



Comprehensive Annual Financial Report

**For the Fiscal Year Ended
September 30, 2016**

CITY OF WHARTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2016

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

March 17, 2017

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, 2016 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 property taxpayers in the City, with combined assessed valuations of approximately \$65 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 currently has a value estimated at \$249,553,156. The industrial district is a major revenue source for the City's General Fund. This District effective FY 2017 is expected to expand to a 1,500 mega-watt facility and increase in value by approximately \$650 million.

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 2016 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 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,

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

- Wastewater collection improvements
- Wastewater plant improvements

The following initiatives are still in progress with the remainder of the 2015 bond issuance:

- Sidewalk project
- Street improvements
- Water line improvements
- Wastewater plant improvements
- Airport improvements
- Sewer line improvements
- Water well improvements

The utility cost reduction measures are still in progress with the 2015 issuance of the Qualified Energy Conservation Bonds.

The City is also still in progress with initiating 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.

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

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, 2015. 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-five consecutive years (fiscal years ended 1991 - 2015). 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**

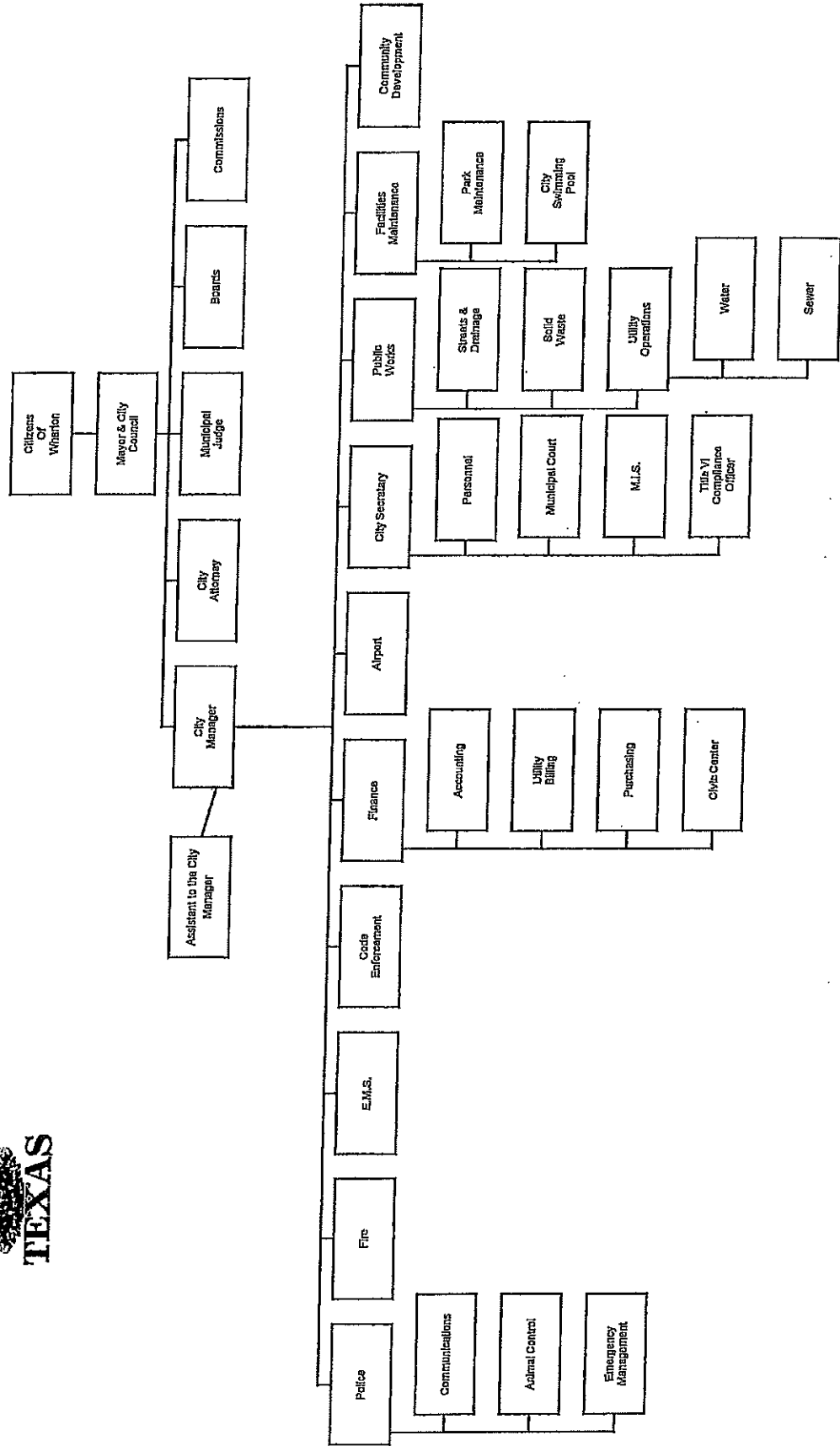
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



Organizational Chart



Elected Officials

Tim Barker	Mayor
Alfred Bryant	Council Member District 1
Steven Schneider	Council Member District 2
Terry Freese	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
Wade Wendt	Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Jessica Dunn	Community Services Director
Stephen Johnson	Emergency Management Coordinator

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
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INDEPENDENT AUDITORS' REPORT

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

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 March 16, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherek, LLP

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

March 16, 2017

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, 2016. 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, 2016, by \$21,349,478. Of this amount, \$1,169,172 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 \$14,244,684 for the fiscal year. The net expense was \$5,945,555.
- During the year, the City's net expenses exceeded general revenues of the governmental activities by \$15,769. This represents a 0.2% decrease in net position from the previous fiscal year as a result of operations.
- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,078,115, a net decrease of \$154,203 in comparison with prior year. The net decrease in fund balance was mainly due to the spending of the Qualified Energy Conservation Bonds proceeds and the 2013 debt proceeds during fiscal year 2016.
- At September 30, 2016, unassigned fund balance for the General Fund was \$1,320,205 or 23% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$2,407,744, or 12%, 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 15

Government-wide Financial Statements

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

Pages 16 to 19

Fund Financial Statements

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

Pages 20 to 33

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 34 to 65

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 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

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

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

Fund Financial Statements

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

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

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

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

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

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 34 through 65 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 66 through 69 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 70 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 \$21,349,478 at the close of the fiscal year ended September 30, 2016.

At the end of fiscal year 2016, the City is able to report positive balances in all three categories of net position for the government as a whole.

City of Wharton, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 6,404,934	\$ 5,516,835	\$ 3,328,821	\$ 4,529,795	\$ 9,733,755	\$ 10,046,630
Capital assets (net)	14,012,903	13,642,717	21,238,332	18,817,989	35,251,235	32,460,706
Other noncurrent assets	430,000	430,000	(430,000)	(430,000)	-	-
Total assets	20,847,837	19,589,552	24,137,153	22,917,784	44,984,990	42,507,336
Total deferred out- flows of resources	768,128	389,482	448,962	122,080	1,217,090	511,562
Current and other liabilities	2,285,886	1,236,626	1,308,947	1,066,484	3,594,833	2,303,110
Noncurrent liabilities	12,092,850	11,503,783	9,023,815	7,398,567	21,116,665	18,902,350
Total liabilities	14,378,736	12,740,409	10,332,762	8,465,051	24,711,498	21,205,460
Total deferred in- flows of resources	106,920	92,547	34,184	24,602	141,104	117,149
Net Position:						
Net investment in capital assets	5,049,412	5,276,256	14,570,164	13,273,028	19,619,576	18,549,284
Restricted	560,730	540,953	-	-	560,730	540,953
Unrestricted	1,520,167	1,328,869	(350,995)	1,277,183	1,169,172	2,606,052
Total net position	\$ 7,130,309	\$ 7,146,078	\$ 14,219,169	\$ 14,550,211	\$ 21,349,478	\$ 21,696,289

The largest portion of the City's net position (92%) 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 \$560,730 for debt service and for special projects related to public safety and culture and recreation. The remaining balance of \$1,169,172 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	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	\$ 405,483	\$ 369,075	\$ 6,100,321	\$ 5,808,675	\$ 6,505,804	\$ 6,177,750
Operating grants and contributions	159,932	125,634	1,036,169	847,681	1,196,101	973,315
Capital grants and contributions	497,778	250,000	99,446	628,072	597,224	878,072
General revenues:						
Property taxes	1,929,445	1,906,722	-	-	1,929,445	1,906,722
Sales taxes	1,391,868	1,295,561	-	-	1,391,868	1,295,561
Franchise taxes	1,101,070	1,077,112	-	-	1,101,070	1,077,112
Other taxes	252,562	217,309	-	-	252,562	217,309
Unrestricted investment earnings	15,218	10,942	1,779	2,451	16,997	13,393
Industrial district payment	830,603	877,318	-	-	830,603	877,318
Miscellaneous	76,199	59,034	-	-	76,199	59,034
Total revenues	6,660,158	6,188,707	7,237,715	7,286,879	13,897,873	13,475,586
EXPENSES						
General government	1,033,645	956,481	-	-	1,033,645	956,481
Public safety	3,732,614	3,560,086	-	-	3,732,614	3,560,086
Public works	1,925,823	1,830,354	-	-	1,925,823	1,830,354
Cultural and recreation	247,724	216,496	-	-	247,724	216,496
Interest on long-term debt	437,013	410,719	-	-	437,013	410,719
Water and sewer	-	-	2,886,182	2,561,784	2,886,182	2,561,784
Solid waste	-	-	1,332,985	1,343,826	1,332,985	1,343,826
Emergency medical services	-	-	2,067,077	1,771,503	2,067,077	1,771,503
Civic center	-	-	285,146	234,636	285,146	234,636
Airport	-	-	296,475	267,542	296,475	267,542
Total expenses	7,376,819	6,974,136	6,867,865	6,179,291	14,244,684	13,153,427
Change in net position before transfers	(716,661)	(785,429)	369,850	1,107,588	(346,811)	322,159
Transfers	700,892	788,246	(700,892)	(788,246)	-	-
Change in net position	(15,769)	2,817	(331,042)	319,342	(346,811)	322,159
Net position - October 1	7,146,078	7,143,261	14,550,211	14,230,869	21,696,289	21,374,130
Net position - September 30	\$ 7,130,309	\$ 7,146,078	\$ 14,219,169	\$ 14,550,211	\$ 21,349,478	\$ 21,696,289

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental activities decreased the City's net position by \$15,769 which was mainly due to the increase in the expenses from the prior year. There was also a net decrease of \$331,042 in net position reported in connection with the City's business-type activities. This decrease is mainly due to the increase in expenses from the prior year. Overall, there was a \$346,811 decrease in the net position of the City.

Governmental Activities

Governmental activities decreased the City's net position by \$15,769. Key elements of this decrease are as follows:

- Public safety expenses increased \$172,528 or 5% from prior year.
- Public works expenses increased by \$95,469 or 5% from prior year.
- Net transfers from other funds decreased by \$87,354 or 11% 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	\$ 1,033,645	14.01%	\$ 398,270	37.46%	\$ (635,375)
Public safety	3,732,614	50.60%	202,081	19.01%	(3,530,533)
Public works	1,925,823	26.11%	303,760	28.57%	(1,622,063)
Cultural and recreation	247,724	3.36%	159,082	14.96%	(88,642)
Interest on long-term debt	437,013	5.92%	-	0.00%	(437,013)
Total	\$ 7,376,819	100.00%	\$ 1,063,193	100.00%	\$ (6,313,626)

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental Activities - (Continued)

City of Wharton, Texas

Revenues by Source - Governmental Activities

Description	Revenues	% of Total
Charges for services	\$ 405,483	5.51%
Operating grants and contributions	159,932	2.17%
Capital grants and contributions	497,778	6.76%
Property taxes	1,929,445	26.21%
Sales taxes	1,391,868	18.91%
Franchise taxes	1,101,070	14.96%
Other taxes	252,562	3.43%
Unrestricted investment earnings	15,218	0.21%
Industrial district payment	830,603	11.28%
Miscellaneous	76,199	1.04%
Transfers	700,892	9.52%
	<u>\$ 7,361,050</u>	<u>100.00%</u>

Business-type Activities

Business-type activities decreased the City's net position by \$331,042. Key elements of this decrease are as follows:

- Capital grants and contributions decreased \$528,626 or 84% from the prior year.
- Water and sewer expenses increased \$324,398 or 13% from the prior year.
- Emergency medical services expenses increased \$295,574 or 17% from the prior year.
- Net transfers to other funds decreased \$87,354 or 11% from the prior year.

City of Wharton, Texas

Expenses and Program Revenues - Business-type Activities

Functions/Programs	Expenses	% of Total	Revenues	% of Total	Net (Expense) Revenue
Water and sewer	\$ 2,886,182	42.02%	\$ 3,688,108	50.97%	\$ 801,926
Solid waste	1,332,985	19.41%	1,401,478	19.37%	68,493
Emergency medical services	2,067,077	30.10%	1,781,166	24.61%	(285,911)
Civic center	285,146	4.15%	78,193	1.08%	(206,953)
Airport	296,475	4.32%	286,991	3.97%	(9,484)
Total	<u>\$ 6,867,865</u>	<u>100.00%</u>	<u>\$ 7,235,936</u>	<u>100.00%</u>	<u>\$ 368,071</u>

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

City of Wharton, Texas

Revenues by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 6,100,321	93.32%
Operating grants and contributions	1,036,169	15.85%
Capital grants and contributions	99,446	1.52%
Unrestricted investment earnings	1,779	0.03%
Transfers	<u>(700,892)</u>	<u>-10.72%</u>
	<u>\$ 6,536,823</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 2016, the City's governmental funds reported combined ending fund balances of \$5,078,115, a decrease of \$154,203 in comparison with prior year. The net decrease in fund balance was mainly due to the spending of the debt monies during fiscal year 2016 out of the Capital Project Funds. The General Fund ended the fiscal year with an increase of \$34,339, the Debt Service Fund had a decrease of \$42,651, the 2011 Bond Construction Fund increased \$3,947, the Qualified Energy Conservation Bonds decreased \$354,449, and the 2015 Bond Construction Fund increased \$159,604.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2016, unassigned fund balance of the General Fund was \$1,320,205, while total fund balance was \$1,761,972. 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 \$34,339 during the current fiscal year. These factors included revenues coming in slightly less than the final budget in the amount of \$4,056, other financing sources were \$12,600 less than the final budget, and expenditures came in \$50,995 less than the final budget. As explained above, the Capital Project Funds experienced decreases in fund balance during fiscal year 2016, which was due to the spending of the respective bond proceeds on various capital projects.

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	\$ (755,064)
Solid waste	105,711
Emergency medical services	248,651
Civic center	(57,239)
Airport	145,911
	<u>\$ (312,030)</u>

This represents a decrease of \$1,569,213 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 \$72,454 to revenues and to expenditures. A few of the changes are briefly summarized as follows:

- An increase of \$50,000 in taxes.
- A decrease of \$16,643 in licenses and permits.
- An increase of \$39,097 in fines and forfeitures.
- An increase of \$30,250 in legal which consisted of an increase in professional services of \$22,750 and an increase of \$11,500 with a decrease in City properties of \$4,000.
- A decrease of \$17,000 in central services which consisted of a decrease in part-time wages of \$25,000 and an increase of \$8,000 in equipment maintenance.
- A decrease of \$90,380 in police department which consisted of a decrease of \$49,230 in personnel and benefits, a decrease of \$35,000 in supplies, a decrease of \$4,350 in range maintenance, a decrease of \$8,000 in equipment maintenance, a decrease of \$8,400 in electric and telephone utilities, an increase of \$15,500 in insurance, and a decrease of \$900 in continuing education.
- An increase of \$17,478 in fire department which consisted of an increase in personnel and benefits of \$7,878, a decrease of \$4,500 in supplies, an increase of \$11,000 in equipment maintenance, an increase of \$4,000 in insurance, and a decrease of \$900 in dues and subscriptions.
- An increase of \$16,927 in code enforcement in personnel and benefits.
- A decrease of \$95,596 in communications in personnel and benefits.
- An increase of \$93,840 in streets and drainage which consisted of an increase of \$39,340 in personnel and benefits, a decrease of \$13,000 in supplies, a decrease of \$10,000, in street maintenance, an increase of \$18,500 in right of way and drainage maintenance, an increase of \$39,000 in equipment maintenance, increase of \$7,000 in street light utilities, an increase of \$9,000 in insurance, and in increase of \$4,000 in professional fees.
- An increase of \$26,418 in garage which consisted of an increase of \$2,918 in personnel and benefits, an increase of \$6,500 in supplies, an increase in building maintenance of \$9,000, and an increase of \$8,000 in equipment maintenance.

GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)

- A decrease of \$11,210 in grant administration/housing which consisted of a decrease of \$5,710 in personnel and benefits, a decrease of \$1,000 in supplies, a decrease of \$1,500 in professional fees, and a decrease of \$3,000 in demolition expense.
- An increase of \$23,500 in recreation in parks maintenance.
- An increase of \$37,000 in capital outlay in equipment.

For fiscal year 2016, the General Fund's revenues were \$4,056 less than the final budget and expenditures were \$50,995 less 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: Delinquent tax revenues were less than budget by \$21,247, sales tax rebates exceeded budget by \$44,597, and intergovernmental revenues exceeded budget by \$99,977. 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, 2016, amounts to \$35,251,235 (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 9% (a 3% increase for governmental activities and a 13% increase for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378	\$ 1,492,378
Construction in progress	730,422	123,177	2,811,407	943,644	3,541,829	1,066,821
Machinery and equipment	2,351,709	2,455,827	1,083,697	1,044,643	3,435,406	3,500,470
Land improvements	-	-	1,043,310	1,066,388	1,043,310	1,066,388
Bldgs. and improvements	2,913,753	3,044,142	4,370,858	4,080,433	7,284,611	7,124,575
Infrastructure	6,843,734	6,846,286	-	-	6,843,734	6,846,286
Water and sewer system	-	-	11,609,967	11,363,788	11,609,967	11,363,788
Total	\$ 14,012,903	\$ 13,642,717	\$ 21,238,332	\$ 18,817,989	\$ 35,251,235	\$ 32,460,706

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, 2016, consisted of the following:
 - Construction in progress of \$730,422 includes the sidewalk enhancement project, drainage improvements, and projects paid for from the Qualified Energy Conservation Bonds.
 - Infrastructure additions include street improvement projects in the amount of \$343,906.
 - Machinery and equipment additions include the following: Police vehicles, playground equipment, and street equipment.

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

- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2016, consisted of the following:
 - The Ahldag water and sewer improvements project began in fiscal year 2014 and was completed in fiscal year (\$372,509).
 - Projects in progress at September 30, 2016 included the following: Wastewater improvements of \$2,047,150; projects paid for from the Qualified Energy Conservation Bonds of \$302,898; and Airport improvements of \$88,019.
 - Various machinery and equipment additions in the Water and Sewer Fund and the EMS Fund were \$75,700 and \$90,645, respectively.

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

Long-term Debt

At the end of fiscal year 2016, the City had total bonded debt outstanding of \$20,764,362 (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 \$87,821 in capital leases, \$1,327,941 in net pension liability and \$377,618 in compensated absences as of September 30, 2016.

City of Wharton, Texas			
Long-term Debt			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 2,555,482	\$ 1,434,518	\$ 3,990,000
Issuance premiums	285,714	270,559	556,273
Certificates of obligation	8,440,842	6,274,158	14,715,000
Qualified energy cons. bonds	421,767	1,081,322	1,503,089
Capital leases payable	60,200	27,621	87,821
Net pension liability	796,765	531,176	1,327,941
Compensated absences	290,996	86,622	377,618
Total	\$ 12,851,766	\$ 9,705,976	\$ 22,557,742

The City's total outstanding debt increased by \$2,407,744 or 12% over the prior fiscal year. The key factors in this net increase were:

- Issuance of \$2,705,000 2015 Certificates of Obligation.
- Payments made on the certificates and bonds during fiscal year 2016 totaled \$1,179,252.
- Payments made on the capital lease during fiscal year 2016 totaled \$27,343.

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 2016 increased by \$19,676,679 or 4.4% to approximately \$464 million.
- The top ten principal taxpayers account for 24.7% of the total assessed valuation as compared to 34.05% nine years ago.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2017 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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,998,037	\$ 735,829	\$ 7,733,866	\$ 737,329
Receivables, net	504,949	692,599	1,197,548	125,548
Internal balances	(1,739,595)	1,739,595	-	-
Due from component unit	20,851	-	20,851	-
Due from other governments	608,925	80,888	689,813	-
Prepaid items	11,767	-	11,767	-
Inventory	-	79,910	79,910	2,000
Total current assets	6,404,934	3,328,821	9,733,755	864,877
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,903,707	3,130,500	5,034,207	385,335
Buildings, infrastructure, and equipment, net	12,109,196	18,107,832	30,217,028	5,115
Net capital assets	14,012,903	21,238,332	35,251,235	390,450
Noncurrent internal balances	430,000	(430,000)	-	-
Total noncurrent assets	14,442,903	20,808,332	35,251,235	390,450
Total assets	20,847,837	24,137,153	44,984,990	1,255,327
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	97,039	40,708	137,747	-
Deferred outflow related to TMRS	671,089	408,254	1,079,343	-
Total deferred outflows of resources	768,128	448,962	1,217,090	-

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,262,937	\$ 231,439	\$ 1,494,376	\$ 46,844
Accrued expenditures/expenses	94,270	62,920	157,190	-
Due to primary government	-	-	-	20,851
Due to other governments	34,798	8,229	43,027	-
Deposits	190	222,244	222,434	-
Accrued interest payable	134,775	101,954	236,729	-
Compensated absences	29,100	8,662	37,762	-
Current portion of long-term obligations	729,816	673,499	1,403,315	-
Total current liabilities	2,285,886	1,308,947	3,594,833	67,695
Noncurrent liabilities				
Compensated absences	261,896	77,960	339,856	-
Net pension liability	796,765	531,176	1,327,941	-
Noncurrent portion of long-term obligations	11,034,189	8,414,679	19,448,868	-
Total noncurrent liabilities	12,092,850	9,023,815	21,116,665	-
Total liabilities	14,378,736	10,332,762	24,711,498	67,695
DEFERRED OUTFLOWS OF RESOURCES				
Deferred inflow related to TMRS	106,920	34,184	141,104	-
NET POSITION				
Net investment in capital assets	5,049,412	14,570,164	19,619,576	390,450
Restricted for:				
Debt service	398,241	-	398,241	-
Cultural and recreation	85,835	-	85,835	-
Municipal court	33,954	-	33,954	-
Public safety	42,700	-	42,700	-
Unrestricted net position	1,520,167	(350,995)	1,169,172	797,182
Total net position	\$ 7,130,309	\$ 14,219,169	\$ 21,349,478	\$ 1,187,632

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2016

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,033,645	\$ 390,566	\$ 7,704	\$ -
Public safety	3,732,614	6,040	96,041	100,000
Public works	1,925,823	-	55,982	247,778
Cultural and recreation	247,724	8,877	205	150,000
Interest on long-term debt	437,013	-	-	-
Total governmental activities	<u>7,376,819</u>	<u>405,483</u>	<u>159,932</u>	<u>497,778</u>
Business-type activities				
Water and sewer	2,886,182	3,585,465	3,197	99,446
Solid waste	1,332,985	1,401,478	-	-
Emergency medical services	2,067,077	825,885	955,281	-
Civic center	285,146	76,282	1,911	-
Airport	296,475	211,211	75,780	-
Total business-type activities	<u>6,867,865</u>	<u>6,100,321</u>	<u>1,036,169</u>	<u>99,446</u>
Total primary government	<u>\$ 14,244,684</u>	<u>\$ 6,505,804</u>	<u>\$ 1,196,101</u>	<u>\$ 597,224</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 796,688</u>	<u>\$ 8,640</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Taxes:
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Sales taxes
 Franchise taxes
 Other taxes
Unrestricted investment earnings
Industrial district payment
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
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			
Governmental Activities	Business- type Activities	Total	Wharton Economic Development Corporation
\$ (635,375)	\$ -	\$ (635,375)	\$ -
(3,530,533)	-	(3,530,533)	-
(1,622,063)	-	(1,622,063)	-
(88,642)	-	(88,642)	-
(437,013)	-	(437,013)	-
<u>(6,313,626)</u>	<u>-</u>	<u>(6,313,626)</u>	<u>-</u>
-	801,926	801,926	-
-	68,493	68,493	-
-	(285,911)	(285,911)	-
-	(206,953)	(206,953)	-
-	(9,484)	(9,484)	-
-	<u>368,071</u>	<u>368,071</u>	<u>-</u>
<u>(6,313,626)</u>	<u>368,071</u>	<u>(5,945,555)</u>	<u>-</u>
-	-	-	(788,048)
901,706	-	901,706	-
1,027,739	-	1,027,739	-
1,391,868	-	1,391,868	774,806
1,101,070	-	1,101,070	-
252,562	-	252,562	-
15,218	1,779	16,997	3,625
830,603	-	830,603	-
76,199	-	76,199	5,053
<u>700,892</u>	<u>(700,892)</u>	<u>-</u>	<u>-</u>
<u>6,297,857</u>	<u>(699,113)</u>	<u>5,598,744</u>	<u>783,484</u>
(15,769)	(331,042)	(346,811)	(4,564)
<u>7,146,078</u>	<u>14,550,211</u>	<u>21,696,289</u>	<u>1,192,196</u>
<u>\$ 7,130,309</u>	<u>\$ 14,219,169</u>	<u>\$ 21,349,478</u>	<u>\$ 1,187,632</u>

CITY OF WHARTON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 617,744	\$ 376,508	\$ 2,604,816
Receivables, net	334,692	106,824	-
Due from other funds	596,152	41,230	-
Due from component unit	20,851	-	-
Due from other governments	352,693	8,454	-
Advances to other funds	430,000	-	-
Prepaid items	11,767	-	-
Total assets	<u>\$ 2,363,899</u>	<u>\$ 533,016</u>	<u>\$ 2,604,816</u>
LIABILITIES			
Accounts payable	\$ 138,386	\$ -	\$ -
Accrued expenditures	93,646	-	-
Due to other governments	34,798	-	-
Due to other funds	77,107	-	-
Deposits	190	-	-
Total liabilities	<u>344,127</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	257,800	106,824	-
Total deferred inflows of resources	<u>257,800</u>	<u>106,824</u>	<u>-</u>
FUND BALANCES			
Nonspendable	441,767	-	-
Restricted	-	426,192	2,604,816
Committed	-	-	-
Unassigned	1,320,205	-	-
Total fund balances	<u>1,761,972</u>	<u>426,192</u>	<u>2,604,816</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,363,899</u>	<u>\$ 533,016</u>	<u>\$ 2,604,816</u>

The accompanying notes are an integral part of this statement.

Qualified Energy Cons. Bonds	2015 Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ 1,471,726	\$ 1,528,996	\$ 398,247	\$ 6,998,037
-	-	63,433	504,949
-	-	171,319	808,701
-	-	-	20,851
-	247,778	-	608,925
-	-	-	430,000
-	-	-	11,767
<u>\$ 1,471,726</u>	<u>\$ 1,776,774</u>	<u>\$ 632,999</u>	<u>\$ 9,383,230</u>
\$ 737,248	\$ 365,318	\$ 21,985	\$ 1,262,937
-	-	624	94,270
-	-	-	34,798
653,907	1,393,368	423,914	2,548,296
-	-	-	190
<u>1,391,155</u>	<u>1,758,686</u>	<u>446,523</u>	<u>3,940,491</u>
-	-	-	364,624
-	-	-	364,624
-	-	-	441,767
80,571	18,088	162,489	3,292,156
-	-	23,987	23,987
-	-	-	1,320,205
<u>80,571</u>	<u>18,088</u>	<u>186,476</u>	<u>5,078,115</u>
<u>\$ 1,471,726</u>	<u>\$ 1,776,774</u>	<u>\$ 632,999</u>	<u>\$ 9,383,230</u>

CITY OF WHARTON, TEXAS

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

September 30, 2016

Total governmental fund balances		\$ 5,078,115
<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.		268,614
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.		96,010
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	\$ 26,537,172	
Accumulated depreciation of governmental capital assets	<u>(12,524,269)</u>	14,012,903
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	97,039	
Pension contributions after measurement date	128,184	
Change in actuarial assumptions used to determine pension liability	40,973	
Difference in projected and actual earnings on pension assets	<u>501,932</u>	768,128
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	(11,418,091)	
Bond premiums	(285,714)	
Capital leases payable	(60,200)	
Net pension liability	(796,765)	
Accrued interest payable	(134,775)	
Compensated absences	<u>(290,996)</u>	(12,986,541)
Deferred inflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience		<u>(106,920)</u>
Net position of governmental activities		<u>\$ 7,130,309</u>

The accompanying notes are an integral part of this statement.

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

For the year ended September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
REVENUES			
Taxes	\$ 3,393,846	\$ 1,022,617	\$ -
Licenses and permits	72,173	-	-
Intergovernmental	409,727	-	-
Charges for services	14,671	-	-
Fines and forfeitures	276,532	-	-
Investment income	1,570	869	3,947
Industrial district fee	830,603	-	-
Miscellaneous	11,276	-	-
Total revenues	<u>5,010,398</u>	<u>1,023,486</u>	<u>3,947</u>
EXPENDITURES			
Current			
General government	973,007	-	-
Public safety	3,376,348	-	-
Public works	1,212,877	-	-
Cultural and recreation	98,532	-	-
Capital outlay	135,966	-	-
Debt service			
Principal retirement	18,745	653,578	-
Interest and fiscal charges	2,600	410,434	-
Bond issuance costs	-	2,125	-
Total expenditures	<u>5,818,075</u>	<u>1,066,137</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(807,677)	(42,651)	3,947
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	22,400	-	-
Bonds issued	-	-	-
Premium on bonds	-	-	-
Transfers in	819,616	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>842,016</u>	<u>-</u>	<u>-</u>
Net change in fund balances	34,339	(42,651)	3,947
Fund balances at beginning of year	<u>1,727,633</u>	<u>468,843</u>	<u>2,600,869</u>
Fund balances at end of year	<u>\$ 1,761,972</u>	<u>\$ 426,192</u>	<u>\$ 2,604,816</u>

The accompanying notes are an integral part of this statement.

