



Comprehensive Annual Financial Report

**For the Fiscal Year Ended
September 30, 2020**

CITY OF WHARTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2020

Joan Andel, CPA
Finance Director

Andres Garza, Jr.
City Manager

Issued By:
Finance Department

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INTRODUCTORY SECTION



City of Wharton
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Phone (979) 532-2491° Fax (979) 532-0181

April 20, 2021

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

INTRODUCTION

The Comprehensive Annual Financial Report of the City of Wharton, Texas, hereafter referred to as the "City", for the fiscal year ended September 30, 2020 is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. 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 the maximum 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 operating under a home-rule Council-Manager form of government.

The Council appoints many residents, who have volunteered their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects.

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.

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

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 industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing. These plants, which employ approximately 375 people, are the largest property taxpayers in the City, with combined assessed valuations of approximately \$71 million. Also, as part of the industrial base, the City has created two industrial districts that within their boundary is a 1,597 mega-watt natural gas electric generating plant. The districts currently have a value estimated at \$533,638,467. The industrial district is a major revenue source for the City's General Fund.

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

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

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

MAJOR INITIATIVES

During the 2020 fiscal year, the City's most important initiative continues to be to provide flood reduction improvements in the City. The United States Army Corp of Engineers (USACE), has secured funding for the construction phase of the flood reduction project which is approximately \$74 million. Construction plans for Phase I of the project have been developed by Halff & Associates Engineers engaged by USACE. The City will be responsible for all maintenance and costs associated with the the levee for all future years and must plan accordingly in order to comply with USACE standards which will be in force. Currently the City is in the midst of acquiring property and relocating homeowners for this project.

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.

Another major initiative within the City is the FM 1301 Extension and Overpass Project. The City has completed the final design of the overpass project. TxDOT and the City are working together on this project through an advance funding agreement. The City engaged IDCUS, Inc., an engineering firm to develop plans and specifications for this project. The City has obtained funding for this important project.

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

MAJOR INITIATIVES - (Continued)

The following initiatives are still in progress with the remainder of the 2019 bond issuance:

- Water line improvements
- Wastewater plant improvements
- Street improvements
- Airport improvements
- Civic Center improvements
- City Hall improvements

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

The City has obtained funding thru the United States Department of Agriculture (USDA) to proceed on the construction of a new water well plant. The City has also completed and implemented a fifty (50) year sustainable drinking water supply plan.

Housing continues to also be an initiative that the City is concentrating on through the use of grant funding, State of Texas agencies and private and non-profit organizations. It is imperative to have adequate housing for the City in order to promote growth, quality of life and sustainability.

The City has made a significant investment in the employees and continues to motivate them to provide excellent customer service to the level that our citizens deserve.

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 and the Debt Service Fund are included in the annual appropriated budget and are reported in the attached audit document. City Council approves the budget appropriations and any amendments at the department level within the budgeted funds. The department heads have discretion over line items within the departmental budget.

Budgetary control is exercised generally by the Director of Finance and specifically at the department level by the department heads.

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

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, 2019. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

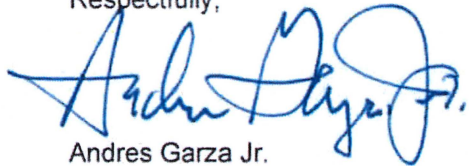
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's 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

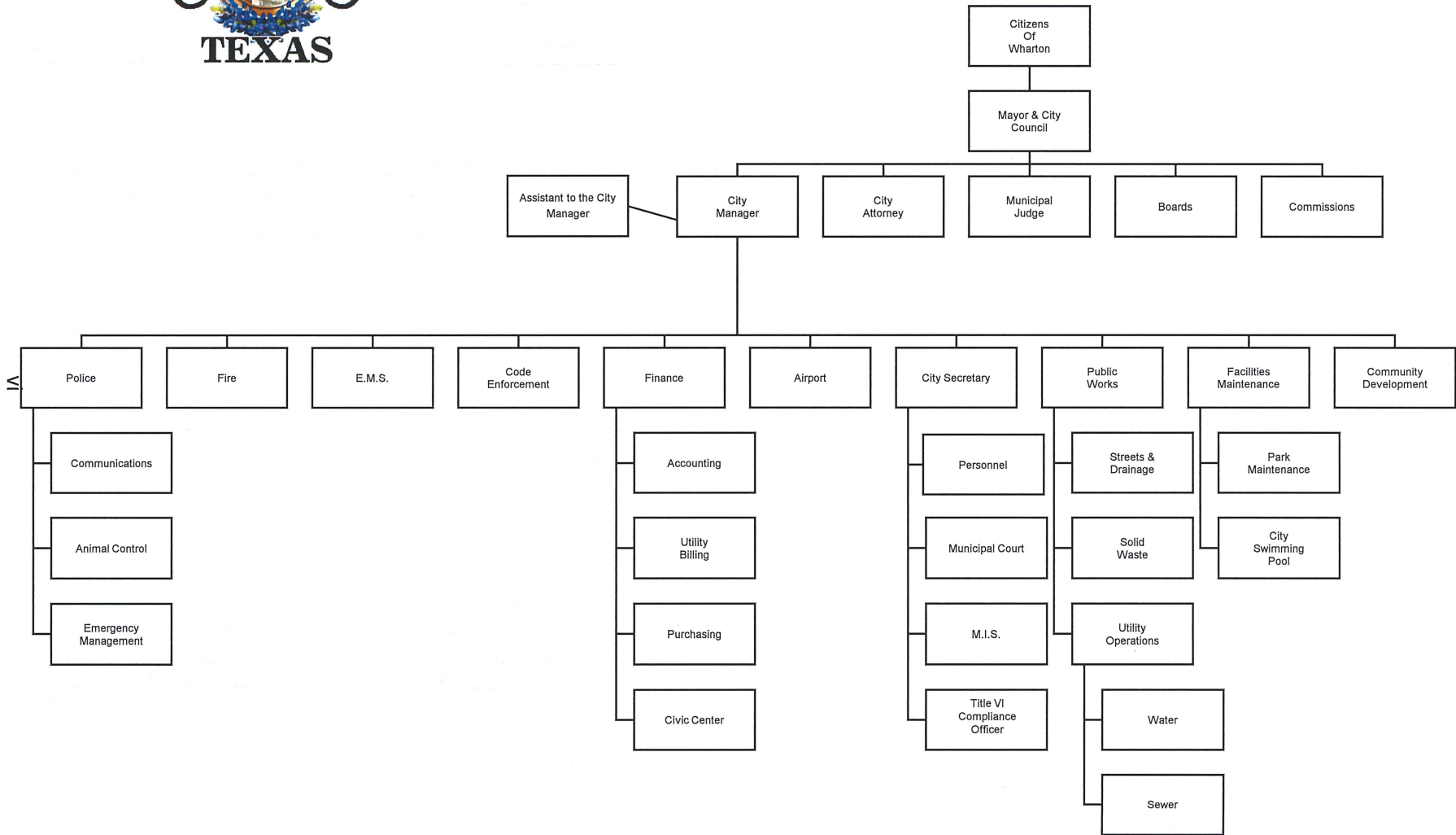
September 30, 2019

Christopher P. Morrill

Executive Director/CEO



Organizational Chart



Elected Officials

Tim Barker	Mayor
Clifford Jackson	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
Alice Heard-Roberts	Council Member At Large Place 6

Appointed Officials

Andres Garza, Jr.	City Manager
Paul Webb	City Attorney
Jared Culler	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
John Plaia	Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Makyla Monroe	Community Services Director
Stephen Johnson	Emergency Management Coordinator
David Allen	Airport Manager

FINANCIAL SECTION



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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2020, 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, 2020, 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, schedule of changes in total OPEB liability and related ratios, and the schedules of employer contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

April 20, 2021

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, 2020. 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, 2020, by \$24,893,482. Of this amount, \$553,560 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 \$15,519,260 for the fiscal year. The net expense was \$4,802,635.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$1,912,382. This represents a 22% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2020, the City's governmental funds reported combined ending fund balances of \$4,561,444, a net decrease of \$3,063,349 in comparison with prior year. The overall net decrease in fund balance was mainly due to the \$2,677,503 decrease in the 2019 Tax Notes Fund due to the spending of the debt proceeds and the incurrence of levee project expenditures.
- At September 30, 2020, unassigned fund balance for the General Fund was \$2,271,017 or 34% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net decrease of \$3,351,579, or 14%, 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 16

Government-wide Financial Statements

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

Pages 17 to 20

Fund Financial Statements

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

Pages 21 to 34

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 35 to 73

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 2019. 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 numerous 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, Debt Service Fund, 2011 Bond Construction Fund, 2019 Bond Construction Fund, and the 2019 Tax Notes Fund, which are considered to be major funds. 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 35 through 73 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund and historical pension and OPEB benefits information. Required supplementary information can be found on pages 74 through 82 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 83 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 \$24,893,482 at the close of the fiscal year ended September 30, 2020.

At the end of fiscal year 2020, 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	
	2020	2019*	2020	2019	2020	2019*
Current assets	\$ 6,385,300	\$ 8,249,112	\$ 4,017,536	\$ 3,535,586	\$ 10,402,836	\$ 11,784,698
Capital assets (net)	17,581,953	14,317,679	20,708,265	21,366,889	38,290,218	35,684,568
Other noncurrent assets	430,000	430,000	(430,000)	(430,000)	-	-
Total assets	24,397,253	22,996,791	24,295,801	24,472,475	48,693,054	47,469,266
Total deferred out- flows of resources	325,557	782,516	74,243	401,467	399,800	1,183,983
Current and other liabilities	2,831,539	2,023,737	1,642,403	1,684,789	4,473,942	3,708,526
Noncurrent liabilities	10,965,176	13,064,542	7,896,197	9,214,533	18,861,373	22,279,075
Total liabilities	13,796,715	15,088,279	9,538,600	10,899,322	23,335,315	25,987,601
Total deferred in- flows of resources	506,115	183,430	357,942	114,350	864,057	297,780
Net Position:						
Net investment						
in capital assets	8,616,589	5,779,022	14,956,280	15,399,868	23,572,869	21,178,890
Restricted	767,053	692,423	-	-	767,053	692,423
Unrestricted	1,036,338	2,036,153	(482,778)	(1,539,598)	553,560	496,555
Total net position	\$ 10,419,980	\$ 8,507,598	\$ 14,473,502	\$ 13,860,270	\$ 24,893,482	\$ 22,367,868

*2019 net position has been restated. See Note 16 of this report.

The largest portion of the City's net position (95%) 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 \$767,053 for debt service and for special projects related to public safety, municipal court, and culture and recreation. The remaining balance of \$553,560 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	
	2020	2019*	2020	2019	2020	2019*
REVENUES						
Program revenues:						
Charges for services	\$ 498,338	\$ 443,344	\$ 6,980,894	\$ 6,735,643	\$ 7,479,232	\$ 7,178,987
Operating grants and contributions	959,479	694,606	1,893,693	1,506,827	2,853,172	2,201,433
Capital grants and contributions	384,221	248,862	-	91,924	384,221	340,786
General revenues:						
Property taxes	2,211,395	1,927,053	-	-	2,211,395	1,927,053
Sales taxes	1,520,302	1,527,344	-	-	1,520,302	1,527,344
Franchise taxes	1,062,395	1,052,182	-	-	1,062,395	1,052,182
Other taxes	193,718	229,048	-	-	193,718	229,048
Unrestricted investment earnings	128,767	69,070	15,165	9,872	143,932	78,942
Industrial district payment	2,138,336	1,882,084	-	-	2,138,336	1,882,084
Miscellaneous	58,171	88,945	-	-	58,171	88,945
Total revenues	<u>9,155,122</u>	<u>8,162,538</u>	<u>8,889,752</u>	<u>8,344,266</u>	<u>18,044,874</u>	<u>16,506,804</u>
EXPENSES						
General government	1,370,729	1,673,997	-	-	1,370,729	1,673,997
Public safety	3,964,243	4,106,591	-	-	3,964,243	4,106,591
Public works	2,316,110	1,850,147	-	-	2,316,110	1,850,147
Cultural and recreation	169,331	309,231	-	-	169,331	309,231
Interest on long-term debt	364,595	552,115	-	-	364,595	552,115
Water and sewer	-	-	2,925,024	3,154,572	2,925,024	3,154,572
Solid waste	-	-	1,566,383	1,494,216	1,566,383	1,494,216
Emergency medical services	-	-	2,236,471	2,216,326	2,236,471	2,216,326
Civic center	-	-	269,692	314,049	269,692	314,049
Airport	-	-	336,682	352,242	336,682	352,242
Total expenses	<u>8,185,008</u>	<u>8,492,081</u>	<u>7,334,252</u>	<u>7,531,405</u>	<u>15,519,260</u>	<u>16,023,486</u>
Change in net position before transfers	970,114	(329,543)	1,555,500	812,861	2,525,614	483,318
Transfers	942,268	863,983	(942,268)	(863,983)	-	-
Change in net position	1,912,382	534,440	613,232	(51,122)	2,525,614	483,318
Net position - October 1	<u>8,507,598</u>	<u>7,973,158</u>	<u>13,860,270</u>	<u>13,911,392</u>	<u>22,367,868</u>	<u>21,884,550</u>
Net position - September 30	<u>\$ 10,419,980</u>	<u>\$ 8,507,598</u>	<u>\$ 14,473,502</u>	<u>\$ 13,860,270</u>	<u>\$ 24,893,482</u>	<u>\$ 22,367,868</u>

*2019 net position has been restated. See Note 16 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental activities increased the City's net position by \$1,912,382 which was mainly due to the increase in grants and contributions, property tax revenues, and the industrial district payment, as well as an overall decrease in expenses. There was a net increase of \$613,232 in net position reported in connection with the City's business-type activities. This increase is mainly due to the increase in charges for services, operating grants and contributions, as well as a decrease in water and sewer expenses from the prior year. Overall, there was a \$2,525,614 increase in the net position of the City.

Governmental Activities

Governmental activities increased the City's net position by \$1,912,382. Key elements of this increase are as follows:

- Operating and capital grants and contributions increased by \$400,232 or 42% from prior year, primarily due to the receipt of Coronavirus Relief Funds, FEMA reimbursements, and housing grants.
- Property tax revenues increased \$284,342 or 15% from prior year due to an increase in tax rates and total adjusted taxable valuation from prior year.
- Industrial district payment increased \$256,252 or 14% from prior year.
- Cultural and recreation expenses decreased by \$139,900 or 45% from prior year primarily due to the closure of the community pool and cancellation of other activities due to the effects of COVID-19.
- Interest on long-term debt decreased by \$187,520 or 34% 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	\$ 1,370,729	16.75%	\$ 1,188,291	64.51%	\$ (182,438)
Public safety	3,964,243	48.43%	242,179	13.15%	(3,722,064)
Public works	2,316,110	28.30%	411,323	22.33%	(1,904,787)
Cultural and recreation	169,331	2.07%	245	0.01%	(169,086)
Interest on long-term debt	364,595	4.45%	-	0.00%	(364,595)
Total	\$ 8,185,008	100.00%	\$ 1,842,038	100.00%	\$ (6,342,970)

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)Governmental Activities - (Continued)

City of Wharton, Texas

Revenues by Source - Governmental Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 498,338	4.94%
Operating grants and contributions	959,479	9.50%
Capital grants and contributions	384,221	3.81%
Property taxes	2,211,395	21.89%
Sales taxes	1,520,302	15.06%
Franchise taxes	1,062,395	10.52%
Other taxes	193,718	1.92%
Unrestricted investment earnings	128,767	1.28%
Industrial district payment	2,138,336	21.17%
Miscellaneous	58,171	0.58%
Transfers	942,268	9.33%
	<u>\$10,097,390</u>	<u>100.00%</u>

Business-type Activities

Business-type activities increased the City's net position by \$613,232. Key elements of this increase are as follows:

- Charges for services increased \$245,251 or 4% from the prior year, primarily due to a 10% increase in water and sewer rates.
- Operating grants and contributions increased \$386,866 or 26% from the prior year, primarily due to additional EMS grants.
- Water and sewer expenses decreased \$229,548 or 7% from the prior year, primarily due to declines in other services and charges relating to plan fees and sewer utility charges, as well as declines in bond issuance costs.
- Civic center expenses decreased \$44,357 or 14% from the prior year, primarily due to a decrease in personnel expense.

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

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	\$ 2,925,024	39.88%	\$ 4,449,284	50.13%	\$ 1,524,260
Solid waste	1,566,383	21.36%	1,469,441	16.56%	(96,942)
Emergency medical services	2,236,471	30.49%	2,577,781	29.05%	341,310
Civic center	269,692	3.68%	48,183	0.54%	(221,509)
Airport	<u>336,682</u>	<u>4.59%</u>	<u>329,898</u>	<u>3.72%</u>	<u>(6,784)</u>
Total	<u>\$ 7,334,252</u>	<u>100.00%</u>	<u>\$ 8,874,587</u>	<u>100.00%</u>	<u>\$ 1,540,335</u>

City of Wharton, Texas		
Revenues by Source - Business-type Activities		
Description	Revenues	% of Total
Charges for services	\$ 6,980,894	87.84%
Operating grants and contributions	1,893,693	23.83%
Unrestricted investment earnings	15,165	0.19%
Transfers	<u>(942,268)</u>	<u>-11.86%</u>
	<u>\$ 7,947,484</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 2020, the City's governmental funds reported combined ending fund balances of \$4,561,444, a decrease of \$3,063,349 in comparison with prior year. The General Fund ended the fiscal year with an increase of \$348,866, the Debt Service Fund increased \$97,882, the 2011 Bond Construction Fund decreased \$324,910, the 2019 Bond Construction Fund decreased \$70,505, and the 2019 Tax Notes Fund decreased \$2,677,503.

