fund which is reported as a major capital project fund at September 30, 2014. The General Fund ended the fiscal year with an increase of \$91,123, the 2011 Bond Construction Fund decreased \$235,562, and the 2013 Bond Construction Fund increased \$273,490.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2014, unassigned fund balance of the General Fund was \$1,366,287, while total fund balance was \$1,718,096. 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 25.32% of the total General Fund expenditures, while total fund balance represents 31.85% of that same amount.

The fund balance of the City's General Fund increased \$91,123 during the current fiscal year. These factors included revenues coming in \$35,956 more than the final budget and expenditures coming in \$56,295 less than the final budget. As explained above, the 2011 Bond Construction Fund experienced a decrease in fund balance during fiscal year 2014, which was due to the spending of the 2011 bond proceeds on various capital projects. Also, the \$273,490 net increase in the 2013 Bond Construction Fund fund balance was due to the receipt of the 2013 proceeds and the spending of them on various capital projects during the 2014 fiscal year.

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

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	\$ (239,488)
Solid waste	26,356
Emergency medical services	666,861
Civic center	7,979
Airport	263,833
	<u>\$ 725,541</u>

This represents a decrease of \$34,141 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 increase of \$54,028 to revenues, a net increase to expenditures of \$93,947, and a net increase of \$39,919 to other financing sources. A few of the changes are briefly summarized as follows:

- A decrease of approximately \$15,000 in ad valorem tax revenues.
- A decrease of approximately \$44,000 in sales tax revenues.
- An increase of approximately \$43,000 in other tax revenues.
- A decrease of approximately \$25,000 in fines and forfeitures.
- An increase of approximately \$13,000 in licenses and permits.
- An increase of approximately \$30,000 in miscellaneous revenues.
- An increase of \$48,000 in emergency management department which consisted of \$44,000 in homeland security expenditures and \$4,000 in computer software and supplies.
- An increase in communications department of \$39,000 which consisted of a decrease in salaries of \$10,000, an increase of overtime of \$52,000 and a decrease of health insurance expenditures of \$3,000.
- An increase of \$24,000 in garage department which consisted of an increase in overtime of \$7,000, increase of \$6,000 in building maintenance, and an increase in equipment maintenance of \$11,000.
- A decrease of \$34,000 in the facilities maintenance department which consisted of a decrease of \$34,000 in salary and benefits.

For fiscal year 2014, the General Fund's revenues were \$35,956 more than the final budget and expenditures were \$56,295 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 65.

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, 2014, amounts to \$31,506,886 (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 4.38% (a 10.29% increase for governmental activities and a 0.29% increase for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013*	2014	2013	2014	2013*
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	242,074	302,024	599,718	114,490	841,792	416,514
Machinery and equipment	2,432,651	1,220,962	886,734	919,289	3,319,385	2,140,251
Land improvements	-	-	1,089,465	1,112,542	1,089,465	1,112,542
Bldgs. and improvements	3,164,451	3,294,207	4,079,218	4,126,268	7,243,669	7,420,475
Infrastructure	6,588,509	6,341,202	-	-	6,588,509	6,341,202
Water and sewer system	-	-	10,931,688	11,262,216	10,931,688	11,262,216
Total	\$ 13,600,970	\$ 12,331,680	\$ 17,905,916	\$ 17,853,898	\$ 31,506,886	\$ 30,185,578

*Capital assets of the 2013 governmental activities have been restated. See Note 16 of this report

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, 2014, consisted of the following:
 - Construction in progress of \$242,074 includes the following projects: Sidewalk enhancement project, drainage improvement project, and the street program.
 - The net increase in infrastructure of \$247,207 includes the completion of one of the sidewalk enhancement projects and the Cedar Circle project.
 - The net increase in machinery and equipment includes the following: Police vehicles, fire ladder truck, and various street equipment.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2014, consisted of the following:
 - The water tank improvement project began in fiscal year 2013 and was still in progress at year end (\$268,210).
 - The Exelon waterline extension project began in fiscal year 2014 and was still in progress at year end (\$219,462).

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

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

At the end of fiscal year 2014, the City had total bonded debt outstanding of \$18,463,578 (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 \$175,000 in tax anticipation notes and \$389,871 in compensated absences as of September 30, 2014.

City of Wharton, Texas			
Long-term Debt			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 3,017,032	\$ 1,832,968	\$ 4,850,000
Issuance premiums	292,312	211,266	503,578
Certificates of obligation	8,130,275	4,979,725	13,110,000
Tax anticipation notes	175,000	-	175,000
Compensated absences	304,915	84,956	389,871
Total	<u>\$ 11,919,534</u>	<u>\$ 7,108,915</u>	<u>\$ 19,028,449</u>

The City's total outstanding debt increased by \$4,386,897 or 29.96% over the prior fiscal year. The key factors in this net increase were:

- Issuance of \$5,000,000 2013 Tax and Revenue Certificates of Obligation.
- Issuance of \$3,600,000 2013 General Obligation Refunding Bonds.
- Payments made on the certificates and bonds during fiscal year 2014 totaled \$891,250.
- Payments made on the tax anticipation notes during fiscal year 2014 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 2014 increased by \$8,437,258 or 1.9% to approximately \$448 million.
- The top ten principal taxpayers account for 25.65% of the total assessed valuation as compared to 37.37% nine years ago.
- The ad valorem tax rate for the General Fund was decreased by \$0.04462 per \$100 valuation to \$0.19746 per \$100 valuation for the 2015 fiscal year budget.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2015 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,663,978	\$ 1,298,511	\$ 8,962,489	\$ 918,143
Receivables, net	453,759	642,508	1,096,267	120,599
Internal balances	(2,572,480)	2,572,480	-	-
Due from component unit	18,301	-	18,301	-
Due from other governments	254,448	37,009	291,457	-
Prepaid items	26,809	-	26,809	-
Inventory	-	105,426	105,426	2,000
Restricted cash	-	-	-	23,185
Total current assets	<u>5,844,815</u>	<u>4,655,934</u>	<u>10,500,749</u>	<u>1,063,927</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,415,359	918,811	2,334,170	385,335
Buildings, infrastructure, and equipment, net	12,185,611	16,987,105	29,172,716	3,888
Net capital assets	<u>13,600,970</u>	<u>17,905,916</u>	<u>31,506,886</u>	<u>389,223</u>
Noncurrent internal balances	<u>325,000</u>	<u>(325,000)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>13,925,970</u>	<u>17,580,916</u>	<u>31,506,886</u>	<u>389,223</u>
Total assets	<u>19,770,785</u>	<u>22,236,850</u>	<u>42,007,635</u>	<u>1,453,150</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	116,334	53,104	169,438	-
Total deferred outflows of resources	<u>116,334</u>	<u>53,104</u>	<u>169,438</u>	<u>-</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 308,870	\$ 402,679	\$ 711,549	\$ 1,750
Accrued expenditures/expenses	68,495	39,920	108,415	-
Due to primary government	-	-	-	18,301
Due to other governments	43,080	7,972	51,052	12,820
Deposits	245	209,841	210,086	-
Accrued interest payable	139,348	88,371	227,719	112
Unearned revenue	-	131,133	131,133	-
Compensated absences	30,492	8,496	38,988	-
Current portion of long-term obligations	610,275	439,725	1,050,000	133,319
Total current liabilities	<u>1,200,805</u>	<u>1,328,137</u>	<u>2,528,942</u>	<u>166,302</u>
Noncurrent liabilities				
Compensated absences	274,423	76,460	350,883	-
Noncurrent portion of long-term obligations	11,004,344	6,584,234	17,588,578	75,930
Total noncurrent liabilities	<u>11,278,767</u>	<u>6,660,694</u>	<u>17,939,461</u>	<u>75,930</u>
Total liabilities	<u>12,479,572</u>	<u>7,988,831</u>	<u>20,468,403</u>	<u>242,232</u>
NET POSITION				
Net investment in capital assets	5,203,356	13,575,582	18,778,938	389,223
Restricted for:				
Debt service	380,457	-	380,457	-
Cultural and recreation	76,610	-	76,610	-
Municipal court	21,373	-	21,373	-
Public safety	12,660	-	12,660	-
Unrestricted net position	<u>1,713,091</u>	<u>725,541</u>	<u>2,438,632</u>	<u>821,695</u>
Total net position	<u>\$ 7,407,547</u>	<u>\$ 14,301,123</u>	<u>\$ 21,708,670</u>	<u>\$ 1,210,918</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 902,639	\$ 331,367	\$ -	\$ -
Public safety	3,686,833	399	56,814	161,800
Public works	1,856,576	-	41,497	385,518
Cultural and recreation	209,509	5,745	1,016	-
Interest on long-term debt	542,435	-	-	-
Total governmental activities	<u>7,197,992</u>	<u>337,511</u>	<u>99,327</u>	<u>547,318</u>
Business-type activities				
Water and sewer	2,656,570	3,140,678	-	219,868
Solid waste	1,289,653	1,345,910	-	-
Emergency medical services	1,669,455	833,862	852,510	-
Civic center	225,854	82,269	-	-
Airport	268,944	173,920	46,001	-
Total business-type activities	<u>6,110,476</u>	<u>5,576,639</u>	<u>898,511</u>	<u>219,868</u>
Total primary government	<u>\$ 13,308,468</u>	<u>\$ 5,914,150</u>	<u>\$ 997,838</u>	<u>\$ 767,186</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 490,392</u>	<u>\$ 10,365</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	
\$ (571,272)	\$ -	\$ (571,272)	\$ -
(3,467,820)	-	(3,467,820)	-
(1,429,561)	-	(1,429,561)	-
(202,748)	-	(202,748)	-
(542,435)	-	(542,435)	-
<u>(6,213,836)</u>	<u>-</u>	<u>(6,213,836)</u>	<u>-</u>
-	703,976	703,976	-
-	56,257	56,257	-
-	16,917	16,917	-
-	(143,585)	(143,585)	-
-	(49,023)	(49,023)	-
-	<u>584,542</u>	<u>584,542</u>	<u>-</u>
<u>(6,213,836)</u>	<u>584,542</u>	<u>(5,629,294)</u>	<u>-</u>
-	-	-	<u>(480,027)</u>
1,034,480	-	1,034,480	-
872,248	-	872,248	-
1,252,647	-	1,252,647	687,664
1,052,147	-	1,052,147	-
181,243	-	181,243	-
13,075	2,463	15,538	3,543
905,337	-	905,337	-
162,529	-	162,529	5,000
614,182	(614,182)	-	-
<u>6,087,888</u>	<u>(611,719)</u>	<u>5,476,169</u>	<u>696,207</u>
(125,948)	(27,177)	(153,125)	216,180
<u>7,533,495</u>	<u>14,328,300</u>	<u>21,861,795</u>	<u>994,738</u>
<u>\$ 7,407,547</u>	<u>\$ 14,301,123</u>	<u>\$ 21,708,670</u>	<u>\$ 1,210,918</u>

CITY OF WHARTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,093,039	\$ 435,215	\$ 2,955,352
Receivables, net	325,105	83,707	-
Due from other funds	161,187	883	-
Due from component unit	18,301	-	-
Due from other governments	254,448	-	-
Advances to other funds	325,000	-	-
Prepaid items	26,809	-	-
Total assets	<u>\$ 2,203,889</u>	<u>\$ 519,805</u>	<u>\$ 2,955,352</u>
LIABILITIES			
Accounts payable	\$ 139,285	\$ -	\$ 98,850
Accrued expenditures	68,034	-	-
Due to other governments	43,080	-	-
Due to other funds	925	-	29,432
Deposits	245	-	-
Total liabilities	<u>251,569</u>	<u>-</u>	<u>128,282</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	234,224	83,707	-
Total deferred inflows of resources	<u>234,224</u>	<u>83,707</u>	<u>-</u>
FUND BALANCES			
Nonspendable	351,809	-	-
Restricted	-	436,098	2,827,070
Committed	-	-	-
Unassigned	1,366,287	-	-
Total fund balances	<u>1,718,096</u>	<u>436,098</u>	<u>2,827,070</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,203,889</u>	<u>\$ 519,805</u>	<u>\$ 2,955,352</u>

The accompanying notes are an integral part of this statement.

