



# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
September 30, 2015

**CITY OF WHARTON, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the fiscal year ended September 30, 2015*

Joan Andel, CPA  
*Finance Director*

Andres Garza, Jr.  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# City of Wharton

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

April 14, 2016

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, 2015 is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to compliment and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditor's report.

## **CITY PROFILE**

As an independent political subdivision of the State of Texas, governed by an elected Mayor and Council, the City is considered a primary government. The City provides a full range of municipal services. These services include police and fire protection; construction and maintenance of streets and drainage systems; and cultural and recreation activities. In addition to general government activities, the City exercises authority over a water and wastewater system, sanitation services, emergency medical services, the civic center, and a municipal airport. These activities of the City are all included in this report as part of the primary government.

The Wharton Economic Development Corporation (WEDC) is also reported herein as a discretely presented component unit of the City based upon standards established by the GASB (see Note 1 to the financial statements). WEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City.

## **ECONOMIC CONDITION AND OUTLOOK**

The City is located fifty-five miles southwest of Houston on the edge of the Houston Statistical Metropolitan Service Area (SMSA) with a population of 8,659. This proximity to Houston appeals to both domestic and foreign industry. The City is located on U.S. Highway 59 that ties the United States to Mexico and is currently being converted to an Interstate 69 highway that will link Mexico to Canada.



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

### **ECONOMIC CONDITION AND OUTLOOK - (Continued)**

The industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing. These plants, which employ approximately 350 people, are the largest taxpayer in the City, with combined assessed valuations of approximately \$69 million. Also, as part of the industrial base, the City has created an industrial district that has located within its boundary a 550 mega-watt natural gas electric generating plant. The district has a value estimated at \$187,898,501 in tax year 2015. The industrial district is a major revenue source for the City's General Fund.

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

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

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

### **MAJOR INITIATIVES**

During the 2015 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)**

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 2015 fiscal year, the City completed the drainage improvement project through the issuance of \$5 million in bonds which were issued in 2013:

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

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

During the 2015 fiscal year, the City initiated several improvements throughout the City through the issuance of \$2.7 million in bonds which were issued in 2015:

- Sidewalk engineering project
- Street improvements
- Water line improvements
- Wastewater plant improvements
- Airport improvements
- Sewer line improvements
- Water will improvements

Also during the 2015 fiscal year, the City issued Qualified Energy Conservation Bonds in the amount of \$1.5 million to be used for utility cost reduction measures in City buildings and facilities.

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.

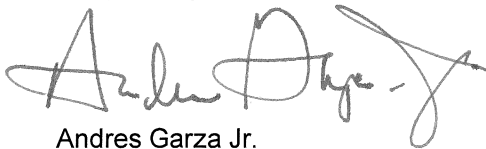
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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-four consecutive years (fiscal years ended 1991 - 2014). 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**

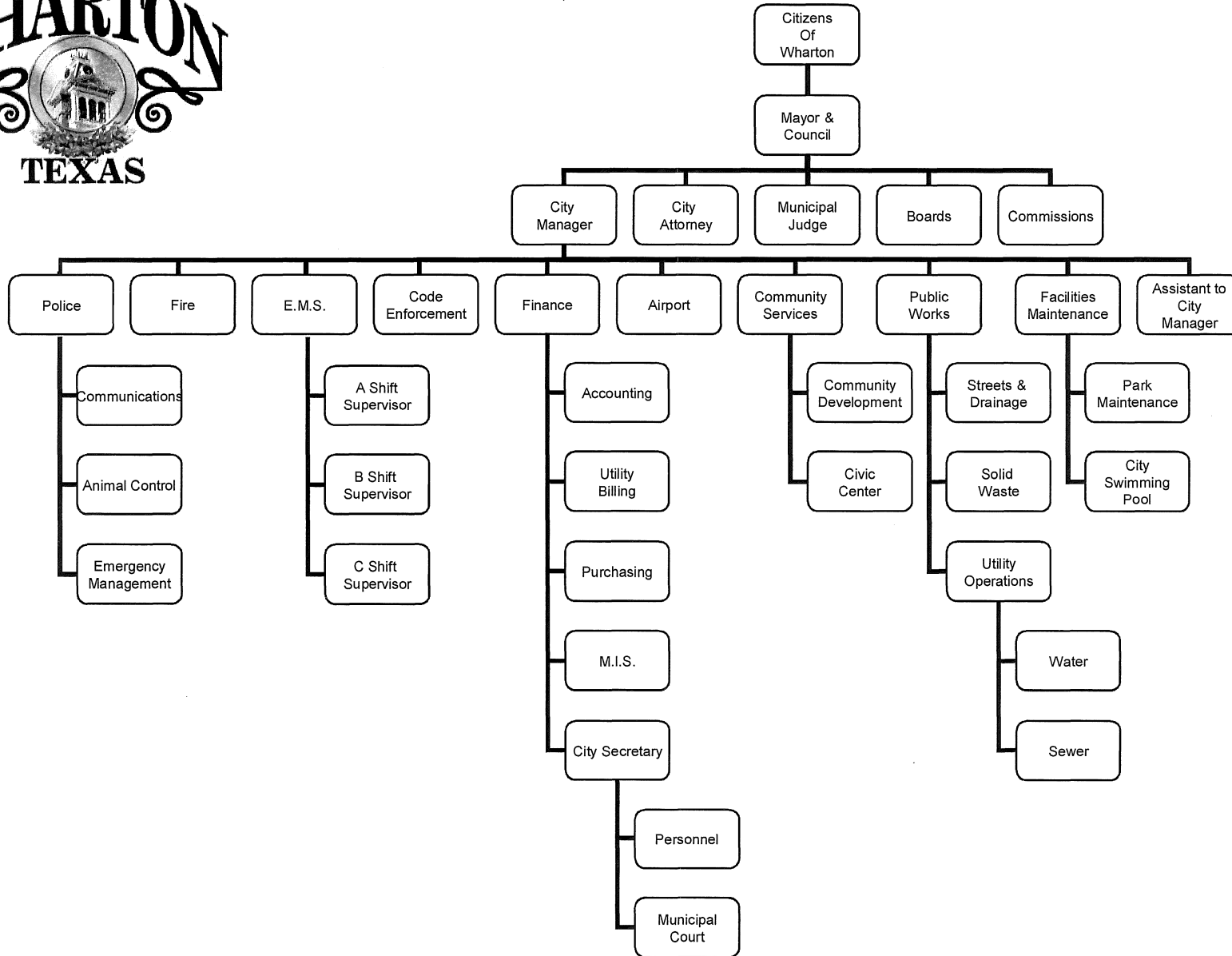
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

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
Vincent Huerta	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
Phil Bush	Interim Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Jo Knezek	Community Services Director
Stephen Johnson	Emergency Management Coordinator

## **FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2015, 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, 2015, 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.

### Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016, 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

April 14, 2016

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, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2015, by \$21,696,289. Of this amount, \$2,606,052 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 \$13,153,427 for the fiscal year. The net expense was \$5,124,290.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$2,817. This represents a 0.04% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$5,232,318, a net decrease of \$198,876 in comparison with prior year. The net decrease in fund balance was mainly due to the spending of the 2011 and the 2013 debt proceeds during fiscal year 2015.
- At September 30, 2015, unassigned fund balance for the General Fund was \$1,289,786 or 23% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$536,114, or 3%, 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 66

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

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

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

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

The *statement of activities* presents information showing how the City's net position changed during fiscal year 2015. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 33 through 66 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, a schedule of changes in net pension liability and related ratios, and a schedule of employer contributions. Required supplementary information can be found on pages 67 through 70 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 71 through 99 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,696,289 at the close of the fiscal year ended September 30, 2015.

At the end of fiscal year 2015, the City is able to report positive balances in all three categories of net position for the government as a whole.

<b>City of Wharton, Texas</b>						
<b>Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Current assets	\$ 5,516,835	\$ 5,844,815	\$ 4,529,795	\$ 4,655,934	\$ 10,046,630	\$ 10,500,749
Capital assets (net)	13,642,717	13,600,970	18,817,989	17,905,916	32,460,706	31,506,886
Other noncurrent assets	430,000	325,000	(430,000)	(325,000)	-	-
<b>Total assets</b>	<u>19,589,552</u>	<u>19,770,785</u>	<u>22,917,784</u>	<u>22,236,850</u>	<u>42,507,336</u>	<u>42,007,635</u>
<b>Total deferred out- flows of resources</b>	<u>389,482</u>	<u>313,785</u>	<u>122,080</u>	<u>105,590</u>	<u>511,562</u>	<u>419,375</u>
Current and other liabilities	1,236,626	1,200,805	1,066,484	1,328,137	2,303,110	2,528,942
Noncurrent liabilities	11,503,783	11,740,504	7,398,567	6,783,434	18,902,350	18,523,938
<b>Total liabilities</b>	<u>12,740,409</u>	<u>12,941,309</u>	<u>8,465,051</u>	<u>8,111,571</u>	<u>21,205,460</u>	<u>21,052,880</u>
<b>Total deferred in- flows of resources</b>	<u>92,547</u>	<u>-</u>	<u>24,602</u>	<u>-</u>	<u>117,149</u>	<u>-</u>
Net Position:						
Net investment						
in capital assets	5,276,256	5,203,356	13,273,028	13,575,582	18,549,284	18,778,938
Restricted	540,953	491,100	-	-	540,953	491,100
Unrestricted	<u>1,328,869</u>	<u>1,448,805</u>	<u>1,277,183</u>	<u>655,287</u>	<u>2,606,052</u>	<u>2,104,092</u>
<b>Total net position</b>	<u>\$ 7,146,078</u>	<u>\$ 7,143,261</u>	<u>\$ 14,550,211</u>	<u>\$ 14,230,869</u>	<u>\$ 21,696,289</u>	<u>\$ 21,374,130</u>

\*2014 net position has been restated. See Note 14 of this report.

The largest portion of the City's net position (85%) 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 \$540,953 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$2,606,052 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	
	2015	2014*	2015	2014*	2015	2014*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 369,075	\$ 337,511	\$ 5,808,675	\$ 5,576,639	\$ 6,177,750	\$ 5,914,150
Operating grants and contributions	125,634	99,327	847,681	898,511	973,315	997,838
Capital grants and contributions	250,000	547,318	628,072	219,868	878,072	767,186
General revenues:						
Property taxes	1,906,722	1,906,728	-	-	1,906,722	1,906,728
Sales taxes	1,295,561	1,252,647	-	-	1,295,561	1,252,647
Franchise taxes	1,077,112	1,052,147	-	-	1,077,112	1,052,147
Other taxes	217,309	181,243	-	-	217,309	181,243
Unrestricted investment earnings	10,942	13,075	2,451	2,463	13,393	15,538
Industrial district payment	877,318	905,337	-	-	877,318	905,337
Miscellaneous	59,034	162,529	-	-	59,034	162,529
<b>Total revenues</b>	<b>6,188,707</b>	<b>6,457,862</b>	<b>7,286,879</b>	<b>6,697,481</b>	<b>13,475,586</b>	<b>13,155,343</b>
<b>EXPENSES</b>						
General government	956,481	902,639	-	-	956,481	902,639
Public safety	3,560,086	3,686,833	-	-	3,560,086	3,686,833
Public works	1,830,354	1,856,576	-	-	1,830,354	1,856,576
Cultural and recreation	216,496	209,509	-	-	216,496	209,509
Interest on long-term debt	410,719	542,435	-	-	410,719	542,435
Water and sewer	-	-	2,561,784	2,656,570	2,561,784	2,656,570
Solid waste	-	-	1,343,826	1,289,653	1,343,826	1,289,653
Emergency medical services	-	-	1,771,503	1,669,455	1,771,503	1,669,455
Civic center	-	-	234,636	225,854	234,636	225,854
Airport	-	-	267,542	268,944	267,542	268,944
<b>Total expenses</b>	<b>6,974,136</b>	<b>7,197,992</b>	<b>6,179,291</b>	<b>6,110,476</b>	<b>13,153,427</b>	<b>13,308,468</b>
Change in net position before transfers						
	(785,429)	(740,130)	1,107,588	587,005	322,159	(153,125)
Transfers	788,246	614,182	(788,246)	(614,182)	-	-
Change in net position	2,817	(125,948)	319,342	(27,177)	322,159	(153,125)
<b>Net position - October 1</b>	<b>7,143,261</b>	<b>7,533,495</b>	<b>14,230,869</b>	<b>14,328,300</b>	<b>21,374,130</b>	<b>21,861,795</b>
Impact of change in acctg. principle	-	(264,286)	-	(70,254)	-	(334,540)
<b>Net position - September 30</b>	<b>\$ 7,146,078</b>	<b>\$ 7,143,261</b>	<b>\$ 14,550,211</b>	<b>\$ 14,230,869</b>	<b>\$ 21,696,289</b>	<b>\$ 21,374,130</b>

\*2014 net position has been restated. See Note 14 of this report.

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

Governmental activities increased the City's net position by \$2,817 which was mainly due to the decrease in the expenses from the prior year. There was also a net increase of \$319,342 in net position reported in connection with the City's business-type activities. This increase is mainly due to the increase in revenues from the prior year. Overall, there was a \$322,159 increase in the net position of the City.

**Governmental Activities**

Governmental activities increased the City's net position by \$2,817. Key elements of this increase are as follows:

- Capital grants and contributions decreased \$297,318 or 54% from prior year.
- Public safety expenses decreased \$126,747 or 3% from prior year.
- Interest expenses decreased by \$168,284 or 31% from prior year.
- Net transfers from other funds increased by \$174,064 or 28% from prior year.

**City of Wharton, Texas**

**Expenses and Program Revenues - Governmental Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General government	\$ 956,481	13.71%	\$ 359,180	48.23%	\$ (597,301)
Public safety	3,560,086	51.05%	192,970	25.91%	(3,367,116)
Public works	1,830,354	26.24%	33,250	4.46%	(1,797,104)
Cultural and recreation	216,496	3.10%	159,309	21.39%	(57,187)
Interest on long-term debt	410,719	5.89%	-	0.00%	(410,719)
<b>Total</b>	<b>\$ 6,974,136</b>	<b>100.00%</b>	<b>\$ 744,709</b>	<b>100.00%</b>	<b>\$ (6,229,427)</b>



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

Governmental Activities - (Continued)

<b>City of Wharton, Texas</b>		
<b>Revenues by Source - Governmental Activities</b>		
<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 369,075	5.29%
Operating grants and contributions	125,634	1.80%
Capital grants and contributions	250,000	3.58%
Property taxes	1,906,722	27.33%
Sales taxes	1,295,561	18.57%
Franchise taxes	1,077,112	15.44%
Other taxes	217,309	3.11%
Unrestricted investment earnings	10,942	0.16%
Industrial district payment	877,318	12.57%
Miscellaneous	59,034	0.85%
Transfers	788,246	11.30%
	<u>\$ 6,976,953</u>	<u>100.00%</u>

Business-type Activities

Business-type activities increased the City's net position by \$319,342. Key elements of this decrease are as follows:

- Charges for services increased \$232,036 or 4% from the prior year.
- Water and sewer expenses decreased \$94,786 or 4% from the prior year.
- Emergency medical services expenses increased \$102,048 or 6% from the prior year.
- Net transfers to other funds increased \$174,064 or 28% from the prior year.

<b>City of Wharton, Texas</b>					
<b>Expenses and Program Revenues - Business-type Activities</b>					
<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water and sewer	\$ 2,561,784	41.45%	\$ 3,597,899	49.38%	\$ 1,036,115
Solid waste	1,343,826	21.75%	1,379,460	18.94%	35,634
Emergency medical services	1,771,503	28.67%	1,955,769	26.85%	184,266
Civic center	234,636	3.80%	74,102	1.02%	(160,534)
Airport	267,542	4.33%	277,198	3.81%	9,656
Total	<u>\$ 6,179,291</u>	<u>100.00%</u>	<u>\$ 7,284,428</u>	<u>100.00%</u>	<u>\$ 1,105,137</u>

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

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**City of Wharton, Texas**

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

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<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 5,808,675	89.38%
Operating grants and contributions	847,681	13.04%
Capital grants and contributions	628,072	9.67%
Unrestricted investment earnings	2,451	0.04%
Transfers	<u>(788,246)</u>	<u>-12.13%</u>
	<u>\$ 6,498,633</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 2015, the City's governmental funds reported combined ending fund balances of \$5,232,318, a decrease of \$198,876 in comparison with prior year. The net decrease in fund balance was mainly due to the spending of the 2011 and 2013 debt monies during fiscal year 2015 out of the Construction Funds. The General Fund ended the fiscal year with an increase of \$9,537, the Debt Service Fund had an increase of \$32,745, the 2011 Bond Construction Fund decreased \$226,201, and the 2013 Bond Construction Fund decreased \$272,927. The Qualified Energy Conservation Bond Fund, a new capital project fund in fiscal year 2015, had an ending fund balance of \$435,020 after the receipt of bond proceeds of \$446,987 at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2015, unassigned fund balance of the General Fund was \$1,289,786, while total fund balance was \$1,727,633. 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 23% of the total General Fund expenditures, while total fund balance represents 30% of that same amount.

