



# **Annual Comprehensive Financial Report**

**For the Fiscal Year Ended  
September 30, 2021**

**CITY OF WHARTON, TEXAS**  
*ANNUAL COMPREHENSIVE FINANCIAL REPORT*  
*For the fiscal year ended September 30, 2021*

Joan Andel, CPA  
*Finance Director*

Joseph R. Pace  
*City Manager*

Issued By:  
Finance Department

**TABLE OF CONTENTS**

|   | <u>Page</u> |
|---|-------------|
| <b>INTRODUCTORY SECTION</b>   |             |
| City Administrators' Letter of Transmittal .....  | i           |
| Certificate of Achievement for Excellence in Financial Reporting.....   | v           |
| Organizational Chart .....  | vi          |
| Directory of Principal Officials .....  | vii         |
| <b>FINANCIAL SECTION</b>  |             |
| Independent Auditors' Report.....   | 1           |
| Management's Discussion and Analysis.....   | 4           |
| <b><u>Basic Financial Statements</u></b>  |             |
| Government-wide Financial Statements  |             |
| Statement of Net Position.....  | 17          |
| Statement of Activities.....  | 19          |
| Fund Financial Statements   |             |
| Balance Sheet - Governmental Funds.....   | 21          |
| Reconciliation of Total Governmental Fund Balances to Net Position of<br>Governmental Activities .....  | 23          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances -<br>Governmental Funds.....  | 24          |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,<br>and Changes in Fund Balances to the Statement of Activities..... | 26          |
| Statement of Net Position - Proprietary Funds.....  | 27          |
| Statement of Revenues, Expenses, and Changes in Fund Net Position -<br>Proprietary Funds.....   | 29          |
| Statement of Cash Flows - Proprietary Funds .....   | 31          |
| Notes to Financial Statements.....  | 35          |
| <b><u>Required Supplementary Information</u></b>  |             |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance<br>Budget (GAAP Basis) and Actual - General Fund.....                             | 74          |
| Schedule of Changes in Net Pension Liability and Related Ratios<br>Texas Municipal Retirement System - Pension.....                               | 75          |
| Schedule of Employer Contributions<br>Texas Municipal Retirement System - Pension.....  | 77          |
| Schedule of Changes in Total OPEB Liability and Related Ratios<br>Texas Municipal Retirement System - Supplemental Death Benefit.....             | 79          |
| Schedule of Employer Contributions<br>Texas Municipal Retirement System - Supplemental Death Benefit.....   | 81          |
| Notes to Required Supplementary Information .....   | 83          |

**FINANCIAL SECTION - (Continued)**

**Combining and Individual Fund Statements and Schedules**

*Governmental Funds*

Combining Statements

- Combining Balance Sheet - All Nonmajor Governmental Funds..... 85
- Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - All Nonmajor Governmental Funds ..... 86
- Special Revenue Funds ..... 87
  - Combining Balance Sheet - Nonmajor Special Revenue Funds ..... 88
  - Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Special Revenue Funds ..... 90
- Capital Project Funds..... 92
  - Combining Statements
    - Balance Sheet - Nonmajor Capital Project Funds..... 93
    - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Nonmajor Capital Project Funds ..... 95

Individual Statements and Schedules

- General Fund ..... 97
  - Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (GAAP Basis) and Actual..... 98
- Debt Service Fund ..... 100
  - Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (GAAP Basis) and Actual..... 101

**STATISTICAL SECTION..... 102**

**Financial Trends**

- Net Position by Component..... 103
- Changes in Net Position ..... 105
- Fund Balances, Governmental Funds ..... 109
- Changes in Fund Balances, Governmental Funds..... 111
- Tax Revenues by Source, Governmental Funds..... 113



---

**STATISTICAL SECTION - (Continued)**

**Page**

**Revenue Capacity**

|   |     |
|---|-----|
| Assessed and Estimated Actual Value of Taxable Property ..... | 114 |
| Direct and Overlapping Property Tax Rates .....               | 116 |
| Principal Property Taxpayers (Unaudited).....                 | 117 |
| Property Tax Levies and Collections .....                     | 118 |
| Water Produced and Consumed and Wastewater Treated.....       | 120 |
| Water and Sewer Rates.....                                    | 122 |
| Ten Largest Water Customers (Unaudited).....                  | 124 |

**Debt Capacity**

|   |     |
|---|-----|
| Ratios of Outstanding Debt by Type.....                               | 125 |
| Ratios of Net General Bonded Debt Outstanding.....                    | 127 |
| Direct and Overlapping Governmental Activities Debt (Unaudited) ..... | 129 |
| Pledged-Revenue Coverage .....  | 130 |

**Demographic and Economic Information**

|   |     |
|---|-----|
| Demographic and Economic Statistics (Unaudited) ..... | 131 |
| Principal Employers (Unaudited) .....                 | 132 |

**Operating Information**

|  |     |
|--|-----|
| Full-Time-Equivalent City Government Employees by Function/Program ..... | 133 |
| Operating Indicators by Function/Program.....                            | 135 |
| Capital Asset Statistics by Function/Program.....                        | 137 |

**SINGLE AUDIT SECTION**

Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards* ..... 139

Independent Auditors' Report on Compliance for Each Major  
Program and on Internal Control Over Compliance Required  
by the Uniform Guidance ..... 141

Schedule of Expenditures of Federal Awards ..... 143

Notes to Schedule of Expenditures of Federal Awards..... 147

Schedule of Findings and Questioned Costs ..... 148

Schedule of Status of Prior Audit Findings..... 149

## **INTRODUCTORY SECTION**



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

May 9, 2022

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

### **INTRODUCTION**

The Annual Comprehensive Financial Report of the City of Wharton, Texas, hereafter referred to as the “City”, for the fiscal year ended September 30, 2021 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 8,627. 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 379 people, are the largest property taxpayers in the City, with combined assessed valuations of approximately \$69 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 area has a Buc-ee's, 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 2021 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 levee for all future years and must plan accordingly in order to comply with USACE standards which will be in force. Currently the City has acquired ninety (90) percent of the area and has relocated homeowners for this project. Phase II of this project is currently in the preliminary design stage.

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 and is currently acquiring property for this project.

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

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

- Farm to Market 1301 Relocation and Railroad Overpass Project,

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

- Water line improvements
- Wastewater plant 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 through the United States Department of Agriculture (USDA) to proceed on the construction of a new water well plant. The final design of the water well plant has been completed. 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.

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

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

### INDEPENDENT AUDIT

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

### CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2020. 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 annual comprehensive 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 annual comprehensive 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,



Joseph R. Pace  
City Manager



Joan Andel, CPA  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Wharton  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2020

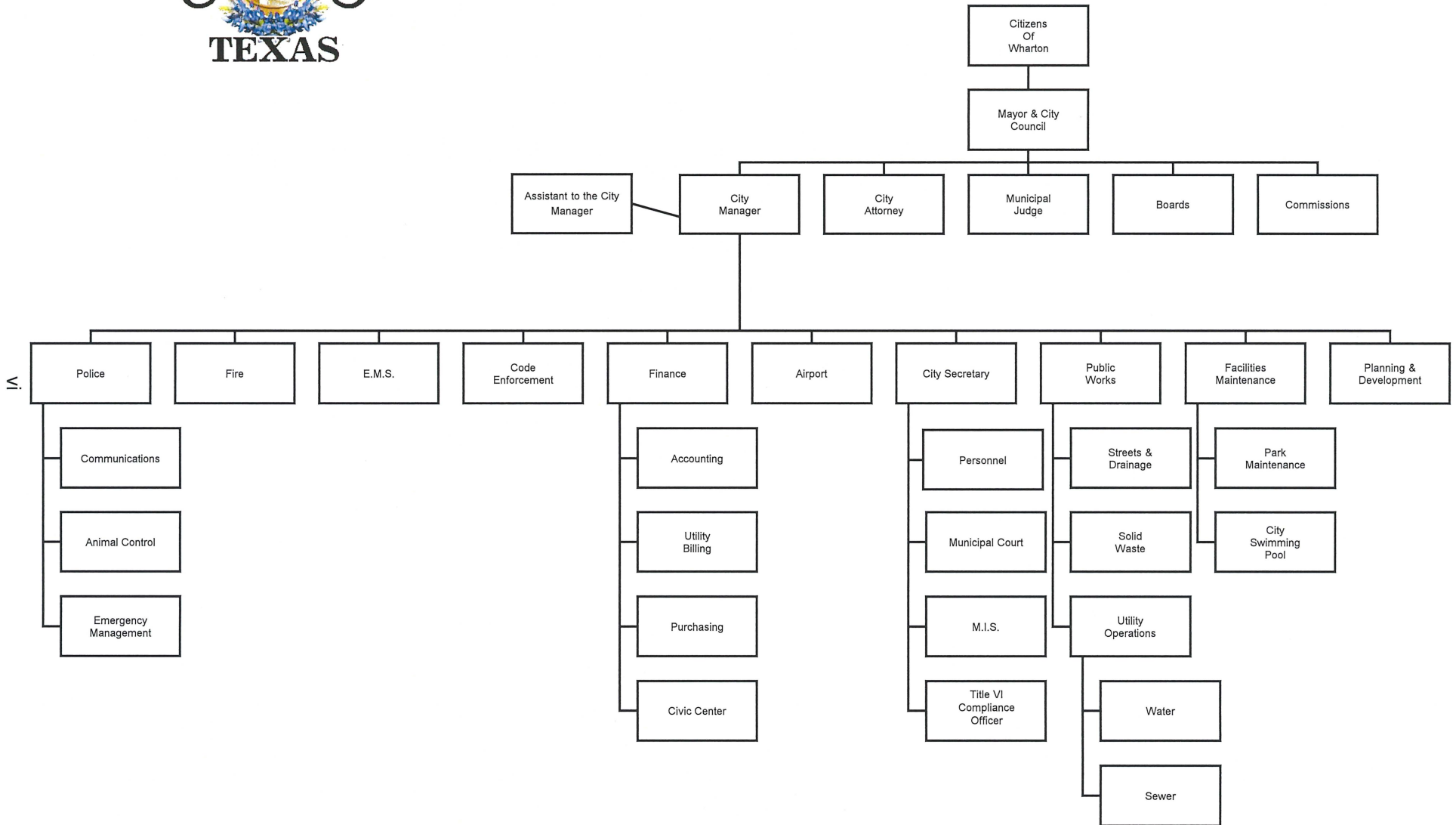
*Christopher P. Morill*

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**

|                 |                  |
|-----------------|------------------|
| Joseph R. Pace  | 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                |
| Anthony Arcidiacono | Public Works Director            |
| Christy Gonzales    | 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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

## 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, 2021, 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, 2021, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 May 9, 2022, 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

May 9, 2022

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, 2021. 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, 2021, by \$29,399,251. Of this amount, \$4,088,599 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 \$16,917,257 for the fiscal year. The net expense was \$2,535,717.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$3,303,378. This represents a 32% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2021, the City's governmental funds reported combined ending fund balances of \$19,836,646, a net increase of \$15,275,202 in comparison with prior year. The overall net increase in fund balance was mainly due to the \$14,658,748 increase in the FM 1301 Project Fund as a result of the issuance of the Series 2021 Certificates of Obligation in fiscal year 2021, as well as the \$945,831 increase in the 2020 Tax Notes Fund as a result of the issuance of the Series 2021 Tax Notes.
- At September 30, 2021, unassigned fund balance for the General Fund was \$2,584,355 or 35% of total General Fund expenditures.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$16,939,745 or 81% from the prior year, due mainly to the issuance of debt previously mentioned.

**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 2021. 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, 2019 Bond Construction Fund, 2019 Tax Notes Fund, 2020 Tax Notes Fund, and the FM 1301 Project 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 84 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 85 through 101 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 \$29,399,251 at the close of the fiscal year ended September 30, 2021.

At the end of fiscal year 2021, the City is able to report positive balances in all three categories of net position for the government as a whole.

| <b>City of Wharton, Texas</b>                     |                            |                      |                             |                      |                      |                      |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| <b>Net Position</b>                               |                            |                      |                             |                      |                      |                      |
|   | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|   | 2021                       | 2020*                | 2021                        | 2020                 | 2021                 | 2020*                |
| Current assets                                    | \$ 21,162,909              | \$ 6,385,300         | \$ 4,771,862                | \$ 4,017,536         | \$ 25,934,771        | \$ 10,402,836        |
| Capital assets (net)                              | 22,920,109                 | 17,391,345           | 21,626,697                  | 20,708,265           | 44,546,806           | 38,099,610           |
| Other noncurrent assets                           | 500,528                    | 430,000              | (220,975)                   | (430,000)            | 279,553              | -                    |
| <b>Total assets</b>                               | <b>44,583,546</b>          | <b>24,206,645</b>    | <b>26,177,584</b>           | <b>24,295,801</b>    | <b>70,761,130</b>    | <b>48,502,446</b>    |
| <b>Total deferred out-<br/>flows of resources</b> | <b>331,581</b>             | <b>325,557</b>       | <b>65,807</b>               | <b>74,243</b>        | <b>397,388</b>       | <b>399,800</b>       |
| Current and other liabilities                     | 3,188,751                  | 2,831,539            | 2,287,468                   | 1,642,403            | 5,476,219            | 4,473,942            |
| Noncurrent liabilities                            | 27,707,447                 | 10,965,176           | 7,744,224                   | 7,896,197            | 35,451,671           | 18,861,373           |
| <b>Total liabilities</b>                          | <b>30,896,198</b>          | <b>13,796,715</b>    | <b>10,031,692</b>           | <b>9,538,600</b>     | <b>40,927,890</b>    | <b>23,335,315</b>    |
| <b>Total deferred in-<br/>flows of resources</b>  | <b>486,179</b>             | <b>506,115</b>       | <b>345,198</b>              | <b>357,942</b>       | <b>831,377</b>       | <b>864,057</b>       |
| Net Position:                                     |                            |                      |                             |                      |                      |                      |
| Net investment<br>in capital assets               | 10,035,006                 | 8,425,981            | 14,674,540                  | 14,956,280           | 24,709,546           | 23,382,261           |
| Restricted  | 601,106                    | 767,053              | -                           | -                    | 601,106              | 767,053              |
| Unrestricted                                      | 2,896,638                  | 1,036,338            | 1,191,961                   | (482,778)            | 4,088,599            | 553,560              |
| <b>Total net position</b>                         | <b>\$ 13,532,750</b>       | <b>\$ 10,229,372</b> | <b>\$ 15,866,501</b>        | <b>\$ 14,473,502</b> | <b>\$ 29,399,251</b> | <b>\$ 24,702,874</b> |

\*2020 net position has been restated. See Note 16 of this report.

The largest portion of the City's net position (84%) 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 \$601,106 for debt service and for special projects related to culture and recreation, municipal court, and public safety. The remaining balance of \$4,088,599 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<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|   | 2021                       | 2020*                | 2021                        | 2020                 | 2021                 | 2020*                |
| <b>REVENUES</b>                         |                            |                      |                             |                      |                      |                      |
| Program revenues:                       |                            |                      |                             |                      |                      |                      |
| Charges for services                    | \$ 430,341                 | \$ 498,338           | \$ 7,713,327                | \$ 6,980,894         | \$ 8,143,668         | \$ 7,479,232         |
| Operating grants and contributions      | 1,048,426                  | 959,479              | 1,824,512                   | 1,893,693            | 2,872,938            | 2,853,172            |
| Capital grants and contributions        | 3,248,651                  | 384,221              | 116,283                     | -                    | 3,364,934            | 384,221              |
| General revenues:                       |                            |                      |                             |                      |                      |                      |
| Property taxes                          | 2,233,757                  | 2,211,395            | -                           | -                    | 2,233,757            | 2,211,395            |
| Sales taxes                             | 1,756,635                  | 1,520,302            | -                           | -                    | 1,756,635            | 1,520,302            |
| Franchise taxes                         | 1,112,917                  | 1,062,395            | -                           | -                    | 1,112,917            | 1,062,395            |
| Other taxes                             | 244,434                    | 193,718              | -                           | -                    | 244,434              | 193,718              |
| Unrestricted investment earnings        | 80,049                     | 128,767              | 6,066                       | 15,165               | 86,115               | 143,932              |
| Industrial district payment             | 1,702,079                  | 2,138,336            | -                           | -                    | 1,702,079            | 2,138,336            |
| Miscellaneous                           | 81,357                     | 58,171               | 14,800                      | -                    | 96,157               | 58,171               |
| <b>Total revenues</b>                   | <b>11,938,646</b>          | <b>9,155,122</b>     | <b>9,674,988</b>            | <b>8,889,752</b>     | <b>21,613,634</b>    | <b>18,044,874</b>    |
| <b>EXPENSES</b>                         |                            |                      |                             |                      |                      |                      |
| General government                      | 2,091,202                  | 1,370,729            | -                           | -                    | 2,091,202            | 1,370,729            |
| Public safety                           | 3,897,625                  | 3,964,243            | -                           | -                    | 3,897,625            | 3,964,243            |
| Public works                            | 2,575,512                  | 2,506,718            | -                           | -                    | 2,575,512            | 2,506,718            |
| Cultural and recreation                 | 174,013                    | 169,331              | -                           | -                    | 174,013              | 169,331              |
| Interest on long-term debt              | 699,387                    | 364,595              | -                           | -                    | 699,387              | 364,595              |
| Water and sewer                         | -                          | -                    | 3,154,855                   | 2,925,024            | 3,154,855            | 2,925,024            |
| Solid waste                             | -                          | -                    | 1,570,331                   | 1,566,383            | 1,570,331            | 1,566,383            |
| Emergency medical services              | -                          | -                    | 2,146,602                   | 2,236,471            | 2,146,602            | 2,236,471            |
| Civic center                            | -                          | -                    | 279,505                     | 269,692              | 279,505              | 269,692              |
| Airport                                 | -                          | -                    | 328,225                     | 336,682              | 328,225              | 336,682              |
| <b>Total expenses</b>                   | <b>9,437,739</b>           | <b>8,375,616</b>     | <b>7,479,518</b>            | <b>7,334,252</b>     | <b>16,917,257</b>    | <b>15,709,868</b>    |
| Change in net position before transfers | 2,500,907                  | 779,506              | 2,195,470                   | 1,555,500            | 4,696,377            | 2,335,006            |
| Transfers                               | 802,471                    | 942,268              | (802,471)                   | (942,268)            | -                    | -                    |
| Change in net position                  | 3,303,378                  | 1,721,774            | 1,392,999                   | 613,232              | 4,696,377            | 2,335,006            |
| <b>Net position - October 1</b>         | <b>10,229,372</b>          | <b>8,507,598</b>     | <b>14,473,502</b>           | <b>13,860,270</b>    | <b>24,702,874</b>    | <b>22,367,868</b>    |
| <b>Net position - September 30</b>      | <b>\$ 13,532,750</b>       | <b>\$ 10,229,372</b> | <b>\$ 15,866,501</b>        | <b>\$ 14,473,502</b> | <b>\$ 29,399,251</b> | <b>\$ 24,702,874</b> |

\*2020 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 \$3,303,378 which was mainly due to the increase in capital grants and contributions from the United States Army Corps of Engineers (USACE) for the flood reduction project. There was a net increase of \$1,392,999 in net position reported in connection with the City’s business-type activities. This increase is mainly due to the increase in charges for water and sewer services, as well as an increase in capital grants and contributions from the prior year. Overall, there was a \$4,696,377 increase in the net position of the City.

**Governmental Activities**

Governmental activities increased the City’s net position by \$3,303,378. Key elements of this net increase are as follows:

- Capital grants and contributions increased by \$2,864,430 or 746% from prior year, primarily due to the receipt of funds from the USACE for the flood reduction project.
- Sales tax revenues increased by \$236,333 or 16% from prior year due to increased activity post COVID-19.
- Industrial district payment decreased \$436,257 or 20% from prior year.
- General government expenses increased by \$720,473 or 53% from prior year primarily due to increased expense activity relating to housing grants.
- Interest on long-term debt increased by \$334,791 or 92% from prior year due to the issuance of both the Series 2021 Certificates of Obligation and the Series 2021 Tax Notes during fiscal year 2021.
- Net transfers in decreased \$139,797 or 15% from prior year.

**City of Wharton, Texas**

**Expenses and Program Revenues - Governmental Activities**

| <u>Functions/Programs</u>  | <u>Expenses</u>     | <u>% of<br/>Total</u> | <u>Revenues</u>     | <u>% of<br/>Total</u> | <u>Net (Expense)<br/>Revenue</u> |
|----------------------------|---------------------|-----------------------|---------------------|-----------------------|----------------------------------|
| General government         | \$ 2,091,202        | 22.16%                | \$ 1,226,040        | 25.93%                | \$ (865,162)                     |
| Public safety              | 3,897,625           | 41.30%                | 180,616             | 3.82%                 | (3,717,009)                      |
| Public works               | 2,575,512           | 27.29%                | 3,320,662           | 70.25%                | 745,150                          |
| Cultural and recreation    | 174,013             | 1.84%                 | 100                 | 0.00%                 | (173,913)                        |
| Interest on long-term debt | 699,387             | 7.41%                 | -                   | 0.00%                 | (699,387)                        |
| <b>Total</b>               | <b>\$ 9,437,739</b> | <b>100.00%</b>        | <b>\$ 4,727,418</b> | <b>100.00%</b>        | <b>\$ (4,710,321)</b>            |

---

**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<br/>Total</u> |
|---------------------------------------|---------------------|-----------------------|
| Charges for services                  | \$ 430,341          | 3.38%                 |
| Operating grants and<br>contributions | 1,048,426           | 8.23%                 |
| Capital grants and<br>contributions   | 3,248,651           | 25.50%                |
| Property taxes                        | 2,233,757           | 17.53%                |
| Sales taxes                           | 1,756,635           | 13.79%                |
| Franchise taxes                       | 1,112,917           | 8.73%                 |
| Other taxes                           | 244,434             | 1.92%                 |
| Unrestricted investment earnings      | 80,049              | 0.63%                 |
| Industrial district payment           | 1,702,079           | 13.35%                |
| Miscellaneous                         | 81,357              | 0.64%                 |
| Transfers                             | 802,471             | 6.30%                 |
|                                       | <u>\$12,741,117</u> | <u>100.00%</u>        |

Business-type Activities

Business-type activities increased the City's net position by \$1,392,999. Key elements of this net increase are as follows:

- Charges for services increased \$732,433 or 10% from the prior year, primarily due to a 10% increase in water and sewer rates.
- Capital grants and contributions increased \$116,283 from the prior year, primarily due to additional EMS grants.
- Water and sewer expenses increased \$229,831 or 8% from the prior year, primarily due to an increase in other services and charges relating to plan fees and sewer utility charges, as well as an increase in repairs and maintenance.
- Emergency medical services expenses decreased \$89,869 or 4% from the prior year, primarily due to a decrease in personnel expense.
- Net transfers out decreased \$139,797 or 15% from prior year.

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

Business-type Activities - (Continued)

| <b>City of Wharton, Texas</b>                                   |                     |                       |                     |                       |                                  |
|---|---------------------|-----------------------|---------------------|-----------------------|----------------------------------|
| <b>Expenses and Program Revenues - Business-type Activities</b> |                     |                       |                     |                       |                                  |
| <u>Functions/Programs</u>                                       | <u>Expenses</u>     | <u>% of<br/>Total</u> | <u>Revenues</u>     | <u>% of<br/>Total</u> | <u>Net (Expense)<br/>Revenue</u> |
| Water and sewer   | \$ 3,154,855        | 42.17%                | \$ 5,140,603        | 53.24%                | \$ 1,985,748                     |
| Solid waste   | 1,570,331           | 21.00%                | 1,544,429           | 16.00%                | (25,902)                         |
| Emergency medical services                                      | 2,146,602           | 28.70%                | 2,644,914           | 27.40%                | 498,312                          |
| Civic center  | 279,505             | 3.74%                 | 59,820              | 0.62%                 | (219,685)                        |
| Airport   | <u>328,225</u>      | <u>4.39%</u>          | <u>264,356</u>      | <u>2.74%</u>          | <u>(63,869)</u>                  |
| Total   | <u>\$ 7,479,518</u> | <u>100.00%</u>        | <u>\$ 9,654,122</u> | <u>100.00%</u>        | <u>\$ 2,174,604</u>              |

| <b>City of Wharton, Texas</b>                        |                     |                       |
|--|---------------------|-----------------------|
| <b>Revenues by Source - Business-type Activities</b> |                     |                       |
| <u>Description</u>                                   | <u>Revenues</u>     | <u>% of<br/>Total</u> |
| Charges for services                                 | \$ 7,713,327        | 86.94%                |
| Operating grants and contributions                   | 1,824,512           | 20.56%                |
| Capital grants and contributions                     | 116,283             | 1.31%                 |
| Unrestricted investment earnings                     | 6,066               | 0.07%                 |
| Miscellaneous  | 14,800              | 0.17%                 |
| Transfers  | <u>(802,471)</u>    | <u>-9.05%</u>         |
|  | <u>\$ 8,872,517</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 2021, the City's governmental funds reported combined ending fund balances of \$19,836,646, an increase of \$15,275,202 in comparison with prior year. The General Fund ended the fiscal year with an increase of \$215,352, the Debt Service Fund decreased \$150,546, the 2019 Bond Construction Fund increased \$3,256, the 2019 Tax Notes Fund increased \$508,735, the 2020 Tax Notes Fund increased \$945,831, and the FM 1301 Project Fund increased \$14,658,748.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2021, unassigned fund balance of the General Fund was \$2,584,355, while total fund balance was \$2,925,251. 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 35% 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 \$215,352 during the current fiscal year. The factors related to the increase included a \$349,790 increase in intergovernmental revenues related to Coronavirus and FEMA grants, and a \$236,333 increase in sales tax revenues. The 2019 Tax Notes Fund experienced a decrease in fund balance during fiscal year 2021 due to the spending of debt proceeds for capital projects. The 2020 Tax Notes Fund and the FM 1301 Project Fund experienced increases in fund balance during fiscal year 2021 due to the issuance of the Series 2021 Tax Notes and the Series 2021 Certificates of Obligation.