<u>2013 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,039,381	\$ 140,991	\$ 7,663,978
-	44,947	453,759
-	29,471	191,541
-	-	18,301
-	-	254,448
-	-	325,000
-	-	26,809
<u>\$ 3,039,381</u>	<u>\$ 215,409</u>	<u>\$ 8,933,836</u>
\$ 68,994	\$ 1,741	\$ 308,870
461	-	68,495
-	-	43,080
2,696,436	37,228	2,764,021
-	-	245
<u>2,765,891</u>	<u>38,969</u>	<u>3,184,711</u>
-	-	317,931
-	-	317,931
-	-	351,809
273,490	110,754	3,647,412
-	65,686	65,686
-	-	1,366,287
<u>273,490</u>	<u>176,440</u>	<u>5,431,194</u>
<u>\$ 3,039,381</u>	<u>\$ 215,409</u>	<u>\$ 8,933,836</u>

CITY OF WHARTON, TEXAS

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

September 30, 2014

Total governmental fund balances \$ 5,431,194

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

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. 246,025

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. 71,906

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	\$ 24,552,218	
Accumulated depreciation of governmental capital assets	<u>(10,951,248)</u>	13,600,970

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	(11,147,307)	
Bond premiums	(292,312)	
Loss on refunding	116,334	
Tax anticipation notes payable	(175,000)	
Accrued interest payable	(139,348)	
Compensated absences	<u>(304,915)</u>	<u>(11,942,548)</u>

Net position of governmental activities **\$ 7,407,547**

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, 2014

	General	Debt Service	2011 Bond Construction
REVENUES			
Taxes	\$ 3,374,232	\$ 882,881	\$ -
Licenses and permits	106,913	-	-
Intergovernmental	149,014	-	385,518
Charges for services	5,745	-	-
Fines and forfeitures	204,369	-	-
Investment income	2,185	690	4,304
Industrial district fee	905,337	-	-
Miscellaneous	53,337	-	-
Total revenues	<u>4,801,132</u>	<u>883,571</u>	<u>389,822</u>
EXPENDITURES			
Current			
General government	845,852	-	-
Public safety	3,300,350	-	-
Public works	1,077,642	-	332,732
Cultural and recreation	80,111	-	-
Capital outlay	88,712	-	292,652
Debt service			
Principal retirement	-	510,400	-
Interest and fiscal charges	2,420	362,593	-
Bond issuance costs	-	69,868	-
Total expenditures	<u>5,395,087</u>	<u>942,861</u>	<u>625,384</u>
Excess (deficiency) of revenues over expenditures	(593,955)	(59,290)	(235,562)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	2,675	-	-
Bonds issued	-	2,988,000	-
Premium on issuance of bonds	-	136,192	-
Payment to escrow	-	(3,048,579)	-
Transfers in	732,403	-	-
Transfers out	(50,000)	-	-
Total other financing sources (uses)	<u>685,078</u>	<u>75,613</u>	<u>-</u>
Net change in fund balances	91,123	16,323	(235,562)
Fund balances at beginning of year	<u>1,626,973</u>	<u>419,775</u>	<u>3,062,632</u>
Fund balances at end of year	<u>\$ 1,718,096</u>	<u>\$ 436,098</u>	<u>\$ 2,827,070</u>

The accompanying notes are an integral part of this statement.

<u>2013 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 181,243	\$ 4,438,356
-	-	106,913
-	-	534,532
-	-	5,745
-	11,721	216,090
5,752	144	13,075
-	-	905,337
<u>61,800</u>	<u>50,313</u>	<u>165,450</u>
<u>67,552</u>	<u>243,421</u>	<u>6,385,498</u>
-	8,134	853,986
-	64,733	3,365,083
48,807	9,180	1,468,361
-	68,392	148,503
1,672,473	72,820	2,126,657
124,739	-	635,139
4,477	-	369,490
<u>74,158</u>	<u>-</u>	<u>144,026</u>
<u>1,924,654</u>	<u>223,259</u>	<u>9,111,245</u>
(1,857,102)	20,162	(2,725,747)
56,434	-	59,109
2,000,000	-	4,988,000
74,158	-	210,350
-	-	(3,048,579)
-	100,000	832,403
-	(107,000)	(157,000)
<u>2,130,592</u>	<u>(7,000)</u>	<u>2,884,283</u>
273,490	13,162	158,536
-	163,278	5,272,658
<u>\$ 273,490</u>	<u>\$ 176,440</u>	<u>\$ 5,431,194</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, 2014

Total net change in fund balances - governmental funds		\$ 158,536
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 2,080,577	
Depreciation expense	<u>(809,287)</u>	1,271,290
The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase (decrease) net position.		
		(2,000)
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Bonds at par value	(4,988,000)	
(Premium) discount	<u>(210,350)</u>	(5,198,350)
Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities.		
		3,048,579
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	340,400	
Tax anticipation notes principal retirement	170,000	
Capital lease principal retirement	<u>124,739</u>	635,139
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	8,553	
Other revenues	<u>6,706</u>	15,259
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(25,482)	
Decrease in loss on refunding	(9,647)	
Decrease in bond premium	20,676	
Increase in accrued interest	<u>(39,948)</u>	<u>(54,401)</u>
Change in net position of governmental activities		\$ <u>(125,948)</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 388,268	\$ 11,194	\$ 681,894
Receivables, net			
Accounts	380,478	154,138	66,961
Due from other funds	2,725,663	761	-
Due from other governments	-	-	-
Inventory	42,921	-	-
Total current assets	<u>3,537,330</u>	<u>166,093</u>	<u>748,855</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	822,182	-	-
Buildings, improvements, and equipment, net	11,191,130	-	578,829
Net capital assets	<u>12,013,312</u>	<u>-</u>	<u>578,829</u>
Total noncurrent assets	<u>12,013,312</u>	<u>-</u>	<u>578,829</u>
Total assets	<u>15,550,642</u>	<u>166,093</u>	<u>1,327,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	19,771	-	-
Total deferred outflows of resources	<u>19,771</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities			
Accounts payable	248,579	51,082	21,692
Accrued expenses	13,612	661	22,111
Due to other governments	-	7,972	-
Deposits	199,066	75	-
Accrued interest payable	82,291	-	-
Due to other funds	69,617	79,947	4,279
Unearned revenue	131,133	-	-
Compensated absences	3,626	-	3,391
Current portion of certificates of obligation	243,250	-	-
Current portion of general obligation bonds	160,200	-	-
Total current liabilities	<u>1,151,374</u>	<u>139,737</u>	<u>51,473</u>
Noncurrent liabilities			
Advances from other funds	325,000	-	-
Compensated absences	32,634	-	30,521
Bonds and certificates (net of unamortized deferred amounts)	6,141,583	-	-
Total noncurrent liabilities	<u>6,499,217</u>	<u>-</u>	<u>30,521</u>
Total liabilities	<u>7,650,591</u>	<u>139,737</u>	<u>81,994</u>
NET POSITION			
Net investment in capital assets	8,159,310	-	578,829
Unrestricted net position	(239,488)	26,356	666,861
Total net position	<u>\$ 7,919,822</u>	<u>\$ 26,356</u>	<u>\$ 1,245,690</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>
\$ 21,372	\$ 195,783	\$ 1,298,511
18,389	22,542	642,508
3	-	2,726,427
-	37,009	37,009
-	62,505	105,426
<u>39,764</u>	<u>317,839</u>	<u>4,809,881</u>
-	96,629	918,811
<u>1,287,063</u>	<u>3,930,083</u>	<u>16,987,105</u>
<u>1,287,063</u>	<u>4,026,712</u>	<u>17,905,916</u>
<u>1,287,063</u>	<u>4,026,712</u>	<u>17,905,916</u>
<u>1,326,827</u>	<u>4,344,551</u>	<u>22,715,797</u>
<u>2,594</u>	<u>30,739</u>	<u>53,104</u>
<u>2,594</u>	<u>30,739</u>	<u>53,104</u>
2,788	78,538	402,679
2,308	1,228	39,920
-	-	7,972
10,400	300	209,841
2,131	3,949	88,371
-	104	153,947
-	-	131,133
1,416	63	8,496
-	15,275	258,525
21,000	-	181,200
<u>40,043</u>	<u>99,457</u>	<u>1,482,084</u>
-	-	325,000
12,742	563	76,460
<u>154,418</u>	<u>288,233</u>	<u>6,584,234</u>
<u>167,160</u>	<u>288,796</u>	<u>6,985,694</u>
<u>207,203</u>	<u>388,253</u>	<u>8,467,778</u>
1,114,239	3,723,204	13,575,582
7,979	263,833	725,541
<u>\$ 1,122,218</u>	<u>\$ 3,987,037</u>	<u>\$ 14,301,123</u>

CITY OF WHARTON, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the year ended September 30, 2014

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 3,140,678	\$ 1,345,910	\$ 833,862
Total operating revenues	<u>3,140,678</u>	<u>1,345,910</u>	<u>833,862</u>
OPERATING EXPENSES			
Personnel	818,538	40,061	1,283,904
Materials and supplies	99,430	65	107,900
Repairs and maintenance	225,780	-	40,387
Other services and charges	674,090	1,249,527	141,421
Depreciation and amortization	611,063	-	95,843
Total operating expenses	<u>2,428,901</u>	<u>1,289,653</u>	<u>1,669,455</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	711,777	56,257	(835,593)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	-	-	852,510
Investment income	776	84	1,290
Interest and fiscal charges	(227,669)	-	-
Total nonoperating revenues (expenses)	<u>(226,893)</u>	<u>84</u>	<u>853,800</u>
Income (loss) before transfers and contributions	484,884	56,341	18,207
Contributions and transfers			
Capital grants and contributions	281,089	-	-
Transfers in	-	-	-
Transfers out	(708,197)	(25,000)	(49,206)
Total contributions and transfers	<u>(427,108)</u>	<u>(25,000)</u>	<u>(49,206)</u>
Change in net position	57,776	31,341	(30,999)
Net position at beginning of year	7,862,046	(4,985)	1,276,689
Net position at end of year	<u>\$ 7,919,822</u>	<u>\$ 26,356</u>	<u>\$ 1,245,690</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 82,269	\$ 173,920	\$ 5,576,639
<u>82,269</u>	<u>173,920</u>	<u>5,576,639</u>
107,876	69,777	2,320,156
2,304	4,043	213,742
20,578	29,896	316,641
40,521	42,156	2,147,715
<u>48,643</u>	<u>113,240</u>	<u>868,789</u>
<u>219,922</u>	<u>259,112</u>	<u>5,867,043</u>
(137,653)	(85,192)	(290,404)
-	46,001	898,511
43	270	2,463
<u>(5,932)</u>	<u>(9,832)</u>	<u>(243,433)</u>
<u>(5,889)</u>	<u>36,439</u>	<u>657,541</u>
(143,542)	(48,753)	367,137
-	-	281,089
107,000	-	107,000
<u>-</u>	<u>-</u>	<u>(782,403)</u>
<u>107,000</u>	<u>-</u>	<u>(394,314)</u>
(36,542)	(48,753)	(27,177)
<u>1,158,760</u>	<u>4,035,790</u>	<u>14,328,300</u>
\$ <u>1,122,218</u>	\$ <u>3,987,037</u>	\$ <u>14,301,123</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2014

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,128,678	\$ 1,347,415	\$ 830,781
Cash paid to suppliers for goods and services	(827,851)	(1,406,637)	(304,635)
Cash paid to employees for services	(812,586)	(39,981)	(1,269,263)
Net cash provided (used) by operating activities	<u>1,488,241</u>	<u>(99,203)</u>	<u>(743,117)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	(2,751,196)	130,040	4,441
Transfers in from other funds	-	-	-
Transfers out to other funds	(708,197)	(25,000)	(49,206)
Grants and contributions	-	-	852,510
Net cash provided (used) by noncapital financing activities	<u>(3,459,393)</u>	<u>105,040</u>	<u>807,745</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(534,266)	-	(140,551)
Proceeds from capital grants and contributions	351,000	-	-
Proceeds from issuance of debt	3,000,000	-	-
Principal paid on long-term debt	(371,150)	-	-
Interest paid on long-term debt	(210,661)	-	-
Net cash provided (used) by capital and related financing activities	<u>2,234,923</u>	<u>-</u>	<u>(140,551)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	776	84	1,290
Net cash provided (used) by investing activities	<u>776</u>	<u>84</u>	<u>1,290</u>
Net increase (decrease) in cash and cash equivalents	264,547	5,921	(74,633)
Cash and cash equivalents at beginning of year	<u>123,721</u>	<u>5,273</u>	<u>756,527</u>
Cash and cash equivalents at end of year	<u>\$ 388,268</u>	<u>\$ 11,194</u>	<u>\$ 681,894</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 72,679	\$ 214,373	\$ 5,593,926
(70,216)	(72,700)	(2,682,039)
<u>(106,086)</u>	<u>(69,725)</u>	<u>(2,297,641)</u>
(103,623)	71,948	614,246
245	462	(2,616,008)
107,000	-	107,000
-	-	(782,403)
-	<u>57,132</u>	<u>909,642</u>
<u>107,245</u>	<u>57,594</u>	<u>(2,381,769)</u>
-	(54,286)	(729,103)
-	-	351,000
-	-	3,000,000
(20,000)	(13,450)	(404,600)
<u>(6,919)</u>	<u>(10,173)</u>	<u>(227,753)</u>
<u>(26,919)</u>	<u>(77,909)</u>	<u>1,989,544</u>
43	270	2,463
<u>43</u>	<u>270</u>	<u>2,463</u>
(23,254)	51,903	224,484
<u>44,626</u>	<u>143,880</u>	<u>1,074,027</u>
<u>\$ 21,372</u>	<u>\$ 195,783</u>	<u>\$ 1,298,511</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2014

	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)	\$ 711,777	\$ 56,257	\$ (835,593)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	611,063	-	95,843
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(23,344)	1,505	(3,081)
(Increase) decrease in inventory	(5,080)	-	-
Increase (decrease) in accounts payable	176,529	(157,236)	(14,927)
Increase (decrease) in accrued expenses	2,716	80	4,635
Increase (decrease) in deposits	11,344	-	-
Increase (decrease) in due to other governments	-	191	-
Increase (decrease) in compensated absences	3,236	-	10,006
Total adjustments	<u>776,464</u>	<u>(155,460)</u>	<u>92,476</u>
Net cash provided (used) by operating activities	<u>\$ 1,488,241</u>	<u>\$ (99,203)</u>	<u>\$ (743,117)</u>
Noncash capital and related financing activities			
Assets acquired from contributions	<u>\$ 61,222</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>
\$ (137,653)	\$ (85,192)	\$ (290,404)
48,643	113,240	868,789
(12,090)	40,453	3,443
-	(7,442)	(12,522)
(6,813)	10,837	8,390
552	34	8,017
2,500	-	13,844
-	-	191
<u>1,238</u>	<u>18</u>	<u>14,498</u>
<u>34,030</u>	<u>157,140</u>	<u>904,650</u>
\$ <u>(103,623)</u>	\$ <u>71,948</u>	\$ <u>614,246</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>61,222</u>

(concluded)

INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies.....	34
2	Stewardship, Compliance, and Accountability.....	41
3	Deposits and Investments	41
4	Receivables	42
5	Due from Other Governments	43
6	Capital Assets.....	44
7	Employees' Retirement Plan	45
8	Supplemental Death Benefit Plan.....	48
9	Texas Emergency Services Retirement System	48
10	Risk Management.....	51
11	Long-term Debt.....	51
12	Interfund Receivables, Payables, and Transfers.....	55
13	Commitments and Contingencies.....	56
14	Fund Balances.....	57
15	Future Financial Reporting Requirements.....	57
16	Restatements of Beginning Balances.....	57
17	Wharton Economic Development Corporation	58

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 four Capital Project Funds, two of which have been reported as major funds. The 2011 Bond Construction Fund accounts for the use of the proceeds from the City's 2011 Certificates of Obligation on various capital improvement projects. The 2013 Bond Construction Fund accounts for the use of the proceeds from the City's 2013 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, 2014.