The fund balance of the City's General Fund increased \$9,537 during the current fiscal year. These factors included revenues coming in slightly more than the final budget in the amount of \$8,842, other financing sources were \$203,716 more than the final budget, expenditures came in \$28,021 more than the final budget, and other financing uses were \$175,000 more than the final budget. As explained above, the 2011 and the 2013 Bond Construction Funds both experienced decreases in fund balance during fiscal year 2015, which was due to the spending of the respective bond proceeds on various capital projects. Also, the \$435,020 net increase in the Qualified Energy Conservation Bond Fund fund balance was due to the receipt of the 2015 proceeds and the payment of \$12,145 on issuance costs during the 2015 fiscal year.

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## **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	\$ 267,867
Solid waste	62,101
Emergency medical services	631,353
Civic center	219,784
Airport	<u>76,078</u>
	<u>\$ 1,257,183</u>

This represents an increase of \$531,642 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 \$156,872 to revenues, a net increase to expenditures of \$184,872, and a net increase of \$28,000 to other financing sources. A few of the changes are briefly summarized as follows:

- A decrease of approximately \$14,000 in licenses and permits.
- An increase of approximately \$150,000 in intergovernmental revenues.
- An increase of approximately \$20,000 in fines and forfeitures.
- An increase of \$7,050 in mayor and council department which consisted of an increase in continuing education of \$8,750 and a decrease of \$1,700 in insurance.
- An increase in legal and professional department of \$14,000 for professional services.
- An increase in police department of \$32,000 which consisted of an increase of salaries and wages of \$52,000, a decrease of \$23,000 in fuel, and a \$3,000 increase in office supplies
- A decrease in communications department of \$46,000 which consisted of a decrease in salaries of \$37,000 and a decrease of health insurance expenditures of \$9,000.
- A \$9,000 decrease in fire department for volunteer firefighters' allowance.
- An increase of \$47,000 in streets and drainage department which consisted of an increase in overtime of \$26,000, increase of \$11,000 in right of way maintenance, and an increase in drainage maintenance of \$10,000.
- An increase of \$4,000 in garage department for supplies.
- A \$130,000 increase in capital outlay - equipment purchases.

For fiscal year 2015, the General Fund's revenues were \$8,842 more than the final budget and expenditures were \$28,021 more than the final budget. There were three significant variances between the General Fund's actual revenues and expenditures compared to the final budget. These included the following: Capital lease proceeds exceeded budget by \$98,262, transfers in exceeded budget by \$105,454, and transfers out exceeded budget by \$140,000. Additional budget information can be found in the General Fund budget comparison schedule on page 67.

## **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, 2015, amounts to \$32,460,706 (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 3% (a 0.3% increase for governmental activities and a 5% increase for business-type activities).

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	123,177	242,074	943,644	599,718	1,066,821	841,792
Machinery and equipment	2,455,827	2,432,651	1,044,643	886,734	3,500,470	3,319,385
Land improvements	-	-	1,066,388	1,089,465	1,066,388	1,089,465
Bldgs. and improvements	3,044,142	3,164,451	4,080,433	4,079,218	7,124,575	7,243,669
Infrastructure	6,846,286	6,588,509	-	-	6,846,286	6,588,509
Water and sewer system	-	-	11,363,788	10,931,688	11,363,788	10,931,688
<b>Total</b>	<b><u>\$ 13,642,717</u></b>	<b><u>\$ 13,600,970</u></b>	<b><u>\$ 18,817,989</u></b>	<b><u>\$ 17,905,916</u></b>	<b><u>\$ 32,460,706</u></b>	<b><u>\$ 31,506,886</u></b>

\*Capital assets of the 2014 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, 2015, consisted of the following:
  - Construction in progress of \$123,177 includes the sidewalk enhancement project.
  - The net increase in infrastructure of \$257,777 includes the completion of street and drainage improvement projects.
  - The net increase in machinery and equipment includes the following: Police vehicles, playground equipment, and street equipment.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2015, consisted of the following:
  - The water tank improvement project began in fiscal year 2013 and was completed in fiscal year (\$471,278).
  - The Exelon waterline extension project began in fiscal year 2014 and was completed in fiscal year 2015 (\$419,040).
  - Projects in progress at September 30, 2015 included the following: Wastewater improvements of \$286,313; Ahldag water and sewer improvements of \$372,506; and TxDOT Airport improvements of \$224,621.
  - Various machinery and equipment additions in the Water and Sewer Fund and the EMS Fund were \$96,684 and \$205,016, respectively.

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

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

At the end of fiscal year 2015, the City had total bonded debt outstanding of \$19,147,140 (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 \$115,164 in capital leases, \$476,224 in net pension liability and \$410,512 in compensated absences as of September 30, 2015.

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<b>City of Wharton, Texas</b>			
<b>Long-term Debt</b>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 2,848,632	\$ 1,646,368	\$ 4,495,000
Issuance premiums	271,636	194,121	465,757
Certificates of obligation	7,863,400	4,726,600	12,590,000
Qualified energy cons. bonds	446,987	1,149,396	1,596,383
Capital leases payable	78,945	36,219	115,164
Net pension liability	376,217	100,007	476,224
Compensated absences	<u>322,481</u>	<u>88,031</u>	<u>410,512</u>
Total	<u>\$ 12,208,298</u>	<u>\$ 7,940,742</u>	<u>\$ 20,149,040</u>

The City's total outstanding debt increased by \$536,114 or 3% over the prior fiscal year. The key factors in this net increase were:

- Issuance of \$1,596,383 2015 Qualified Energy Conservation Bonds.
- The City entered into a capital lease during fiscal year 2015 and recognized \$143,343 in lease proceeds.
- Payments made on the certificates and bonds during fiscal year 2015 totaled \$875,000.
- Payments made on the tax anticipation notes during fiscal year 2015 totaled \$175,000.

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 2015 decreased by \$3,600,924 or 0.8% to approximately \$445 million.
- The top ten principal taxpayers account for 26% of the total assessed valuation as compared to 36% nine years ago.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2016 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 7,111,969	\$ 1,319,920	\$ 8,431,889	\$ 793,620
Receivables, net	468,980	620,141	1,089,121	149,069
Internal balances	(2,376,400)	2,376,400	-	-
Due from component unit	19,276	-	19,276	-
Due from other governments	285,163	153,945	439,108	-
Prepaid items	7,847	-	7,847	-
Inventory	-	59,389	59,389	2,000
Total current assets	<u>5,516,835</u>	<u>4,529,795</u>	<u>10,046,630</u>	<u>944,689</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,296,462	1,262,737	2,559,199	385,335
Buildings, infrastructure, and equipment, net	12,346,255	17,555,252	29,901,507	3,290
Net capital assets	<u>13,642,717</u>	<u>18,817,989</u>	<u>32,460,706</u>	<u>388,625</u>
Noncurrent internal balances	<u>430,000</u>	<u>(430,000)</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>14,072,717</u>	<u>18,387,989</u>	<u>32,460,706</u>	<u>388,625</u>
<b>Total assets</b>	<u>19,589,552</u>	<u>22,917,784</u>	<u>42,507,336</u>	<u>1,333,314</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	106,687	46,907	153,594	-
Deferred outflow related to TMRS	282,795	75,173	357,968	-
<b>Total deferred outflows of resources</b>	<u>389,482</u>	<u>122,080</u>	<u>511,562</u>	<u>-</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 281,052	\$ 167,445	\$ 448,497	\$ 45,871
Accrued expenditures/expenses	82,564	46,476	129,040	-
Due to primary government	-	-	-	19,276
Due to other governments	34,647	8,107	42,754	-
Deposits	270	219,371	219,641	-
Accrued interest payable	133,578	82,910	216,488	41
Unearned revenue	-	-	-	-
Compensated absences	32,248	8,803	41,051	-
Current portion of long-term obligations	672,267	533,372	1,205,639	75,930
Total current liabilities	<u>1,236,626</u>	<u>1,066,484</u>	<u>2,303,110</u>	<u>141,118</u>
Noncurrent liabilities				
Compensated absences	290,233	79,228	369,461	-
Net pension liability	376,217	100,007	476,224	-
Noncurrent portion of long-term obligations	10,837,333	7,219,332	18,056,665	-
Total noncurrent liabilities	<u>11,503,783</u>	<u>7,398,567</u>	<u>18,902,350</u>	<u>-</u>
<b>Total liabilities</b>	<u>12,740,409</u>	<u>8,465,051</u>	<u>21,205,460</u>	<u>141,118</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred inflow related to TMRS	92,547	24,602	117,149	-
<b>NET POSITION</b>				
Net investment in capital assets	5,276,256	13,273,028	18,549,284	385,625
Restricted for:				
Debt service	418,933	-	418,933	-
Cultural and recreation	75,716	-	75,716	-
Municipal court	26,463	-	26,463	-
Public safety	19,841	-	19,841	-
Unrestricted net position	<u>1,328,869</u>	<u>1,277,183</u>	<u>2,606,052</u>	<u>806,571</u>
<b>Total net position</b>	<u>\$ 7,146,078</u>	<u>\$ 14,550,211</u>	<u>\$ 21,696,289</u>	<u>\$ 1,192,196</u>

The accompanying notes are an integral part of this statement.



**CITY OF WHARTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2015

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 956,481	\$ 359,180	\$ -	\$ -
Public safety	3,560,086	900	92,070	100,000
Public works	1,830,354	-	33,250	-
Cultural and recreation	216,496	8,995	314	150,000
Interest on long-term debt	410,719	-	-	-
Total governmental activities	<u>6,974,136</u>	<u>369,075</u>	<u>125,634</u>	<u>250,000</u>
Business-type activities				
Water and sewer	2,561,784	3,219,570	-	378,329
Solid waste	1,343,826	1,379,460	-	-
Emergency medical services	1,771,503	963,612	802,510	189,647
Civic center	234,636	74,102	-	-
Airport	267,542	171,931	45,171	60,096
Total business-type activities	<u>6,179,291</u>	<u>5,808,675</u>	<u>847,681</u>	<u>628,072</u>
Total primary government	<u>\$ 13,153,427</u>	<u>\$ 6,177,750</u>	<u>\$ 973,315</u>	<u>\$ 878,072</u>
<b>Component Unit</b>				
Wharton Economic Development Corporation	<u>\$ 774,161</u>	<u>\$ 10,290</u>	<u>\$ 25,000</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 (See Note 14)

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	
\$ (597,301)	\$ -	\$ (597,301)	\$ -
(3,367,116)	-	(3,367,116)	-
(1,797,104)	-	(1,797,104)	-
(57,187)	-	(57,187)	-
(410,719)	-	(410,719)	-
<u>(6,229,427)</u>	<u>-</u>	<u>(6,229,427)</u>	<u>-</u>
-	1,036,115	1,036,115	-
-	35,634	35,634	-
-	184,266	184,266	-
-	(160,534)	(160,534)	-
-	9,656	9,656	-
-	<u>1,105,137</u>	<u>1,105,137</u>	<u>-</u>
<u>(6,229,427)</u>	<u>1,105,137</u>	<u>(5,124,290)</u>	<u>-</u>
-	-	-	<u>(738,871)</u>
871,299	-	871,299	-
1,035,423	-	1,035,423	-
1,295,561	-	1,295,561	716,780
1,077,112	-	1,077,112	-
217,309	-	217,309	-
10,942	2,451	13,393	3,369
877,318	-	877,318	-
59,034	-	59,034	-
788,246	(788,246)	-	-
<u>6,232,244</u>	<u>(785,795)</u>	<u>5,446,449</u>	<u>720,149</u>
2,817	319,342	322,159	(18,722)
<u>7,143,261</u>	<u>14,230,869</u>	<u>21,374,130</u>	<u>1,210,918</u>
<u>\$ 7,146,078</u>	<u>\$ 14,550,211</u>	<u>\$ 21,696,289</u>	<u>\$ 1,192,196</u>

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

September 30, 2015

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	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 472,142	\$ 467,405	\$ 2,600,869
Receivables, net	325,280	83,668	-
Due from other funds	732,263	-	-
Due from component unit	19,276	-	-
Due from other governments	283,725	1,438	-
Advances to other funds	430,000	-	-
Prepaid items	7,847	-	-
<b>Total assets</b>	<u>\$ 2,270,533</u>	<u>\$ 552,511</u>	<u>\$ 2,600,869</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 123,821	\$ -	\$ -
Accrued expenditures	78,259	-	-
Due to other governments	34,647	-	-
Due to other funds	73,587	-	-
Deposits	270	-	-
<b>Total liabilities</b>	<u>310,584</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	232,316	83,668	-
<b>Total deferred inflows of resources</b>	<u>232,316</u>	<u>83,668</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	437,847	-	-
Restricted	-	468,843	2,600,869
Committed	-	-	-
Unassigned	1,289,786	-	-
<b>Total fund balances</b>	<u>1,727,633</u>	<u>468,843</u>	<u>2,600,869</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 2,270,533</u>	<u>\$ 552,511</u>	<u>\$ 2,600,869</u>

The accompanying notes are an integral part of this statement.

<u>2013 Bond Construction</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,938,109	\$ 1,565,717	\$ 67,727	\$ 7,111,969
-	-	60,032	468,980
384,545	-	33,592	1,150,400
-	-	-	19,276
-	-	-	285,163
-	-	-	430,000
-	-	-	7,847
<u>\$ 2,322,654</u>	<u>\$ 1,565,717</u>	<u>\$ 161,351</u>	<u>\$ 9,473,635</u>
\$ 156,951	\$ -	\$ 280	\$ 281,052
4,305	-	-	82,564
-	-	-	34,647
2,160,835	1,130,697	161,681	3,526,800
-	-	-	270
<u>2,322,091</u>	<u>1,130,697</u>	<u>161,961</u>	<u>3,925,333</u>
-	-	-	315,984
-	-	-	315,984
-	-	-	437,847
563	435,020	122,020	3,627,315
-	-	18,886	18,886
-	-	(141,516)	1,148,270
<u>563</u>	<u>435,020</u>	<u>(610)</u>	<u>5,232,318</u>
<u>\$ 2,322,654</u>	<u>\$ 1,565,717</u>	<u>\$ 161,351</u>	<u>\$ 9,473,635</u>

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

September 30, 2015

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<b>Total governmental fund balances</b>		<b>\$ 5,232,318</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		226,844
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.		89,140
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	\$ 25,295,689	
Accumulated depreciation of governmental capital assets	<u>(11,652,972)</u>	13,642,717
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	106,687	
Pension contributions after measurement date	185,155	
Difference in projected and actual earnings on pension assets	<u>97,640</u>	389,482
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	(11,159,019)	
Bond premiums	(271,636)	
Capital leases payable	(78,945)	
Net pension liability	(376,217)	
Accrued interest payable	(133,578)	
Compensated absences	<u>(322,481)</u>	(12,341,876)
Deferred inflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience		<u>(92,547)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 7,146,078</u></b>

The accompanying notes are an integral part of this statement.

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

For the year ended September 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
<b>REVENUES</b>			
Taxes	\$ 3,285,923	\$ 1,053,155	\$ -
Licenses and permits	78,284	-	-
Intergovernmental	368,740	-	-
Charges for services	13,965	-	-
Fines and forfeitures	238,545	-	-
Investment income	2,127	803	4,113
Industrial district fee	877,318	-	-
Miscellaneous	23,732	-	-
<b>Total revenues</b>	<u>4,888,634</u>	<u>1,053,958</u>	<u>4,113</u>
<b>EXPENDITURES</b>			
Current			
General government	908,415	-	-
Public safety	3,260,797	-	-
Public works	1,092,871	-	230,314
Cultural and recreation	83,363	-	-
Capital outlay	338,242	-	-
Debt service			
Principal retirement	19,317	610,275	-
Interest and fiscal charges	4,435	410,938	-
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<u>5,707,440</u>	<u>1,021,213</u>	<u>230,314</u>
Excess (deficiency) of revenues over expenditures	(818,806)	32,745	(226,201)
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital lease proceeds	98,262	-	-
Bonds issued	-	-	-
Transfers in	920,081	-	-
Transfers out	(190,000)	-	-
<b>Total other financing sources (uses)</b>	<u>828,343</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,537	32,745	(226,201)
Fund balances at beginning of year	<u>1,718,096</u>	<u>436,098</u>	<u>2,827,070</u>
<b>Fund balances at end of year</b>	<u>\$ 1,727,633</u>	<u>\$ 468,843</u>	<u>\$ 2,600,869</u>

The accompanying notes are an integral part of this statement.

<u>2013 Bond Construction</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 217,309	\$ 4,556,387
-	-	-	78,284
-	-	-	368,740
-	-	-	13,965
-	-	15,847	254,392
3,530	178	191	10,942
-	-	-	877,318
-	-	6,894	30,626
<u>3,530</u>	<u>178</u>	<u>240,241</u>	<u>6,190,654</u>
-	-	7,363	915,778
-	-	2,837	3,263,634
-	-	25,776	1,348,961
-	-	61,844	145,207
416,457	-	237,636	992,335
-	-	-	629,592
-	-	-	415,373
-	12,145	-	12,145
<u>416,457</u>	<u>12,145</u>	<u>335,456</u>	<u>7,723,025</u>
(412,927)	(11,967)	(95,215)	(1,532,371)
-	-	-	98,262
-	446,987	-	446,987
140,000	-	75,000	1,135,081
-	-	(156,835)	(346,835)
<u>140,000</u>	<u>446,987</u>	<u>(81,835)</u>	<u>1,333,495</u>
(272,927)	435,020	(177,050)	(198,876)
<u>273,490</u>	<u>-</u>	<u>176,440</u>	<u>5,431,194</u>
<u>\$ 563</u>	<u>\$ 435,020</u>	<u>\$ (610)</u>	<u>\$ 5,232,318</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, 2015*

**Total net change in fund balances - governmental funds** \$ (198,876)

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

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

Increase in capital assets	\$ 932,861	
Depreciation expense	<u>(891,114)</u>	41,747

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	(446,987)	
Capital lease	<u>(98,262)</u>	(545,249)

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	435,275	
Tax anticipation notes principal retirement	175,000	
Capital lease principal retirement	<u>19,317</u>	629,592

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	(19,180)	
Other revenues	<u>17,233</u>	(1,947)

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	(17,566)	
Decrease in loss on refunding	(9,647)	
Decrease in bond premium	20,676	
Increase in accrued interest	5,770	
Net pension costs	<u>78,317</u>	<u>77,550</u>

**Change in net position of governmental activities** \$ 2,817

The accompanying notes are an integral part of this statement.