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

Governmental Funds - Continued

The General Fund is the chief operating fund of the City. At the end of fiscal year 2020, unassigned fund balance of the General Fund was \$2,271,017, while total fund balance was \$2,709,899. 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 34% of the total General Fund expenditures, while total fund balance represents 40% of that same amount.

The fund balance of the City's General Fund increased \$348,866 during the current fiscal year. The factors related to the increase included a \$226,998 increase in intergovernmental revenues related to housing and security grants, and a \$256,252 increase in the industrial district fee. The 2011 Bond Construction Fund, the 2019 Bond Construction Fund, and the 2019 Tax Notes Fund all experienced decreases in fund balance during fiscal year 2020, which was due to the spending of debt proceeds for various capital projects.

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	\$ (823,494)
Solid waste	(59,485)
Emergency medical services	284,939
Civic center	(86,435)
Airport	<u>201,697</u>
	<u>\$ (482,778)</u>

This represents an increase of \$1,056,820 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 fiscal year 2020 General Fund original budget and fiscal year 2020 General Fund final amended budget were an increase in revenues of \$1,508,240, an increase in expenditures of \$624,880, and a decrease in other financing sources (uses) of \$385,000. A few of the differences are briefly summarized as follows:

- A decrease of \$86,911 in tax revenue primarily due to a reduction in property taxes received compared to the original budget.
- A decrease of \$61,000 in fines and forfeitures revenues was attributed to a reduction in fines and criminal traffic fees and related administrative fees.
- An increase of \$1,583,214 in industrial district payment due to the addition of an agreement with Colorado Bend II that occurred after the original budget was created.
- An increase of \$99,887 in intergovernmental revenue due to additional grant funds received.
- An increase of \$57,798 in city manager expenditures attributed to a payout of benefits subsequent to contract renegotiations.
- An increase of \$89,600 in central services expenditures attributed to Coronavirus.
- A decrease of \$35,350 in community pool expenditures due to the Coronavirus closure.
- An increase of \$298,850 in grant expenditures due to non-budgeting. At the time of the original budget calculation, there was uncertainty as to whether grants were going to be available. Additionally, Crime Victim grant personnel and related expenditures were not budgeted.
- A decrease of \$35,000 in the sale of capital assets due to the City not selling any assets through Public Surplus in fiscal year 2020.

For fiscal year 2020, the General Fund's actual revenues were \$499,019 more than the final amended budget, and actual expenditures were \$149,847 less than the final amended budget. The most significant variance between the General Fund's actual revenues compared to the final amended budget was a positive variance in intergovernmental revenues of \$251,067, primarily attributed to an increase in grant funds received. In addition, there was a positive variance of \$112,487 in the industrial district fee. The most significant variance between the General Fund's actual expenditures compared to the final amended budget was that public safety expenditures were less than budget by \$69,104. The primary factors driving this variance related to a \$22,047 difference in police expenditures due to slight declines in personnel and operational expenditures, as well as a \$20,245 difference in communications expenditures primarily due to a decline in personnel expenditures.

Additional budget information can be found in the General Fund budget comparison schedule on page 74.

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, 2020, amounts to \$38,290,218 (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 7% (a 23% increase for governmental activities and a 3% decrease for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019*	2020	2019	2020	2019*
Land	\$ 1,716,654	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 2,035,747	\$ 1,492,378
Construction in progress	3,658,411	752,648	960,781	910,738	4,619,192	1,663,386
Machinery and equipment	2,277,191	2,081,268	842,867	975,064	3,120,058	3,056,332
Land improvements	-	-	951,002	974,079	951,002	974,079
Bldgs. and improvements	2,620,847	2,691,213	4,509,243	4,525,816	7,130,090	7,217,029
Infrastructure	7,308,850	7,619,265	-	-	7,308,850	7,619,265
Water and sewer system	-	-	13,125,279	13,662,099	13,125,279	13,662,099
Total	\$ 17,581,953	\$ 14,317,679	\$ 20,708,265	\$ 21,366,889	\$ 38,290,218	\$ 35,684,568

*2019 balances have been restated. See Note 16 of this report.

Major capital asset events during the current fiscal year included the following:

- The additions to the governmental activities capital assets during the fiscal year ended September 30, 2020, consisted of the following:
 - Land additions of \$487,368 relating to property required for the levee project, as well as \$56,001 relating to the purchase of park land.
 - Infrastructure additions include the street improvement projects in the amount of \$115,525.
 - Construction in progress of \$3,658,411 primarily includes \$2,611,202 for the levee project, as well as drainage and street improvements, projects paid for from the Qualified Energy Conservation Bonds, and various other items.
 - Machinery and equipment additions include the following: Police and fire vehicles, computer equipment and software, a warning siren system, maintenance vehicles and equipment, playground equipment, and various other items.
 - Buildings improvement additions include renovations to City Hall.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2020, consisted of the following:
 - Projects in progress at September 30, 2020 included the following: Water and sewer projects of \$551,429; projects paid for from the Qualified Energy Conservation Bonds of \$308,128; Airport improvements of \$95,740; and Civic Center improvements of \$5,484.
 - Completion of Airport hangar improvements of \$22,100.
 - Various equipment additions include an airport sweeping system and EMS equipment.
 - Various building improvements include a new furnace for the Water and sewer building, fire alarm systems for the Civic Center and EMS buildings, and renovations to the Civic Center building.

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

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

At the end of fiscal year 2020, the City had total bonded debt outstanding of \$17,952,640 (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 \$2,090,000 in tax notes, \$291,620 in OPEB liability, \$89,276 in net pension liability, and \$409,358 in compensated absences as of September 30, 2020.

City of Wharton, Texas			
Long-term Debt			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 5,479,137	\$ 1,580,863	\$ 7,060,000
Issuance premiums	692,007	380,829	1,072,836
Certificates of obligation	3,311,838	5,373,162	8,685,000
Qualified energy cons. bonds	318,426	816,378	1,134,804
Tax notes	1,853,200	236,800	2,090,000
OPEB liability	172,056	119,564	291,620
Net pension liability	50,887	38,389	89,276
Compensated absences	287,393	121,965	409,358
Total	<u>\$ 12,164,944</u>	<u>\$ 8,667,950</u>	<u>\$ 20,832,894</u>

The City's total outstanding debt decreased by \$3,351,579 or 14% from the prior fiscal year. The key factors in this net decrease were:

- Payments made on the certificates and bonds during fiscal year 2020 totaled \$1,484,158.
- Payments made on the tax notes during fiscal year 2020 totaled \$380,000.
- Net pension liability decreased by \$1,443,712.

Additional information on the City's debt can be found in Note 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the 2020 fiscal year, the City's most important initiative was to continue to provide drainage improvements and reduce flooding in the City. The City is currently in the acquisition and relocation phase of the FY2018 Supplemental Appropriations Act with the US Army Corp of Engineers, which was funded at 100% for a flooding solution from the Colorado River in the Wharton area. This project remains a priority.

The City, thru the effects of Hurricane Harvey, continues to work diligently toward receiving all applicable outstanding reimbursements from FEMA.

The following initiatives are still in progress:

- Farm to Market 102 Relocation or Farm to Market 1301 to U.S. Highway 59 and Railroad Overpass Project.
- Utility cost reduction measures with the 2015 Issuance of the Qualified Energy Conservation Bonds.
- Sustainable future drinking water supply funded through a USDA loan for a water well plant.
- Grant funding through private and non-profit organizations related to housing for the citizens.
- Drainage infrastructure improvements through grant funding.

Factors affecting the 2020-2021 General Fund budget were as follows:

- Net taxable assessed value before freeze for tax year 2020 increased by \$21,163,797 or 4.1% to approximately \$540 million.
- The top ten principal taxpayers account for 22% of total assessed valuation as compared to 24% nine years ago.
- The City's General fund projected ending unassigned fund balance for fiscal year 2021 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,903,335	\$ 891,278	\$ 7,794,613	\$ 936,938
Receivables, net	487,191	819,765	1,306,956	137,829
Internal balances	(1,894,794)	1,894,794	-	-
Due from component unit	171,626	-	171,626	-
Due from other governments	709,060	300,080	1,009,140	-
Prepaid items	1,541	-	1,541	-
Land held for sale	-	-	-	650,000
Inventory	7,341	111,619	118,960	2,000
Total current assets	6,385,300	4,017,536	10,402,836	1,726,767
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	5,375,065	1,279,874	6,654,939	356,269
Buildings, infrastructure, and equipment, net	12,206,888	19,428,391	31,635,279	7,035
Net capital assets	17,581,953	20,708,265	38,290,218	363,304
Noncurrent internal balances	430,000	(430,000)	-	-
Total noncurrent assets	18,011,953	20,278,265	38,290,218	363,304
Total assets	24,397,253	24,295,801	48,693,054	2,090,071
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	76,427	16,552	92,979	-
Deferred outflow related to OPEB	33,141	23,128	56,269	-
Deferred outflow related to pension	215,989	34,563	250,552	-
Total deferred outflows of resources	325,557	74,243	399,800	-

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	\$ 1,411,201	\$ 429,159	\$ 1,840,360	\$ 10,830
Accrued expenditures/expenses	33,057	20,081	53,138	2,090
Due to primary government	-	-	-	171,626
Due to other governments	52,515	8,502	61,017	-
Deposits	775	244,998	245,773	-
Accrued interest payable	134,223	92,910	227,133	-
Compensated absences	28,739	12,197	40,936	-
Unearned revenue	-	75,000	75,000	-
Current portion of long-term obligations	1,171,029	759,556	1,930,585	-
Total current liabilities	2,831,539	1,642,403	4,473,942	184,546
Noncurrent liabilities				
Compensated absences	258,654	109,768	368,422	-
OPEB liability	172,056	119,564	291,620	-
Net pension liability	50,887	38,389	89,276	-
Noncurrent portion of long-term obligations	10,483,579	7,628,476	18,112,055	-
Total noncurrent liabilities	10,965,176	7,896,197	18,861,373	-
Total liabilities	13,796,715	9,538,600	23,335,315	184,546
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to OPEB	12,994	8,153	21,147	-
Deferred inflow related to pension	493,121	349,789	842,910	-
Total deferred inflows of resources	506,115	357,942	864,057	-
NET POSITION				
Net investment in capital assets	8,616,589	14,956,280	23,572,869	363,304
Restricted for:				
Debt service	596,711	-	596,711	-
Cultural and recreation	74,897	-	74,897	-
Municipal court	50,545	-	50,545	-
Public safety	44,900	-	44,900	-
Unrestricted net position	1,036,338	(482,778)	553,560	1,542,221
Total net position	\$ 10,419,980	\$ 14,473,502	\$ 24,893,482	\$ 1,905,525

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2020

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,370,729	\$ 476,150	\$ 712,141	\$ -
Public safety	3,964,243	21,943	64,088	156,148
Public works	2,316,110	-	183,250	228,073
Cultural and recreation	169,331	245	-	-
Interest on long-term debt	364,595	-	-	-
Total governmental activities	<u>8,185,008</u>	<u>498,338</u>	<u>959,479</u>	<u>384,221</u>
Business-type activities				
Water and sewer	2,925,024	4,444,064	5,220	-
Solid waste	1,566,383	1,469,441	-	-
Emergency medical services	2,236,471	773,425	1,804,356	-
Civic center	269,692	45,524	2,659	-
Airport	336,682	248,440	81,458	-
Total business-type activities	<u>7,334,252</u>	<u>6,980,894</u>	<u>1,893,693</u>	<u>-</u>
Total primary government	<u>\$ 15,519,260</u>	<u>\$ 7,479,232</u>	<u>\$ 2,853,172</u>	<u>\$ 384,221</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 758,481</u>	<u>\$ 3,825</u>	<u>\$ 217,500</u>	<u>\$ -</u>

General revenues:
Taxes:
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Sales taxes
 Franchise taxes
 Other taxes
Unrestricted investment earnings
Industrial district payment
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (182,438)	\$ -	\$ (182,438)	\$ -
(3,722,064)	-	(3,722,064)	-
(1,904,787)	-	(1,904,787)	-
(169,086)	-	(169,086)	-
(364,595)	-	(364,595)	-
<u>(6,342,970)</u>	<u>-</u>	<u>(6,342,970)</u>	<u>-</u>
-	1,524,260	1,524,260	-
-	(96,942)	(96,942)	-
-	341,310	341,310	-
-	(221,509)	(221,509)	-
-	(6,784)	(6,784)	-
<u>-</u>	<u>1,540,335</u>	<u>1,540,335</u>	<u>-</u>
<u>(6,342,970)</u>	<u>1,540,335</u>	<u>(4,802,635)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(537,156)</u>
603,498	-	603,498	-
1,607,897	-	1,607,897	-
1,520,302	-	1,520,302	768,355
1,062,395	-	1,062,395	-
193,718	-	193,718	-
128,767	15,165	143,932	4,725
2,138,336	-	2,138,336	-
58,171	-	58,171	-
942,268	(942,268)	-	-
<u>8,255,352</u>	<u>(927,103)</u>	<u>7,328,249</u>	<u>773,080</u>
1,912,382	613,232	2,525,614	235,924
<u>8,507,598</u>	<u>13,860,270</u>	<u>22,367,868</u>	<u>1,669,601</u>
<u>\$ 10,419,980</u>	<u>\$ 14,473,502</u>	<u>\$ 24,893,482</u>	<u>\$ 1,905,525</u>

CITY OF WHARTON, TEXAS*BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2020*

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 593,191	\$ 473,847	\$ 1,937,448
Receivables, net	316,951	116,355	-
Due from other funds	1,461,153	135,093	257,756
Due from component unit	171,626	-	-
Due from other governments	295,413	5,639	-
Advances to other funds	430,000	-	-
Prepaid items	1,541	-	-
Inventory	7,341	-	-
Total assets	<u>\$ 3,277,216</u>	<u>\$ 730,934</u>	<u>\$ 2,195,204</u>
LIABILITIES			
Accounts payable	\$ 219,094	\$ -	\$ 204,457
Accrued expenditures	33,057	-	-
Due to other funds	29,931	-	-
Due to other governments	52,515	-	-
Deposits	775	-	-
Total liabilities	<u>335,372</u>	<u>-</u>	<u>204,457</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	231,945	116,355	-
Total deferred inflows of resources	<u>231,945</u>	<u>116,355</u>	<u>-</u>
FUND BALANCES			
Nonspendable	438,882	-	-
Restricted	-	614,579	1,990,747
Committed	-	-	-
Unassigned	2,271,017	-	-
Total fund balances	<u>2,709,899</u>	<u>614,579</u>	<u>1,990,747</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,277,216</u>	<u>\$ 730,934</u>	<u>\$ 2,195,204</u>

The accompanying notes are an integral part of this statement.

<u>2019 Bond Construction</u>	<u>2019 Tax Notes</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,835,584	\$ 1,060	\$ 2,062,205	\$ 6,903,335
-	-	53,885	487,191
28,153	-	21,302	1,903,457
-	-	-	171,626
-	-	408,008	709,060
-	-	-	430,000
-	-	-	1,541
-	-	-	7,341
<u>\$ 1,863,737</u>	<u>\$ 1,060</u>	<u>\$ 2,545,400</u>	<u>\$ 10,613,551</u>
\$ 31,408	\$ 699,741	\$ 256,501	\$ 1,411,201
-	-	-	33,057
1,440,296	896,770	1,431,254	3,798,251
-	-	-	52,515
-	-	-	775
<u>1,471,704</u>	<u>1,596,511</u>	<u>1,687,755</u>	<u>5,295,799</u>
-	-	408,008	756,308
-	-	408,008	756,308
-	-	-	438,882
392,033	-	400,379	3,397,738
-	-	668,654	668,654
-	(1,595,451)	(619,396)	56,170
<u>392,033</u>	<u>(1,595,451)</u>	<u>449,637</u>	<u>4,561,444</u>
<u>\$ 1,863,737</u>	<u>\$ 1,060</u>	<u>\$ 2,545,400</u>	<u>\$ 10,613,551</u>

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

September 30, 2020

Total governmental fund balances		\$ 4,561,444
<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.		219,131
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.		537,177
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	\$ 33,697,217	
Accumulated depreciation of governmental capital assets	<u>(16,115,264)</u>	17,581,953
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	76,427	
Deferred amount on OPEB	33,141	
Deferred amount on pension	<u>215,989</u>	325,557
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable	(9,109,401)	
Bond premiums	(692,007)	
Tax notes	(1,853,200)	
OPEB liability	(172,056)	
Net pension liability	(50,887)	
Accrued interest payable	(134,223)	
Compensated absences	<u>(287,393)</u>	(12,299,167)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on OPEB	(12,994)	
Deferred amount on pension	<u>(493,121)</u>	<u>(506,115)</u>
Net position of governmental activities		\$ <u>10,419,980</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, 2020*

	<u>General</u>	<u>Debt Service</u>	<u>2011 Bond Construction</u>
REVENUES			
Taxes	\$ 3,199,531	\$ 1,618,647	\$ -
Licenses and permits	193,142	-	-
Intergovernmental	649,204	-	-
Charges for services	4,776	-	-
Fines and forfeitures	252,901	-	-
Investment income	28,481	12,251	26,743
Industrial district fee	2,138,336	-	-
Miscellaneous	25,233	-	-
Total revenues	<u>6,491,604</u>	<u>1,630,898</u>	<u>26,743</u>
EXPENDITURES			
Current			
General government	1,371,569	-	-
Public safety	3,717,502	-	-
Public works	1,267,415	-	-
Cultural and recreation	50,985	-	-
Capital outlay	355,524	-	351,653
Debt service			
Principal retirement	-	1,093,959	-
Interest and fiscal charges	-	439,057	-
Total expenditures	<u>6,762,995</u>	<u>1,533,016</u>	<u>351,653</u>
Excess (deficiency) of revenues over expenditures	(271,391)	97,882	(324,910)
OTHER FINANCING SOURCES (USES)			
Transfers in	970,257	-	-
Transfers out	(350,000)	-	-
Total other financing sources (uses)	<u>620,257</u>	<u>-</u>	<u>-</u>
Net change in fund balances	348,866	97,882	(324,910)
Fund balances at beginning of year	<u>2,361,033</u>	<u>516,697</u>	<u>2,315,657</u>
Fund balances at end of year	<u>\$ 2,709,899</u>	<u>\$ 614,579</u>	<u>\$ 1,990,747</u>

The accompanying notes are an integral part of this statement.