### **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<br/>Net Position</u> |
|----------------------------|--------------------------------------|
| Water and sewer            | \$ 707,141                           |
| Solid waste                | (85,009)                             |
| Emergency medical services | 463,102                              |
| Civic center               | (61,767)                             |
| Airport                    | 168,494                              |
|                            | <u>\$ 1,191,961</u>                  |

This represents an increase of \$1,674,739 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 2021 General Fund original budget and fiscal year 2021 General Fund final amended budget were an increase in revenues of \$563,941, an increase in expenditures of \$563,641, and a decrease in other financing sources (uses) of \$300. A few of the differences are briefly summarized as follows:

- A decrease of \$231,425 in tax revenue primarily due to a reduction in property taxes received.
- An increase in sales tax of \$206,116 of additional tax received.
- A decrease in fine and forfeitures of \$75,000 was attributed to a reduction in fines and criminal traffic fees and related administrative fees.
- An increase in intergovernmental revenue of \$664,150 for housing projects which were not known at time of original budget.
- An increase in city secretary department of \$32,290 for expenditures attributed to wage increases.
- A decrease in legal department of \$19,500 due to less legal expenditures incurred.
- An increase in central services department of \$59,500 for COVID-19 related expenditures.
- A decrease of \$140,963 in police department attributed to salary decrease due to available positions not being replaced.
- An increase of \$42,780 in streets and drainage department for additional street and equipment maintenance.
- An increase in grant department expenditures of \$587,187 due to non-budgeting. At the time of the original budget calculation, there was uncertainty as to whether grants were going to be available.

For fiscal year 2021, the General Fund's actual revenues were \$126,207 more than the final amended budget, and actual expenditures were \$101,917 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 tax revenue of \$118,893, primarily attributed to additional sales and franchise tax revenues. 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 \$80,421. The primary factors driving this variance related to a \$31,023 difference in police department expenditures due to declines in personnel and operational expenditures, as well as a \$20,190 difference in fire department expenditures due to decline in personnel and operational expenditures. Grants expenditures were over budget by \$88,483 due to unexpected grants not budgeted. For all other departments within general government, public safety, public works, and culture and recreation, actual expenditures were less than final amended budget primarily due to declines in personnel and operational 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, 2021, amounts to \$44,546,806 (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 17% (a 32% increase for governmental activities and a 4% increase for business-type activities).

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

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

|                          | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|--------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|                          | 2021                       | 2020*                | 2021                        | 2020                 | 2021                 | 2020*                |
| Land                     | \$ 5,379,954               | \$ 1,716,654         | \$ 319,093                  | \$ 319,093           | \$ 5,699,047         | \$ 2,035,747         |
| Construction in progress | 5,313,263                  | 3,467,803            | 1,624,815                   | 960,781              | 6,938,078            | 4,428,584            |
| Machinery and equipment  | 2,078,934                  | 2,277,191            | 1,086,389                   | 842,867              | 3,165,323            | 3,120,058            |
| Land improvements        | -                          | -                    | 970,881                     | 951,002              | 970,881              | 951,002              |
| Bldgs. and improvements  | 2,567,078                  | 2,620,847            | 4,848,576                   | 4,509,243            | 7,415,654            | 7,130,090            |
| Infrastructure           | 7,580,880                  | 7,308,850            | -                           | -                    | 7,580,880            | 7,308,850            |
| Water and sewer system   | -                          | -                    | 12,776,943                  | 13,125,279           | 12,776,943           | 13,125,279           |
| <b>Total</b>             | <b>\$ 22,920,109</b>       | <b>\$ 17,391,345</b> | <b>\$ 21,626,697</b>        | <b>\$ 20,708,265</b> | <b>\$ 44,546,806</b> | <b>\$ 38,099,610</b> |

\*2020 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, 2021, consisted of the following:
  - Land additions of \$3,663,300 relating to property acquired for the flood reduction project.
  - Infrastructure additions include street improvement projects in the amount of \$699,914.
  - Construction in progress of \$5,313,263 primarily includes \$4,655,334 for the flood reduction 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 vehicles and equipment, radio amplifiers for the fire department, maintenance equipment, and various other items.
  - Buildings improvement additions include improvements to various park buildings.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2021, consisted of the following:
  - Projects in progress at September 30, 2021 include the following: Water and sewer projects of \$952,432 and projects paid for from the Qualified Energy Conservation Bonds of \$672,383.
  - Completion of Airport hangar improvements of \$172,295 and airport driveway repair of \$43,100.
  - Various equipment additions include airport and civic center A/C systems, an EMS vehicle, as well as miscellaneous EMS and water and sewer equipment.
  - Building improvements include \$328,897 of renovations to the Civic Center building.
  - Utility system improvements of \$186,524, including rework of a water well.

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 2021, the City had total bonded debt outstanding of \$31,314,949 (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 \$534,000 in revenue bonds, \$5,460,000 in tax notes, \$358,350 in OPEB liability, \$279,553 in net pension liability (asset), and \$384,893 in compensated absences as of September 30, 2021.

---

| <b>City of Wharton, Texas</b> |                                    |                                     |                      |
|-------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b>Long-term Debt</b>         |                                    |                                     |                      |
|                               | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
| General obligation bonds      | \$ 4,848,215                       | \$ 1,236,785                        | \$ 6,085,000         |
| Issuance premiums             | 621,731                            | 348,999                             | 970,730              |
| Certificates of obligation    | 18,135,952                         | 5,084,048                           | 23,220,000           |
| Revenue bonds                 | -                                  | 534,000                             | 534,000              |
| Qualified energy cons. bonds  | 291,605                            | 747,614                             | 1,039,219            |
| Tax notes                     | 5,280,800                          | 179,200                             | 5,460,000            |
| OPEB liability                | 218,594                            | 139,756                             | 358,350              |
| Net pension liability (asset) | (170,528)                          | (109,025)                           | (279,553)            |
| Compensated absences          | <u>263,279</u>                     | <u>121,614</u>                      | <u>384,893</u>       |
| Total                         | <u>\$ 29,489,648</u>               | <u>\$ 8,282,991</u>                 | <u>\$ 37,772,639</u> |

The City's total outstanding debt increased by \$16,939,745 or 81% from the prior fiscal year. The key factors in this net increase were:

- Issuance of Series 2021 Certificates of Obligation in the amount of \$15,000,000.
- Issuance of Series 2021 Tax Notes in the amount of \$5,105,000, with \$1,000,000 draw remaining as of September 30, 2021.
- Issuance of Series 2021 Revenue Bonds in the amount of \$4,872,000, with \$4,338,000 unredeemed as of September 30, 2021.
- Payments made on the certificates and bonds during fiscal year 2021 totaled \$1,535,585.
- Payments made on the tax notes during fiscal year 2021 totaled \$735,000.
- Net pension liability decreased by \$368,829, resulting in a net pension asset.

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 2021 fiscal year, the City's most important initiative was to continue to provide drainage improvements, reduce flooding in the City, and infrastructure improvements. 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. All of these projects remain a priority. The City continues to work diligently toward applying for all applicable outstanding grant opportunities that would benefit the City as well as its residents.

The following initiatives are still in progress:

- Farm to Market 1301 Extension 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 2021-2022 General Fund budget were as follows:

- Net taxable assessed value before freeze for tax year 2021 increased by \$46,286,951 or 8.5% to approximately \$586 million.
- The top ten principal taxpayers account for 21% of total assessed valuation as compared to 24% nine years ago.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2022 is 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, 2021

|   | Primary Government      |                          |                   | Component Unit                           |
|---|-------------------------|--------------------------|-------------------|--|
|   | Governmental Activities | Business-type Activities | Total             | Wharton Economic Development Corporation |
| <b>ASSETS</b>                                 |                         |                          |                   |  |
| Current assets                                |                         |                          |                   |  |
| Cash and cash equivalents                     | \$ 21,551,959           | \$ 1,713,674             | \$ 23,265,633     | \$ 1,067,892                             |
| Receivables, net                              | 495,236                 | 890,931                  | 1,386,167         | 162,274                                  |
| Internal balances                             | (1,958,833)             | 1,958,833                | -                 | -  |
| Due from component unit                       | 169,708                 | -                        | 169,708           | -  |
| Due from other governments                    | 893,943                 | 77,789                   | 971,732           | -  |
| Prepaid items                                 | 387                     | -                        | 387               | -  |
| Land held for sale                            | -                       | -                        | -                 | 650,000                                  |
| Inventory                                     | 10,509                  | 130,635                  | 141,144           | 2,000                                    |
| <b>Total current assets</b>                   | <b>21,162,909</b>       | <b>4,771,862</b>         | <b>25,934,771</b> | <b>1,882,166</b>                         |
| Noncurrent assets                             |                         |                          |                   |  |
| Capital assets                                |                         |                          |                   |  |
| Land and other assets not being depreciated   | 10,693,217              | 1,943,908                | 12,637,125        | 261,456                                  |
| Buildings, infrastructure, and equipment, net | 12,226,892              | 19,682,789               | 31,909,681        | 3,832                                    |
| <b>Net capital assets</b>                     | <b>22,920,109</b>       | <b>21,626,697</b>        | <b>44,546,806</b> | <b>265,288</b>                           |
| Net pension asset                             | 170,528                 | 109,025                  | 279,553           | -  |
| Noncurrent internal balances                  | 330,000                 | (330,000)                | -                 | -  |
| <b>Total noncurrent assets</b>                | <b>23,420,637</b>       | <b>21,405,722</b>        | <b>44,826,359</b> | <b>265,288</b>                           |
| <b>Total assets</b>                           | <b>44,583,546</b>       | <b>26,177,584</b>        | <b>70,761,130</b> | <b>2,147,454</b>                         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>         |                         |                          |                   |  |
| Deferred amount on refunding                  | 66,177                  | 14,188                   | 80,365            | -  |
| Deferred outflow related to OPEB              | 52,655                  | 35,559                   | 88,214            | -  |
| Deferred outflow related to pension           | 212,749                 | 16,060                   | 228,809           | -  |
| <b>Total deferred outflows of resources</b>   | <b>331,581</b>          | <b>65,807</b>            | <b>397,388</b>    | <b>-</b>                                 |

The accompanying notes are an integral part of this statement.

|   | Primary Government      |                          |                      | Component Unit                           |
|---|-------------------------|--------------------------|----------------------|--|
|   | Governmental Activities | Business-type Activities | Total                | Wharton Economic Development Corporation |
| <b>LIABILITIES</b>                          |                         |                          |                      |  |
| Current liabilities                         |                         |                          |                      |  |
| Accounts payable                            | \$ 1,005,669            | \$ 1,272,842             | \$ 2,278,511         | \$ 25,791                                |
| Accrued expenditures/expenses               | 41,449                  | 23,394                   | 64,843               | -  |
| Due to primary government                   | -                       | -                        | -                    | 169,708                                  |
| Due to other governments                    | 30,159                  | 9,060                    | 39,219               | -  |
| Deposits                                    | 1,080                   | 249,916                  | 250,996              | -  |
| Accrued interest payable                    | 157,665                 | 84,464                   | 242,129              | -  |
| Compensated absences                        | 26,328                  | 12,161                   | 38,489               | -  |
| Current portion of long-term obligations    | 1,926,401               | 635,631                  | 2,562,032            | -  |
| <b>Total current liabilities</b>            | <b>3,188,751</b>        | <b>2,287,468</b>         | <b>5,476,219</b>     | <b>195,499</b>                           |
| Noncurrent liabilities                      |                         |                          |                      |  |
| Compensated absences                        | 236,951                 | 109,453                  | 346,404              | -  |
| OPEB liability                              | 218,594                 | 139,756                  | 358,350              | -  |
| Noncurrent portion of long-term obligations | 27,251,902              | 7,495,015                | 34,746,917           | -  |
| <b>Total noncurrent liabilities</b>         | <b>27,707,447</b>       | <b>7,744,224</b>         | <b>35,451,671</b>    | <b>-</b>                                 |
| <b>Total liabilities</b>                    | <b>30,896,198</b>       | <b>10,031,692</b>        | <b>40,927,890</b>    | <b>195,499</b>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                         |                          |                      |  |
| Deferred inflow related to OPEB             | 10,514                  | 6,568                    | 17,082               | -  |
| Deferred inflow related to pension          | 475,665                 | 338,630                  | 814,295              | -  |
| <b>Total deferred inflows of resources</b>  | <b>486,179</b>          | <b>345,198</b>           | <b>831,377</b>       | <b>-</b>                                 |
| <b>NET POSITION</b>                         |                         |                          |                      |  |
| Net investment in capital assets            | 10,035,006              | 14,674,540               | 24,709,546           | 265,288                                  |
| Restricted for:                             |                         |                          |                      |  |
| Debt service                                | 424,633                 | -                        | 424,633              | -  |
| Cultural and recreation                     | 76,846                  | -                        | 76,846               | -  |
| Municipal court                             | 64,160                  | -                        | 64,160               | -  |
| Public safety                               | 35,467                  | -                        | 35,467               | -  |
| Unrestricted net position                   | 2,896,638               | 1,191,961                | 4,088,599            | 1,686,667                                |
| <b>Total net position</b>                   | <b>\$ 13,532,750</b>    | <b>\$ 15,866,501</b>     | <b>\$ 29,399,251</b> | <b>\$ 1,951,955</b>                      |

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2021

| Function/Programs                        | Expenses             | Program Revenues     |                                    |                                  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>                |                      |                      |                                    |                                  |
| Governmental activities                  |                      |                      |                                    |                                  |
| General government                       | \$ 2,091,202         | \$ 426,176           | \$ 799,864                         | \$ -                             |
| Public safety                            | 3,897,625            | 4,065                | 65,312                             | 111,239                          |
| Public works                             | 2,575,512            | -                    | 183,250                            | 3,137,412                        |
| Cultural and recreation                  | 174,013              | 100                  | -                                  | -                                |
| Interest on long-term debt               | 699,387              | -                    | -                                  | -                                |
| Total governmental activities            | <u>9,437,739</u>     | <u>430,341</u>       | <u>1,048,426</u>                   | <u>3,248,651</u>                 |
| Business-type activities                 |                      |                      |                                    |                                  |
| Water and sewer                          | 3,154,855            | 5,099,320            | -                                  | 41,283                           |
| Solid waste                              | 1,570,331            | 1,544,429            | -                                  | -                                |
| Emergency medical services               | 2,146,602            | 790,523              | 1,779,391                          | 75,000                           |
| Civic center                             | 279,505              | 59,820               | -                                  | -                                |
| Airport                                  | 328,225              | 219,235              | 45,121                             | -                                |
| Total business-type activities           | <u>7,479,518</u>     | <u>7,713,327</u>     | <u>1,824,512</u>                   | <u>116,283</u>                   |
| Total primary government                 | <u>\$ 16,917,257</u> | <u>\$ 8,143,668</u>  | <u>\$ 2,872,938</u>                | <u>\$ 3,364,934</u>              |
| <b>Component Unit</b>                    |                      |                      |                                    |                                  |
| Wharton Economic Development Corporation | <u>\$ 842,223</u>    | <u>\$ 2,100</u>      | <u>\$ 6,009</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<br>Changes in Net Position |                                 |                      | Component<br>Unit                              |
|--|---------------------------------|----------------------|--|
| Primary Government                                   |                                 |                      |  |
| Governmental<br>Activities                           | Business-<br>type<br>Activities | Total                | Wharton Economic<br>Development<br>Corporation |
| \$ (865,162)   | \$ -                            | \$ (865,162)         | \$ -   |
| (3,717,009)  | -                               | (3,717,009)          | -  |
| 745,150  | -                               | 745,150              | -  |
| (173,913)  | -                               | (173,913)            | -  |
| (699,387)  | -                               | (699,387)            | -  |
| <u>(4,710,321)</u>                                   | <u>-</u>                        | <u>(4,710,321)</u>   | <u>-</u>                                       |
| -  | 1,985,748                       | 1,985,748            | -  |
| -  | (25,902)                        | (25,902)             | -  |
| -  | 498,312                         | 498,312              | -  |
| -  | (219,685)                       | (219,685)            | -  |
| -  | (63,869)                        | (63,869)             | -  |
| -  | <u>2,174,604</u>                | <u>2,174,604</u>     | <u>-</u>                                       |
| <u>(4,710,321)</u>                                   | <u>2,174,604</u>                | <u>(2,535,717)</u>   | <u>-</u>                                       |
| -  | -                               | -                    | (834,114)                                      |
| 465,469  | -                               | 465,469              | -  |
| 1,768,288  | -                               | 1,768,288            | -  |
| 1,756,635  | -                               | 1,756,635            | 878,318  |
| 1,112,917  | -                               | 1,112,917            | -  |
| 244,434  | -                               | 244,434              | -  |
| 80,049   | 6,066                           | 86,115               | 2,226  |
| 1,702,079  | -                               | 1,702,079            | -  |
| 81,357   | 14,800                          | 96,157               | -  |
| 802,471  | (802,471)                       | -                    | -  |
| <u>8,013,699</u>                                     | <u>(781,605)</u>                | <u>7,232,094</u>     | <u>880,544</u>                                 |
| 3,303,378  | 1,392,999                       | 4,696,377            | 46,430   |
| <u>10,229,372</u>                                    | <u>14,473,502</u>               | <u>24,702,874</u>    | <u>1,905,525</u>                               |
| <u>\$ 13,532,750</u>                                 | <u>\$ 15,866,501</u>            | <u>\$ 29,399,251</u> | <u>\$ 1,951,955</u>                            |



**CITY OF WHARTON, TEXAS**

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

*September 30, 2021*

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>2019 Bond<br/>Construction</u> |
|--|---------------------|-------------------------|-----------------------------------|
| <b>ASSETS</b>  |                     |                         |                                   |
| Current assets   |                     |                         |                                   |
| Cash and cash equivalents                                    | \$ 1,958,905        | \$ 284,922              | \$ 1,407,464                      |
| Receivables, net   | 306,997             | 118,265                 | -                                 |
| Due from other funds   | 346,284             | 171,304                 | 28,153                            |
| Due from component unit                                      | 169,708             | -                       | -                                 |
| Due from other governments                                   | 697,701             | 7,807                   | -                                 |
| Advances to other funds                                      | 330,000             | -                       | -                                 |
| Prepaid items  | 387                 | -                       | -                                 |
| Inventory  | 10,509              | -                       | -                                 |
| <b>Total assets</b>  | <u>\$ 3,820,491</u> | <u>\$ 582,298</u>       | <u>\$ 1,435,617</u>               |
| <b>LIABILITIES</b>   |                     |                         |                                   |
| Accounts payable   | \$ 472,695          | \$ -                    | \$ -                              |
| Accrued expenditures   | 41,449              | -                       | -                                 |
| Due to other funds   | 51,059              | -                       | 1,040,328                         |
| Due to other governments                                     | 30,159              | -                       | -                                 |
| Deposits   | 1,080               | -                       | -                                 |
| <b>Total liabilities</b>                                     | <u>596,442</u>      | <u>-</u>                | <u>1,040,328</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                     |                         |                                   |
| Unavailable revenue  | 298,798             | 118,265                 | -                                 |
| <b>Total deferred inflows of resources</b>                   | <u>298,798</u>      | <u>118,265</u>          | <u>-</u>                          |
| <b>FUND BALANCES</b>   |                     |                         |                                   |
| Nonspendable   | 340,896             | -                       | -                                 |
| Restricted   | -                   | 464,033                 | 395,289                           |
| Committed  | -                   | -                       | -                                 |
| Unassigned   | 2,584,355           | -                       | -                                 |
| <b>Total fund balances</b>                                   | <u>2,925,251</u>    | <u>464,033</u>          | <u>395,289</u>                    |
| <b>Total liabilities, deferred inflows and fund balances</b> | <u>\$ 3,820,491</u> | <u>\$ 582,298</u>       | <u>\$ 1,435,617</u>               |

The accompanying notes are an integral part of this statement.

| <u>2019 Tax<br/>Notes</u> | <u>2020 Tax<br/>Notes</u> | <u>FM 1301<br/>Project</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------|---------------------------|----------------------------|---|---|
| \$ 221,348                | \$ 43,661                 | \$ 14,697,119              | \$ 2,938,540                            | \$ 21,551,959                           |
| -                         | -                         | -                          | 69,974                                  | 495,236                                 |
| -                         | 1,031,597                 | -                          | 272,381                                 | 1,849,719                               |
| -                         | -                         | -                          | -                                       | 169,708                                 |
| -                         | -                         | -                          | 188,435                                 | 893,943                                 |
| -                         | -                         | -                          | -                                       | 330,000                                 |
| -                         | -                         | -                          | -                                       | 387                                     |
| -                         | -                         | -                          | -                                       | 10,509                                  |
| <u>\$ 221,348</u>         | <u>\$ 1,075,258</u>       | <u>\$ 14,697,119</u>       | <u>\$ 3,469,330</u>                     | <u>\$ 25,301,461</u>                    |
| \$ -                      | \$ 129,427                | \$ 38,371                  | \$ 365,176                              | \$ 1,005,669                            |
| -                         | -                         | -                          | -                                       | 41,449                                  |
| 1,308,064                 | -                         | -                          | 1,409,101                               | 3,808,552                               |
| -                         | -                         | -                          | -                                       | 30,159                                  |
| -                         | -                         | -                          | -                                       | 1,080                                   |
| <u>1,308,064</u>          | <u>129,427</u>            | <u>38,371</u>              | <u>1,774,277</u>                        | <u>4,886,909</u>                        |
| -                         | -                         | -                          | 160,843                                 | 577,906                                 |
| -                         | -                         | -                          | 160,843                                 | 577,906                                 |
| -                         | -                         | -                          | -                                       | 340,896                                 |
| -                         | 945,831                   | 14,658,748                 | 1,931,967                               | 18,395,868                              |
| -                         | -                         | -                          | 219,345                                 | 219,345                                 |
| (1,086,716)               | -                         | -                          | (617,102)                               | 880,537                                 |
| <u>(1,086,716)</u>        | <u>945,831</u>            | <u>14,658,748</u>          | <u>1,534,210</u>                        | <u>19,836,646</u>                       |
| <u>\$ 221,348</u>         | <u>\$ 1,075,258</u>       | <u>\$ 14,697,119</u>       | <u>\$ 3,469,330</u>                     | <u>\$ 25,301,461</u>                    |

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

September 30, 2021

---

|   |                     |                             |
|---|---------------------|-----------------------------|
| <b>Total governmental fund balances</b>   |                     | <b>\$ 19,836,646</b>        |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i>   |                     |                             |
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.  |                     | 209,623                     |
| 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. |                     | 368,283                     |
| 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   | \$ 39,902,069       |                             |
| Accumulated depreciation of governmental capital assets   | <u>(16,981,960)</u> | 22,920,109                  |
| Long-term assets are not available for use in the current period and therefore are not reported as assets in the funds:   |                     |                             |
| Net pension asset   |                     | 170,528                     |
| Deferred outflows of resources are not reported in the governmental funds:  |                     |                             |
| Deferred amount on refunding  | 66,177              |                             |
| Deferred amount on OPEB   | 52,655              |                             |
| Deferred amount on pension  | <u>212,749</u>      | 331,581                     |
| 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  | (23,275,772)        |                             |
| Bond premiums   | (621,731)           |                             |
| Tax notes   | (5,280,800)         |                             |
| OPEB liability  | (218,594)           |                             |
| Accrued interest payable  | (157,665)           |                             |
| Compensated absences  | <u>(263,279)</u>    | (29,817,841)                |
| Deferred inflows of resources are not reported in the governmental funds:   |                     |                             |
| Deferred amount on OPEB   | (10,514)            |                             |
| Deferred amount on pension  | <u>(475,665)</u>    | <u>(486,179)</u>            |
| <b>Net position of governmental activities</b>  |                     | <b><u>\$ 13,532,750</u></b> |

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**GOVERNMENTAL FUNDS**For the year ended September 30, 2021*