Qualified Energy Cons. Bonds	2015 Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 252,562	\$ 4,669,025
-	-	-	72,173
-	247,778	-	657,505
-	-	-	14,671
-	-	26,545	303,077
6,168	1,178	1,486	15,218
-	-	-	830,603
-	-	16,236	27,512
<u>6,168</u>	<u>248,956</u>	<u>296,829</u>	<u>6,589,784</u>
-	-	7,656	980,663
-	-	3,919	3,380,267
-	247,118	-	1,459,995
-	-	74,756	173,288
360,617	578,774	225,945	1,301,302
-	-	-	672,323
-	-	-	413,034
-	32,772	-	34,897
<u>360,617</u>	<u>858,664</u>	<u>312,276</u>	<u>8,415,769</u>
(354,449)	(609,708)	(15,447)	(1,825,985)
-	-	-	22,400
-	732,514	179,178	911,692
-	36,798	-	36,798
-	-	50,000	869,616
-	-	(168,724)	(168,724)
-	<u>769,312</u>	<u>60,454</u>	<u>1,671,782</u>
(354,449)	159,604	45,007	(154,203)
<u>435,020</u>	<u>(141,516)</u>	<u>141,469</u>	<u>5,232,318</u>
<u>\$ 80,571</u>	<u>\$ 18,088</u>	<u>\$ 186,476</u>	<u>\$ 5,078,115</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, 2016

Total net change in fund balances - governmental funds \$ (154,203)

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

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

Increase in capital assets	\$ 1,301,303	
Depreciation expense	<u>(930,450)</u>	370,853

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position. (667)

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	(732,514)	
(Premium) discount	<u>(36,798)</u>	(769,312)

During the 2016 fiscal year the City transferred debt to the governmental activities from the business-type activities. (179,178)

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	653,578	
Capital lease principal retirement	<u>18,745</u>	672,323

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	41,770	
Other revenues	<u>5,912</u>	47,682

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	31,485	
Decrease in loss on refunding	(9,648)	
Decrease in bond premium	22,721	
Increase in accrued interest	(1,197)	
Net pension costs	<u>(46,628)</u>	<u>(3,267)</u>

Change in net position of governmental activities \$ (15,769)

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 195,645	\$ 52,215	\$ 430,677
Receivables, net			
Accounts	448,416	155,830	36,786
Due from other funds	2,045,252	4,106	-
Due from other governments	3,197	-	-
Inventory	54,653	-	-
Total current assets	<u>2,747,163</u>	<u>212,151</u>	<u>467,463</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	2,938,023	-	10,575
Buildings, improvements, and equipment, net	11,955,785	-	670,743
Net capital assets	<u>14,893,808</u>	<u>-</u>	<u>681,318</u>
Total noncurrent assets	<u>14,893,808</u>	<u>-</u>	<u>681,318</u>
Total assets	<u>17,640,971</u>	<u>212,151</u>	<u>1,148,781</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	12,993	-	-
Deferred outflow related to TMRS	134,135	-	240,503
Total deferred outflows of resources	<u>147,128</u>	<u>-</u>	<u>240,503</u>
LIABILITIES			
Current liabilities			
Accounts payable	105,264	97,234	23,043
Accrued expenses	20,391	902	35,503
Due to other governments	-	8,229	-
Deposits	211,819	75	-
Accrued interest payable	91,740	-	-
Due to other funds	551,976	-	25,166
Compensated absences	3,377	-	5,118
Current portion of long-term obligations	596,470	-	-
Total current liabilities	<u>1,581,037</u>	<u>106,440</u>	<u>88,830</u>
Noncurrent liabilities			
Advances from other funds	430,000	-	-
Compensated absences	30,390	-	46,061
Net pension liability	172,632	-	318,706
Noncurrent portion of long-term obligations	7,421,912	-	-
Total noncurrent liabilities	<u>8,054,934</u>	<u>-</u>	<u>364,767</u>
Total liabilities	<u>9,635,971</u>	<u>106,440</u>	<u>453,597</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS	12,486	-	16,293
NET POSITION			
Net investment in capital assets	8,933,671	-	670,743
Unrestricted net position	(794,029)	105,711	248,651
Total net position	<u>\$ 8,139,642</u>	<u>\$ 105,711</u>	<u>\$ 919,394</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 10,993	\$ 46,299	\$ 735,829
39,345	12,222	692,599
42,640	324,560	2,416,558
1,911	75,780	80,888
-	25,257	79,910
<u>94,889</u>	<u>484,118</u>	<u>4,005,784</u>
44,682	137,220	3,130,500
<u>1,405,652</u>	<u>4,075,652</u>	<u>18,107,832</u>
<u>1,450,334</u>	<u>4,212,872</u>	<u>21,238,332</u>
<u>1,450,334</u>	<u>4,212,872</u>	<u>21,238,332</u>
<u>1,545,223</u>	<u>4,696,990</u>	<u>25,244,116</u>
1,705	26,010	40,708
<u>33,616</u>	-	<u>408,254</u>
<u>35,321</u>	<u>26,010</u>	<u>448,962</u>
3,441	2,457	231,439
3,563	2,561	62,920
-	-	8,229
10,050	300	222,244
2,629	7,585	101,954
99,809	12	676,963
94	73	8,662
<u>38,232</u>	<u>38,797</u>	<u>673,499</u>
<u>157,818</u>	<u>51,785</u>	<u>1,985,910</u>
-	-	430,000
850	659	77,960
39,838	-	531,176
<u>309,720</u>	<u>683,047</u>	<u>8,414,679</u>
<u>350,408</u>	<u>683,706</u>	<u>9,453,815</u>
<u>508,226</u>	<u>735,491</u>	<u>11,439,725</u>
<u>5,405</u>	-	<u>34,184</u>
1,124,152	3,841,598	14,570,164
(57,239)	145,911	(350,995)
<u>\$ 1,066,913</u>	<u>\$ 3,987,509</u>	<u>\$ 14,219,169</u>

CITY OF WHARTON, TEXAS

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

PROPRIETARY FUNDS

For the year ended September 30, 2016

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 3,585,465	\$ 1,401,478	\$ 825,885
Total operating revenues	<u>3,585,465</u>	<u>1,401,478</u>	<u>825,885</u>
OPERATING EXPENSES			
Personnel	968,087	44,229	1,600,208
Materials and supplies	99,959	208	114,104
Repairs and maintenance	232,616	-	71,265
Other services and charges	721,637	1,288,548	145,920
Depreciation and amortization	528,348	-	135,580
Total operating expenses	<u>2,550,647</u>	<u>1,332,985</u>	<u>2,067,077</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	1,034,818	68,493	(1,241,192)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	3,197	-	955,281
Investment income	566	117	995
Interest and fiscal charges	(335,535)	-	-
Total nonoperating revenues (expenses)	<u>(331,772)</u>	<u>117</u>	<u>956,276</u>
Income (loss) before transfers and contributions	703,046	68,610	(284,916)
Contributions and transfers			
Capital grants and contributions	99,446	-	-
Transfers in	-	-	-
Transfers out	(746,204)	(25,000)	(98,412)
Total contributions and transfers	<u>(646,758)</u>	<u>(25,000)</u>	<u>(98,412)</u>
Change in net position	56,288	43,610	(383,328)
Net position at beginning of year	8,083,354	62,101	1,302,722
Net position at end of year	<u>\$ 8,139,642</u>	<u>\$ 105,711</u>	<u>\$ 919,394</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 76,282	\$ 211,211	\$ 6,100,321
<u>76,282</u>	<u>211,211</u>	<u>6,100,321</u>
157,305	80,307	2,850,136
7,109	3,436	224,816
21,942	21,615	347,438
46,557	39,958	2,242,620
42,754	114,092	820,774
<u>275,667</u>	<u>259,408</u>	<u>6,485,784</u>
(199,385)	(48,197)	(385,463)
1,911	75,780	1,036,169
7	94	1,779
<u>(9,479)</u>	<u>(37,067)</u>	<u>(382,081)</u>
<u>(7,561)</u>	<u>38,807</u>	<u>655,867</u>
(206,946)	(9,390)	270,404
-	-	99,446
168,724	-	168,724
<u>-</u>	<u>-</u>	<u>(869,616)</u>
<u>168,724</u>	<u>-</u>	<u>(601,446)</u>
(38,222)	(9,390)	(331,042)
<u>1,105,135</u>	<u>3,996,899</u>	<u>14,550,211</u>
\$ <u>1,066,913</u>	\$ <u>3,987,509</u>	\$ <u>14,219,169</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2016

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,488,492	\$ 1,391,698	\$ 878,365
Cash paid to suppliers for goods and services	(1,029,836)	(1,243,876)	(329,822)
Cash paid to employees for services	(931,932)	(44,005)	(1,503,204)
Net cash provided (used) by operating activities	<u>1,526,724</u>	<u>103,817</u>	<u>(954,661)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	691,362	(56,575)	15,212
Transfers in from other funds	-	-	-
Transfers out to other funds	(746,204)	(25,000)	(98,412)
Grants and contributions	-	-	955,281
Net cash provided (used) by noncapital financing activities	<u>(54,842)</u>	<u>(81,575)</u>	<u>872,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,752,976)	-	(145,529)
Proceeds from capital grants and contributions	214,479	-	38,912
Proceeds from issuance of debt	1,647,715	-	-
Reclassification of debt to governmental activities	(179,178)	-	-
Debt issuance costs paid	(70,190)	-	-
Principal paid on long-term debt	(477,530)	-	-
Interest paid on long-term debt	(271,128)	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,888,808)</u>	<u>-</u>	<u>(106,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	566	117	995
Net cash provided (used) by investing activities	<u>566</u>	<u>117</u>	<u>995</u>
Net increase (decrease) in cash and cash equivalents	(416,360)	22,359	(188,202)
Cash and cash equivalents at beginning of year	<u>612,005</u>	<u>29,856</u>	<u>618,879</u>
Cash and cash equivalents at end of year	<u>\$ 195,645</u>	<u>\$ 52,215</u>	<u>\$ 430,677</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 66,263	\$ 205,918	\$ 6,030,736
(82,116)	(85,629)	(2,771,279)
<u>(169,157)</u>	<u>(79,134)</u>	<u>(2,727,432)</u>
<u>(185,010)</u>	<u>41,155</u>	<u>532,025</u>
280,403	(293,597)	636,805
168,724	-	168,724
-	-	(869,616)
-	-	<u>955,281</u>
<u>449,127</u>	<u>(293,597)</u>	<u>891,194</u>
(223,854)	(112,559)	(3,234,918)
-	-	253,391
-	423,860	2,071,575
-	-	(179,178)
-	(18,056)	(88,246)
(36,824)	(19,919)	(534,273)
<u>(9,584)</u>	<u>(16,728)</u>	<u>(297,440)</u>
<u>(270,262)</u>	<u>256,598</u>	<u>(2,009,089)</u>
7	94	1,779
<u>7</u>	<u>94</u>	<u>1,779</u>
(6,138)	4,250	(584,091)
<u>17,131</u>	<u>42,049</u>	<u>1,319,920</u>
<u>\$ 10,993</u>	<u>\$ 46,299</u>	<u>\$ 735,829</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2016

	<u>Business-type Activities</u>		
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,034,818	\$ 68,493	\$ (1,241,192)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	528,348	-	135,580
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(101,196)	(9,780)	52,480
(Increase) decrease in inventory	(20,209)	-	-
(Increase) decrease in deferred outflow related to TMRS	(105,498)	-	(208,286)
Increase (decrease) in accounts payable	44,585	44,758	1,467
Increase (decrease) in accrued expenses	4,324	224	9,488
Increase (decrease) in deposits	4,223	-	-
Increase (decrease) in due to other governments	-	122	-
Increase (decrease) in compensated absences	(319)	-	14,207
Increase (decrease) in net pension liability	134,534	-	275,846
Increase (decrease) in deferred inflow related to TMRS	3,114	-	5,749
Total adjustments	<u>491,906</u>	<u>35,324</u>	<u>286,531</u>
Net cash provided (used) by operating activities	<u>\$ 1,526,724</u>	<u>\$ 103,817</u>	<u>\$ (954,661)</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (199,385)	\$ (48,197)	\$ (385,463)
42,754	114,092	820,774
(8,669)	(5,293)	(72,458)
-	(312)	(20,521)
(19,297)	-	(333,081)
(6,508)	(20,308)	63,994
1,323	1,085	16,444
(1,350)	-	2,873
-	-	122
(15,386)	88	(1,410)
20,789	-	431,169
<u>719</u>	<u>-</u>	<u>9,582</u>
<u>14,375</u>	<u>89,352</u>	<u>917,488</u>
<u>\$ (185,010)</u>	<u>\$ 41,155</u>	<u>\$ 532,025</u>

(concluded)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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

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

A. Reporting Entity - (Continued)

Other Entities

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has five 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 2015 Bond Construction Fund accounts for the use of the proceeds from the City's 2015 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.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

D. Budgets and Budgetary Accounting - (Continued)

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

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2016.

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, 2016, approximates fair value.

G. Receivables and Payables

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

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

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

H. Inventories and Prepaid Items

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

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

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.

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 2016. 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 funds. There were several situations of expenditures exceeding the amounts appropriated during the fiscal year 2015-2016.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Emergency management	\$ 113,643	\$ 124,312	\$ (10,669)
Interest and fiscal charges	2,100	2,600	(500)
Debt Service Fund			
Principal retirement	627,400	653,578	(26,178)

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2016, 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	\$ 131,803	44

The investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The pool uses amortized cost rather than 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 2016 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, expired on June 27, 2016, and renewed on March 21, 2017. The City's deposits are therefore subject to custodial credit risk at September 30, 2016.

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, 2016, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 14 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

Receivables at September 30, 2016, 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	\$ 369,348	\$ -	\$ 448,416	\$ 155,830	\$ 36,786	\$ 39,345	\$ 12,222	\$ 63,433	\$ 1,125,380
Ad valorem taxes	228,432	143,327	-	-	-	-	-	-	371,759
Franchise taxes	38,309	-	-	-	-	-	-	-	38,309
Fines	229,526	-	-	-	-	-	-	-	229,526
Other	38,583	-	-	-	-	-	-	-	38,583
Total gross receivables	904,198	143,327	448,416	155,830	36,786	39,345	12,222	63,433	1,803,557
Less: Allowances	569,506	36,503	-	-	-	-	-	-	606,009
Total net receivables	<u>\$ 334,692</u>	<u>\$ 106,824</u>	<u>\$ 448,416</u>	<u>\$ 155,830</u>	<u>\$ 36,786</u>	<u>\$ 39,345</u>	<u>\$ 12,222</u>	<u>\$ 63,433</u>	<u>\$ 1,197,548</u>

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	\$ 161,790	\$ -	\$ 161,790
Fines	91,810	-	91,810
Other	4,200	-	4,200
Debt Service Fund			
Ad valorem receivable	<u>106,824</u>	<u>-</u>	<u>106,824</u>
	<u>\$ 364,624</u>	<u>\$ -</u>	<u>\$ 364,624</u>

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.44205 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.20639 and \$0.23566, respectively. The resulting adjusted total tax levy was \$1,898,130 on the total adjusted taxable valuation of \$445,052,219 for the 2015 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, 2016, are summarized as follows:

	<u>General</u>	<u>Debt Service</u>	<u>2015 Bond Const.</u>	<u>Water and Sewer</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 251,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,109
Federal and state grants	90,927	-	247,778	3,197	1,911	75,780	419,593
Property taxes	7,657	8,454	-	-	-	-	16,111
Other	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
	<u>\$ 352,693</u>	<u>\$ 8,454</u>	<u>\$ 247,778</u>	<u>\$ 3,197</u>	<u>\$ 1,911</u>	<u>\$ 75,780</u>	<u>\$ 689,813</u>

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	<u>123,177</u>	<u>607,245</u>	<u>-</u>	<u>730,422</u>
Total capital assets not being depreciated	<u>1,296,462</u>	<u>607,245</u>	<u>-</u>	<u>1,903,707</u>
Capital assets, being depreciated				
Machinery and equipment	6,113,229	349,171	59,820	6,402,580
Buildings and improvements	4,845,850	-	-	4,845,850
Infrastructure	<u>13,040,148</u>	<u>344,887</u>	<u>-</u>	<u>13,385,035</u>
Total capital assets being depreciated	<u>23,999,227</u>	<u>694,058</u>	<u>59,820</u>	<u>24,633,465</u>
Less accumulated depreciation for				
Machinery and equipment	3,657,402	452,622	59,153	4,050,871
Buildings and improvements	1,801,708	130,389	-	1,932,097
Infrastructure	<u>6,193,862</u>	<u>347,439</u>	<u>-</u>	<u>6,541,301</u>
Total accumulated depreciation	<u>11,652,972</u>	<u>930,450</u>	<u>59,153</u>	<u>12,524,269</u>
Total capital assets being depreciated, net	<u>12,346,255</u>	<u>(236,392)</u>	<u>667</u>	<u>12,109,196</u>
Governmental activities capital assets, net	<u>\$ 13,642,717</u>	<u>\$ 370,853</u>	<u>\$ 667</u>	<u>\$ 14,012,903</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	<u>943,644</u>	<u>2,464,893</u>	<u>597,130</u>	<u>2,811,407</u>
Total capital assets not being depreciated	<u>1,262,737</u>	<u>2,464,893</u>	<u>597,130</u>	<u>3,130,500</u>
Capital assets, being depreciated				
Machinery and equipment	3,418,655	254,177	-	3,672,832
Land improvements	1,153,850	-	-	1,153,850
Buildings and improvements	5,741,732	406,691	-	6,148,423
Water and sewer system	<u>21,139,305</u>	<u>706,286</u>	<u>-</u>	<u>21,845,591</u>
Total capital assets being depreciated	<u>31,453,542</u>	<u>1,367,154</u>	<u>-</u>	<u>32,820,696</u>
Less accumulated depreciation for				
Machinery and equipment	2,374,012	215,123	-	2,589,135
Land improvements	87,462	23,078	-	110,540
Buildings and improvements	1,661,299	116,266	-	1,777,565
Water and sewer system	<u>9,775,517</u>	<u>460,107</u>	<u>-</u>	<u>10,235,624</u>
Total accumulated depreciation	<u>13,898,290</u>	<u>814,574</u>	<u>-</u>	<u>14,712,864</u>
Total capital assets being depreciated, net	<u>17,555,252</u>	<u>552,580</u>	<u>-</u>	<u>18,107,832</u>
Business-type activities capital assets, net	<u>\$ 18,817,989</u>	<u>\$ 3,017,473</u>	<u>\$ 597,130</u>	<u>\$ 21,238,332</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 46,523
Public safety	353,571
Public works	455,920
Cultural and recreation	<u>74,436</u>
Total depreciation expense - governmental activities	<u>\$ 930,450</u>
Business-type activities	
Water and sewer	\$ 524,958
Emergency medical services	135,580
Civic center	42,309
Airport	<u>111,727</u>
Total depreciation expense - business-type activities	<u>\$ 814,574</u>

At September 30, 2016, 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 866 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.tmr.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.