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, 2014, 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 2014. 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**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 2013-2014.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2014, 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	\$ 151,350	48

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 fair 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.

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.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

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, 2014, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 17 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

Receivables at September 30, 2014, consisted of the following:

	General	Debt Service	Water and Sewer	Solid Waste	Emergency Medical Services	Civic Center	Airport	Nonmajor Funds	Total
Gross receivables:									
Accounts	\$ 358,860	\$ -	\$ 380,478	\$ 154,138	\$ 66,961	\$ 18,389	\$ 22,542	\$ 44,947	\$ 1,046,315
Ad valorem taxes	228,266	114,340	-	-	-	-	-	-	342,606
Franchise taxes	87,421	-	-	-	-	-	-	-	87,421
Fines	170,578	-	-	-	-	-	-	-	170,578
Other	4,615	-	-	-	-	-	-	-	4,615
Total gross receivables	849,740	114,340	380,478	154,138	66,961	18,389	22,542	44,947	1,651,535
Less: Allowances	524,635	30,633	-	-	-	-	-	-	555,268
Total net receivables	\$ 325,105	\$ 83,707	\$ 380,478	\$ 154,138	\$ 66,961	\$ 18,389	\$ 22,542	\$ 44,947	\$ 1,096,267

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

	Unavailable	Unearned	Total
General Fund			
Ad valorem receivable	\$ 162,318	\$ -	\$ 162,318
Fines	68,231	-	68,231
Other	3,675	-	3,675
Debt Service Fund			
Ad valorem receivable	83,707	-	83,707
	\$ 317,931	\$ -	\$ 317,931

NOTE 4: RECEIVABLES - (Continued)

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 \$0.44563 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.24208 and \$0.20355, respectively. The resulting adjusted total tax levy was \$1,916,820 on the total adjusted taxable valuation of \$384,430,894 for the 2013 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, 2014, are summarized as follows:

	<u>General</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 239,759	\$ -	\$ 239,759
Federal and state grants	14,689	37,009	51,698
	<u>\$ 254,448</u>	<u>\$ 37,009</u>	<u>\$ 291,457</u>

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2014, 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	302,024	242,074	302,024	242,074
Total capital assets not being depreciated	<u>1,475,309</u>	<u>242,074</u>	<u>302,024</u>	<u>1,415,359</u>
Capital assets, being depreciated				
Machinery and equipment	4,474,981	1,567,918	180,410	5,862,489
Buildings and improvements	4,836,350	-	-	4,836,350
Infrastructure	11,865,411	572,609	-	12,438,020
Total capital assets being depreciated	<u>21,176,742</u>	<u>2,140,527</u>	<u>180,410</u>	<u>23,136,859</u>
Less accumulated depreciation for				
Machinery and equipment	3,254,019	354,229	178,410	3,429,838
Buildings and improvements	1,542,143	129,756	-	1,671,899
Infrastructure	5,524,209	325,302	-	5,849,511
Total accumulated depreciation	<u>10,320,371</u>	<u>809,287</u>	<u>178,410</u>	<u>10,951,248</u>
Total capital assets being depreciated, net	<u>10,856,371</u>	<u>1,331,240</u>	<u>2,000</u>	<u>12,185,611</u>
Governmental activities capital assets, net	<u>\$ 12,331,680</u>	<u>\$ 1,573,314</u>	<u>\$ 304,024</u>	<u>\$ 13,600,970</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	114,490	531,161	45,933	599,718
Total capital assets not being depreciated	<u>433,583</u>	<u>531,161</u>	<u>45,933</u>	<u>918,811</u>
Capital assets, being depreciated				
Machinery and equipment	2,917,788	140,216	5,000	3,053,004
Land improvements	1,153,850	-	-	1,153,850
Buildings and improvements	5,564,076	62,725	-	5,626,801
Water and sewer system	20,161,459	102,155	-	20,263,614
Total capital assets being depreciated	<u>29,797,173</u>	<u>305,096</u>	<u>5,000</u>	<u>30,097,269</u>
Less accumulated depreciation for				
Machinery and equipment	1,998,499	172,771	5,000	2,166,270
Land improvements	41,308	23,077	-	64,385
Buildings and improvements	1,437,808	109,775	-	1,547,583
Water and sewer system	8,899,243	432,683	-	9,331,926
Total accumulated depreciation	<u>12,376,858</u>	<u>738,306</u>	<u>5,000</u>	<u>13,110,164</u>
Total capital assets being depreciated, net	<u>17,420,315</u>	<u>(433,210)</u>	<u>-</u>	<u>16,987,105</u>
Business-type activities capital assets, net	<u>\$ 17,853,898</u>	<u>\$ 97,951</u>	<u>\$ 45,933</u>	<u>\$ 17,905,916</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 42,718
Public safety	308,139
Public works	397,424
Cultural and recreation	61,006
Total depreciation expense - governmental activities	<u>\$ 809,287</u>
Business-type activities	
Water and sewer	\$ 486,122
Emergency medical services	95,843
Civic center	48,199
Airport	108,142
Total depreciation expense - business-type activities	<u>\$ 738,306</u>

At September 30, 2014, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,081. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

NOTE 7: EMPLOYEES' RETIREMENT PLAN

Plan Description

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

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

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 2013</u>	<u>Plan Year 2014</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
2014	\$ 340,428	100%	\$ -
2013	331,442	100%	-
2012	317,246	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	Actuarial Valuation Information		
	12/31/11	12/31/12	12/31/13
Actuarial cost method	projected unit credit	projected unit credit	Entry age normal
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.4 years; closed period	25.6 years; closed period	26.0 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, 2013, the most recent actuarial valuation date, 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)
12/31/13	\$ 11,382,071	\$ 12,661,298	\$ 1,279,227	89.90%	\$ 4,084,556	31.32%

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 2014, 2013, and 2012 were \$1,634, \$1,529, and \$1,121, respectively, which equaled the required contributions each year.

NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2014, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,073
Terminated participants entitled to benefits but not yet receiving them	2,161
Active participants (vested and nonvested)	<u>4,036</u>
	<u>9,270</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005) re-codified 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. There is no provision for automatic post-retirement benefit increases.

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

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for fiscal year ending August 31, 2014.

NOTE 9: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)Contributions Required and Contributions Made - (Continued)

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to: 1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and 2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
Fixed income		
Domestic	21	1.4
International	5	1.6
Cash	0	0.0
Total	<u>100%</u>	

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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,190,181	\$ 2,000,000	\$ 3,059,906	\$ 8,130,275	\$ 266,875
General obligation bonds	240,782	2,988,000	211,750	3,017,032	168,400
Plus deferred amounts:					
Issuance premiums	102,639	210,350	20,677	292,312	-
Total bonds and certificates payable	9,533,602	5,198,350	3,292,333	11,439,619	435,275
Tax anticipation notes	345,000	-	170,000	175,000	175,000
Capital leases payable	124,739	-	124,739	-	-
Compensated absences	279,433	258,814	233,332	304,915	30,492
Total governmental activity long-term liabilities	\$ 10,282,774	\$ 5,457,164	\$ 3,820,404	\$ 11,919,534	\$ 640,767
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 2,744,819	\$ 3,000,000	\$ 765,094	\$ 4,979,725	\$ 253,125
General obligation bonds	1,454,218	612,000	233,250	1,832,968	186,600
Plus deferred amounts:					
Issuance premiums	89,282	139,130	17,146	211,266	-
Total bonds and certificates payable	4,288,319	3,751,130	1,015,490	7,023,959	439,725
Compensated absences	70,458	102,242	87,744	84,956	8,496
Total business-type activity long-term liabilities	\$ 4,358,777	\$ 3,853,372	\$ 1,103,234	\$ 7,108,915	\$ 448,221

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, 2014, \$4,855,000 of bonds and certificates outstanding was considered defeased.

Compensated absences are generally liquidated by the General Fund for the governmental activities. Please see Note 17 for discussions relative to the notes payable of the City's component unit.

B. General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 2010	6/11 - 6/21	2.00 - 4.00%	\$ 2,680,000
Refunding Series 2013	12/13 - 12/26	3.00 - 4.00%	3,600,000

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>	
2015	\$ 168,400	\$ 95,111	\$ 186,600	\$ 64,989	\$ 515,100
2016	293,150	88,174	211,850	59,026	652,200
2017	301,200	79,228	223,800	52,672	656,900
2018	304,600	69,940	235,400	44,285	654,225
2019	318,050	60,433	251,950	35,417	665,850
2020-2024	1,125,332	174,072	619,668	59,103	1,978,175
2025-2027	506,300	30,876	103,700	6,324	647,200
	<u>\$ 3,017,032</u>	<u>\$ 597,834</u>	<u>\$ 1,832,968</u>	<u>\$ 321,816</u>	<u>\$ 5,769,650</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 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
Series 2013	06/14 - 06/33	3.00 - 4.125%	5,000,000
			<u>\$ 13,600,000</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>	
2015	\$ 266,875	\$ 311,151	\$ 253,125	\$ 196,887	\$ 1,028,038
2016	334,250	302,964	245,750	186,948	1,069,912
2017	348,750	291,392	281,250	176,521	1,097,913
2018	350,800	279,172	294,200	164,753	1,088,925
2019	384,850	267,468	210,150	153,282	1,015,750
2020-2024	2,364,700	1,109,180	1,220,300	642,406	5,336,586
2025-2029	2,989,400	584,194	1,505,600	378,078	5,457,272
2030-2033	1,090,650	76,641	969,350	89,198	2,225,839
	<u>\$ 8,130,275</u>	<u>\$ 3,222,162</u>	<u>\$ 4,979,725</u>	<u>\$ 1,988,073</u>	<u>\$ 18,320,235</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>	
2015	\$ 175,000	\$ 4,120	\$ 179,120
	<u>\$ 175,000</u>	<u>\$ 4,120</u>	<u>\$ 179,120</u>

E. Refunding Bonds

In October 2013, the City issued \$3,600,000 General Obligation Refunding Bonds with interest varying between 3.00% and 4.00% to advance refund \$3,525,000 of the City's Certificates of Obligation, Series 2004, which were still outstanding in the amount of \$1,420,000 with interest rates ranging from 3.600% to 4.875% and the City's Certificates of Obligation, Series 2006, which were still outstanding in the amount of \$2,105,000 with interest rates ranging from 3.800% to 4.125% and to provide funding for costs of issuance. As a result, the Series 2004 and Series 2006 bonds are considered defeased and the refunded portion of the liability has been removed from the governmental and business-type activities columns of the statement of net position. The net proceeds available for refunding bonds in the amount of \$3,672,987 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 2004 and Series 2006 bonds resulted in an economic gain of \$130,305 and an increase in cash flow of \$147,725.

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, 2014, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 3,000
	2013 Bond Construction	5,000
	Water and Sewer	68,857
	Solid Waste	79,947
	Emergency Medical Services	4,279
	Airport	104
		<u>161,187</u>
Debt Service	General	883
Nonmajor Governmental	General	39
	2011 Bond Construction	<u>29,432</u>
		<u>29,471</u>
Water and Sewer	2013 Bond Construction	2,691,436
	Nonmajor Governmental	<u>34,227</u>
		<u>2,725,663</u>
Solid Waste	Water and Sewer	761
Civic Center	General	<u>3</u>
		<u>\$ 2,917,968</u>

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>\$ 325,000</u>

The amount payable to the General Fund relates to working capital loans made to the Water and Sewer Fund. \$25,000 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:

Transfers Out	Transfers In			Total
	General	Capital Improvement	Civic Center	
General	\$ -	\$ 50,000	\$ -	\$ 50,000
Nonmajor Governmental	-	-	107,000	107,000
Water and Sewer	683,197	25,000	-	708,197
Solid Waste	-	25,000	-	25,000
Emergency Medical Services	49,206	-	-	49,206
	<u>\$ 732,403</u>	<u>\$ 100,000</u>	<u>\$ 107,000</u>	<u>\$ 939,403</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, 2014, 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, 2014, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

Project	Remaining Commitment
Sidewalk enhancement project	\$ 378,025
FM 1301 extension to US 59 and overpass project	397,349
Sustainable water supply project	30,000
Tank improvements	158,777
Wastewater treatment plant improvements	273,616
Hwy 102 water and sanitary sewer	43,445
Ahldag sewer improvements	50,000
Alabama/Kelvingway/Croom waterline improvements	52,500
Total	<u>\$ 1,383,712</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, 2014:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Prepaid items	\$ 26,809	\$ -	\$ -	\$ -	\$ 26,809
Long-term interfund advances	325,000	-	-	-	325,000
Unassigned	-	-	-	1,366,287	1,366,287
Debt Service					
Long-term debt	-	436,098	-	-	436,098
2011 Bond Construction					
Various capital projects	-	2,827,070	-	-	2,827,070
2013 Bond Construction					
Various capital projects	-	273,490	-	-	273,490
Nonmajor Governmental					
Various capital projects	-	111	65,686	-	65,797
Arts and tourism	-	76,610	-	-	76,610
Municipal court security and technology	-	21,373	-	-	21,373
Law enforcement	-	11,646	-	-	11,646
Fire department	-	1,014	-	-	1,014
	<u>\$ 351,809</u>	<u>\$ 3,647,412</u>	<u>\$ 65,686</u>	<u>\$ 1,366,287</u>	<u>\$ 5,431,194</u>

NOTE 15: FUTURE FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement which will become effective in future years:

Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27." - This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement will become effective for the City in fiscal year 2015.