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>2019 Bond<br/>Construction</u> |
|--|---------------------|-------------------------|-----------------------------------|
| <b>REVENUES</b>                                      |                     |                         |                                   |
| Taxes  | \$ 3,387,800        | \$ 1,773,195            | \$ -                              |
| Licenses and permits                                 | 195,539             | -                       | -                                 |
| Intergovernmental                                    | 998,994             | -                       | -                                 |
| Charges for services                                 | 17,903              | -                       | -                                 |
| Fines and forfeitures                                | 192,264             | -                       | -                                 |
| Investment income                                    | 12,431              | 3,373                   | 7,389                             |
| Industrial district fee                              | 1,702,079           | -                       | -                                 |
| Miscellaneous  | 10,611              | -                       | -                                 |
| <b>Total revenues</b>                                | <u>6,517,621</u>    | <u>1,776,568</u>        | <u>7,389</u>                      |
| <b>EXPENDITURES</b>                                  |                     |                         |                                   |
| Current  |                     |                         |                                   |
| General government                                   | 1,879,501           | -                       | 4,133                             |
| Public safety  | 3,726,458           | -                       | -                                 |
| Public works   | 1,264,315           | -                       | -                                 |
| Cultural and recreation                              | 95,517              | -                       | -                                 |
| Capital outlay                                       | 334,257             | -                       | -                                 |
| Debt service   |                     |                         |                                   |
| Principal retirement                                 | -                   | 1,476,829               | -                                 |
| Interest and fiscal charges                          | -                   | 450,285                 | -                                 |
| Issuance costs                                       | -                   | -                       | -                                 |
| <b>Total expenditures</b>                            | <u>7,300,048</u>    | <u>1,927,114</u>        | <u>4,133</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | (782,427)           | (150,546)               | 3,256                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                         |                                   |
| Sale of capital assets                               | 22,128              | -                       | -                                 |
| Debt issued  | -                   | -                       | -                                 |
| Transfers in   | 975,851             | -                       | -                                 |
| Transfers out  | (200)               | -                       | -                                 |
| <b>Total other financing sources (uses)</b>          | <u>997,779</u>      | <u>-</u>                | <u>-</u>                          |
| Net change in fund balances                          | 215,352             | (150,546)               | 3,256                             |
| Fund balances at beginning of year                   | <u>2,709,899</u>    | <u>614,579</u>          | <u>392,033</u>                    |
| <b>Fund balances at end of year</b>                  | <u>\$ 2,925,251</u> | <u>\$ 464,033</u>       | <u>\$ 395,289</u>                 |

The accompanying notes are an integral part of this statement.

| <u>2019 Tax<br/>Notes</u> | <u>2020 Tax<br/>Notes</u> | <u>FM 1301<br/>Project</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------|---------------------------|----------------------------|---|---|
| \$ -                      | \$ -                      | \$ -                       | \$ 244,434                              | \$ 5,405,429                            |
| -                         | -                         | -                          | -                                       | 195,539                                 |
| 1,879,683                 | 1,117,513                 | -                          | 461,329                                 | 4,457,519                               |
| -                         | -                         | -                          | -                                       | 17,903                                  |
| -                         | -                         | -                          | 24,855                                  | 217,119                                 |
| 524                       | 3,233                     | 41,835                     | 11,264                                  | 80,049                                  |
| -                         | -                         | -                          | -                                       | 1,702,079                               |
| -                         | -                         | -                          | 197                                     | 10,808                                  |
| <u>1,880,207</u>          | <u>1,120,746</u>          | <u>41,835</u>              | <u>742,079</u>                          | <u>12,086,445</u>                       |
| -                         | -                         | -                          | 197,677                                 | 2,081,311                               |
| -                         | -                         | -                          | 17,127                                  | 3,743,585                               |
| -                         | -                         | 205,334                    | 558,005                                 | 2,027,654                               |
| -                         | -                         | -                          | 27,665                                  | 123,182                                 |
| 1,371,472                 | 4,174,915                 | -                          | 695,625                                 | 6,576,269                               |
| -                         | -                         | -                          | 34,200                                  | 1,511,029                               |
| -                         | -                         | -                          | 2,933                                   | 453,218                                 |
| -                         | 105,000                   | 177,753                    | -                                       | 282,753                                 |
| <u>1,371,472</u>          | <u>4,279,915</u>          | <u>383,087</u>             | <u>1,533,232</u>                        | <u>16,799,001</u>                       |
| 508,735                   | (3,159,169)               | (341,252)                  | (791,153)                               | (4,712,556)                             |
| -                         | -                         | -                          | -                                       | 22,128                                  |
| -                         | 4,105,000                 | 15,000,000                 | -                                       | 19,105,000                              |
| -                         | -                         | -                          | 105,722                                 | 1,081,573                               |
| -                         | -                         | -                          | (220,743)                               | (220,943)                               |
| <u>-</u>                  | <u>4,105,000</u>          | <u>15,000,000</u>          | <u>(115,021)</u>                        | <u>19,987,758</u>                       |
| 508,735                   | 945,831                   | 14,658,748                 | (906,174)                               | 15,275,202                              |
| (1,595,451)               | -                         | -                          | 2,440,384                               | 4,561,444                               |
| <u>\$ (1,086,716)</u>     | <u>\$ 945,831</u>         | <u>\$ 14,658,748</u>       | <u>\$ 1,534,210</u>                     | <u>\$ 19,836,646</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, 2021*


---

**Total net change in fund balances - governmental funds** **\$ 15,275,202**

*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 | \$ 6,517,733     |           |
| Depreciation expense       | <u>(997,447)</u> | 5,520,286 |

|  |  |       |
|--|--|-------|
| The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position. |  | 8,478 |
|--|--|-------|

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

|                    |                    |              |
|--------------------|--------------------|--------------|
| Bonds at par value | (15,000,000)       |              |
| Tax notes          | <u>(4,105,000)</u> | (19,105,000) |

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 | 833,629        |           |
| Tax notes principal retirement             | <u>677,400</u> | 1,511,029 |

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 | (9,068)          |           |
| Other revenues | <u>(169,334)</u> | (178,402) |

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 | 24,114         |                |
| Decrease in loss on refunding    | (10,250)       |                |
| Decrease in bond premium         | 70,276         |                |
| Increase in accrued interest     | (23,442)       |                |
| Net OPEB costs                   | (24,546)       |                |
| Net pension costs                | <u>235,633</u> | <u>271,785</u> |

**Change in net position of governmental activities** **\$ 3,303,378**

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2021

|   | Business-type Activities |                    |                            |
|---|--------------------------|--------------------|----------------------------|
|   | Water and Sewer          | Solid Waste        | Emergency Medical Services |
| <b>ASSETS</b>                               |                          |                    |                            |
| Current assets                              |                          |                    |                            |
| Cash and cash equivalents                   | \$ 793,950               | \$ 204,099         | \$ 647,667                 |
| Receivables, net                            |                          |                    |                            |
| Accounts                                    | 535,158                  | 174,874            | 72,164                     |
| Due from other funds                        | 2,233,517                | 29,511             | 16,567                     |
| Due from other governments                  | 17,868                   | -                  | 14,800                     |
| Inventory                                   | 87,122                   | -                  | -                          |
| Total current assets                        | <u>3,667,615</u>         | <u>408,484</u>     | <u>751,198</u>             |
| Noncurrent assets                           |                          |                    |                            |
| Capital assets                              |                          |                    |                            |
| Land and other assets not being depreciated | 1,839,451                | -                  | 10,575                     |
| Buildings, improvements, and equipment, net | 13,039,883               | -                  | 817,774                    |
| Net capital assets                          | <u>14,879,334</u>        | <u>-</u>           | <u>828,349</u>             |
| Net pension asset                           | 41,932                   | -                  | 61,502                     |
| Total noncurrent assets                     | <u>14,921,266</u>        | <u>-</u>           | <u>889,851</u>             |
| <b>Total assets</b>                         | <u>18,588,881</u>        | <u>408,484</u>     | <u>1,641,049</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                          |                    |                            |
| Deferred amount on refunding                | -                        | -                  | -                          |
| Deferred outflow related to OPEB            | 14,737                   | -                  | 20,822                     |
| Deferred outflow related to pension         | 2,808                    | -                  | 6,945                      |
| <b>Total deferred outflows of resources</b> | <u>17,545</u>            | <u>-</u>           | <u>27,767</u>              |
| <b>LIABILITIES</b>                          |                          |                    |                            |
| Current liabilities                         |                          |                    |                            |
| Accounts payable                            | 740,769                  | 484,066            | 38,249                     |
| Accrued expenses                            | 7,903                    | 367                | 13,172                     |
| Due to other governments                    | -                        | 9,060              | -                          |
| Deposits                                    | 225,941                  | -                  | -                          |
| Accrued interest payable                    | 70,140                   | -                  | -                          |
| Due to other funds                          | 272,054                  | -                  | 3,157                      |
| Compensated absences                        | 5,479                    | -                  | 6,505                      |
| Current portion of long-term obligations    | 554,676                  | -                  | -                          |
| Total current liabilities                   | <u>1,876,962</u>         | <u>493,493</u>     | <u>61,083</u>              |
| Noncurrent liabilities                      |                          |                    |                            |
| Advances from other funds                   | 330,000                  | -                  | -                          |
| Compensated absences                        | 49,323                   | -                  | 58,543                     |
| OPEB liability                              | 60,919                   | -                  | 78,837                     |
| Noncurrent portion of long-term obligations | 6,217,968                | -                  | -                          |
| Total noncurrent liabilities                | <u>6,658,210</u>         | <u>-</u>           | <u>137,380</u>             |
| <b>Total liabilities</b>                    | <u>8,535,172</u>         | <u>493,493</u>     | <u>198,463</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                          |                    |                            |
| Deferred inflow related to OPEB             | 2,387                    | -                  | 4,181                      |
| Deferred inflow related to pension          | 151,377                  | -                  | 174,721                    |
| <b>Total deferred inflows of resources</b>  | <u>153,764</u>           | <u>-</u>           | <u>178,902</u>             |
| <b>NET POSITION</b>                         |                          |                    |                            |
| Net investment in capital assets            | 9,210,349                | -                  | 828,349                    |
| Unrestricted net position                   | 707,141                  | (85,009)           | 463,102                    |
| <b>Total net position</b>                   | <u>\$ 9,917,490</u>      | <u>\$ (85,009)</u> | <u>\$ 1,291,451</u>        |

The accompanying notes are an integral part of this statement.

Business-type Activities

| <u>Civic<br/>Center</u> | <u>Airport</u>      | <u>Total</u>         |
|-------------------------|---------------------|----------------------|
| \$ 12,769               | \$ 55,189           | \$ 1,713,674         |
| 65,427                  | 43,308              | 890,931              |
| 45,295                  | 62,961              | 2,387,851            |
| -                       | 45,121              | 77,789               |
| -                       | 43,513              | 130,635              |
| <u>123,491</u>          | <u>250,092</u>      | <u>5,200,880</u>     |
| 44,682                  | 49,200              | 1,943,908            |
| 1,582,544               | 4,242,588           | 19,682,789           |
| <u>1,627,226</u>        | <u>4,291,788</u>    | <u>21,626,697</u>    |
| 5,591                   | -                   | 109,025              |
| <u>1,632,817</u>        | <u>4,291,788</u>    | <u>21,735,722</u>    |
| <u>1,756,308</u>        | <u>4,541,880</u>    | <u>26,936,602</u>    |
| -                       | 14,188              | 14,188               |
| -                       | -                   | 35,559               |
| 6,307                   | -                   | 16,060               |
| <u>6,307</u>            | <u>14,188</u>       | <u>65,807</u>        |
| 6,987                   | 2,771               | 1,272,842            |
| 1,193                   | 759                 | 23,394               |
| -                       | -                   | 9,060                |
| 23,675                  | 300                 | 249,916              |
| 5,205                   | 9,119               | 84,464               |
| 126,286                 | 27,521              | 429,018              |
| 143                     | 34                  | 12,161               |
| 31,333                  | 49,622              | 635,631              |
| <u>194,822</u>          | <u>90,126</u>       | <u>2,716,486</u>     |
| -                       | -                   | 330,000              |
| 1,284                   | 303                 | 109,453              |
| -                       | -                   | 139,756              |
| 515,422                 | 761,625             | 7,495,015            |
| 516,706                 | 761,928             | 8,074,224            |
| <u>711,528</u>          | <u>852,054</u>      | <u>10,790,710</u>    |
| -                       | -                   | 6,568                |
| 12,532                  | -                   | 338,630              |
| <u>12,532</u>           | <u>-</u>            | <u>345,198</u>       |
| 1,100,322               | 3,535,520           | 14,674,540           |
| (61,767)                | 168,494             | 1,191,961            |
| <u>\$ 1,038,555</u>     | <u>\$ 3,704,014</u> | <u>\$ 15,866,501</u> |



**CITY OF WHARTON, TEXAS**

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

PROPRIETARY FUNDS

For the year ended September 30, 2021

|   | Business-type Activities |                    |                                  |
|---|--------------------------|--------------------|----------------------------------|
|   | Water and<br>Sewer       | Solid<br>Waste     | Emergency<br>Medical<br>Services |
| <b>OPERATING REVENUES</b>   |                          |                    |                                  |
| Charges for services  | \$ 5,099,320             | \$ 1,544,429       | \$ 790,523                       |
| <b>Total operating revenues</b>   | <u>5,099,320</u>         | <u>1,544,429</u>   | <u>790,523</u>                   |
| <b>OPERATING EXPENSES</b>   |                          |                    |                                  |
| Personnel   | 970,985                  | 46,930             | 1,708,517                        |
| Materials and supplies  | 117,158                  | 65                 | 125,172                          |
| Repairs and maintenance   | 392,405                  | -                  | 64,500                           |
| Other services and charges  | 875,280                  | 1,523,336          | 147,082                          |
| Depreciation and amortization   | 601,681                  | -                  | 101,331                          |
| <b>Total operating expenses</b>   | <u>2,957,509</u>         | <u>1,570,331</u>   | <u>2,146,602</u>                 |
| Operating income (loss) before<br>nonoperating revenues (expenses)<br>and contributions and transfers | 2,141,811                | (25,902)           | (1,356,079)                      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                          |                    |                                  |
| Sale of capital assets  | -                        | -                  | 14,800                           |
| Noncapital grants and contributions   | -                        | -                  | 1,779,391                        |
| Investment income   | 2,724                    | 378                | 2,400                            |
| Interest and fiscal charges   | (197,346)                | -                  | -                                |
| Total nonoperating revenues (expenses)  | <u>(194,622)</u>         | <u>378</u>         | <u>1,796,591</u>                 |
| Income (loss) before transfers and contributions  | 1,947,189                | (25,524)           | 440,512                          |
| Contributions and transfers   |                          |                    |                                  |
| Capital grants and contributions  | 99,442                   | -                  | 75,000                           |
| Transfers in  | 200                      | -                  | -                                |
| Transfers out   | (977,439)                | -                  | (98,412)                         |
| Total contributions and transfers   | <u>(877,797)</u>         | <u>-</u>           | <u>(23,412)</u>                  |
| Change in net position  | 1,069,392                | (25,524)           | 417,100                          |
| Net position at beginning of year   | <u>8,848,098</u>         | <u>(59,485)</u>    | <u>874,351</u>                   |
| <b>Net position at end of year</b>  | <u>\$ 9,917,490</u>      | <u>\$ (85,009)</u> | <u>\$ 1,291,451</u>              |

The accompanying notes are an integral part of this statement.

---

Business-type Activities

| <u>Civic<br/>Center</u> | <u>Airport</u>      | <u>Total</u>         |
|-------------------------|---------------------|----------------------|
| \$ 59,820               | \$ 219,235          | \$ 7,713,327         |
| <u>59,820</u>           | <u>219,235</u>      | <u>7,713,327</u>     |
| 123,062                 | 86,101              | 2,935,595            |
| 5,445                   | 1,800               | 249,640              |
| 25,853                  | 44,150              | 526,908              |
| 29,856                  | 42,909              | 2,618,463            |
| 79,159                  | 129,013             | 911,184              |
| <u>263,375</u>          | <u>303,973</u>      | <u>7,241,790</u>     |
| (203,555)               | (84,738)            | 471,537              |
| -                       | -                   | 14,800               |
| -                       | 45,121              | 1,824,512            |
| 117                     | 447                 | 6,066                |
| <u>(16,130)</u>         | <u>(24,252)</u>     | <u>(237,728)</u>     |
| <u>(16,013)</u>         | <u>21,316</u>       | <u>1,607,650</u>     |
| (219,568)               | (63,422)            | 2,079,187            |
| -                       | -                   | 174,442              |
| 215,021                 | -                   | 215,221              |
| <u>-</u>                | <u>-</u>            | <u>(1,075,851)</u>   |
| <u>215,021</u>          | <u>-</u>            | <u>(686,188)</u>     |
| (4,547)                 | (63,422)            | 1,392,999            |
| <u>1,043,102</u>        | <u>3,767,436</u>    | <u>14,473,502</u>    |
| <u>\$ 1,038,555</u>     | <u>\$ 3,704,014</u> | <u>\$ 15,866,501</u> |

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2021

|   | Business-type Activities |                   |                                  |
|---|--------------------------|-------------------|----------------------------------|
|   | Water and<br>Sewer       | Solid<br>Waste    | Emergency<br>Medical<br>Services |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                          |                   |                                  |
| Cash received from customers and users                                      | \$ 5,058,089             | \$ 1,538,812      | \$ 777,547                       |
| Cash paid to suppliers for goods and services                               | (723,136)                | (1,295,843)       | (374,158)                        |
| Cash paid to employees for services   | (1,004,271)              | (46,830)          | (1,798,999)                      |
| <b>Net cash provided (used) by operating activities</b>                     | <u>3,330,682</u>         | <u>196,139</u>    | <u>(1,395,610)</u>               |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                          |                   |                                  |
| Borrowing (repayments) to other funds                                       | (566,682)                | (21,573)          | 1,277                            |
| Transfers in from other funds   | 200                      | -                 | -                                |
| Transfers out to other funds  | (977,439)                | -                 | (98,412)                         |
| Noncapital grants and contributions   | (12,648)                 | -                 | 2,051,516                        |
| <b>Net cash provided (used) by noncapital financing activities</b>          | <u>(1,556,569)</u>       | <u>(21,573)</u>   | <u>1,954,381</u>                 |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                          |                   |                                  |
| Acquisition and construction of capital assets                              | (982,920)                | -                 | (329,693)                        |
| Proceeds from sale of capital assets  | -                        | -                 | 14,800                           |
| Proceeds from capital grants and contributions                              | 41,283                   | -                 | (75,000)                         |
| Proceeds from issuance of debt  | 534,000                  | -                 | -                                |
| Principal paid on long-term debt  | (647,912)                | -                 | -                                |
| Interest paid on long-term debt   | (231,244)                | -                 | -                                |
| <b>Net cash provided (used) by capital and related financing activities</b> | <u>(1,286,793)</u>       | <u>-</u>          | <u>(389,893)</u>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                          |                   |                                  |
| Investment income   | 2,724                    | 378               | 2,400                            |
| <b>Net cash provided (used) by investing activities</b>                     | <u>2,724</u>             | <u>378</u>        | <u>2,400</u>                     |
| Net increase (decrease) in cash and cash equivalents                        | 490,044                  | 174,944           | 171,278                          |
| Cash and cash equivalents at beginning of year                              | <u>303,906</u>           | <u>29,155</u>     | <u>476,389</u>                   |
| <b>Cash and cash equivalents at end of year</b>                             | <u>\$ 793,950</u>        | <u>\$ 204,099</u> | <u>\$ 647,667</u>                |

---

Business-type Activities

| <u>Civic<br/>Center</u> | <u>Airport</u>   | <u>Total</u>        |
|-------------------------|------------------|---------------------|
| \$ 52,932               | \$ 220,257       | \$ 7,647,637        |
| (60,380)                | (116,827)        | (2,570,344)         |
| <u>(130,362)</u>        | <u>(86,065)</u>  | <u>(3,066,527)</u>  |
| <u>(137,810)</u>        | <u>17,365</u>    | <u>2,010,766</u>    |
| 319,064                 | 103,875          | (164,039)           |
| 215,021                 | -                | 215,221             |
| -                       | -                | (1,075,851)         |
| <u>2,659</u>            | <u>80,276</u>    | <u>2,121,803</u>    |
| <u>536,744</u>          | <u>184,151</u>   | <u>1,097,134</u>    |
| (332,213)               | (124,267)        | (1,769,093)         |
| -                       | -                | 14,800              |
| -                       | -                | (33,717)            |
| -                       | -                | 534,000             |
| (58,010)                | (53,634)         | (759,556)           |
| <u>(17,945)</u>         | <u>(28,815)</u>  | <u>(278,004)</u>    |
| <u>(408,168)</u>        | <u>(206,716)</u> | <u>(2,291,570)</u>  |
| 117                     | 447              | 6,066               |
| <u>117</u>              | <u>447</u>       | <u>6,066</u>        |
| (9,117)                 | (4,753)          | 822,396             |
| <u>21,886</u>           | <u>59,942</u>    | <u>891,278</u>      |
| <u>\$ 12,769</u>        | <u>\$ 55,189</u> | <u>\$ 1,713,674</u> |

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2021

|   | Business-type Activities   |                          |                                  |
|---|----------------------------|--------------------------|----------------------------------|
|   | Water and<br>Sewer         | Solid<br>Waste           | Emergency<br>Medical<br>Services |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                            |                          |                                  |
| Operating income (loss)   | \$ 2,141,811               | \$ (25,902)              | \$ (1,356,079)                   |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities |                            |                          |                                  |
| Depreciation and amortization   | 601,681                    | -                        | 101,331                          |
| Changes in assets and liabilities   |                            |                          |                                  |
| (Increase) decrease in accounts receivable  | (45,424)                   | (6,100)                  | (12,976)                         |
| (Increase) decrease in inventory  | 332                        | -                        | -                                |
| (Increase) decrease in deferred outflow related to OPEB                                       | (5,430)                    | -                        | (7,001)                          |
| (Increase) decrease in deferred outflow related to pension                                    | 8,273                      | -                        | 9,795                            |
| Increase (decrease) in accounts payable   | 661,375                    | 227,558                  | (37,404)                         |
| Increase (decrease) in accrued expenses   | 1,807                      | 100                      | 646                              |
| Increase (decrease) in deposits   | 4,193                      | (75)                     | -                                |
| Increase (decrease) in due to other governments   | -                          | 558                      | -                                |
| Increase (decrease) in compensated absences   | 12,812                     | -                        | (12,653)                         |
| Increase (decrease) in OPEB liability   | 11,344                     | -                        | 8,848                            |
| Increase (decrease) in net pension liability (asset)  | (57,109)                   | -                        | (82,928)                         |
| Increase (decrease) in deferred inflow related to OPEB  | (691)                      | -                        | (894)                            |
| Increase (decrease) in deferred inflow related to pension                                     | (4,292)                    | -                        | (6,295)                          |
| Total adjustments   | <u>1,188,871</u>           | <u>222,041</u>           | <u>(39,531)</u>                  |
| <b>Net cash provided (used) by operating activities</b>                                       | <b><u>\$ 3,330,682</u></b> | <b><u>\$ 196,139</u></b> | <b><u>\$ (1,395,610)</u></b>     |
| <b>Noncash capital and related financing activities</b>                                       |                            |                          |                                  |
| Noncash capital grants and contributions  | <u>\$ 58,159</u>           | <u>\$ -</u>              | <u>\$ -</u>                      |

The accompanying notes are an integral part of this statement.

---

Business-type Activities

| <u>Civic<br/>Center</u> | <u>Airport</u>   | <u>Total</u>        |
|-------------------------|------------------|---------------------|
| \$ (203,555)            | \$ (84,738)      | \$ 471,537          |
| 79,159                  | 129,013          | 911,184             |
| (7,688)                 | 1,022            | (71,166)            |
| -                       | (19,348)         | (19,016)            |
| -                       | -                | (12,431)            |
| 435                     | -                | 18,503              |
| 774                     | (8,620)          | 843,683             |
| 575                     | 185              | 3,313               |
| 800                     | -                | 4,918               |
| -                       | -                | 558                 |
| (361)                   | (149)            | (351)               |
| -                       | -                | 20,192              |
| (7,377)                 | -                | (147,414)           |
| -                       | -                | (1,585)             |
| <u>(572)</u>            | <u>-</u>         | <u>(11,159)</u>     |
| <u>65,745</u>           | <u>102,103</u>   | <u>1,539,229</u>    |
| <u>\$ (137,810)</u>     | <u>\$ 17,365</u> | <u>\$ 2,010,766</u> |
| <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 58,159</u>    |

(concluded)

INDEX

| <u>Note</u> |   | <u>Page</u> |
|-------------|---|-------------|
| 1           | Summary of Significant Accounting Policies .....    | 36          |
| 2           | Stewardship, Compliance, and Accountability .....   | 45          |
| 3           | Deposits and Investments .....                      | 45          |
| 4           | Receivables .....                                   | 47          |
| 5           | Due from Other Governments .....                    | 48          |
| 6           | Capital Assets.....                                 | 49          |
| 7           | Defined Benefit Pension Plan.....                   | 50          |
| 8           | Supplemental Death Benefit Plan (OPEB).....         | 55          |
| 9           | Risk Management.....                                | 58          |
| 10          | Long-term Debt.....                                 | 59          |
| 11          | Interfund Receivables, Payables, and Transfers..... | 64          |
| 12          | Commitments and Contingencies .....                 | 65          |
| 13          | Fund Balances.....                                  | 66          |
| 14          | Sales Tax Rebate Agreement .....                    | 67          |
| 15          | Subsequent Events .....                             | 67          |
| 16          | Restatement of Beginning Balances .....             | 67          |
| 17          | Wharton Economic Development Corporation .....      | 68          |

**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  
Wharton County Emergency Services District #3

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 ten Capital Project Funds, four of which have been reported as major funds.