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 2016 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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>96</u>
	<u>185</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 6.61% and 6.05% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$298,670, and were equal to the required contributions.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	8.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 13,331,492	\$ 12,855,268	\$ 476,224
Changes for the year:			
Service cost	467,271	-	467,271
Interest	935,232	-	935,232
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(69,977)	-	(69,977)
Change of assumptions	87,049	-	87,049
Contributions - Employer	-	319,404	(319,404)
Contributions - Employee	-	241,608	(241,608)
Net investment income	-	18,970	(18,970)
Benefit payments, including refunds of employee contributions	(409,355)	(409,355)	-
Administrative expense	-	(11,554)	11,554
Other changes	-	(570)	570
Net changes	<u>1,010,220</u>	<u>158,503</u>	<u>851,717</u>
Balance at 12/31/2015	<u>\$ 14,341,712</u>	<u>\$ 13,013,771</u>	<u>\$ 1,327,941</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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$3,329,248	\$1,327,941	\$(310,961)

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.tmr.com.

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

For the year ended September 30, 2016 the City recognized pension expense of \$452,969.

At September 30, 2016, 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	\$ -	\$ 141,104
Changes in actuarial assumptions	68,288	-
Difference between projected and actual investment earnings	797,416	-
Contributions subsequent to the measurement date	213,639	-
Total	\$ 1,079,343	\$ 141,104

\$213,639 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, 2017. 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
2016	\$ 179,818
2017	179,818
2018	186,433
2019	178,531
2020	-
Thereafter	-

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$1,445, \$1,852, and \$1,634, 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.

NOTE 10: LONG-TERM DEBT**A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 7,863,400	\$ 911,692	\$ 334,250	\$ 8,440,842	\$ 383,954
General obligation bonds	2,848,632	-	293,150	2,555,482	301,200
Qualified energy cons. bonds	447,945	-	26,178	421,767	25,255
Plus deferred amounts:					
Issuance premiums	271,636	36,798	22,720	285,714	-
Total bonds and certificates payable	11,431,613	948,490	676,298	11,703,805	710,409
Capital leases payable	78,945	-	18,745	60,200	19,407
Net pension liability	376,217	420,548	-	796,765	-
Compensated absences	322,481	246,248	277,733	290,996	29,100
Total governmental activity long-term liabilities	<u>\$ 12,209,256</u>	<u>\$ 1,615,286</u>	<u>\$ 972,776</u>	<u>\$ 12,851,766</u>	<u>\$ 758,916</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 4,726,600	\$ 1,972,486	\$ 424,928	\$ 6,274,158	\$ 376,046
General obligation bonds	1,646,368	-	211,850	1,434,518	223,800
Qualified energy cons. bonds	1,149,396	-	68,074	1,081,322	64,750
Plus deferred amounts:					
Issuance premiums	194,121	99,089	22,651	270,559	-
Total bonds and certificates payable	7,716,485	2,071,575	727,503	9,060,557	664,596
Capital leases payable	36,219	-	8,598	27,621	8,903
Net pension liability	100,007	431,169	-	531,176	-
Compensated absences	88,031	122,889	124,298	86,622	8,662
Total business-type activity long-term liabilities	<u>\$ 7,940,742</u>	<u>\$ 2,625,633</u>	<u>\$ 860,399</u>	<u>\$ 9,705,976</u>	<u>\$ 682,161</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, 2016, \$4,040,000 of bonds and certificates outstanding was considered defeased.

Compensated absences are generally liquidated by the General Fund for the governmental activities. Please see Note 14 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>	
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	346,882	40,166	268,118	16,109	671,275
2022-2026	780,200	110,784	159,800	22,691	1,073,475
2027	174,300	3,486	35,700	714	214,200
	<u>\$ 2,555,482</u>	<u>\$ 414,549</u>	<u>\$ 1,434,518</u>	<u>\$ 197,801</u>	<u>\$ 4,602,350</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
Series 2015	10/15 - 12/32	2.00 - 3.50%	2,705,000
			<u>\$ 16,305,000</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>	
2017	\$ 383,954	\$ 312,961	\$ 376,046	\$ 234,602	\$ 1,307,563
2018	386,004	300,037	388,996	220,938	1,295,975
2019	421,408	287,616	308,592	207,534	1,225,150
2020	453,908	273,748	311,092	197,340	1,236,088
2021	445,212	258,473	339,788	187,402	1,230,875
2022-2026	2,872,000	996,755	1,883,000	755,224	6,506,979
2027-2031	2,904,858	378,875	2,125,142	362,131	5,771,006
2032-2033	573,498	21,658	541,502	37,066	1,173,724
	<u>\$ 8,440,842</u>	<u>\$ 2,830,123</u>	<u>\$ 6,274,158</u>	<u>\$ 2,202,237</u>	<u>\$ 19,747,360</u>

Included in the schedule of changes in long-term liabilities are additions to the governmental certificates of obligation that represents a reclassification of this debt from the business-type activities from the prior year.

The increase in the governmental activities debt of \$179,178 is also shown as a reduction of debt in the business-type activities. The reason for the reclassification was due to the City determining that certain proceeds of debt that were issued in the 2014 fiscal year that were previously to be used for Water and Sewer Fund projects were reprogrammed to governmental activity projects.

NOTE 10: LONG-TERM DEBT - (Continued)

D. Qualified Energy Conservation Bonds

On August 25, 2016 the City issued the taxable 2015 Series Public Property Finance Contract, Qualified Energy Conservation Bonds (QECCB), 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.

QECCBs 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 QECCB.'s are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 25,255	\$ 6,390	\$ 64,750	\$ 16,382	\$ 112,777
2018	25,638	6,007	65,730	15,401	112,776
2019	26,027	5,619	66,726	14,405	112,777
2020	26,421	5,224	67,737	13,394	112,776
2021	26,821	4,824	68,763	12,368	112,776
2022-2026	140,324	17,901	359,763	45,895	563,883
2027-2031	151,281	6,945	387,853	17,805	563,884
	<u>\$ 421,767</u>	<u>\$ 52,910</u>	<u>\$ 1,081,322</u>	<u>\$ 135,650</u>	<u>\$ 1,691,649</u>

E. 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%.

\$ 87,821
\$ 87,821

The present value of the capital leases after deduction of imputed interest is \$87,821.

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 19,407	\$ 1,939	\$ 8,903	\$ 889	\$ 31,138
2018	20,092	1,253	9,218	575	31,138
2019	20,701	544	9,500	250	30,995
	<u>\$ 60,200</u>	<u>\$ 3,736</u>	<u>\$ 27,621</u>	<u>\$ 1,714</u>	<u>\$ 93,271</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, 2016, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Qualified Energy Cons. Bonds	\$ 3,380
	2015 Bond Construction	44,185
	Nonmajor Governmental	5,840
	Water and Sewer	495,908
	Emergency Medical Services	2,591
	Civic Center	44,236
	Airport	12
		<u>596,152</u>
Debt Service	Civic Center	<u>41,230</u>
Nonmajor Governmental	General	77,107
	2015 Bond Construction	27,907
	Water and Sewer	51,962
	Civic Center	14,343
	<u>171,319</u>	
Water and Sewer	Qualified Energy Cons. Bonds	623,688
	2015 Bond Construction	1,003,490
	Nonmajor Governmental	419,074
	<u>2,046,252</u>	
Solid Waste	Water and Sewer	<u>4,106</u>
Civic Center	Qualified Energy Cons. Bonds	20,065
	Emergency Medical Services	22,575
	<u>42,640</u>	
Airport	Qualified Energy Cons. Bonds	6,774
	2015 Bond Construction	317,786
	<u>324,560</u>	
		<u>\$ 3,226,259</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>Civic Center</u>	<u>Nonmajor Governmental</u>	
Nonmajor Governmental	\$ -	\$ 168,724	\$ -	\$ 168,724
Water and Sewer	721,204	-	25,000	746,204
Solid Waste	-	-	25,000	25,000
Emergency Medical Services	98,412	-	-	98,412
	<u>\$ 819,616</u>	<u>\$ 168,724</u>	<u>\$ 50,000</u>	<u>\$ 1,038,340</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, 2016, 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, 2016, 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	\$ 470,674
FM 1301 extension to US 59 and overpass project	69,186
Wastewater treatment plant improvements	58,721
USDA - professional engineering and environmental	22,565
Airport hanger project	170,519
Sustainable water supply	11,650
Kinkaid drainage improvements	3,160
Energy savings project	727,676
Total	\$ 1,534,151

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

NOTE 13: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2016:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Prepaid items	\$ 11,767	\$ -	\$ -	\$ -	\$ 11,767
Long-term interfund advances	430,000	-	-	-	430,000
Unassigned	-	-	-	1,320,205	1,320,205
Debt Service					
Long-term debt	-	426,192	-	-	426,192
2011 Bond Construction					
Various capital projects	-	2,604,816	-	-	2,604,816
Qualified Energy Cons. Bonds					
Various capital projects	-	80,571	-	-	80,571
2015 Bond Construction					
Various capital projects	-	18,088	-	-	18,088
Nonmajor Governmental					
Various capital projects	-	-	23,987	-	23,987
Arts and tourism	-	85,835	-	-	85,835
Municipal court security and technology	-	33,954	-	-	33,954
Law enforcement	-	35,266	-	-	35,266
Fire department	-	7,434	-	-	7,434
	<u>\$ 441,767</u>	<u>\$ 3,292,156</u>	<u>\$ 23,987</u>	<u>\$ 1,320,205</u>	<u>\$ 5,078,115</u>

NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION

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

A. Organization

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

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

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2016, the final budget anticipated \$1,469,174 more in expenditures than revenues. This amount was to be funded from existing fund balance of \$879,542 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.

NOTE 14: 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 real estate held for development, furniture, fixtures, and equipment, are recorded at cost. Real estate held for development is not subject to depreciation. Depreciation has been charged against these assets using a straight-line method from 5 to 7 years.

Compensated Absences and Retirement Plans

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

NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments

As of September 30, 2016, WEDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 1,644	45
Certificate of Deposit	246,335	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, 2016, 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, 2016, and for the year then ended, WEDC was not exposed to any custodial credit risk.

NOTE 14: 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, 2016, and for the year then ended, WEDC was not exposed to any custodial credit risk.

D. Sales Taxes

WEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. WEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2016, was \$124,069. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

E. Sales Tax Rebate Agreement

WEDC, along with the City, and as part of a business development plan to bring in new businesses to the City, entered into a ten year agreement effective August 16, 2008 with Buc-ee's, Ltd. (Buc-ee's) whereby, collectively, WEDC and the City rebate Buc-ee's monthly 1.5% of the sales tax collected as a result of Buc-ee's taxable sales. During the year ended September 30, 2016, tax rebate expenditures of \$80,102 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, 2016, tax rebate expenditures of \$10,271 were incurred.

NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

F. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Real estate held for development	\$ 385,335	\$ -	\$ -	\$ 385,335
Total capital assets not being depreciated	<u>385,335</u>	<u>-</u>	<u>-</u>	<u>385,335</u>
Capital assets, being depreciated				
Leasehold improvements	8,975	-	-	8,975
Furniture and fixtures	<u>28,088</u>	<u>2,467</u>	<u>-</u>	<u>30,555</u>
Total capital assets being depreciated	<u>37,063</u>	<u>2,467</u>	<u>-</u>	<u>39,530</u>
Less accumulated depreciation for				
Furniture and fixtures	<u>33,773</u>	<u>642</u>	<u>-</u>	<u>34,415</u>
Total accumulated depreciation	<u>33,773</u>	<u>642</u>	<u>-</u>	<u>34,415</u>
Total capital assets being depreciated, net	<u>3,290</u>	<u>1,825</u>	<u>-</u>	<u>5,115</u>
Governmental activities capital assets, net	<u>\$ 388,625</u>	<u>\$ 1,825</u>	<u>\$ -</u>	<u>\$ 390,450</u>

G. Long-term Debt

Long-term liability activity for the year ended September 30, 2016, 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	\$ 75,930	\$ -	\$ 75,930	\$ -	\$ -
	<u>\$ 75,930</u>	<u>\$ -</u>	<u>\$ 75,930</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 14: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

H. Operating Lease Agreements

Lease Expense Agreements

WEDC leases its office facilities from the City on an annual lease agreement that requires \$1,154 per month for office space and \$1,000 per year for administrative support. Either WEDC or the City can terminate this lease by giving 30 days notice. For the year ended September 30, 2016, \$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, 2017.

I. Related Party Transactions

During the normal course of business, WEDC purchased goods and services from businesses in and around the City. On occasion, there are companies that WEDC conducted business with that are owned wholly by, partially owned by, or employers of 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, 2016, WEDC owed the City \$20,851 for wages and benefits previously paid by the City.

J. Commitments

As of September 30, 2016, WEDC had approved but not yet paid \$795,182 for business restoration grants and other various construction projects. WEDC has committed to paying \$162,166 in business restoration grants, \$33,016 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.

K. 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. The employees of WEDC are treated as employees of the City of Wharton for retirement plan purposes. Please see Note 7 for discussions relative to the funding arrangements.