Management has not yet determined the effect of this statement on the financial statements; however, the impact is expected to be significant as they will now reflect a previously unrecorded liability. The City also expects the largest deferred inflows and outflows to be pension related.

NOTE 16: RESTATEMENTS OF BEGINNING BALANCES

The City's governmental activities financial statements for the fiscal year September 30, 2013 have been restated to properly reflect the capital assets and net investment in capital assets balances for fiscal year ending September 30, 2013. The result of the restatement was to decrease both the capital assets and the net investment in capital assets balances of the governmental activities by \$625,753.

NOTE 17: 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, 2014, the budget, as amended, anticipated \$676,716 more in expenditures than revenues. This amount is to be funded from existing fund balance of \$942,508. WEDC expended \$1,349 more than the budgeted amount for sales tax rebates.

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 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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

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.

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.

Compensated Absences and Retirement Plans

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

Fund Equity

Fund balances of WEDC classified as nonspendable are balances that are not in spendable form, such as inventories or prepaid items. Fund balances classified as restricted are balances with constraints placed on the use of resources by grantors, creditors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by WEDC's Board of Directors. These amounts cannot be used for other purposes unless the Board removes or changes the constraints through the same type of action used to initially commit them.

Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The intent can be expressed by the Board of Directors or by a Board designee.

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

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

Federal Income Taxes

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

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments

As of September 30, 2014, 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	51
Certificate of Deposit	243,810	180

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 fair 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, 2014, 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.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

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, 2014, and for the year then ended, WEDC was not exposed to any custodial credit risk.

D. Restricted Cash

The loan agreement entered into in May 2013 with Prosperity Bank requires WEDC to keep a minimum cash balance on hand of two times the monthly debt payment, or \$23,185. At September 30, 2014, WEDC was in compliance with this requirement.

E. 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, 2014, was \$119,879. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

F. 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, 2014, tax rebate expenditures of \$62,468 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, 2014, tax rebate expenditures of \$8,881 were incurred.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2014, 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	32,515	660	-	33,175
Total accumulated depreciation	<u>32,515</u>	<u>660</u>	<u>-</u>	<u>33,175</u>
Total capital assets being depreciated, net	<u>4,548</u>	<u>(660)</u>	<u>-</u>	<u>3,888</u>
Governmental activities capital assets, net	<u>\$ 389,883</u>	<u>\$ (660)</u>	<u>\$ -</u>	<u>\$ 389,223</u>

H. Long-term Debt

Long-term liability activity for the year ended September 30, 2014, 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	\$ 337,472	\$ -	\$ 128,223	\$ 209,249	\$ 133,319
	<u>\$ 337,472</u>	<u>\$ -</u>	<u>\$ 128,223</u>	<u>\$ 209,249</u>	<u>\$ 133,319</u>

In May 2013, WEDC refinanced its 2011 note agreement with Prosperity Bank for \$379,182. Terms of the note agreement call for interest at 3.85% with monthly principal and interest payments of \$11,593 until April 2016. The loan is secured by a pledge of WEDC's sales tax revenues and requires a minimum cash balance of two times the monthly debt payment.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

H. Long-term Debt - (Continued)

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

<u>Year</u>	<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 133,319	\$ 5,793	\$ 139,112
2016	75,930	950	76,880
	<u>\$ 209,249</u>	<u>\$ 6,743</u>	<u>\$ 215,992</u>

I. Sales Tax Repayment

In October 2013, WEDC, along with the City, entered into an agreement with the Texas Comptroller to pay back an overpayment of sales tax revenues with monthly payments of \$2,091 to be deducted from monthly sales tax revenues beginning November 2013 and final payment to be made October 2014.

J. 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, 2014, \$14,853 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 has an extension option where the landlord and tenant can agree to renew and extend the lease for an additional twelve months. The lease was extended and will expire July 31, 2015.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. During the 2014 fiscal year, WEDC received \$1,725 from the lease. This lease is automatically renewed each year unless one party terminates the lease, with 30 days notice.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

K. 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, 2014, WEDC owed the City \$18,301 for wages and benefits previously paid by the City.

L. Commitments

As of September 30, 2014, WEDC had approved but not yet paid \$948,472 for business restoration grants and construction projects. WEDC has committed to paying \$60,487 in business restoration grants, \$287,985 for various construction projects, and \$600,000 for the FM 1301 extension project to the City. These commitments are being funded by the sales tax revenues received from the City.

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, 2014

With comparative totals for the year ended September 30, 2013

	2014			Variance Positive (Negative)	2013
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,346,748	\$ 3,330,714	\$ 3,374,232	\$ 43,518	\$ 3,453,734
Licenses and permits	94,400	107,807	106,913	(894)	98,609
Intergovernmental	104,000	155,500	149,014	(6,486)	52,238
Charges for services	12,250	12,250	5,745	(6,505)	12,888
Fines and forfeitures	228,022	202,522	204,369	1,847	211,780
Investment income	1,500	1,500	2,185	685	1,691
Industrial district fee	905,337	905,337	905,337	-	922,448
Miscellaneous	18,891	49,546	53,337	3,791	3,911
Total revenues	<u>4,711,148</u>	<u>4,765,176</u>	<u>4,801,132</u>	<u>35,956</u>	<u>4,757,299</u>
EXPENDITURES					
Current					
General government	869,735	868,145	845,852	22,293	815,638
Public safety	3,217,098	3,322,876	3,300,350	22,526	3,132,721
Public works	1,083,428	1,086,922	1,077,642	9,280	1,041,924
Cultural and recreation	103,174	82,019	80,111	1,908	77,422
Capital outlay	84,000	89,000	88,712	288	97,351
Debt service	-	2,420	2,420	-	69,325
Total expenditures	<u>5,357,435</u>	<u>5,451,382</u>	<u>5,395,087</u>	<u>56,295</u>	<u>5,234,381</u>
Excess (deficiency) of revenues over expenditures	(646,287)	(686,206)	(593,955)	92,251	(477,082)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	35,000	5,000	2,675	(2,325)	22,707
Transfers in	661,287	731,206	732,403	1,197	568,700
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>646,287</u>	<u>686,206</u>	<u>685,078</u>	<u>(1,128)</u>	<u>541,407</u>
Net change in fund balance	-	-	91,123	91,123	64,325
Fund balance at beginning of year	<u>1,626,973</u>	<u>1,626,973</u>	<u>1,626,973</u>	-	<u>1,562,648</u>
Fund balance at end of year	<u>\$ 1,626,973</u>	<u>\$ 1,626,973</u>	<u>\$ 1,718,096</u>	<u>\$ 91,123</u>	<u>\$ 1,626,973</u>

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

CITY OF WHARTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL PENSION BENEFITS INFORMATION
 September 30, 2014

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	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/13	\$ 11,382,071	\$ 12,661,298	\$ 1,279,227	89.90%	\$ 4,084,556	31.32%
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%

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

	Actuarial Valuation Information	
	8/31/14	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, 2014

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)
8/31/2010 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
8/31/2014	83,761,038	109,854,799	26,093,761	76.2%	9,270	2,815

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
2014	\$ 4,176,659	\$ 4,176,659 ¹	100%
2012	4,423,898 ^{2,3}	3,517,455	80%
2011	3,125,329 ³	3,125,329	100%

¹ State appropriated \$1,530,343 for fiscal year ending August 31, 2014.

² Includes a requested state contribution of \$906,443.

³ Based on the revised August 31, 2010 actuarial valuation.

State contributions to the City's plan for the fiscal year 2014 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
2014	\$ 21,255	100%	\$ -
2013	25,335	100%	-
2012	18,355	100%	-

CITY OF WHARTON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2014

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, 2014, 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, 2014

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 68,813	\$ 72,178	\$ 140,991
Receivables, net	44,947	-	44,947
Due from other funds	39	29,432	29,471
Total assets	<u>\$ 113,799</u>	<u>\$ 101,610</u>	<u>\$ 215,409</u>
LIABILITIES			
Accounts payable	\$ 156	\$ 1,585	\$ 1,741
Due to other funds	3,000	34,228	37,228
Total liabilities	<u>3,156</u>	<u>35,813</u>	<u>38,969</u>
FUND BALANCES			
Restricted			
Cultural and recreation	76,610	-	76,610
Municipal court	21,373	-	21,373
Public safety	12,660	-	12,660
Various capital projects	-	111	111
Committed			
Various capital projects	-	65,686	65,686
Total fund balances	<u>110,643</u>	<u>65,797</u>	<u>176,440</u>
Total liabilities and fund balances	<u>\$ 113,799</u>	<u>\$ 101,610</u>	<u>\$ 215,409</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, 2014

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 181,243	\$ -	\$ 181,243
Fines and forfeitures	11,721	-	11,721
Investment income	92	52	144
Miscellaneous	8,816	41,497	50,313
Total revenues	<u>201,872</u>	<u>41,549</u>	<u>243,421</u>
EXPENDITURES			
Current			
General government	8,134	-	8,134
Public safety	64,733	-	64,733
Public works	-	9,180	9,180
Cultural and recreation	68,392	-	68,392
Capital outlay	-	72,820	72,820
Total expenditures	<u>141,259</u>	<u>82,000</u>	<u>223,259</u>
Excess (deficiency) of revenues over expenditures	60,613	(40,451)	20,162
OTHER FINANCING SOURCES (USES)			
Transfers in	-	100,000	100,000
Transfers out	(107,000)	-	(107,000)
Total other financing sources (uses)	<u>(107,000)</u>	<u>100,000</u>	<u>(7,000)</u>
Net change in fund balances	(46,387)	59,549	13,162
Fund balances at beginning of year	157,030	6,248	163,278
Fund balances at end of year	<u>\$ 110,643</u>	<u>\$ 65,797</u>	<u>\$ 176,440</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, 2014

	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 27,268	\$ 673	\$ 14,646	\$ 1,014
Receivables, net				
Accounts	44,947	-	-	-
Due from other funds	<u>-</u>	<u>22</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 72,215</u>	<u>\$ 695</u>	<u>\$ 14,646</u>	<u>\$ 1,014</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
FUND BALANCES				
Restricted				
Cultural and recreation	72,215	-	-	-
Municipal court	-	695	-	-
Public safety	<u>-</u>	<u>-</u>	<u>11,646</u>	<u>1,014</u>
Total fund balances	<u>72,215</u>	<u>695</u>	<u>11,646</u>	<u>1,014</u>
Total liabilities and fund balances	<u>\$ 72,215</u>	<u>\$ 695</u>	<u>\$ 14,646</u>	<u>\$ 1,014</u>

Municipal Court Building Security	Railroad Depot Restoration	Total
\$ 20,661	\$ 4,551	\$ 68,813
-	-	44,947
<u>17</u>	<u>-</u>	<u>39</u>
<u>\$ 20,678</u>	<u>\$ 4,551</u>	<u>\$ 113,799</u>
\$ -	\$ 156	\$ 156
<u>-</u>	<u>-</u>	<u>3,000</u>
<u>-</u>	<u>156</u>	<u>3,156</u>
-	4,395	76,610
20,678	-	21,373
<u>-</u>	<u>-</u>	<u>12,660</u>
<u>20,678</u>	<u>4,395</u>	<u>110,643</u>
<u>\$ 20,678</u>	<u>\$ 4,551</u>	<u>\$ 113,799</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, 2014

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
REVENUES				
Taxes	\$ 181,243	\$ -	\$ -	\$ -
Fines and forfeitures	-	6,893	21	-
Investment income	34	2	15	20
Miscellaneous	-	-	4,800	3,000
Total revenues	<u>181,277</u>	<u>6,895</u>	<u>4,836</u>	<u>3,020</u>
EXPENDITURES				
Current				
General government	-	8,134	-	-
Public safety	-	-	13,903	50,830
Cultural and recreation	65,891	-	-	-
Total expenditures	<u>65,891</u>	<u>8,134</u>	<u>13,903</u>	<u>50,830</u>
Excess (deficiency) of revenues over expenditures	115,386	(1,239)	(9,067)	(47,810)
OTHER FINANCING SOURCES (USES)				
Transfers out	(107,000)	-	-	-
Total other financing sources (uses)	<u>(107,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,386	(1,239)	(9,067)	(47,810)
Fund balances at beginning of year	63,829	1,934	20,713	48,824
Fund balances at end of year	<u>\$ 72,215</u>	<u>\$ 695</u>	<u>\$ 11,646</u>	<u>\$ 1,014</u>

Municipal Court Building Security	Railroad Depot Restoration	Total
\$ -	\$ -	\$ 181,243
4,807	-	11,721
18	3	92
-	1,016	8,816
<u>4,825</u>	<u>1,019</u>	<u>201,872</u>
-	-	8,134
-	-	64,733
-	2,501	68,392
-	<u>2,501</u>	<u>141,259</u>
4,825	(1,482)	60,613
-	-	(107,000)
-	-	(107,000)
4,825	(1,482)	(46,387)
<u>15,853</u>	<u>5,877</u>	<u>157,030</u>
<u>\$ 20,678</u>	<u>\$ 4,395</u>	<u>\$ 110,643</u>

CAPITAL PROJECT FUNDS

The City maintains four Capital Project Funds: 2011 Bond Construction Fund, the 2013 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 and the 2013 Bond Construction Fund are reported as major funds.