- 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.
- The 2020 Tax Notes accounts for the use of the proceeds from the City's 2020 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.
- The FM 1301 Project accounts for the use of the proceeds from the City's 2021 Certificates of Obligation for the engineering, construction, and property acquisitions related to the highway extension.

---

**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 nine 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 31<sup>st</sup> of each fiscal year. Before taxes are levied, but after a public hearing or hearings, the City Council shall adopt an annual budget. The budget shall be adopted by a majority of all members of the City Council not later than 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, 2021.

---

**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, 2021, 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 assets 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 assets 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 2021. 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, 2021, the City complied with budgetary restrictions at all departmental levels except for the following:

| <u>Department</u> | <u>Budget</u> | <u>Actual</u> | <u>Negative<br/>Variance</u> |
|-------------------|---------------|---------------|------------------------------|
| General Fund      |               |               |                              |
| Grants            | \$ 655,513    | \$ 743,996    | \$ (88,483)                  |
| Debt Service Fund |               |               |                              |
| Debt service      | 1,574,028     | 1,927,114     | (353,086)                    |

**B. Deficit Fund Equity**

As of September 30, 2021, the following funds had deficit equity balances:

| <u>Fund</u>                     | <u>Fund Balance/<br/>Net Position</u> |
|---------------------------------|---------------------------------------|
| 2019 Tax Notes                  | \$ 1,086,716                          |
| Solid Waste                     | 85,009                                |
| Nonmajor Governmental           |                                       |
| Disaster Relief                 | 256,160                               |
| Special Funding                 | 135,742                               |
| Hurricane Harvey Infrastructure | 57,177                                |
| 2013 Bond Construction          | 168,023                               |

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**

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

As of September 30, 2021, the City had the following investments:

| <u>Investment Type</u>                  | <u>Fair Value</u> | <u>Weighted Average<br/>Maturity (Days)</u> | <u>Credit Risk</u> |
|---|-------------------|---|--------------------|
| Public Funds Investment Pool<br>TexPool | \$ 31,004         | 34  | AAAm               |

---

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

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. The investment pool transacts at a net asset value of \$1.00 per share and is classified as cash and cash equivalents for reporting purposes.

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, 2021, 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, 2021, 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                | \$ 411,657        | \$ -                | \$ 535,158             | \$ 174,874         | \$ 4,178,207                      | \$ 65,427           | \$ 43,308        | \$ 69,974             | \$ 5,478,605        |
| Ad valorem taxes        | 160,498           | 175,548             | -                      | -                  | -                                 | -                   | -                | -                     | 336,046             |
| Franchise taxes         | 77,778            | -                   | -                      | -                  | -                                 | -                   | -                | -                     | 77,778              |
| Fines                   | 303,315           | -                   | -                      | -                  | -                                 | -                   | -                | -                     | 303,315             |
| Other                   | 9,110             | -                   | -                      | -                  | -                                 | -                   | -                | -                     | 9,110               |
| Total gross receivables | 962,358           | 175,548             | 535,158                | 174,874            | 4,178,207                         | 65,427              | 43,308           | 69,974                | 6,204,854           |
| Less: Allowances        | <u>655,361</u>    | <u>57,283</u>       | <u>-</u>               | <u>-</u>           | <u>4,106,043</u>                  | <u>-</u>            | <u>-</u>         | <u>-</u>              | <u>4,818,687</u>    |
| Total net receivables   | <u>\$ 306,997</u> | <u>\$ 118,265</u>   | <u>\$ 535,158</u>      | <u>\$ 174,874</u>  | <u>\$ 72,164</u>                  | <u>\$ 65,427</u>    | <u>\$ 43,308</u> | <u>\$ 69,974</u>      | <u>\$ 1,386,167</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 | \$ 91,358          | \$ -            | \$ 91,358         |
| Fines                 | 121,326            | -               | 121,326           |
| Other                 | 7,866              | -               | 7,866             |
| Grants                | 78,248             | -               | 78,248            |
| Debt Service Fund     |                    |                 |                   |
| Ad valorem receivable | 118,265            | -               | 118,265           |
| Nonmajor Governmental |                    |                 |                   |
| Grants                | <u>160,843</u>     | <u>-</u>        | <u>160,843</u>    |
|                       | <u>\$ 577,906</u>  | <u>\$ -</u>     | <u>\$ 577,906</u> |

---

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

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.43726 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.096240 and \$0.34102, respectively. The resulting adjusted total tax levy was \$2,361,566 on the total adjusted taxable valuation of \$540,082,785 for the 2020 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, 2021, are summarized as follows:

|                          | <u>General</u>    | <u>Debt Service</u> | <u>Water and Sewer</u> | <u>Emergency Medical Services</u> | <u>Airport</u>   | <u>Nonmajor Funds</u> | <u>Total</u>      |
|--------------------------|-------------------|---------------------|------------------------|-----------------------------------|------------------|-----------------------|-------------------|
| Sales taxes              | \$ 307,399        | \$ -                | \$ -                   | \$ -                              | \$ -             | \$ -                  | \$ 307,399        |
| Federal and state grants | 368,254           | -                   | 17,868                 | -                                 | 45,121           | 188,435               | 619,678           |
| Property taxes           | 3,964             | 7,807               | -                      | -                                 | -                | -                     | 11,771            |
| Other                    | 18,084            | -                   | -                      | 14,800                            | -                | -                     | 32,884            |
|                          | <u>\$ 697,701</u> | <u>\$ 7,807</u>     | <u>\$ 17,868</u>       | <u>\$ 14,800</u>                  | <u>\$ 45,121</u> | <u>\$ 188,435</u>     | <u>\$ 971,732</u> |

## **NOTE 6: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2021, was as follows:

|  | Beginning<br>Balance* | Increases           | Decreases         | Ending<br>Balance    |
|--|-----------------------|---------------------|-------------------|----------------------|
| <b>Governmental activities</b>               |                       |                     |                   |                      |
| Capital assets, not being depreciated        |                       |                     |                   |                      |
| Land   | \$ 1,716,654          | \$ 3,663,300        | \$ -              | \$ 5,379,954         |
| Construction in progress                     | 3,467,803             | 1,994,460           | 149,000           | 5,313,263            |
| Total capital assets not being depreciated   | <u>5,184,457</u>      | <u>5,657,760</u>    | <u>149,000</u>    | <u>10,693,217</u>    |
| Capital assets, being depreciated            |                       |                     |                   |                      |
| Machinery and equipment                      | 7,787,898             | 228,073             | 130,751           | 7,885,220            |
| Buildings and improvements                   | 5,077,108             | 89,464              | -                 | 5,166,572            |
| Infrastructure                               | 15,457,146            | 699,914             | -                 | 16,157,060           |
| Total capital assets being depreciated       | <u>28,322,152</u>     | <u>1,017,451</u>    | <u>130,751</u>    | <u>29,208,852</u>    |
| Less accumulated depreciation for            |                       |                     |                   |                      |
| Machinery and equipment                      | 5,510,707             | 426,330             | 130,751           | 5,806,286            |
| Buildings and improvements                   | 2,456,261             | 143,233             | -                 | 2,599,494            |
| Infrastructure                               | 8,148,296             | 427,884             | -                 | 8,576,180            |
| Total accumulated depreciation               | <u>16,115,264</u>     | <u>997,447</u>      | <u>130,751</u>    | <u>16,981,960</u>    |
| Total capital assets being depreciated, net  | <u>12,206,888</u>     | <u>20,004</u>       | <u>-</u>          | <u>12,226,892</u>    |
| Governmental activities capital assets, net  | <u>\$ 17,391,345</u>  | <u>\$ 5,677,764</u> | <u>\$ 149,000</u> | <u>\$ 22,920,109</u> |
| <b>Business-type activities</b>              |                       |                     |                   |                      |
| Capital assets, not being depreciated        |                       |                     |                   |                      |
| Land   | \$ 319,093            | \$ -                | \$ -              | \$ 319,093           |
| Construction in progress                     | 960,781               | 765,258             | 101,224           | 1,624,815            |
| Total capital assets not being depreciated   | <u>1,279,874</u>      | <u>765,258</u>      | <u>101,224</u>    | <u>1,943,908</u>     |
| Capital assets, being depreciated            |                       |                     |                   |                      |
| Machinery and equipment                      | 4,218,055             | 432,401             | 70,500            | 4,579,956            |
| Land improvements                            | 1,153,850             | 43,100              | -                 | 1,196,950            |
| Buildings and improvements                   | 6,846,548             | 501,193             | -                 | 7,347,741            |
| Water and sewer system                       | 25,439,392            | 186,524             | -                 | 25,625,916           |
| Total capital assets being depreciated       | <u>37,657,845</u>     | <u>1,163,218</u>    | <u>70,500</u>     | <u>38,750,563</u>    |
| Less accumulated depreciation for            |                       |                     |                   |                      |
| Machinery and equipment                      | 3,375,188             | 188,879             | 70,500            | 3,493,567            |
| Land improvements                            | 202,848               | 23,221              | -                 | 226,069              |
| Buildings and improvements                   | 2,337,305             | 161,860             | -                 | 2,499,165            |
| Water and sewer system                       | 12,314,113            | 534,860             | -                 | 12,848,973           |
| Total accumulated depreciation               | <u>18,229,454</u>     | <u>908,820</u>      | <u>70,500</u>     | <u>19,067,774</u>    |
| Total capital assets being depreciated, net  | <u>19,428,391</u>     | <u>254,398</u>      | <u>-</u>          | <u>19,682,789</u>    |
| Business-type activities capital assets, net | <u>\$ 20,708,265</u>  | <u>\$ 1,019,656</u> | <u>\$ 101,224</u> | <u>\$ 21,626,697</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:

|   |                   |
|---|-------------------|
| <b>Governmental activities</b>                        |                   |
| General government                                    | \$ 64,482         |
| Public safety   | 303,070           |
| Public works  | 579,064           |
| Cultural and recreation                               | <u>50,831</u>     |
| Total depreciation expense - governmental activities  | <u>\$ 997,447</u> |
| <br>  |                   |
| <b>Business-type activities</b>                       |                   |
| Water and sewer                                       | \$ 601,681        |
| Emergency medical services                            | 101,331           |
| Civic center  | 79,160            |
| Airport   | <u>126,648</u>    |
| Total depreciation expense - business-type activities | <u>\$ 908,820</u> |

At September 30, 2021, 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 895 plans in the defined benefit cash-balance plan administered by the TMRS. TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual report) that can be obtained at [www.tmrs.com](http://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 member's benefit is calculated as if the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. 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 lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions 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 2021 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<br>(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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 46         |
| Inactive employees entitled to but not yet receiving benefits    | 60         |
| Active employees   | <u>103</u> |
|  | <u>209</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 5.70% and 5.38% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$309,962, 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, 2020, 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, 2020 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 2021 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%   |
| <b>Total</b>          | <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.

|   | <b>Increase (Decrease)</b> |                             |                               |
|---|----------------------------|-----------------------------|-------------------------------|
|   | Total Pension Liability    | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|   | (a)                        | (b)                         | (a) - (b)                     |
| <b>Balance at 12/31/2019</b>                                  | \$ 17,888,983              | \$ 17,799,707               | \$ 89,276                     |
| Changes for the year:   |                            |                             |                               |
| Service cost  | 562,158                    | -                           | 562,158                       |
| Interest  | 1,202,021                  | -                           | 1,202,021                     |
| Changes of benefit terms                                      | -                          | -                           | -                             |
| Difference between expected and actual experience             | (168,768)                  | -                           | (168,768)                     |
| Change of assumptions   | -                          | -                           | -                             |
| Contributions - Employer                                      | -                          | 331,708                     | (331,708)                     |
| Contributions - Employee                                      | -                          | 290,972                     | (290,972)                     |
| Net investment income   | -                          | 1,350,644                   | (1,350,644)                   |
| Benefit payments, including refunds of employee contributions | (724,675)                  | (724,675)                   | -                             |
| Administrative expense  | -                          | (8,743)                     | 8,743                         |
| Other changes   | -                          | (341)                       | 341                           |
| Net changes   | <u>870,736</u>             | <u>1,239,565</u>            | <u>(368,829)</u>              |
| <b>Balance at 12/31/2020</b>                                  | <u>\$ 18,759,719</u>       | <u>\$ 19,039,272</u>        | <u>\$ (279,553)</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<br>Discount Rate (5.75%) | Discount Rate (6.75%) | 1.0% Increase in<br>Discount Rate (7.75%) |
|-------------------------------|---|-----------------------|---|
| City's Net Pension Liability: | \$2,244,583                               | \$(279,553)           | \$(2,354,494)                             |

*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](http://www.tmr.com).

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

For the year ended September 30, 2021 the City recognized pension expense of \$(65,735).

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ -                              | \$ 305,248                       |
| Changes in actuarial assumptions                            | -                                 | 5,747                            |
| Difference between projected and actual investment earnings | -                                 | 503,300                          |
| Contributions subsequent to the measurement date            | 228,809                           | -                                |
| Total   | \$ 228,809                        | \$ 814,295                       |

\$228,809 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, 2021 (i.e. recognized in the City's financial statements for the year ending September 30, 2022). 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 |
|-------------------------|------------------------|
| 2021                    | \$ (335,170)           |
| 2022                    | (98,545)               |
| 2023                    | (348,252)              |
| 2024                    | (32,328)               |
| 2025                    | -                      |
| Thereafter              | -                      |
| Total                   | \$ (814,295)           |

---

**NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)**Plan Description and Benefits Provided

TMRS administers an optional death benefit plan known as the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. A City may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 777 participating cities on December 31, 2020.

Benefits payable from SDBF become due after the death of a covered active member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the member'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, single-employer OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2020 valuation and measurement date, the following is the number of members in the plan:

|   |            |
|---|------------|
| Inactive employees currently receiving benefits               | 33         |
| Inactive employees entitled to but not yet receiving benefits | 11         |
| Active employees  | <u>103</u> |
| Total   | <u>147</u> |

Contributions

Contributions to the SDBF are made monthly based on the payroll of covered members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each City participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. 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%                                      |
| 2021               | 0.24%                         | 0.10%                                      |

---

**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, 2020 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                            | 2.00%*   |
| 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, 2020.

---

**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:

|   |                   |
|---|-------------------|
| <b>Balance at 12/31/19</b>                        | \$ 291,620        |
| Changes for the year:                             |                   |
| Service cost                                      | 12,803            |
| Interest  | 8,172             |
| Change of benefit terms                           | -                 |
| Difference between expected and actual experience | (773)             |
| Change of assumptions                             | 48,274            |
| Benefit payments                                  | (1,746)           |
| Net changes                                       | <u>66,730</u>     |
| <b>Balance at 12/31/20</b>                        | <u>\$ 358,350</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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

|                              | 1.0% Decrease in<br>Discount Rate (1.00%) | Discount Rate (2.00%) | 1.0% Increase in<br>Discount Rate (3.00%) |
|------------------------------|---|-----------------------|---|
| City's Total OPEB Liability: | \$439,956                                 | \$358,350             | \$296,027                                 |

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$35,401.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 3,351                          | \$ 8,246                         |
| Changes in actuarial assumptions                   | 80,610                            | 8,836                            |
| Contributions subsequent to the measurement date   | 4,253                             | -                                |
| Total  | \$ 88,214                         | \$ 17,082                        |

---

**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 |
|-------------------------|---------------------|
| 2021                    | \$ 14,426           |
| 2022                    | 14,426              |
| 2023                    | 12,958              |
| 2024                    | 13,947              |
| 2025                    | 10,888              |
| Thereafter              | 233                 |
| Total                   | \$ 66,878           |

**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, 2021, was as follows:

|   | Beginning<br>Balance | Additions            | Reductions          | Ending<br>Balance    | Due Within<br>One Year |
|---|----------------------|----------------------|---------------------|----------------------|------------------------|
| <b>Governmental activities</b>                        |                      |                      |                     |                      |                        |
| Bonds and certificates payable                        |                      |                      |                     |                      |                        |
| Certificates of obligation                            | \$ 3,311,838         | \$ 15,000,000        | \$ 175,886          | \$ 18,135,952        | \$ 482,224             |
| General obligation bonds                              | 5,479,137            | -                    | 630,922             | 4,848,215            | 496,150                |
| Qualified energy<br>cons. bonds                       | 318,426              | -                    | 26,821              | 291,605              | 27,227                 |
| Plus deferred amounts:                                |                      |                      |                     |                      |                        |
| Issuance premiums                                     | 692,007              | -                    | 70,276              | 621,731              | -                      |
| Total bonds and<br>certificates payable               | <u>9,801,408</u>     | <u>15,000,000</u>    | <u>903,905</u>      | <u>23,897,503</u>    | <u>1,005,601</u>       |
| Tax notes   | 1,853,200            | 4,105,000            | 677,400             | 5,280,800            | 920,800                |
| Net pension liability (asset)                         | 50,887               | -                    | 221,415             | (170,528)            | -                      |
| OPEB liability  | 172,056              | 46,538               | -                   | 218,594              | -                      |
| Compensated absences                                  | 287,393              | 228,144              | 252,258             | 263,279              | 26,328                 |
| Total governmental activity<br>long-term liabilities  | <u>\$ 12,164,944</u> | <u>\$ 19,379,682</u> | <u>\$ 2,054,978</u> | <u>\$ 29,489,648</u> | <u>\$ 1,952,729</u>    |
| <b>Business-type activities</b>                       |                      |                      |                     |                      |                        |
| Bonds and certificates payable                        |                      |                      |                     |                      |                        |
| Certificates of obligation                            | \$ 5,373,162         | \$ -                 | \$ 289,114          | \$ 5,084,048         | \$ 297,776             |
| General obligation bonds                              | 1,580,863            | -                    | 344,078             | 1,236,785            | 123,850                |
| Revenue bonds   | -                    | 534,000              | -                   | 534,000              | 85,000                 |
| Qualified energy<br>cons. bonds                       | 816,378              | -                    | 68,764              | 747,614              | 69,805                 |
| Plus deferred amounts:                                |                      |                      |                     |                      |                        |
| Issuance premiums                                     | 380,829              | -                    | 31,830              | 348,999              | -                      |
| Total bonds and<br>certificates payable               | <u>8,151,232</u>     | <u>534,000</u>       | <u>733,786</u>      | <u>7,951,446</u>     | <u>576,431</u>         |
| Tax notes   | 236,800              | -                    | 57,600              | 179,200              | 59,200                 |
| Net pension liability (asset)                         | 38,389               | -                    | 147,414             | (109,025)            | -                      |
| OPEB liability  | 119,564              | 20,192               | -                   | 139,756              | -                      |
| Compensated absences                                  | 121,965              | 250,500              | 250,851             | 121,614              | 12,161                 |
| Total business-type activity<br>long-term liabilities | <u>\$ 8,667,950</u>  | <u>\$ 804,692</u>    | <u>\$ 1,189,651</u> | <u>\$ 8,282,991</u>  | <u>\$ 647,792</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, 2021, \$6,520,000 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 2013 | 12/13 - 12/26 | 3.00 - 4.00%          | \$ 3,600,000           |
| Refunding Series 2019 | 03/19 - 09/30 | 3.00 - 5.00%          | 5,700,000              |
|                       |               |                       | <u>\$ 9,300,000</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>   |                     |
| 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        | 604,100                        | 108,527           | 150,900                         | 28,373            | 891,900             |
| 2027-2030   | <u>2,107,350</u>               | <u>179,591</u>    | <u>552,650</u>                  | <u>47,809</u>     | <u>2,887,400</u>    |
|             | <u>\$ 4,848,215</u>            | <u>\$ 976,608</u> | <u>\$ 1,236,785</u>             | <u>\$ 254,017</u> | <u>\$ 7,315,625</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              |
| Series 2021 | 12/21 - 06/52 | 1.76%                 | 15,000,000             |
|             |               |                       | <u>\$ 25,530,000</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>     |                      |
| 2022        | \$ 482,224                     | \$ 116,657          | \$ 297,776                      | \$ 184,806          | \$ 1,081,463         |
| 2023        | 487,722                        | 110,583             | 307,278                         | 175,117             | 1,080,700            |
| 2024        | 495,414                        | 103,135             | 319,586                         | 163,453             | 1,081,588            |
| 2025        | 503,106                        | 95,275              | 331,894                         | 151,037             | 1,081,312            |
| 2026        | 512,748                        | 86,994              | 347,252                         | 137,844             | 1,084,838            |
| 2027-2031   | 3,245,093                      | 1,551,959           | 1,945,252                       | 471,207             | 7,213,511            |
| 2032-2036   | 3,130,007                      | 1,148,039           | 1,196,460                       | 133,758             | 5,608,264            |
| 2037-2041   | 2,814,193                      | 857,678             | 338,550                         | 21,213              | 4,031,634            |
| 2042-2046   | 2,833,029                      | 607,342             | -                               | -                   | 3,440,371            |
| 2047-2051   | 3,097,124                      | 348,967             | -                               | -                   | 3,446,091            |
| 2052        | 535,292                        | 31,912              | -                               | -                   | 567,204              |
|             | <u>\$ 18,135,952</u>           | <u>\$ 5,058,541</u> | <u>\$ 5,084,048</u>             | <u>\$ 1,438,435</u> | <u>\$ 29,716,976</u> |

On December 20, 2021, the City entered into an Interlocal Agreement with WEDC, in which the WEDC agreed to contribute \$9,573,477 for the construction of the FM1301 Relocation and Railroad Overpass Project. Payment of the contribution to the City shall be made through annual transfers of one-half of the annual debt service for the City's Tax and Revenue Certificates of Obligation, Series 2021 no later than May 1 of each year beginning on May 1, 2022 and continuing until May 1, 2052. The maximum amount of the payment will not exceed \$345,785 in any one yearly payment. A long-term receivable will be recorded in governmental activities on the statement of net position in fiscal year 2022.

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

D. Revenue Bonds

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

On April 26, 2021, the City authorized the issuance of Waterworks and Sewer System Revenue Bonds Series 2021 in the aggregate principal amount of \$4,872,000 through the United States Department of Agriculture (USDA) for the purpose of constructing a new well, ground storage tank, distribution pump system and any related improvements to the system, and to pay the costs incurred in connection with the issuance of the bonds. The revenue bonds were dated July 1, 2021. Principal payments will be made in yearly installments beginning June 15, 2022. The revenue bonds will bear an interest rate of 1.75% and will mature on June 15, 2061. As of September 30, 2021, the City has redeemed \$534,000 of the bonds available. Interest paid on December 15, 2022 was \$3,994.

On February 28, 2022, the City amended the ordinance set forth on April 26, 2021 for the Waterworks and Sewer System Revenue Bonds Series 2021 to reflect that the bonds shall bear interest from the issuance date of the bonds and to allow for the restatement of issued bonds to include an issuance date for each.

|                           | <u>Term</u>   | <u>Interest Rates</u> | <u>Original Amount</u> |
|---------------------------|---------------|-----------------------|------------------------|
| Revenue Bonds Series 2021 | 07/21 - 06/61 | 1.75%                 | \$ 4,872,000           |
|                           |               |                       | <u>\$ 4,872,000</u>    |

Annual debt service requirements to maturity for revenue bonds are as follows:

| <u>Year</u> | <u>Business-type Activities</u> |                 | <u>Total</u>      |
|-------------|---------------------------------|-----------------|-------------------|
|             | <u>Principal</u>                | <u>Interest</u> |                   |
| 2022        | \$ 85,000                       | \$ -            | \$ 85,000         |
| 2023        | 87,000                          | -               | 87,000            |
| 2024        | 88,000                          | -               | 88,000            |
| 2025        | 90,000                          | -               | 90,000            |
| 2026        | 91,000                          | -               | 91,000            |
| 2027        | 93,000                          | -               | 93,000            |
|             | <u>\$ 534,000</u>               | <u>\$ -</u>     | <u>\$ 534,000</u> |

E. 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.

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

E. Qualified Energy Conservation Bonds - (Continued)

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

Annual debt service requirements to maturity for QECBs are as follows:

| Year      | Governmental Activities |                  | Business-type Activities |                  | Total               |
|-----------|-------------------------|------------------|--------------------------|------------------|---------------------|
|           | Principal               | Interest         | Principal                | Interest         |                     |
| 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      | 28,915                  | 2,730            | 74,133                   | 6,999            | 112,777             |
| 2027-2031 | 151,281                 | 6,944            | 387,853                  | 17,805           | 563,883             |
|           | <u>\$ 291,605</u>       | <u>\$ 24,846</u> | <u>\$ 747,614</u>        | <u>\$ 63,700</u> | <u>\$ 1,127,765</u> |

F. 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:

|             | Term          | Interest Rates | Original Amount     |
|-------------|---------------|----------------|---------------------|
| Series 2017 | 06/18 - 06/24 | 2.09%          | \$ 1,220,000        |
| Series 2019 | 04/19 - 09/26 | 2.32%          | 1,555,000           |
| Series 2021 | 10/20 - 09/27 | 2.89%          | 5,105,000           |
|             |               |                | <u>\$ 7,880,000</u> |

On October 15, 2020, the City issued the Series 2021 tax notes. The initial advance under the notes in the amount of \$2,605,000 was made on that date. A subsequent advance of \$1,500,000 was made on June 1, 2021, and the remaining advance of \$1,000,000 will be on December 1, 2021.