<u>2019 Bond Construction</u>	<u>2019 Tax Notes</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 193,718	\$ 5,011,896
-	-	-	193,142
-	139,941	146,547	935,692
-	-	-	4,776
-	-	17,331	270,232
30,913	9,300	21,079	128,767
-	-	-	2,138,336
-	-	27,929	53,162
<u>30,913</u>	<u>149,241</u>	<u>406,604</u>	<u>8,736,003</u>
-	-	5,090	1,376,659
-	-	4,587	3,722,089
-	161,045	319,246	1,747,706
-	-	78,372	129,357
101,418	2,665,699	742,988	4,217,282
-	-	33,250	1,127,209
-	-	1,817	440,874
<u>101,418</u>	<u>2,826,744</u>	<u>1,185,350</u>	<u>12,761,176</u>
(70,505)	(2,677,503)	(778,746)	(4,025,173)
-	-	452,500	1,422,757
-	-	(110,933)	(460,933)
-	-	341,567	961,824
(70,505)	(2,677,503)	(437,179)	(3,063,349)
<u>462,538</u>	<u>1,082,052</u>	<u>886,816</u>	<u>7,624,793</u>
<u>\$ 392,033</u>	<u>\$ (1,595,451)</u>	<u>\$ 449,637</u>	<u>\$ 4,561,444</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, 2020*

Total net change in fund balances - governmental funds **\$ (3,063,349)**

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	\$ 4,256,472	
Depreciation expense	<u>(992,198)</u>	3,264,274

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	803,209	
Tax notes principal retirement	<u>324,000</u>	1,127,209

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

Property taxes	8,852	
Other revenues	<u>410,267</u>	419,119

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	9,018	
Decrease in loss on refunding	(11,306)	
Decrease in bond premium	72,051	
Decrease in accrued interest	15,534	
Net OPEB costs	(8,667)	
Net pension costs	<u>88,499</u>	<u>165,129</u>

Change in net position of governmental activities **\$ 1,912,382**

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 303,906	\$ 29,155	\$ 476,389
Receivables, net			
Accounts	489,734	168,774	59,188
Due from other funds	2,173,122	13,142	16,253
Due from other governments	5,220	-	211,925
Inventory	87,454	-	-
Total current assets	3,059,436	211,071	763,755
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	1,074,193	-	10,575
Buildings, improvements, and equipment, net	13,365,744	-	589,412
Net capital assets	14,439,937	-	599,987
Total noncurrent assets	14,439,937	-	599,987
Total assets	17,499,373	211,071	1,363,742
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	-	-
Deferred outflow related to OPEB	9,307	-	13,821
Deferred outflow related to pension	11,081	-	16,740
Total deferred outflows of resources	20,388	-	30,561
LIABILITIES			
Current liabilities			
Accounts payable	79,394	256,508	75,653
Accrued expenses	6,096	267	12,526
Due to other governments	-	8,502	-
Deposits	221,748	75	-
Accrued interest payable	77,292	-	-
Due to other funds	678,341	5,204	1,566
Compensated absences	4,199	-	7,770
Unearned revenue	-	-	75,000
Current portion of long-term obligations	647,911	-	-
Total current liabilities	1,714,981	270,556	172,515
Noncurrent liabilities			
Advances from other funds	430,000	-	-
Compensated absences	37,791	-	69,931
OPEB liability	49,575	-	69,989
Net pension liability	15,177	-	21,426
Noncurrent portion of long-term obligations	6,265,392	-	-
Total noncurrent liabilities	6,797,935	-	161,346
Total liabilities	8,512,916	270,556	333,861
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to OPEB	3,078	-	5,075
Deferred inflow related to pension	155,669	-	181,016
Total deferred inflows of resources	158,747	-	186,091
NET POSITION			
Net investment in capital assets	9,671,592	-	589,412
Unrestricted net position	(823,494)	(59,485)	284,939
Total net position	\$ 8,848,098	\$ (59,485)	\$ 874,351

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 21,886	\$ 59,942	\$ 891,278
57,739	44,330	819,765
366,050	139,327	2,707,894
2,659	80,276	300,080
-	24,165	111,619
<u>448,334</u>	<u>348,040</u>	<u>4,830,636</u>
50,166	144,940	1,279,874
<u>1,324,006</u>	<u>4,149,229</u>	<u>19,428,391</u>
<u>1,374,172</u>	<u>4,294,169</u>	<u>20,708,265</u>
<u>1,374,172</u>	<u>4,294,169</u>	<u>20,708,265</u>
<u>1,822,506</u>	<u>4,642,209</u>	<u>25,538,901</u>
-	16,552	16,552
-	-	23,128
6,742	-	34,563
<u>6,742</u>	<u>16,552</u>	<u>74,243</u>
6,213	11,391	429,159
618	574	20,081
-	-	8,502
22,875	300	244,998
5,881	9,737	92,910
127,977	12	813,100
179	49	12,197
-	-	75,000
<u>50,820</u>	<u>60,825</u>	<u>759,556</u>
<u>214,563</u>	<u>82,888</u>	<u>2,455,503</u>
-	-	430,000
1,609	437	109,768
-	-	119,564
1,786	-	38,389
<u>555,084</u>	<u>808,000</u>	<u>7,628,476</u>
<u>558,479</u>	<u>808,437</u>	<u>8,326,197</u>
<u>773,042</u>	<u>891,325</u>	<u>10,781,700</u>
-	-	8,153
13,104	-	349,789
<u>13,104</u>	<u>-</u>	<u>357,942</u>
1,129,537	3,565,739	14,956,280
(86,435)	201,697	(482,778)
<u>\$ 1,043,102</u>	<u>\$ 3,767,436</u>	<u>\$ 14,473,502</u>

CITY OF WHARTON, TEXAS

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

For the year ended September 30, 2020

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 4,444,064	\$ 1,469,441	\$ 773,425
Total operating revenues	<u>4,444,064</u>	<u>1,469,441</u>	<u>773,425</u>
OPERATING EXPENSES			
Personnel	996,007	45,678	1,794,274
Materials and supplies	114,371	546	140,890
Repairs and maintenance	260,666	-	70,426
Other services and charges	733,283	1,520,159	150,443
Depreciation and amortization	607,397	-	80,438
Total operating expenses	<u>2,711,724</u>	<u>1,566,383</u>	<u>2,236,471</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	1,732,340	(96,942)	(1,463,046)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	5,220	-	1,804,356
Investment income	3,380	1,446	9,274
Interest and fiscal charges	(213,300)	-	-
Total nonoperating revenues (expenses)	<u>(204,700)</u>	<u>1,446</u>	<u>1,813,630</u>
Income (loss) before transfers and contributions	1,527,640	(95,496)	350,584
Contributions and transfers			
Capital grants and contributions	19,556	-	-
Transfers in	-	-	-
Transfers out	(971,845)	-	(98,412)
Total contributions and transfers	<u>(952,289)</u>	<u>-</u>	<u>(98,412)</u>
Change in net position	575,351	(95,496)	252,172
Net position at beginning of year	8,272,747	36,011	622,179
Net position at end of year	<u>\$ 8,848,098</u>	<u>\$ (59,485)</u>	<u>\$ 874,351</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 45,524	\$ 248,440	\$ 6,980,894
<u>45,524</u>	<u>248,440</u>	<u>6,980,894</u>
130,871	86,744	3,053,574
5,142	3,708	264,657
12,908	51,192	395,192
35,567	42,239	2,481,691
67,758	126,737	882,330
<u>252,246</u>	<u>310,620</u>	<u>7,077,444</u>
(206,722)	(62,180)	(96,550)
2,659	81,458	1,893,693
147	918	15,165
<u>(17,446)</u>	<u>(26,062)</u>	<u>(256,808)</u>
<u>(14,640)</u>	<u>56,314</u>	<u>1,652,050</u>
(221,362)	(5,866)	1,555,500
-	-	19,556
108,433	-	108,433
<u>-</u>	<u>-</u>	<u>(1,070,257)</u>
<u>108,433</u>	<u>-</u>	<u>(942,268)</u>
(112,929)	(5,866)	613,232
<u>1,156,031</u>	<u>3,773,302</u>	<u>13,860,270</u>
<u>\$ 1,043,102</u>	<u>\$ 3,767,436</u>	<u>\$ 14,473,502</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2020

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,401,077	\$ 1,473,250	\$ 796,515
Cash paid to suppliers for goods and services	(1,204,929)	(1,496,926)	(334,531)
Cash paid to employees for services	(983,478)	(46,763)	(1,839,990)
Net cash provided (used) by operating activities	<u>2,212,670</u>	<u>(70,439)</u>	<u>(1,378,006)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	(210,182)	(10,278)	(1,851)
Transfers in from other funds	-	-	-
Transfers out to other funds	(971,845)	-	(98,412)
Noncapital grants and contributions	-	-	1,592,431
Net cash provided (used) by noncapital financing activities	<u>(1,182,027)</u>	<u>(10,278)</u>	<u>1,492,168</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(29,755)	-	(26,663)
Proceeds from capital grants and contributions	-	-	75,000
Principal paid on long-term debt	(629,648)	-	-
Interest paid on long-term debt	(251,979)	-	-
Net cash provided (used) by capital and related financing activities	<u>(911,382)</u>	<u>-</u>	<u>48,337</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	3,380	1,446	9,274
Net cash provided (used) by investing activities	<u>3,380</u>	<u>1,446</u>	<u>9,274</u>
Net increase (decrease) in cash and cash equivalents	122,641	(79,271)	171,773
Cash and cash equivalents at beginning of year	<u>181,265</u>	<u>108,426</u>	<u>304,616</u>
Cash and cash equivalents at end of year	<u>\$ 303,906</u>	<u>\$ 29,155</u>	<u>\$ 476,389</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 38,738	\$ 258,012	\$ 6,967,592
(57,313)	(100,296)	(3,193,995)
<u>(135,559)</u>	<u>(89,185)</u>	<u>(3,094,975)</u>
<u>(154,134)</u>	<u>68,531</u>	<u>678,622</u>
203,993	6,817	(11,501)
108,433	-	108,433
-	-	(1,070,257)
-	<u>50,258</u>	<u>1,642,689</u>
<u>312,426</u>	<u>57,075</u>	<u>669,364</u>
(99,798)	(42,373)	(198,589)
-	-	75,000
(55,829)	(51,472)	(736,949)
<u>(19,908)</u>	<u>(30,566)</u>	<u>(302,453)</u>
<u>(175,535)</u>	<u>(124,411)</u>	<u>(1,162,991)</u>
<u>147</u>	<u>918</u>	<u>15,165</u>
<u>147</u>	<u>918</u>	<u>15,165</u>
(17,096)	2,113	200,160
<u>38,982</u>	<u>57,829</u>	<u>691,118</u>
<u>\$ 21,886</u>	<u>\$ 59,942</u>	<u>\$ 891,278</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2020

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,732,340	\$ (96,942)	\$ (1,463,046)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	607,397	-	80,438
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(47,784)	3,804	23,090
(Increase) decrease in inventory	(19,315)	-	-
(Increase) decrease in deferred outflow related to OPEB	(7,134)	-	(10,028)
(Increase) decrease in deferred outflow related to pension	112,051	-	210,594
Increase (decrease) in accounts payable	(77,294)	23,779	27,228
Increase (decrease) in accrued expenses	(34,739)	(1,044)	(43,282)
Increase (decrease) in deposits	4,797	-	-
Increase (decrease) in due to other governments	-	5	-
Increase (decrease) in compensated absences	(2,349)	(41)	7,509
Increase (decrease) in OPEB liability	16,136	-	16,485
Increase (decrease) in net pension liability	(184,112)	-	(346,491)
Increase (decrease) in deferred inflow related to OPEB	(801)	-	(1,131)
Increase (decrease) in deferred inflow related to pension	113,477	-	120,628
Total adjustments	<u>480,330</u>	<u>26,503</u>	<u>85,040</u>
Net cash provided (used) by operating activities	<u>\$ 2,212,670</u>	<u>\$ (70,439)</u>	<u>\$ (1,378,006)</u>
Noncash capital and related financing activities			
Noncash capital grants and contributions	<u>\$ 19,556</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (206,722)	\$ (62,180)	\$ (96,550)
67,758	126,737	882,330
(3,286)	9,572	(14,604)
-	14,633	(4,682)
-	-	(17,162)
16,182	-	338,827
(3,696)	(17,790)	(47,773)
(4,613)	(2,463)	(86,141)
(3,500)	-	1,297
-	-	5
1,198	22	6,339
-	-	32,621
(28,874)	-	(559,477)
-	-	(1,932)
<u>11,419</u>	<u>-</u>	<u>245,524</u>
<u>52,588</u>	<u>130,711</u>	<u>775,172</u>
<u>\$ (154,134)</u>	<u>\$ 68,531</u>	<u>\$ 678,622</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,556</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 Street, 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.

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

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.

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 eight 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 2019 Bond Construction Fund accounts for the use of the proceeds from the City's 2019 Certificates of Obligation on various capital improvement projects.
- The 2019 Tax Notes accounts for the use of the proceeds from the City's 2019 Tax Notes for the flood reduction project with the United States Army Corp of Engineers (USACE). The capital expenditures include property surveying, appraisal, acquisition, and relocation. This fund is on a reimbursement structure with the USACE.

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

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

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.

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 City has eight Special Revenue Funds, none of which is reported as a major fund.

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.

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

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

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 the last day of the then current 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.
3. Legally adopted annual budgets for the General Fund and the Debt Service Fund 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, 2020.

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

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, 2020, 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 uncollectables. 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.

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.

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

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 acquisition 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.

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.

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

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

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. 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 the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge 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.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report 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. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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

M. Pensions and OPEB

For purposes of measuring the net pension liability, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension and OPEB 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 and OPEB liability is obtained from TMRS through reports prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68 and No. 75.

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 2020. 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. For the year ended September 30, 2020, the City complied with budgetary restrictions at all departmental levels.

B. Deficit Fund Equity

As of September 30, 2020, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
2019 Tax Notes	\$ 1,595,451
Solid Waste	59,485
Nonmajor Governmental	
Disaster Relief	393,240
2013 Bond Construction	168,052
2017 Tax Notes	58,104

Steps will be taken to eliminate these deficits in the upcoming fiscal year. Also, the 2019 Tax Notes Fund is on a reimbursement structure with the USACE.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Public Funds Investment Pool TexPool	\$ 201,927	38	AAAm

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. 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.

Investments in the pool are classified as cash and cash equivalents for reporting purposes.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

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 S&P Global.

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.

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, 2020, and for the year then ended, the City was not exposed to any custodial credit risk.