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

2013 Bond Construction Fund - Accounts for the use of the proceeds from the City's 2013 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, 2014

	<u>2009 Bond Construction</u>	<u>Capital Improvement</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,907	\$ 67,271	\$ 72,178
Due from other funds	<u>29,432</u>	<u>-</u>	<u>29,432</u>
Total assets	<u>\$ 34,339</u>	<u>\$ 67,271</u>	<u>\$ 101,610</u>
LIABILITIES			
Accounts payable	\$ -	\$ 1,585	\$ 1,585
Due to other funds	<u>34,228</u>	<u>-</u>	<u>34,228</u>
Total liabilities	<u>34,228</u>	<u>1,585</u>	<u>35,813</u>
FUND BALANCES			
Restricted			
Various capital projects	111	-	111
Committed			
Various capital projects	<u>-</u>	<u>65,686</u>	<u>65,686</u>
Total fund balances	<u>111</u>	<u>65,686</u>	<u>65,797</u>
Total liabilities and fund balances	<u>\$ 34,339</u>	<u>\$ 67,271</u>	<u>\$ 101,610</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, 2014

	<u>2009 Bond Construction</u>	<u>Capital Improvement</u>	<u>Total</u>
REVENUES			
Investment income	\$ -	\$ 52	\$ 52
Miscellaneous	-	<u>41,497</u>	<u>41,497</u>
Total revenues	<u>-</u>	<u>41,549</u>	<u>41,549</u>
EXPENDITURES			
Current			
Public works	-	9,180	9,180
Capital outlay	-	<u>72,820</u>	<u>72,820</u>
Total expenditures	<u>-</u>	<u>82,000</u>	<u>82,000</u>
Excess (deficiency) of revenues over expenditures	-	(40,451)	(40,451)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	<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	-	59,549	59,549
Fund balances at beginning of year	<u>111</u>	<u>6,137</u>	<u>6,248</u>
Fund balances at end of year	<u>\$ 111</u>	<u>\$ 65,686</u>	<u>\$ 65,797</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, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,093,039	\$ 1,050,002
Receivables, net		
Taxes	249,739	247,065
Fines	68,231	61,924
Other	7,135	11,958
Due from other funds	161,187	101,173
Due from component unit	18,301	17,365
Due from other governments	254,448	325,226
Advances to other funds	325,000	350,000
Prepaid items	<u>26,809</u>	<u>19,499</u>
Total assets	<u>\$ 2,203,889</u>	<u>\$ 2,184,212</u>
LIABILITIES		
Accounts payable	\$ 139,285	\$ 128,810
Accrued expenditures	68,034	58,533
Due to other governments	43,080	80,197
Due to other funds	925	64,873
Deposits	<u>245</u>	<u>-</u>
Total liabilities	<u>251,569</u>	<u>332,413</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>234,224</u>	<u>224,826</u>
Total deferred inflows of resources	<u>234,224</u>	<u>224,826</u>
FUND BALANCE		
Nonspendable		
Prepaid items	26,809	19,499
Long-term receivables	325,000	350,000
Unassigned	<u>1,366,287</u>	<u>1,257,474</u>
Total fund balance	<u>1,718,096</u>	<u>1,626,973</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,203,889</u>	<u>\$ 2,184,212</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 1,069,911	\$ 1,069,438	\$ (473)	\$ 1,131,644
Sales	1,208,257	1,252,647	44,390	1,274,114
Franchise	1,052,546	1,052,147	(399)	1,047,976
Licenses and permits	107,807	106,913	(894)	98,609
Intergovernmental	155,500	149,014	(6,486)	52,238
Charges for services	12,250	5,745	(6,505)	12,888
Fines and forfeitures	202,522	204,369	1,847	211,780
Investment income	1,500	2,185	685	1,691
Industrial district fee	905,337	905,337	-	922,448
Miscellaneous	49,546	53,337	3,791	3,911
Total revenues	4,765,176	4,801,132	35,956	4,757,299
EXPENDITURES				
Current				
General government				
Mayor and council	34,525	26,379	8,146	28,505
City manager	244,866	242,427	2,439	223,858
City secretary	89,514	87,018	2,496	86,125
Legal and professional	54,000	52,129	1,871	60,449
Finance	264,442	261,304	3,138	251,102
Municipal court	123,051	119,818	3,233	107,731
Central services	57,747	56,777	970	57,868
Total general government	868,145	845,852	22,293	815,638
Public safety				
Police	2,067,656	2,063,467	4,189	1,986,964
Fire	284,160	282,879	1,281	305,142
Code enforcement	211,819	207,323	4,496	204,188
Emergency management	139,661	133,169	6,492	79,546
Animal control	64,359	61,512	2,847	53,356
Communications	555,221	552,000	3,221	503,525
Total public safety	3,322,876	3,300,350	22,526	3,132,721
Public works				
Streets and drainage	698,592	693,753	4,839	681,027
Garage	179,739	175,656	4,083	156,194
Facilities maintenance	208,591	208,233	358	204,703
Total public works	1,086,922	1,077,642	9,280	1,041,924

(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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Community services	\$ 20,205	\$ 19,991	\$ 214	\$ 19,252
Recreation	22,282	21,024	1,258	21,899
Community pool	39,532	39,096	436	36,271
Total cultural and recreation	82,019	80,111	1,908	77,422
Capital outlay	89,000	88,712	288	97,351
Debt service				
Principal retirement	-	-	-	57,841
Interest and fiscal charges	2,420	2,420	-	11,484
Total debt service	2,420	2,420	-	69,325
Total expenditures	5,451,382	5,395,087	56,295	5,234,381
Excess (deficiency) of revenues over expenditures	(686,206)	(593,955)	92,251	(477,082)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	2,675	(2,325)	22,707
Transfers in	731,206	732,403	1,197	568,700
Transfers out	(50,000)	(50,000)	-	(50,000)
Total other financing sources (uses)	686,206	685,078	(1,128)	541,407
Net change in fund balance	\$ -	91,123	\$ 91,123	64,325
Fund balance at beginning of year		1,626,973		1,562,648
Fund balance at end of year		\$ 1,718,096		\$ 1,626,973

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, 2014

With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 435,215	\$ 417,247
Receivables, net		
Taxes	83,707	77,848
Due from other funds	<u>883</u>	<u>2,528</u>
Total assets	<u>\$ 519,805</u>	<u>\$ 497,623</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>83,707</u>	<u>77,848</u>
Total deferred inflows of resources	<u>83,707</u>	<u>77,848</u>
FUND BALANCE		
Restricted		
Long-term debt	<u>436,098</u>	<u>419,775</u>
Total fund balance	<u>436,098</u>	<u>419,775</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 519,805</u>	<u>\$ 497,623</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes	\$ 862,210	\$ 882,881	\$ 20,671	\$ 840,521
Investment income	1,000	690	(310)	715
Total revenues	<u>863,210</u>	<u>883,571</u>	<u>20,361</u>	<u>841,236</u>
EXPENDITURES				
Debt service				
Principal retirement	471,500	510,400	(38,900)	446,825
Interest and fiscal charges	412,000	362,593	49,407	390,051
Bond issuance costs	75,000	69,868	5,132	-
Total expenditures	<u>958,500</u>	<u>942,861</u>	<u>15,639</u>	<u>836,876</u>
Excess (deficiency) of revenues over expenditures	(95,290)	(59,290)	36,000	4,360
OTHER FINANCING SOURCES (USES)				
Bonds issued	2,975,000	2,988,000	13,000	-
Premium on issuance of bonds	135,000	136,192	1,192	-
Payment to escrow	(3,050,000)	(3,048,579)	1,421	-
Total other financing sources (uses)	<u>60,000</u>	<u>75,613</u>	<u>15,613</u>	<u>-</u>
Net change in fund balance	(35,290)	16,323	51,613	4,360
Fund balance at beginning of year	<u>419,775</u>	<u>419,775</u>	-	<u>415,415</u>
Fund balance at end of year	<u>\$ 384,485</u>	<u>\$ 436,098</u>	<u>\$ 51,613</u>	<u>\$ 419,775</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, 2014

With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 388,268	\$ 123,721
Receivables, net		
Accounts	380,478	357,134
Due from other funds	2,725,663	39,300
Inventory	42,921	37,841
Total current assets	<u>3,537,330</u>	<u>557,996</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,180,149	1,122,759
Water and sewer system	20,263,614	20,161,458
Total capital assets	21,443,763	21,284,217
Accumulated depreciation	(10,252,633)	(9,771,511)
Subtotal	11,191,130	11,512,706
Land	276,750	276,750
Construction in progress	545,432	114,490
Net capital assets	<u>12,013,312</u>	<u>11,903,946</u>
Total noncurrent assets	<u>12,013,312</u>	<u>11,903,946</u>
Total assets	<u>15,550,642</u>	<u>12,461,942</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	19,771	23,161
Total deferred outflows of resources	<u>19,771</u>	<u>23,161</u>
LIABILITIES		
Current liabilities		
Accounts payable	248,579	72,049
Accrued expenses	13,612	10,896
Deposits	199,066	187,722
Accrued interest payable	82,291	49,514
Due to other funds	69,617	109,449
Unearned revenue	131,133	-
Compensated absences	3,626	3,303
Current portion of certificates of obligation	243,250	178,550
Current portion of general obligation bonds	160,200	192,000
Total current liabilities	<u>1,151,374</u>	<u>803,483</u>
Noncurrent liabilities		
Advances from other funds	325,000	350,000
Compensated absences	32,634	29,723
Bonds and certificates (net of unamortized deferred amounts)	6,141,583	3,439,851
Total noncurrent liabilities	<u>6,499,217</u>	<u>3,819,574</u>
Total liabilities	<u>7,650,591</u>	<u>4,623,057</u>
NET POSITION		
Net investment in capital assets	8,159,310	8,093,545
Unrestricted net position	(239,488)	(231,499)
Total net position	<u>\$ 7,919,822</u>	<u>\$ 7,862,046</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
OPERATING REVENUES				
Water	\$ 1,546,990	\$ 1,549,525	\$ 2,535	\$ 1,479,076
Sewer	1,490,197	1,486,833	(3,364)	1,396,255
Penalties	44,184	44,964	780	45,798
Connection and installation fees	43,071	52,331	9,260	65,878
Other	7,328	7,025	(303)	12,952
Total operating revenues	3,131,770	3,140,678	8,908	2,999,959
OPERATING EXPENSES				
Water and sewer operations				
Personnel	838,688	818,538	20,150	804,120
Materials and supplies	113,275	99,430	13,845	102,757
Repairs and maintenance	244,200	225,780	18,420	218,994
Other services and charges	677,130	674,090	3,040	632,804
Depreciation and amortization	472,000	611,063	(139,063)	473,376
Total operating expenses	2,345,293	2,428,901	(83,608)	2,232,051
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	786,477	711,777	(74,700)	767,908
NONOPERATING REVENUES (EXPENSES)				
Investment income	419	776	357	591
Interest and fiscal charges	(210,000)	(227,669)	(17,669)	(145,915)
Total nonoperating revenues (expenses)	(209,581)	(226,893)	(17,312)	(145,324)
Income (loss) before contributions and transfers	576,896	484,884	(92,012)	622,584
Contributions and transfers				
Capital grants and contributions	85,185	281,089	195,904	45,933
Transfers out	(662,081)	(708,197)	(46,116)	(544,494)
Total contributions and transfers	(576,896)	(427,108)	149,788	(498,561)
Change in net position	\$ -	57,776	\$ 57,776	124,023
Net position at beginning of year		7,862,046		7,738,023
Net position at end of year		\$ 7,919,822		\$ 7,862,046

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - SOLID WASTE
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,194	\$ 5,273
Receivables, net		
Accounts	154,138	155,643
Due from other funds	<u>761</u>	<u>50,854</u>
Total assets	<u>166,093</u>	<u>211,770</u>
LIABILITIES		
Current liabilities		
Accounts payable	51,082	208,318
Accrued expenses	661	581
Due to other governments	7,972	7,781
Deposits	75	75
Due to other funds	<u>79,947</u>	<u>-</u>
Total liabilities	<u>139,737</u>	<u>216,755</u>
NET POSITION		
Unrestricted net position	<u>26,356</u>	<u>(4,985)</u>
Total net position	<u>\$ 26,356</u>	<u>\$ (4,985)</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
OPERATING REVENUES				
Solid waste fees	\$ 1,234,141	\$ 1,237,245	\$ 3,104	\$ 1,232,800
Garbage collection fee	104,000	106,293	2,293	104,723
Other	2,000	2,372	372	1,444
Total operating revenues	<u>1,340,141</u>	<u>1,345,910</u>	<u>5,769</u>	<u>1,338,967</u>
OPERATING EXPENSES				
Solid waste operations				
Personnel	39,641	40,061	(420)	35,379
Materials and supplies	100	65	35	46
Other services and charges	<u>1,275,500</u>	<u>1,249,527</u>	<u>25,973</u>	<u>1,265,504</u>
Total operating expenses	<u>1,315,241</u>	<u>1,289,653</u>	<u>25,588</u>	<u>1,300,929</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	24,900	56,257	31,357	38,038
NONOPERATING REVENUES (EXPENSES)				
Investment income	<u>100</u>	<u>84</u>	<u>(16)</u>	<u>150</u>
Total nonoperating revenues (expenses)	<u>100</u>	<u>84</u>	<u>(16)</u>	<u>150</u>
Income (loss) before contributions and transfers	25,000	56,341	31,341	38,188
Transfers				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Total transfers	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Change in net position	<u>\$ -</u>	<u>31,341</u>	<u>\$ 31,341</u>	<u>13,188</u>
Net position at beginning of year		<u>(4,985)</u>		<u>(18,173)</u>
Net position at end of year		<u>\$ 26,356</u>		<u>\$ (4,985)</u>