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

| Year | Governmental Activities |                   | Business-type Activities |                 | Total               |
|------|-------------------------|-------------------|--------------------------|-----------------|---------------------|
|      | Principal               | Interest          | Principal                | Interest        |                     |
| 2022 | \$ 920,800              | \$ 161,483        | \$ 59,200                | \$ 3,745        | \$ 1,145,228        |
| 2023 | 945,800                 | 142,996           | 59,200                   | 2,508           | 1,150,504           |
| 2024 | 969,200                 | 113,299           | 60,800                   | 1,271           | 1,144,570           |
| 2025 | 875,000                 | 82,837            | -                        | -               | 957,837             |
| 2026 | 895,000                 | 51,192            | -                        | -               | 946,192             |
| 2027 | 675,000                 | 24,565            | -                        | -               | 699,565             |
|      | <u>\$ 5,280,800</u>     | <u>\$ 576,372</u> | <u>\$ 179,200</u>        | <u>\$ 7,524</u> | <u>\$ 6,043,896</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, 2021, were as follows:

| <u>Receivable Fund</u>     | <u>Payable Fund</u>        | <u>Amount</u>       |
|----------------------------|----------------------------|---------------------|
| General                    | 2019 Tax Notes             | \$ 143,969          |
|                            | Nonmajor Governmental      | 93,533              |
|                            | Water and Sewer            | 14,298              |
|                            | Emergency Medical Services | 3,157               |
|                            | Civic Center               | 63,806              |
|                            | Airport                    | 27,521              |
|                            |                            | <u>346,284</u>      |
| Debt Service               | Nonmajor Governmental      | 108,824             |
|                            | Civic Center               | 62,480              |
|                            |                            | <u>171,304</u>      |
| 2019 Bond Construction     | Nonmajor Governmental      | <u>28,153</u>       |
| 2020 Tax Notes             | 2019 Tax Notes             | <u>1,031,597</u>    |
| Nonmajor Governmental      | General                    | 6,907               |
|                            | Nonmajor Governmental      | 7,718               |
|                            | Water and Sewer            | 257,756             |
|                            |                            | <u>272,381</u>      |
| Water and Sewer            | General Fund               | 3,195               |
|                            | 2019 Bond Construction     | 979,686             |
|                            | 2019 Tax Notes             | 132,498             |
|                            | Nonmajor Governmental      | 1,118,138           |
|                            |                            | <u>2,233,517</u>    |
| Solid Waste                | General                    | 28,629              |
|                            | Nonmajor Governmental      | 882                 |
|                            |                            | <u>29,511</u>       |
| Emergency Medical Services | General                    | 9,134               |
|                            | Nonmajor Governmental      | 7,433               |
|                            |                            | <u>16,567</u>       |
| Civic Center               | General Fund               | 2,659               |
|                            | 2019 Bond Construction     | 19,852              |
|                            | Nonmajor Governmental      | 22,784              |
|                            |                            | <u>45,295</u>       |
| Airport                    | General                    | 535                 |
|                            | 2019 Bond Construction     | 40,790              |
|                            | Nonmajor Governmental      | 21,636              |
|                            |                            | <u>62,961</u>       |
|                            |                            | <u>\$ 4,237,570</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>\$ 330,000</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>Water and Sewer</u> | <u>Civic Center</u> | <u>Nonmajor Funds</u> |                     |
| General                    | \$ -                | \$ 200                 | \$ -                | \$ -                  | \$ 200              |
| Nonmajor Governmental      | -                   | -                      | 215,021             | 5,722                 | 220,743             |
| Water and Sewer            | 877,439             | -                      | -                   | 100,000               | 977,439             |
| Emergency Medical Services | 98,412              | -                      | -                   | -                     | 98,412              |
|                            | <u>\$ 975,851</u>   | <u>\$ 200</u>          | <u>\$ 215,021</u>   | <u>\$ 105,722</u>     | <u>\$ 1,296,794</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, 2021, 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, 2021, 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<br/>Commitment</u> |
|---|---------------------------------|
| Levee acquisition                         | \$ 542,834                      |
| Energy savings project                    | 447,997                         |
| Road construction projects                | 248,583                         |
| Water well and water plant system project | <u>3,765,829</u>                |
| Total                                     | <u>\$ 5,005,243</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, 2021:

|  | <u>Governmental Fund Balances</u> |                      |                   |                   | <u>Total</u>         |
|--|-----------------------------------|----------------------|-------------------|-------------------|----------------------|
|  | <u>Nonspendable</u>               | <u>Restricted</u>    | <u>Committed</u>  | <u>Unassigned</u> |                      |
| General                                    |                                   |                      |                   |                   |                      |
| Prepaid items                              | \$ 387                            | \$ -                 | \$ -              | \$ -              | \$ 387               |
| Inventory                                  | 10,509                            | -                    | -                 | -                 | 10,509               |
| Long-term interfund<br>advances            | 330,000                           | -                    | -                 | -                 | 330,000              |
| Unassigned                                 | -                                 | -                    | -                 | 2,584,355         | 2,584,355            |
| Debt Service                               |                                   |                      |                   |                   |                      |
| Long-term debt                             | -                                 | 464,033              | -                 | -                 | 464,033              |
| 2019 Bond Construction                     |                                   |                      |                   |                   |                      |
| Various capital projects                   | -                                 | 395,289              | -                 | -                 | 395,289              |
| 2019 Tax Notes                             |                                   |                      |                   |                   |                      |
| Various capital projects                   | -                                 | -                    | -                 | (1,086,716)       | (1,086,716)          |
| 2020 Tax Notes                             |                                   |                      |                   |                   |                      |
| Various capital projects                   | -                                 | 945,831              | -                 | -                 | 945,831              |
| FM 1301 Project                            |                                   |                      |                   |                   |                      |
| Various capital projects                   | -                                 | 14,658,748           | -                 | -                 | 14,658,748           |
| Nonmajor Governmental                      |                                   |                      |                   |                   |                      |
| Various capital projects                   | -                                 | 1,755,494            | 219,345           | -                 | 1,974,839            |
| Arts and tourism                           | -                                 | 76,846               | -                 | -                 | 76,846               |
| Municipal court security<br>and technology | -                                 | 64,160               | -                 | -                 | 64,160               |
| Law enforcement                            | -                                 | 35,072               | -                 | -                 | 35,072               |
| Fire department                            | -                                 | 395                  | -                 | -                 | 395                  |
| Unassigned                                 | -                                 | -                    | -                 | (617,102)         | (617,102)            |
|  | <u>\$ 340,896</u>                 | <u>\$ 18,395,868</u> | <u>\$ 219,345</u> | <u>\$ 880,537</u> | <u>\$ 19,836,646</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, 2021, tax rebate expenditures of \$12,229 were incurred that related to 2020.

**NOTE 15: SUBSEQUENT EVENTS**

On October 1, 2021, the City received the first tranche of funds for the American Rescue Plan Act (ARPA) in the amount of \$1,070,064, which is one half of the total allocation for the City of \$2,140,127. The second tranche, remainder of \$1,070,064, will be received approximately in October 2022. The City has identified and prioritized projects to be used for these funds. This list of projects is being submitted to the Department of the Treasury before the deadline of April 30, 2022 in order to be in compliance.

On October 1, 2021, the City signed a grant agreement with the Texas Water Development Board (TWDB) to receive funds from the TWDB in the amount of \$2,400,157 and for TWDB to provide financing in the amount of \$2,601,000 in City of Wharton, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2021A. These funds are to be used for a flood infrastructure project which includes construction. The principal payment will be annually for a period of thirty (30) years in the amount of \$87,000 and will bear an interest rate of 0.00%.

On December 17, 2021, the City received a loan in the amount of \$5,500,000 from the State Infrastructure Bank administered through the Texas Transportation Commission. The loan is to be used to finance utility relocations necessary for the City of Wharton FM 1301 Relocation and Railroad Overpass Project. The loan will be repaid over a period of twenty (20) years with a final maturity of June 1, 2041. Principal will be paid annually beginning on June 1, 2023 and on each June 1 thereafter. The loan shall not bear interest from the deposit date until the third anniversary of the deposit date. From the third anniversary of the deposit date, the loan shall bear interest at a rate of .65% per annum. Interest payments will be due annually beginning on June 1, 2025, and on each June 1 and December 1 thereafter for the remainder of the length of the loan.

On December 20, 2021, the City entered into an Interlocal Agreement with WEDC, in which WEDC agreed to contribute \$9,573,477 for the construction of the FM1301 Relocation and Railroad Overpass Project. Payment of the contribution to the City shall be made through annual transfers of one-half of the annual debt service for the City's Tax and Revenue Certificates of Obligation, Series 2021 no later than May 1 of each year beginning on May 1, 2022 and continuing until May 1, 2052. The maximum amount of the payment will not exceed \$345,785 in any one yearly payment.

**NOTE 16: RESTATEMENT OF BEGINNING BALANCES**

The City's governmental activities financial statements for the fiscal year September 30, 2020 have been restated to properly reflect the capital asset and net investment in capital asset balances for fiscal year ending September 30, 2020. The result of the restatement was to decrease the capital asset accounts and the net investment in capital assets of the governmental activities by \$190,608. 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 30<sup>th</sup> of each year. WEDC reports its financial results as a governmental type of entity.

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2021, 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)

Deposits and Investments - (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, 2021.

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, 2021, 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                      | \$ 1,737          | 34                                      | 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, 2021, 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, 2021, 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, 2021, 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, 2021, was \$153,699. 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, 2021, tax rebate expenditures of \$6,114 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, 2021, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|-------------------|---------------------------|
| <b>Governmental activities</b>              |                              |                  |                   |                           |
| Capital assets, not being depreciated       |                              |                  |                   |                           |
| Real estate held for development            | <u>\$ 356,269</u>            | <u>\$ 40,604</u> | <u>\$ 135,417</u> | <u>\$ 261,456</u>         |
| Total capital assets not being depreciated  | <u>356,269</u>               | <u>40,604</u>    | <u>135,417</u>    | <u>261,456</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                      | 8,964                        | 431              | -                 | 9,395                     |
| Furniture and fixtures                      | <u>37,174</u>                | <u>2,772</u>     | <u>-</u>          | <u>39,946</u>             |
| Total accumulated depreciation              | <u>46,138</u>                | <u>3,203</u>     | <u>-</u>          | <u>49,341</u>             |
| Total capital assets being depreciated, net | <u>7,035</u>                 | <u>(3,203)</u>   | <u>-</u>          | <u>3,832</u>              |
| Governmental activities capital assets, net | <u>\$ 363,304</u>            | <u>\$ 37,401</u> | <u>\$ 135,417</u> | <u>\$ 265,288</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, 2021, \$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 2021, WEDC received \$2,100 from the lease.

**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.

---

**NOTE 17: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

H. Related Party Transactions - (Continued)

The City pays WEDC's payroll each month from City funds, and WEDC generally reimburses the City the following month. At September 30, 2021, WEDC owed the City \$19,708 for wages and benefits previously paid by the City. WEDC also owed the City \$150,000 for parks and pool maintenance.

On January 4, 2021, WEDC deeded property to the City for the FM 1301 extension project. This property, a 5.0574 acre parcel of land situated in the William Kincheloe League, Abstract No. 38 of Wharton County, was originally purchased by WEDC from the Union Pacific Railroad Company in 2008 for \$135,417.

I. Commitments

As of September 30, 2021, WEDC had approved but not yet paid \$43,380 for business restoration grants and other various construction projects. WEDC has committed to paying \$23,886 in sales tax rebates, \$14,556 in business disaster loans, and \$9,938 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.

In addition, WEDC has a commitment to the Wharton Downtown Business Association in the amount of \$15,350. 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. As of September 30, 2021, WEDC paid \$50,000 to the Chamber for operations, and \$49,650 to the Project. The Chamber operation funds have been disbursed in full, and the remaining 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.

K. Subsequent Event

WEDC entered into an interlocal agreement with the City of Wharton on December 20, 2021 wherein the City agrees to construct and rehabilitate the extension of FM 1301 from State Highway 60 to U.S. 59 in Wharton, TX (the "Project") in exchange for a contribution from WEDC in the amount of \$9,573,477. The contribution shall be made payable to the City through annual transfers of one-half of the annual debt service for the City's Tax and Revenue Certificates of Obligation, Series 2021, beginning in May 2022. No annual payment by WEDC shall exceed \$345,785. If the expenditures of the Project are less than \$19,146,952, WEDC's obligation will be reduced proportionately.

**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, 2021

With comparative totals for the year ended September 30, 2020

|  | 2021                |                     |                     | Variance<br>Positive<br>(Negative) | 2020                |
|--|---------------------|---------------------|---------------------|------------------------------------|---------------------|
|  | Original<br>Budget  | Final<br>Budget     | Actual              |                                    | Actual              |
| <b>REVENUES</b>                                      |                     |                     |                     |                                    |                     |
| Taxes  | \$ 3,294,216        | \$ 3,268,907        | \$ 3,387,800        | \$ 118,893                         | \$ 3,199,531        |
| Licenses and permits                                 | 164,507             | 164,507             | 195,539             | 31,032                             | 193,142             |
| Intergovernmental                                    | 342,000             | 1,006,250           | 998,994             | (7,256)                            | 649,204             |
| Charges for services                                 | 10,000              | 10,000              | 17,903              | 7,903                              | 4,776               |
| Fines and forfeitures                                | 269,750             | 194,750             | 192,264             | (2,486)                            | 252,901             |
| Investment income                                    | 20,000              | 20,000              | 12,431              | (7,569)                            | 28,481              |
| Industrial district fee                              | 1,700,000           | 1,700,000           | 1,702,079           | 2,079                              | 2,138,336           |
| Miscellaneous  | 27,000              | 27,000              | 10,611              | (16,389)                           | 25,233              |
| <b>Total revenues</b>                                | <b>5,827,473</b>    | <b>6,391,414</b>    | <b>6,517,621</b>    | <b>126,207</b>                     | <b>6,491,604</b>    |
| <b>EXPENDITURES</b>                                  |                     |                     |                     |                                    |                     |
| <b>Current</b>                                       |                     |                     |                     |                                    |                     |
| General government                                   | 1,147,250           | 1,832,083           | 1,879,501           | (47,418)                           | 1,371,569           |
| Public safety  | 3,975,468           | 3,806,879           | 3,726,458           | 80,421                             | 3,717,502           |
| Public works   | 1,338,031           | 1,307,933           | 1,264,315           | 43,618                             | 1,267,415           |
| Cultural and recreation                              | 74,575              | 105,070             | 95,517              | 9,553                              | 50,985              |
| Capital outlay                                       | 303,000             | 350,000             | 334,257             | 15,743                             | 355,524             |
| <b>Total expenditures</b>                            | <b>6,838,324</b>    | <b>7,401,965</b>    | <b>7,300,048</b>    | <b>101,917</b>                     | <b>6,762,995</b>    |
| Excess (deficiency) of<br>revenues over expenditures | (1,010,851)         | (1,010,551)         | (782,427)           | 228,124                            | (271,391)           |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                     |                                    |                     |
| Sale of capital assets                               | 35,000              | 35,000              | 22,128              | (12,872)                           | -                   |
| Transfers in   | 975,851             | 975,851             | 975,851             | -                                  | 970,257             |
| Transfers out  | -                   | (300)               | (200)               | 100                                | (350,000)           |
| <b>Total other financing sources (uses)</b>          | <b>1,010,851</b>    | <b>1,010,551</b>    | <b>997,779</b>      | <b>(12,772)</b>                    | <b>620,257</b>      |
| Net change in fund balance                           | -                   | -                   | 215,352             | 215,352                            | 348,866             |
| Fund balance at beginning of year                    | 2,709,899           | 2,709,899           | 2,709,899           | -                                  | 2,361,033           |
| <b>Fund balance at end of year</b>                   | <b>\$ 2,709,899</b> | <b>\$ 2,709,899</b> | <b>\$ 2,925,251</b> | <b>\$ 215,352</b>                  | <b>\$ 2,709,899</b> |

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                 |
| <b>Total Pension Liability</b>  |                      |                      |                      |
| 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>     |
| <b>Net Change in Total Pension Liability</b>                                  | 670,194              | 1,010,220            | 864,815              |
| <b>Total Pension Liability - Beginning</b>                                    | <u>12,661,298</u>    | <u>13,331,492</u>    | <u>14,341,712</u>    |
| <b>Total Pension Liability - Ending (a)</b>                                   | <u>\$ 13,331,492</u> | <u>\$ 14,341,712</u> | <u>\$ 15,206,527</u> |
| <b>Plan Fiduciary Net Position</b>  |                      |                      |                      |
| 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>         |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | 778,447              | 158,503              | 832,282              |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | <u>12,076,821</u>    | <u>12,855,268</u>    | <u>13,013,771</u>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                               | <u>\$ 12,855,268</u> | <u>\$ 13,013,771</u> | <u>\$ 13,846,053</u> |
| <b>Net Pension Liability (Asset) - Ending (a) - (b)</b>                       | \$ 476,224           | \$ 1,327,941         | \$ 1,360,474         |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 96.43%               | 90.74%               | 91.05%               |
| <b>Covered Employee Payroll</b>   | \$ 4,483,820         | \$ 4,832,168         | \$ 4,954,339         |
| <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>      | 10.62%               | 27.48%               | 27.46%               |

NOTE: Information for the prior three years was not readily available. The City will compile the respective information over the next three 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                 | 2020                 |
| \$ 530,477           | \$ 530,197           | \$ 528,073           | \$ 562,158           |
| 1,026,605            | 1,087,522            | 1,142,292            | 1,202,021            |
| -                    | -                    | -                    | -                    |
| (117,320)            | (250,455)            | (148,826)            | (168,768)            |
| -                    | -                    | (10,902)             | -                    |
| <u>(525,617)</u>     | <u>(548,659)</u>     | <u>(560,931)</u>     | <u>(724,675)</u>     |
| 914,145              | 818,605              | 949,706              | 870,736              |
| <u>15,206,527</u>    | <u>16,120,672</u>    | <u>16,939,277</u>    | <u>17,888,983</u>    |
| <u>\$ 16,120,672</u> | <u>\$ 16,939,277</u> | <u>\$ 17,888,983</u> | <u>\$ 18,759,719</u> |
| <br>                 |                      |                      |                      |
| \$ 335,008           | \$ 333,407           | \$ 317,492           | \$ 331,708           |
| 271,482              | 271,062              | 269,976              | 290,972              |
| 1,917,689            | (474,041)            | 2,380,744            | 1,350,644            |
| (525,617)            | (548,659)            | (560,931)            | (724,675)            |
| (9,945)              | (9,167)              | (13,458)             | (8,743)              |
| <u>(502)</u>         | <u>(480)</u>         | <u>(405)</u>         | <u>(341)</u>         |
| 1,988,115            | (427,878)            | 2,393,418            | 1,239,565            |
| <u>13,846,053</u>    | <u>15,834,167</u>    | <u>15,406,289</u>    | <u>17,799,707</u>    |
| <u>\$ 15,834,168</u> | <u>\$ 15,406,289</u> | <u>\$ 17,799,707</u> | <u>\$ 19,039,272</u> |
| <br>                 |                      |                      |                      |
| \$ 286,504           | \$ 1,532,988         | \$ 89,276            | \$ (279,553)         |
| 98.22%               | 90.95%               | 99.50%               | 101.49%              |
| \$ 5,429,650         | \$ 5,421,238         | \$ 5,399,517         | \$ 5,819,444         |
| 5.28%                | 28.28%               | 1.65%                | -4.80%               |

**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 employee payroll  | \$ 4,629,029      | \$ 4,817,630      | \$ 5,339,237       |
| Contributions as a percentage of covered employee payroll           | 6.86%             | 6.40%             | 6.35%              |

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

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

---

| Fiscal Year        |                    |                    |                    |
|--------------------|--------------------|--------------------|--------------------|
| 2018               | 2019               | 2020               | 2021               |
| \$ 329,837         | \$ 321,961         | \$ 340,877         | \$ 309,962         |
| <u>(341,254)</u>   | <u>(333,697)</u>   | <u>(354,367)</u>   | <u>(323,444)</u>   |
| <u>\$ (11,417)</u> | <u>\$ (11,736)</u> | <u>\$ (13,490)</u> | <u>\$ (13,482)</u> |
| \$ 5,358,388       | \$ 5,404,745       | \$ 5,931,798       | \$ 5,676,696       |
| 6.37%              | 6.17%              | 5.97%              | 5.70%              |

**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         |
| <b>Total OPEB Liability</b>   |                  |              |              |
| 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)      |
| <b>Net Change in Total OPEB Liability</b>                               | 33,600           | (14,444)     | 68,686       |
| <b>Total OPEB Liability - Beginning</b>                                 | 203,778          | 237,378      | 222,934      |
| <b>Total OPEB Liability - Ending</b>                                    | \$ 237,378       | \$ 222,934   | \$ 291,620   |
| <br>  |                  |              |              |
| <b>Covered Employee Payroll</b>   | \$ 5,429,650     | \$ 5,421,238 | \$ 5,399,517 |
| <br>  |                  |              |              |
| <b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b> | 4.37%            | 4.11%        | 5.40%        |

NOTE: Information for the prior six years was not readily available. The City will compile the respective information over the next six 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  
2020

\$ 12,803  
8,172  
-  
(773)  
48,274  
(1,746)

66,730

291,620

\$ 358,350

\$ 5,819,444

6.16%

**CITY OF WHARTON, TEXAS***SCHEDULE OF EMPLOYER CONTRIBUTIONS**TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT**Last ten fiscal years*

---

|   | Fiscal Year    |                |                |
|---|----------------|----------------|----------------|
|   | 2018           | 2019           | 2020           |
| 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 employee payroll  | \$ 5,358,388   | \$ 5,404,745   | \$ 5,931,798   |
| Contributions as a percentage of covered employee payroll           | 0.0300%        | 0.0372%        | 0.0326%        |

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

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

---

Fiscal  
Year

2021

\$ 4,680

(4,680)

\$ -

\$ 5,676,696

0.0824%

**CITY OF WHARTON, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

September 30, 2021

---

**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, 2021, the City complied with budgetary restrictions at all departmental levels in the General Fund except for the following:

| <u>Department</u> | <u>Budget</u> | <u>Actual</u> | <u>Negative<br/>Variance</u> |
|-------------------|---------------|---------------|------------------------------|
| General Fund      |               |               |                              |
| Grants            | \$ 655,513    | \$ 743,996    | \$ (88,483)                  |

**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 | 25 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.<br>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 with scale UMP. |

Other Information

There were no benefit changes during the year.



**CITY OF WHARTON, TEXAS**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*

*September 30, 2021*

---

**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

- Discount rate decreased to 2.00% from 2.75%.