**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2015

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 612,005	\$ 29,856	\$ 618,879
Receivables, net			
Accounts	347,220	146,050	89,266
Due from other funds	3,043,588	-	47
Due from other governments	115,033	-	38,912
Inventory	34,444	-	-
Total current assets	<u>4,152,290</u>	<u>175,906</u>	<u>747,104</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	995,773	-	-
Buildings, improvements, and equipment, net	11,670,017	-	671,369
Net capital assets	<u>12,665,790</u>	<u>-</u>	<u>671,369</u>
Total noncurrent assets	<u>12,665,790</u>	<u>-</u>	<u>671,369</u>
<b>Total assets</b>	<u>16,818,080</u>	<u>175,906</u>	<u>1,418,473</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	16,382	-	-
Deferred outflow related to TMRS	28,637	-	32,217
<b>Total deferred outflows of resources</b>	<u>45,019</u>	<u>-</u>	<u>32,217</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	60,679	52,476	21,576
Accrued expenses	16,067	678	26,015
Due to other governments	-	8,107	-
Deposits	207,596	75	-
Accrued interest payable	77,376	-	-
Due to other funds	858,950	52,469	10,001
Compensated absences	3,409	-	3,697
Current portion of long-term obligations	477,530	-	-
Total current liabilities	<u>1,701,607</u>	<u>113,805</u>	<u>61,289</u>
Noncurrent liabilities			
Advances from other funds	430,000	-	-
Compensated absences	30,677	-	33,275
Net pension liability	38,098	-	42,860
Noncurrent portion of long-term obligations	6,569,991	-	-
Total noncurrent liabilities	<u>7,068,766</u>	<u>-</u>	<u>76,135</u>
<b>Total liabilities</b>	<u>8,770,373</u>	<u>113,805</u>	<u>137,424</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to TMRS	9,372	-	10,544
<b>NET POSITION</b>			
Net investment in capital assets	7,795,487	-	671,369
Unrestricted net position	287,867	62,101	631,353
<b>Total net position</b>	<u>\$ 8,083,354</u>	<u>\$ 62,101</u>	<u>\$ 1,302,722</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>
\$ 17,131	\$ 42,049	\$ 1,319,920
30,676	6,929	620,141
224,924	31,314	3,299,873
-	-	153,945
-	24,945	59,389
<u>272,731</u>	<u>105,237</u>	<u>5,453,268</u>
-	266,964	1,262,737
<u>1,268,789</u>	<u>3,945,077</u>	<u>17,555,252</u>
<u>1,268,789</u>	<u>4,212,041</u>	<u>18,817,989</u>
<u>1,268,789</u>	<u>4,212,041</u>	<u>18,817,989</u>
<u>1,541,520</u>	<u>4,317,278</u>	<u>24,271,257</u>
2,150	28,375	46,907
<u>14,319</u>	-	<u>75,173</u>
<u>16,469</u>	<u>28,375</u>	<u>122,080</u>
9,949	22,765	167,445
2,240	1,476	46,476
-	-	8,107
11,400	300	219,371
1,923	3,611	82,910
1,690	363	923,473
1,633	64	8,803
<u>37,576</u>	<u>18,266</u>	<u>533,372</u>
<u>66,411</u>	<u>46,845</u>	<u>1,989,957</u>
-	-	430,000
14,696	580	79,228
19,049	-	100,007
<u>348,012</u>	<u>301,329</u>	<u>7,219,332</u>
<u>381,757</u>	<u>301,909</u>	<u>7,828,567</u>
<u>448,168</u>	<u>348,754</u>	<u>9,818,524</u>
<u>4,686</u>	-	<u>24,602</u>
885,351	3,920,821	13,273,028
219,784	76,078	1,277,183
<u>\$ 1,105,135</u>	<u>\$ 3,996,899</u>	<u>\$ 14,550,211</u>

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

For the year ended September 30, 2015

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,219,570	\$ 1,379,460	\$ 963,612
<b>Total operating revenues</b>	<u>3,219,570</u>	<u>1,379,460</u>	<u>963,612</u>
<b>OPERATING EXPENSES</b>			
Personnel	883,749	41,278	1,323,555
Materials and supplies	112,389	1,451	113,749
Repairs and maintenance	86,068	-	64,808
Other services and charges	730,750	1,301,097	150,029
Depreciation and amortization	<u>524,358</u>	<u>-</u>	<u>119,362</u>
<b>Total operating expenses</b>	<u>2,337,314</u>	<u>1,343,826</u>	<u>1,771,503</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	882,256	35,634	(807,891)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Noncapital grants and contributions	-	-	802,510
Investment income	738	111	1,287
Interest and fiscal charges	<u>(224,470)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(223,732)</u>	<u>111</u>	<u>803,797</u>
Income (loss) before transfers and contributions	658,524	35,745	(4,094)
Contributions and transfers			
Capital grants and contributions	378,329	-	189,647
Transfers in	111	-	-
Transfers out	<u>(846,669)</u>	<u>-</u>	<u>(98,412)</u>
Total contributions and transfers	<u>(468,229)</u>	<u>-</u>	<u>91,235</u>
Change in net position	190,295	35,745	87,141
Total net position at beginning of year, as previously reported	7,919,822	26,356	1,245,690
Impact of change in accounting principle	(26,763)	-	(30,109)
Net position at beginning of year, as restated	<u>7,893,059</u>	<u>26,356</u>	<u>1,215,581</u>
<b>Net position at end of year</b>	<u>\$ 8,083,354</u>	<u>\$ 62,101</u>	<u>\$ 1,302,722</u>

The accompanying notes are an integral part of this statement.

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 74,102	\$ 171,931	\$ 5,808,675
<u>74,102</u>	<u>171,931</u>	<u>5,808,675</u>
107,380	74,503	2,430,465
3,112	3,322	234,023
35,987	26,329	213,192
43,870	40,864	2,266,610
<u>38,696</u>	<u>112,137</u>	<u>794,553</u>
<u>229,045</u>	<u>257,155</u>	<u>5,938,843</u>
(154,943)	(85,224)	(130,168)
-	45,171	847,681
109	206	2,451
<u>(5,591)</u>	<u>(10,387)</u>	<u>(240,448)</u>
<u>(5,482)</u>	<u>34,990</u>	<u>609,684</u>
(160,425)	(50,234)	479,516
-	60,096	628,072
156,724	-	156,835
<u>-</u>	<u>-</u>	<u>(945,081)</u>
<u>156,724</u>	<u>60,096</u>	<u>(160,174)</u>
(3,701)	9,862	319,342
1,122,218	3,987,037	14,301,123
(13,382)	-	(70,254)
<u>1,108,836</u>	<u>3,987,037</u>	<u>14,230,869</u>
<u>\$ 1,105,135</u>	<u>\$ 3,996,899</u>	<u>\$ 14,550,211</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2015

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 3,261,358	\$ 1,387,548	\$ 941,307
Cash paid to suppliers for goods and services	(1,108,630)	(1,301,019)	(328,702)
Cash paid to employees for services	(891,398)	(41,261)	(1,325,513)
<b>Net cash provided (used) by operating activities</b>	<u>1,261,330</u>	<u>45,268</u>	<u>(712,908)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowing (repayments) to other funds	576,408	(26,717)	5,675
Transfers in from other funds	111	-	-
Transfers out to other funds	(846,669)	-	(98,412)
Grants and contributions	-	-	802,510
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(270,150)</u>	<u>(26,717)</u>	<u>709,773</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(1,149,158)	-	(211,902)
Proceeds from capital grants and contributions	132,163	-	150,735
Proceeds from issuance of debt	928,491	-	-
Debt issuance costs paid	(24,290)	-	-
Principal paid on long-term debt	(410,236)	-	-
Interest paid on long-term debt	(245,151)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(768,181)</u>	<u>-</u>	<u>(61,167)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	738	111	1,287
<b>Net cash provided (used) by investing activities</b>	<u>738</u>	<u>111</u>	<u>1,287</u>
Net increase (decrease) in cash and cash equivalents	223,737	18,662	(63,015)
Cash and cash equivalents at beginning of year	<u>388,268</u>	<u>11,194</u>	<u>681,894</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 612,005</u>	<u>\$ 29,856</u>	<u>\$ 618,879</u>

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 62,815	\$ 187,544	\$ 5,840,572
(75,808)	(88,728)	(2,902,887)
<u>(109,242)</u>	<u>(74,237)</u>	<u>(2,441,651)</u>
<u>(122,235)</u>	<u>24,579</u>	<u>496,034</u>
(223,231)	(31,055)	301,080
156,724	-	156,835
-	-	(945,081)
-	45,171	847,681
<u>(66,507)</u>	<u>14,116</u>	<u>360,515</u>
(13,905)	(294,234)	(1,669,199)
-	97,105	380,003
234,058	31,928	1,194,477
(6,072)	(867)	(31,229)
(23,077)	(15,275)	(448,588)
<u>(6,612)</u>	<u>(11,292)</u>	<u>(263,055)</u>
<u>184,392</u>	<u>(192,635)</u>	<u>(837,591)</u>
109	206	2,451
<u>109</u>	<u>206</u>	<u>2,451</u>
(4,241)	(153,734)	21,409
<u>21,372</u>	<u>195,783</u>	<u>1,298,511</u>
<u>\$ 17,131</u>	<u>\$ 42,049</u>	<u>\$ 1,319,920</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2015

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 882,256	\$ 35,634	\$ (807,891)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	524,358	-	119,362
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	33,258	8,088	(22,305)
(Increase) decrease in inventory	8,477	-	-
(Increase) decrease in deferred outflow related to TMRS	(8,642)	-	(9,723)
Increase (decrease) in accounts payable	(187,900)	1,394	(116)
Increase (decrease) in accrued expenses	2,455	17	3,904
Increase (decrease) in deposits	8,530	-	-
Increase (decrease) in due to other governments	-	135	-
Increase (decrease) in compensated absences	(2,174)	-	3,060
Increase (decrease) in net pension liability	(8,660)	-	(9,743)
Increase (decrease) in deferred inflow related to TMRS	9,372	-	10,544
Total adjustments	<u>379,074</u>	<u>9,634</u>	<u>94,983</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,261,330</u>	<u>\$ 45,268</u>	<u>\$ (712,908)</u>

The accompanying notes are an integral part of this statement.

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Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (154,943)	\$ (85,224)	\$ (130,168)
38,696	112,137	794,553
(12,287)	15,613	22,367
-	37,560	46,037
(4,321)	-	(22,686)
7,161	(55,773)	(235,234)
(68)	248	6,556
1,000	-	9,530
-	-	135
2,171	18	3,075
(4,330)	-	(22,733)
<u>4,686</u>	<u>-</u>	<u>24,602</u>
<u>32,708</u>	<u>109,803</u>	<u>626,202</u>
<u>\$ (122,235)</u>	<u>\$ 24,579</u>	<u>\$ 496,034</u>

(concluded)



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

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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

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

A. Reporting Entity - (Continued)

Other Entities

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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.

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

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

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

The City reports the following major governmental funds:

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

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

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has six Capital Project Funds, three 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 Qualified Energy Conservation Bonds Fund accounts for the use of the proceeds from the bonds for utility cost reduction measures (UCRMs) in City buildings and facilities.

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

D. Budgets and Budgetary Accounting - (Continued)

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

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2015.

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, 2015, approximates fair value.

G. Receivables and Payables

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

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

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

H. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as prepaid items in both the fund financial statements and in the government-wide statements and recorded when purchased rather than when consumed.

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.

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

J. Compensated Absences - (Continued)

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

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

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

K. Long-term Obligations

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

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

L. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is the deferred amount calculated in the actuarial pension study required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position.



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

L. Deferred Outflows/Inflows of Resources - (Continued)

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB No. 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. Pensions

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

N. Fund Equity

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2015. This Statement did not have an impact on the City's functions, financial position or results of operations.

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

O. Use of Estimates

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

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund. There were several situations of expenditures exceeding the amounts appropriated during the fiscal year 2014-2015.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Capital outlay	\$ 241,500	\$ 338,242	\$ (96,742)
Transfers out	50,000	190,000	(140,000)

B. Deficit Fund Equity

As of September 30, 2015, the following fund had a deficit equity balance:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
2015 Bond Construction	\$ 141,516

**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2015, 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	\$ 131,427	40

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.

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

C. Concentration of Credit Risk

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

D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized. The City also held deposits in a bank other than the depository bank during fiscal year 2015 and at year-end. These deposits were either insured by the FDIC or honored by an irrevocable standby letter of credit that became effective on August 25, 2015 and expires on June 27, 2016. The City's deposits are therefore not subject to custodial credit risk at September 30, 2015.

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, 2015, and for the year then ended, the City was not exposed to any custodial credit risk.

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

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2015, consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:									
Accounts	\$ 365,489	\$ -	\$ 347,220	\$ 146,050	\$ 89,266	\$ 30,676	\$ 6,929	\$ 59,142	\$ 1,044,772
Ad valorem taxes	203,428	113,712	-	-	-	-	-	-	317,140
Franchise taxes	85,781	-	-	-	-	-	-	-	85,781
Fines	211,411	-	-	-	-	-	-	-	211,411
Other	7,184	-	-	-	-	-	-	890	8,074
Total gross receivables	873,293	113,712	347,220	146,050	89,266	30,676	6,929	60,032	1,667,178
Less: Allowances	548,013	30,044	-	-	-	-	-	-	578,057
Total net receivables	<u>\$ 325,280</u>	<u>\$ 83,668</u>	<u>\$ 347,220</u>	<u>\$ 146,050</u>	<u>\$ 89,266</u>	<u>\$ 30,676</u>	<u>\$ 6,929</u>	<u>\$ 60,032</u>	<u>\$ 1,089,121</u>

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

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem receivable	\$ 143,176	\$ -	\$ 143,176
Fines	84,565	-	84,565
Other	4,575	-	4,575
Debt Service Fund			
Ad valorem receivable	<u>83,668</u>	<u>-</u>	<u>83,668</u>
	<u>\$ 315,984</u>	<u>\$ -</u>	<u>\$ 315,984</u>

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.43202 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.19746 and \$0.23456, respectively. The resulting adjusted total tax levy was \$1,928,921 on the total adjusted taxable valuation of \$411,140,825 for the 2014 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, 2015, are summarized as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Emergency Medical Services</u>	<u>Total</u>
Sales taxes	\$ 248,138	\$ -	\$ -	\$ -	\$ 248,138
Federal and state grants	19,585	-	115,033	38,912	173,530
Property taxes	1,433	1,438	-	-	2,871
Other	<u>14,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,569</u>
	<u>\$ 283,725</u>	<u>\$ 1,438</u>	<u>\$ 115,033</u>	<u>\$ 38,912</u>	<u>\$ 439,108</u>

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**NOTE 6: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	242,074	122,487	241,384	123,177
Total capital assets not being depreciated	<u>1,415,359</u>	<u>122,487</u>	<u>241,384</u>	<u>1,296,462</u>
Capital assets, being depreciated				
Machinery and equipment	5,862,489	440,130	189,390	6,113,229
Buildings and improvements	4,836,350	9,500	-	4,845,850
Infrastructure	12,438,020	602,128	-	13,040,148
Total capital assets being depreciated	<u>23,136,859</u>	<u>1,051,758</u>	<u>189,390</u>	<u>23,999,227</u>
Less accumulated depreciation for				
Machinery and equipment	3,429,838	416,954	189,390	3,657,402
Buildings and improvements	1,671,899	129,809	-	1,801,708
Infrastructure	5,849,511	344,351	-	6,193,862
Total accumulated depreciation	<u>10,951,248</u>	<u>891,114</u>	<u>189,390</u>	<u>11,652,972</u>
Total capital assets being depreciated, net	<u>12,185,611</u>	<u>160,644</u>	<u>-</u>	<u>12,346,255</u>
Governmental activities capital assets, net	<u>\$ 13,600,970</u>	<u>\$ 283,131</u>	<u>\$ 241,384</u>	<u>\$ 13,642,717</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	599,718	880,894	536,968	943,644
Total capital assets not being depreciated	<u>918,811</u>	<u>880,894</u>	<u>536,968</u>	<u>1,262,737</u>
Capital assets, being depreciated				
Machinery and equipment	3,088,004	334,651	4,000	3,418,655
Land improvements	1,153,850	-	-	1,153,850
Buildings and improvements	5,626,801	114,931	-	5,741,732
Water and sewer system	20,263,614	875,691	-	21,139,305
Total capital assets being depreciated	<u>30,132,269</u>	<u>1,325,273</u>	<u>4,000</u>	<u>31,453,542</u>
Less accumulated depreciation for				
Machinery and equipment	2,201,270	176,742	4,000	2,374,012
Land improvements	64,385	23,077	-	87,462
Buildings and improvements	1,547,583	113,716	-	1,661,299
Water and sewer system	9,331,926	443,591	-	9,775,517
Total accumulated depreciation	<u>13,145,164</u>	<u>757,126</u>	<u>4,000</u>	<u>13,898,290</u>
Total capital assets being depreciated, net	<u>16,987,105</u>	<u>568,147</u>	<u>-</u>	<u>17,555,252</u>
Business-type activities capital assets, net	<u>\$ 17,905,916</u>	<u>\$ 1,449,041</u>	<u>\$ 536,968</u>	<u>\$ 18,817,989</u>

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

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

<b>Governmental activities</b>	
General government	\$ 44,556
Public safety	338,623
Public works	436,646
Cultural and recreation	<u>71,289</u>
Total depreciation expense - governmental activities	<u>\$ 891,114</u>
<b>Business-type activities</b>	
Water and sewer	\$ 496,679
Emergency medical services	119,362
Civic center	32,179
Airport	<u>108,905</u>
Total depreciation expense - business-type activities	<u>\$ 757,125</u>

At September 30, 2015, 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: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.thrs.com](http://www.thrs.com). All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2015 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>95</u>
	<u>168</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.35% and 6.61% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$313,995, and were equal to the required contributions.