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

NOTE 4: RECEIVABLES

Receivables at September 30, 2020, 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	\$ 404,652	\$ -	\$ 489,734	\$ 168,774	\$ 3,832,361	\$ 57,739	\$ 44,330	\$ 53,885	\$ 5,051,475
Ad valorem taxes	179,996	173,752	-	-	-	-	-	-	353,748
Franchise taxes	72,906	-	-	-	-	-	-	-	72,906
Fines	314,278	-	-	-	-	-	-	-	314,278
Other	<u>11,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,617</u>
Total gross receivables	983,449	173,752	489,734	168,774	3,832,361	57,739	44,330	53,885	5,804,024
Less: Allowances	<u>666,498</u>	<u>57,397</u>	<u>-</u>	<u>-</u>	<u>3,773,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,497,068</u>
Total net receivables	<u>\$ 316,951</u>	<u>\$ 116,355</u>	<u>\$ 489,734</u>	<u>\$ 168,774</u>	<u>\$ 59,188</u>	<u>\$ 57,739</u>	<u>\$ 44,330</u>	<u>\$ 53,885</u>	<u>\$ 1,306,956</u>

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	\$ 102,776	\$ -	\$ 102,776
Fines	125,712	-	125,712
Other	3,457	-	3,457
Debt Service Fund			
Ad valorem receivable	116,355	-	116,355
Nonmajor Governmental Grants	<u>408,008</u>	<u>-</u>	<u>408,008</u>
	<u>\$ 756,308</u>	<u>\$ -</u>	<u>\$ 756,308</u>

NOTE 4: RECEIVABLES - (Continued)

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.44535 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.09137 and \$0.35398, respectively. The resulting adjusted total tax levy was \$2,300,157 on the total adjusted taxable valuation of \$518,918,988 for the 2019 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, 2020, are summarized as follows:

	General	Debt Service	Water and Sewer	Emergency Medical Services	Civic Center	Airport	Nonmajor Funds	Total
Sales taxes	\$ 272,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,207
Federal and state grants	21,264	-	5,220	211,925	2,659	80,276	408,008	729,352
Property taxes	1,942	5,639	-	-	-	-	-	7,581
	<u>\$ 295,413</u>	<u>\$ 5,639</u>	<u>\$ 5,220</u>	<u>\$ 211,925</u>	<u>\$ 2,659</u>	<u>\$ 80,276</u>	<u>\$ 408,008</u>	<u>\$ 1,009,140</u>

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ 543,369	\$ -	\$ 1,716,654
Construction in progress	752,648	2,905,953	190	3,658,411
Total capital assets not being depreciated	<u>1,925,933</u>	<u>3,449,322</u>	<u>190</u>	<u>5,375,065</u>
Capital assets, being depreciated				
Machinery and equipment	7,279,092	633,040	124,234	7,787,898
Buildings and improvements	5,018,333	58,775	-	5,077,108
Infrastructure	15,341,621	115,525	-	15,457,146
Total capital assets being depreciated	<u>27,639,046</u>	<u>807,340</u>	<u>124,234</u>	<u>28,322,152</u>
Less accumulated depreciation for				
Machinery and equipment	5,197,824	437,117	124,234	5,510,707
Buildings and improvements	2,327,120	129,141	-	2,456,261
Infrastructure	7,722,356	425,940	-	8,148,296
Total accumulated depreciation	<u>15,247,300</u>	<u>992,198</u>	<u>124,234</u>	<u>16,115,264</u>
Total capital assets being depreciated, net	<u>12,391,746</u>	<u>(184,858)</u>	<u>-</u>	<u>12,206,888</u>
Governmental activities capital assets, net	<u>\$ 14,317,679</u>	<u>\$ 3,264,464</u>	<u>\$ 190</u>	<u>\$ 17,581,953</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	910,738	72,143	22,100	960,781
Total capital assets not being depreciated	<u>1,229,831</u>	<u>72,143</u>	<u>22,100</u>	<u>1,279,874</u>
Capital assets, being depreciated				
Machinery and equipment	4,182,644	35,411	-	4,218,055
Land improvements	1,153,850	-	-	1,153,850
Buildings and improvements	6,713,857	132,691	-	6,846,548
Water and sewer system	25,439,392	-	-	25,439,392
Total capital assets being depreciated	<u>37,489,743</u>	<u>168,102</u>	<u>-</u>	<u>37,657,845</u>
Less accumulated depreciation for				
Machinery and equipment	3,207,580	167,608	-	3,375,188
Land improvements	179,771	23,077	-	202,848
Buildings and improvements	2,188,041	149,264	-	2,337,305
Water and sewer system	11,777,293	536,820	-	12,314,113
Total accumulated depreciation	<u>17,352,685</u>	<u>876,769</u>	<u>-</u>	<u>18,229,454</u>
Total capital assets being depreciated, net	<u>20,137,058</u>	<u>(708,667)</u>	<u>-</u>	<u>19,428,391</u>
Business-type activities capital assets, net	<u>\$ 21,366,889</u>	<u>\$ (636,524)</u>	<u>\$ 22,100</u>	<u>\$ 20,708,265</u>

*Beginning balances have been restated. See Note 16 of this report.

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 54,657
Public safety	318,449
Public works	579,118
Cultural and recreation	<u>39,974</u>
Total depreciation expense - governmental activities	<u>\$ 992,198</u>
Business-type activities	
Water and sewer	\$ 604,572
Emergency medical services	80,438
Civic center	67,387
Airport	<u>124,372</u>
Total depreciation expense - business-type activities	<u>\$ 876,769</u>

At September 30, 2020, 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 888 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.tmrs.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 2020 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0% - transfers; 2010 - Auto Readoption
COLA (for retirees)	70.0%; 2010 - Auto Readoption
Military service credit	Yes, adopted 1-1997
Restricted prior service credit	Yes, adopted 11-1997
Buy back last adopted	Not elected

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	67
Active employees	<u>98</u>
	<u>205</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 5.88% and 5.70% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$340,877, 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, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. 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).

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 in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
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 12/31/2018	\$ 16,939,277	\$ 15,406,289	\$ 1,532,988
Changes for the year:			
Service cost	528,073	-	528,073
Interest	1,142,292	-	1,142,292
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(148,826)	-	(148,826)
Change of assumptions	(10,902)	-	(10,902)
Contributions - Employer	-	317,492	(317,492)
Contributions - Employee	-	269,976	(269,976)
Net investment income	-	2,380,744	(2,380,744)
Benefit payments, including refunds of employee contributions	(560,931)	(560,931)	-
Administrative expense	-	(13,458)	13,458
Other changes	-	(405)	405
Net changes	<u>949,706</u>	<u>2,393,418</u>	<u>(1,443,712)</u>
Balance at 12/31/2019	<u>\$ 17,888,983</u>	<u>\$ 17,799,707</u>	<u>\$ 89,276</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:	\$2,496,252	\$89,276	\$(1,889,978)

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, 2020 the City recognized pension expense of \$277,249.

At September 30, 2020, 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	\$ -	\$ 294,341
Changes in actuarial assumptions	-	8,325
Difference between projected and actual investment earnings	-	540,244
Contributions subsequent to the measurement date	250,552	-
Total	\$ 250,552	\$ 842,910

\$250,551 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 measurement year ending December 31, 2019 (i.e. recognized in the City's financial statements for the year ending September 30, 2020). 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
2020	\$ (275,145)
2021	(263,769)
2022	(27,144)
2023	(276,852)
2024	-
Thereafter	-
Total	\$ (842,910)

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2019 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>98</u>
Total	<u>138</u>

Contributions

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. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.22%	0.03%
2018	0.21%	0.03%
2019	0.22%	0.04%
2020	0.23%	0.03%

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Inflation	2.5%
Salary increases	3.5% to 11.5 % including inflation
Discount rate	2.75 %*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

Balance at 12/31/18	\$ 222,934
Changes for the year:	
Service cost	9,179
Interest	8,401
Change of benefit terms	-
Difference between expected and actual experience	4,888
Change of assumptions	48,378
Benefit payments	(2,160)
Net changes	<u>68,686</u>
Balance at 12/31/19	<u>\$ 291,620</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 2.75%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1.0% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1.0% Increase in Discount Rate (3.75%)
City's Total OPEB Liability:	\$354,653	\$291,620	\$243,215

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$24,128.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,119	\$ 9,779
Changes in actuarial assumptions	50,831	11,368
Contributions subsequent to the measurement date	1,319	-
Total	\$ 56,269	\$ 21,147

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2020	\$ 6,548
2021	6,548
2022	6,548
2023	5,080
2024	6,069
Thereafter	3,010
Total	\$ 33,803

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, 2020, was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 3,482,226	\$ -	\$ 170,388	\$ 3,311,838	\$ 175,886
General obligation bonds	6,085,537	-	606,400	5,479,137	630,922
Qualified energy cons. bonds	344,847	-	26,421	318,426	26,821
Plus deferred amounts:					
Issuance premiums	764,058	-	72,051	692,007	-
Total bonds and certificates payable	10,676,668	-	875,260	9,801,408	833,629
Tax notes	2,177,200	-	324,000	1,853,200	337,400
Net pension liability	935,123	-	884,236	50,887	-
OPEB liability	135,990	36,066	-	172,056	-
Compensated absences	296,411	234,822	243,840	287,393	28,739
Total governmental activity long-term liabilities	<u>\$ 14,221,392</u>	<u>\$ 270,888</u>	<u>\$ 2,327,336</u>	<u>\$ 12,164,944</u>	<u>\$ 1,199,768</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 5,652,774	\$ -	\$ 279,612	\$ 5,373,162	\$ 289,114
General obligation bonds	1,914,463	-	333,600	1,580,863	344,078
Qualified energy cons. bonds	884,115	-	67,737	816,378	68,764
Plus deferred amounts:					
Issuance premiums	418,494	-	37,665	380,829	-
Total bonds and certificates payable	8,869,846	-	718,614	8,151,232	701,956
Tax notes	292,800	-	56,000	236,800	57,600
Net pension liability	597,865	-	559,476	38,389	-
OPEB liability	86,944	32,620	-	119,564	-
Compensated absences	115,626	109,867	103,528	121,965	12,197
Total business-type activity long-term liabilities	<u>\$ 9,963,081</u>	<u>\$ 142,487</u>	<u>\$ 1,437,618</u>	<u>\$ 8,667,950</u>	<u>\$ 771,753</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, 2020, \$7,565,000 of bonds and certificates outstanding was considered defeased.

For governmental activities, compensated absences, OPEB liability, and net pension liability are generally liquidated by the General Fund.

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

B. General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 2010	06/11 - 06/21	2.00 - 4.00%	\$ 2,680,000
Refunding Series 2013	12/13 - 12/26	3.00 - 4.00%	3,600,000
Refunding Series 2019	03/19 - 09/30	3.00 - 5.00%	<u>5,700,000</u>
			<u>\$ 11,980,000</u>

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>	
2021	\$ 630,922	\$ 228,855	\$ 344,078	\$ 66,570	\$ 1,270,425
2022	496,150	206,857	123,850	53,293	880,150
2023	520,230	184,747	129,770	47,653	882,400
2024	548,255	161,205	136,745	41,670	887,875
2025	572,130	135,681	142,870	35,219	885,900
2026-2030	<u>2,711,450</u>	<u>288,118</u>	<u>703,550</u>	<u>76,182</u>	<u>3,779,300</u>
	<u>\$ 5,479,137</u>	<u>\$ 1,205,463</u>	<u>\$ 1,580,863</u>	<u>\$ 320,587</u>	<u>\$ 8,586,050</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 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
Series 2019	03/19 - 06/39	3.00 - 5.00%	2,825,000
			<u>\$ 10,530,000</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>	
2021	\$ 175,886	\$ 122,485	\$ 289,114	\$ 194,128	\$ 781,613
2022	182,224	116,657	297,776	184,806	781,463
2023	187,722	110,583	307,278	175,117	780,700
2024	195,414	103,135	319,586	163,453	781,588
2025	203,106	95,275	331,894	151,037	781,312
2026-2030	1,150,546	344,466	1,874,454	544,060	3,913,526
2031-2035	932,240	119,185	1,507,760	185,104	2,744,289
2036-2039	284,700	22,286	445,300	34,859	787,145
	<u>\$ 3,311,838</u>	<u>\$ 1,034,072</u>	<u>\$ 5,373,162</u>	<u>\$ 1,632,564</u>	<u>\$ 11,351,636</u>

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 QECCBs are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 26,821	\$ 4,824	\$ 68,764	\$ 12,367	\$ 112,776
2022	27,227	4,418	69,805	11,326	112,776
2023	27,640	4,005	70,862	10,269	112,776
2024	28,058	3,587	71,936	9,195	112,776
2025	28,484	3,162	73,025	8,106	112,777
2026-2030	149,024	9,202	382,066	23,593	563,885
2031	31,172	472	79,920	1,212	112,776
	<u>\$ 318,426</u>	<u>\$ 29,670</u>	<u>\$ 816,378</u>	<u>\$ 76,068</u>	<u>\$ 1,240,542</u>

NOTE 10: LONG-TERM DEBT - (Continued)

E. Tax Notes

The City also issues tax notes to provide funds for the acquisition, repair, replacement and construction of facilities and equipment. The tax notes have been issued for both governmental and business-type activities. Tax notes currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Series 2017	06/18 - 06/24	2.09%	\$ 1,220,000
Series 2019	04/19 - 09/26	2.32%	1,555,000
			<u>\$ 2,775,000</u>

Annual debt service requirements to maturity for the tax notes 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>	
2021	\$ 337,400	\$ 41,837	\$ 57,600	\$ 4,949	\$ 441,786
2022	340,800	34,291	59,200	3,745	438,036
2023	345,800	26,673	59,200	2,508	434,181
2024	354,200	18,940	60,800	1,271	435,211
2025	235,000	11,020	-	-	246,020
2026	240,000	2,784	-	-	242,784
	<u>\$ 1,853,200</u>	<u>\$ 135,545</u>	<u>\$ 236,800</u>	<u>\$ 12,473</u>	<u>\$ 2,238,018</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, 2020, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2019 Tax Notes	\$ 764,271
	Nonmajor Governmental	217,439
	Water and Sewer	408,085
	Solid Waste	5,204
	Emergency Medical Services	1,566
	Civic Center	64,576
	Airport	12
		<u>1,461,153</u>
Debt Service	Nonmajor Governmental	71,692
	Civic Center	63,401
		<u>135,093</u>
2011 Bond Construction	Water and Sewer	<u>257,756</u>
2019 Bond Construction	Nonmajor Governmental	28,153
Nonmajor Governmental	General	8,505
	Nonmajor Governmental	297
	Water and Sewer	12,500
		<u>21,302</u>
Water and Sewer	2019 Bond Construction	979,685
	2019 Tax Notes	132,499
	Nonmajor Governmental	1,060,938
		<u>2,173,122</u>
Solid Waste	General	12,260
	Nonmajor Governmental	882
		<u>13,142</u>
Emergency Medical Services	General	8,820
	Nonmajor Governmental	7,433
		<u>16,253</u>
Civic Center	2019 Bond Construction	343,266
	Nonmajor Governmental	22,784
		<u>366,050</u>
Airport	General	346
	2019 Bond Construction	117,345
	Nonmajor Governmental	21,636
		<u>139,327</u>
		<u>\$ 4,611,351</u>

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

A. Interfund Receivables and Payables - (Continued)

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.

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>	
General	\$ -	\$ -	\$ 350,000	\$ 350,000
Nonmajor Governmental	-	108,433	2,500	110,933
Water and Sewer	871,845	-	100,000	971,845
Emergency Medical Services	<u>98,412</u>	<u>-</u>	<u>-</u>	<u>98,412</u>
	<u>\$ 970,257</u>	<u>\$ 108,433</u>	<u>\$ 452,500</u>	<u>\$ 1,531,190</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 collectability of any related receivable at September 30, 2020, 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.

NOTE 12: COMMITMENTS AND CONTINGENCIES - (Continued)Construction and Acquisition Commitments

As of September 30, 2020, 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>
Levee acquisition	\$ 1,225,232
Energy savings project	509,175
Road construction projects	1,136,116
Water well and water plant system project	253,038
Total	<u>\$ 3,123,561</u>

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, 2020:

	<u>Governmental Fund Balances</u>				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 1,541	\$ -	\$ -	\$ -	\$ 1,541
Inventory	7,341	-	-	-	7,341
Long-term interfund advances	430,000	-	-	-	430,000
Unassigned	-	-	-	2,271,017	2,271,017
Debt Service					
Long-term debt	-	614,579	-	-	614,579
2011 Bond Construction					
Various capital projects	-	1,990,747	-	-	1,990,747
2019 Bond Construction					
Various capital projects	-	392,033	-	-	392,033
2019 Tax Notes					
Various capital projects	-	-	-	(1,595,451)	(1,595,451)
Nonmajor Governmental					
Various capital projects	-	230,037	668,654	-	898,691
Arts and tourism	-	74,897	-	-	74,897
Municipal court security and technology	-	50,545	-	-	50,545
Law enforcement	-	44,498	-	-	44,498
Fire department	-	393	-	-	393
Disaster relief	-	9	-	-	9
Unassigned	-	-	-	(619,396)	(619,396)
	<u>\$ 438,882</u>	<u>\$ 3,397,738</u>	<u>\$ 668,654</u>	<u>\$ 56,170</u>	<u>\$ 4,561,444</u>

NOTE 14: SALES TAX REBATE AGREEMENT

The City, along with WEDC, and as part of a business development plan to bring in new businesses to the City, entered into a five year agreement effective July 1, 2019 with Tractor Supply Company (TSC) whereby the City will make annual grant payments to TSC in the amount of one-half percent (0.5%) and WEDC will make annual grant payments in the amount of one-quarter percent (0.25%) for a total of three quarters percent (0.75%) of the Site-Specific Sales Tax Revenue generated by TSC. The City and WEDC will continue to make grant payments until TSC receives the maximum total grant amount (\$150,000) or the expiration of the agreement, whichever comes first. During the year ended September 30, 2020, tax rebate expenditures of \$16,409 were incurred.

NOTE 15: SUBSEQUENT EVENTS

On October 15, 2020, the City issued tax notes to be used for the acquisition of land and the construction, improvement, and equipment of flood control improvements. The initial advance under the notes in the amount of \$2,605,000 will be made on October 15, 2020. Subsequent advances will be \$1,500,000 on June 1, 2021 and \$1,000,000 on December 1, 2021. Payments will be made in yearly installments beginning on June 1, 2021. The notes will bear an interest rate of 2.89% and will mature on June 1, 2027.

On March 9, 2021, the City issued combination tax and revenue certificates of obligation (C.O.s) in the amount of \$15,000,000 to provide funds for the construction and rehabilitation of the extension of FM 1301 from State Highway 60 to U.S. 59 in Wharton to include a railroad overpass and drainage, utility relocation, engineering services, land and right of way acquisition, legal fees associated with the project, and cost of professional services or other expenses of issuing the certificates. The C.O.s will be payable from City ad valorem taxes and from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system. The C.O.s will bear an interest rate of 1.76% and will mature on June 1, 2052.