**Combining and Individual Fund Statements and Schedules**

**CITY OF WHARTON, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
September 30, 2021

|  | Total<br>Nonmajor<br>Special<br>Revenue Funds | Total<br>Nonmajor<br>Capital<br>Project Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---|---|--|
| <b>ASSETS</b>  |   |   |  |
| Current assets   |   |   |  |
| Cash and cash equivalents                                    | \$ 121,847                                    | \$ 2,816,693                                  | \$ 2,938,540                               |
| Receivables, net   | 69,974  | -   | 69,974                                     |
| Due from other funds   | 13,888  | 258,493                                       | 272,381                                    |
| Due from other governments                                   | 188,435                                       | -   | 188,435                                    |
| <b>Total assets</b>  | <u>\$ 394,144</u>                             | <u>\$ 3,075,186</u>                           | <u>\$ 3,469,330</u>                        |
| <b>LIABILITIES</b>   |   |   |  |
| Accounts payable   | \$ 154,349                                    | \$ 210,827                                    | \$ 365,176                                 |
| Due to other funds   | 351,558                                       | 1,057,543                                     | 1,409,101                                  |
| <b>Total liabilities</b>                                     | <u>505,907</u>                                | <u>1,268,370</u>                              | <u>1,774,277</u>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |   |   |  |
| Unavailable revenue  | 160,843                                       | -   | 160,843                                    |
| <b>Total deferred inflows of resources</b>                   | <u>160,843</u>                                | <u>-</u>                                      | <u>160,843</u>                             |
| <b>FUND BALANCES</b>   |   |   |  |
| Restricted   |   |   |  |
| Cultural and recreation                                      | 76,846  | -   | 76,846                                     |
| Municipal court  | 64,160  | -   | 64,160                                     |
| Public safety  | 35,467  | -   | 35,467                                     |
| Various capital projects                                     | -   | 1,755,494                                     | 1,755,494                                  |
| Committed  |   |   |  |
| Various capital projects                                     | -   | 219,345                                       | 219,345                                    |
| Unassigned   | (449,079)                                     | (168,023)                                     | (617,102)                                  |
| <b>Total fund balances</b>                                   | <u>(272,606)</u>                              | <u>1,806,816</u>                              | <u>1,534,210</u>                           |
| <b>Total liabilities, deferred inflows and fund balances</b> | <u>\$ 394,144</u>                             | <u>\$ 3,075,186</u>                           | <u>\$ 3,469,330</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, 2021*

|  | Total<br>Nonmajor<br>Special<br>Revenue Funds | Total<br>Nonmajor<br>Capital<br>Project Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---|---|--|
| <b>REVENUES</b>                                      |   |   |  |
| Taxes  | \$ 244,434                                    | \$ -  | \$ 244,434                                 |
| Intergovernmental                                    | 321,113                                       | 140,216                                       | 461,329                                    |
| Fines and forfeitures                                | 24,855  | -   | 24,855                                     |
| Investment income                                    | 567   | 10,697  | 11,264                                     |
| Miscellaneous  | 197   | -   | 197  |
| <b>Total revenues</b>                                | <u>591,166</u>                                | <u>150,913</u>                                | <u>742,079</u>                             |
| <b>EXPENDITURES</b>                                  |   |   |  |
| Current  |   |   |  |
| General government                                   | 197,677                                       | -   | 197,677                                    |
| Public safety  | 17,127  | -   | 17,127                                     |
| Public works   | 1,540   | 556,465                                       | 558,005                                    |
| Cultural and recreation                              | 27,665  | -   | 27,665                                     |
| Capital outlay                                       | 144,711                                       | 550,914                                       | 695,625                                    |
| Debt service   |   |   |  |
| Principal retirement                                 | 34,200  | -   | 34,200                                     |
| Interest and fiscal charges                          | 2,933   | -   | 2,933                                      |
| <b>Total expenditures</b>                            | <u>425,853</u>                                | <u>1,107,379</u>                              | <u>1,533,232</u>                           |
| Excess (deficiency) of revenues<br>over expenditures | 165,313                                       | (956,466)                                     | (791,153)                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |   |   |  |
| Transfers in   | 5,722   | 100,000                                       | 105,722                                    |
| Transfers out  | (220,743)                                     | -   | (220,743)                                  |
| <b>Total other financing sources (uses)</b>          | <u>(215,021)</u>                              | <u>100,000</u>                                | <u>(115,021)</u>                           |
| Net change in fund balances                          | (49,708)                                      | (856,466)                                     | (906,174)                                  |
| Fund balances at beginning of year                   | <u>(222,898)</u>                              | <u>2,663,282</u>                              | <u>2,440,384</u>                           |
| <b>Fund balances at end of year</b>                  | <u>\$ (272,606)</u>                           | <u>\$ 1,806,816</u>                           | <u>\$ 1,534,210</u>                        |

## SPECIAL REVENUE FUNDS

The City maintains nine 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.

**Special Funding Fund** - Accounts for the activities related to the Texas Department of Emergency Management (TDEM) projects.

**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, 2021

|  | Hotel/Motel<br>Tax | Municipal<br>Court<br>Technology | Narcotics<br>Control | Fire<br>Department<br>Special |
|--|--------------------|----------------------------------|----------------------|-------------------------------|
| <b>ASSETS</b>                              |                    |                                  |                      |                               |
| Current assets                             |                    |                                  |                      |                               |
| Cash and cash equivalents                  | \$ 9,715           | \$ 2,213                         | \$ 47,041            | \$ 395                        |
| Receivables, net                           |                    |                                  |                      |                               |
| Accounts                                   | 69,974             | -                                | -                    | -                             |
| Due from other funds                       | -                  | 5,747                            | -                    | -                             |
| Due from other governments                 | -                  | -                                | -                    | -                             |
| <b>Total assets</b>                        | <u>\$ 79,689</u>   | <u>\$ 7,960</u>                  | <u>\$ 47,041</u>     | <u>\$ 395</u>                 |
| <b>LIABILITIES</b>                         |                    |                                  |                      |                               |
| Accounts payable                           | \$ 2,737           | \$ -                             | \$ 11,969            | \$ -                          |
| Due to other funds                         | 700                | -                                | -                    | -                             |
| <b>Total liabilities</b>                   | <u>3,437</u>       | <u>-</u>                         | <u>11,969</u>        | <u>-</u>                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                    |                                  |                      |                               |
| Unavailable revenue                        | -                  | -                                | -                    | -                             |
| <b>Total deferred inflows of resources</b> | <u>-</u>           | <u>-</u>                         | <u>-</u>             | <u>-</u>                      |
| <b>FUND BALANCES</b>                       |                    |                                  |                      |                               |
| Restricted                                 |                    |                                  |                      |                               |
| Cultural and recreation                    | 76,252             | -                                | -                    | -                             |
| Municipal court                            | -                  | 7,960                            | -                    | -                             |
| Public safety                              | -                  | -                                | 35,072               | 395                           |
| Unassigned                                 | -                  | -                                | -                    | -                             |
| <b>Total fund balances</b>                 | <u>76,252</u>      | <u>7,960</u>                     | <u>35,072</u>        | <u>395</u>                    |
| <b>Total liabilities and fund balances</b> | <u>\$ 79,689</u>   | <u>\$ 7,960</u>                  | <u>\$ 47,041</u>     | <u>\$ 395</u>                 |

| Municipal<br>Court<br>Building<br>Security | Railroad<br>Depot<br>Restoration | Disaster<br>Relief | Special<br>Funding | Hurricane<br>Harvey<br>Infrastructure | Total             |
|--|----------------------------------|--------------------|--------------------|---------------------------------------|-------------------|
| \$ 55,777                                  | \$ 205                           | \$ -               | \$ 6,478           | \$ 23                                 | \$ 121,847        |
| -  | -                                | -                  | -                  | -                                     | 69,974            |
| 423  | 700                              | 6,748              | 270                | -                                     | 13,888            |
| -  | -                                | 52,693             | 135,742            | -                                     | 188,435           |
| <u>\$ 56,200</u>                           | <u>\$ 905</u>                    | <u>\$ 59,441</u>   | <u>\$ 142,490</u>  | <u>\$ 23</u>                          | <u>\$ 394,144</u> |
| \$ -                                       | \$ 311                           | \$ 3,590           | \$ 135,742         | \$ -                                  | \$ 154,349        |
| -  | -                                | 286,910            | 6,748              | 57,200                                | 351,558           |
| -  | 311                              | 290,500            | 142,490            | 57,200                                | 505,907           |
| -  | -                                | 25,101             | 135,742            | -                                     | 160,843           |
| -  | -                                | 25,101             | 135,742            | -                                     | 160,843           |
| -  | 594                              | -                  | -                  | -                                     | 76,846            |
| 56,200                                     | -                                | -                  | -                  | -                                     | 64,160            |
| -  | -                                | -                  | -                  | -                                     | 35,467            |
| -  | -                                | (256,160)          | (135,742)          | (57,177)                              | (449,079)         |
| <u>56,200</u>                              | <u>594</u>                       | <u>(256,160)</u>   | <u>(135,742)</u>   | <u>(57,177)</u>                       | <u>(272,606)</u>  |
| <u>\$ 56,200</u>                           | <u>\$ 905</u>                    | <u>\$ 59,441</u>   | <u>\$ 142,490</u>  | <u>\$ 23</u>                          | <u>\$ 394,144</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, 2021*

|  | Hotel/Motel<br>Tax | Municipal<br>Court<br>Technology | Narcotics<br>Control | Fire<br>Department<br>Special |
|--|--------------------|----------------------------------|----------------------|-------------------------------|
| <b>REVENUES</b>                                      |                    |                                  |                      |                               |
| Taxes  | \$ 244,434         | \$ -                             | \$ -                 | \$ -                          |
| Intergovernmental                                    | -                  | -                                | -                    | -                             |
| Fines and forfeitures                                | -                  | 11,208                           | 7,402                | -                             |
| Investment income                                    | 99                 | 9                                | 202                  | 2                             |
| Miscellaneous  | -                  | -                                | 97                   | -                             |
| <b>Total revenues</b>                                | <u>244,533</u>     | <u>11,217</u>                    | <u>7,701</u>         | <u>2</u>                      |
| <b>EXPENDITURES</b>                                  |                    |                                  |                      |                               |
| Current  |                    |                                  |                      |                               |
| General government                                   | -                  | 4,085                            | -                    | -                             |
| Public safety  | -                  | -                                | 17,127               | -                             |
| Public works   | -                  | -                                | -                    | -                             |
| Cultural and recreation                              | 21,920             | -                                | -                    | -                             |
| Capital Outlay                                       | -                  | -                                | -                    | -                             |
| Debt service   |                    |                                  |                      |                               |
| Principal retirement                                 | -                  | -                                | -                    | -                             |
| Interest and fiscal charges                          | -                  | -                                | -                    | -                             |
| <b>Total expenditures</b>                            | <u>21,920</u>      | <u>4,085</u>                     | <u>17,127</u>        | <u>-</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | 222,613            | 7,132                            | (9,426)              | 2                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                    |                                  |                      |                               |
| Transfers in   | -                  | -                                | -                    | -                             |
| Transfers out  | (220,743)          | -                                | -                    | -                             |
| <b>Total other financing sources (uses)</b>          | <u>(220,743)</u>   | <u>-</u>                         | <u>-</u>             | <u>-</u>                      |
| Net change in fund balances                          | 1,870              | 7,132                            | (9,426)              | 2                             |
| Fund balances at beginning of year                   | <u>74,382</u>      | <u>828</u>                       | <u>44,498</u>        | <u>393</u>                    |
| <b>Fund balances at end of year</b>                  | <u>\$ 76,252</u>   | <u>\$ 7,960</u>                  | <u>\$ 35,072</u>     | <u>\$ 395</u>                 |



| <u>Municipal<br/>Court<br/>Building<br/>Security</u> | <u>Railroad<br/>Depot<br/>Restoration</u> | <u>Disaster<br/>Relief</u> | <u>Special<br/>Funding</u> | <u>Hurricane<br/>Harvey<br/>Infrastructure</u> | <u>Total</u>        |
|--|---|----------------------------|----------------------------|--|---------------------|
| \$ -   | \$ -                                      | \$ -                       | \$ -                       | \$ -   | \$ 244,434          |
| -  | -   | 233,912                    | 27,169                     | 60,032   | 321,113             |
| 6,245  | -   | -                          | -                          | -  | 24,855              |
| 238  | 2   | -                          | -                          | 15   | 567                 |
| -  | 100                                       | -                          | -                          | -  | 197                 |
| <u>6,483</u>   | <u>102</u>                                | <u>233,912</u>             | <u>27,169</u>              | <u>60,047</u>                                  | <u>591,166</u>      |
| -  | -   | -                          | 162,911                    | 30,681   | 197,677             |
| -  | -   | -                          | -                          | -  | 17,127              |
| -  | -   | 1,540                      | -                          | -  | 1,540               |
| -  | 5,745                                     | -                          | -                          | -  | 27,665              |
| -  | -   | 58,159                     | -                          | 86,552   | 144,711             |
| -  | -   | 34,200                     | -                          | -  | 34,200              |
| -  | -   | 2,933                      | -                          | -  | 2,933               |
| -  | <u>5,745</u>                              | <u>96,832</u>              | <u>162,911</u>             | <u>117,233</u>                                 | <u>425,853</u>      |
| 6,483  | (5,643)                                   | 137,080                    | (135,742)                  | (57,186)                                       | 165,313             |
| -  | 5,722                                     | -                          | -                          | -  | 5,722               |
| -  | -   | -                          | -                          | -  | (220,743)           |
| -  | <u>5,722</u>                              | -                          | -                          | -  | <u>(215,021)</u>    |
| 6,483  | 79  | 137,080                    | (135,742)                  | (57,186)                                       | (49,708)            |
| <u>49,717</u>  | <u>515</u>                                | <u>(393,240)</u>           | <u>-</u>                   | <u>9</u>                                       | <u>(222,898)</u>    |
| <u>\$ 56,200</u>                                     | <u>\$ 594</u>                             | <u>\$ (256,160)</u>        | <u>\$ (135,742)</u>        | <u>\$ (57,177)</u>                             | <u>\$ (272,606)</u> |

## CAPITAL PROJECT FUNDS

The City maintains ten 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, the 2019 Tax Notes Fund the 2020 Tax Notes Fund, and the FM 1301 Project 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 2019 Bond Construction Fund, the 2019 Tax Notes Fund, the 2020 Tax Notes Fund, and the FM 1301 Project 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.

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

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

**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, 2021

---

|  | <u>Capital<br/>Improvement</u> | <u>2011 Bond<br/>Construction</u> | <u>2013 Bond<br/>Construction</u> | <u>2015 Bond<br/>Construction</u> |
|--|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>                              |                                |                                   |                                   |                                   |
| Current assets                             |                                |                                   |                                   |                                   |
| Cash and cash equivalents                  | \$ 345,431                     | \$ 1,185,427                      | \$ 8,148                          | \$ 142,242                        |
| Due from other funds                       | -                              | 257,756                           | -                                 | -                                 |
| <b>Total assets</b>                        | <u>\$ 345,431</u>              | <u>\$ 1,443,183</u>               | <u>\$ 8,148</u>                   | <u>\$ 142,242</u>                 |
| <b>LIABILITIES</b>                         |                                |                                   |                                   |                                   |
| Accounts payable                           | \$ 126,086                     | \$ 1,000                          | \$ -                              | \$ -                              |
| Due to other funds                         | -                              | -                                 | 176,171                           | -                                 |
| <b>Total liabilities</b>                   | <u>126,086</u>                 | <u>1,000</u>                      | <u>176,171</u>                    | <u>-</u>                          |
| <b>FUND BALANCES</b>                       |                                |                                   |                                   |                                   |
| Restricted                                 |                                |                                   |                                   |                                   |
| Various capital projects                   | -                              | 1,442,183                         | -                                 | 142,242                           |
| Committed                                  |                                |                                   |                                   |                                   |
| Various capital projects                   | 219,345                        | -                                 | -                                 | -                                 |
| Unassigned                                 | -                              | -                                 | (168,023)                         | -                                 |
| <b>Total fund balances</b>                 | <u>219,345</u>                 | <u>1,442,183</u>                  | <u>(168,023)</u>                  | <u>142,242</u>                    |
| <b>Total liabilities and fund balances</b> | <u>\$ 345,431</u>              | <u>\$ 1,443,183</u>               | <u>\$ 8,148</u>                   | <u>\$ 142,242</u>                 |

---

| Qualified<br>Energy Cons.<br>Bonds | 2017 Tax<br>Notes | Total               |
|------------------------------------|-------------------|---------------------|
| \$ 811,416                         | \$ 324,029        | \$ 2,816,693        |
| <u>737</u>                         | <u>-</u>          | <u>258,493</u>      |
| <u>\$ 812,153</u>                  | <u>\$ 324,029</u> | <u>\$ 3,075,186</u> |
| \$ 83,741                          | \$ -              | \$ 210,827          |
| <u>639,970</u>                     | <u>241,402</u>    | <u>1,057,543</u>    |
| <u>723,711</u>                     | <u>241,402</u>    | <u>1,268,370</u>    |
| 88,442                             | 82,627            | 1,755,494           |
| -                                  | -                 | 219,345             |
| <u>-</u>                           | <u>-</u>          | <u>(168,023)</u>    |
| <u>88,442</u>                      | <u>82,627</u>     | <u>1,806,816</u>    |
| <u>\$ 812,153</u>                  | <u>\$ 324,029</u> | <u>\$ 3,075,186</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, 2021

---

|  | <u>Capital<br/>Improvement</u> | <u>2011 Bond<br/>Construction</u> | <u>2013 Bond<br/>Construction</u> | <u>2015 Bond<br/>Construction</u> |
|--|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>REVENUES</b>                                      |                                |                                   |                                   |                                   |
| Intergovernmental                                    | \$ -                           | \$ -                              | \$ -                              | \$ -                              |
| Investment income                                    | <u>2,186</u>                   | <u>7,320</u>                      | <u>29</u>                         | <u>647</u>                        |
| <b>Total revenues</b>                                | <u>2,186</u>                   | <u>7,320</u>                      | <u>29</u>                         | <u>647</u>                        |
| <b>EXPENDITURES</b>                                  |                                |                                   |                                   |                                   |
| Current  |                                |                                   |                                   |                                   |
| Public works   | 581                            | 555,884                           | -                                 | -                                 |
| Capital outlay                                       | <u>550,914</u>                 | <u>-</u>                          | <u>-</u>                          | <u>-</u>                          |
| <b>Total expenditures</b>                            | <u>551,495</u>                 | <u>555,884</u>                    | <u>-</u>                          | <u>-</u>                          |
| Excess (deficiency) of revenues<br>over expenditures | (549,309)                      | (548,564)                         | 29                                | 647                               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                                |                                   |                                   |                                   |
| Transfers in   | <u>100,000</u>                 | <u>-</u>                          | <u>-</u>                          | <u>-</u>                          |
| <b>Total other financing sources (uses)</b>          | <u>100,000</u>                 | <u>-</u>                          | <u>-</u>                          | <u>-</u>                          |
| Net change in fund balances                          | (449,309)                      | (548,564)                         | 29                                | 647                               |
| Fund balances at beginning of year                   | <u>668,654</u>                 | <u>1,990,747</u>                  | <u>(168,052)</u>                  | <u>141,595</u>                    |
| <b>Fund balances at end of year</b>                  | <u>\$ 219,345</u>              | <u>\$ 1,442,183</u>               | <u>\$ (168,023)</u>               | <u>\$ 142,242</u>                 |

---

| Qualified<br>Energy Cons.<br>Bonds | 2017 Tax<br>Notes | Total               |
|------------------------------------|-------------------|---------------------|
| \$ -                               | \$ 140,216        | \$ 140,216          |
| <u>-</u>                           | <u>515</u>        | <u>10,697</u>       |
| <u>-</u>                           | <u>140,731</u>    | <u>150,913</u>      |
| -                                  | -                 | 556,465             |
| <u>-</u>                           | <u>-</u>          | <u>550,914</u>      |
| <u>-</u>                           | <u>-</u>          | <u>1,107,379</u>    |
| -                                  | 140,731           | (956,466)           |
| <u>-</u>                           | <u>-</u>          | <u>100,000</u>      |
| <u>-</u>                           | <u>-</u>          | <u>100,000</u>      |
| -                                  | 140,731           | (856,466)           |
| <u>88,442</u>                      | <u>(58,104)</u>   | <u>2,663,282</u>    |
| <u>\$ 88,442</u>                   | <u>\$ 82,627</u>  | <u>\$ 1,806,816</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, 2021

With comparative totals for the year ended September 30, 2020

|                           | 2021             |                  | Variance               | 2020             |
|---------------------------|------------------|------------------|------------------------|------------------|
|                           | Final<br>Budget  | Actual           | Positive<br>(Negative) | Actual           |
| <b>REVENUES</b>           |                  |                  |                        |                  |
| Taxes                     |                  |                  |                        |                  |
| Ad valorem                | \$ 509,000       | \$ 518,248       | \$ 9,248               | \$ 616,834       |
| Sales                     | 1,687,000        | 1,756,635        | 69,635                 | 1,520,302        |
| Franchise                 | 1,072,907        | 1,112,917        | 40,010                 | 1,062,395        |
| Licenses and permits      | 164,507          | 195,539          | 31,032                 | 193,142          |
| Intergovernmental         | 1,006,250        | 998,994          | (7,256)                | 649,204          |
| Charges for services      | 10,000           | 17,903           | 7,903                  | 4,776            |
| Fines and forfeitures     | 194,750          | 192,264          | (2,486)                | 252,901          |
| Investment income         | 20,000           | 12,431           | (7,569)                | 28,481           |
| Industrial district fee   | 1,700,000        | 1,702,079        | 2,079                  | 2,138,336        |
| Miscellaneous             | 27,000           | 10,611           | (16,389)               | 25,233           |
| <b>Total revenues</b>     | <b>6,391,414</b> | <b>6,517,621</b> | <b>126,207</b>         | <b>6,491,604</b> |
| <b>EXPENDITURES</b>       |                  |                  |                        |                  |
| <b>Current</b>            |                  |                  |                        |                  |
| <b>General government</b> |                  |                  |                        |                  |
| Mayor and council         | 19,900           | 17,130           | 2,770                  | 19,404           |
| City manager              | 295,366          | 292,201          | 3,165                  | 322,669          |
| City secretary            | 166,012          | 159,130          | 6,882                  | 122,154          |
| Legal and professional    | 54,500           | 48,423           | 6,077                  | 53,941           |
| Finance                   | 321,202          | 309,803          | 11,399                 | 300,660          |
| Municipal court           | 175,290          | 169,510          | 5,780                  | 160,264          |
| Central services          | 144,300          | 139,308          | 4,992                  | 164,870          |
| Grants                    | 655,513          | 743,996          | (88,483)               | 227,607          |
| Total general government  | 1,832,083        | 1,879,501        | (47,418)               | 1,371,569        |
| <b>Public safety</b>      |                  |                  |                        |                  |
| Police                    | 2,291,405        | 2,260,382        | 31,023                 | 2,344,453        |
| Fire                      | 424,396          | 404,206          | 20,190                 | 399,466          |
| Code enforcement          | 304,699          | 293,236          | 11,463                 | 265,410          |
| Emergency management      | 128,180          | 123,450          | 4,730                  | 104,596          |
| Animal control            | 69,199           | 65,405           | 3,794                  | 66,842           |
| Communications            | 589,000          | 579,779          | 9,221                  | 536,735          |
| Total public safety       | 3,806,879        | 3,726,458        | 80,421                 | 3,717,502        |
| <b>Public works</b>       |                  |                  |                        |                  |
| Streets and drainage      | 943,128          | 928,234          | 14,894                 | 879,112          |
| Garage                    | 130,561          | 121,524          | 9,037                  | 138,890          |
| Facilities maintenance    | 234,244          | 214,557          | 19,687                 | 249,413          |
| Total public works        | 1,307,933        | 1,264,315        | 43,618                 | 1,267,415        |

(continued)



**CITY OF WHARTON TEXAS***MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2021**With comparative totals for the year ended September 30, 2020*

|  | 2021            |              | Variance<br>Positive<br>(Negative) | 2020         |
|--|-----------------|--------------|------------------------------------|--------------|
|  | Final<br>Budget | Actual       |                                    | Actual       |
| <b>EXPENDITURES - (Continued)</b>                    |                 |              |                                    |              |
| <b>Current - (continued)</b>                         |                 |              |                                    |              |
| <b>Cultural and recreation</b>                       |                 |              |                                    |              |
| Recreation   | \$ 49,660       | \$ 48,392    | \$ 1,268                           | \$ 41,351    |
| Community pool                                       | 55,410          | 47,125       | 8,285                              | 9,634        |
| Total cultural and recreation                        | 105,070         | 95,517       | 9,553                              | 50,985       |
| <b>Capital outlay</b>                                | 350,000         | 334,257      | 15,743                             | 355,524      |
| <b>Total expenditures</b>                            | 7,401,965       | 7,300,048    | 101,917                            | 6,762,995    |
| Excess (deficiency) of revenues<br>over expenditures | (1,010,551)     | (782,427)    | 228,124                            | (271,391)    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                 |              |                                    |              |
| Sale of capital assets                               | 35,000          | 22,128       | (12,872)                           | -            |
| Transfers in   | 975,851         | 975,851      | -                                  | 970,257      |
| Transfers out  | (300)           | (200)        | 100                                | (350,000)    |
| <b>Total other financing sources (uses)</b>          | 1,010,551       | 997,779      | (12,772)                           | 620,257      |
| Net change in fund balance                           | \$ -            | 215,352      | \$ 215,352                         | 348,866      |
| Fund balance at beginning of year                    |                 | 2,709,899    |                                    | 2,361,033    |
| <b>Fund balance at end of year</b>                   |                 | \$ 2,925,251 |                                    | \$ 2,709,899 |