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

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31 <sup>st</sup>
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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

Net Pension Liability - (Continued)

*Actuarial Assumptions - (Continued)*

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	<u>5.00%</u>	8.50%
<b>Total</b>	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2013</b>	\$ 12,661,298	\$ 12,076,821	\$ 584,477
Changes for the year:			
Service cost	392,673	-	392,673
Interest	883,991	-	883,991
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(148,089)	-	(148,089)
Change of assumptions	-	-	-
Contributions - Employer	-	329,560	(329,560)
Contributions - Employee	-	224,191	(224,191)
Net investment income	-	690,883	(690,883)
Benefit payments, including refunds of employee contributions	(458,381)	(458,381)	-
Administrative expense	-	(7,213)	7,213
Other changes	-	(593)	593
Net changes	<u>670,194</u>	<u>778,447</u>	<u>(108,253)</u>
<b>Balance at 12/31/2014</b>	<u>\$ 13,331,492</u>	<u>\$ 12,855,268</u>	<u>\$ 476,224</u>

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

Net Pension Liability - (Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.0%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1.0% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1.0% Increase in Discount Rate (8.0%)
City's Net Pension Liability:	\$2,391,256	\$476,224	\$(1,090,461)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2015 the City recognized pension expense of \$214,860.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 117,149
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	123,595	-
Contributions subsequent to the measurement date	234,373	-
Total	\$ 357,968	\$ 117,149

\$234,373 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2015	\$ (42)
2016	(42)
2017	(42)
2018	6,573
2019	-
Thereafter	-

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**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$1,852, \$1,634, and \$1,529, respectively, which equaled the required contributions each year.

**NOTE 9: RISK MANAGEMENT**

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

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**NOTE 10: LONG-TERM DEBT**

A. Changes In Long-term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 8,130,275	\$ -	\$ 266,875	\$ 7,863,400	\$ 334,250
General obligation bonds	3,017,032	-	168,400	2,848,632	293,150
Qualified energy cons. bonds	-	446,987	-	446,987	26,122
Plus deferred amounts:					
Issuance premiums	<u>292,312</u>	<u>-</u>	<u>20,676</u>	<u>271,636</u>	<u>-</u>
Total bonds and certificates payable	<u>11,439,619</u>	<u>446,987</u>	<u>455,951</u>	<u>11,430,655</u>	<u>653,522</u>
Tax anticipation notes	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>-</u>
Capital leases payable	<u>-</u>	<u>98,262</u>	<u>19,317</u>	<u>78,945</u>	<u>18,745</u>
Net pension liability	<u>461,737</u>	<u>-</u>	<u>85,520</u>	<u>376,217</u>	<u>-</u>
Compensated absences	<u>304,915</u>	<u>311,063</u>	<u>293,497</u>	<u>322,481</u>	<u>32,248</u>
Total governmental activity long-term liabilities	<u>\$ 12,381,271</u>	<u>\$ 856,312</u>	<u>\$ 1,029,285</u>	<u>\$ 12,208,298</u>	<u>\$ 704,515</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 4,979,725	\$ -	\$ 253,125	\$ 4,726,600	\$ 255,650
General obligation bonds	1,832,968	-	186,600	1,646,368	201,950
Qualified energy cons. bonds	-	1,149,396	-	1,149,396	67,172
Plus deferred amounts:					
Issuance premiums	<u>211,266</u>	<u>-</u>	<u>17,145</u>	<u>194,121</u>	<u>-</u>
Total bonds and certificates payable	<u>7,023,959</u>	<u>1,149,396</u>	<u>456,870</u>	<u>7,716,485</u>	<u>524,772</u>
Capital leases payable	<u>-</u>	<u>45,081</u>	<u>8,862</u>	<u>36,219</u>	<u>8,600</u>
Net pension liability	<u>122,740</u>	<u>-</u>	<u>22,733</u>	<u>100,007</u>	<u>-</u>
Compensated absences	<u>84,956</u>	<u>104,089</u>	<u>101,014</u>	<u>88,031</u>	<u>8,803</u>
Total business-type activity long-term liabilities	<u>\$ 7,231,655</u>	<u>\$ 1,298,566</u>	<u>\$ 589,479</u>	<u>\$ 7,940,742</u>	<u>\$ 542,175</u>

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

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

The City has defeased certain outstanding bonds and certificates by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old bonds and certificates. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2015, \$4,525,000 of bonds and certificates outstanding was considered defeased.

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

B. General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 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>	
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	330,250	50,512	259,750	25,913	666,425
2021-2025	956,932	140,575	393,068	36,675	1,527,250
2026-2027	344,450	13,861	70,550	2,839	431,700
	<u>\$ 2,848,632</u>	<u>\$ 502,723</u>	<u>\$ 1,646,368</u>	<u>\$ 256,827</u>	<u>\$ 5,254,550</u>

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

C. Combination Tax and Revenue Certificates of Obligation

The City also issues combination tax and revenue certificates of obligation (C.O.'s) to provide funds for the acquisition and construction of major capital facilities payable from the proceeds of an annual ad valorem tax and further payable from a junior and subordinate pledge of the net revenues of the City's water and sewer system. The C.O.'s have been issued for both governmental and business-type activities. C.O.'s currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Series 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>	
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	417,350	254,331	212,650	145,056	1,029,387
2021-2025	2,499,750	1,018,347	1,285,250	596,816	5,400,163
2026-2030	3,107,650	462,359	1,567,350	315,344	5,452,703
2031-2033	420,000	34,978	630,000	52,466	1,137,444
	<u>\$ 7,863,400</u>	<u>\$ 2,911,011</u>	<u>\$ 4,726,600</u>	<u>\$ 1,791,186</u>	<u>\$ 17,292,197</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 were payable from and secured by ad valorem taxes and were designated as qualified tax-exempt obligations. The notes were issued for governmental activities and were paid off during fiscal year 2015.

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

E. Qualified Energy Conservation Bonds

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

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

Annual debt service requirements to maturity for QECB.'s are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 26,122	\$ 5,455	\$ 67,172	\$ 14,027	\$ 112,776
2017	25,201	6,376	64,804	16,396	112,777
2018	25,583	5,994	65,785	15,414	112,776
2019	25,971	5,607	66,782	14,417	112,777
2020	26,364	5,213	67,794	13,406	112,777
2021-2025	137,935	19,953	354,688	51,307	563,883
2026-2030	148,705	9,183	382,384	23,612	563,884
2031	31,106	471	79,987	1,212	112,776
	<u>\$ 446,987</u>	<u>\$ 58,252</u>	<u>\$ 1,149,396</u>	<u>\$ 149,791</u>	<u>\$ 1,804,426</u>

F. Capital Leases

Lease purchase agreement on various equipment. The original amount of the lease, entered into in fiscal year 2015, was \$143,343. The lease is payable in semi-annual installments of \$15,569 and bears interest at a rate of 3.50%.

\$ 115,164

\$ 115,164

The present value of the capital leases after deduction of imputed interest is \$115,164.

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 18,745	\$ 2,600	\$ 8,600	\$ 1,193	\$ 31,138
2017	19,407	1,939	8,903	889	31,138
2018	20,092	1,253	9,218	575	31,138
2019	20,701	544	9,498	250	30,993
	<u>\$ 78,945</u>	<u>\$ 6,336</u>	<u>\$ 36,219</u>	<u>\$ 2,907</u>	<u>\$ 124,407</u>

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

A. Interfund Receivables and Payables

Due To/From Other Funds

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2015, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Qualified Energy Cons. Bonds	\$ 3,381
	Nonmajor Governmental	116,542
	Water and Sewer	547,817
	Solid Waste	52,469
	Emergency Medical Services	10,001
	Civic Center	1,690
	Airport	363
		<u>732,263</u>
2013 Bond Construction	General	73,412
	Water and Sewer	311,133
		<u>384,545</u>
Nonmajor Governmental	General	128
	Nonmajor Governmental	33,464
		<u>33,592</u>
Water and Sewer	2013 Bond Construction	2,160,835
	Qualified Energy Cons. Bonds	876,802
	Nonmajor Governmental	5,951
		<u>3,043,588</u>
Emergency Medical Services	General	47
Civic Center	Qualified Energy Cons. Bonds	219,200
	Nonmajor Governmental	5,724
		<u>224,924</u>
Airport	Qualified Energy Cons. Bonds	31,314
		<u>\$ 4,450,273</u>

Advances To/From Other Funds

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

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



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

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds.

During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General</u>	<u>2013 Bond Construction</u>	<u>Water and Sewer</u>	<u>Civic Center</u>	<u>Nonmajor Governmental</u>	
General	\$ -	\$ 140,000	\$ -	\$ -	\$ 50,000	\$ 190,000
Nonmajor Governmental	-	-	111	156,724	-	156,835
Water and Sewer	821,669	-	-	-	25,000	846,669
Emergency Medical Services	98,412	-	-	-	-	98,412
	<u>\$ 920,081</u>	<u>\$ 140,000</u>	<u>\$ 111</u>	<u>\$ 156,724</u>	<u>\$ 75,000</u>	<u>\$ 1,291,916</u>

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2015, 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, 2015, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Sidewalk enhancement project	\$ 55,385
FM 1301 extension to US 59 and overpass project	69,186
Wastewater treatment plant improvements	1,686,940
Ahldag sewer improvements	188,636
Alabama/Kelvingway/Croom waterline improvements	12,000
Total	<u>\$ 2,012,147</u>

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

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**NOTE 13: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2015:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Prepaid items	\$ 7,847	\$ -	\$ -	\$ -	\$ 7,847
Long-term interfund advances	430,000	-	-	-	430,000
Unassigned	-	-	-	1,289,786	1,289,786
Debt Service					
Long-term debt	-	468,843	-	-	468,843
2011 Bond Construction					
Various capital projects	-	2,600,869	-	-	2,600,869
2013 Bond Construction					
Various capital projects	-	563	-	-	563
Qualified Energy Cons. Bonds					
Various capital projects	-	435,020	-	-	435,020
Nonmajor Governmental					
Various capital projects	-	-	18,886	-	18,886
Arts and tourism	-	75,716	-	-	75,716
Municipal court security and technology	-	26,463	-	-	26,463
Law enforcement	-	18,826	-	-	18,826
Fire department	-	1,015	-	-	1,015
Unassigned	-	-	-	(141,516)	(141,516)
	<u>\$ 437,847</u>	<u>\$ 3,627,315</u>	<u>\$ 18,886</u>	<u>\$ 1,148,270</u>	<u>\$ 5,232,318</u>

**NOTE 14: NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS**

The GASB has issued the following statement which became effective for fiscal year 2015:

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.

**NOTE 14: NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS - (Continued)**

The implementation of GASB No. 68 resulted restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	Fund Level				
	Government-wide Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds		
	Governmental Activities	Business-type Activities	Water and Sewer	Emergency Medical Services	Civic Center
Net position at September 30, 2014, as previously reported	\$ 7,407,547	\$ 14,301,123	\$ 7,919,822	\$ 1,245,690	\$ 1,122,218
Recording of net pension liability as of September 30, 2014	(461,737)	(122,741)	(46,758)	(52,603)	(23,380)
Deferral for pension contributions made after the measurement date	197,451	52,487	19,995	22,494	9,998
Net position at September 30, 2014, as restated	<u>\$ 7,143,261</u>	<u>\$ 14,230,869</u>	<u>\$ 7,893,059</u>	<u>\$ 1,215,581</u>	<u>\$ 1,108,836</u>

**NOTE 15: SUBSEQUENT EVENTS**

In October 2015, the City issued Tax and Revenue Certificates of Obligation, Series 2015 of \$2,715,000. The certificates are due in annual installments ranging from \$120,000 to \$205,000 through 2033 with interest varying from 2.00% to 3.50%. The proceeds from the sale of the bonds will be used to construct, improve and repair City streets, drainage and sidewalks, as well as utility line replacement, utility plant improvements, airport hangar improvements, purchase of street equipment and mobile generator for lift station and to pay costs of issuance of the certificates.

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**NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION**

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

A. Organization

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

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

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2015, the final budget anticipated \$1,580,536 more in expenditures than revenues. This amount was to be funded from existing fund balance of \$1,031,056 and budgeted borrowings of \$600,000. WEDC was within its budget for all line item expenditures.

Deposits and Investments

WEDC's cash and cash equivalents are considered to be cash on hand, short-term certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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**NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

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

Inventory

WEDC's inventory, which consists of materials and supplies, is recorded using the purchases method.

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. Accumulated benefits payable is not considered material to the accompanying financial statements. As such, no liability for these benefits has been reported as of September 30, 2015.

Fund Equity

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

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

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

Federal Income Taxes

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

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**NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)****C. Deposits and Investments**

As of September 30, 2015, 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	40
Certificate of Deposit	244,909	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 maximum weighted average maturity of the overall portfolio of WEDC's operating funds cannot exceed six months.

**Credit Risk**

It is WEDC's policy to limit its investments to those with ratings of not less than A or its equivalent. WEDC's investments in the public funds investment pools include those with TexPool. The pool operates in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by 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, 2015, WEDC had deposits in six financial institutions and the deposits were FDIC insured at each institution up to \$250,000. Because WEDC had no bank deposits exceeding \$250,000, it did not have a pledged collateral agreement in place during the year. As of September 30, 2015, and for the year then ended, WEDC was not exposed to any custodial credit risk.

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**NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

C. Deposits and Investments - (Continued)

Custodial Credit Risk - Deposits - (Continued)

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 and, therefore, WEDC's bank deposits may not be insured above \$250,000.

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, 2015, 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, 2015, 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, 2015, was \$124,069. 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, 2015, tax rebate expenditures of \$70,643 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, 2015, tax rebate expenditures of \$11,697 were incurred.

**NOTE 16: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

G. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Real estate held for development	\$ 385,335	\$ -	\$ -	\$ 385,335
Total capital assets not being depreciated	<u>385,335</u>	<u>-</u>	<u>-</u>	<u>385,335</u>
Capital assets, being depreciated				
Leasehold improvements	8,975	-	-	8,975
Furniture and fixtures	<u>28,088</u>	<u>-</u>	<u>-</u>	<u>28,088</u>
Total capital assets being depreciated	<u>37,063</u>	<u>-</u>	<u>-</u>	<u>37,063</u>
Less accumulated depreciation for				
Furniture and fixtures	<u>33,175</u>	<u>598</u>	<u>-</u>	<u>33,773</u>
Total accumulated depreciation	<u>33,175</u>	<u>598</u>	<u>-</u>	<u>33,773</u>
Total capital assets being depreciated, net	<u>3,888</u>	<u>(598)</u>	<u>-</u>	<u>3,290</u>
Governmental activities capital assets, net	<u>\$ 389,223</u>	<u>\$ (598)</u>	<u>\$ -</u>	<u>\$ 388,625</u>

H. Long-term Debt

Long-term liability activity for the year ended September 30, 2015, 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	\$ 209,249	\$ -	\$ 133,319	\$ 75,930	\$ 75,930
	<u>\$ 209,249</u>	<u>\$ -</u>	<u>\$ 133,319</u>	<u>\$ 75,930</u>	<u>\$ 75,930</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.



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**NOTE 16: 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>	
2016	\$ 75,930	\$ 950	\$ 76,880
	<u>\$ 75,930</u>	<u>\$ 950</u>	<u>\$ 76,880</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, 2015, \$14,851 was paid under this agreement.

Lease Income Agreements

WEDC leases real estate to a manufacturing company for \$8,640 per year under the terms of the one-year lease effective July 10, 2001. 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, 2016.

WEDC entered into a one-year lease of a signboard effective January 24, 2008. During the 2015 fiscal year, WEDC received \$1,650 from the lease. This lease is automatically renewed each year unless one party terminates the lease, with 30 days notice.

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**NOTE 16: 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, 2015, WEDC owed the City \$19,276 for wages and benefits previously paid by the City.