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, 2016

With comparative totals for the year ended September 30, 2015

	2016			Variance Positive (Negative)	2015
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,432,424	\$ 3,482,424	\$ 3,393,846	\$ (88,578)	\$ 3,285,923
Licenses and permits	102,043	85,400	72,173	(13,227)	78,284
Intergovernmental	309,750	309,750	409,727	99,977	368,740
Charges for services	12,250	12,250	14,671	2,421	13,965
Fines and forfeitures	228,022	267,119	276,532	9,413	238,545
Investment income	1,500	1,500	1,570	70	2,127
Industrial district fee	826,465	826,465	830,603	4,138	877,318
Miscellaneous	29,546	29,546	11,276	(18,270)	23,732
Total revenues	<u>4,942,000</u>	<u>5,014,454</u>	<u>5,010,398</u>	<u>(4,056)</u>	<u>4,888,634</u>
EXPENDITURES					
Current					
General government	942,816	991,078	973,007	18,071	908,415
Public safety	3,529,609	3,377,156	3,376,348	808	3,260,797
Public works	1,097,243	1,218,553	1,212,877	5,676	1,092,871
Cultural and recreation	92,633	104,923	98,532	6,391	83,363
Capital outlay	118,260	155,260	135,966	19,294	338,242
Debt service	16,055	22,100	21,345	755	23,752
Total expenditures	<u>5,796,616</u>	<u>5,869,070</u>	<u>5,818,075</u>	<u>50,995</u>	<u>5,707,440</u>
Excess (deficiency) of revenues over expenditures	(854,616)	(854,616)	(807,677)	46,939	(818,806)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	35,000	35,000	22,400	(12,600)	-
Capital lease proceeds	-	-	-	-	98,262
Transfers in	819,616	819,616	819,616	-	920,081
Transfers out	-	-	-	-	(190,000)
Total other financing sources (uses)	<u>854,616</u>	<u>854,616</u>	<u>842,016</u>	<u>(12,600)</u>	<u>828,343</u>
Net change in fund balance	-	-	34,339	34,339	9,537
Fund balance at beginning of year	<u>1,727,633</u>	<u>1,727,633</u>	<u>1,727,633</u>	<u>-</u>	<u>1,718,096</u>
Fund balance at end of year	<u>\$ 1,727,633</u>	<u>\$ 1,727,633</u>	<u>\$ 1,761,972</u>	<u>\$ 34,339</u>	<u>\$ 1,727,633</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

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 392,673	\$ 467,271
Interest (on the total pension liability)	883,991	935,232
Changes of benefit terms	-	-
Difference between expected and actual experience	(148,089)	(69,977)
Change of assumptions	-	87,049
Benefit payments, including refunds of employee contributions	<u>(458,381)</u>	<u>(409,355)</u>
Net Change in Total Pension Liability	670,194	1,010,220
Total Pension Liability - Beginning	<u>12,661,298</u>	<u>13,331,492</u>
Total Pension Liability - Ending (a)	<u>\$ 13,331,492</u>	<u>\$ 14,341,712</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 329,560	\$ 319,404
Contributions - Employee	224,191	241,608
Net Investment Income	690,883	18,970
Benefit payments, including refunds of employee contributions	(458,381)	(409,355)
Administrative expense	(7,213)	(11,554)
Other	<u>(593)</u>	<u>(570)</u>
Net Change in Plan Fiduciary Net Position	778,447	158,503
Plan Fiduciary Net Position - Beginning	<u>12,076,821</u>	<u>12,855,268</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,855,268</u>	<u>\$ 13,013,771</u>
Net Pension Liability - Ending (a) - (b)	\$ 476,224	\$ 1,327,941
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.43%	90.74%
Covered Employee Payroll	\$ 4,483,820	\$ 4,832,168
Net Pension Liability as a Percentage of Covered Employee Payroll	10.62%	27.48%

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

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 313,995	\$ 298,670
Contribution in relation to the actuarially determined contribution	<u>(317,405)</u>	<u>(308,435)</u>
Contribution deficiency (excess)	<u>\$ (3,410)</u>	<u>\$ (9,765)</u>
Covered employee payroll	\$ 4,629,029	\$ 4,817,630
Contributions as a percentage of covered employee payroll	6.86%	6.40%

NOTE: Information for the prior eight fiscal years was not readily available. The City will compile the respective information over the next eight 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, 2016

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, 2016, 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			
Emergency management	\$ 113,643	\$ 124,312	\$ (10,669)
Interest and fiscal charges	2,100	2,600	(500)

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	30 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%, 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 2015 valuation pursuant to an experience study of the period 2010-2014
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.

Other Information

There were no benefit changes during the year.

Combining and Individual Fund Statements and Schedules

CITY OF WHARTON, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2016

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 90,566	\$ 307,681	\$ 398,247
Receivables, net	63,433	-	63,433
Due from other funds	14,458	156,861	171,319
Total assets	<u>\$ 168,457</u>	<u>\$ 464,542</u>	<u>\$ 632,999</u>
LIABILITIES			
Accounts payable	\$ 128	\$ 21,857	\$ 21,985
Accrued expenditures	-	624	624
Due to other funds	5,840	418,074	423,914
Total liabilities	<u>5,968</u>	<u>440,555</u>	<u>446,523</u>
FUND BALANCES			
Restricted			
Cultural and recreation	85,835	-	85,835
Municipal court	33,954	-	33,954
Public safety	42,700	-	42,700
Committed			
Various capital projects	-	23,987	23,987
Total fund balances	<u>162,489</u>	<u>23,987</u>	<u>186,476</u>
Total liabilities and fund balances	<u>\$ 168,457</u>	<u>\$ 464,542</u>	<u>\$ 632,999</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, 2016

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 252,562	\$ -	\$ 252,562
Fines and forfeitures	26,545	-	26,545
Investment income	181	1,305	1,486
Miscellaneous	16,236	-	16,236
Total revenues	<u>295,524</u>	<u>1,305</u>	<u>296,829</u>
EXPENDITURES			
Current			
General government	7,656	-	7,656
Public safety	3,919	-	3,919
Cultural and recreation	74,756	-	74,756
Capital outlay	-	225,945	225,945
Total expenditures	<u>86,331</u>	<u>225,945</u>	<u>312,276</u>
Excess (deficiency) of revenues over expenditures	209,193	(224,640)	(15,447)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	179,178	179,178
Transfers in	-	50,000	50,000
Transfers out	(168,724)	-	(168,724)
Total other financing sources (uses)	<u>(168,724)</u>	<u>229,178</u>	<u>60,454</u>
Net change in fund balances	40,469	4,538	45,007
Fund balances at beginning of year	<u>122,020</u>	<u>19,449</u>	<u>141,469</u>
Fund balances at end of year	<u>\$ 162,489</u>	<u>\$ 23,987</u>	<u>\$ 186,476</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, 2016

	<u>Hotel/Motel Tax</u>	<u>Municipal Court Technology</u>	<u>Narcotics Control</u>	<u>Fire Department Special</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,750	\$ 1,900	\$ 35,266	\$ 7,434
Receivables, net				
Accounts	63,433	-	-	-
Due from other funds	<u>14,343</u>	<u>65</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 91,526</u>	<u>\$ 1,965</u>	<u>\$ 35,266</u>	<u>\$ 7,434</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted				
Cultural and recreation	85,686	-	-	-
Municipal court	-	1,965	-	-
Public safety	<u>-</u>	<u>-</u>	<u>35,266</u>	<u>7,434</u>
Total fund balances	<u>85,686</u>	<u>1,965</u>	<u>35,266</u>	<u>7,434</u>
Total liabilities and fund balances	<u>\$ 91,526</u>	<u>\$ 1,965</u>	<u>\$ 35,266</u>	<u>\$ 7,434</u>

<u>Municipal Court Building Security</u>	<u>Railroad Depot Restoration</u>	<u>Total</u>
\$ 31,939	\$ 277	\$ 90,566
-	-	63,433
<u>50</u>	<u>-</u>	<u>14,458</u>
<u>\$ 31,989</u>	<u>\$ 277</u>	<u>\$ 168,457</u>
\$ -	\$ 128	\$ 128
<u>-</u>	<u>-</u>	<u>5,840</u>
<u>-</u>	<u>128</u>	<u>5,968</u>
-	149	85,835
31,989	-	33,954
<u>-</u>	<u>-</u>	<u>42,700</u>
<u>31,989</u>	<u>149</u>	<u>162,489</u>
<u>\$ 31,989</u>	<u>\$ 277</u>	<u>\$ 168,457</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, 2016

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
REVENUES				
Taxes	\$ 252,562	\$ -	\$ -	\$ -
Fines and forfeitures	-	8,992	11,454	-
Investment income	80	2	40	4
Miscellaneous	-	-	8,865	6,415
Total revenues	<u>252,642</u>	<u>8,994</u>	<u>20,359</u>	<u>6,419</u>
EXPENDITURES				
Current				
General government	-	7,656	-	-
Public safety	-	-	3,919	-
Cultural and recreation	70,776	-	-	-
Total expenditures	<u>70,776</u>	<u>7,656</u>	<u>3,919</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	181,866	1,338	16,440	6,419
OTHER FINANCING SOURCES (USES)				
Transfers out	(168,724)	-	-	-
Total other financing sources (uses)	<u>(168,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	13,142	1,338	16,440	6,419
Fund balances at beginning of year	72,544	627	18,826	1,015
Fund balances at end of year	<u>\$ 85,686</u>	<u>\$ 1,965</u>	<u>\$ 35,266</u>	<u>\$ 7,434</u>

Municipal Court Building Security	Railroad Depot Restoration	Total
\$ -	\$ -	\$ 252,562
6,099	-	26,545
54	1	181
-	956	16,236
<u>6,153</u>	<u>957</u>	<u>295,524</u>
-	-	7,656
-	-	3,919
-	3,980	74,756
-	<u>3,980</u>	<u>86,331</u>
6,153	(3,023)	209,193
-	-	(168,724)
-	-	(168,724)
6,153	(3,023)	40,469
<u>25,836</u>	<u>3,172</u>	<u>122,020</u>
<u>\$ 31,989</u>	<u>\$ 149</u>	<u>\$ 162,489</u>

CAPITAL PROJECT FUNDS

The City maintains five Capital Project Funds: 2011 Bond Construction Fund, the 2013 Bond Construction Fund, the Qualified Energy Conservation Bonds 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 2015 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.

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, 2016

	<u>Capital Improvement</u>	<u>2013 Bond Construction</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 18,919	\$ 288,762	\$ 307,681
Due from other funds	<u>12,997</u>	<u>143,864</u>	<u>156,861</u>
Total assets	<u>\$ 31,916</u>	<u>\$ 432,626</u>	<u>\$ 464,542</u>
LIABILITIES			
Accounts payable	\$ 7,929	\$ 13,928	\$ 21,857
Accrued expenditures	-	624	624
Due to other funds	<u>-</u>	<u>418,074</u>	<u>418,074</u>
Total liabilities	<u>7,929</u>	<u>432,626</u>	<u>440,555</u>
FUND BALANCES			
Committed			
Various capital projects	<u>23,987</u>	<u>-</u>	<u>23,987</u>
Total fund balances	<u>23,987</u>	<u>-</u>	<u>23,987</u>
Total liabilities and fund balances	<u>\$ 31,916</u>	<u>\$ 432,626</u>	<u>\$ 464,542</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, 2016

	<u>Capital Improvement</u>	<u>2013 Bond Construction</u>	<u>Total</u>
REVENUES			
Investment income	\$ 33	\$ 1,272	\$ 1,305
Total revenues	<u>33</u>	<u>1,272</u>	<u>1,305</u>
EXPENDITURES			
Capital outlay	<u>44,932</u>	<u>181,013</u>	<u>225,945</u>
Total expenditures	<u>44,932</u>	<u>181,013</u>	<u>225,945</u>
Excess (deficiency) of revenues over expenditures	(44,899)	(179,741)	(224,640)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	179,178	179,178
Transfers in	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>50,000</u>	<u>179,178</u>	<u>229,178</u>
Net change in fund balances	5,101	(563)	4,538
Fund balances at beginning of year	<u>18,886</u>	<u>563</u>	<u>19,449</u>
Fund balances at end of year	<u>\$ 23,987</u>	<u>\$ -</u>	<u>\$ 23,987</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, 2016

With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 617,744	\$ 472,142
Receivables, net		
Taxes	200,098	228,957
Fines	91,810	84,564
Other	42,784	11,759
Due from other funds	596,152	732,263
Due from component unit	20,851	19,276
Due from other governments	352,693	283,725
Advances to other funds	430,000	430,000
Prepaid items	<u>11,767</u>	<u>7,847</u>
Total assets	<u>\$ 2,363,899</u>	<u>\$ 2,270,533</u>
LIABILITIES		
Accounts payable	\$ 138,386	\$ 123,821
Accrued expenditures	93,646	78,259
Due to other governments	34,798	34,647
Due to other funds	77,107	73,587
Deposits	<u>190</u>	<u>270</u>
Total liabilities	<u>344,127</u>	<u>310,584</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>257,800</u>	<u>232,316</u>
Total deferred inflows of resources	<u>257,800</u>	<u>232,316</u>
FUND BALANCE		
Nonspendable		
Prepaid items	11,767	7,847
Long-term receivables	430,000	430,000
Unassigned	<u>1,320,205</u>	<u>1,289,786</u>
Total fund balance	<u>1,761,972</u>	<u>1,727,633</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,363,899</u>	<u>\$ 2,270,533</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance	2015
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 934,213	\$ 900,908	\$ (33,305)	\$ 913,250
Sales	1,414,122	1,391,868	(22,254)	1,295,561
Franchise	1,134,089	1,101,070	(33,019)	1,077,112
Licenses and permits	85,400	72,173	(13,227)	78,284
Intergovernmental	309,750	409,727	99,977	368,740
Charges for services	12,250	14,671	2,421	13,965
Fines and forfeitures	267,119	276,532	9,413	238,545
Investment income	1,500	1,570	70	2,127
Industrial district fee	826,465	830,603	4,138	877,318
Miscellaneous	29,546	11,276	(18,270)	23,732
Total revenues	5,014,454	5,010,398	(4,056)	4,888,634
EXPENDITURES				
Current				
General government				
Mayor and council	38,825	30,952	7,873	34,835
City manager	264,932	263,869	1,063	242,278
City secretary	102,049	101,822	227	95,677
Legal and professional	84,250	82,337	1,913	66,450
Finance	282,720	281,559	1,161	266,743
Municipal court	143,705	141,195	2,510	130,774
Central services	74,597	71,273	3,324	71,658
Total general government	991,078	973,007	18,071	908,415
Public safety				
Police	2,100,721	2,099,031	1,690	2,060,892
Fire	321,072	318,755	2,317	279,866
Code enforcement	290,021	286,368	3,653	237,745
Emergency management	113,643	124,312	(10,669)	103,969
Animal control	62,791	61,916	875	57,133
Communications	488,908	485,966	2,942	521,192
Total public safety	3,377,156	3,376,348	808	3,260,797
Public works				
Streets and drainage	791,627	790,419	1,208	717,397
Garage	181,498	178,151	3,347	162,231
Facilities maintenance	245,428	244,307	1,121	213,243
Total public works	1,218,553	1,212,877	5,676	1,092,871

(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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Community services	\$ 10,896	\$ 9,950	\$ 946	\$ 20,362
Recreation	45,500	40,523	4,977	24,775
Community pool	48,527	48,059	468	38,226
Total cultural and recreation	104,923	98,532	6,391	83,363
Capital outlay	155,260	135,966	19,294	338,242
Debt service				
Principal retirement	20,000	18,745	1,255	19,317
Interest and fiscal charges	2,100	2,600	(500)	4,435
Total debt service	22,100	21,345	755	23,752
Total expenditures	5,869,070	5,818,075	50,995	5,707,440
Excess (deficiency) of revenues over expenditures	(854,616)	(807,677)	46,939	(818,806)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	35,000	22,400	(12,600)	-
Capital lease proceeds	-	-	-	98,262
Transfers in	819,616	819,616	-	920,081
Transfers out	-	-	-	(190,000)
Total other financing sources (uses)	854,616	842,016	(12,600)	828,343
Net change in fund balance	\$ -	34,339	\$ 34,339	9,537
Fund balance at beginning of year		1,727,633		1,718,096
Fund balance at end of year		\$ 1,761,972		\$ 1,727,633

(concluded)

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, 2016

With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 376,508	\$ 467,405
Receivables, net		
Taxes	106,824	83,668
Due from other funds	41,230	-
Due from other governments	<u>8,454</u>	<u>1,438</u>
Total assets	<u>\$ 533,016</u>	<u>\$ 552,511</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>106,824</u>	<u>83,668</u>
Total deferred inflows of resources	<u>106,824</u>	<u>83,668</u>
FUND BALANCE		
Restricted		
Long-term debt	<u>426,192</u>	<u>468,843</u>
Total fund balance	<u>426,192</u>	<u>468,843</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 533,016</u>	<u>\$ 552,511</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance	2015
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,042,788	\$ 1,022,617	\$ (20,171)	\$ 1,053,155
Investment income	1,000	869	(131)	803
Total revenues	<u>1,043,788</u>	<u>1,023,486</u>	<u>(20,302)</u>	<u>1,053,958</u>
EXPENDITURES				
Debt service				
Principal retirement	627,400	653,578	(26,178)	610,275
Interest and fiscal charges	411,388	410,434	954	410,938
Bond issuance costs	5,000	2,125	2,875	-
Total expenditures	<u>1,043,788</u>	<u>1,066,137</u>	<u>(22,349)</u>	<u>1,021,213</u>
Excess (deficiency) of revenues over expenditures	-	(42,651)	(42,651)	32,745
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balance	-	(42,651)	(42,651)	32,745
Fund balance at beginning of year	<u>468,843</u>	<u>468,843</u>	-	<u>436,098</u>
Fund balance at end of year	<u>\$ 468,843</u>	<u>\$ 426,192</u>	<u>\$ (42,651)</u>	<u>\$ 468,843</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, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 195,645	\$ 612,005
Receivables, net		
Accounts	448,416	347,220
Due from other funds	2,045,252	3,043,588
Due from other governments	3,197	115,033
Inventory	54,653	34,444
Total current assets	<u>2,747,163</u>	<u>4,152,290</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,351,725	1,276,025
Buildings and improvements	28,739	-
Water and sewer system	21,845,591	21,139,305
Total capital assets	23,226,055	22,415,330
Accumulated depreciation	<u>(11,270,270)</u>	<u>(10,745,313)</u>
Subtotal	11,955,785	11,670,017
Land	276,750	276,750
Construction in progress	2,661,273	719,023
Net capital assets	<u>14,893,808</u>	<u>12,665,790</u>
Total noncurrent assets	<u>14,893,808</u>	<u>12,665,790</u>
Total assets	<u>17,640,971</u>	<u>16,818,080</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	12,993	16,382
Deferred outflow related to TMRS	134,135	28,637
Total deferred outflows of resources	<u>147,128</u>	<u>45,019</u>