After year end, the Pepco Energy/Constellation project for energy conservation measures that was started in 2015 through a Qualified Energy Conservation Bond is in the process of close-out. The amount due to Pepco Energy/Constellation is \$509,176 and will be paid upon completion of the project. Through the process of this project the City has realized cost savings measures and will continue on a cost savings guarantee for the next eleven years.

NOTE 16: RESTATEMENT OF BEGINNING BALANCES

The City's governmental activities financial statements for the fiscal year September 30, 2019 have been restated to properly reflect the capital asset and net investment in capital asset balances for fiscal year ending September 30, 2019. The result of the restatement was to increase the capital asset accounts and the net investment in capital assets of the governmental activities by \$432,871. There were no adjustments made to the fund financial statements.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION

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

A. Organization

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

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

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2020, the final budget anticipated \$658,859 more in expenditures than revenues. WEDC did not over-expend any budgeted expenditures.

Deposits and Investments

WEDC'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.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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

Inventory

WEDC inventory, consisting 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, 2020.

Fund Equity

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

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

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

Federal Income Taxes

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

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)C. Deposits and Investments

As of September 30, 2020, WEDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Public Funds Investment Pool			
TexPool	\$ 1,736	38	AAAm

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

Investments in the pool and certificate of deposit are classified as cash and cash equivalents for reporting purposes.

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 S&P Global.

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.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

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, 2020, WEDC had deposits in five financial institutions and the deposits were FDIC or NCUA insured at each institution up to \$250,000. WEDC had one pledged collateral agreement in place during the year. At September 30, 2020, WEDC had no uninsured cash balances.

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, 2020, 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-third 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, 2020, was \$136,104. 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 executed a sales tax reimbursement agreement, authorized under Chapter 380 of the Local Government Code, with Tractor Supply Company (TSC). The purpose of the agreement is to create jobs and invigorate the local economy.

WEDC entered into the rebate agreement with TSC effective July 1, 2019. The agreement will remain in effect until (i) the fifth anniversary of the commencement date, or (ii) upon TSC receiving grant payments totaling the maximum grant amount of \$150,000, or (iii) the applicable time period for termination following TSC's uncured default (5 years), whereby WEDC would rebate TSC a percentage of sales tax collected as a result of TSC's sales. For the year ended September 30, 2020, tax rebate expenditures of \$2,090 were incurred.

TSC collects sales tax on each taxable transaction and then pays that tax on a monthly basis to the Texas Comptroller's Office. WEDC's portion will be reimbursed based on the twelve-month accumulation of Comptroller sales tax receipts. Recapture is not applicable.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

F. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2020, 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	\$ 356,269	\$ -	\$ -	\$ 356,269
Total capital assets not being depreciated	<u>356,269</u>	<u>-</u>	<u>-</u>	<u>356,269</u>
Capital assets being depreciated				
Leasehold improvements	11,020	-	-	11,020
Furniture and fixtures	<u>42,153</u>	<u>-</u>	<u>-</u>	<u>42,153</u>
Total capital assets being depreciated	<u>53,173</u>	<u>-</u>	<u>-</u>	<u>53,173</u>
Less accumulated depreciation for				
Leasehold improvements	8,229	735	-	8,964
Furniture and fixtures	<u>34,361</u>	<u>2,813</u>	<u>-</u>	<u>37,174</u>
Total accumulated depreciation	<u>42,590</u>	<u>3,548</u>	<u>-</u>	<u>46,138</u>
Total capital assets being depreciated, net	<u>10,583</u>	<u>(3,548)</u>	<u>-</u>	<u>7,035</u>
Governmental activities capital assets, net	<u>\$ 366,852</u>	<u>\$ (3,548)</u>	<u>\$ -</u>	<u>\$ 363,304</u>

G. Operating Lease Agreements

Lease Expense Agreements

WEDC leases its office facilities from the City on an annual lease agreement that requires \$1,154 per month for office space and \$1,000 per year for administrative support. Either WEDC or the City can terminate this lease by giving 30 days notice. For the year ended September 30, 2020, \$14,851 was paid under this agreement.

Lease Income Agreements

WEDC entered into a five-year lease of agricultural land effective February 1, 2020. WEDC may terminate the lease with 30 days notice should the property be sold for economic development purposes. During the fiscal year 2020, WEDC received \$2,100 from the lease.

WEDC leases a signboard, with automatic renewal each year unless one party terminates the lease with 30 days notice. At September 30, 2020, WEDC recorded a receivable for the amount due of \$1,725 from the lease.

NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

H. Related Party Transactions

During the normal course of business, WEDC purchased goods and services from businesses in and around the City of Wharton. On occasion, there are companies that WEDC 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, 2020, WEDC owed the City \$21,626 for wages and benefits previously paid by the City. WEDC also owed the City \$150,000 for parks and pool maintenance.

I. Commitments

As of September 30, 2020, WEDC had approved but not yet paid \$82,290 for business restoration grants and other various construction projects. WEDC has committed to paying \$40,000 in sales tax rebates, \$11,517 in business disaster loans, and \$30,773 for various construction projects related to improving the City's commercial properties. These commitments are being funded by the sales tax revenues received from the City.

On February 12, 2020, the Wharton Industrial Foundation (WIF) Board voted to donate \$217,500 to WEDC with the stipulations of: (a) \$50,000 be given to the Wharton Chamber of Commerce (Chamber) over a two-year period to help with general operating expenses and (b) \$50,000 be given to the Wharton Downtown Business Association Wayfinding Project (Project) sponsored by the Chamber, with WEDC funding an additional \$15,000 to complete the study. During the year ended September 30, 2020, WEDC paid \$25,000 to the Chamber for operations, and \$11,825 to the Project with an additional \$9,840 accrued to be paid. In fiscal year 2021, WEDC has budgeted for the remaining amount owed per the stipulations of the donation. The Chamber operation funds will be disbursed upon request with WEDC Board approval, and the Wharton Downtown Business Association funding will be disbursed for the Project as invoices are submitted and the project is completed. The remainder of the capital donated by the WIF to WEDC will be reserved to develop infrastructure on the land donated by the WIF in FY19 to bring it up to the "build-to-suit" level of development needed to attract employers.

J. 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, 2020

With comparative totals for the year ended September 30, 2019

	2020			Variance Positive (Negative)	2019
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,270,057	\$ 3,158,146	\$ 3,199,531	\$ 41,385	\$ 3,217,147
Licenses and permits	127,707	127,707	193,142	65,435	142,304
Intergovernmental	298,250	398,137	649,204	251,067	422,206
Charges for services	10,000	10,000	4,776	(5,224)	16,744
Fines and forfeitures	304,650	243,650	252,901	9,251	243,614
Investment income	1,500	1,500	28,481	26,981	12,403
Industrial district fee	442,635	2,025,849	2,138,336	112,487	1,882,084
Miscellaneous	29,546	27,596	25,233	(2,363)	55,505
Total revenues	<u>4,484,345</u>	<u>5,992,585</u>	<u>6,491,604</u>	<u>499,019</u>	<u>5,992,007</u>
EXPENDITURES					
Current					
General government	1,023,708	1,420,457	1,371,569	48,888	1,104,047
Public safety	3,754,500	3,786,606	3,717,502	69,104	3,650,477
Public works	1,284,053	1,284,068	1,267,415	16,653	1,145,555
Cultural and recreation	75,701	61,711	50,985	10,726	126,453
Capital outlay	150,000	360,000	355,524	4,476	204,908
Debt service	-	-	-	-	46,880
Total expenditures	<u>6,287,962</u>	<u>6,912,842</u>	<u>6,762,995</u>	<u>149,847</u>	<u>6,278,320</u>
Excess (deficiency) of revenues over expenditures	(1,803,617)	(920,257)	(271,391)	648,866	(286,313)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	35,000	-	-	-	-
Transfers in	970,257	970,257	970,257	-	912,716
Transfers out	-	(350,000)	(350,000)	-	(185,000)
Total other financing sources (uses)	<u>1,005,257</u>	<u>620,257</u>	<u>620,257</u>	<u>-</u>	<u>727,716</u>
Net change in fund balance	(798,360)	(300,000)	348,866	648,866	441,403
Fund balance at beginning of year	<u>2,361,033</u>	<u>2,361,033</u>	<u>2,361,033</u>	<u>-</u>	<u>1,919,630</u>
Fund balance at end of year	<u>\$ 1,562,673</u>	<u>\$ 2,061,033</u>	<u>\$ 2,709,899</u>	<u>\$ 648,866</u>	<u>\$ 2,361,033</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

TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

Last ten years

	Measurement Year		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 392,673	\$ 467,271	\$ 486,516
Interest (on the total pension liability)	883,991	935,232	964,799
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(148,089)	(69,977)	(3,204)
Change of assumptions	-	87,049	-
Benefit payments, including refunds of employee contributions	<u>(458,381)</u>	<u>(409,355)</u>	<u>(583,296)</u>
Net Change in Total Pension Liability	670,194	1,010,220	864,815
Total Pension Liability - Beginning	<u>12,661,298</u>	<u>13,331,492</u>	<u>14,341,712</u>
Total Pension Liability - Ending (a)	<u>\$ 13,331,492</u>	<u>\$ 14,341,712</u>	<u>\$ 15,206,527</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 329,560	\$ 319,404	\$ 299,573
Contributions - Employee	224,191	241,608	247,717
Net Investment Income	690,883	18,970	878,757
Benefit payments, including refunds of employee contributions	(458,381)	(409,355)	(583,296)
Administrative expense	(7,213)	(11,554)	(9,933)
Other	<u>(593)</u>	<u>(570)</u>	<u>(536)</u>
Net Change in Plan Fiduciary Net Position	778,447	158,503	832,282
Plan Fiduciary Net Position - Beginning	<u>12,076,821</u>	<u>12,855,268</u>	<u>13,013,771</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,855,268</u>	<u>\$ 13,013,771</u>	<u>\$ 13,846,053</u>
Net Pension Liability - Ending (a) - (b)	\$ 476,224	\$ 1,327,941	\$ 1,360,474
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.43%	90.74%	91.05%
Covered Payroll	\$ 4,483,820	\$ 4,832,168	\$ 4,954,339
Net Pension Liability as a Percentage of Covered Payroll	10.62%	27.48%	27.46%

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

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

Measurement Year		
2017	2018	2019
\$ 530,477	\$ 530,197	\$ 528,073
1,026,605	1,087,522	1,142,292
-	-	-
(117,320)	(250,455)	(148,826)
-	-	(10,902)
<u>(525,617)</u>	<u>(548,659)</u>	<u>(560,931)</u>
914,145	818,605	949,706
<u>15,206,527</u>	<u>16,120,672</u>	<u>16,939,277</u>
<u>\$ 16,120,672</u>	<u>\$ 16,939,277</u>	<u>\$ 17,888,983</u>
\$ 335,008	\$ 333,407	\$ 317,492
271,482	271,062	269,976
1,917,689	(474,041)	2,380,744
(525,617)	(548,659)	(560,931)
(9,945)	(9,167)	(13,458)
<u>(502)</u>	<u>(480)</u>	<u>(405)</u>
1,988,115	(427,878)	2,393,418
<u>13,846,053</u>	<u>15,834,167</u>	<u>15,406,289</u>
<u>\$ 15,834,168</u>	<u>\$ 15,406,289</u>	<u>\$ 17,799,707</u>
\$ 286,504	\$ 1,532,988	\$ 89,276
98.22%	90.95%	99.50%
\$ 5,429,650	\$ 5,421,238	\$ 5,399,517
5.28%	28.28%	1.65%

CITY OF WHARTON, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
Last ten fiscal years

	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	\$ 313,995	\$ 298,670	\$ 327,765
Contribution in relation to the actuarially determined contribution	<u>(317,405)</u>	<u>(308,435)</u>	<u>(339,250)</u>
Contribution deficiency (excess)	<u>\$ (3,410)</u>	<u>\$ (9,765)</u>	<u>\$ (11,485)</u>
Covered payroll	\$ 4,629,029	\$ 4,817,630	\$ 5,339,237
Contributions as a percentage of covered payroll	6.86%	6.40%	6.35%

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

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

Fiscal Year		
2018	2019	2020
\$ 329,837	\$ 321,961	\$ 340,877
<u>(341,254)</u>	<u>(333,697)</u>	<u>(354,367)</u>
<u>\$ (11,417)</u>	<u>\$ (11,736)</u>	<u>\$ (13,490)</u>
\$ 5,358,388	\$ 5,404,745	\$ 5,931,798
6.37%	6.17%	5.97%

CITY OF WHARTON, TEXAS

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten years*

	Measurement Year		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 8,687	\$ 9,758	\$ 9,179
Interest (on the total OPEB liability)	7,836	7,992	8,401
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	(14,135)	4,888
Change of assumptions	18,706	(16,432)	48,378
Benefit payments	(1,629)	(1,627)	(2,160)
Net Change in Total OPEB Liability	33,600	(14,444)	68,686
Total OPEB Liability - Beginning	203,778	237,378	222,934
Total OPEB Liability - Ending	\$ 237,378	\$ 222,934	\$ 291,620
Covered Payroll	\$ 5,429,650	\$ 5,421,238	\$ 5,399,517
Total OPEB Liability as a Percentage of Covered Payroll	4.37%	4.11%	5.40%

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

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT

Last ten fiscal years

	Fiscal Year		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 1,608	\$ 2,008	\$ 1,933
Contribution in relation to the actuarially determined contribution	<u>(1,608)</u>	<u>(2,008)</u>	<u>(1,933)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,358,388	\$ 5,404,745	\$ 5,931,798
Contributions as a percentage of covered payroll	0.0300%	0.0372%	0.0326%

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

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

NOTE 1: BUDGETARY INFORMATION

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, 2020, the City complied with budgetary restrictions at all departmental levels in the General Fund.

NOTE 3: DEFINED BENEFIT PENSION PLAN

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	26 years
Asset Valuation Method	10 year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety tables used for males and the General employee tables used for females. The rates are projected on a fully generational basis

Other Information

There were no benefit changes during the year.

CITY OF WHARTON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2020

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN – OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions during the year.

Changes in Assumptions

- Salary increases changed to 3.5% to 11.5% including inflation from 3.5% to 10.5% including inflation.
- Discount rate decreased to 2.75% from 3.71%.
- Changed to using the 2019 Municipal Retirees of Texas Mortality Tables from the RP2000 Combined Mortality Table along with a change in projected rates.

Combining and Individual Fund Statements and Schedules

CITY OF WHARTON, TEXAS
 ALL NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 September 30, 2020

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 116,072	\$ 1,946,133	\$ 2,062,205
Receivables, net	53,885	-	53,885
Due from other funds	951	20,351	21,302
Due from other governments	<u>267,792</u>	<u>140,216</u>	<u>408,008</u>
Total assets	<u>\$ 438,700</u>	<u>\$ 2,106,700</u>	<u>\$ 2,545,400</u>
LIABILITIES			
Accounts payable	\$ 19,825	\$ 236,676	\$ 256,501
Due to other funds	<u>373,981</u>	<u>1,057,273</u>	<u>1,431,254</u>
Total liabilities	<u>393,806</u>	<u>1,293,949</u>	<u>1,687,755</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>267,792</u>	<u>140,216</u>	<u>408,008</u>
Total deferred inflows of resources	<u>267,792</u>	<u>140,216</u>	<u>408,008</u>
FUND BALANCES			
Restricted			
Cultural and recreation	74,897	-	74,897
Municipal court	50,545	-	50,545
Public safety	44,900	-	44,900
Various capital projects	-	230,037	230,037
Committed			
Various capital projects	-	668,654	668,654
Unassigned	<u>(393,240)</u>	<u>(226,156)</u>	<u>(619,396)</u>
Total fund balances	<u>(222,898)</u>	<u>672,535</u>	<u>449,637</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 438,700</u>	<u>\$ 2,106,700</u>	<u>\$ 2,545,400</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, 2020

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 193,718	\$ -	\$ 193,718
Intergovernmental	146,547	-	146,547
Fines and forfeitures	17,331	-	17,331
Investment income	1,700	19,379	21,079
Miscellaneous	27,929	-	27,929
Total revenues	<u>387,225</u>	<u>19,379</u>	<u>406,604</u>
EXPENDITURES			
Current			
General government	5,090	-	5,090
Public safety	4,587	-	4,587
Public works	319,246	-	319,246
Cultural and recreation	78,372	-	78,372
Capital outlay	274,489	468,499	742,988
Debt service			
Principal retirement	33,250	-	33,250
Interest and fiscal charges	1,817	-	1,817
Total expenditures	<u>716,851</u>	<u>468,499</u>	<u>1,185,350</u>
Excess (deficiency) of revenues over expenditures	(329,626)	(449,120)	(778,746)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,500	450,000	452,500
Transfers out	(110,933)	-	(110,933)
Total other financing sources (uses)	<u>(108,433)</u>	<u>450,000</u>	<u>341,567</u>
Net change in fund balances	(438,059)	880	(437,179)
Fund balances at beginning of year	215,161	671,655	886,816
Fund balances at end of year	<u>\$ (222,898)</u>	<u>\$ 672,535</u>	<u>\$ 449,637</u>

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Disaster Relief Fund - Accounts for the activities of the City associated with disasters such as floods, hurricanes, etc.

Hurricane Harvey Infrastructure Fund - Accounts for the activities of the City for drainage improvements associated with Hurricane Harvey flooding. These drainage infrastructure improvements will facilitate proper stormwater conveyance and reduce the impact of future flooding.