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

September 30, 2014

With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 681,894	\$ 756,527
Receivables, net		
Accounts	66,961	63,880
Due from other funds	<u>-</u>	<u>5,788</u>
Total current assets	<u>748,855</u>	<u>826,195</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,594,144	1,516,319
Buildings and improvements	<u>62,725</u>	<u>-</u>
Total capital assets	1,656,869	1,516,319
Less accumulated depreciation	<u>(1,078,040)</u>	<u>(982,197)</u>
Net capital assets	<u>578,829</u>	<u>534,122</u>
Total assets	<u>1,327,684</u>	<u>1,360,317</u>
LIABILITIES		
Current liabilities		
Accounts payable	21,692	36,619
Accrued expenses	22,111	17,476
Due to other funds	4,279	5,626
Compensated absences	<u>3,391</u>	<u>2,391</u>
Total current liabilities	<u>51,473</u>	<u>62,112</u>
Noncurrent liabilities		
Compensated absences	<u>30,521</u>	<u>21,516</u>
Total noncurrent liabilities	<u>30,521</u>	<u>21,516</u>
Total liabilities	<u>81,994</u>	<u>83,628</u>
NET POSITION		
Net investment in capital assets	578,829	534,122
Unrestricted net position	<u>666,861</u>	<u>742,567</u>
Total net position	<u>\$ 1,245,690</u>	<u>\$ 1,276,689</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
OPERATING REVENUES				
Ambulance services	\$ 906,000	\$ 833,862	\$ (72,138)	\$ 840,706
Other	-	-	-	2
Total operating revenues	<u>906,000</u>	<u>833,862</u>	<u>(72,138)</u>	<u>840,708</u>
OPERATING EXPENSES				
Emergency medical services				
Personnel	1,301,266	1,283,904	17,362	1,008,402
Materials and supplies	111,250	107,900	3,350	97,021
Repairs and maintenance	45,800	40,387	5,413	62,682
Other services and charges	153,838	141,421	12,417	137,923
Depreciation	98,150	95,843	2,307	88,572
Total operating expenses	<u>1,710,304</u>	<u>1,669,455</u>	<u>40,849</u>	<u>1,394,600</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(804,304)	(835,593)	(31,289)	(553,892)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	852,510	852,510	-	727,510
Investment income	1,000	1,290	290	1,204
Interest and fiscal charges	-	-	-	(1,331)
Total nonoperating revenues (expenses)	<u>853,510</u>	<u>853,800</u>	<u>290</u>	<u>727,383</u>
Income (loss) before contributions and transfers	49,206	18,207	(30,999)	173,491
Contributions and transfers				
Capital grants and contributions	-	-	-	209,637
Transfers out	(49,206)	(49,206)	-	(49,206)
Total contributions and transfers	<u>(49,206)</u>	<u>(49,206)</u>	<u>-</u>	<u>160,431</u>
Change in net position	\$ -	(30,999)	\$ (30,999)	333,922
Net position at beginning of year		<u>1,276,689</u>		<u>942,767</u>
Net position at end of year		<u>\$ 1,245,690</u>		<u>\$ 1,276,689</u>

CITY OF WHARTON, TEXAS

MAJOR ENTERPRISE FUND - CIVIC CENTER

BALANCE SHEET

September 30, 2014

With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,372	\$ 44,626
Receivables, net		
Accounts	18,389	6,299
Due from other funds	3	256
Total current assets	<u>39,764</u>	<u>51,181</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>(826,674)</u>	<u>(778,475)</u>
Net capital assets	<u>1,287,063</u>	<u>1,335,262</u>
Total noncurrent assets	<u>1,287,063</u>	<u>1,335,262</u>
Total assets	<u>1,326,827</u>	<u>1,386,443</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>2,594</u>	<u>3,039</u>
Total deferred outflows of resources	<u>2,594</u>	<u>3,039</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,788	9,601
Accrued expenses	2,308	1,756
Deposits	10,400	7,900
Accrued interest payable	2,131	2,306
Due to other funds	-	8
Compensated absences	1,416	1,292
Current portion of general obligation bonds	<u>21,000</u>	<u>20,000</u>
Total current liabilities	<u>40,043</u>	<u>42,863</u>
Noncurrent liabilities		
Compensated absences	12,742	11,628
Bonds and certificates (net of unamortized deferred amounts)	<u>154,418</u>	<u>176,231</u>
Total noncurrent liabilities	<u>167,160</u>	<u>187,859</u>
Total liabilities	<u>207,203</u>	<u>230,722</u>
NET POSITION		
Net investment in capital assets	1,114,239	1,142,070
Unrestricted net position	<u>7,979</u>	<u>16,690</u>
Total net position	<u>\$ 1,122,218</u>	<u>\$ 1,158,760</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Civic center fees	\$ 64,851	\$ 68,825	\$ 3,974	\$ 55,344
Other	12,000	13,444	1,444	-
Total operating revenues	<u>76,851</u>	<u>82,269</u>	<u>5,418</u>	<u>55,344</u>
OPERATING EXPENSES				
Civic center operations				
Personnel	107,725	107,876	(151)	89,106
Materials and supplies	6,581	2,304	4,277	2,267
Repairs and maintenance	21,700	20,578	1,122	20,364
Other services and charges	43,515	40,521	2,994	33,603
Depreciation and amortization	48,000	48,643	(643)	48,644
Total operating expenses	<u>227,521</u>	<u>219,922</u>	<u>7,599</u>	<u>193,984</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(150,670)	(137,653)	13,017	(138,640)
NONOPERATING REVENUES (EXPENSES)				
Investment income	75	43	(32)	32
Interest and fiscal charges	(6,919)	(5,932)	987	(6,282)
Total nonoperating revenues (expenses)	<u>(6,844)</u>	<u>(5,889)</u>	<u>955</u>	<u>(6,250)</u>
Income (loss) before transfers	(157,514)	(143,542)	13,972	(144,890)
Transfers				
Transfers in	142,514	107,000	(35,514)	135,328
Total transfers	<u>142,514</u>	<u>107,000</u>	<u>(35,514)</u>	<u>135,328</u>
Change in net position	<u>\$ (15,000)</u>	<u>(36,542)</u>	<u>\$ (21,542)</u>	<u>(9,562)</u>
Net position at beginning of year		<u>1,158,760</u>		<u>1,168,322</u>
Net position at end of year		<u>\$ 1,122,218</u>		<u>\$ 1,158,760</u>

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

September 30, 2014

With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 195,783	\$ 143,880
Receivables, net		
Accounts	22,542	62,995
Due from other funds	-	375
Due from other governments	37,009	48,140
Inventory	62,505	55,063
Total current assets	<u>317,839</u>	<u>310,453</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	186,761	186,761
Land improvements	1,153,850	1,153,850
Buildings and improvements	3,577,288	3,577,288
Total capital assets	4,917,899	4,917,899
Less accumulated depreciation	(987,816)	(879,674)
Subtotal	3,930,083	4,038,225
Land	42,343	42,343
Construction in progress	54,286	-
Net capital assets	<u>4,026,712</u>	<u>4,080,568</u>
Total assets	<u>4,344,551</u>	<u>4,391,021</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	30,739	-
Total deferred outflows of resources	<u>30,739</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable	78,538	67,702
Accrued expenses	1,228	1,194
Deposits	300	300
Accrued interest payable	3,949	3,724
Due to other funds	104	17
Compensated absences	63	61
Current portion of certificates of obligation	15,275	9,700
Total current liabilities	<u>99,457</u>	<u>82,698</u>
Noncurrent liabilities		
Compensated absences	563	546
Certificates (net of unamortized deferred amounts)	288,233	271,987
Total noncurrent liabilities	<u>288,796</u>	<u>272,533</u>
Total liabilities	<u>388,253</u>	<u>355,231</u>
NET POSITION		
Net investment in capital assets	3,723,204	3,798,881
Unrestricted net position	263,833	236,909
Total net position	<u>\$ 3,987,037</u>	<u>\$ 4,035,790</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
OPERATING REVENUES				
Airport fees	\$ 184,082	\$ 173,920	\$ (10,162)	\$ 177,085
Other	500	-	(500)	760
Total operating revenues	<u>184,582</u>	<u>173,920</u>	<u>(10,662)</u>	<u>177,845</u>
OPERATING EXPENSES				
Airport operations				
Personnel	71,316	69,777	1,539	65,803
Materials and supplies	5,100	4,043	1,057	3,171
Repairs and maintenance	26,000	29,896	(3,896)	50,333
Other services and charges	38,145	42,156	(4,011)	39,382
Depreciation and amortization	83,000	113,240	(30,240)	93,380
Total operating expenses	<u>223,561</u>	<u>259,112</u>	<u>(35,551)</u>	<u>252,069</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(38,979)	(85,192)	(46,213)	(74,224)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	50,000	46,001	(3,999)	48,140
Investment income	150	270	120	258
Interest and fiscal charges	(11,171)	(9,832)	1,339	(10,843)
Total nonoperating revenues (expenses)	<u>38,979</u>	<u>36,439</u>	<u>(2,540)</u>	<u>37,555</u>
Income (loss) before contributions	-	(48,753)	(48,753)	(36,669)
Contributions				
Capital grants and contributions	-	-	-	242,002
Total contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,002</u>
Change in net position	\$ -	(48,753)	\$ (48,753)	205,333
Net position at beginning of year		<u>4,035,790</u>		<u>3,830,457</u>
Net position at end of year		<u>\$ 3,987,037</u>		<u>\$ 4,035,790</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.....	98
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.....	109
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	120
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	126
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	128

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 3,462,536	\$ 4,277,648	\$ 5,330,747	\$ 6,863,521
Restricted	377,314	500,635	613,877	513,775
Unrestricted	<u>1,370,948</u>	<u>1,378,511</u>	<u>1,257,718</u>	<u>1,526,710</u>
Total governmental activities net position	<u>\$ 5,210,798</u>	<u>\$ 6,156,794</u>	<u>\$ 7,202,342</u>	<u>\$ 8,904,006</u>
Business-type activities				
Net investment in capital assets	\$ 11,130,958	\$ 11,286,468	\$ 11,500,738	\$ 12,596,624
Unrestricted	<u>66,413</u>	<u>114,408</u>	<u>180,125</u>	<u>(456,789)</u>
Total business-type activities net position	<u>\$ 11,197,371</u>	<u>\$ 11,400,876</u>	<u>\$ 11,680,863</u>	<u>\$ 12,139,835</u>
Primary government				
Net investment in capital assets	\$ 14,593,494	\$ 15,564,116	\$ 16,831,485	\$ 19,460,145
Restricted	377,314	500,635	613,877	513,775
Unrestricted	<u>1,437,361</u>	<u>1,492,919</u>	<u>1,437,843</u>	<u>1,069,921</u>
Total primary government activities net position	<u>\$ 16,408,169</u>	<u>\$ 17,557,670</u>	<u>\$ 18,883,205</u>	<u>\$ 21,043,841</u>

(1) Accrual basis of accounting

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 6,832,082	\$ 6,537,738	\$ 6,243,600	\$ 6,145,777	\$ 5,399,629	\$ 5,203,356
418,240	416,831	455,154	506,706	555,253	491,100
1,602,369	1,588,334	1,719,879	1,557,755	1,578,613	1,713,091
\$ 8,852,691	\$ 8,542,903	\$ 8,418,633	\$ 8,210,238	\$ 7,533,495	\$ 7,407,547
\$ 10,863,971	\$ 11,319,633	\$ 12,227,323	\$ 13,128,337	\$ 13,568,618	\$ 13,575,582
1,642,103	995,314	732,046	533,059	759,682	725,541
\$ 12,506,074	\$ 12,314,947	\$ 12,959,369	\$ 13,661,396	\$ 14,328,300	\$ 14,301,123
\$ 17,696,053	\$ 17,857,371	\$ 18,470,923	\$ 19,274,114	\$ 18,968,247	\$ 18,778,938
418,240	416,831	455,154	506,706	555,253	491,100
3,244,472	2,583,648	2,451,925	2,090,814	2,338,295	2,438,632
\$ 21,358,765	\$ 20,857,850	\$ 21,378,002	\$ 21,871,634	\$ 21,861,795	\$ 21,708,670