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 105,264	\$ 60,679
Accrued expenses	20,391	16,067
Deposits	211,819	207,596
Accrued interest payable	91,740	77,376
Due to other funds	551,976	858,950
Compensated absences	3,377	3,409
Current portion of noncurrent liabilities		
Capital lease	6,817	6,585
Certificates of obligation	349,150	239,250
General obligation bonds	190,100	179,450
Qualified energy conservation bonds	<u>50,403</u>	<u>52,245</u>
Total current liabilities	<u>1,581,037</u>	<u>1,701,607</u>
Noncurrent liabilities		
Advances from other funds	430,000	430,000
Compensated absences	30,390	30,677
Net pension liability	172,632	38,098
Capital lease	14,330	21,146
Bonds and certificates (net of unamortized deferred amounts)	<u>7,407,582</u>	<u>6,548,845</u>
Total noncurrent liabilities	<u>8,054,934</u>	<u>7,068,766</u>
Total liabilities	<u>9,635,971</u>	<u>8,770,373</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	<u>12,486</u>	<u>9,372</u>
NET POSITION		
Net investment in capital assets	8,933,671	7,795,487
Unrestricted net position	<u>(794,029)</u>	<u>287,867</u>
Total net position	<u>\$ 8,139,642</u>	<u>\$ 8,083,354</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance	2015
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Water	\$ 1,758,000	\$ 1,759,634	\$ 1,634	\$ 1,585,823
Sewer	1,703,000	1,704,599	1,599	1,532,874
Penalties	44,184	44,715	531	42,284
Connection and installation fees	71,000	70,410	(590)	44,183
Other	10,997	6,107	(4,890)	14,406
Total operating revenues	<u>3,587,181</u>	<u>3,585,465</u>	<u>(1,716)</u>	<u>3,219,570</u>
OPERATING EXPENSES				
Water and sewer operations				
Personnel	934,729	968,087	(33,358)	883,749
Materials and supplies	113,400	99,959	13,441	112,389
Repairs and maintenance	264,700	232,616	32,084	86,068
Other services and charges	753,097	721,637	31,460	730,750
Depreciation and amortization	536,925	528,348	8,577	524,358
Total operating expenses	<u>2,602,851</u>	<u>2,550,647</u>	<u>52,204</u>	<u>2,337,314</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	984,330	1,034,818	50,488	882,256
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	-	3,197	3,197	-
Investment income	419	566	147	738
Interest and fiscal charges	(263,545)	(335,535)	(71,990)	(224,470)
Total nonoperating revenues (expenses)	<u>(263,126)</u>	<u>(331,772)</u>	<u>(68,646)</u>	<u>(223,732)</u>
Income (loss) before contributions and transfers	721,204	703,046	(18,158)	658,524
Contributions and transfers				
Capital grants and contributions	25,000	99,446	74,446	378,329
Transfers in	-	-	-	111
Transfers out	(746,204)	(746,204)	-	(846,669)
Total contributions and transfers	<u>(721,204)</u>	<u>(646,758)</u>	<u>74,446</u>	<u>(468,229)</u>
Change in net position	\$ -	56,288	\$ 56,288	190,295
Net position at beginning of year		8,083,354		7,893,059
Net position at end of year		<u>\$ 8,139,642</u>		<u>\$ 8,083,354</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - SOLID WASTE
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 52,215	\$ 29,856
Receivables, net		
Accounts	155,830	146,050
Due from other funds	<u>4,106</u>	<u>-</u>
Total assets	<u>212,151</u>	<u>175,906</u>
LIABILITIES		
Current liabilities		
Accounts payable	97,234	52,476
Accrued expenses	902	678
Due to other governments	8,229	8,107
Deposits	75	75
Due to other funds	<u>-</u>	<u>52,469</u>
Total liabilities	<u>106,440</u>	<u>113,805</u>
NET POSITION		
Unrestricted net position	<u>105,711</u>	<u>62,101</u>
Total net position	<u>\$ 105,711</u>	<u>\$ 62,101</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance	2015
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Solid waste fees	\$ 1,291,664	\$ 1,292,658	\$ 994	\$ 1,270,259
Garbage collection fee	108,000	108,267	267	107,814
Other	500	553	53	1,387
Total operating revenues	<u>1,400,164</u>	<u>1,401,478</u>	<u>1,314</u>	<u>1,379,460</u>
OPERATING EXPENSES				
Solid waste operations				
Personnel	43,971	44,229	(258)	41,278
Materials and supplies	100	208	(108)	1,451
Other services and charges	<u>1,331,193</u>	<u>1,288,548</u>	<u>42,645</u>	<u>1,301,097</u>
Total operating expenses	<u>1,375,264</u>	<u>1,332,985</u>	<u>42,279</u>	<u>1,343,826</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	24,900	68,493	43,593	35,634
NONOPERATING REVENUES (EXPENSES)				
Investment income	<u>100</u>	<u>117</u>	<u>17</u>	<u>111</u>
Total nonoperating revenues (expenses)	<u>100</u>	<u>117</u>	<u>17</u>	<u>111</u>
Income (loss) before contributions and transfers	25,000	68,610	43,610	35,745
Transfers				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Total transfers	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ -</u>	43,610	<u>\$ 43,610</u>	35,745
Net position at beginning of year		<u>62,101</u>		<u>26,356</u>
Net position at end of year		<u>\$ 105,711</u>		<u>\$ 62,101</u>

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

September 30, 2016

With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 430,677	\$ 618,879
Receivables, net		
Accounts	36,786	89,266
Due from other funds	-	47
Due from other governments	-	<u>38,912</u>
Total current assets	<u>467,463</u>	<u>747,104</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,890,118	1,799,161
Buildings and improvements	<u>113,607</u>	<u>69,610</u>
Total capital assets	2,003,725	1,868,771
Less accumulated depreciation	<u>(1,332,982)</u>	<u>(1,197,402)</u>
Subtotal	670,743	671,369
Construction in progress	<u>10,575</u>	<u>-</u>
Net capital assets	<u>681,318</u>	<u>671,369</u>
Total noncurrent assets	<u>681,318</u>	<u>671,369</u>
Total assets	<u>1,148,781</u>	<u>1,418,473</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to TMRS	<u>240,503</u>	<u>32,217</u>
LIABILITIES		
Current liabilities		
Accounts payable	23,043	21,576
Accrued expenses	35,503	26,015
Due to other funds	25,166	10,001
Compensated absences	<u>5,118</u>	<u>3,697</u>
Total current liabilities	<u>88,830</u>	<u>61,289</u>
Noncurrent liabilities		
Compensated absences	46,061	33,275
Net pension liability	<u>318,706</u>	<u>42,860</u>
Total noncurrent liabilities	<u>364,767</u>	<u>76,135</u>
Total liabilities	<u>453,597</u>	<u>137,424</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	<u>16,293</u>	<u>10,544</u>
NET POSITION		
Net investment in capital assets	670,743	671,369
Unrestricted net position	<u>248,651</u>	<u>631,353</u>
Total net position	<u>\$ 919,394</u>	<u>\$ 1,302,722</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
OPERATING REVENUES				
Ambulance services	\$ 1,045,978	\$ 825,885	\$ (220,093)	\$ 963,589
Other	-	-	-	23
Total operating revenues	<u>1,045,978</u>	<u>825,885</u>	<u>(220,093)</u>	<u>963,612</u>
OPERATING EXPENSES				
Emergency medical services				
Personnel	1,463,345	1,600,208	(136,863)	1,323,555
Materials and supplies	120,000	114,104	5,896	113,749
Repairs and maintenance	70,300	71,265	(965)	64,808
Other services and charges	150,352	145,920	4,432	150,029
Depreciation	98,150	135,580	(37,430)	119,362
Total operating expenses	<u>1,902,147</u>	<u>2,067,077</u>	<u>(164,930)</u>	<u>1,771,503</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(856,169)	(1,241,192)	(385,023)	(807,891)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	955,281	955,281	-	802,510
Investment income	300	995	695	1,287
Total nonoperating revenues (expenses)	<u>955,581</u>	<u>956,276</u>	<u>695</u>	<u>803,797</u>
Income (loss) before contributions and transfers	99,412	(284,916)	(384,328)	(4,094)
Contributions and transfers				
Capital grants and contributions	-	-	-	189,647
Transfers out	(98,412)	(98,412)	-	(98,412)
Total contributions and transfers	<u>(98,412)</u>	<u>(98,412)</u>	<u>-</u>	<u>91,235</u>
Change in net position	\$ <u>1,000</u>	(383,328)	\$ <u>(384,328)</u>	87,141
Net position at beginning of year		<u>1,302,722</u>		<u>1,215,581</u>
Net position at end of year		\$ <u>919,394</u>		\$ <u>1,302,722</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - CIVIC CENTER
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,993	\$ 17,131
Receivables, net		
Accounts	39,345	30,676
Due from other funds	42,640	224,924
Due from other governments	1,911	-
Total current assets	<u>94,889</u>	<u>272,731</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	228,375	140,854
Buildings and improvements	2,078,439	1,986,788
Total capital assets	<u>2,306,814</u>	<u>2,127,642</u>
Less accumulated depreciation	<u>(901,162)</u>	<u>(858,853)</u>
Subtotal	1,405,652	1,268,789
Construction in progress	44,682	-
Net capital assets	<u>1,450,334</u>	<u>1,268,789</u>
Total noncurrent assets	<u>1,450,334</u>	<u>1,268,789</u>
Total assets	<u>1,545,223</u>	<u>1,541,520</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,705	2,150
Deferred outflow related to TMRS	33,616	14,319
Total deferred outflows of resources	<u>35,321</u>	<u>16,469</u>

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 3,441	\$ 9,949
Accrued expenses	3,563	2,240
Deposits	10,050	11,400
Accrued interest payable	2,629	1,923
Due to other funds	99,809	1,690
Compensated absences	94	1,633
Current portion of noncurrent liabilities		
Capital lease	2,086	2,015
General obligation bonds	23,500	22,500
Qualified energy conservation bonds	12,646	13,061
Total current liabilities	<u>157,818</u>	<u>66,411</u>
Noncurrent liabilities		
Compensated absences	850	14,696
Net pension liability	39,838	19,049
Capital lease	4,388	6,473
Bonds and certificates (net of unamortized deferred amounts)	305,332	341,539
Total noncurrent liabilities	<u>350,408</u>	<u>381,757</u>
Total liabilities	<u>508,226</u>	<u>448,168</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	5,405	4,686
NET POSITION		
Net investment in capital assets	1,124,152	885,351
Unrestricted net position	(57,239)	219,784
Total net position	<u>\$ 1,066,913</u>	<u>\$ 1,105,135</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
OPERATING REVENUES				
Civic center fees	\$ 58,000	\$ 61,431	\$ 3,431	\$ 59,251
Other	15,351	14,851	(500)	14,851
Total operating revenues	<u>73,351</u>	<u>76,282</u>	<u>2,931</u>	<u>74,102</u>
OPERATING EXPENSES				
Civic center operations				
Personnel	121,373	157,305	(35,932)	107,380
Materials and supplies	4,581	7,109	(2,528)	3,112
Repairs and maintenance	21,700	21,942	(242)	35,987
Other services and charges	38,715	46,557	(7,842)	43,870
Depreciation and amortization	48,000	42,754	5,246	38,696
Total operating expenses	<u>234,369</u>	<u>275,667</u>	<u>(41,298)</u>	<u>229,045</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(161,018)	(199,385)	(38,367)	(154,943)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	-	1,911	1,911	-
Investment income	75	7	(68)	109
Interest and fiscal charges	(8,084)	(9,479)	(1,395)	(5,591)
Total nonoperating revenues (expenses)	<u>(8,009)</u>	<u>(7,561)</u>	<u>448</u>	<u>(5,482)</u>
Income (loss) before transfers	(169,027)	(206,946)	(37,919)	(160,425)
Transfers				
Transfers in	155,000	168,724	13,724	156,724
Total transfers	<u>155,000</u>	<u>168,724</u>	<u>13,724</u>	<u>156,724</u>
Change in net position	\$ <u>(14,027)</u>	(38,222)	\$ <u>(24,195)</u>	(3,701)
Net position at beginning of year		1,105,135		1,108,836
Net position at end of year		<u>\$ 1,066,913</u>		<u>\$ 1,105,135</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - AIRPORT
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 46,299	\$ 42,049
Receivables, net		
Accounts	12,222	6,929
Due from other funds	324,560	31,314
Due from other governments	75,780	-
Inventory	25,257	24,945
Total current assets	<u>484,118</u>	<u>105,237</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	202,615	202,615
Land improvements	1,153,850	1,153,850
Buildings and improvements	3,927,636	3,685,333
Total capital assets	<u>5,284,101</u>	<u>5,041,798</u>
Less accumulated depreciation	<u>(1,208,449)</u>	<u>(1,096,721)</u>
Subtotal	4,075,652	3,945,077
Land	42,343	42,343
Construction in progress	94,877	224,621
Net capital assets	<u>4,212,872</u>	<u>4,212,041</u>
Total assets	<u>4,696,990</u>	<u>4,317,278</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	26,010	28,375
Total deferred outflows of resources	<u>26,010</u>	<u>28,375</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,457	22,765
Accrued expenses	2,561	1,476
Deposits	300	300
Accrued interest payable	7,585	3,611
Due to other funds	12	363
Compensated absences	73	64
Current portion of noncurrent liabilities		
Certificates of obligation	37,096	16,400
Qualified energy conservation bonds	1,701	1,866
Total current liabilities	<u>51,785</u>	<u>46,845</u>
Noncurrent liabilities		
Compensated absences	659	580
Bonds and certificates (net of unamortized deferred amounts)	683,047	301,329
Total noncurrent liabilities	<u>683,706</u>	<u>301,909</u>
Total liabilities	<u>735,491</u>	<u>348,754</u>
NET POSITION		
Net investment in capital assets	3,841,598	3,920,821
Unrestricted net position	145,911	76,078
Total net position	<u>\$ 3,987,509</u>	<u>\$ 3,996,899</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, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
OPERATING REVENUES				
Airport fees	\$ 237,134	\$ 211,211	\$ (25,923)	\$ 171,931
Other	500	-	(500)	-
Total operating revenues	<u>237,634</u>	<u>211,211</u>	<u>(26,423)</u>	<u>171,931</u>
OPERATING EXPENSES				
Airport operations				
Personnel	78,178	80,307	(2,129)	74,503
Materials and supplies	5,600	3,436	2,164	3,322
Repairs and maintenance	28,500	21,615	6,885	26,329
Other services and charges	48,150	39,958	8,192	40,864
Depreciation and amortization	108,548	114,092	(5,544)	112,137
Total operating expenses	<u>268,976</u>	<u>259,408</u>	<u>9,568</u>	<u>257,155</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(31,342)	(48,197)	(16,855)	(85,224)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	50,000	75,780	25,780	45,171
Investment income	150	94	(56)	206
Interest and fiscal charges	(18,808)	(37,067)	(18,259)	(10,387)
Total nonoperating revenues (expenses)	<u>31,342</u>	<u>38,807</u>	<u>7,465</u>	<u>34,990</u>
Income (loss) before contributions	-	(9,390)	(9,390)	(50,234)
Contributions				
Capital grants and contributions	-	-	-	60,096
Total contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,096</u>
Change in net position	<u>\$ -</u>	<u>(9,390)</u>	<u>\$ (9,390)</u>	<u>9,862</u>
Net position at beginning of year		<u>3,996,899</u>		<u>3,987,037</u>
Net position at end of year		<u>\$ 3,987,509</u>		<u>\$ 3,996,899</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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Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	101
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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
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	123
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	129
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	131