L. Commitments

As of September 30, 2015, WEDC had approved but not yet paid \$854,357 for business restoration grants and other various construction projects. WEDC has committed to paying \$87,600 in business restoration grants, \$166,757 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.

M. Employees' Retirement Plan

WEDC provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. Details of the funding arrangements can be found in the City's comprehensive annual financial report. The employees of WEDC are treated as employees of the City for retirement plan purposes.

**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, 2015

With comparative totals for the year ended September 30, 2014

	2015			Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 3,333,289	\$ 3,333,289	\$ 3,285,923	\$ (47,366)	\$ 3,374,232
Licenses and permits	94,400	80,400	78,284	(2,116)	106,913
Intergovernmental	157,250	307,250	368,740	61,490	149,014
Charges for services	12,250	12,250	13,965	1,715	5,745
Fines and forfeitures	228,022	248,894	238,545	(10,349)	204,369
Investment income	1,500	1,500	2,127	627	2,185
Industrial district fee	877,318	877,318	877,318	-	905,337
Miscellaneous	18,891	18,891	23,732	4,841	53,337
<b>Total revenues</b>	<u>4,722,920</u>	<u>4,879,792</u>	<u>4,888,634</u>	<u>8,842</u>	<u>4,801,132</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	907,002	933,966	908,415	25,551	845,852
Public safety	3,301,827	3,281,466	3,260,797	20,669	3,300,350
Public works	1,063,852	1,106,047	1,092,871	13,176	1,077,642
Cultural and recreation	101,815	91,940	83,363	8,577	80,111
Capital outlay	102,000	241,500	338,242	(96,742)	88,712
Debt service	18,051	24,500	23,752	748	2,420
<b>Total expenditures</b>	<u>5,494,547</u>	<u>5,679,419</u>	<u>5,707,440</u>	<u>(28,021)</u>	<u>5,395,087</u>
Excess (deficiency) of revenues over expenditures	(771,627)	(799,627)	(818,806)	(19,179)	(593,955)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	35,000	35,000	-	(35,000)	2,675
Capital lease proceeds	-	-	98,262	98,262	-
Transfers in	786,627	814,627	920,081	105,454	732,403
Transfers out	(50,000)	(50,000)	(190,000)	(140,000)	(50,000)
<b>Total other financing sources (uses)</b>	<u>771,627</u>	<u>799,627</u>	<u>828,343</u>	<u>28,716</u>	<u>685,078</u>
Net change in fund balance	-	-	9,537	9,537	91,123
Fund balance at beginning of year	1,718,096	1,718,096	1,718,096	-	1,626,973
<b>Fund balance at end of year</b>	<u>\$ 1,718,096</u>	<u>\$ 1,718,096</u>	<u>\$ 1,727,633</u>	<u>\$ 9,537</u>	<u>\$ 1,718,096</u>

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

**CITY OF WHARTON, TEXAS****SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last ten years

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	<u>2014</u>
<b>Total Pension Liability</b>	
Service cost	\$ 392,673
Interest (on the total pension liability)	883,991
Changes of benefit terms	-
Difference between expected and actual experience	(148,089)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(458,381)</u>
<b>Net Change in Total Pension Liability</b>	670,194
<b>Total Pension Liability - Beginning</b>	<u>12,661,298</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 13,331,492</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 329,560
Contributions - Employee	224,191
Net Investment Income	690,883
Benefit payments, including refunds of employee contributions	(458,381)
Administrative expense	(7,213)
Other	<u>(593)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	778,447
<b>Plan Fiduciary Net Position - Beginning</b>	<u>12,076,821</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 12,855,268</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 476,224
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	96.43%
<b>Covered Employee Payroll</b>	\$ 4,483,820
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	10.62%

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

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

**CITY OF WHARTON, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
*Last ten fiscal years*

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	<u>2015</u>
Actuarially Determined Contribution	\$ 313,995
Contribution in relation to the actuarially determined contribution	<u>(317,405)</u>
Contribution deficiency (excess)	<u>\$ (3,410)</u>
Covered employee payroll	\$ 4,629,029
Contributions as a percentage of covered employee payroll	6.86%

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

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

**CITY OF WHARTON, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
 September 30, 2015

**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, 2015, the City complied with budgetary restrictions at all departmental levels except the following:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Capital outlay	\$ 241,500	\$ 338,242	\$ (96,742)
Transfers out	50,000	190,000	(140,000)

**NOTE 3: TEXAS MUNICIPAL RETIREMENT SYSTEM**

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Combining and Individual Fund Statements and Schedules**



**CITY OF WHARTON, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2015**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 67,662	\$ 65	\$ 67,727
Receivables, net	60,032	-	60,032
Due from other funds	128	33,464	33,592
<b>Total assets</b>	<u>\$ 127,822</u>	<u>\$ 33,529</u>	<u>\$ 161,351</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 78	\$ 202	\$ 280
Due to other funds	5,724	155,957	161,681
<b>Total liabilities</b>	<u>5,802</u>	<u>156,159</u>	<u>161,961</u>
<b>FUND BALANCES</b>			
Restricted			
Cultural and recreation	75,716	-	75,716
Municipal court	26,463	-	26,463
Public safety	19,841	-	19,841
Committed			
Various capital projects	-	18,886	18,886
Unassigned	-	(141,516)	(141,516)
<b>Total fund balances</b>	<u>122,020</u>	<u>(122,630)</u>	<u>(610)</u>
<b>Total liabilities and fund balances</b>	<u>\$ 127,822</u>	<u>\$ 33,529</u>	<u>\$ 161,351</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, 2015

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 217,309	\$ -	\$ 217,309
Fines and forfeitures	15,847	-	15,847
Investment income	95	96	191
Miscellaneous	6,894	-	6,894
<b>Total revenues</b>	<u>240,145</u>	<u>96</u>	<u>240,241</u>
<b>EXPENDITURES</b>			
Current			
General government	7,363	-	7,363
Public safety	2,837	-	2,837
Public works	-	25,776	25,776
Cultural and recreation	61,844	-	61,844
Capital outlay	-	237,636	237,636
<b>Total expenditures</b>	<u>72,044</u>	<u>263,412</u>	<u>335,456</u>
Excess (deficiency) of revenues over expenditures	168,101	(263,316)	(95,215)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	75,000	75,000
Transfers out	(156,724)	(111)	(156,835)
<b>Total other financing sources (uses)</b>	<u>(156,724)</u>	<u>74,889</u>	<u>(81,835)</u>
Net change in fund balances	11,377	(188,427)	(177,050)
Fund balances at beginning of year	<u>110,643</u>	<u>65,797</u>	<u>176,440</u>
<b>Fund balances at end of year</b>	<u>\$ 122,020</u>	<u>\$ (122,630)</u>	<u>\$ (610)</u>

## SPECIAL REVENUE FUNDS

The City maintains six 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, 2015

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	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 19,126	\$ 547	\$ 17,936	\$ 1,015
Receivables, net				
Accounts	59,142	-	890	-
Due from other funds	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 78,268</u>	<u>\$ 627</u>	<u>\$ 18,826</u>	<u>\$ 1,015</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>5,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>5,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted				
Cultural and recreation	72,544	-	-	-
Municipal court	-	627	-	-
Public safety	<u>-</u>	<u>-</u>	<u>18,826</u>	<u>1,015</u>
<b>Total fund balances</b>	<u>72,544</u>	<u>627</u>	<u>18,826</u>	<u>1,015</u>
<b>Total liabilities and fund balances</b>	<u>\$ 78,268</u>	<u>\$ 627</u>	<u>\$ 18,826</u>	<u>\$ 1,015</u>

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Municipal Court Building Security	Railroad Depot Restoration	Total
\$ 25,788	\$ 3,250	\$ 67,662
-	-	60,032
<u>48</u>	<u>-</u>	<u>128</u>
<u>\$ 25,836</u>	<u>\$ 3,250</u>	<u>\$ 127,822</u>
\$ -	\$ 78	\$ 78
<u>-</u>	<u>-</u>	<u>5,724</u>
<u>-</u>	<u>78</u>	<u>5,802</u>
-	3,172	75,716
25,836	-	26,463
<u>-</u>	<u>-</u>	<u>19,841</u>
<u>25,836</u>	<u>3,172</u>	<u>122,020</u>
<u>\$ 25,836</u>	<u>\$ 3,250</u>	<u>\$ 127,822</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, 2015*

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
<b>REVENUES</b>				
Taxes	\$ 217,309	\$ -	\$ -	\$ -
Fines and forfeitures	-	7,294	3,422	-
Investment income	50	1	15	1
Miscellaneous	-	-	6,580	-
<b>Total revenues</b>	<u>217,359</u>	<u>7,295</u>	<u>10,017</u>	<u>1</u>
<b>EXPENDITURES</b>				
Current				
General government	-	7,363	-	-
Public safety	-	-	2,837	-
Cultural and recreation	60,306	-	-	-
<b>Total expenditures</b>	<u>60,306</u>	<u>7,363</u>	<u>2,837</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	157,053	(68)	7,180	1
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(156,724)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(156,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	329	(68)	7,180	1
Fund balances at beginning of year	72,215	695	11,646	1,014
<b>Fund balances at end of year</b>	<u>\$ 72,544</u>	<u>\$ 627</u>	<u>\$ 18,826</u>	<u>\$ 1,015</u>

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Municipal Court Building Security	Railroad Depot Restoration	Total
\$ -	\$ -	\$ 217,309
5,131	-	15,847
27	1	95
-	314	6,894
<u>5,158</u>	<u>315</u>	<u>240,145</u>
-	-	7,363
-	-	2,837
-	1,538	61,844
-	1,538	72,044
5,158	(1,223)	168,101
-	-	(156,724)
-	-	(156,724)
5,158	(1,223)	11,377
20,678	4,395	110,643
<u>\$ 25,836</u>	<u>\$ 3,172</u>	<u>\$ 122,020</u>

## **CAPITAL PROJECT FUNDS**

The City maintains six Capital Project Funds: 2011 Bond Construction Fund, the 2013 Bond Construction Fund, the Qualified Energy Conservation Bonds Fund, the 2009 Bond Construction Fund, the Capital Improvement Fund, and the 2015 Bond Construction Fund. The purpose of these funds is to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The 2011 Bond Construction Fund, the 2013 Bond Construction Fund, and the Qualified Energy Conservation Bonds 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.

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

**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.

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



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

September 30, 2015

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	<u>Capital Improvement</u>	<u>2015 Bond Construction</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 65	\$ -	\$ 65
Due from other funds	<u>33,464</u>	<u>-</u>	<u>33,464</u>
<b>Total assets</b>	<u>\$ 33,529</u>	<u>\$ -</u>	<u>\$ 33,529</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 202	\$ -	\$ 202
Due to other funds	<u>14,441</u>	<u>141,516</u>	<u>155,957</u>
<b>Total liabilities</b>	<u>14,643</u>	<u>141,516</u>	<u>156,159</u>
<b>FUND BALANCES</b>			
Committed			
Various capital projects	18,886	-	18,886
Unassigned	<u>-</u>	<u>(141,516)</u>	<u>(141,516)</u>
<b>Total fund balances</b>	<u>18,886</u>	<u>(141,516)</u>	<u>(122,630)</u>
<b>Total liabilities and fund balances</b>	<u>\$ 33,529</u>	<u>\$ -</u>	<u>\$ 33,529</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, 2015

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	<u>2009 Bond Construction</u>	<u>Capital Improvement</u>	<u>2015 Bond Construction</u>	<u>Total</u>
<b>REVENUES</b>				
Investment income	\$ -	\$ 96	\$ -	\$ 96
<b>Total revenues</b>	<u>-</u>	<u>96</u>	<u>-</u>	<u>96</u>
<b>EXPENDITURES</b>				
Current				
Public works	-	19,825	5,951	25,776
Capital outlay	-	102,071	135,565	237,636
<b>Total expenditures</b>	<u>-</u>	<u>121,896</u>	<u>141,516</u>	<u>263,412</u>
Excess (deficiency) of revenues over expenditures	-	(121,800)	(141,516)	(263,316)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	75,000	-	75,000
Transfers out	(111)	-	-	(111)
<b>Total other financing sources (uses)</b>	<u>(111)</u>	<u>75,000</u>	<u>-</u>	<u>74,889</u>
Net change in fund balances	(111)	(46,800)	(141,516)	(188,427)
Fund balances at beginning of year	<u>111</u>	<u>65,686</u>	<u>-</u>	<u>65,797</u>
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ 18,886</u>	<u>\$ (141,516)</u>	<u>\$ (122,630)</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, 2015*  
*With comparative totals for September 30, 2014*

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 472,142	\$ 1,093,039
Receivables, net		
Taxes	228,957	249,739
Fines	84,564	68,231
Other	11,759	7,135
Due from other funds	732,263	161,187
Due from component unit	19,276	18,301
Due from other governments	283,725	254,448
Advances to other funds	430,000	325,000
Prepaid items	<u>7,847</u>	<u>26,809</u>
<b>Total assets</b>	<u>\$ 2,270,533</u>	<u>\$ 2,203,889</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 123,821	\$ 139,285
Accrued expenditures	78,259	68,034
Due to other governments	34,647	43,080
Due to other funds	73,587	925
Deposits	<u>270</u>	<u>245</u>
<b>Total liabilities</b>	<u>310,584</u>	<u>251,569</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>232,316</u>	<u>234,224</u>
<b>Total deferred inflows of resources</b>	<u>232,316</u>	<u>234,224</u>
<b>FUND BALANCE</b>		
Nonspendable		
Prepaid items	7,847	26,809
Long-term receivables	430,000	325,000
Unassigned	<u>1,289,786</u>	<u>1,366,287</u>
<b>Total fund balance</b>	<u>1,727,633</u>	<u>1,718,096</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 2,270,533</u>	<u>\$ 2,203,889</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, 2015

With comparative totals for the year ended September 30, 2014

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 929,465	\$ 913,250	\$ (16,215)	\$ 1,069,438
Sales	1,299,164	1,295,561	(3,603)	1,252,647
Franchise	1,104,660	1,077,112	(27,548)	1,052,147
Licenses and permits	80,400	78,284	(2,116)	106,913
Intergovernmental	307,250	368,740	61,490	149,014
Charges for services	12,250	13,965	1,715	5,745
Fines and forfeitures	248,894	238,545	(10,349)	204,369
Investment income	1,500	2,127	627	2,185
Industrial district fee	877,318	877,318	-	905,337
Miscellaneous	18,891	23,732	4,841	53,337
<b>Total revenues</b>	<b>4,879,792</b>	<b>4,888,634</b>	<b>8,842</b>	<b>4,801,132</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Mayor and council	43,175	34,835	8,340	26,379
City manager	243,599	242,278	1,321	242,427
City secretary	99,286	95,677	3,609	87,018
Legal and professional	68,000	66,450	1,550	52,129
Finance	269,702	266,743	2,959	261,304
Municipal court	137,657	130,774	6,883	119,818
Central services	72,547	71,658	889	56,777
Total general government	933,966	908,415	25,551	845,852
<b>Public safety</b>				
Police	2,066,636	2,060,892	5,744	2,063,467
Fire	282,728	279,866	2,862	282,879
Code enforcement	240,269	237,745	2,524	207,323
Emergency management	105,824	103,969	1,855	133,169
Animal control	58,505	57,133	1,372	61,512
Communications	527,504	521,192	6,312	552,000
Total public safety	3,281,466	3,260,797	20,669	3,300,350
<b>Public works</b>				
Streets and drainage	722,305	717,397	4,908	693,753
Garage	165,432	162,231	3,201	175,656
Facilities maintenance	218,310	213,243	5,067	208,233
Total public works	1,106,047	1,092,871	13,176	1,077,642

(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, 2015

With comparative totals for the year ended September 30, 2014

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
<b>Current - (continued)</b>				
<b>Cultural and recreation</b>				
Community services	\$ 22,488	\$ 20,362	\$ 2,126	\$ 19,991
Recreation	25,800	24,775	1,025	21,024
Community pool	<u>43,652</u>	<u>38,226</u>	<u>5,426</u>	<u>39,096</u>
Total cultural and recreation	<u>91,940</u>	<u>83,363</u>	<u>8,577</u>	<u>80,111</u>
<b>Capital outlay</b>	<u>241,500</u>	<u>338,242</u>	<u>(96,742)</u>	<u>88,712</u>
<b>Debt service</b>				
Principal retirement	20,000	19,317	683	-
Interest and fiscal charges	<u>4,500</u>	<u>4,435</u>	<u>65</u>	<u>2,420</u>
Total debt service	<u>24,500</u>	<u>23,752</u>	<u>748</u>	<u>2,420</u>
<b>Total expenditures</b>	<u>5,679,419</u>	<u>5,707,440</u>	<u>(28,021)</u>	<u>5,395,087</u>
Excess (deficiency) of revenues over expenditures	(799,627)	(818,806)	(19,179)	(593,955)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	35,000	-	(35,000)	2,675
Capital lease proceeds	-	98,262	98,262	-
Transfers in	814,627	920,081	105,454	732,403
Transfers out	<u>(50,000)</u>	<u>(190,000)</u>	<u>(140,000)</u>	<u>(50,000)</u>
<b>Total other financing sources (uses)</b>	<u>799,627</u>	<u>828,343</u>	<u>28,716</u>	<u>685,078</u>
Net change in fund balance	<u>\$ -</u>	<u>9,537</u>	<u>\$ 9,537</u>	<u>91,123</u>
Fund balance at beginning of year		<u>1,718,096</u>		<u>1,626,973</u>
<b>Fund balance at end of year</b>		<u>\$ 1,727,633</u>		<u>\$ 1,718,096</u>