(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, 2021  
 With comparative totals for the year ended September 30, 2020

|   | 2021              |                   |                              | 2020              |
|---|-------------------|-------------------|------------------------------|-------------------|
|   | Final Budget      | Actual            | Variance Positive (Negative) | Actual            |
| <b>REVENUES</b>                                   |                   |                   |                              |                   |
| Ad valorem taxes                                  | \$ 1,596,028      | \$ 1,773,195      | \$ 177,167                   | \$ 1,618,647      |
| Investment income                                 | 10,000            | 3,373             | (6,627)                      | 12,251            |
| <b>Total revenues</b>                             | <u>1,606,028</u>  | <u>1,776,568</u>  | <u>170,540</u>               | <u>1,630,898</u>  |
| <b>EXPENDITURES</b>                               |                   |                   |                              |                   |
| Debt service                                      |                   |                   |                              |                   |
| Principal retirement                              | 1,171,028         | 1,476,829         | (305,801)                    | 1,093,959         |
| Interest and fiscal charges                       | 403,000           | 450,285           | (47,285)                     | 439,057           |
| <b>Total expenditures</b>                         | <u>1,574,028</u>  | <u>1,927,114</u>  | <u>(353,086)</u>             | <u>1,533,016</u>  |
| Excess (deficiency) of revenues over expenditures | 32,000            | (150,546)         | (182,546)                    | 97,882            |
| <b>OTHER FINANCING SOURCES (USES)</b>             | <u>-</u>          | <u>-</u>          | <u>-</u>                     | <u>-</u>          |
| Net change in fund balance                        | 32,000            | (150,546)         | (182,546)                    | 97,882            |
| Fund balance at beginning of year                 | <u>614,579</u>    | <u>614,579</u>    | <u>-</u>                     | <u>516,697</u>    |
| <b>Fund balance at end of year</b>                | <u>\$ 646,579</u> | <u>\$ 464,033</u> | <u>\$ (182,546)</u>          | <u>\$ 614,579</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> |
|--|-------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....   | 103         |
| <b>Revenue Capacity</b><br>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.....   | 114         |
| <b>Debt Capacity</b><br>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 .....   | 125         |
| <b>Demographic and Economic Information</b><br>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 ..... | 131         |
| <b>Operating Information</b><br>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 .....                        | 133         |

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

|  | Fiscal Year          |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2012                 | 2013                 | 2014                 | 2015                 |
| Governmental activities                          |                      |                      |                      |                      |
| Net investment in capital assets                 | \$ 6,145,777         | \$ 5,399,629         | \$ 5,203,356         | \$ 5,276,256         |
| Restricted                                       | 506,706              | 555,253              | 491,100              | 540,953              |
| Unrestricted                                     | <u>1,557,755</u>     | <u>1,578,613</u>     | <u>1,713,091</u>     | <u>1,328,869</u>     |
| Total governmental activities net position       | <u>\$ 8,210,238</u>  | <u>\$ 7,533,495</u>  | <u>\$ 7,407,547</u>  | <u>\$ 7,146,078</u>  |
| Business-type activities                         |                      |                      |                      |                      |
| Net investment in capital assets                 | \$ 13,128,337        | \$ 13,568,618        | \$ 13,575,582        | \$ 13,273,028        |
| Unrestricted                                     | <u>533,059</u>       | <u>759,682</u>       | <u>725,541</u>       | <u>1,277,183</u>     |
| Total business-type activities net position      | <u>\$ 13,661,396</u> | <u>\$ 14,328,300</u> | <u>\$ 14,301,123</u> | <u>\$ 14,550,211</u> |
| Primary government                               |                      |                      |                      |                      |
| Net investment in capital assets                 | \$ 19,274,114        | \$ 18,968,247        | \$ 18,778,938        | \$ 18,549,284        |
| Restricted                                       | 506,706              | 555,253              | 491,100              | 540,953              |
| Unrestricted                                     | <u>2,090,814</u>     | <u>2,338,295</u>     | <u>2,438,632</u>     | <u>2,606,052</u>     |
| Total primary government activities net position | <u>\$ 21,871,634</u> | <u>\$ 21,861,795</u> | <u>\$ 21,708,670</u> | <u>\$ 21,696,289</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          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 |
| \$ 5,049,412         | \$ 5,849,449         | \$ 6,021,228         | \$ 5,346,151         | \$ 8,616,589         | \$ 10,035,006        |
| 560,730              | 626,562              | 577,404              | 692,423              | 767,053              | 601,106              |
| <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>2,896,638</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> | <u>\$ 13,532,750</u> |
| <br>                 |                      |                      |                      |                      |                      |
| \$ 14,570,164        | \$ 15,009,120        | \$ 14,992,726        | \$ 15,399,868        | \$ 14,956,280        | \$ 14,674,540        |
| (350,995)            | (965,105)            | (1,081,334)          | (1,539,598)          | (482,778)            | 1,191,961            |
| <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> | <u>\$ 15,866,501</u> |
| <br>                 |                      |                      |                      |                      |                      |
| \$ 19,619,576        | \$ 20,858,569        | \$ 21,013,954        | \$ 20,746,019        | \$ 23,572,869        | \$ 24,709,546        |
| 560,730              | 626,562              | 577,404              | 692,423              | 767,053              | 601,106              |
| <u>1,169,172</u>     | <u>171,000</u>       | <u>293,192</u>       | <u>496,555</u>       | <u>553,560</u>       | <u>4,088,599</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> | <u>\$ 29,399,251</u> |

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

|   | <u>2012</u>      | <u>2013</u>         | <u>2014</u>         | <u>2015</u>      |
|---|------------------|---------------------|---------------------|------------------|
| <b>Governmental activities</b>                              |                  |                     |                     |                  |
| Expenses  |                  |                     |                     |                  |
| General government  | \$ 976,628       | \$ 926,431          | \$ 902,639          | \$ 956,481       |
| Public safety   | 3,265,404        | 3,430,366           | 3,686,833           | 3,560,086        |
| Public works  | 1,416,172        | 1,576,819           | 1,856,576           | 1,830,354        |
| Culture and recreation                                      | 215,656          | 215,061             | 209,509             | 216,496          |
| Interest on long-term debt                                  | 381,827          | 388,653             | 542,435             | 410,719          |
| Total expenses  | <u>6,255,687</u> | <u>6,537,330</u>    | <u>7,197,992</u>    | <u>6,974,136</u> |
| Program revenues  |                  |                     |                     |                  |
| Charges for services  |                  |                     |                     |                  |
| General government  | 299,099          | 317,267             | 331,367             | 359,180          |
| Public safety   | 5,647            | 42,882              | 399                 | 900              |
| Culture and recreation                                      | 8,616            | 10,941              | 5,745               | 8,995            |
| Operating grants and contributions                          | 15,631           | 2,238               | 99,327              | 125,634          |
| Capital grants and contributions                            | 423,264          | 50,000              | 547,318             | 250,000          |
| Total program revenues                                      | <u>752,257</u>   | <u>423,328</u>      | <u>984,156</u>      | <u>744,709</u>   |
| Total governmental activities net program expense           | (5,503,430)      | (6,114,002)         | (6,213,836)         | (6,229,427)      |
| General revenues and other changes in net position          |                  |                     |                     |                  |
| Taxes   |                  |                     |                     |                  |
| Property taxes  | 1,962,365        | 1,926,421           | 1,906,728           | 1,906,722        |
| Sales taxes   | 1,313,677        | 1,274,114           | 1,252,647           | 1,295,561        |
| Franchise taxes   | 973,486          | 1,047,976           | 1,052,147           | 1,077,112        |
| Other taxes   | 190,162          | 196,669             | 181,243             | 217,309          |
| Unrestricted investment earnings                            | 8,999            | 8,052               | 13,075              | 10,942           |
| Industrial district payment                                 | 504,314          | 922,448             | 905,337             | 877,318          |
| Miscellaneous   | 95,580           | 70,872              | 162,529             | 59,034           |
| Transfers   | 504,673          | 437,439             | 614,162             | 788,246          |
| Total general revenues and other changes in net position    | <u>5,553,256</u> | <u>5,883,991</u>    | <u>6,087,868</u>    | <u>6,232,244</u> |
| <b>Total governmental activities change in net position</b> | <u>\$ 49,826</u> | <u>\$ (230,011)</u> | <u>\$ (125,968)</u> | <u>\$ 2,817</u>  |



|    | <u>2016</u>      | <u>2017</u>      | <u>2018</u>      | <u>2019</u>      | <u>2020</u>      | <u>2021</u>      |
|----|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ | 1,033,645        | \$ 1,538,531     | \$ 1,883,507     | \$ 1,673,997     | \$ 1,370,729     | \$ 2,091,202     |
|    | 3,732,614        | 3,999,508        | 3,926,999        | 4,106,591        | 3,964,243        | 3,897,625        |
|    | 1,925,823        | 1,877,799        | 1,716,963        | 2,283,018        | 2,316,110        | 2,575,512        |
|    | 247,724          | 260,815          | 281,150          | 309,231          | 169,331          | 174,013          |
|    | 437,013          | 391,646          | 416,720          | 552,115          | 364,595          | 699,387          |
|    | <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> | <u>9,437,739</u> |
|    | 390,566          | 457,165          | 453,443          | 417,544          | 476,150          | 426,176          |
|    | 6,040            | 12,633           | 5,493            | 14,332           | 21,943           | 4,065            |
|    | 8,877            | 7,661            | 8,481            | 11,468           | 245              | 100              |
|    | 159,932          | 606,537          | 886,952          | 694,606          | 959,479          | 1,048,426        |
|    | 497,778          | 887,238          | 402,609          | 248,862          | 384,221          | 3,248,651        |
|    | <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> | <u>4,727,418</u> |
|    | (6,313,626)      | (6,097,065)      | (6,468,361)      | (7,538,140)      | (6,342,970)      | (4,710,321)      |
|    | 1,929,445        | 1,905,008        | 1,920,441        | 1,927,053        | 2,211,395        | 2,233,757        |
|    | 1,391,868        | 1,283,407        | 1,416,116        | 1,527,344        | 1,520,302        | 1,756,635        |
|    | 1,101,070        | 1,122,792        | 1,107,947        | 1,052,182        | 1,062,395        | 1,112,917        |
|    | 252,562          | 279,726          | 376,852          | 229,048          | 193,718          | 244,434          |
|    | 15,218           | 20,409           | 26,188           | 69,070           | 128,767          | 80,049           |
|    | 830,603          | 1,059,353        | 1,276,673        | 1,882,084        | 2,138,336        | 1,702,079        |
|    | 76,199           | 104,429          | 139,594          | 88,945           | 58,171           | 81,357           |
|    | 700,892          | 803,748          | 728,312          | 863,983          | 942,268          | 802,471          |
|    | <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> | <u>8,013,699</u> |
| \$ | <u>(15,769)</u>  | <u>481,807</u>   | <u>523,762</u>   | <u>101,569</u>   | <u>1,912,382</u> | <u>3,303,378</u> |

(continued)

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

|  | <u>2012</u>       | <u>2013</u>       | <u>2014</u>         | <u>2015</u>       |
|--|-------------------|-------------------|---------------------|-------------------|
| <b>Business-type activities</b>                              |                   |                   |                     |                   |
| Expenses   |                   |                   |                     |                   |
| Water and sewer  | \$ 2,214,274      | \$ 2,377,966      | \$ 2,656,570        | \$ 2,561,784      |
| Solid waste  | 1,250,313         | 1,300,929         | 1,289,653           | 1,343,826         |
| Emergency medical services                                   | 1,243,579         | 1,395,931         | 1,669,455           | 1,771,503         |
| Civic center   | 216,926           | 200,266           | 225,854             | 234,636           |
| Airport  | <u>258,427</u>    | <u>262,912</u>    | <u>268,944</u>      | <u>267,542</u>    |
| Total expenses   | <u>5,183,519</u>  | <u>5,538,004</u>  | <u>6,110,476</u>    | <u>6,179,291</u>  |
| Program revenues   |                   |                   |                     |                   |
| Charges for services   |                   |                   |                     |                   |
| Water and sewer  | 2,840,140         | 2,999,959         | 3,140,678           | 3,219,570         |
| Solid waste  | 1,299,841         | 1,338,967         | 1,345,910           | 1,379,460         |
| Emergency medical services                                   | 801,108           | 840,708           | 833,862             | 963,612           |
| Civic center   | 59,474            | 55,344            | 82,269              | 74,102            |
| Airport  | 182,194           | 177,845           | 173,920             | 171,931           |
| Operating grants and contributions                           | 764,282           | 775,650           | 898,511             | 847,681           |
| Capital grants and contributions                             | <u>604,906</u>    | <u>451,639</u>    | <u>219,868</u>      | <u>628,072</u>    |
| Total program revenues                                       | <u>6,551,945</u>  | <u>6,640,112</u>  | <u>6,695,018</u>    | <u>7,284,428</u>  |
| Total business-type activities net program expense           | 1,368,426         | 1,102,108         | 584,542             | 1,105,137         |
| General revenues and other changes in net position           |                   |                   |                     |                   |
| Unrestricted investment earnings                             | 1,675             | 2,235             | 2,463               | 2,451             |
| Miscellaneous  | 16,600            | -                 | -                   | -                 |
| Transfers  | <u>(504,673)</u>  | <u>(437,439)</u>  | <u>(614,182)</u>    | <u>(788,246)</u>  |
| Total general revenues and other changes in net position     | <u>(486,398)</u>  | <u>(435,204)</u>  | <u>(611,719)</u>    | <u>(785,795)</u>  |
| <b>Total business-type activities change in net position</b> | <u>\$ 882,028</u> | <u>\$ 666,904</u> | <u>\$ (27,177)</u>  | <u>\$ 319,342</u> |
| <b>Total primary government change in net position</b>       | <u>\$ 931,854</u> | <u>\$ 436,893</u> | <u>\$ (153,145)</u> | <u>\$ 322,159</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>2016</u>      | <u>2017</u>      | <u>2018</u>      | <u>2019</u>      | <u>2020</u>      | <u>2021</u>      |
|----|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ | 2,886,182        | \$ 2,989,213     | \$ 3,239,252     | \$ 3,154,572     | \$ 2,925,024     | \$ 3,154,855     |
|    | 1,332,985        | 1,498,067        | 1,445,264        | 1,494,216        | 1,566,383        | 1,570,331        |
|    | 2,067,077        | 2,260,933        | 2,313,208        | 2,216,326        | 2,236,471        | 2,146,602        |
|    | 285,146          | 263,521          | 268,924          | 314,049          | 269,692          | 279,505          |
|    | 296,475          | 319,099          | 350,530          | 352,242          | 336,682          | 328,225          |
|    | <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> | <u>7,479,518</u> |
|    | 3,585,465        | 3,742,104        | 4,048,367        | 4,126,572        | 4,444,064        | 5,099,320        |
|    | 1,401,478        | 1,475,518        | 1,465,834        | 1,476,178        | 1,469,441        | 1,544,429        |
|    | 825,885          | 774,356          | 827,044          | 802,705          | 773,425          | 790,523          |
|    | 76,282           | 84,736           | 91,518           | 115,076          | 45,524           | 59,820           |
|    | 211,211          | 210,464          | 225,944          | 215,112          | 248,440          | 219,235          |
|    | 1,036,169        | 1,451,379        | 1,584,219        | 1,506,827        | 1,893,693        | 1,824,512        |
|    | 99,446           | 216,716          | 75,000           | 91,924           | -                | 116,283          |
|    | <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> | <u>9,654,122</u> |
|    | 368,071          | 624,440          | 700,748          | 802,989          | 1,540,335        | 2,174,604        |
|    | 1,779            | 4,154            | 7,189            | 9,872            | 15,165           | 6,066            |
|    | -                | -                | -                | -                | -                | 14,800           |
|    | <u>(700,892)</u> | <u>(803,748)</u> | <u>(728,312)</u> | <u>(863,983)</u> | <u>(942,268)</u> | <u>(802,471)</u> |
|    | <u>(699,113)</u> | <u>(799,594)</u> | <u>(721,123)</u> | <u>(854,111)</u> | <u>(927,103)</u> | <u>(781,605)</u> |
| \$ | <u>(331,042)</u> | <u>(175,154)</u> | <u>(20,375)</u>  | <u>(51,122)</u>  | <u>613,232</u>   | <u>1,392,999</u> |
| \$ | <u>(346,811)</u> | <u>306,653</u>   | <u>503,387</u>   | <u>50,447</u>    | <u>2,525,614</u> | <u>4,696,377</u> |

(concluded)

**CITY OF WHARTON, TEXAS**

*FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

|                                    | Fiscal Year         |                     |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | 2012                | 2013                | 2014                | 2015                |
| General Fund                       |                     |                     |                     |                     |
| Nonspendable                       |                     |                     |                     |                     |
| Prepaid items                      | \$ 21,109           | \$ 19,499           | \$ 26,809           | \$ 7,847            |
| Inventory                          | -                   | -                   | -                   | -                   |
| Long-term interfund advances       | 500,000             | 350,000             | 325,000             | 430,000             |
| Unassigned                         | <u>1,041,539</u>    | <u>1,257,474</u>    | <u>1,366,287</u>    | <u>1,289,786</u>    |
| Total general fund                 | <u>\$ 1,562,648</u> | <u>\$ 1,626,973</u> | <u>\$ 1,718,096</u> | <u>\$ 1,727,633</u> |
| All Other Governmental Funds       |                     |                     |                     |                     |
| Restricted                         |                     |                     |                     |                     |
| Retirement of long-term debt       | \$ 415,415          | \$ 419,775          | \$ 436,098          | \$ 468,843          |
| Arts and tourism                   | 84,922              | 69,706              | 76,610              | 75,716              |
| Municipal court                    | 13,215              | 17,787              | 21,373              | 26,463              |
| Public safety                      | 22,709              | 69,537              | 12,660              | 19,841              |
| Various capital projects           | 3,712,559           | 3,062,743           | 3,100,671           | 3,036,452           |
| Committed                          |                     |                     |                     |                     |
| Various capital projects           | -                   | 6,137               | 65,686              | 18,886              |
| Unassigned                         | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>(141,516)</u>    |
| Total all other governmental funds | <u>\$ 4,248,820</u> | <u>\$ 3,645,685</u> | <u>\$ 3,713,098</u> | <u>\$ 3,504,685</u> |

(1) Modified accrual basis of accounting

| Fiscal Year         |                     |                     |                     |                     |                      |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| 2016                | 2017                | 2018                | 2019                | 2020                | 2021                 |
| \$ 11,767           | \$ 15,648           | \$ 29,107           | \$ 14,163           | \$ 1,541            | \$ 387               |
| -                   | -                   | -                   | -                   | 7,341               | 10,509               |
| 430,000             | 430,000             | 430,000             | 430,000             | 430,000             | 330,000              |
| <u>1,320,205</u>    | <u>1,251,623</u>    | <u>1,460,523</u>    | <u>1,916,870</u>    | <u>2,271,017</u>    | <u>2,584,355</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> | <u>\$ 2,925,251</u>  |
| <br>                |                     |                     |                     |                     |                      |
| \$ 426,192          | \$ 440,904          | \$ 383,852          | \$ 516,697          | \$ 614,579          | \$ 464,033           |
| 85,835              | 123,710             | 118,783             | 67,807              | 74,897              | 76,846               |
| 33,954              | 33,046              | 40,614              | 46,749              | 50,545              | 64,160               |
| 42,700              | 49,346              | 59,818              | 107,443             | 44,900              | 35,467               |
| 2,703,475           | 2,446,906           | 2,999,354           | 4,227,477           | 2,612,817           | 17,755,362           |
| 23,987              | 123,601             | -                   | 475,749             | 668,654             | 219,345              |
| <u>-</u>            | <u>(667,035)</u>    | <u>(416,566)</u>    | <u>(178,162)</u>    | <u>(2,214,847)</u>  | <u>(1,703,818)</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> | <u>\$ 16,911,395</u> |

**CITY OF WHARTON, TEXAS**

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

*Last ten fiscal years*

|  | Fiscal Year         |                     |                   |                     |
|--|---------------------|---------------------|-------------------|---------------------|
|  | 2012                | 2013                | 2014              | 2015                |
| <b>Revenues</b>  |                     |                     |                   |                     |
| Taxes  | \$ 4,484,457        | \$ 4,490,924        | \$ 4,438,356      | \$ 4,556,387        |
| Licenses and permits   | 67,112              | 98,609              | 106,913           | 78,284              |
| Intergovernmental  | 438,895             | 52,238              | 534,532           | 368,740             |
| Charges for services   | 9,866               | 12,888              | 5,745             | 13,965              |
| Fines and forfeitures  | 229,258             | 223,811             | 216,090           | 254,392             |
| Investment income  | 8,999               | 8,052               | 13,075            | 10,942              |
| Industrial district payment                                    | 504,314             | 922,448             | 905,337           | 877,318             |
| Miscellaneous  | 47,695              | 57,932              | 165,450           | 30,626              |
| <b>Total revenues</b>  | <u>5,790,596</u>    | <u>5,866,902</u>    | <u>6,385,498</u>  | <u>6,190,654</u>    |
| <b>Expenditures</b>  |                     |                     |                   |                     |
| <b>Current</b>   |                     |                     |                   |                     |
| General government   | 1,030,106           | 880,776             | 853,986           | 915,778             |
| Public safety  | 2,960,242           | 3,140,019           | 3,365,083         | 3,263,634           |
| Public works   | 1,059,999           | 1,041,924           | 1,468,361         | 1,348,961           |
| Culture and recreation   | 154,649             | 154,054             | 148,503           | 145,207             |
| Capital outlay   | 1,021,435           | 788,817             | 2,126,657         | 992,335             |
| <b>Debt service</b>  |                     |                     |                   |                     |
| Principal retirement   | 511,147             | 504,666             | 635,139           | 629,592             |
| Interest and fiscal charges                                    | 390,180             | 401,535             | 369,490           | 415,373             |
| Bond issuance costs  | -                   | -                   | 144,026           | 12,145              |
| <b>Total expenditures</b>                                      | <u>7,127,758</u>    | <u>6,911,791</u>    | <u>9,111,245</u>  | <u>7,723,025</u>    |
| <b>Excess (deficiency) of revenues over expenditures</b>       | (1,337,162)         | (1,044,889)         | (2,725,747)       | (1,532,371)         |
| <b>Other financing sources (uses)</b>                          |                     |                     |                   |                     |
| Debt issued  | 120,000             | -                   | 4,988,000         | 545,249             |
| Premium on issuance of bonds                                   | -                   | -                   | 210,350           | -                   |
| Payment to escrow  | -                   | -                   | (3,048,579)       | -                   |
| Sale of capital assets   | 26,349              | 22,707              | 59,109            | -                   |
| Transfers in   | 707,117             | 668,700             | 832,403           | 1,135,081           |
| Transfers out  | (115,256)           | (185,328)           | (157,000)         | (346,835)           |
| <b>Total other financing sources (uses)</b>                    | <u>738,210</u>      | <u>506,079</u>      | <u>2,884,283</u>  | <u>1,333,495</u>    |
| <b>Change in fund balances</b>                                 | <u>\$ (598,952)</u> | <u>\$ (538,810)</u> | <u>\$ 158,536</u> | <u>\$ (198,876)</u> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <u>14.76%</u>       | <u>14.69%</u>       | <u>14.29%</u>     | <u>15.39%</u>       |

(1) Modified accrual basis of accounting

| Fiscal Year         |                     |                   |                     |                       |                      |
|---------------------|---------------------|-------------------|---------------------|-----------------------|----------------------|
| 2016                | 2017                | 2018              | 2019                | 2020                  | 2021                 |
| \$ 4,669,025        | \$ 4,630,579        | \$ 4,861,097      | \$ 4,779,888        | \$ 5,011,896          | \$ 5,405,429         |
| 72,173              | 107,737             | 119,824           | 142,304             | 193,142               | 195,539              |
| 657,505             | 1,018,415           | 1,537,236         | 1,171,153           | 935,692               | 4,457,519            |
| 14,671              | 7,736               | 14,841            | 16,744              | 4,776                 | 17,903               |
| 303,077             | 335,266             | 326,769           | 258,884             | 270,232               | 217,119              |
| 15,218              | 20,409              | 26,188            | 69,070              | 128,767               | 80,049               |
| 830,603             | 1,059,353           | 1,276,673         | 1,882,084           | 2,138,336             | 1,702,079            |
| 27,512              | 62,125              | 126,461           | 61,148              | 53,162                | 10,808               |
| <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>      | <u>12,086,445</u>    |
| 980,663             | 1,452,868           | 1,846,867         | 1,497,409           | 1,376,659             | 2,081,311            |
| 3,380,267           | 3,548,522           | 3,585,001         | 3,673,300           | 3,722,089             | 3,743,585            |
| 1,459,995           | 1,269,851           | 1,156,208         | 1,169,600           | 1,747,706             | 2,027,654            |
| 173,288             | 185,054             | 203,807           | 232,049             | 129,357               | 123,182              |
| 1,301,302           | 1,537,300           | 857,068           | 1,210,587           | 4,217,282             | 6,576,269            |
| 672,323             | 737,577             | 880,490           | 1,238,778           | 1,127,209             | 1,511,029            |
| 413,034             | 409,857             | 400,536           | 327,829             | 440,874               | 453,218              |
| 34,897              | -                   | 33,929            | 233,921             | -                     | 282,753              |
| <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>     | <u>16,799,001</u>    |
| (1,825,985)         | (1,899,409)         | (674,817)         | (1,202,198)         | (4,025,173)           | (4,712,556)          |
| 911,692             | 237,211             | 829,600           | 7,154,050           | -                     | 19,105,000           |
| 36,798              | -                   | -                 | 631,325             | -                     | -                    |
| -                   | -                   | -                 | (4,927,852)         | -                     | -                    |
| 22,400              | 28,084              | 22,261            | -                   | -                     | 22,128               |
| 869,616             | 977,147             | 1,022,212         | 1,827,716           | 1,422,757             | 1,081,573            |
| (168,724)           | (173,399)           | (293,900)         | (963,733)           | (460,933)             | (220,943)            |
| <u>1,671,782</u>    | <u>1,069,043</u>    | <u>1,580,173</u>  | <u>3,721,506</u>    | <u>961,824</u>        | <u>19,987,758</u>    |
| \$ <u>(154,203)</u> | \$ <u>(830,366)</u> | \$ <u>905,356</u> | \$ <u>2,519,308</u> | \$ <u>(3,063,349)</u> | \$ <u>15,275,202</u> |
| <u>15.26%</u>       | <u>14.84%</u>       | <u>15.63%</u>     | <u>17.40%</u>       | <u>18.44%</u>         | <u>19.11%</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> |
|--------------------|-------------------|-----------------------------|--------------|------------------|--------------------|--------------|
| 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    |
| 2021               | 2,239,613         | 51,830                      | 1,756,635    | 1,112,917        | 244,434            | 5,405,429    |