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2020

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
ASSETS				
Current assets				
Cash and cash equivalents	\$ 20,534	\$ 678	\$ 44,498	\$ 393
Receivables, net				
Accounts	53,885	-	-	-
Due from other funds	-	447	-	-
Due from other governments	-	-	-	-
Total assets	\$ 74,419	\$ 1,125	\$ 44,498	\$ 393
LIABILITIES				
Accounts payable	\$ 37	\$ -	\$ -	\$ -
Due to other funds	-	297	-	-
Total liabilities	37	297	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted				
Cultural and recreation	74,382	-	-	-
Municipal court	-	828	-	-
Public safety	-	-	44,498	393
Unassigned	-	-	-	-
Total fund balances	74,382	828	44,498	393
Total liabilities and fund balances	\$ 74,419	\$ 1,125	\$ 44,498	\$ 393

<u>Municipal Court Building Security</u>	<u>Railroad Depot Restoration</u>	<u>Disaster Relief</u>	<u>Hurricane Harvey Infrastructure</u>	<u>Total</u>
\$ 49,213	\$ 747	\$ -	\$ 9	\$ 116,072
-	-	-	-	53,885
504	-	-	-	951
<u>-</u>	<u>-</u>	<u>267,792</u>	<u>-</u>	<u>267,792</u>
<u>\$ 49,717</u>	<u>\$ 747</u>	<u>\$ 267,792</u>	<u>\$ 9</u>	<u>\$ 438,700</u>
\$ -	\$ 232	\$ 19,556	\$ -	\$ 19,825
<u>-</u>	<u>-</u>	<u>373,684</u>	<u>-</u>	<u>373,981</u>
<u>-</u>	<u>232</u>	<u>393,240</u>	<u>-</u>	<u>393,806</u>
<u>-</u>	<u>-</u>	<u>267,792</u>	<u>-</u>	<u>267,792</u>
<u>-</u>	<u>-</u>	<u>267,792</u>	<u>-</u>	<u>267,792</u>
-	515	-	-	74,897
49,717	-	-	-	50,545
-	-	-	9	44,900
<u>-</u>	<u>-</u>	<u>(393,240)</u>	<u>-</u>	<u>(393,240)</u>
<u>49,717</u>	<u>515</u>	<u>(393,240)</u>	<u>9</u>	<u>(222,898)</u>
<u>\$ 49,717</u>	<u>\$ 747</u>	<u>\$ 267,792</u>	<u>\$ 9</u>	<u>\$ 438,700</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, 2020*

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	Fire Department Special
REVENUES				
Taxes	\$ 193,718	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and forfeitures	-	7,793	2,650	-
Investment income	283	95	615	6
Miscellaneous	-	-	2,387	-
Total revenues	<u>194,001</u>	<u>7,888</u>	<u>5,652</u>	<u>6</u>
EXPENDITURES				
Current				
General government	-	489	-	-
Public safety	-	-	4,587	-
Public works	-	-	-	-
Cultural and recreation	76,493	-	-	-
Capital Outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>76,493</u>	<u>489</u>	<u>4,587</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	117,508	7,399	1,065	6
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(110,933)	-	-	-
Total other financing sources (uses)	<u>(110,933)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,575	7,399	1,065	6
Fund balances at beginning of year	67,807	(6,571)	43,433	387
Fund balances at end of year	<u>\$ 74,382</u>	<u>\$ 828</u>	<u>\$ 44,498</u>	<u>\$ 393</u>

<u>Municipal Court Building Security</u>	<u>Railroad Depot Restoration</u>	<u>Disaster Relief</u>	<u>Hurricane Harvey Infrastructure</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 193,718
-	-	58,415	88,132	146,547
6,888	-	-	-	17,331
681	11	-	9	1,700
-	150	25,392	-	27,929
<u>7,569</u>	<u>161</u>	<u>83,807</u>	<u>88,141</u>	<u>387,225</u>
4,601	-	-	-	5,090
-	-	-	-	4,587
-	-	319,246	-	319,246
-	1,879	-	-	78,372
-	-	186,357	88,132	274,489
-	-	33,250	-	33,250
-	-	1,817	-	1,817
<u>4,601</u>	<u>1,879</u>	<u>540,670</u>	<u>88,132</u>	<u>716,851</u>
2,968	(1,718)	(456,863)	9	(329,626)
-	2,500	-	-	2,500
-	-	-	-	(110,933)
-	<u>2,500</u>	-	-	<u>(108,433)</u>
2,968	782	(456,863)	9	(438,059)
<u>46,749</u>	<u>(267)</u>	<u>63,623</u>	<u>-</u>	<u>215,161</u>
<u>\$ 49,717</u>	<u>\$ 515</u>	<u>\$ (393,240)</u>	<u>\$ 9</u>	<u>\$ (222,898)</u>

CAPITAL PROJECT FUNDS

The City maintains eight Capital Project Funds: the 2011 Bond Construction Fund, the 2013 Bond Construction Fund, the Qualified Energy Conservation Bonds Fund, the Capital Improvement Fund, the 2015 Bond Construction Fund, the 2017 Tax Notes Fund, the 2019 Bond Construction Fund, and the 2019 Tax Notes 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 2019 Bond Construction Fund, and the 2019 Tax Notes Fund are reported as major funds.

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

2013 Bond Construction Fund - Accounts for the use of the proceeds from the City's 2013 Certificates of Obligation.

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

2017 Tax Notes Fund - Accounts for the use of the proceeds from the City's 2017 Tax Notes.

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
September 30, 2020

	<u>Capital Improvement</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>	<u>Qualified Energy Cons. Bonds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 821,589	\$ 1,302	\$ 129,095	\$ 811,416
Due from other funds	-	6,817	12,500	737
Due from other governments	-	-	-	-
Total assets	<u>\$ 821,589</u>	<u>\$ 8,119</u>	<u>\$ 141,595</u>	<u>\$ 812,153</u>
LIABILITIES				
Accounts payable	\$ 152,935	\$ -	\$ -	\$ 83,741
Due to other funds	-	176,171	-	639,970
Total liabilities	<u>152,935</u>	<u>176,171</u>	<u>-</u>	<u>723,711</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted				
Various capital projects	-	-	141,595	88,442
Committed				
Various capital projects	668,654	-	-	-
Unassigned	-	(168,052)	-	-
Total fund balances	<u>668,654</u>	<u>(168,052)</u>	<u>141,595</u>	<u>88,442</u>
Total liabilities and fund balances	<u>\$ 821,589</u>	<u>\$ 8,119</u>	<u>\$ 141,595</u>	<u>\$ 812,153</u>

<u>2017 Tax Notes</u>	<u>Total</u>
\$ 182,731	\$ 1,946,133
297	20,351
140,216	140,216
<u>\$ 323,244</u>	<u>\$ 2,106,700</u>
\$ -	\$ 236,676
241,132	1,057,273
241,132	1,293,949
140,216	140,216
140,216	140,216
-	230,037
-	668,654
(58,104)	(226,156)
(58,104)	672,535
<u>\$ 323,244</u>	<u>\$ 2,106,700</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, 2020

	<u>Capital Improvement</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>	<u>Qualified Energy Cons. Bonds</u>
REVENUES				
Investment income	\$ 7,430	\$ 3,272	\$ 5,731	\$ -
Total revenues	<u>7,430</u>	<u>3,272</u>	<u>5,731</u>	<u>-</u>
EXPENDITURES				
Capital outlay	<u>264,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>264,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(257,095)	3,272	5,731	-
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	192,905	3,272	5,731	-
Fund balances at beginning of year	<u>475,749</u>	<u>(171,324)</u>	<u>135,864</u>	<u>88,442</u>
Fund balances at end of year	<u>\$ 668,654</u>	<u>\$ (168,052)</u>	<u>\$ 141,595</u>	<u>\$ 88,442</u>

<u>2017 Tax Notes</u>	<u>Total</u>
\$ 2,946	\$ 19,379
<u>2,946</u>	<u>19,379</u>
 203,974	 468,499
<u>203,974</u>	<u>468,499</u>
 (201,028)	 (449,120)
 -	 450,000
<u>-</u>	<u>450,000</u>
 (201,028)	 880
<u>142,924</u>	<u>671,655</u>
<u>\$ (58,104)</u>	<u>\$ 672,535</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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2020
With comparative totals for the year ended September 30, 2019

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 599,000	\$ 616,834	\$ 17,834	\$ 637,621
Sales	1,505,378	1,520,302	14,924	1,527,344
Franchise	1,053,768	1,062,395	8,627	1,052,182
Licenses and permits	127,707	193,142	65,435	142,304
Intergovernmental	398,137	649,204	251,067	422,206
Charges for services	10,000	4,776	(5,224)	16,744
Fines and forfeitures	243,650	252,901	9,251	243,614
Investment income	1,500	28,481	26,981	12,403
Industrial district fee	2,025,849	2,138,336	112,487	1,882,084
Miscellaneous	27,596	25,233	(2,363)	55,505
Total revenues	5,992,585	6,491,604	499,019	5,992,007
EXPENDITURES				
Current				
General government				
Mayor and council	261,025	247,011	14,014	93,214
City manager	327,867	322,669	5,198	288,256
City secretary	126,953	122,154	4,799	120,592
Legal and professional	55,000	53,941	1,059	87,915
Finance	309,002	300,660	8,342	290,466
Municipal court	168,710	160,264	8,446	148,261
Central services	171,900	164,870	7,030	75,343
Total general government	1,420,457	1,371,569	48,888	1,104,047
Public safety				
Police	2,366,500	2,344,453	22,047	2,218,810
Fire	409,158	399,466	9,692	461,867
Code enforcement	276,649	265,410	11,239	264,665
Emergency management	108,433	104,596	3,837	103,515
Animal control	68,886	66,842	2,044	63,621
Communications	556,980	536,735	20,245	537,999
Total public safety	3,786,606	3,717,502	69,104	3,650,477
Public works				
Streets and drainage	881,605	879,112	2,493	765,644
Garage	146,358	138,890	7,468	126,297
Facilities maintenance	256,105	249,413	6,692	253,614
Total public works	1,284,068	1,267,415	16,653	1,145,555

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, 2020
With comparative totals for the year ended September 30, 2019

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Recreation	\$ 43,860	\$ 41,351	\$ 2,509	\$ 62,837
Community pool	17,851	9,634	8,217	63,616
Total cultural and recreation	61,711	50,985	10,726	126,453
Capital outlay	360,000	355,524	4,476	204,908
Debt service				
Principal retirement	-	-	-	42,998
Interest and fiscal charges	-	-	-	3,882
Total debt service	-	-	-	46,880
Total expenditures	<u>6,912,842</u>	<u>6,762,995</u>	<u>149,847</u>	<u>6,278,320</u>
Excess (deficiency) of revenues over expenditures	(920,257)	(271,391)	648,866	(286,313)
OTHER FINANCING SOURCES (USES)				
Transfers in	970,257	970,257	-	912,716
Transfers out	(350,000)	(350,000)	-	(185,000)
Total other financing sources (uses)	<u>620,257</u>	<u>620,257</u>	<u>-</u>	<u>727,716</u>
Net change in fund balance	\$ <u>(300,000)</u>	348,866	\$ <u>648,866</u>	441,403
Fund balance at beginning of year		<u>2,361,033</u>		<u>1,919,630</u>
Fund balance at end of year		<u>\$ 2,709,899</u>		<u>\$ 2,361,033</u>

(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****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,593,170	\$ 1,618,647	\$ 25,477	\$ 1,333,693
Investment income	10,000	12,251	2,251	13,103
Total revenues	<u>1,603,170</u>	<u>1,630,898</u>	<u>27,728</u>	<u>1,346,796</u>
EXPENDITURES				
Debt service				
Principal retirement	1,127,209	1,093,959	33,250	900,521
Interest and fiscal charges	443,962	439,057	4,905	319,622
Issuance costs	-	-	-	131,084
Total expenditures	<u>1,571,171</u>	<u>1,533,016</u>	<u>38,155</u>	<u>1,351,227</u>
Excess (deficiency) of revenues over expenditures	31,999	97,882	65,883	(4,431)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	4,497,300
Premium on bonds	-	-	-	567,828
Payment to escrow	-	-	-	(4,927,852)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,276</u>
Net change in fund balance	31,999	97,882	65,883	132,845
Fund balance at beginning of year	<u>516,697</u>	<u>516,697</u>	<u>-</u>	<u>383,852</u>
Fund balance at end of year	<u>\$ 548,696</u>	<u>\$ 614,579</u>	<u>\$ 65,883</u>	<u>\$ 516,697</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	101
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....	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	1123
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			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 6,243,600	\$ 6,145,777	\$ 5,399,629	\$ 5,203,356
Restricted	455,154	506,706	555,253	491,100
Unrestricted	1,719,879	1,557,755	1,578,613	1,713,091
Total governmental activities net position	<u>\$ 8,418,633</u>	<u>\$ 8,210,238</u>	<u>\$ 7,533,495</u>	<u>\$ 7,407,547</u>
Business-type activities				
Net investment in capital assets	\$ 12,227,323	\$ 13,128,337	\$ 13,568,618	\$ 13,575,582
Unrestricted	732,046	533,059	759,682	725,541
Total business-type activities net position	<u>\$ 12,959,369</u>	<u>\$ 13,661,396</u>	<u>\$ 14,328,300</u>	<u>\$ 14,301,123</u>
Primary government				
Net investment in capital assets	\$ 18,470,923	\$ 19,274,114	\$ 18,968,247	\$ 18,778,938
Restricted	455,154	506,706	555,253	491,100
Unrestricted	2,451,925	2,090,814	2,338,295	2,438,632
Total primary government activities net position	<u>\$ 21,378,002</u>	<u>\$ 21,871,634</u>	<u>\$ 21,861,795</u>	<u>\$ 21,708,670</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.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 5,276,256	\$ 5,049,412	\$ 5,849,449	\$ 6,021,228	\$ 5,346,151	\$ 8,616,589
540,953	560,730	626,562	577,404	692,423	767,053
<u>1,328,869</u>	<u>1,520,167</u>	<u>1,136,105</u>	<u>1,374,526</u>	<u>2,036,153</u>	<u>1,036,338</u>
<u>\$ 7,146,078</u>	<u>\$ 7,130,309</u>	<u>\$ 7,612,116</u>	<u>\$ 7,973,158</u>	<u>\$ 8,074,727</u>	<u>\$ 10,419,980</u>
\$ 13,273,028	\$ 14,570,164	\$ 15,009,120	\$ 14,992,726	\$ 15,399,868	\$ 14,956,280
1,277,183	(350,995)	(965,105)	(1,081,334)	(1,539,598)	(482,778)
<u>\$ 14,550,211</u>	<u>\$ 14,219,169</u>	<u>\$ 14,044,015</u>	<u>\$ 13,911,392</u>	<u>\$ 13,860,270</u>	<u>\$ 14,473,502</u>
\$ 18,549,284	\$ 19,619,576	\$ 20,858,569	\$ 21,013,954	\$ 20,746,019	\$ 23,572,869
540,953	560,730	626,562	577,404	692,423	767,053
<u>2,606,052</u>	<u>1,169,172</u>	<u>171,000</u>	<u>293,192</u>	<u>496,555</u>	<u>553,560</u>
<u>\$ 21,696,289</u>	<u>\$ 21,349,478</u>	<u>\$ 21,656,131</u>	<u>\$ 21,884,550</u>	<u>\$ 21,934,997</u>	<u>\$ 24,893,482</u>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities				
Expenses				
General government	\$ 871,330	\$ 976,628	\$ 926,431	\$ 902,639
Public safety	3,248,440	3,265,404	3,430,366	3,686,833
Public works	1,476,798	1,416,172	1,576,819	1,856,576
Culture and recreation	218,256	215,656	215,061	209,509
Interest on long-term debt	303,499	381,827	388,653	542,435
Total expenses	<u>6,118,323</u>	<u>6,255,687</u>	<u>6,537,330</u>	<u>7,197,992</u>
Program revenues				
Charges for services				
General government	343,817	299,099	317,267	331,367
Public safety	7,025	5,647	42,882	399
Culture and recreation	9,672	8,616	10,941	5,745
Operating grants and contributions	18,406	15,631	2,238	99,327
Capital grants and contributions	190,000	423,264	50,000	547,318
Total program revenues	<u>568,920</u>	<u>752,257</u>	<u>423,328</u>	<u>984,156</u>
Total governmental activities net program expense	(5,549,403)	(5,503,430)	(6,114,002)	(6,213,836)
General revenues and other changes in net position				
Taxes				
Property taxes	1,948,184	1,962,365	1,926,421	1,906,728
Sales taxes	1,148,636	1,313,677	1,274,114	1,252,647
Franchise taxes	1,056,427	973,486	1,047,976	1,052,147
Other taxes	166,149	190,162	196,669	181,243
Unrestricted investment earnings	10,487	8,999	8,052	13,075
Industrial district payment	492,901	504,314	922,448	905,337
Miscellaneous	115,207	95,580	70,872	162,529
Transfers	487,142	504,673	437,439	614,162
Total general revenues and other changes in net position	<u>5,425,133</u>	<u>5,553,256</u>	<u>5,883,991</u>	<u>6,087,868</u>
Total governmental activities change in net position	<u>\$ (124,270)</u>	<u>\$ 49,826</u>	<u>\$ (230,011)</u>	<u>\$ (125,968)</u>