## **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, 2015

With comparative totals for September 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 467,405	\$ 435,215
Receivables, net		
Taxes	83,668	83,707
Due from other funds	-	883
Due from other governments	<u>1,438</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 552,511</u>	<u>\$ 519,805</u>
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>83,668</u>	<u>83,707</u>
<b>Total deferred inflows of resources</b>	<u>83,668</u>	<u>83,707</u>
<b>FUND BALANCE</b>		
Restricted		
Long-term debt	<u>468,843</u>	<u>436,098</u>
<b>Total fund balance</b>	<u>468,843</u>	<u>436,098</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 552,511</u>	<u>\$ 519,805</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, 2015

With comparative totals for the year ended September 30, 2014

	2015		Variance	2014
	Final Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,037,820	\$ 1,053,155	\$ 15,335	\$ 882,881
Investment income	<u>1,000</u>	<u>803</u>	<u>(197)</u>	<u>690</u>
<b>Total revenues</b>	<u>1,038,820</u>	<u>1,053,958</u>	<u>15,138</u>	<u>883,571</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	610,275	610,275	-	510,400
Interest and fiscal charges	415,335	410,938	4,397	362,593
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,868</u>
<b>Total expenditures</b>	<u>1,025,610</u>	<u>1,021,213</u>	<u>4,397</u>	<u>942,861</u>
Excess (deficiency) of revenues over expenditures	13,210	32,745	19,535	(59,290)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	-	-	2,988,000
Premium on issuance of bonds	-	-	-	136,192
Payment to escrow	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,048,579)</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,613</u>
Net change in fund balance	13,210	32,745	19,535	16,323
Fund balance at beginning of year	<u>436,098</u>	<u>436,098</u>	<u>-</u>	<u>419,775</u>
<b>Fund balance at end of year</b>	<u>\$ 449,308</u>	<u>\$ 468,843</u>	<u>\$ 19,535</u>	<u>\$ 436,098</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, 2015

With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 612,005	\$ 388,268
Receivables, net		
Accounts	347,220	380,478
Due from other funds	3,043,588	2,725,663
Due from other governments	115,033	-
Inventory	34,444	42,921
Total current assets	<u>4,152,290</u>	<u>3,537,330</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,276,025	1,180,149
Water and sewer system	<u>21,139,305</u>	<u>20,263,614</u>
Total capital assets	22,415,330	21,443,763
Accumulated depreciation	<u>(10,745,313)</u>	<u>(10,252,633)</u>
Subtotal	11,670,017	11,191,130
Land	276,750	276,750
Construction in progress	<u>719,023</u>	<u>545,432</u>
Net capital assets	<u>12,665,790</u>	<u>12,013,312</u>
Total noncurrent assets	<u>12,665,790</u>	<u>12,013,312</u>
<b>Total assets</b>	<u>16,818,080</u>	<u>15,550,642</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	16,382	19,771
Deferred outflow related to TMRS	<u>28,637</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>45,019</u>	<u>19,771</u>

	2015	2014
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 60,679	\$ 248,579
Accrued expenses	16,067	13,612
Deposits	207,596	199,066
Accrued interest payable	77,376	82,291
Due to other funds	858,950	69,617
Unearned revenue	-	131,133
Compensated absences	3,409	3,626
Current portion of noncurrent liabilities		
Capital lease	6,585	-
Certificates of obligation	239,250	243,250
General obligation bonds	179,450	160,200
Qualified energy conservation bonds	52,245	-
Total current liabilities	<u>1,701,607</u>	<u>1,151,374</u>
Noncurrent liabilities		
Advances from other funds	430,000	325,000
Compensated absences	30,677	32,634
Net pension liability	38,098	-
Capital lease	21,146	-
Bonds and certificates (net of unamortized deferred amounts)	6,548,845	6,141,583
Total noncurrent liabilities	<u>7,068,766</u>	<u>6,499,217</u>
<b>Total liabilities</b>	<u>8,770,373</u>	<u>7,650,591</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to TMRS	9,372	-
<b>NET POSITION</b>		
Net investment in capital assets	7,795,487	8,179,081
Unrestricted net position	287,867	(259,259)
<b>Total net position</b>	<u>\$ 8,083,354</u>	<u>\$ 7,919,822</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, 2015**With comparative totals for the year ended September 30, 2014*

	2015		Variance	2014
	Final Budget	Actual	Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Water	\$ 1,593,459	\$ 1,585,823	\$ (7,636)	\$ 1,549,525
Sewer	1,534,962	1,532,874	(2,088)	1,486,833
Penalties	44,184	42,284	(1,900)	44,964
Connection and installation fees	43,071	44,183	1,112	52,331
Other	10,997	14,406	3,409	7,025
<b>Total operating revenues</b>	<u>3,226,673</u>	<u>3,219,570</u>	<u>(7,103)</u>	<u>3,140,678</u>
<b>OPERATING EXPENSES</b>				
Water and sewer operations				
Personnel	857,870	883,749	(25,879)	818,538
Materials and supplies	95,125	112,389	(17,264)	99,430
Repairs and maintenance	228,200	86,068	142,132	225,780
Other services and charges	686,821	730,750	(43,929)	674,090
Depreciation and amortization	470,000	524,358	(54,358)	611,063
<b>Total operating expenses</b>	<u>2,338,016</u>	<u>2,337,314</u>	<u>702</u>	<u>2,428,901</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	888,657	882,256	(6,401)	711,777
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	419	738	319	776
Interest and fiscal charges	(225,861)	(224,470)	1,391	(227,669)
Total nonoperating revenues (expenses)	<u>(225,442)</u>	<u>(223,732)</u>	<u>1,710</u>	<u>(226,893)</u>
Income (loss) before contributions and transfers	663,215	658,524	(4,691)	484,884
Contributions and transfers				
Capital grants and contributions	50,000	378,329	328,329	281,089
Transfers in	-	111	111	-
Transfers out	(713,215)	(846,669)	(133,454)	(708,197)
Total contributions and transfers	<u>(663,215)</u>	<u>(468,229)</u>	<u>194,986</u>	<u>(427,108)</u>
Change in net position	<u>\$ -</u>	190,295	<u>\$ 190,295</u>	57,776
Total net position at beginning of year, as previously reported		7,919,822		7,862,046
Impact of change in accounting principle		(26,763)		-
Net position at beginning of year, as restated		<u>7,893,059</u>		<u>7,862,046</u>
<b>Net position at end of year</b>		<u>\$ 8,083,354</u>		<u>\$ 7,919,822</u>

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

September 30, 2015

With comparative totals for September 30, 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 29,856	\$ 11,194
Receivables, net		
Accounts	146,050	154,138
Due from other funds	<u>-</u>	<u>761</u>
<b>Total assets</b>	<u>175,906</u>	<u>166,093</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	52,476	51,082
Accrued expenses	678	661
Due to other governments	8,107	7,972
Deposits	75	75
Due to other funds	<u>52,469</u>	<u>79,947</u>
<b>Total liabilities</b>	<u>113,805</u>	<u>139,737</u>
<b>NET POSITION</b>		
Unrestricted net position	<u>62,101</u>	<u>26,356</u>
<b>Total net position</b>	<u>\$ 62,101</u>	<u>\$ 26,356</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, 2015

With comparative totals for the year ended September 30, 2014

	2015		Variance	2014
	Final Budget	Actual	Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Solid waste fees	\$ 1,250,936	\$ 1,270,259	\$ 19,323	\$ 1,237,245
Garbage collection fee	102,500	107,814	5,314	106,293
Other	500	1,387	887	2,372
<b>Total operating revenues</b>	<u>1,353,936</u>	<u>1,379,460</u>	<u>25,524</u>	<u>1,345,910</u>
<b>OPERATING EXPENSES</b>				
Solid waste operations				
Personnel	40,436	41,278	(842)	40,061
Materials and supplies	100	1,451	(1,351)	65
Other services and charges	1,313,500	1,301,097	12,403	1,249,527
<b>Total operating expenses</b>	<u>1,354,036</u>	<u>1,343,826</u>	<u>10,210</u>	<u>1,289,653</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(100)	35,634	35,734	56,257
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	100	111	11	84
Total nonoperating revenues (expenses)	<u>100</u>	<u>111</u>	<u>11</u>	<u>84</u>
Income (loss) before contributions and transfers	-	35,745	35,745	56,341
Transfers				
Transfers out	-	-	-	(25,000)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Change in net position	<u>\$ -</u>	<u>35,745</u>	<u>\$ 35,745</u>	<u>31,341</u>
Net position at beginning of year		<u>26,356</u>		<u>(4,985)</u>
<b>Net position at end of year</b>		<u>\$ 62,101</u>		<u>\$ 26,356</u>

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

September 30, 2015

With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 618,879	\$ 681,894
Receivables, net		
Accounts	89,266	66,961
Due from other funds	47	-
Due from other governments	38,912	-
Total current assets	<u>747,104</u>	<u>748,855</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,799,161	1,594,144
Buildings and improvements	69,610	62,725
Total capital assets	1,868,771	1,656,869
Less accumulated depreciation	<u>(1,197,402)</u>	<u>(1,078,040)</u>
Net capital assets	<u>671,369</u>	<u>578,829</u>
<b>Total assets</b>	<u>1,418,473</u>	<u>1,327,684</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to TMRS	<u>32,217</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	21,576	21,692
Accrued expenses	26,015	22,111
Due to other funds	10,001	4,279
Compensated absences	3,697	3,391
Total current liabilities	<u>61,289</u>	<u>51,473</u>
Noncurrent liabilities		
Compensated absences	33,275	30,521
Net pension liability	42,860	-
Total noncurrent liabilities	<u>76,135</u>	<u>30,521</u>
<b>Total liabilities</b>	<u>137,424</u>	<u>81,994</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to TMRS	<u>10,544</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	671,369	578,829
Unrestricted net position	<u>631,353</u>	<u>666,861</u>
<b>Total net position</b>	<u>\$ 1,302,722</u>	<u>\$ 1,245,690</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, 2015  
 With comparative totals for the year ended September 30, 2014

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Ambulance services	\$ 939,427	\$ 963,589	\$ 24,162	\$ 833,862
Other	-	23	23	-
<b>Total operating revenues</b>	<u>939,427</u>	<u>963,612</u>	<u>24,185</u>	<u>833,862</u>
<b>OPERATING EXPENSES</b>				
Emergency medical services				
Personnel	1,359,237	1,323,555	35,682	1,283,904
Materials and supplies	119,250	113,749	5,501	107,900
Repairs and maintenance	72,800	64,808	7,992	40,387
Other services and charges	153,238	150,029	3,209	141,421
Depreciation	90,000	119,362	(29,362)	95,843
<b>Total operating expenses</b>	<u>1,794,525</u>	<u>1,771,503</u>	<u>23,022</u>	<u>1,669,455</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(855,098)	(807,891)	47,207	(835,593)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	802,510	802,510	-	852,510
Investment income	1,000	1,287	287	1,290
<b>Total nonoperating revenues (expenses)</b>	<u>803,510</u>	<u>803,797</u>	<u>287</u>	<u>853,800</u>
Income (loss) before contributions and transfers	(51,588)	(4,094)	47,494	18,207
Contributions and transfers				
Capital grants and contributions	150,000	189,647	39,647	-
Transfers out	(98,412)	(98,412)	-	(49,206)
<b>Total contributions and transfers</b>	<u>51,588</u>	<u>91,235</u>	<u>39,647</u>	<u>(49,206)</u>
Change in net position	<u>\$ -</u>	87,141	<u>\$ 87,141</u>	(30,999)
Total net position at beginning of year, as previously reported		1,245,690		1,276,689
Impact of change in accounting principle		(30,109)		-
Net position at beginning of year, as restated		<u>1,215,581</u>		<u>1,276,689</u>
<b>Net position at end of year</b>		<u>\$ 1,302,722</u>		<u>\$ 1,245,690</u>

**CITY OF WHARTON, TEXAS**

MAJOR ENTERPRISE FUND - CIVIC CENTER

BALANCE SHEET

September 30, 2015

With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 17,131	\$ 21,372
Receivables, net		
Accounts	30,676	18,389
Due from other funds	<u>224,924</u>	<u>3</u>
Total current assets	<u>272,731</u>	<u>39,764</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	140,854	126,949
Buildings and improvements	<u>1,986,788</u>	<u>1,986,788</u>
Total capital assets	2,127,642	2,113,737
Less accumulated depreciation	<u>(858,853)</u>	<u>(826,674)</u>
Net capital assets	<u>1,268,789</u>	<u>1,287,063</u>
Total noncurrent assets	<u>1,268,789</u>	<u>1,287,063</u>
<b>Total assets</b>	<u>1,541,520</u>	<u>1,326,827</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	2,150	2,594
Deferred outflow related to TMRS	<u>14,319</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>16,469</u>	<u>2,594</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	9,949	2,788
Accrued expenses	2,240	2,308
Deposits	11,400	10,400
Accrued interest payable	1,923	2,131
Due to other funds	1,690	-
Compensated absences	1,633	1,416
Current portion of noncurrent liabilities		
Capital lease	2,015	-
General obligation bonds	22,500	21,000
Qualified energy conservation bonds	<u>13,061</u>	<u>-</u>
Total current liabilities	<u>66,411</u>	<u>40,043</u>
Noncurrent liabilities		
Compensated absences	14,696	12,742
Net pension liability	19,049	-
Capital lease	6,473	-
Bonds and certificates (net of unamortized deferred amounts)	<u>341,539</u>	<u>154,418</u>
Total noncurrent liabilities	<u>381,757</u>	<u>167,160</u>
<b>Total liabilities</b>	<u>448,168</u>	<u>207,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to TMRS	<u>4,686</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	885,351	1,114,239
Unrestricted net position	<u>219,784</u>	<u>7,979</u>
<b>Total net position</b>	<u>\$ 1,105,135</u>	<u>\$ 1,122,218</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, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Civic center fees	\$ 54,482	\$ 59,251	\$ 4,769	\$ 68,825
Other	14,851	14,851	-	13,444
<b>Total operating revenues</b>	<u>69,333</u>	<u>74,102</u>	<u>4,769</u>	<u>82,269</u>
<b>OPERATING EXPENSES</b>				
Civic center operations				
Personnel	112,944	107,380	5,564	107,876
Materials and supplies	4,681	3,112	1,569	2,304
Repairs and maintenance	34,700	35,987	(1,287)	20,578
Other services and charges	41,015	43,870	(2,855)	40,521
Depreciation and amortization	48,000	38,696	9,304	48,643
<b>Total operating expenses</b>	<u>241,340</u>	<u>229,045</u>	<u>12,295</u>	<u>219,922</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(172,007)	(154,943)	17,064	(137,653)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	75	109	34	43
Interest and fiscal charges	(6,000)	(5,591)	409	(5,932)
Total nonoperating revenues (expenses)	<u>(5,925)</u>	<u>(5,482)</u>	<u>443</u>	<u>(5,889)</u>
Income (loss) before transfers	(177,932)	(160,425)	17,507	(143,542)
Transfers				
Transfers in	156,724	156,724	-	107,000
Total transfers	<u>156,724</u>	<u>156,724</u>	<u>-</u>	<u>107,000</u>
Change in net position	<u>\$ (21,208)</u>	<u>(3,701)</u>	<u>\$ 17,507</u>	<u>(36,542)</u>
Total net position at beginning of year, as previously reported		1,122,218		1,158,760
Impact of change in accounting principle		(13,382)		-
Net position at beginning of year, as restated		<u>1,108,836</u>		<u>1,158,760</u>
<b>Net position at end of year</b>		<u>\$ 1,105,135</u>		<u>\$ 1,122,218</u>

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

September 30, 2015

With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 42,049	\$ 195,783
Receivables, net		
Accounts	6,929	22,542
Due from other funds	31,314	-
Due from other governments	-	37,009
Inventory	24,945	62,505
Total current assets	<u>105,237</u>	<u>317,839</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	202,615	186,761
Land improvements	1,153,850	1,153,850
Buildings and improvements	<u>3,685,333</u>	<u>3,577,288</u>
Total capital assets	5,041,798	4,917,899
Less accumulated depreciation	<u>(1,096,721)</u>	<u>(987,816)</u>
Subtotal	3,945,077	3,930,083
Land	42,343	42,343
Construction in progress	<u>224,621</u>	<u>54,286</u>
Net capital assets	<u>4,212,041</u>	<u>4,026,712</u>
<b>Total assets</b>	<u>4,317,278</u>	<u>4,344,551</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	<u>28,375</u>	<u>30,739</u>
<b>Total deferred outflows of resources</b>	<u>28,375</u>	<u>30,739</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	22,765	78,538
Accrued expenses	1,476	1,228
Deposits	300	300
Accrued interest payable	3,611	3,949
Due to other funds	363	104
Compensated absences	64	63
Current portion of noncurrent liabilities		
Certificates of obligation	16,400	15,275
Qualified energy conservation bonds	<u>1,866</u>	<u>-</u>
Total current liabilities	<u>46,845</u>	<u>99,457</u>
Noncurrent liabilities		
Compensated absences	580	563
Bonds and certificates (net of unamortized deferred amounts)	<u>301,329</u>	<u>288,233</u>
Total noncurrent liabilities	<u>301,909</u>	<u>288,796</u>
<b>Total liabilities</b>	<u>348,754</u>	<u>388,253</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,920,821	3,753,943
Unrestricted net position	<u>76,078</u>	<u>233,094</u>
<b>Total net position</b>	<u>\$ 3,996,899</u>	<u>\$ 3,987,037</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, 2015**With comparative totals for the year ended September 30, 2014*

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Airport fees	\$ 233,537	\$ 171,931	\$ (61,606)	\$ 173,920
Other	500	-	(500)	-
<b>Total operating revenues</b>	<u>234,037</u>	<u>171,931</u>	<u>(62,106)</u>	<u>173,920</u>
<b>OPERATING EXPENSES</b>				
Airport operations				
Personnel	76,337	74,503	1,834	69,777
Materials and supplies	5,100	3,322	1,778	4,043
Repairs and maintenance	47,500	26,329	21,171	29,896
Other services and charges	47,850	40,864	6,986	42,156
Depreciation and amortization	96,400	112,137	(15,737)	113,240
<b>Total operating expenses</b>	<u>273,187</u>	<u>257,155</u>	<u>16,032</u>	<u>259,112</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(39,150)	(85,224)	(46,074)	(85,192)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Noncapital grants and contributions	50,000	45,171	(4,829)	46,001
Investment income	150	206	56	270
Interest and fiscal charges	(11,000)	(10,387)	613	(9,832)
Total nonoperating revenues (expenses)	<u>39,150</u>	<u>34,990</u>	<u>(4,160)</u>	<u>36,439</u>
Income (loss) before contributions	-	(50,234)	(50,234)	(48,753)
Contributions				
Capital grants and contributions	-	60,096	60,096	-
Total contributions	<u>-</u>	<u>60,096</u>	<u>60,096</u>	<u>-</u>
Change in net position	\$ -	9,862	\$ 9,862	(48,753)
Net position at beginning of year		<u>3,987,037</u>		<u>4,035,790</u>
<b>Net position at end of year</b>		<u>\$ 3,996,899</u>		<u>\$ 3,987,037</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.