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Expenses				
General government	\$ 1,735,633	\$ 1,208,119	\$ 1,197,103	\$ 1,316,196
Public safety	2,408,652	2,546,521	2,653,594	2,825,817
Public works	2,091,123	1,430,714	1,300,791	1,817,233
Culture and recreation	224,491	186,343	215,996	248,535
Interest on long-term debt	151,537	146,131	222,145	231,552
Total expenses	6,611,436	5,517,828	5,589,629	6,439,333
Program revenues				
Charges for services				
General government	51,505	144,315	166,240	261,706
Public safety	234,982	242,056	244,350	55,071
Public works	-	-	-	-
Culture and recreation	5,917	12,247	12,808	15,397
Operating grants and contributions	1,689,193	471,859	526,724	729,601
Capital grants and contributions	214,510	934,450	824,211	1,899,894
Total program revenues	2,196,107	1,804,927	1,774,333	2,961,669
Total governmental activities net program expense	(4,415,329)	(3,712,901)	(3,815,296)	(3,477,664)
General revenues and other changes in net position				
Taxes				
Property taxes	1,916,640	1,836,399	1,914,766	1,928,867
Sales taxes	1,124,445	1,292,565	1,319,795	1,240,084
Franchise taxes	818,192	893,839	924,196	1,047,982
Other taxes	90,170	134,824	175,474	199,153
Unrestricted investment earnings	55,969	61,579	174,312	65,870
Industrial district payment	-	-	-	79,268
Miscellaneous	119,270	98,561	76,942	245,218
Transfers	247,012	341,130	275,359	372,886
Total general revenues and other changes in net position	4,371,698	4,658,897	4,860,844	5,179,328
Total governmental activities change in net position	\$ (43,631)	\$ 945,996	\$ 1,045,548	\$ 1,701,664

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 822,357	\$ 822,213	\$ 871,330	\$ 976,628	\$ 926,431	\$ 902,639
3,012,237	3,285,594	3,248,440	3,265,404	3,430,366	3,686,833
1,644,418	2,120,461	1,476,798	1,416,172	1,576,819	1,856,576
218,224	259,386	218,256	215,656	215,061	209,509
250,056	272,026	303,499	381,827	388,653	542,435
<u>5,947,292</u>	<u>6,759,680</u>	<u>6,118,323</u>	<u>6,255,687</u>	<u>6,537,330</u>	<u>7,197,992</u>
356,333	324,198	343,817	299,099	317,267	331,367
-	18,250	7,025	5,647	42,882	399
-	-	-	-	-	-
11,634	11,670	9,672	8,616	10,941	5,745
289,500	117,340	18,406	15,631	2,238	99,327
123,311	401,689	190,000	423,264	50,000	547,318
<u>780,778</u>	<u>873,147</u>	<u>568,920</u>	<u>752,257</u>	<u>423,328</u>	<u>984,156</u>
(5,166,514)	(5,886,533)	(5,549,403)	(5,503,430)	(6,114,002)	(6,213,836)
1,947,147	1,885,118	1,948,184	1,962,365	1,926,421	1,906,728
1,237,646	1,149,211	1,148,636	1,313,677	1,274,114	1,252,647
991,182	1,031,751	1,056,427	973,486	1,047,976	1,052,147
174,996	151,129	166,149	190,162	196,669	181,243
9,916	18,048	10,487	8,999	8,052	13,075
467,451	682,573	492,901	504,314	922,448	905,337
82,009	140,162	115,207	95,580	70,872	162,529
204,852	518,753	487,142	504,673	437,439	614,162
<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>6,087,868</u>
\$ (51,315)	\$ (309,788)	\$ (124,270)	\$ 49,826	\$ (230,011)	\$ (125,968)

(continued)

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

	Fiscal Year			
	2005	2006	2007	2008
Business-type activities				
Expenses				
Water and sewer	\$ 1,805,704	\$ 1,885,041	\$ 2,067,083	\$ 2,162,499
Solid waste	1,179,798	1,195,075	1,242,914	1,175,700
Emergency medical services	1,107,249	1,093,960	1,339,596	1,300,504
Civic center	176,969	185,618	188,687	222,166
Airport	104,536	129,760	221,619	252,061
Total expenses	4,374,256	4,489,454	5,059,899	5,112,930
Program revenues				
Charges for services				
Water and sewer	2,210,061	2,209,304	2,283,549	2,436,197
Solid waste	1,185,713	1,178,801	1,279,305	1,158,403
Emergency medical services	695,402	797,431	988,845	1,065,258
Civic center	77,548	76,894	80,373	88,102
Airport	120,482	117,446	171,888	186,038
Operating grants and contributions	191,440	221,110	255,649	243,467
Capital grants and contributions	454,269	389,104	614,784	752,387
Total program revenues	4,934,915	4,990,090	5,674,393	5,929,852
Total business-type activities net program expense	560,659	500,636	614,494	816,922
General revenues and other changes in net position				
Unrestricted investment earnings	11,062	18,688	21,204	14,936
Miscellaneous	42,417	25,311	-	-
Transfers	(247,012)	(341,130)	(275,359)	(372,886)
Total general revenues and other changes in net position	(193,533)	(297,131)	(254,155)	(357,950)
Total business-type activities change in net position	\$ 367,126	\$ 203,505	\$ 360,339	\$ 458,972
Total primary government change in net position	\$ 323,495	\$ 1,149,501	\$ 1,405,887	\$ 2,160,636

(1) Accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 2,311,685	\$ 2,390,453	\$ 2,417,926	\$ 2,214,274	\$ 2,377,966	\$ 2,656,570
1,273,376	1,209,574	1,213,177	1,250,313	1,300,929	1,289,653
1,098,147	1,160,083	1,221,415	1,243,579	1,395,931	1,669,455
279,893	276,345	232,364	216,926	200,266	225,854
225,539	243,983	251,866	258,427	262,912	268,944
<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>	<u>6,110,476</u>
2,785,697	2,778,431	2,997,890	2,840,140	2,999,959	3,140,678
1,300,634	1,269,783	1,271,487	1,299,841	1,338,967	1,345,910
766,083	703,134	749,828	801,108	840,708	833,862
71,116	67,951	49,661	59,474	55,344	82,269
181,935	170,712	195,843	182,194	177,845	173,920
242,765	562,695	739,180	764,282	775,650	898,511
387,233	54,400	463,435	604,906	451,639	219,868
<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>	<u>6,695,018</u>
546,823	326,668	1,130,576	1,368,426	1,102,108	584,542
2,468	958	988	1,675	2,235	2,463
21,800	-	-	16,600	-	-
<u>(204,852)</u>	<u>(518,753)</u>	<u>(487,142)</u>	<u>(504,673)</u>	<u>(437,439)</u>	<u>(614,182)</u>
<u>(180,584)</u>	<u>(517,795)</u>	<u>(486,154)</u>	<u>(486,398)</u>	<u>(435,204)</u>	<u>(611,719)</u>
\$ <u>366,239</u>	\$ <u>(191,127)</u>	\$ <u>644,422</u>	\$ <u>882,028</u>	\$ <u>666,904</u>	\$ <u>(27,177)</u>
\$ <u>314,924</u>	\$ <u>(500,915)</u>	\$ <u>520,152</u>	\$ <u>931,854</u>	\$ <u>436,893</u>	\$ <u>(153,145)</u>

CITY OF WHARTON, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Long-term interfund advances	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	21,887	20,409	17,719	14,184
Unreserved	<u>1,146,653</u>	<u>1,203,420</u>	<u>1,193,412</u>	<u>1,404,019</u>
Total general fund	<u>\$ 1,168,540</u>	<u>\$ 1,223,829</u>	<u>\$ 1,211,131</u>	<u>\$ 1,418,203</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	244,936	56,102	122,721	194,899
Debt service fund	366,349	431,913	458,275	360,762
Capital project funds	<u>754,942</u>	<u>255,294</u>	<u>1,195,917</u>	<u>94,703</u>
Total all other governmental funds	<u>\$ 1,366,227</u>	<u>\$ 743,309</u>	<u>\$ 1,776,913</u>	<u>\$ 650,364</u>

(1) Modified accrual basis of accounting

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ 26,624	\$ 21,109	\$ 19,499	\$ 26,809
-	-	-	500,000	350,000	325,000
-	-	1,427,875	1,041,539	1,257,474	1,366,287
12,571	9,281	-	-	-	-
<u>1,406,141</u>	<u>1,377,683</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>	<u>\$ 1,718,096</u>
\$ -	\$ -	\$ 376,959	\$ 415,415	\$ 419,775	\$ 436,098
-	-	81,552	84,922	69,706	76,610
-	-	20,105	13,215	17,787	21,373
-	-	12,986	22,709	69,537	12,660
-	-	4,464,319	3,712,559	3,062,743	3,100,671
-	-	-	-	6,137	65,686
117,419	89,187	-	-	-	-
358,012	364,075	-	-	-	-
<u>1,478,732</u>	<u>(293,086)</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>	<u>\$ 3,713,098</u>

CITY OF WHARTON, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 3,933,874	\$ 4,210,088	\$ 4,325,427	\$ 4,517,831
Licenses and permits	63,597	66,286	150,149	127,166
Intergovernmental	1,851,081	1,285,045	569,126	1,724,602
Charges for services	9,522	16,171	15,042	28,248
Fines and forfeitures	227,231	230,221	236,772	155,945
Investment income	55,969	61,579	174,312	65,870
Industrial district payment	-	-	-	79,268
Miscellaneous	148,553	202,510	1,045,302	1,475,063
Total revenues	<u>6,289,827</u>	<u>6,071,900</u>	<u>6,516,130</u>	<u>8,173,993</u>
Expenditures				
Current				
General government	1,728,216	1,183,005	1,188,056	1,321,674
Public safety	2,274,101	2,437,946	2,539,906	2,524,255
Public works	1,591,928	1,314,051	1,869,878	1,531,189
Culture and recreation	472,851	950,388	378,528	195,918
Capital outlay	630,338	775,590	1,597,770	3,871,656
Debt service				
Principal retirement	296,622	304,633	414,041	433,538
Interest and fiscal charges	134,394	148,665	185,521	220,411
Bond issuance costs	39,194	-	54,877	32,715
Total expenditures	<u>7,167,644</u>	<u>7,114,278</u>	<u>8,228,577</u>	<u>10,131,356</u>
Excess (deficiency) of revenues over expenditures	(877,817)	(1,042,378)	(1,712,447)	(1,957,363)
Other financing sources (uses)				
Debt issued	1,269,100	-	2,161,900	665,000
Premium on issuance of bonds	-	-	-	-
Payment to escrow	-	-	-	-
Capital lease proceeds	-	133,619	296,094	-
Sale of capital assets	-	-	-	-
Transfers in	531,064	527,276	653,834	536,351
Transfers out	(284,052)	(186,146)	(378,475)	(163,465)
Total other financing sources (uses)	<u>1,516,112</u>	<u>474,749</u>	<u>2,733,353</u>	<u>1,037,886</u>
Change in fund balances	<u>\$ 638,295</u>	<u>\$ (567,629)</u>	<u>\$ 1,020,906</u>	<u>\$ (919,477)</u>
Debt service as a percentage of noncapital expenditures	<u>6.37%</u>	<u>7.01%</u>	<u>9.19%</u>	<u>10.27%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 4,403,821	\$ 4,247,504	\$ 4,349,308	\$ 4,484,457	\$ 4,490,924	\$ 4,438,356
72,908	70,814	87,176	67,112	98,609	106,913
403,211	409,430	208,406	438,895	52,238	534,532
12,709	28,815	10,488	9,866	12,888	5,745
258,490	233,842	239,406	229,258	223,811	216,090
9,916	18,048	10,487	8,999	8,052	13,075
467,451	682,573	492,901	504,314	922,448	905,337
98,871	233,900	23,483	47,695	57,932	165,450
<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>	<u>6,385,498</u>
805,414	811,418	855,487	1,030,106	880,776	853,986
2,810,584	3,013,918	2,930,441	2,960,242	3,140,019	3,365,083
1,226,819	1,748,663	1,096,561	1,059,999	1,041,924	1,468,361
180,729	199,397	157,635	154,649	154,054	148,503
475,790	1,172,494	693,196	1,021,435	788,817	2,126,657
418,817	528,056	499,924	511,147	504,666	635,139
242,810	253,790	262,728	390,180	401,535	369,490
62,551	38,706	86,829	-	-	144,026
<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>	<u>9,111,245</u>
(496,137)	(1,841,516)	(1,161,146)	(1,337,162)	(1,044,889)	(2,725,747)
1,562,400	930,663	4,600,000	-	-	4,988,000
33,193	21,306	69,000	-	-	210,350
-	(658,462)	-	-	-	(3,048,579)
-	-	-	120,000	-	-
-	-	71,805	26,349	22,707	59,109
451,056	723,509	577,986	707,117	668,700	832,403
(246,204)	(204,756)	(90,844)	(115,256)	(185,328)	(157,000)
<u>1,800,445</u>	<u>812,260</u>	<u>5,227,947</u>	<u>738,210</u>	<u>506,079</u>	<u>2,884,283</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>158,536</u>
<u>11.26%</u>	<u>11.82%</u>	<u>12.96%</u>	<u>14.76%</u>	<u>14.69%</u>	<u>14.29%</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>
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
2014	1,902,409	49,910	1,252,647	1,052,147	181,243	4,438,356

(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				
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	
2014	2013	158,970,406	308,221,307	115,595,295	13,288,647	155,859,770	440,215,885	

(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>
\$ -	\$ 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%
(55,784,991)	384,430,894	0.44563	1,713,139	220,267	1,933,406	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
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
2014	0.2035	0.2421	0.4456	1.2149	0.1342	0.0300	0.4881	0.0076	1.8748