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 5,330,747	\$ 6,863,521	\$ 6,832,082	\$ 6,537,738
Restricted	613,877	513,775	418,240	416,831
Unrestricted	1,257,718	1,526,710	1,602,369	1,588,334
Total governmental activities net position	<u>\$ 7,202,342</u>	<u>\$ 8,904,006</u>	<u>\$ 8,852,691</u>	<u>\$ 8,542,903</u>
Business-type activities				
Net investment in capital assets	\$ 11,500,738	\$ 12,596,624	\$ 10,863,971	\$ 11,319,633
Unrestricted	180,125	(456,789)	1,642,103	995,314
Total business-type activities net position	<u>\$ 11,680,863</u>	<u>\$ 12,139,835</u>	<u>\$ 12,506,074</u>	<u>\$ 12,314,947</u>
Primary government				
Net investment in capital assets	\$ 16,831,485	\$ 19,460,145	\$ 17,696,053	\$ 17,857,371
Restricted	613,877	513,775	418,240	416,831
Unrestricted	1,437,843	1,069,921	3,244,472	2,583,648
Total primary government activities net position	<u>\$ 18,883,205</u>	<u>\$ 21,043,841</u>	<u>\$ 21,358,765</u>	<u>\$ 20,857,850</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					
2011	2012	2013	2014	2015	2016
\$ 6,243,600	\$ 6,145,777	\$ 5,399,629	\$ 5,203,356	\$ 5,276,256	\$ 5,049,412
455,154	506,706	555,253	491,100	540,953	560,730
<u>1,719,879</u>	<u>1,557,755</u>	<u>1,578,613</u>	<u>1,713,091</u>	<u>1,328,869</u>	<u>1,520,167</u>
<u>\$ 8,418,633</u>	<u>\$ 8,210,238</u>	<u>\$ 7,533,495</u>	<u>\$ 7,407,547</u>	<u>\$ 7,146,078</u>	<u>\$ 7,130,309</u>
\$ 12,227,323	\$ 13,128,337	\$ 13,568,618	\$ 13,575,582	\$ 13,273,028	\$ 14,570,164
732,046	533,059	759,682	725,541	1,277,183	(350,995)
<u>\$ 12,959,369</u>	<u>\$ 13,661,396</u>	<u>\$ 14,328,300</u>	<u>\$ 14,301,123</u>	<u>\$ 14,550,211</u>	<u>\$ 14,219,169</u>
\$ 18,470,923	\$ 19,274,114	\$ 18,968,247	\$ 18,778,938	\$ 18,549,284	\$ 19,619,576
455,154	506,706	555,253	491,100	540,953	560,730
<u>2,451,925</u>	<u>2,090,814</u>	<u>2,338,295</u>	<u>2,438,632</u>	<u>2,606,052</u>	<u>1,169,172</u>
<u>\$ 21,378,002</u>	<u>\$ 21,871,634</u>	<u>\$ 21,861,795</u>	<u>\$ 21,708,670</u>	<u>\$ 21,696,289</u>	<u>\$ 21,349,478</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Expenses				
General government	\$ 1,197,103	\$ 1,316,196	\$ 822,357	\$ 822,213
Public safety	2,653,594	2,825,817	3,012,237	3,285,594
Public works	1,300,791	1,817,233	1,644,418	2,120,461
Culture and recreation	215,996	248,535	218,224	259,386
Interest on long-term debt	<u>222,145</u>	<u>231,552</u>	<u>250,056</u>	<u>272,026</u>
Total expenses	<u>5,589,629</u>	<u>6,439,333</u>	<u>5,947,292</u>	<u>6,759,680</u>
Program revenues				
Charges for services				
General government	166,240	261,706	356,333	324,198
Public safety	244,350	55,071	-	18,250
Culture and recreation	12,808	15,397	11,634	11,670
Operating grants and contributions	526,724	729,601	289,500	117,340
Capital grants and contributions	<u>824,211</u>	<u>1,899,894</u>	<u>123,311</u>	<u>401,689</u>
Total program revenues	<u>1,774,333</u>	<u>2,961,669</u>	<u>780,778</u>	<u>873,147</u>
Total governmental activities net program expense	(3,815,296)	(3,477,664)	(5,166,514)	(5,886,533)
General revenues and other changes in net position				
Taxes				
Property taxes	1,914,766	1,928,867	1,947,147	1,885,118
Sales taxes	1,319,795	1,240,084	1,237,646	1,149,211
Franchise taxes	924,196	1,047,982	991,182	1,031,751
Other taxes	175,474	199,153	174,996	151,129
Unrestricted investment earnings	174,312	65,870	9,916	18,048
Industrial district payment	-	79,268	467,451	682,573
Miscellaneous	76,942	245,218	82,009	140,162
Transfers	<u>275,359</u>	<u>372,886</u>	<u>204,852</u>	<u>518,753</u>
Total general revenues and other changes in net position	<u>4,860,844</u>	<u>5,179,328</u>	<u>5,115,199</u>	<u>5,576,745</u>
Total governmental activities change in net position	<u>\$ 1,045,548</u>	<u>\$ 1,701,664</u>	<u>\$ (51,315)</u>	<u>\$ (309,788)</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 871,330	\$ 976,628	\$ 926,431	\$ 902,639	\$ 956,481	\$ 1,033,645
3,248,440	3,265,404	3,430,366	3,686,833	3,560,086	3,732,614
1,476,798	1,416,172	1,576,819	1,856,576	1,830,354	1,925,823
218,256	215,656	215,061	209,509	216,496	247,724
<u>303,499</u>	<u>381,827</u>	<u>388,653</u>	<u>542,435</u>	<u>410,719</u>	<u>437,013</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>	<u>7,376,819</u>
343,817	299,099	317,267	331,367	359,180	390,566
7,025	5,647	42,882	399	900	6,040
9,672	8,616	10,941	5,745	8,995	8,877
18,406	15,631	2,238	99,327	125,634	159,932
<u>190,000</u>	<u>423,264</u>	<u>50,000</u>	<u>547,318</u>	<u>250,000</u>	<u>497,778</u>
<u>568,920</u>	<u>752,257</u>	<u>423,328</u>	<u>984,156</u>	<u>744,709</u>	<u>1,063,193</u>
(5,549,403)	(5,503,430)	(6,114,002)	(6,213,836)	(6,229,427)	(6,313,626)
1,948,184	1,962,365	1,926,421	1,906,728	1,906,722	1,929,445
1,148,636	1,313,677	1,274,114	1,252,647	1,295,561	1,391,868
1,056,427	973,486	1,047,976	1,052,147	1,077,112	1,101,070
166,149	190,162	196,669	181,243	217,309	252,562
10,487	8,999	8,052	13,075	10,942	15,218
492,901	504,314	922,448	905,337	877,318	830,603
115,207	95,580	70,872	162,529	59,034	76,199
<u>487,142</u>	<u>504,673</u>	<u>437,439</u>	<u>614,162</u>	<u>788,246</u>	<u>700,892</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>6,297,857</u>
\$ <u>(124,270)</u>	\$ <u>49,826</u>	\$ <u>(230,011)</u>	\$ <u>(125,968)</u>	\$ <u>2,817</u>	\$ <u>(15,769)</u>

(continued)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Business-type activities				
Expenses				
Water and sewer	\$ 2,067,083	\$ 2,162,499	\$ 2,311,685	\$ 2,390,453
Solid waste	1,242,914	1,175,700	1,273,376	1,209,574
Emergency medical services	1,339,596	1,300,504	1,098,147	1,160,083
Civic center	188,687	222,166	279,893	276,345
Airport	<u>221,619</u>	<u>252,061</u>	<u>225,539</u>	<u>243,983</u>
Total expenses	<u>5,059,899</u>	<u>5,112,930</u>	<u>5,188,640</u>	<u>5,280,438</u>
Program revenues				
Charges for services				
Water and sewer	2,283,549	2,436,197	2,785,697	2,778,431
Solid waste	1,279,305	1,158,403	1,300,634	1,269,783
Emergency medical services	988,845	1,065,258	766,083	703,134
Civic center	80,373	88,102	71,116	67,951
Airport	171,888	186,038	181,935	170,712
Operating grants and contributions	255,649	243,467	242,765	562,695
Capital grants and contributions	<u>614,784</u>	<u>752,387</u>	<u>387,233</u>	<u>54,400</u>
Total program revenues	<u>5,674,393</u>	<u>5,929,852</u>	<u>5,735,463</u>	<u>5,607,106</u>
Total business-type activities net program expense	614,494	816,922	546,823	326,668
General revenues and other changes in net position				
Unrestricted investment earnings	21,204	14,936	2,468	958
Miscellaneous	-	-	21,800	-
Transfers	<u>(275,359)</u>	<u>(372,886)</u>	<u>(204,852)</u>	<u>(518,753)</u>
Total general revenues and other changes in net position	<u>(254,155)</u>	<u>(357,950)</u>	<u>(180,584)</u>	<u>(517,795)</u>
Total business-type activities change in net position	<u>\$ 360,339</u>	<u>\$ 458,972</u>	<u>\$ 366,239</u>	<u>\$ (191,127)</u>
Total primary government change in net position	<u>\$ 1,405,887</u>	<u>\$ 2,160,636</u>	<u>\$ 314,924</u>	<u>\$ (500,915)</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 2,417,926	\$ 2,214,274	\$ 2,377,966	\$ 2,656,570	\$ 2,561,784	\$ 2,886,182
1,213,177	1,250,313	1,300,929	1,289,653	1,343,826	1,332,985
1,221,415	1,243,579	1,395,931	1,669,455	1,771,503	2,067,077
232,364	216,926	200,266	225,854	234,636	285,146
<u>251,866</u>	<u>258,427</u>	<u>262,912</u>	<u>268,944</u>	<u>267,542</u>	<u>296,475</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>	<u>6,867,865</u>
2,997,890	2,840,140	2,999,959	3,140,678	3,219,570	3,585,465
1,271,487	1,299,841	1,338,967	1,345,910	1,379,460	1,401,478
749,828	801,108	840,708	833,862	963,612	825,885
49,661	59,474	55,344	82,269	74,102	76,282
195,843	182,194	177,845	173,920	171,931	211,211
739,180	764,282	775,650	898,511	847,681	1,036,169
<u>463,435</u>	<u>604,906</u>	<u>451,639</u>	<u>219,868</u>	<u>628,072</u>	<u>99,446</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>	<u>7,235,936</u>
1,130,576	1,368,426	1,102,108	584,542	1,105,137	368,071
988	1,675	2,235	2,463	2,451	1,779
-	16,600	-	-	-	-
<u>(487,142)</u>	<u>(504,673)</u>	<u>(437,439)</u>	<u>(614,182)</u>	<u>(788,246)</u>	<u>(700,892)</u>
<u>(486,154)</u>	<u>(486,398)</u>	<u>(435,204)</u>	<u>(611,719)</u>	<u>(785,795)</u>	<u>(699,113)</u>
\$ <u>644,422</u>	\$ <u>882,028</u>	\$ <u>666,904</u>	\$ <u>(27,177)</u>	\$ <u>319,342</u>	\$ <u>(331,042)</u>
\$ <u>520,152</u>	\$ <u>931,854</u>	\$ <u>436,893</u>	\$ <u>(153,145)</u>	\$ <u>322,159</u>	\$ <u>(346,811)</u>

(concluded)

CITY OF WHARTON, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Long-term interfund advances	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Prepaid items	17,719	14,184	12,571	9,281
Unreserved	<u>1,193,412</u>	<u>1,404,019</u>	<u>1,406,141</u>	<u>1,377,683</u>
Total general fund	<u>\$ 1,211,131</u>	<u>\$ 1,418,203</u>	<u>\$ 1,418,712</u>	<u>\$ 1,386,964</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ -	\$ -
Arts and tourism	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Various capital projects	-	-	-	-
Committed				
Various capital projects	-	-	-	-
Unassigned	-	-	-	-
Unreserved, reported in				
Special revenue funds	122,721	194,899	117,419	89,187
Debt service fund	458,275	360,762	358,012	364,075
Capital project funds	<u>1,195,917</u>	<u>94,703</u>	<u>1,478,732</u>	<u>(293,086)</u>
Total all other governmental funds	<u>\$ 1,776,913</u>	<u>\$ 650,364</u>	<u>\$ 1,954,163</u>	<u>\$ 160,176</u>

(1) Modified accrual basis of accounting

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 26,624	\$ 21,109	\$ 19,499	\$ 26,809	\$ 7,847	\$ 11,767
-	500,000	350,000	325,000	430,000	430,000
1,427,875	1,041,539	1,257,474	1,366,287	1,289,786	1,320,205
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 1,761,972</u>
\$ 376,959	\$ 415,415	\$ 419,775	\$ 436,098	\$ 468,843	\$ 426,192
81,552	84,922	69,706	76,610	75,716	85,835
20,105	13,215	17,787	21,373	26,463	33,954
12,986	22,709	69,537	12,660	19,841	42,700
4,464,319	3,712,559	3,062,743	3,100,671	3,036,452	2,703,475
-	-	6,137	65,686	18,886	23,987
-	-	-	-	(141,516)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 3,316,143</u>

CITY OF WHARTON, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes	\$ 4,325,427	\$ 4,517,831	\$ 4,403,821	\$ 4,247,504
Licenses and permits	150,149	127,166	72,908	70,814
Intergovernmental	569,126	1,724,602	403,211	409,430
Charges for services	15,042	28,248	12,709	28,815
Fines and forfeitures	236,772	155,945	258,490	233,842
Investment income	174,312	65,870	9,916	18,048
Industrial district payment	-	79,268	467,451	682,573
Miscellaneous	<u>1,045,302</u>	<u>1,475,063</u>	<u>98,871</u>	<u>233,900</u>
Total revenues	<u>6,516,130</u>	<u>8,173,993</u>	<u>5,727,377</u>	<u>5,924,926</u>
Expenditures				
Current				
General government	1,188,056	1,321,674	805,414	811,418
Public safety	2,539,906	2,524,255	2,810,584	3,013,918
Public works	1,869,878	1,531,189	1,226,819	1,748,663
Culture and recreation	378,528	195,918	180,729	199,397
Capital outlay	1,597,770	3,871,656	475,790	1,172,494
Debt service				
Principal retirement	414,041	433,538	418,817	528,056
Interest and fiscal charges	185,521	220,411	242,810	253,790
Bond issuance costs	<u>54,877</u>	<u>32,715</u>	<u>62,551</u>	<u>38,706</u>
Total expenditures	<u>8,228,577</u>	<u>10,131,356</u>	<u>6,223,514</u>	<u>7,766,442</u>
Excess (deficiency) of revenues over expenditures	(1,712,447)	(1,957,363)	(496,137)	(1,841,516)
Other financing sources (uses)				
Debt issued	2,161,900	665,000	1,562,400	930,663
Premium on issuance of bonds	-	-	33,193	21,306
Payment to escrow	-	-	-	(658,462)
Capital lease proceeds	296,094	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	653,834	536,351	451,056	723,509
Transfers out	<u>(378,475)</u>	<u>(163,465)</u>	<u>(246,204)</u>	<u>(204,756)</u>
Total other financing sources (uses)	<u>2,733,353</u>	<u>1,037,886</u>	<u>1,800,445</u>	<u>812,260</u>
Change in fund balances	<u>\$ 1,020,906</u>	<u>\$ (919,477)</u>	<u>\$ 1,304,308</u>	<u>\$ (1,029,256)</u>
Debt service as a percentage of noncapital expenditures	<u>9.19%</u>	<u>10.27%</u>	<u>11.26%</u>	<u>11.82%</u>