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<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....	112
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	123
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments .....	129
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**CITY OF WHARTON, TEXAS**  
**NET POSITION BY COMPONENT (1)**  
*Last ten fiscal years*

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 4,277,648	\$ 5,330,747	\$ 6,863,521	\$ 6,832,082
Restricted	500,635	613,877	513,775	418,240
Unrestricted	<u>1,378,511</u>	<u>1,257,718</u>	<u>1,526,710</u>	<u>1,602,369</u>
Total governmental activities net position	<u>\$ 6,156,794</u>	<u>\$ 7,202,342</u>	<u>\$ 8,904,006</u>	<u>\$ 8,852,691</u>
Business-type activities				
Net investment in capital assets	\$ 11,286,468	\$ 11,500,738	\$ 12,596,624	\$ 10,863,971
Unrestricted	<u>114,408</u>	<u>180,125</u>	<u>(456,789)</u>	<u>1,642,103</u>
Total business-type activities net position	<u>\$ 11,400,876</u>	<u>\$ 11,680,863</u>	<u>\$ 12,139,835</u>	<u>\$ 12,506,074</u>
Primary government				
Net investment in capital assets	\$ 15,564,116	\$ 16,831,485	\$ 19,460,145	\$ 17,696,053
Restricted	500,635	613,877	513,775	418,240
Unrestricted	<u>1,492,919</u>	<u>1,437,843</u>	<u>1,069,921</u>	<u>3,244,472</u>
Total primary government activities net position	<u>\$ 17,557,670</u>	<u>\$ 18,883,205</u>	<u>\$ 21,043,841</u>	<u>\$ 21,358,765</u>

(1) Accrual basis of accounting

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 6,537,738	\$ 6,243,600	\$ 6,145,777	\$ 5,399,629	\$ 5,203,356	\$ 5,276,256
416,831	455,154	506,706	555,253	491,100	540,953
1,588,334	1,719,879	1,557,755	1,578,613	1,713,091	1,328,869
\$ 8,542,903	\$ 8,418,633	\$ 8,210,238	\$ 7,533,495	\$ 7,407,547	\$ 7,146,078
\$ 11,319,633	\$ 12,227,323	\$ 13,128,337	\$ 13,568,618	\$ 13,575,582	\$ 13,273,028
995,314	732,046	533,059	759,682	725,541	1,277,183
\$ 12,314,947	\$ 12,959,369	\$ 13,661,396	\$ 14,328,300	\$ 14,301,123	\$ 14,550,211
\$ 17,857,371	\$ 18,470,923	\$ 19,274,114	\$ 18,968,247	\$ 18,778,938	\$ 18,549,284
416,831	455,154	506,706	555,253	491,100	540,953
2,583,648	2,451,925	2,090,814	2,338,295	2,438,632	2,606,052
\$ 20,857,850	\$ 21,378,002	\$ 21,871,634	\$ 21,861,795	\$ 21,708,670	\$ 21,696,289



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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Governmental activities</b>				
Expenses				
General government	\$ 1,208,119	\$ 1,197,103	\$ 1,316,196	\$ 822,357
Public safety	2,546,521	2,653,594	2,825,817	3,012,237
Public works	1,430,714	1,300,791	1,817,233	1,644,418
Culture and recreation	186,343	215,996	248,535	218,224
Interest on long-term debt	146,131	222,145	231,552	250,056
Total expenses	<u>5,517,828</u>	<u>5,589,629</u>	<u>6,439,333</u>	<u>5,947,292</u>
Program revenues				
Charges for services				
General government	144,315	166,240	261,706	356,333
Public safety	242,056	244,350	55,071	-
Public works	-	-	-	-
Culture and recreation	12,247	12,808	15,397	11,634
Operating grants and contributions	471,859	526,724	729,601	289,500
Capital grants and contributions	934,450	824,211	1,899,894	123,311
Total program revenues	<u>1,804,927</u>	<u>1,774,333</u>	<u>2,961,669</u>	<u>780,778</u>
Total governmental activities net program expense	(3,712,901)	(3,815,296)	(3,477,664)	(5,166,514)
General revenues and other changes in net position				
Taxes				
Property taxes	1,836,399	1,914,766	1,928,867	1,947,147
Sales taxes	1,292,565	1,319,795	1,240,084	1,237,646
Franchise taxes	893,839	924,196	1,047,982	991,182
Other taxes	134,824	175,474	199,153	174,996
Unrestricted investment earnings	61,579	174,312	65,870	9,916
Industrial district payment	-	-	79,268	467,451
Miscellaneous	98,561	76,942	245,218	82,009
Transfers	341,130	275,359	372,886	204,852
Total general revenues and other changes in net position	<u>4,658,897</u>	<u>4,860,844</u>	<u>5,179,328</u>	<u>5,115,199</u>
<b>Total governmental activities change in net position</b>	<u>\$ 945,996</u>	<u>\$ 1,045,548</u>	<u>\$ 1,701,664</u>	<u>\$ (51,315)</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 822,213	\$ 871,330	\$ 976,628	\$ 926,431	\$ 902,639	\$ 956,481
3,285,594	3,248,440	3,265,404	3,430,366	3,686,833	3,560,086
2,120,461	1,476,798	1,416,172	1,576,819	1,856,576	1,830,354
259,386	218,256	215,656	215,061	209,509	216,496
<u>272,026</u>	<u>303,499</u>	<u>381,827</u>	<u>388,653</u>	<u>542,435</u>	<u>410,719</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>	<u>6,974,136</u>
324,198	343,817	299,099	317,267	331,367	359,180
18,250	7,025	5,647	42,882	399	900
-	-	-	-	-	-
11,670	9,672	8,616	10,941	5,745	8,995
117,340	18,406	15,631	2,238	99,327	125,634
<u>401,689</u>	<u>190,000</u>	<u>423,264</u>	<u>50,000</u>	<u>547,318</u>	<u>250,000</u>
<u>873,147</u>	<u>568,920</u>	<u>752,257</u>	<u>423,328</u>	<u>984,156</u>	<u>744,709</u>
(5,886,533)	(5,549,403)	(5,503,430)	(6,114,002)	(6,213,836)	(6,229,427)
1,885,118	1,948,184	1,962,365	1,926,421	1,906,728	1,906,722
1,149,211	1,148,636	1,313,677	1,274,114	1,252,647	1,295,561
1,031,751	1,056,427	973,486	1,047,976	1,052,147	1,077,112
151,129	166,149	190,162	196,669	181,243	217,309
18,048	10,487	8,999	8,052	13,075	10,942
682,573	492,901	504,314	922,448	905,337	877,318
140,162	115,207	95,580	70,872	162,529	59,034
<u>518,753</u>	<u>487,142</u>	<u>504,673</u>	<u>437,439</u>	<u>614,162</u>	<u>788,246</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>	<u>6,232,244</u>
\$ <u>(309,788)</u>	\$ <u>(124,270)</u>	\$ <u>49,826</u>	\$ <u>(230,011)</u>	\$ <u>(125,968)</u>	\$ <u>2,817</u>

(continued)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Business-type activities</b>				
Expenses				
Water and sewer	\$ 1,885,041	\$ 2,067,083	\$ 2,162,499	\$ 2,311,685
Solid waste	1,195,075	1,242,914	1,175,700	1,273,376
Emergency medical services	1,093,960	1,339,596	1,300,504	1,098,147
Civic center	185,618	188,687	222,166	279,893
Airport	<u>129,760</u>	<u>221,619</u>	<u>252,061</u>	<u>225,539</u>
Total expenses	<u>4,489,454</u>	<u>5,059,899</u>	<u>5,112,930</u>	<u>5,188,640</u>
Program revenues				
Charges for services				
Water and sewer	2,209,304	2,283,549	2,436,197	2,785,697
Solid waste	1,178,801	1,279,305	1,158,403	1,300,634
Emergency medical services	797,431	988,845	1,065,258	766,083
Civic center	76,894	80,373	88,102	71,116
Airport	117,446	171,888	186,038	181,935
Operating grants and contributions	221,110	255,649	243,467	242,765
Capital grants and contributions	<u>389,104</u>	<u>614,784</u>	<u>752,387</u>	<u>387,233</u>
Total program revenues	<u>4,990,090</u>	<u>5,674,393</u>	<u>5,929,852</u>	<u>5,735,463</u>
Total business-type activities net program expense	500,636	614,494	816,922	546,823
General revenues and other changes in net position				
Unrestricted investment earnings	18,688	21,204	14,936	2,468
Miscellaneous	25,311	-	-	21,800
Transfers	<u>(341,130)</u>	<u>(275,359)</u>	<u>(372,886)</u>	<u>(204,852)</u>
Total general revenues and other changes in net position	<u>(297,131)</u>	<u>(254,155)</u>	<u>(357,950)</u>	<u>(180,584)</u>
<b>Total business-type activities change in net position</b>	<u>\$ 203,505</u>	<u>\$ 360,339</u>	<u>\$ 458,972</u>	<u>\$ 366,239</u>
<b>Total primary government change in net position</b>	<u>\$ 1,149,501</u>	<u>\$ 1,405,887</u>	<u>\$ 2,160,636</u>	<u>\$ 314,924</u>

(1) Accrual basis of accounting

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 2,390,453	\$ 2,417,926	\$ 2,214,274	\$ 2,377,966	\$ 2,656,570	\$ 2,561,784
1,209,574	1,213,177	1,250,313	1,300,929	1,289,653	1,343,826
1,160,083	1,221,415	1,243,579	1,395,931	1,669,455	1,771,503
276,345	232,364	216,926	200,266	225,854	234,636
243,983	251,866	258,427	262,912	268,944	267,542
<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>	<u>6,179,291</u>
2,778,431	2,997,890	2,840,140	2,999,959	3,140,678	3,219,570
1,269,783	1,271,487	1,299,841	1,338,967	1,345,910	1,379,460
703,134	749,828	801,108	840,708	833,862	963,612
67,951	49,661	59,474	55,344	82,269	74,102
170,712	195,843	182,194	177,845	173,920	171,931
562,695	739,180	764,282	775,650	898,511	847,681
54,400	463,435	604,906	451,639	219,868	628,072
<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>	<u>7,284,428</u>
326,668	1,130,576	1,368,426	1,102,108	584,542	1,105,137
958	988	1,675	2,235	2,463	2,451
-	-	16,600	-	-	-
<u>(518,753)</u>	<u>(487,142)</u>	<u>(504,673)</u>	<u>(437,439)</u>	<u>(614,182)</u>	<u>(788,246)</u>
<u>(517,795)</u>	<u>(486,154)</u>	<u>(486,398)</u>	<u>(435,204)</u>	<u>(611,719)</u>	<u>(785,795)</u>
\$ <u>(191,127)</u>	\$ <u>644,422</u>	\$ <u>882,028</u>	\$ <u>666,904</u>	\$ <u>(27,177)</u>	\$ <u>319,342</u>
\$ <u>(500,915)</u>	\$ <u>520,152</u>	\$ <u>931,854</u>	\$ <u>436,893</u>	\$ <u>(153,145)</u>	\$ <u>322,159</u>

**CITY OF WHARTON, TEXAS**

*FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

	Fiscal Year			
	2006	2007	2008	2009
<b>General Fund</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Long-term interfund advances	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	20,409	17,719	14,184	12,571
Unreserved	<u>1,203,420</u>	<u>1,193,412</u>	<u>1,404,019</u>	<u>1,406,141</u>
<b>Total general fund</b>	<b><u>\$ 1,223,829</u></b>	<b><u>\$ 1,211,131</u></b>	<b><u>\$ 1,418,203</u></b>	<b><u>\$ 1,418,712</u></b>
<b>All Other Governmental Funds</b>				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ -	\$ -
Arts and tourism	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Various capital projects	-	-	-	-
Committed				
Various capital projects	-	-	-	-
Unassigned	-	-	-	-
Unreserved, reported in				
Special revenue funds	56,102	122,721	194,899	117,419
Debt service fund	431,913	458,275	360,762	358,012
Capital project funds	<u>255,294</u>	<u>1,195,917</u>	<u>94,703</u>	<u>1,478,732</u>
<b>Total all other governmental funds</b>	<b><u>\$ 743,309</u></b>	<b><u>\$ 1,776,913</u></b>	<b><u>\$ 650,364</u></b>	<b><u>\$ 1,954,163</u></b>

(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					
2010	2011	2012	2013	2014	2015
\$ -	\$ 26,624	\$ 21,109	\$ 19,499	\$ 26,809	\$ 7,847
-	-	500,000	350,000	325,000	430,000
-	1,427,875	1,041,539	1,257,474	1,366,287	1,289,786
9,281	-	-	-	-	-
<u>1,377,683</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>	<u>\$ 1,727,633</u>
\$ -	\$ 376,959	\$ 415,415	\$ 419,775	\$ 436,098	\$ 468,843
-	81,552	84,922	69,706	76,610	75,716
-	20,105	13,215	17,787	21,373	26,463
-	12,986	22,709	69,537	12,660	19,841
-	4,464,319	3,712,559	3,062,743	3,100,671	3,036,452
-	-	-	6,137	65,686	18,886
-	-	-	-	-	(141,516)
89,187	-	-	-	-	-
364,075	-	-	-	-	-
<u>(293,086)</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>	<u>\$ 3,504,685</u>

**CITY OF WHARTON, TEXAS**

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

*Last ten fiscal years*

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenues</b>				
Taxes	\$ 4,210,088	\$ 4,325,427	\$ 4,517,831	\$ 4,403,821
Licenses and permits	66,286	150,149	127,166	72,908
Intergovernmental	1,285,045	569,126	1,724,602	403,211
Charges for services	16,171	15,042	28,248	12,709
Fines and forfeitures	230,221	236,772	155,945	258,490
Investment income	61,579	174,312	65,870	9,916
Industrial district payment	-	-	79,268	467,451
Miscellaneous	202,510	1,045,302	1,475,063	98,871
<b>Total revenues</b>	<u>6,071,900</u>	<u>6,516,130</u>	<u>8,173,993</u>	<u>5,727,377</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,183,005	1,188,056	1,321,674	805,414
Public safety	2,437,946	2,539,906	2,524,255	2,810,584
Public works	1,314,051	1,869,878	1,531,189	1,226,819
Culture and recreation	950,388	378,528	195,918	180,729
Capital outlay	775,590	1,597,770	3,871,656	475,790
<b>Debt service</b>				
Principal retirement	304,633	414,041	433,538	418,817
Interest and fiscal charges	148,665	185,521	220,411	242,810
Bond issuance costs	-	54,877	32,715	62,551
<b>Total expenditures</b>	<u>7,114,278</u>	<u>8,228,577</u>	<u>10,131,356</u>	<u>6,223,514</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,042,378)	(1,712,447)	(1,957,363)	(496,137)
<b>Other financing sources (uses)</b>				
Debt issued	-	2,161,900	665,000	1,562,400
Premium on issuance of bonds	-	-	-	33,193
Payment to escrow	-	-	-	-
Capital lease proceeds	133,619	296,094	-	-
Sale of capital assets	-	-	-	-
Transfers in	527,276	653,834	536,351	451,056
Transfers out	(186,146)	(378,475)	(163,465)	(246,204)
<b>Total other financing sources (uses)</b>	<u>474,749</u>	<u>2,733,353</u>	<u>1,037,886</u>	<u>1,800,445</u>
<b>Change in fund balances</b>	<u>\$ (567,629)</u>	<u>\$ 1,020,906</u>	<u>\$ (919,477)</u>	<u>\$ 1,304,308</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>7.01%</u>	<u>9.19%</u>	<u>10.27%</u>	<u>11.26%</u>