(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

2014		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 32,381,620	7.36%
J-M Manufacturing Company, Inc.	25,798,700	5.86%
Automotive Rentals	9,621,792	2.19%
M-I LLC	9,264,444	2.10%
GCMC Re Partners LP	8,275,680	1.88%
Wal-Mart Stores Texas LP	6,871,122	1.56%
Wal-Mart Property Tax Dept.	6,272,340	1.42%
Reddy Partnership Briar Pointe LP	4,991,577	1.13%
Centerpoint Energy Houston Electric	4,769,650	1.08%
DVD Enterprises LTD	4,719,191	1.07%
	<u>\$ 112,966,116</u>	<u>25.65%</u>

2005		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 51,432,500	16.41%
J-M Manufacturing Company, Inc.	23,495,280	7.50%
Guld Coast Hospital, LP	8,925,680	2.85%
Wal-Mart Stores Texas LP	6,495,740	2.07%
Centerpoint Energy Houston	6,186,550	1.97%
Anadrill Division of STC	4,600,440	1.47%
Gulf Coast Hospital, LP	4,469,200	1.43%
Schlumberger- Wharton	4,330,070	1.38%
Wal-Mart Stores Texas LP	3,634,710	1.16%
Southwestern Bell Telephone Co.	3,554,530	1.13%
	<u>\$ 117,124,700</u>	<u>37.37%</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>
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%
2014	1,943,203	(26,382)	1,916,821	1,869,799	97.55%

SOURCE: City of Wharton

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 37,749	\$ 1,828,112	99.69%
42,745	1,836,547	99.67%
76,729	1,897,656	99.71%
49,956	1,934,509	99.65%
41,200	1,957,302	99.23%
43,333	1,885,011	97.32%
47,313	1,939,694	96.61%
33,847	1,935,116	96.00%
16,610	1,911,267	99.41%
-	1,869,799	97.55%

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>
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
2014	503,413,000	360,895,800	142,517,200	28%	276,870,000

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
\$ 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
14.71	2.88	15.81	3.00

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

	Fiscal Year			
	2005	2006	2007	2008
Water Rates (per 2,000 gallons)				
Base Rate	\$ 9.10	\$ 9.10	\$ 10.20	\$ 10.20
Water usage rate				
2,000-4,000	1.82	1.82	1.95	1.95
4,000-7,000	1.88	1.88	2.00	2.00
7,000-11,000	1.96	1.96	2.10	2.10
11,000-15,000	2.05	2.05	2.20	2.20
15,000-50,000	2.18	2.18	2.35	2.35
50,000-100,000	2.31	2.31	2.45	2.45
100,000-150,000	2.51	2.51	2.60	2.60
>150,000	2.71	2.71	2.80	2.80
Sewer Rates (per 2,000 gallons)				
Base Rate	9.80	9.80	11.00	11.00
Sewer usage rate				
2,000-4,000	1.51	1.51	1.70	1.70
4,000-7,000	1.89	1.89	2.10	2.10
7,000-11,000	2.07	2.07	2.30	2.30
11,000-15,000	2.24	2.24	2.50	2.50
15,000-50,000	2.41	2.41	2.70	2.70
50,000-100,000	2.58	2.58	2.90	2.90
100,000-150,000	2.76	2.76	3.10	3.10
>150,000	2.93	2.93	3.30	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						
2009	2010	2011	2012	2013	2014	
\$ 11.75	\$ 12.97	\$ 12.97	\$ 12.97	\$ 13.62	\$ 14.71	
2.25	2.45	2.45	2.45	2.57	2.78	
2.30	2.54	2.54	2.54	2.67	2.88	
2.40	2.65	2.65	2.65	2.78	3.00	
2.55	2.81	2.81	2.81	2.95	3.19	
2.70	2.98	2.98	2.98	3.13	3.38	
2.80	3.09	3.09	3.09	3.24	3.50	
3.00	3.31	3.31	3.31	3.48	3.76	
3.20	3.53	3.53	3.53	3.71	4.00	
12.65	13.94	13.94	13.94	14.64	15.81	
1.95	2.15	2.15	2.15	2.26	2.44	
2.40	2.65	2.65	2.65	2.78	3.00	
2.65	2.92	2.92	2.92	3.07	3.32	
2.85	3.15	3.15	3.15	3.31	3.57	
3.10	3.41	3.41	3.41	3.58	3.87	
3.35	3.70	3.70	3.70	3.89	4.20	
3.55	3.92	3.92	3.92	4.12	4.45	
3.80	4.20	4.20	4.20	4.41	4.76	

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

2014			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	29,837,400	8.27%
Briar Pointe LTD	Apartment Complex	16,429,200	4.55%
Millcreek Apartments	Apartment Complex	10,020,400	2.78%
J-M Eagle	Manufacturing	9,098,100	2.52%
Gulf Coast Medical Center	Hospital	8,662,000	2.40%
Wharton ISD	Public school	7,701,100	2.13%
The Meadow Associate	Apartment Complex	7,550,200	2.09%
Buc-ee's	Retail drive in grocery	5,371,800	1.49%
CLVR Acquisition	Apartment Complex	5,014,700	1.39%
WCJC	Junior College	4,922,200	1.36%

2005			
<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	17,966,600	4.34%
Briar Pointe LTD	Apartment Complex	8,544,200	2.07%
Gulf Coast Medical Center	Hospital	7,252,400	1.75%
Wharton ISD	Public school	5,137,900	1.24%
JM Eagle	Manufacturing	4,882,400	1.18%
The Meadow Associate	Apartment Complex	4,312,300	1.04%
WCJC	Junior College	2,835,100	0.69%
Wharton Square	Apartment Complex	1,965,600	0.48%
Morning Star Apartments	Apartment Complex	1,606,500	0.39%
South Texas Medical Clinic	Medical	1,449,900	0.35%

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
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
2014	8,130,275	3,017,032	175,000	-	292,312

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

<u>Certificates of Obligation</u>	<u>Business-type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Plus: Issuance Premiums</u>			
\$ 2,924,463	\$ 1,068,200	\$ 59,407	\$ -	\$ 7,392,168	3.0%	\$ 802
2,811,778	915,600	882,458	-	7,779,005	3.0%	842
3,488,303	757,550	792,000	-	10,251,339	3.7%	1,119
2,989,379	588,600	718,000	-	10,091,891	3.7%	1,103
5,266,619	714,200	-	51,787	13,005,294	4.8%	1,421
3,371,011	2,254,208	-	118,059	12,492,201	4.7%	1,414
3,110,394	1,858,968	135,092	108,466	16,126,554	5.5%	1,826
2,927,994	1,659,218	32,973	98,874	15,234,306	4.9%	1,725
2,744,819	1,454,218	-	89,282	14,291,660	4.3%	1,618
4,979,725	1,832,968	-	211,266	18,638,578	5.3%	2,110

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	
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	84,980	8,519,980	334,517
2009	10,970,000	1,060,000	170,543	12,200,543	336,973
2010	8,385,000	2,920,000	225,585	11,530,585	346,116
2011	12,630,000	2,315,000	208,753	15,153,753	340,511
2012	12,285,000	2,010,000	191,921	14,486,921	385,860
2013	11,935,000	1,695,000	503,578	14,133,578	398,223
2014	13,110,000	4,850,000	503,578	18,463,578	380,457

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>
\$ 6,802,686	2.17%	\$ 738
6,226,250	1.90%	674
8,643,598	2.50%	944
8,185,463	2.13%	895
11,863,570	2.98%	1,297
11,184,469	2.79%	1,266
14,813,242	3.54%	1,677
14,101,061	3.42%	1,597
13,735,355	3.14%	1,555
18,083,121	4.11%	2,047

CITY OF WHARTON, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

(UNAUDITED)

September 30, 2014

	<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	9/30/2014	<u>\$ 11,614,619</u>	100.00%	<u>\$ 11,614,619</u>
Overlapping Debt:				
Wharton County	9/30/2014	-	15.15%	-
Wharton Independent School District	9/30/2014	<u>22,709,996</u>	44.66%	<u>10,142,284</u>
Total Overlapping Debt		<u>22,709,996</u>		<u>10,142,284</u>
Total		<u>\$ 34,324,615</u>		<u>\$ 21,756,903</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>
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
2014	3,141,454	1,817,838	1,323,616	524,053	2.53

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

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
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%
2014	8,832	352,873,728	39,954	2,205	5.9%

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 Eight Years Ago

2014		
Employer	Employees	Percentage of Total City Employment
Wharton ISD	320	1.54%
Wharton County Junior College	277	1.33%
Wharton County Foods	251	1.21%
Nan Ya Plastics	240	1.15%
Wharton County	233	1.12%
Gulf Coast Medical Center	200	0.96%
South TX/Memorial Herman	164	0.79%
Wal-Mart	160	0.77%
J-M Manufacturing	130	0.63%
HEB Food Store	125	0.60%
	<u>2,100</u>	<u>10.10%</u>

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

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

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

CITY OF WHARTON, TEXAS

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

Last ten fiscal years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	2.0	2.0	2.0
Finance	3.0	3.0	3.0	4.0
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	-	-	-
Public safety				
Police	23.5	24.5	24.5	24.5
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	3.0	3.0	4.0
Emergency management	0.5	0.5	0.5	0.5
Animal control	1.0	1.0	1.0	1.0
Communications	8.0	8.0	8.0	9.0
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	5.0	4.0	4.0	5.0
Water/wastewater				
City planning	1.0	1.0	1.0	1.0
Administration	2.0	2.0	2.0	1.0
Water operations	7.0	7.0	7.0	7.0
Sewer operations	4.0	4.0	4.0	4.0
Beautification	1.0	1.0	1.0	1.0
EMS	8.0	8.0	8.0	8.0
Civic Center	2.5	2.5	2.5	2.5
Airport	-	-	-	1.5
Total	93.5	93.0	93.0	97.5

SOURCE: City of Wharton

Fiscal Year					
2009	2010	2011	2012	2013	2014
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
4.0	3.0	3.0	3.0	2.5	2.5
2.5	2.0	2.0	2.0	2.0	2.5
0.5	0.5	-	-	-	-
0.5	0.5	0.5	0.5	0.5	0.5
24.5	24.0	25.0	25.0	25.0	25.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.5	3.5
0.5	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0	9.0	9.0
-	-	-	-	-	-
11.5	11.0	10.5	10.5	10.2	9.0
2.0	2.0	1.0	1.0	2.0	2.0
4.0	4.0	4.0	4.0	4.0	4.0
1.0	1.0	-	-	-	-
1.5	2.0	1.5	1.5	2.0	2.0
7.5	7.5	8.5	8.5	8.5	9.5
4.0	4.0	4.0	4.0	4.5	2.5
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	14.0	14.0	20.0
2.5	3.0	2.5	2.5	2.8	2.8
2.0	1.5	2.0	1.5	1.5	1.5
<u>95.5</u>	<u>94.0</u>	<u>92.5</u>	<u>98.0</u>	<u>100.0</u>	<u>104.3</u>

CITY OF WHARTON, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General government				
Building permits issued	1,152	1,048	1,099	1,031
Building inspections conducted	1,387	1,484	1,003	1,658
Public safety				
Police				
Physical arrests	957	908	789	657
Traffic violations	2,610	3,401	3,238	1,932
Fire				
Fire calls	502	511	457	527
Public works				
Streets (miles)	95	95	97	97
Culture and recreation				
Parks and recreation				
Park rental	99	103	96	58
Community center rentals	496	320	294	310
Swimming pool				
Single admissions	N/A	4,824	4,770	2,633
Season passes	N/A	19	87	56
Aerobics	N/A	41	43	32
Swim lessons	N/A	29	29	42
Party rentals	N/A	11	6	12
Water and wastewater				
Water				
New connections/taps	7	3	14	17
Average daily consumption	1.1mgd	1.2 mgd	1.1 mgd	1.4 mgd
Peak daily consumption	N/A	N/A	1.9 mgd	1.9 mgd
Wastewater				
Average daily sewage treatment	.7 mgd	.5 mgd	1.2 mgd	.95 mgd
EMS				
Ambulance loads	2,444	2,874	2,928	3,309

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2009	2010	2011	2012	2013	2014
947	348	390	351	706	415
959	1,080	1,235	1,286	1,663	1,318
881	759	746	1,281	1,399	1,112
4,521	3,896	3,459	2,494	3,295	4,677
512	459	519	530	559	549
97	97	97	97	97	97
57	33	43	25	40	62
303	278	273	221	217	245
2,979	2,585	2,086	1,445	1,449	1,584
49	32	24	22	23	12
44	26	56	40	20	24
34	22	42	45	54	45
7	6	6	7	2	2
13	14	14	2	4	5
1.2mgd	1.1mgd	1.2mgd	1.1mgd	1.3mgd	1.0mgd
1.9 mgd	1.9mgd	2.6mgd	2.2mgd	2.3mgd	2.0mgd
.73 mgd	.92 mgd	.79 mgd	.88 mgd	.88 mgd	.76 mgd
3,425	3,203	3,208	3,364	3,253	3,326

CITY OF WHARTON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
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	96	96.5	96.5
Streetlights	624	624	852	852
School zone flashers	4	4	8	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	80	80.5
Fire hydrants	430	430	470	475
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	77	77	80	83
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						
2009	2010	2011	2012	2013	2014	
1	1	1	1	1	1	1
8	9	9	9	9	9	9
1	1	1	1	1	1	1
96.5	97.0	97.0	97.0	97.0	97.0	97.0
852	852	852	858	858	858	858
8	8	8	8	8	8	8
92	92	92	92	92	92	92
11	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
478	478	478	478	478	481	481
3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd
84	84	84	84	84	84	84
15	15	15	15	15	15	15
2.0mgd	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, 2014, 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 20, 2015. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 20, 2015