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 956,481	\$ 1,033,645	\$ 1,538,531	\$ 1,883,507	\$ 1,673,997	\$ 1,370,729
3,560,086	3,732,614	3,999,508	3,926,999	4,106,591	3,964,243
1,830,354	1,925,823	1,877,799	1,716,963	2,283,018	2,316,110
216,496	247,724	260,815	281,150	309,231	169,331
410,719	437,013	391,646	416,720	552,115	364,595
<u>6,974,136</u>	<u>7,376,819</u>	<u>8,068,299</u>	<u>8,225,339</u>	<u>8,924,952</u>	<u>8,185,008</u>
359,180	390,566	457,165	453,443	417,544	476,150
900	6,040	12,633	5,493	14,332	21,943
8,995	8,877	7,661	8,481	11,468	245
125,634	159,932	606,537	886,952	694,606	959,479
250,000	497,778	887,238	402,609	248,862	384,221
<u>744,709</u>	<u>1,063,193</u>	<u>1,971,234</u>	<u>1,756,978</u>	<u>1,386,812</u>	<u>1,842,038</u>
(6,229,427)	(6,313,626)	(6,097,065)	(6,468,361)	(7,538,140)	(6,342,970)
1,906,722	1,929,445	1,905,008	1,920,441	1,927,053	2,211,395
1,295,561	1,391,868	1,283,407	1,416,116	1,527,344	1,520,302
1,077,112	1,101,070	1,122,792	1,107,947	1,052,182	1,062,395
217,309	252,562	279,726	376,852	229,048	193,718
10,942	15,218	20,409	26,188	69,070	128,767
877,318	830,603	1,059,353	1,276,673	1,882,084	2,138,336
59,034	76,199	104,429	139,594	88,945	58,171
788,246	700,892	803,748	728,312	863,983	942,268
<u>6,232,244</u>	<u>6,297,857</u>	<u>6,578,872</u>	<u>6,992,123</u>	<u>7,639,709</u>	<u>8,255,352</u>
\$ 2,817	\$ (15,769)	\$ 481,807	\$ 523,762	\$ 101,569	\$ 1,912,382

(concluded)

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Business-type activities				
Expenses				
Water and sewer	\$ 2,417,926	\$ 2,214,274	\$ 2,377,966	\$ 2,656,570
Solid waste	1,213,177	1,250,313	1,300,929	1,289,653
Emergency medical services	1,221,415	1,243,579	1,395,931	1,669,455
Civic center	232,364	216,926	200,266	225,854
Airport	<u>251,866</u>	<u>258,427</u>	<u>262,912</u>	<u>268,944</u>
Total expenses	<u>5,336,748</u>	<u>5,183,519</u>	<u>5,538,004</u>	<u>6,110,476</u>
Program revenues				
Charges for services				
Water and sewer	2,997,890	2,840,140	2,999,959	3,140,678
Solid waste	1,271,487	1,299,841	1,338,967	1,345,910
Emergency medical services	749,828	801,108	840,708	833,862
Civic center	49,661	59,474	55,344	82,269
Airport	195,843	182,194	177,845	173,920
Operating grants and contributions	739,180	764,282	775,650	898,511
Capital grants and contributions	<u>463,435</u>	<u>604,906</u>	<u>451,639</u>	<u>219,868</u>
Total program revenues	<u>6,467,324</u>	<u>6,551,945</u>	<u>6,640,112</u>	<u>6,695,018</u>
Total business-type activities net program expense	1,130,576	1,368,426	1,102,108	584,542
General revenues and other changes in net position				
Unrestricted investment earnings	988	1,675	2,235	2,463
Miscellaneous	-	16,600	-	-
Transfers	<u>(487,142)</u>	<u>(504,673)</u>	<u>(437,439)</u>	<u>(614,182)</u>
Total general revenues and other changes in net position	<u>(486,154)</u>	<u>(486,398)</u>	<u>(435,204)</u>	<u>(611,719)</u>
Total business-type activities change in net position	<u>\$ 644,422</u>	<u>\$ 882,028</u>	<u>\$ 666,904</u>	<u>\$ (27,177)</u>
Total primary government change in net position	<u>\$ 520,152</u>	<u>\$ 931,854</u>	<u>\$ 436,893</u>	<u>\$ (153,145)</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.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$	2,561,784	\$ 2,886,182	\$ 2,989,213	\$ 3,239,252	\$ 3,154,572	\$ 2,925,024
	1,343,826	1,332,985	1,498,067	1,445,264	1,494,216	1,566,383
	1,771,503	2,067,077	2,260,933	2,313,208	2,216,326	2,236,471
	234,636	285,146	263,521	268,924	314,049	269,692
	<u>267,542</u>	<u>296,475</u>	<u>319,099</u>	<u>350,530</u>	<u>352,242</u>	<u>336,682</u>
	<u>6,179,291</u>	<u>6,867,865</u>	<u>7,330,833</u>	<u>7,617,178</u>	<u>7,531,405</u>	<u>7,334,252</u>
	3,219,570	3,585,465	3,742,104	4,048,367	4,126,572	4,444,064
	1,379,460	1,401,478	1,475,518	1,465,834	1,476,178	1,469,441
	963,612	825,885	774,356	827,044	802,705	773,425
	74,102	76,282	84,736	91,518	115,076	45,524
	171,931	211,211	210,464	225,944	215,112	248,440
	847,681	1,036,169	1,451,379	1,584,219	1,506,827	1,893,693
	<u>628,072</u>	<u>99,446</u>	<u>216,716</u>	<u>75,000</u>	<u>91,924</u>	<u>-</u>
	<u>7,284,428</u>	<u>7,235,936</u>	<u>7,955,273</u>	<u>8,317,926</u>	<u>8,334,394</u>	<u>8,874,587</u>
	1,105,137	368,071	624,440	700,748	802,989	1,540,335
	2,451	1,779	4,154	7,189	9,872	15,165
	-	-	-	-	-	-
	<u>(788,246)</u>	<u>(700,892)</u>	<u>(803,748)</u>	<u>(728,312)</u>	<u>(863,983)</u>	<u>(942,268)</u>
	<u>(785,795)</u>	<u>(699,113)</u>	<u>(799,594)</u>	<u>(721,123)</u>	<u>(854,111)</u>	<u>(927,103)</u>
\$	<u>319,342</u>	<u>(331,042)</u>	<u>(175,154)</u>	<u>(20,375)</u>	<u>(51,122)</u>	<u>613,232</u>
\$	<u>322,159</u>	<u>(346,811)</u>	<u>306,653</u>	<u>503,387</u>	<u>50,447</u>	<u>2,525,614</u>

(concluded)

CITY OF WHARTON, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable				
Prepaid items	\$ 26,624	\$ 21,109	\$ 19,499	\$ 26,809
Inventory	-	-	-	-
Long-term interfund advances	-	500,000	350,000	325,000
Unassigned	<u>1,427,875</u>	<u>1,041,539</u>	<u>1,257,474</u>	<u>1,366,287</u>
Total general fund	<u>\$ 1,454,499</u>	<u>\$ 1,562,648</u>	<u>\$ 1,626,973</u>	<u>\$ 1,718,096</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ 376,959	\$ 415,415	\$ 419,775	\$ 436,098
Arts and tourism	81,552	84,922	69,706	76,610
Municipal court	20,105	13,215	17,787	21,373
Public safety	12,986	22,709	69,537	12,660
Various capital projects	4,464,319	3,712,559	3,062,743	3,100,671
Committed				
Various capital projects	-	-	6,137	65,686
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 4,955,921</u>	<u>\$ 4,248,820</u>	<u>\$ 3,645,685</u>	<u>\$ 3,713,098</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 7,847	\$ 11,767	\$ 15,648	\$ 29,107	\$ 14,163	\$ 1,541
-	-	-	-	-	7,341
430,000	430,000	430,000	430,000	430,000	430,000
1,289,786	1,320,205	1,251,623	1,460,523	1,916,870	2,271,017
<u>\$ 1,727,633</u>	<u>\$ 1,761,972</u>	<u>\$ 1,697,271</u>	<u>\$ 1,919,630</u>	<u>\$ 2,361,033</u>	<u>\$ 2,709,899</u>
\$ 468,843	\$ 426,192	\$ 440,904	\$ 383,852	\$ 516,697	\$ 614,579
75,716	85,835	123,710	118,783	67,807	74,897
26,463	33,954	33,046	40,614	46,749	50,545
19,841	42,700	49,346	59,818	107,443	44,900
3,036,452	2,703,475	2,446,906	2,999,354	4,227,477	2,612,817
18,886	23,987	123,601	-	475,749	668,654
<u>(141,516)</u>	<u>-</u>	<u>(667,035)</u>	<u>(416,566)</u>	<u>(178,162)</u>	<u>(2,214,847)</u>
<u>\$ 3,504,685</u>	<u>\$ 3,316,143</u>	<u>\$ 2,550,478</u>	<u>\$ 3,185,855</u>	<u>\$ 5,263,760</u>	<u>\$ 1,851,545</u>

CITY OF WHARTON, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes	\$ 4,349,308	\$ 4,484,457	\$ 4,490,924	\$ 4,438,356
Licenses and permits	87,176	67,112	98,609	106,913
Intergovernmental	208,406	438,895	52,238	534,532
Charges for services	10,488	9,866	12,888	5,745
Fines and forfeitures	239,406	229,258	223,811	216,090
Investment income	10,487	8,999	8,052	13,075
Industrial district payment	492,901	504,314	922,448	905,337
Miscellaneous	23,483	47,695	57,932	165,450
Total revenues	<u>5,421,655</u>	<u>5,790,596</u>	<u>5,866,902</u>	<u>6,385,498</u>
Expenditures				
Current				
General government	855,487	1,030,106	880,776	853,986
Public safety	2,930,441	2,960,242	3,140,019	3,365,083
Public works	1,096,561	1,059,999	1,041,924	1,468,361
Culture and recreation	157,635	154,649	154,054	148,503
Capital outlay	693,196	1,021,435	788,817	2,126,657
Debt service				
Principal retirement	499,924	511,147	504,666	635,139
Interest and fiscal charges	262,728	390,180	401,535	369,490
Bond issuance costs	86,829	-	-	144,026
Total expenditures	<u>6,582,801</u>	<u>7,127,758</u>	<u>6,911,791</u>	<u>9,111,245</u>
Excess (deficiency) of revenues over expenditures	(1,161,146)	(1,337,162)	(1,044,889)	(2,725,747)
Other financing sources (uses)				
Debt issued	4,600,000	120,000	-	4,988,000
Premium on issuance of bonds	69,000	-	-	210,350
Payment to escrow	-	-	-	(3,048,579)
Sale of capital assets	71,805	26,349	22,707	59,109
Transfers in	577,986	707,117	668,700	832,403
Transfers out	(90,844)	(115,256)	(185,328)	(157,000)
Total other financing sources (uses)	<u>5,227,947</u>	<u>738,210</u>	<u>506,079</u>	<u>2,884,283</u>
Change in fund balances	<u>\$ 4,066,801</u>	<u>\$ (598,952)</u>	<u>\$ (538,810)</u>	<u>\$ 158,536</u>
Debt service as a percentage of noncapital expenditures	<u>12.96%</u>	<u>14.76%</u>	<u>14.69%</u>	<u>14.29%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 4,556,387	\$ 4,669,025	\$ 4,630,579	\$ 4,861,097	\$ 4,779,888	\$ 5,011,896
78,284	72,173	107,737	119,824	142,304	193,142
368,740	657,505	1,018,415	1,537,236	1,171,153	935,692
13,965	14,671	7,736	14,841	16,744	4,776
254,392	303,077	335,266	326,769	258,884	270,232
10,942	15,218	20,409	26,188	69,070	128,767
877,318	830,603	1,059,353	1,276,673	1,882,084	2,138,336
30,626	27,512	62,125	126,461	61,148	53,162
<u>6,190,654</u>	<u>6,589,784</u>	<u>7,241,620</u>	<u>8,289,089</u>	<u>8,381,275</u>	<u>8,736,003</u>
915,778	980,663	1,452,868	1,846,867	1,497,409	1,376,659
3,263,634	3,380,267	3,548,522	3,585,001	3,673,300	3,722,089
1,348,961	1,459,995	1,269,851	1,156,208	1,169,600	1,747,706
145,207	173,288	185,054	203,807	232,049	129,357
992,335	1,301,302	1,537,300	857,068	1,210,587	4,217,282
629,592	672,323	737,577	880,490	1,238,778	1,127,209
415,373	413,034	409,857	400,536	327,829	440,874
12,145	34,897	-	33,929	233,921	-
<u>7,723,025</u>	<u>8,415,769</u>	<u>9,141,029</u>	<u>8,963,906</u>	<u>9,583,473</u>	<u>12,761,176</u>
(1,532,371)	(1,825,985)	(1,899,409)	(674,817)	(1,202,198)	(4,025,173)
545,249	911,692	237,211	829,600	7,154,050	-
-	36,798	-	-	631,325	-
-	-	-	-	(4,927,852)	-
-	22,400	28,084	22,261	-	-
1,135,081	869,616	977,147	1,022,212	1,827,716	1,422,757
(346,835)	(168,724)	(173,399)	(293,900)	(963,733)	(460,933)
<u>1,333,495</u>	<u>1,671,782</u>	<u>1,069,043</u>	<u>1,580,173</u>	<u>3,721,506</u>	<u>961,824</u>
\$ (198,876)	\$ (154,203)	\$ (830,366)	\$ 905,356	\$ 2,519,308	\$ (3,063,349)
<u>15.39%</u>	<u>15.26%</u>	<u>14.84%</u>	<u>15.63%</u>	<u>17.40%</u>	<u>18.44%</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>
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
2017	1,912,854	31,800	1,283,407	1,122,792	279,726	4,630,579
2018	1,924,447	35,735	1,416,116	1,107,947	376,852	4,861,097
2019	1,938,334	32,980	1,527,344	1,052,182	229,048	4,779,888
2020	2,204,906	30,575	1,520,302	1,062,395	193,718	5,011,896

(1) Modified accrual basis of accounting

NOTE: Property tax revenues are 13.8% higher in FY20 due to an increase in tax rates as well as an increase in total adjusted taxable valuation from prior year.

CITY OF WHARTON, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years

Fiscal Year	Tax Roll	Real Property				Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property	Personal Property				
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	
2017	2016	176,233,464	325,076,722	103,456,879	14,744,456	154,782,623	464,728,898	
2018	2017	194,285,276	330,156,401	102,569,810	14,300,774	159,501,700	481,810,561	
2019	2018	193,971,019	315,781,000	104,276,784	13,908,304	152,748,062	475,189,045	
2020	2019	220,378,808	340,118,282	109,571,702	13,517,540	164,667,344	518,918,988	

(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>
\$ (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%
(62,108,003)	402,620,895	0.42450	1,709,126	233,753	1,942,879	100.00%
(68,613,716)	413,196,845	0.41008	1,694,438	247,433	1,941,871	100.00%
(70,243,405)	404,945,640	0.41594	1,684,331	248,485	1,932,815	100.00%
(76,475,637)	442,443,351	0.44535	1,970,421	256,307	2,226,728	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
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
2017	0.2501	0.1744	0.4245	1.1970	0.1371	0.0300	0.4900	0.0085	1.8626
2018	0.2643	0.1458	0.4101	1.1970	0.1355	0.0500	0.4750	0.0085	1.8660
2019	0.3164	0.0995	0.4159	1.1970	0.1435	0.0500	0.4740	0.0083	1.8727
2020	0.3540	0.0914	0.4454	1.2864	0.1393	0.0500	0.4623	0.0080	1.9460

(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

2020		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
JM Eagle	\$ 37,625,730	7.25%
Nan Ya Plastics Corp. USA	34,187,766	6.59%
Wal-Mart Stores Texas LP	6,927,727	1.34%
Buc-ee's	6,606,254	1.27%
Centerpoint Energy Houston	5,273,650	1.02%
Ranger Energy Leasing LLC	5,074,870	0.98%
WE 58 Eastgate Plaza LLC	4,801,053	0.93%
Wal-Mart Property Tax Dept.	4,731,670	0.91%
CSV SNF Texas LLC	4,586,846	0.88%
Reliq Gulf Coast LLC	4,431,506	0.85%
	<u>\$ 114,247,072</u>	<u>22.02%</u>

2011		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 27,888,680	6.66%
J-M Manufacturing Company, Inc.	24,345,080	5.81%
Signature Gulf Coast Hospital LP	8,443,730	2.02%
Wal-Mart Stores Texas LP	6,387,427	1.52%
Signature Gulf Coast Hospital LP	5,989,550	1.43%
Wal-Mart Property Tax Dept.	5,589,401	1.33%
Wharton RP LTD	5,074,136	1.21%
Centerpoint Energy Houston	4,280,940	1.02%
Buc-ee's	4,209,967	1.01%
M-I LLC	3,607,550	0.86%
	<u>\$ 95,816,461</u>	<u>22.87%</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>
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%
2017	1,959,650	(35,715)	1,923,935	1,863,194	96.84%
2018	1,966,387	(19,050)	1,947,337	1,877,009	96.39%
2019	1,975,928	(8,023)	1,967,905	1,888,629	95.97%
2020	2,300,157	(15,909)	2,284,248	2,166,826	94.86%

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 57,260	\$ 1,949,641	97.10%
46,234	1,947,503	96.61%
26,446	1,921,103	99.93%
30,571	1,900,370	99.14%
26,931	1,894,928	98.24%
89,720	1,959,570	99.92%
50,673	1,913,867	99.48%
36,552	1,913,561	98.27%
20,409	1,909,038	97.01%
-	2,166,826	94.86%