(1) Modified accrual basis of accounting

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 4,349,308	\$ 4,484,457	\$ 4,490,924	\$ 4,438,356	\$ 4,556,387	\$ 4,669,025	
87,176	67,112	98,609	106,913	78,284	72,173	
208,406	438,895	52,238	534,532	368,740	657,505	
10,488	9,866	12,888	5,745	13,965	14,671	
239,406	229,258	223,811	216,090	254,392	303,077	
10,487	8,999	8,052	13,075	10,942	15,218	
492,901	504,314	922,448	905,337	877,318	830,603	
23,483	47,695	57,932	165,450	30,626	27,512	
<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>	<u>6,589,784</u>	
855,487	1,030,106	880,776	853,986	915,778	980,663	
2,930,441	2,960,242	3,140,019	3,365,083	3,263,634	3,380,267	
1,096,561	1,059,999	1,041,924	1,468,361	1,348,961	1,459,995	
157,635	154,649	154,054	148,503	145,207	173,288	
693,196	1,021,435	788,817	2,126,657	992,335	1,301,302	
499,924	511,147	504,666	635,139	629,592	672,323	
262,728	390,180	401,535	369,490	415,373	413,034	
86,829	-	-	144,026	12,145	34,897	
<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>	<u>8,415,769</u>	
(1,161,146)	(1,337,162)	(1,044,889)	(2,725,747)	(1,532,371)	(1,825,985)	
4,600,000	-	-	4,988,000	446,987	911,692	
69,000	-	-	210,350	-	36,798	
-	-	-	(3,048,579)	-	-	
-	120,000	-	-	98,262	-	
71,805	26,349	22,707	59,109	-	22,400	
577,986	707,117	668,700	832,403	1,135,081	869,616	
(90,844)	(115,256)	(185,328)	(157,000)	(346,835)	(168,724)	
<u>5,227,947</u>	<u>738,210</u>	<u>506,079</u>	<u>2,884,283</u>	<u>1,333,495</u>	<u>1,671,782</u>	
\$ <u>4,066,801</u>	\$ <u>(598,952)</u>	\$ <u>(538,810)</u>	\$ <u>158,536</u>	\$ <u>(198,876)</u>	\$ <u>(154,203)</u>	
<u>12.96%</u>	<u>14.76%</u>	<u>14.69%</u>	<u>14.29%</u>	<u>15.39%</u>	<u>15.26%</u>	

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

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel/Motel</u>	<u>Total</u>
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
2016	1,896,911	26,614	1,391,868	1,101,070	252,562	4,669,025

(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				Personal Property	Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property						
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		
2016	2015	163,259,708	307,892,863	107,946,641	13,236,985	147,283,978	445,052,219		

(1) Includes tax-exempt property

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

SOURCE: Wharton County Appraisal District

<u>Total Freeze Taxable</u>	<u>Freeze Adjusted Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Tax Value Before Freeze Ceiling</u>	<u>Freeze Ceiling</u>	<u>Estimated Tax Value Including Freeze Ceiling</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ (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%
(59,084,772)	385,967,447	0.44205	1,706,169	228,687	1,934,856	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
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
2016	0.2357	0.2064	0.4421	1.1971	0.1303	0.0300	0.4900	0.0085	1.8559

(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

2016		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp, USA	\$ 33,215,530	7.46%
JM Eagle	31,336,500	7.04%
Wal-Mart Stores Texas LP	7,002,679	1.57%
Reliq Gulf Coast LLC	6,082,552	1.37%
Buc-ees LTD	6,035,736	1.36%
Reddy Partnership	5,600,710	1.26%
Williamsburg Dove LLC	5,405,122	1.21%
Wal-Mart Property Tax Dept	5,237,174	1.18%
Crop Production Services	5,230,441	1.18%
CSV SNF Texas, LLC	4,750,000	1.07%
	<u>\$ 109,896,444</u>	<u>24.70%</u>

2007		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 38,155,200	11.04%
J-M Manufacturing Company, Inc.	27,437,660	7.94%
Anadrill	12,711,320	3.68%
Signature Gulf Coast Hospital, LP	8,655,770	2.50%
Signature Gulf Coast Hospital, LP	7,370,390	2.13%
Wal-Mart Stores Texas LP	5,904,230	1.71%
Wal-Mart Property Tax Dept	5,837,740	1.69%
Centerpoint Energy Houston	4,801,390	1.39%
Reddy Partnership	3,422,558	0.99%
H E. Butt Grocery Co.	3,385,930	0.98%
	<u>\$ 117,682,188</u>	<u>34.05%</u>

SOURCE: Wharton County Central Appraisal District

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

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Adjustments</u>	Total <u>Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
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%
2016	1,965,060	(3,990)	1,961,070	1,869,850	95.35%

SOURCE: City of Wharton

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 77,096	\$ 1,898,023	99.73%
51,585	1,936,138	99.73%
47,518	1,963,620	99.55%
44,595	1,886,273	97.38%
55,718	1,948,099	97.03%
44,052	1,945,321	96.50%
23,820	1,918,477	99.79%
25,074	1,894,873	98.85%
15,794	1,883,791	97.66%
-	1,869,850	95.35%

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

<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
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
2016	527,944,000	390,678,560	137,265,440	26%	334,400,000

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

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

SOURCE: City of Wharton Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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
16.68	3.27	17.92	3.40

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

	Fiscal Year			
	2007	2008	2009	2010
Water Rates (per 2,000 gallons)				
Base Rate	\$ 10.20	\$ 10.20	\$ 11.75	\$ 12.97
Water usage rate				
2,000-4,000	1.95	1.95	2.25	2.45
4,000-7,000	2.00	2.00	2.30	2.54
7,000-11,000	2.10	2.10	2.40	2.65
11,000-15,000	2.20	2.20	2.55	2.81
15,000-50,000	2.35	2.35	2.70	2.98
50,000-100,000	2.45	2.45	2.80	3.09
100,000-150,000	2.60	2.60	3.00	3.31
>150,000	2.80	2.80	3.20	3.53
Sewer Rates (per 2,000 gallons)				
Base Rate	11.00	11.00	12.65	13.94
Sewer usage rate				
2,000-4,000	1.70	1.70	1.95	2.15
4,000-7,000	2.10	2.10	2.40	2.65
7,000-11,000	2.30	2.30	2.65	2.92
11,000-15,000	2.50	2.50	2.85	3.15
15,000-50,000	2.70	2.70	3.10	3.41
50,000-100,000	2.90	2.90	3.35	3.70
100,000-150,000	3.10	3.10	3.55	3.92
>150,000	3.30	3.30	3.80	4.20

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						
2011	2012	2013	2014	2015	2016	
\$ 12.97	\$ 12.97	\$ 13.62	\$ 14.71	\$ 15.16	\$ 16.68	
2.45	2.45	2.57	2.78	2.87	3.16	
2.54	2.54	2.67	2.88	2.97	3.27	
2.65	2.65	2.78	3.00	3.09	3.40	
2.81	2.81	2.95	3.19	3.29	3.62	
2.98	2.98	3.13	3.38	3.49	3.84	
3.09	3.09	3.24	3.50	3.61	3.98	
3.31	3.31	3.48	3.76	3.88	4.27	
3.53	3.53	3.71	4.00	4.12	4.54	
13.94	13.94	14.64	15.81	16.29	17.92	
2.15	2.15	2.26	2.44	2.52	2.78	
2.65	2.65	2.78	3.00	3.09	3.40	
2.92	2.92	3.07	3.32	3.42	3.77	
3.15	3.15	3.31	3.57	3.68	4.05	
3.41	3.41	3.58	3.87	3.99	4.39	
3.70	3.70	3.89	4.20	4.33	4.77	
3.92	3.92	4.12	4.45	4.59	5.05	
4.20	4.20	4.41	4.76	4.91	5.41	

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

2016			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	35,403,900	9.06%
Briar Pointe LTD	Apartment Complex	18,424,400	4.72%
J-M Eagle	Manufacturing	8,374,000	2.14%
Gulf Coast Medical Center	Medical	8,348,600	2.14%
Wharton ISD	Public School	7,768,300	1.99%
Interurban Millcreek	Apartment Complex	6,883,600	1.76%
The Meadow Associate	Apartment Complex	6,083,100	1.56%
CLVR Acquisition	Apartment Complex	5,039,200	1.29%
University Place Apartments	Apartment Complex	3,547,000	0.91%
WCJC	Junior College	3,860,300	0.99%

2007			
<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	32,603,300	7.89%
Briar Pointe-Reddy Partnership	Apartment Complex	15,893,200	3.85%
Gulf Coast Medical Center	Medical	13,932,800	3.37%
J-M MFG Co.	Manufacturing	8,792,800	2.13%
Millcreek Apartments	Apartment Complex	8,331,800	2.02%
The Meadow Associate	Apartment Complex	8,190,800	1.98%
Southwest LTC	Nursing Home	6,149,500	1.49%
Wharton County Jail	County Jail	3,288,400	0.80%
Hearthstone Living Center	Assisted Living	3,248,300	0.79%
Sparkles	Car Wash	3,093,400	0.75%

SOURCE: City of Wharton Utility Billing Department

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

Fiscal Year	Governmental Activities					
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Capital Leases	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	447,945	271,636
2016	8,440,842	2,555,482	-	60,200	421,767	285,714

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	19,263,262	6.0%	2,225
6,274,158	1,434,518	27,621	1,081,322	270,559	20,852,183	6.2%	2,390

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

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>
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
2016	14,715,000	3,990,000	1,503,089	556,273	20,764,362

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

SOURCE: City of Wharton

<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>
\$ 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
426,192	20,338,170	4.57%	2,331

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

September 30, 2016

	<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	9/30/2016	<u>\$ 11,764,005</u>	100.00%	<u>\$ 11,764,005</u>
Overlapping Debt:				
Wharton County	9/30/2016	-	0.00%	-
Wharton Independent School District	9/30/2016	<u>20,761,653</u>	43.34%	<u>8,998,100</u>
Total Overlapping Debt		<u>20,761,653</u>		<u>8,998,100</u>
Total		<u>\$ 32,525,658</u>		<u>\$ 20,762,105</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>
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	3,220,308	1,812,956	1,407,352	613,876	2.29
2016	3,586,031	2,022,299	1,563,732	680,670	2.30

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

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

SOURCE: City of Wharton

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

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
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%
2016	8,726	334,118,540	38,290	2,212	5.0%

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

2016		
Employer	Employees	Percentage of Total City Employment
Wharton County Junior College	362	1.90%
Wharton County Foods, LLC	350	1.83%
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%
Buc'ee's	100	0.52%
	<u>2,182</u>	<u>11.45%</u>
2007		
Employer	Employees	Percentage of Total City Employment
Wharton ISD	391	2.17%
South Texas Medical Center	350	1.94%
Gulf Coast Medical Center	277	1.53%
Nan Ya Plastics Corp. USA	240	1.33%
Wharton Junior College	286	1.58%
Wal-Mart	250	1.38%
Schlumberger	126	0.70%
HEB Food Store	125	0.69%
J-M Manufacturing	102	0.56%
City of Wharton	93	0.52%
	<u>2,240</u>	<u>12.40%</u>

SOURCE: "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			
	2007	2008	2009	2010
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	2.0	2.0	1.0	1.0
Finance	3.0	4.0	4.0	3.0
Municipal court	2.5	2.5	2.5	2.0
Community services coordinator	0.5	0.5	0.5	0.5
Central services	-	-	0.5	0.5
Public safety				
Police	24.5	24.5	24.5	24.0
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	4.0	3.0	3.0
Emergency management	0.5	0.5	0.5	1.0
Animal control	1.0	1.0	1.0	1.0
Communications	8.0	9.0	9.0	9.0
DARE	1.0	1.0	-	-
Public works				
Public works	11.5	11.5	11.5	11.0
Garage	2.0	2.0	2.0	2.0
Facilities maintenance	4.0	5.0	4.0	4.0
Water/wastewater				
City planning	1.0	1.0	1.0	1.0
Administration	2.0	1.0	1.5	2.0
Water operations	7.0	7.0	7.5	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	3.0
Airport	-	1.5	2.0	1.5
Total	93.0	97.5	95.5	94.0

SOURCE: City of Wharton

Fiscal Year					
2011	2012	2013	2014	2015	2016
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	2.5	2.5	2.5	2.5
2.0	2.0	2.0	2.5	2.5	2.5
-	-	-	-	-	-
0.5	0.5	0.5	0.5	0.8	0.8
25.0	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	3.5	3.5	3.5	4.0
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
-	-	-	-	-	-
10.5	10.5	10.2	9.0	9.0	9.5
1.0	1.0	2.0	2.0	2.0	2.0
4.0	4.0	4.0	4.0	4.0	4.0
-	-	-	-	1.3	0.3
1.5	1.5	2.0	2.0	2.0	2.0
8.5	8.5	8.5	9.5	9.5	10.5
4.0	4.0	4.5	2.5	2.5	2.5
1.0	1.0	1.0	1.0	1.0	1.0
8.0	14.0	14.0	20.0	19.0	18.0
2.5	2.5	2.8	2.8	2.8	2.3
2.0	1.5	1.5	1.5	1.5	1.5
<u>92.5</u>	<u>98.0</u>	<u>100.0</u>	<u>104.3</u>	<u>104.9</u>	<u>104.3</u>

CITY OF WHARTON, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
General government				
Building permits issued	1,099	1,031	947	348
Building inspections conducted	1,003	1,658	959	1,080
Public safety				
Police				
Physical arrests	789	657	881	759
Traffic violations	3,238	1,932	4,521	3,896
Fire				
Fire calls	457	527	512	459
Public works				
Streets (miles)	97	97	97	97
Culture and recreation				
Parks and recreation				
Park rental	96	58	57	33
Community center rentals	294	310	303	278
Swimming pool				
Single admissions	4,770	2,633	2,979	2,585
Season passes	87	56	49	32
Aerobics	43	32	44	26
Swim lessons	29	42	34	22
Party rentals	6	12	7	6
Water and wastewater				
Water				
New connections/taps	14	17	13	14
Average daily consumption	1.1 mgd	1.4 mgd	1.2mgd	1.1mgd
Peak daily consumption	1.9 mgd	1.9 mgd	1.9 mgd	1.9mgd
Wastewater				
Average daily sewage treatment	1.2 mgd	.95 mgd	.73 mgd	.92 mgd
EMS				
Ambulance loads	2,928	3,309	3,425	3,203

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2011	2012	2013	2014	2015	2016
390	351	706	415	666	701
1,235	1,286	1,663	1,318	861	746
746	1,281	1,399	1,112	1,347	2,047
3,459	2,494	3,295	4,677	6,701	8,748
519	530	559	549	551	539
97	97	97	97	97	97
43	25	40	62	29	41
273	221	217	245	267	352
2,086	1,445	1,449	1,584	1,778	1,980
24	22	23	12	7	6
56	40	20	24	26	18
42	45	54	45	52	15
6	7	2	2	1	1
14	2	4	5	10	8
1.2mgd	1.1mgd	1.3mgd	1.0mgd	1.1mgd	1.0mgd
2.6mgd	2.2mgd	2.3mgd	2.0mgd	2.1mgd	2.0mgd
.79 mgd	.88 mgd	.88 mgd	.76 mgd	.87 mgd	.91 mgd
3,208	3,364	3,253	3,326	3,770	3,545

CITY OF WHARTON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	8	8	9
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	96.5	96.5	96.5	97.0
Streetlights	852	852	852	852
School zone flashers	8	8	8	8
Culture and recreation				
Acreage	90	90	92	92
Parks	10	10	11	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)	80	80.5	80.5	80.5
Fire hydrants	470	475	478	478
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	80	83	84	84
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0 mgd	2.0 mgd	2.0mgd	2.0mgd

SOURCE: Various City departments

Fiscal Year						
2011	2012	2013	2014	2015	2016	
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	858	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	481	481	482	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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2017. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 16, 2017