(1) Modified accrual basis of accounting

		Fiscal Year									
		2010	2011	2012	2013	2014	2015				
\$	4,247,504	\$	4,349,308	\$	4,484,457	\$	4,490,924	\$	4,438,356	\$	4,556,387
	70,814		87,176		67,112		98,609		106,913		78,284
	409,430		208,406		438,895		52,238		534,532		368,740
	28,815		10,488		9,866		12,888		5,745		13,965
	233,842		239,406		229,258		223,811		216,090		254,392
	18,048		10,487		8,999		8,052		13,075		10,942
	682,573		492,901		504,314		922,448		905,337		877,318
	233,900		23,483		47,695		57,932		165,450		30,626
	<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>		<u>6,190,654</u>
	811,418		855,487		1,030,106		880,776		853,986		915,778
	3,013,918		2,930,441		2,960,242		3,140,019		3,365,083		3,263,634
	1,748,663		1,096,561		1,059,999		1,041,924		1,468,361		1,348,961
	199,397		157,635		154,649		154,054		148,503		145,207
	1,172,494		693,196		1,021,435		788,817		2,126,657		992,335
	528,056		499,924		511,147		504,666		635,139		629,592
	253,790		262,728		390,180		401,535		369,490		415,373
	38,706		86,829		-		-		144,026		12,145
	<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>		<u>7,723,025</u>
	(1,841,516)		(1,161,146)		(1,337,162)		(1,044,889)		(2,725,747)		(1,532,371)
	930,663		4,600,000		-		-		4,988,000		446,987
	21,306		69,000		-		-		210,350		-
	(658,462)		-		-		-		(3,048,579)		-
	-		-		120,000		-		-		98,262
	-		71,805		26,349		22,707		59,109		-
	723,509		577,986		707,117		668,700		832,403		1,135,081
	(204,756)		(90,844)		(115,256)		(185,328)		(157,000)		(346,835)
	<u>812,260</u>		<u>5,227,947</u>		<u>738,210</u>		<u>506,079</u>		<u>2,884,283</u>		<u>1,333,495</u>
\$	<u>(1,029,256)</u>	\$	<u>4,066,801</u>	\$	<u>(598,952)</u>	\$	<u>(538,810)</u>	\$	<u>158,536</u>	\$	<u>(198,876)</u>
	<u>11.82%</u>		<u>12.96%</u>		<u>14.76%</u>		<u>14.69%</u>		<u>14.29%</u>		<u>15.39%</u>



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

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<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Total</u>
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
2015	1,921,229	45,176	1,295,561	1,077,112	217,309	4,556,387

(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				
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	
2015	2014	160,882,365	316,997,605	113,475,604	13,375,139	156,077,570	448,653,143	

(1) Includes tax-exempt property

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

SOURCE: Wharton County Appraisal District

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<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ (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%
(56,612,009)	392,041,134	0.43202	1,693,696	223,270	1,916,966	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
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	0.1262	0.4238	0.5500	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
2015	0.2346	0.1975	0.4321	1.1970	0.1266	0.0300	0.4340	0.0077	1.7953

(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*

2015		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
J-M Manufacturing Company, Inc.	\$ 35,819,200	7.98%
Nan Ya Plastics Corp. USA	33,464,230	7.46%
Wal-Mart Stores Texas LP	13,113,337	2.92%
Reliq Gulf Coast LLC	8,078,198	1.80%
Buc-ees LTD	5,153,285	1.15%
H. E. Butt Grocery Co.	5,140,000	1.15%
Wharton RP LTD	4,910,165	1.09%
Crop Production Services	4,297,763	0.96%
Centerpoint Energy Houston Electric	4,258,750	0.95%
Kansas City Southern Railway	3,675,260	0.82%
	<u>\$ 117,910,188</u>	<u>26.28%</u>

2006		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 51,660,700	15.73%
J-M Manufacturing Company, Inc.	19,292,400	5.88%
Guld Coast Hospital, LP	8,683,270	2.64%
Gulf Coast Hospital, LP	7,533,130	2.29%
Wal-Mart Stores Texas LP	6,635,514	2.02%
Wal-Mart Stores Texas LP	6,234,740	1.90%
Centerpoint Energy Houston	5,910,280	1.80%
Schlumberger- Wharton	4,255,930	1.30%
Anadrill Division of STC	3,334,960	1.02%
Southwestern Bell Telephone Co.	3,240,150	0.99%
	<u>\$ 116,781,074</u>	<u>35.57%</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 <u>(Original Levy)</u>	<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>
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%
2015	1,937,738	(8,817)	1,928,921	1,867,997	96.84%

SOURCE: City of Wharton

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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 42,860	\$ 1,836,662	99.68%
77,041	1,897,968	99.73%
51,340	1,935,893	99.72%
47,379	1,963,481	99.54%
44,297	1,885,975	97.37%
54,971	1,947,352	96.99%
42,281	1,943,550	96.42%
22,102	1,916,759	99.70%
19,312	1,889,111	98.55%
-	1,867,997	96.84%

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

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<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
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
2015	509,232,000	364,982,000	144,250,000	28%	382,082,000

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".

Increase in wastewater treated in year 2015  
due to abnormal weather conditions.

SOURCE: City of Wharton Utility Department



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Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
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
15.16	2.97	16.29	3.09

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

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	Fiscal Year			
	2006	2007	2008	2009
Water Rates (per 2,000 gallons)				
Base Rate	\$ 9.10	\$ 10.20	\$ 10.20	\$ 11.75
Water usage rate				
2,000-4,000	1.82	1.95	1.95	2.25
4,000-7,000	1.88	2.00	2.00	2.30
7,000-11,000	1.96	2.10	2.10	2.40
11,000-15,000	2.05	2.20	2.20	2.55
15,000-50,000	2.18	2.35	2.35	2.70
50,000-100,000	2.31	2.45	2.45	2.80
100,000-150,000	2.51	2.60	2.60	3.00
>150,000	2.71	2.80	2.80	3.20
Sewer Rates (per 2,000 gallons)				
Base Rate	9.80	11.00	11.00	12.65
Sewer usage rate				
2,000-4,000	1.51	1.70	1.70	1.95
4,000-7,000	1.89	2.10	2.10	2.40
7,000-11,000	2.07	2.30	2.30	2.65
11,000-15,000	2.24	2.50	2.50	2.85
15,000-50,000	2.41	2.70	2.70	3.10
50,000-100,000	2.58	2.90	2.90	3.35
100,000-150,000	2.76	3.10	3.10	3.55
>150,000	2.93	3.30	3.30	3.80

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						
2010	2011	2012	2013	2014	2015	
\$ 12.97	\$ 12.97	\$ 12.97	\$ 13.62	\$ 14.71	\$ 16.16	
2.45	2.45	2.45	2.57	2.78	2.87	
2.54	2.54	2.54	2.67	2.88	2.97	
2.65	2.65	2.65	2.78	3.00	3.09	
2.81	2.81	2.81	2.95	3.19	3.29	
2.98	2.98	2.98	3.13	3.38	3.49	
3.09	3.09	3.09	3.24	3.50	3.61	
3.31	3.31	3.31	3.48	3.76	3.88	
3.53	3.53	3.53	3.71	4.00	4.12	
13.94	13.94	13.94	14.64	15.81	16.29	
2.15	2.15	2.15	2.26	2.44	2.52	
2.65	2.65	2.65	2.78	3.00	3.09	
2.92	2.92	2.92	3.07	3.32	3.42	
3.15	3.15	3.15	3.31	3.57	3.68	
3.41	3.41	3.41	3.58	3.87	3.99	
3.70	3.70	3.70	3.89	4.20	4.33	
3.92	3.92	3.92	4.12	4.45	4.59	
4.20	4.20	4.20	4.41	4.76	4.91	

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

2015			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	30,099,500	8.25%
Briar Pointe LTD	Apartment Complex	14,760,200	4.04%
The Meadow Associate	Apartment Complex	10,273,100	2.81%
Wharton ISD	Public school	9,773,600	2.68%
J-M Eagle	Manufacturing	9,653,900	2.65%
Gulf Coast Medical Center	Hospital	8,016,900	2.20%
Interurban Millcreek	Apartment Complex	6,954,700	1.91%
CLVR Acquisition	Apartment Complex	6,534,500	1.79%
University Place Apartments	Apartment Complex	4,593,200	1.26%
WCJC	Junior College	4,434,400	1.21%

2006			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	29,540,214	6.87%
Gulf Coast Medical Center	Hospital	14,405,900	3.35%
Briar Pointe-Reddy Partnership	Apartment Complex	12,993,200	3.02%
J-M Eagle	Manufacturing	10,107,500	2.35%
The Meadow Associate	Apartment Complex	8,506,500	1.98%
Wharton ISD	Public school	8,467,000	1.97%
Millcreek Apartments	Apartment Complex	5,627,500	1.31%
WCJC	Junior College	5,287,500	1.23%
Rio Posada Apartments	Apartment Complex	4,357,000	1.01%
Wharton Kidney Center	Medical	3,411,900	0.79%

SOURCE: City of Wharton Utility Billing Department

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

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Fiscal Year	Governmental Activities					
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	Qualified Energy Cons. Bonds	Plus: Issuance Premiums
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
2015	7,863,400	2,848,632	-	78,945	446,987	271,636

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

Business-type Activities							
Certificates of Obligation	General Obligation Bonds	Capital Leases	Qualified Energy Cons. Bonds	Plus: Issuance Premiums	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 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
4,726,600	1,646,368	36,219	1,149,396	194,121	19,262,304	6.0%	2,225

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

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General Bonded Debt Outstanding					
<u>Fiscal Year</u>	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Plus: Issuance Premiums</u>	<u>Total</u>
2006	\$ 5,005,000	\$ 1,680,000	\$ -	\$ -	\$ 6,685,000
2007	7,715,000	1,390,000	-	-	9,105,000
2008	7,355,000	1,080,000	-	84,980	8,519,980
2009	10,970,000	1,060,000	-	170,543	12,200,543
2010	8,385,000	2,920,000	-	225,585	11,530,585
2011	12,630,000	2,315,000	-	208,753	15,153,753
2012	12,285,000	2,010,000	-	191,921	14,486,921
2013	11,935,000	1,695,000	-	503,578	14,133,578
2014	13,110,000	4,850,000	-	503,578	18,463,578
2015	12,590,000	4,495,000	1,596,383	465,757	19,147,140

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

SOURCE: City of Wharton

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<u>Less: Amounts Restricted to Repaying Principal</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 458,750	\$ 6,226,250	1.90%	\$ 674
461,402	8,643,598	2.50%	944
334,517	8,185,463	2.13%	895
336,973	11,863,570	2.98%	1,297
346,116	11,184,469	2.79%	1,266
340,511	14,813,242	3.54%	1,677
385,860	14,101,061	3.42%	1,597
398,223	13,735,355	3.14%	1,555
380,457	18,083,121	4.11%	2,047
418,933	18,728,207	4.17%	2,163



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

September 30, 2015

	<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	9/30/2015	<u>\$ 11,509,600</u>	100.00%	<u>\$ 11,509,600</u>
Overlapping Debt:				
Wharton County	9/30/2015	-	N/A	-
Wharton Independent School District	9/30/2015	<u>21,486,653</u>	43.34%	<u>9,312,315</u>
Total Overlapping Debt		<u>21,486,653</u>		<u>9,312,315</u>
Total		<u>\$ 32,996,253</u>		<u>\$ 20,821,915</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>
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
2015	3,218,832	1,812,956	1,405,876	613,876	2.29

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*

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<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>
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%
2015	8,659	318,857,056	36,824	2,208	4.2%

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

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

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

2015		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton County Junior College	362	1.90%
Wharton ISD	336	1.76%
Wharton County	234	1.23%
Nan Ya Plastics	230	1.21%
Wal-Mart	200	1.05%
HEB Food Store	125	0.66%
Herman Medical Group	125	0.66%
J-M Manufacturing	120	0.63%
Gulf Coast Medical Center	100	0.52%
Buc'ee's	100	<u>0.52%</u>
	<u>1,932</u>	<u>10.14%</u>
2006		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	395	2.19%
South Texas Medical Center	375	2.08%
Gulf Coast Medical Center	367	2.03%
Nan Ya Plastics Corp. USA	320	1.77%
Wharton County Junior College	286	1.58%
Wal-Mart	260	1.44%
Schlumberger	126	0.70%
HEB Food Store	120	0.66%
J-M Manufacturing	102	0.56%
City of Wharton	93	<u>0.52%</u>
	<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			
	2006	2007	2008	2009
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	2.0	2.0	1.0
Finance	3.0	3.0	4.0	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	24.5	24.5	24.5	24.5
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	3.0	4.0	3.0
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	9.0	9.0
DARE	1.0	1.0	1.0	-
Public works				
Public works	11.5	11.5	11.5	11.5
Garage	2.0	2.0	2.0	2.0
Facilities maintenance	4.0	4.0	5.0	4.0
Water/wastewater				
City planning	1.0	1.0	1.0	1.0
Administration	2.0	2.0	1.0	1.5
Water operations	7.0	7.0	7.0	7.5
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	2.0
<b>Total</b>	<b>93.0</b>	<b>93.0</b>	<b>97.5</b>	<b>95.5</b>

SOURCE: City of Wharton

Fiscal Year					
2010	2011	2012	2013	2014	2015
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
3.0	3.0	3.0	2.5	2.5	2.5
2.0	2.0	2.0	2.0	2.5	2.5
0.5	-	-	-	-	-
0.5	0.5	0.5	0.5	0.5	0.8
24.0	25.0	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	3.5	3.5	3.5
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0	9.0	9.0
-	-	-	-	-	-
11.0	10.5	10.5	10.2	9.0	9.0
2.0	1.0	1.0	2.0	2.0	2.0
4.0	4.0	4.0	4.0	4.0	4.0
1.0	-	-	-	-	1.3
2.0	1.5	1.5	2.0	2.0	2.0
7.5	8.5	8.5	8.5	9.5	9.5
4.0	4.0	4.0	4.5	2.5	2.5
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	14.0	14.0	20.0	19.0
3.0	2.5	2.5	2.8	2.8	2.8
1.5	2.0	1.5	1.5	1.5	1.5
<u>94.0</u>	<u>92.5</u>	<u>98.0</u>	<u>100.0</u>	<u>104.3</u>	<u>104.9</u>

**CITY OF WHARTON, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2006	2007	2008	2009
General government				
Building permits issued	1,048	1,099	1,031	947
Building inspections conducted	1,484	1,003	1,658	959
Public safety				
Police				
Physical arrests	908	789	657	881
Traffic violations	3,401	3,238	1,932	4,521
Fire				
Fire calls	511	457	527	512
Public works				
Streets (miles)	95	97	97	97
Culture and recreation				
Parks and recreation				
Park rental	103	96	58	57
Community center rentals	320	294	310	303
Swimming pool				
Single admissions	4,824	4,770	2,633	2,979
Season passes	19	87	56	49
Aerobics	41	43	32	44
Swim lessons	29	29	42	34
Party rentals	11	6	12	7
Water and wastewater				
Water				
New connections/taps	3	14	17	13
Average daily consumption	1.2 mgd	1.1 mgd	1.4 mgd	1.2mgd
Peak daily consumption	N/A	1.9 mgd	1.9 mgd	1.9 mgd
Wastewater				
Average daily sewage treatment	.5 mgd	1.2 mgd	.95 mgd	.73 mgd
EMS				
Ambulance loads	2,874	2,928	3,309	3,425

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2010	2011	2012	2013	2014	2015
348	390	351	706	415	666
1,080	1,235	1,286	1,663	1,318	861
759	746	1,281	1,399	1,112	1,347
3,896	3,459	2,494	3,295	4,677	6,701
459	519	530	559	549	551
97	97	97	97	97	97
33	43	25	40	62	29
278	273	221	217	245	267
2,585	2,086	1,445	1,449	1,584	1,778
32	24	22	23	12	7
26	56	40	20	24	26
22	42	45	54	45	52
6	6	7	2	2	1
14	14	2	4	5	10
1.1mgd	1.2mgd	1.1mgd	1.3mgd	1.0mgd	1.1mgd
1.9mgd	2.6mgd	2.2mgd	2.3mgd	2.0mgd	2.1mgd
.92 mgd	.79 mgd	.88 mgd	.88 mgd	.76 mgd	.87 mgd
3,203	3,208	3,364	3,253	3,326	3,770



**CITY OF WHARTON, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2006	2007	2008	2009
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)	96	96.5	96.5	96.5
Streetlights	624	852	852	852
School zone flashers	4	8	8	8
Culture and recreation				
Acreage	90	90	90	92
Parks	10	10	10	11
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	80	80.5	80.5
Fire hydrants	430	470	475	478
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	77	80	83	84
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0 mgd	2.0 mgd	2.0 mgd	2.0mgd

SOURCE: Various City departments

Fiscal Year						
2010	2011	2012	2013	2014	2015	
1	1	1	1	1	1	1
9	9	9	9	9	9	9
1	1	1	1	1	1	1
97.0	97.0	97.0	97.0	97.0	97.0	97.0
852	852	858	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	481	481	482	482
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, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 14, 2016. 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, LLP*

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

April 14, 2016