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>
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
2017	503,059,000	375,067,000	127,992,000	25%	404,399,000
2018	482,441,000	426,041,500	56,399,500	12%	353,400,000
2019	523,885,000	455,779,950	68,105,050	13%	346,573,000
2020	455,896,000	321,936,600	133,959,400	29%	334,810,000

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
\$ 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
18.35	3.48	19.71	3.06
19.82	3.76	21.29	3.31
21.41	4.06	23.00	3.58
23.55	4.63	25.30	4.81

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

	Fiscal Year			
	2011	2012	2013	2014
Water Rates (per 2,000 gallons)				
Base Rate	\$ 12.97	\$ 12.97	\$ 13.62	\$ 14.71
Water usage rate				
2,000-4,000	2.45	2.45	2.57	2.78
4,000-7,000	2.54	2.54	2.67	2.88
7,000-11,000	2.65	2.65	2.78	3.00
11,000-15,000	2.81	2.81	2.95	3.19
15,000-50,000	2.98	2.98	3.13	3.38
50,000-100,000	3.09	3.09	3.24	3.50
100,000-150,000	3.31	3.31	3.48	3.76
>150,000	3.53	3.53	3.71	4.00
Sewer Rates (per 2,000 gallons)				
Base Rate	13.94	13.94	14.64	15.81
Sewer usage rate				
2,000-4,000	2.15	2.15	2.26	2.44
4,000-7,000	2.65	2.65	2.78	3.00
7,000-11,000	2.92	2.92	3.07	3.32
11,000-15,000	3.15	3.15	3.31	3.57
15,000-50,000	3.41	3.41	3.58	3.87
50,000-100,000	3.70	3.70	3.89	4.20
100,000-150,000	3.92	3.92	4.12	4.45
>150,000	4.20	4.20	4.41	4.76

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						
	2015	2016	2017	2018	2019	2020
\$	15.16	\$ 16.68	\$ 18.35	\$ 19.82	\$ 21.41	\$ 23.55
	2.87	3.16	3.48	3.76	4.06	4.47
	2.97	3.27	3.60	3.89	4.21	4.63
	3.09	3.40	3.74	4.04	4.37	4.81
	3.29	3.62	3.98	4.30	4.65	5.12
	3.49	3.84	4.22	4.56	4.93	5.42
	3.61	3.98	4.38	4.73	5.11	5.62
	3.88	4.27	4.70	5.08	5.49	6.04
	4.12	4.54	4.99	5.39	5.83	6.41
	16.29	17.92	19.71	21.29	23.00	25.30
	2.52	2.78	3.06	3.31	3.58	3.93
	3.09	3.40	3.74	4.04	4.37	4.81
	3.42	3.77	4.15	4.49	4.85	5.34
	3.68	4.05	4.46	4.82	5.21	5.73
	3.99	4.39	4.83	5.22	5.64	6.20
	4.33	4.77	5.25	5.67	6.13	6.74
	4.59	5.05	5.56	6.01	6.49	7.14
	4.91	5.41	5.95	6.43	6.95	7.65

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

2020			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Nan Ya Plastics Corp. USA	Manufacturing	29,999,000	9.32%
Briar Pointe LTD	Apartment Complex	15,561,000	4.83%
JM Eagle	Manufacturing	7,497,700	2.33%
Colorado Bend Power Plant	Power Plant	6,231,800	1.94%
Oak Bend Medical	Hospital	6,032,100	1.87%
Buc-ee's	Retail	5,414,400	1.68%
CLVR Acquisitions	Real Estate	5,181,600	1.61%
Wharton ISD	Education	4,673,200	1.45%
Wharton Valhalla Nursing	Skilled Nursing Facility	4,649,300	1.44%
Wharton County Junior College	Education	4,476,200	1.39%
2011			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Nan Ya Plastics Corp. USA	Manufacturing	29,670,600	6.65%
Briar Pointe LTD	Apartment Complex	16,004,300	3.58%
Millcreek Apartments	Apartment Complex	11,261,600	2.52%
Wharton ISD	Education	10,049,500	2.25%
JM Eagle	Manufacturing	7,840,000	1.76%
Wharton County Junior College	Education	6,126,500	1.37%
Southwest LTC	Skilled Nursing Facility	6,014,600	1.35%
The Meadow Associate	Apartment Complex	5,880,700	1.32%
Gulf Coast Medical Center	Hospital	5,658,200	1.27%
Buc-ee's	Retail	5,536,300	1.24%

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	Direct-Borrowing Capital Leases	Qualified Energy Cons. Bonds	Plus: Issuance Premiums
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
2017	8,049,128	2,254,282	-	278,004	396,511	262,993
2018	7,654,976	1,949,682	737,800	213,704	370,873	240,273
2019	3,482,226	6,085,537	2,177,200	-	344,847	764,058
2020	3,311,838	5,479,137	1,853,200	-	318,426	692,007

Business-type Activities

<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Tax Anticipation Notes</u>	<u>Direct- Borrowing Capital Leases</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Plus: Issuance Premiums</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 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
5,905,872	1,210,718	-	145,824	1,016,573	247,908	19,767,813	5.6%	2,250
5,525,024	975,318	347,200	112,917	950,843	225,257	19,303,867	5.4%	2,201
5,652,774	1,914,463	292,800	-	884,115	418,494	22,016,514	6.1%	2,511
5,373,162	1,580,863	236,800	-	816,378	380,829	20,042,640	5.1%	2,286

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>
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
2017	13,955,000	3,465,000	1,413,084	510,901	19,343,985
2018	13,180,000	2,925,000	1,321,716	465,530	17,892,246
2019	9,135,000	8,000,000	1,228,962	1,182,552	19,546,514
2020	8,685,000	7,060,000	1,134,804	1,072,836	17,952,640

<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 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
440,904	18,903,081	4.07%	2,152
383,852	17,508,394	3.63%	1,997
516,697	19,029,817	4.00%	2,170
614,579	17,338,061	3.34%	1,977

CITY OF WHARTON, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

(UNAUDITED)

September 30, 2020

	<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	9/30/2020	<u>\$ 11,654,608</u>	100.00%	<u>\$ 11,654,608</u>
Overlapping Debt:				
Wharton County	9/30/2020	-	0.00%	-
Wharton Independent School District	9/30/2020	<u>76,416,947</u>	43.34%	<u>33,119,105</u>
Total Overlapping Debt		<u>76,416,947</u>		<u>33,119,105</u>
Total		<u>\$ 88,071,555</u>		<u>\$ 44,773,713</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>
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
2017	3,742,790	2,184,950	1,557,840	862,816	1.81
2018	4,049,782	2,384,729	1,665,053	865,748	1.92
2019	4,127,466	2,271,061	1,856,405	835,796	2.22
2020	4,447,444	2,104,327	2,343,117	881,628	2.66

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.

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

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
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%
2017	8,785	350,073,465	39,849	2,201	4.9%
2018	8,769	355,451,415	40,535	2,080	4.5%
2019	8,769	363,676,737	41,473	1,998	3.7%
2020	8,769	396,542,949	45,221	1,998	7.0%

NOTE: 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*

2020		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton County Junior College	362	1.79%
Wharton ISD	339	1.68%
HEB Food Store	243	1.20%
Wharton County Foods	235	1.16%
Nan Ya Plastics Corp. USA	226	1.12%
Wal-Mart Stores Texas LP	200	0.99%
Wharton County	188	0.93%
J-M Manufacturing Company, Inc.	147	0.73%
City of Wharton	100	0.49%
Buc-ee's	<u>100</u>	<u>0.49%</u>
	<u>2,140</u>	<u>10.58%</u>

2011		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	400	2.10%
South Texas Medical Center	350	1.84%
Wal-Mart Stores Texas LP	260	1.36%
Wharton County	253	1.33%
Wharton County Junior College	236	1.24%
Gulf Coast Medical Center	235	1.23%
Nan Ya Plastics Corp. USA	205	1.08%
HEB Food Store	130	0.68%
J-M Manufacturing Company, Inc.	102	0.54%
Buc-ee's	<u>100</u>	<u>0.52%</u>
	<u>2,271</u>	<u>11.92%</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			
	2011	2012	2013	2014
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	1.0	1.0
Finance	3.0	3.0	2.5	2.5
Municipal court	2.0	2.0	2.0	2.5
Community services coordinator	-	-	-	-
Central services	0.5	0.5	0.5	0.5
Public safety				
Police	25.0	25.0	25.0	25.0
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.0	3.0	3.5	3.5
Emergency management	1.0	1.0	1.0	1.0
Animal control	1.0	1.0	1.0	1.0
Communications	9.0	9.0	9.0	9.0
Public works				
Public works	10.5	10.5	10.2	9.0
Garage	1.0	1.0	2.0	2.0
Facilities maintenance	4.0	4.0	4.0	4.0
Water/wastewater				
City planning	-	-	-	-
Administration	1.5	1.5	2.0	2.0
Water operations	8.5	8.5	8.5	9.5
Sewer operations	4.0	4.0	4.5	2.5
Beautification	1.0	1.0	1.0	1.0
EMS	8.0	14.0	14.0	20.0
Civic Center	2.5	2.5	2.8	2.8
Airport	2.0	1.5	1.5	1.5
Total	<u>92.5</u>	<u>98.0</u>	<u>100.0</u>	<u>104.3</u>

Fiscal Year					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
2.5	2.5	2.5	2.5	2.5	2.5
2.5	2.5	3.0	3.0	3.0	3.0
-	-	-	-	-	-
0.8	0.8	0.8	0.8	0.8	0.8
25.0	25.0	25.0	25.0	25.0	26.0
2.0	2.0	2.0	2.0	2.0	2.0
3.5	4.0	4.0	4.0	4.0	3.5
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0	9.0	10.0
9.0	9.5	9.0	9.5	9.5	9.5
2.0	2.0	2.0	2.0	1.5	1.5
4.0	4.0	4.0	4.0	4.0	4.0
1.3	0.3	1.0	1.0	2.0	2.0
2.0	2.0	2.0	2.0	2.5	2.5
9.5	10.5	9.5	10.5	10.0	10.0
2.5	2.5	2.5	2.5	3.5	3.5
1.0	1.0	1.0	1.0	1.0	1.0
19.0	18.0	19.0	20.0	20.0	20.0
2.8	2.3	2.8	2.8	2.8	2.8
1.5	1.5	1.5	1.5	1.5	1.5
<u>104.9</u>	<u>104.3</u>	<u>105.6</u>	<u>108.1</u>	<u>109.6</u>	<u>111.1</u>

CITY OF WHARTON, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2011	2012	2013	2014
General government				
Building permits issued	390	351	706	415
Building inspections conducted	1,235	1,286	1,663	1,318
Public safety				
Police				
Physical arrests	746	1,281	1,399	1,112
Traffic violations	3,459	2,494	3,295	4,677
Fire				
Fire calls	519	530	559	549
Public works				
Streets (miles)	97	97	97	97
Culture and recreation				
Parks and recreation				
Park rental	43	25	40	62
Community center rentals	273	221	217	245
Swimming pool				
Single admissions	2,086	1,445	1,449	1,584
Season passes	24	22	23	12
Aerobics	56	40	20	24
Swim lessons	42	45	54	45
Party rentals	6	7	2	2
Water and wastewater				
Water				
New connections/taps	14	2	4	5
Average daily consumption	1.2mgd	1.1mgd	1.3mgd	1.0mgd
Peak daily consumption	2.6mgd	2.2mgd	2.3mgd	2.0mgd
Wastewater				
Average daily sewage treatment	.79 mgd	.88 mgd	.88 mgd	.76 mgd
EMS				
Ambulance loads	3,208	3,364	3,253	3,326

NOTE: Traffic violations and culture and recreation activity decreased in FY20 due to the effects of COVID-19.

Fiscal Year					
2015	2016	2017	2018	2019	2020
666	701	799	479	364	1,155
861	746	1,264	1,538	1,210	1,284
1,347	2,047	1,095	868	922	833
6,701	8,748	8,677	6,826	6,504	2,432
551	539	600	438	457	445
97	97	97	97	97	97
29	41	18	25	45	15
267	352	388	351	337	130
1,778	1,980	1,364	1,422	1,602	-
7	6	3	5	5	-
26	18	24	21	27	-
52	15	35	20	30	-
1	1	3	6	7	-
10	8	-	-	-	12
1.1mgd	1.0mgd	1.6 mgd	1.2 mgd	1.1 mgd	1.2 mgd
2.1mgd	2.0mgd	1.7 mgd	1.6 mgd	1.49 mgd	1
.87 mgd	.91 mgd	1 mgd	.97 mgd	1.02 mgd	.92 mgd
3,770	3,545	3,490	3,248	3,244	3,211

CITY OF WHARTON, TEXAS*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**Last ten fiscal years*

	Fiscal Year			
	2011	2012	2013	2014
Function/Program				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	97.0	97.0	97.0	97.0
Streetlights	852	858	858	858
School zone flashers	8	8	8	8
Culture and recreation				
Acreage	92	92	92	92
Parks	11	11	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)	80.5	80.5	80.5	80.5
Fire hydrants	478	478	481	481
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	84	84	84	84
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0mgd	2.0mgd	2.0mgd	2.0mgd

Fiscal Year

2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
9	9	9	9	9	10
1	1	1	1	1	1
97.0	97.0	97.0	97.0	97.0	97.0
858	858	858	858	858	887
8	8	8	8	8	8
92	92	92	92	92	92
11	11	11	11	11	11
5	5	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
80.5	80.5	80.5	80.5	80.5	80.5
482	482	482	482	482	482
3.5mgd	3.5mgd	3.5 mgd	3.5 mgd	3.5 mgd	3.5 mgd
84	84	84	84	84	84
15	15	15	15	15	15
2.0mgd	2.0mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd

SINGLE AUDIT 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 units, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 20, 2021. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Harrison, Waldrop & Uherek, LLP

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

April 20, 2021



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Wharton, Texas (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

April 20, 2021

CITY OF WHARTON, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Other Award Number
FEDERAL EXPENDITURES		
U. S. Department of Housing and Urban Development		
<i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i>		
Community Development Block Grant	14.228	19-076-050-B703
Community Development Block Grant	14.228	20-065-081-C234
 <i>Passed Through the Texas Department of Housing and Community Affairs</i>		
Home Investment Partnerships Program	14.239	N/A
Total U.S. Department of Housing and Urban Development		
 U. S. Department of Transportation		
<i>Passed Through the Texas Department of Transportation</i>		
Airport Improvement Program	20.106	20CRWHRTN1
Airport Improvement Program	20.106	M2013WHRT
 National Priority Safety Program		
	20.616	N/A
Total U.S. Department of Transportation		
 U. S. Department of Justice		
<i>Passed Through the Office of the Governor</i>		
<i>Criminal Justice Division</i>		
Bulletproof Vest Partnership Program	16.607	N/A
Crime Victim Assistance	16.575	VA19-PY20
Total U.S. Department of Justice		
 U. S. Department of Treasury		
<i>Passed Through the Texas Division of Emergency Management</i>		
Coronavirus Relief Fund	21.019	COVID-19
Total U.S. Department of Treasury		
 U. S. Department of Health and Human Services		
Coronavirus Relief Fund	93.498	HHS-51149820228
Total U.S. Department of Health and Human Services		

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 33,000	\$ -	\$ 33,000	\$ -		
88,132	-	88,132	-		
<u>121,132</u>	<u>-</u>	<u>121,132</u>	<u>-</u>		
116,575	-	116,575	-		
<u>237,707</u>	<u>-</u>	<u>237,707</u>	<u>-</u>		
30,000	-	30,000	-		
50,000	-	50,000	-		
<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>		
884	-	884	-	Highway Safety Cluster	
<u>80,884</u>	<u>-</u>	<u>80,884</u>	<u>-</u>		
2,490	-	2,490	-		
60,866	-	60,866	-		
<u>63,356</u>	<u>-</u>	<u>63,356</u>	<u>-</u>		
290,863	-	290,863	-		
<u>290,863</u>	<u>-</u>	<u>290,863</u>	<u>-</u>		
-	27,118	27,118	-		
-	27,118	27,118	-		

CITY OF WHARTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Award Number</u>
FEDERAL EXPENDITURES - (Continued)		
U. S. Department of Homeland Security		
<i>Passed Through the Texas Division of Emergency Management</i>		
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	4332-DR-TX
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	4269-DR-TX
 Hazard Mitigation Grant	 97.039	 DR-4332-0105
<i>Passed Through the Office of the Texas Governor</i>		
Homeland Security Grant	97.067	HS19HS13785701
 Total U.S. Department of Homeland Security		
TOTAL FEDERAL EXPENDITURES		

See accompanying notes to schedule of expenditures of federal awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 460,667	\$ -	\$ 460,667	\$ -		
140,216	-	140,216	-		
<u>600,883</u>	<u>-</u>	<u>600,883</u>	<u>-</u>		
19,556	-	19,556	-		
<u>35,988</u>	<u>-</u>	<u>35,988</u>	<u>-</u>		
656,427	-	656,427	-		
<u>\$ 1,329,237</u>	<u>\$ 27,118</u>	<u>\$ 1,356,355</u>	<u>\$ -</u>		

CITY OF WHARTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City, under programs of the federal government for the year ended September 30, 2020 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable; except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

NOTE 3: INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF WHARTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Major Programs or Cluster</i>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

CITY OF WHARTON, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2020

None were reported.