(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:<br>Tax Exempt<br>Real Property | Total Taxable<br>Assessed<br>Value<br>Before Freeze |
|-------------|----------|-------------------------|-----------------------------|----------------------|---------------|---------------|--------------------------------------|---|
|             |          | Residential<br>Property | Non-Residential<br>Property | Personal<br>Property |               |               |                                      |   |
| 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                          |   |
| 2021        | 2020     | 225,097,256             | 339,478,970                 | 111,600,388          | 16,753,063    | 152,846,892   | 540,082,785                          |   |

(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> |
|-----------------------------|--------------------------------|------------------------------|--|-----------------------|---|---|
| \$ (58,087,097)             | \$ 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%   |
| (81,190,677)                | 458,892,108                    | 0.43726                      | 2,006,552  | 268,337               | 2,274,889   | 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)<br>Wharton County | Groundwater District | Total     |
| 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    |
| 2021        | 0.3410            | 0.0962       | 0.4373   | 1.2865            | 0.1368         | 0.0500        | 0.4587                | 0.0080               | 1.9400    |

(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*

| 2021                               |                            |   |
|------------------------------------|----------------------------|---|
| Taxpayer                           | Taxable Assessed Valuation | Percentage of Total City Taxable Assessed Valuation |
| Nan Ya Plastics Corp. USA          | \$ 32,712,204              | 6.06%   |
| JM Eagle                           | 30,502,820                 | 5.65%   |
| Buc-ee's                           | 8,156,954                  | 1.51%   |
| Wal-Mart Stores Texas LP           | 7,200,000                  | 1.33%   |
| Centerpoint Energy Houston         | 5,955,110                  | 1.10%   |
| CSV SNF Texas LLC                  | 4,900,000                  | 0.91%   |
| Kansas City Southern Railway       | 4,707,320                  | 0.87%   |
| Wal-Mart Property Tax Dept.        | 4,483,310                  | 0.83%   |
| Reddy Prtnshp- Pkaire & Cypress WD | 4,418,568                  | 0.82%   |
| Reliq Gulf Coast LLC               | 4,342,556                  | 0.80%   |
|                                    | <u>\$ 107,378,842</u>      | <u>19.88%</u>                                       |

| 2012                             |                            |   |
|----------------------------------|----------------------------|---|
| Taxpayer                         | Taxable Assessed Valuation | Percentage of Total City Taxable Assessed Valuation |
| Nan Ya Plastics Corp. USA        | \$ 27,888,680              | 6.76%   |
| J-M Manufacturing Company, Inc.  | 24,345,080                 | 5.90%   |
| Signature Gulf Coast Hospital LP | 16,606,094                 | 4.03%   |
| Wal-Mart Stores Texas LP         | 6,387,427                  | 1.55%   |
| Wal-Mart Property Tax Dept       | 5,589,401                  | 1.35%   |
| Wharton RP LTD                   | 5,074,136                  | 1.23%   |
| Centerpoint Energy Houston       | 4,280,940                  | 1.04%   |
| Buc-ee's                         | 4,209,967                  | 1.02%   |
| M-I LLC                          | 3,607,550                  | 0.87%   |
| HEB Food Store                   | 3,041,797                  | 0.74%   |
|                                  | <u>\$ 101,031,072</u>      | <u>24.49%</u>                                       |

SOURCE: Wharton County Central Appraisal District

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

| <u>Fiscal Year</u> | <u>Taxes Levied for the Fiscal Year (Original Levy)</u> | <u>Adjustments</u> | <u>Total Adjusted Levy</u> | <u>Collections within the Fiscal Year of the Levy</u> |                           |
|--------------------|---|--------------------|----------------------------|---|---------------------------|
|                    |   |                    |                            | <u>Amount</u>   | <u>Percentage of Levy</u> |
| 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%                    |
| 2021               | 2,358,923   | (42,768)           | 2,316,155                  | 2,239,528   | 96.69%                    |

---

| Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|---------------------------------------|---------------------------|-----------------------|
|                                       | Amount                    | Percentage<br>of Levy |
| \$ 54,601                             | \$ 1,955,870              | 97.03%                |
| 27,434                                | 1,922,091                 | 99.98%                |
| 31,840                                | 1,901,639                 | 99.21%                |
| 28,200                                | 1,896,197                 | 98.30%                |
| 91,185                                | 1,961,035                 | 99.99%                |
| 38,378                                | 1,901,572                 | 98.84%                |
| 30,220                                | 1,907,229                 | 97.94%                |
| 23,931                                | 1,912,559                 | 97.19%                |
| 19,615                                | 2,186,441                 | 95.72%                |
| -                                     | 2,239,528                 | 96.69%                |

**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> |
|--------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------------|
| 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                          |
| 2021               | 485,797,000                      | 337,965,300                      | 147,831,700                      | 30%                             | 437,148,000                          |

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    |
| 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       |
| 25.91             | 5.09       | 27.83     | 5.29       |



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

|                                 | Fiscal Year |          |          |          |
|---------------------------------|-------------|----------|----------|----------|
|                                 | 2012        | 2013     | 2014     | 2015     |
| Water Rates (per 2,000 gallons) |             |          |          |          |
| Base Rate                       | \$ 12.97    | \$ 13.62 | \$ 14.71 | \$ 15.16 |
| Water usage rate                |             |          |          |          |
| 2,000-4,000                     | 2.45        | 2.57     | 2.78     | 2.87     |
| 4,000-7,000                     | 2.54        | 2.67     | 2.88     | 2.97     |
| 7,000-11,000                    | 2.65        | 2.78     | 3.00     | 3.09     |
| 11,000-15,000                   | 2.81        | 2.95     | 3.19     | 3.29     |
| 15,000-50,000                   | 2.98        | 3.13     | 3.38     | 3.49     |
| 50,000-100,000                  | 3.09        | 3.24     | 3.50     | 3.61     |
| 100,000-150,000                 | 3.31        | 3.48     | 3.76     | 3.88     |
| >150,000                        | 3.53        | 3.71     | 4.00     | 4.12     |
| Sewer Rates (per 2,000 gallons) |             |          |          |          |
| Base Rate                       | 13.94       | 14.64    | 15.81    | 16.29    |
| Sewer usage rate                |             |          |          |          |
| 2,000-4,000                     | 2.15        | 2.26     | 2.44     | 2.52     |
| 4,000-7,000                     | 2.65        | 2.78     | 3.00     | 3.09     |
| 7,000-11,000                    | 2.92        | 3.07     | 3.32     | 3.42     |
| 11,000-15,000                   | 3.15        | 3.31     | 3.57     | 3.68     |
| 15,000-50,000                   | 3.41        | 3.58     | 3.87     | 3.99     |
| 50,000-100,000                  | 3.70        | 3.89     | 4.20     | 4.33     |
| 100,000-150,000                 | 3.92        | 4.12     | 4.45     | 4.59     |
| >150,000                        | 4.20        | 4.41     | 4.76     | 4.91     |

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 |          |          |          |          |          |
|-------------|----------|----------|----------|----------|----------|
| 2016        | 2017     | 2018     | 2019     | 2020     | 2021     |
| \$ 16.68    | \$ 18.35 | \$ 19.82 | \$ 21.41 | \$ 23.55 | \$ 25.91 |
| 3.16        | 3.48     | 3.76     | 4.06     | 4.47     | 4.92     |
| 3.27        | 3.60     | 3.89     | 4.21     | 4.63     | 5.09     |
| 3.40        | 3.74     | 4.04     | 4.37     | 4.81     | 5.29     |
| 3.62        | 3.98     | 4.30     | 4.65     | 5.12     | 5.63     |
| 3.84        | 4.22     | 4.56     | 4.93     | 5.42     | 5.96     |
| 3.98        | 4.38     | 4.73     | 5.11     | 5.62     | 6.18     |
| 4.27        | 4.70     | 5.08     | 5.49     | 6.04     | 6.64     |
| 4.54        | 4.99     | 5.39     | 5.83     | 6.41     | 7.05     |
| 17.92       | 19.71    | 21.29    | 23.00    | 25.30    | 27.83    |
| 2.78        | 3.06     | 3.31     | 3.58     | 3.93     | 4.32     |
| 3.40        | 3.74     | 4.04     | 4.37     | 4.81     | 5.29     |
| 3.77        | 4.15     | 4.49     | 4.85     | 5.34     | 5.87     |
| 4.05        | 4.46     | 4.82     | 5.21     | 5.73     | 6.30     |
| 4.39        | 4.83     | 5.22     | 5.64     | 6.20     | 6.93     |
| 4.77        | 5.25     | 5.67     | 6.13     | 6.74     | 7.41     |
| 5.05        | 5.56     | 6.01     | 6.49     | 7.14     | 7.85     |
| 5.41        | 5.95     | 6.43     | 6.95     | 7.65     | 8.42     |

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

| 2021                      |                          |   |  |
|---------------------------|--------------------------|---|--|
| <u>Customer</u>           | <u>Type of Business</u>  | <u>12-Month<br/>Water<br/>Consumption</u> | <u>Percent<br/>of Total<br/>Billed</u> |
| Nan Ya Plastics Corp. USA | Manufacturing            | 26,831,000                                | 7.94%                                  |
| Briar Pointe LTD          | Apartment Complex        | 10,900,000                                | 3.23%                                  |
| JM Eagle                  | Manufacturing            | 7,460,000                                 | 2.21%                                  |
| Oak Bend Medical          | Hospital                 | 6,616,000                                 | 1.96%                                  |
| Colorado Bend Power Plant | Power Plant              | 6,026,000                                 | 1.78%                                  |
| Buc-ee's                  | Retail                   | 5,610,000                                 | 1.66%                                  |
| Wharton Vahalla Nursing   | Skilled Nursing Facility | 4,424,000                                 | 1.31%                                  |
| Wharton ISD               | Education                | 4,176,000                                 | 1.24%                                  |
| The Meadow Associate      | Apartment Complex        | 4,152,000                                 | 1.23%                                  |
| Interurban Millcreek      | Apartment Complex        | 4,074,000                                 | 1.21%                                  |

| 2012                          |                          |   |  |
|-------------------------------|--------------------------|---|--|
| <u>Customer</u>               | <u>Type of Business</u>  | <u>12-Month<br/>Water<br/>Consumption</u> | <u>Percent<br/>of Total<br/>Billed</u> |
| Nan Ya Plastics Corp. USA     | Manufacturing            | 30,280,300                                | 7.31%                                  |
| Briar Pointe LTD              | Apartment Complex        | 18,710,800                                | 4.52%                                  |
| Millcreek Apartments          | Apartment Complex        | 10,547,400                                | 2.55%                                  |
| Wharton ISD                   | Education                | 8,464,600                                 | 2.04%                                  |
| Wharton County Junior College | Education                | 6,774,600                                 | 1.64%                                  |
| JM Eagle                      | Manufacturing            | 5,999,400                                 | 1.45%                                  |
| The Meadow Associate          | Apartment Complex        | 5,684,700                                 | 1.37%                                  |
| Buc-ee's                      | Retail                   | 5,358,800                                 | 1.29%                                  |
| Gulf Coast Medical Center     | Hospital                 | 5,265,700                                 | 1.27%                                  |
| Soutwest LTC                  | Skilled Nursing Facility | 5,098,400                                 | 1.23%                                  |

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    |                          |                        |                                 |                                     |                         | Business-type Activities   |
|-------------|----------------------------|--------------------------|------------------------|---------------------------------|-------------------------------------|-------------------------|----------------------------|
|             | Certificates of Obligation | General Obligation Bonds | Tax Anticipation Notes | Direct-Borrowing Capital Leases | Qualified Energy Conservation Bonds | Plus: Issuance Premiums | Certificates of Obligation |
| 2012        | \$ 9,357,006               | \$ 350,782               | \$ 515,000             | \$ 182,580                      | \$ -                                | \$ 109,879              | \$ 2,927,994               |
| 2013        | 9,190,181                  | 240,782                  | 345,000                | 124,739                         | -                                   | 102,639                 | 2,744,819                  |
| 2014        | 8,130,275                  | 3,017,032                | 175,000                | -                               | -                                   | 292,312                 | 4,979,725                  |
| 2015        | 7,863,400                  | 2,848,632                | -                      | 78,945                          | 447,945                             | 271,636                 | 4,726,600                  |
| 2016        | 8,440,842                  | 2,555,482                | -                      | 60,200                          | 421,767                             | 285,714                 | 6,274,158                  |
| 2017        | 8,049,128                  | 2,254,282                | -                      | 278,004                         | 396,511                             | 262,993                 | 5,905,872                  |
| 2018        | 7,654,976                  | 1,949,682                | 737,800                | 213,704                         | 370,873                             | 240,273                 | 5,525,024                  |
| 2019        | 3,482,226                  | 6,085,537                | 2,177,200              | -                               | 344,847                             | 764,058                 | 5,652,774                  |
| 2020        | 3,311,838                  | 5,479,137                | 1,853,200              | -                               | 318,426                             | 692,007                 | 5,373,162                  |
| 2021        | 18,135,952                 | 4,848,215                | 5,280,800              | -                               | 291,605                             | 621,731                 | 5,084,048                  |

NOTE: Beginning in fiscal year 2022, the City will receive one-half of annual debt service up to \$345,785 related to the Series 2021 Certificates of Obligation from the Wharton Economic Development Corporation as a result of the formation of an interlocal agreement. Total contribution will be \$9,573,477.

Business-type Activities

| <u>General<br/>Obligation<br/>Bonds</u> | <u>Revenue<br/>Bonds</u> | <u>Tax<br/>Anticipation<br/>Notes</u> | <u>Direct-<br/>Borrowing<br/>Capital<br/>Leases</u> | <u>Qualified<br/>Energy<br/>Conservation<br/>Bonds</u> | <u>Plus:<br/>Issuance<br/>Premiums</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Percentage<br/>of Personal<br/>Income</u> | <u>Per<br/>Capita</u> |
|---|--------------------------|---------------------------------------|---|--|--|---|--|-----------------------|
| \$1,659,218                             | \$ -                     | \$ -                                  | \$ 32,973   | \$ -   | \$ 98,874                              | \$15,234,306                            | 4.9%   | \$1,725               |
| 1,454,218                               | -                        | -                                     | -   | -  | 89,282                                 | 14,291,660                              | 4.3%   | 1,618                 |
| 1,832,968                               | -                        | -                                     | -   | -  | 211,266                                | 18,638,578                              | 5.3%   | 2,110                 |
| 1,646,368                               | -                        | -                                     | 36,219  | 1,149,396  | 194,121                                | 19,263,262                              | 6.0%   | 2,225                 |
| 1,434,518                               | -                        | -                                     | 27,621  | 1,081,322  | 270,559                                | 20,852,183                              | 6.2%   | 2,390                 |
| 1,210,718                               | -                        | -                                     | 145,824   | 1,016,573  | 247,908                                | 19,767,813                              | 5.6%   | 2,250                 |
| 975,318                                 | -                        | 347,200                               | 112,917   | 950,843  | 225,257                                | 19,303,867                              | 5.4%   | 2,201                 |
| 1,914,463                               | -                        | 292,800                               | -   | 884,115  | 418,494                                | 22,016,514                              | 6.1%   | 2,511                 |
| 1,580,863                               | -                        | 236,800                               | -   | 816,378  | 380,829                                | 20,042,640                              | 5.1%   | 2,286                 |
| 1,236,785                               | 534,000                  | 179,200                               | -   | 747,614  | 348,999                                | 37,308,949                              | 8.9%   | 4,325                 |

**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>  |
|--------------------|-----------------------------------|---------------------------------|-------------------------------------|--------------------------------|---------------|
| 2012               | \$ 12,285,000                     | \$ 2,010,000                    | \$ -                                | \$ 208,753                     | \$ 14,503,753 |
| 2013               | 11,935,000                        | 1,695,000                       | -                                   | 191,921                        | 13,821,921    |
| 2014               | 13,110,000                        | 4,850,000                       | -                                   | 503,578                        | 18,463,578    |
| 2015               | 12,590,000                        | 4,495,000                       | 1,597,341                           | 465,757                        | 17,550,757    |
| 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    |
| 2021               | 23,220,000                        | 6,085,000                       | 1,039,219                           | 970,730                        | 31,314,949    |

(1) This is the amount restricted for debt service principal payments.

NOTE: Beginning in fiscal year 2022, the City will receive one-half of annual debt service up to \$345,785 related to the Series 2021 Certificates of Obligation from the Wharton Economic Development Corporation as a result of the formation of an interlocal agreement. Total contribution will be \$9,573,477.

---

| <u>Less: Debt<br/>Service<br/>Monies<br/>Available (1)</u> | <u>Net<br/>Bonded<br/>Debt</u> | <u>Percentage of<br/>Actual Taxable<br/>Value of<br/>Property</u> | <u>Per<br/>Capita</u> |
|--|--------------------------------|---|-----------------------|
| \$ 385,860   | \$ 14,117,893                  | 3.42%   | \$ 1,598              |
| 398,223  | 13,423,698                     | 3.07%   | 1,520                 |
| 380,457  | 18,083,121                     | 4.11%   | 2,047                 |
| 418,933  | 17,131,824                     | 3.82%   | 1,978                 |
| 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                 |
| 464,033  | 31,384,916                     | 5.81%   | 3,638                 |

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

September 30, 2021

---

|  | <u>Gross Debt Outstanding</u> |                       | <u>Percentage<br/>Applicable<br/>to City</u> | <u>Amount<br/>Applicable<br/>to City</u> |
|--|-------------------------------|-----------------------|--|--|
|  | <u>Date</u>                   | <u>Amount</u>         |  |  |
| Direct Debt:                           |                               |                       |  |  |
| City of Wharton                        | 9/30/2021                     | <u>\$ 29,178,303</u>  | 100.00%                                      | <u>\$ 29,178,303</u>                     |
| Overlapping Debt:                      |                               |                       |  |  |
| Wharton County                         | 9/30/2021                     | -                     | 0.00%  | -  |
| Wharton Independent<br>School District | 9/30/2021                     | <u>72,390,000</u>     | 43.96%                                       | <u>31,822,644</u>                        |
| Total Overlapping Debt                 |                               | <u>72,390,000</u>     |  | <u>31,822,644</u>                        |
| Total                                  |                               | <u>\$ 101,568,303</u> |  | <u>\$ 61,000,947</u>                     |

NOTES: 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.

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> |
|--------------------|----------------------|----------------------------------|------------------------------|--|----------------------------|
| 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                       |
| 2021               | 5,115,634            | 2,751,617                        | 2,364,017                    | 879,166                                  | 2.69                       |

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*

---

| <u>Fiscal Year</u> | <u>(1)<br/>Population</u> | <u>Personal Income</u> | <u>(2)<br/>Per Capita Personal Income</u> | <u>(3)<br/>School Enrollment</u> | <u>(4)<br/>Unemployment Rate</u> |
|--------------------|---------------------------|------------------------|---|----------------------------------|----------------------------------|
| 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%                             |
| 2021               | 8,627                     | 417,408,768            | 48,384                                    | 1,907                            | 4.9%                             |

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*

| 2021                            |              |   |
|---------------------------------|--------------|---|
| Employer                        | Employees    | Percentage<br>of Total City<br>Employment |
| Wharton ISD                     | 358          | 1.76%                                     |
| Wharton County                  | 243          | 1.20%                                     |
| Nan Ya Plastics Corp. USA       | 219          | 1.08%                                     |
| Wharton County Junior College   | 216          | 1.06%                                     |
| Wharton County Foods            | 203          | 1.00%                                     |
| Wal-Mart Stores Texas LP        | 192          | 0.95%                                     |
| J-M Manufacturing Company, Inc. | 160          | 0.79%                                     |
| HEB Food Store                  | 150          | 0.74%                                     |
| City of Wharton                 | 134          | 0.66%                                     |
| Buc-ee's                        | 100          | 0.49%                                     |
|                                 | <u>1,975</u> | <u>9.73%</u>                              |

| 2012                            |              |   |
|---------------------------------|--------------|---|
| Employer                        | Employees    | Percentage<br>of Total City<br>Employment |
| 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%                                     |
| Maxim Production Company        | 240          | 1.26%                                     |
| 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%                                     |
|                                 | <u>2,411</u> | <u>12.66%</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 |              |              |              |
|------------------------|-------------|--------------|--------------|--------------|
|                        | 2012        | 2013         | 2014         | 2015         |
| 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         | 2.5          | 2.5          | 2.5          |
| Municipal court        | 2.0         | 2.0          | 2.5          | 2.5          |
| Central services       | 0.5         | 0.5          | 0.5          | 0.8          |
| Public safety          |             |              |              |              |
| Police                 | 25.0        | 25.0         | 25.0         | 25.0         |
| Fire                   | 2.0         | 2.0          | 2.0          | 2.0          |
| Code enforcement       | 3.0         | 3.5          | 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        | 10.2         | 9.0          | 9.0          |
| Garage                 | 1.0         | 2.0          | 2.0          | 2.0          |
| Facilities maintenance | 4.0         | 4.0          | 4.0          | 4.0          |
| Water/wastewater       |             |              |              |              |
| City planning          | -           | -            | -            | 1.3          |
| Administration         | 1.5         | 2.0          | 2.0          | 2.0          |
| Water operations       | 8.5         | 8.5          | 9.5          | 9.5          |
| Sewer operations       | 4.0         | 4.5          | 2.5          | 2.5          |
| Beautification         | 1.0         | 1.0          | 1.0          | 1.0          |
| EMS                    | 14.0        | 14.0         | 20.0         | 19.0         |
| Civic Center           | 2.5         | 2.8          | 2.8          | 2.8          |
| Airport                | 1.5         | 1.5          | 1.5          | 1.5          |
| <b>Total</b>           | <b>98.0</b> | <b>100.0</b> | <b>104.3</b> | <b>104.9</b> |

| Fiscal Year  |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>2016</u>  | <u>2017</u>  | <u>2018</u>  | <u>2019</u>  | <u>2020</u>  | <u>2021</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          | 3.0          | 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         | 26.0         | 26.0         |
| 2.0          | 2.0          | 2.0          | 2.0          | 2.0          | 3.0          |
| 4.0          | 4.0          | 4.0          | 4.0          | 3.5          | 3.5          |
| 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          |
| 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          |
| 9.0          | 9.0          | 9.0          | 9.0          | 10.0         | 10.0         |
| 9.5          | 9.0          | 9.5          | 9.5          | 9.5          | 10.5         |
| 2.0          | 2.0          | 2.0          | 1.5          | 1.5          | 1.5          |
| 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 3.0          |
| 0.3          | 1.0          | 1.0          | 2.0          | 2.0          | 2.0          |
| 2.0          | 2.0          | 2.0          | 2.5          | 2.5          | 2.5          |
| 10.5         | 9.5          | 10.5         | 10.0         | 10.0         | 9.0          |
| 2.5          | 2.5          | 2.5          | 3.5          | 3.5          | 2.5          |
| 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          |
| 18.0         | 19.0         | 20.0         | 20.0         | 20.0         | 20.0         |
| 2.3          | 2.8          | 2.8          | 2.8          | 2.8          | 2.8          |
| 1.5          | 1.5          | 1.5          | 1.5          | 1.5          | 1.5          |
| <u>104.3</u> | <u>105.6</u> | <u>108.1</u> | <u>109.6</u> | <u>111.1</u> | <u>110.1</u> |

**CITY OF WHARTON, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

| Function/Program               | Fiscal Year |         |         |         |
|--------------------------------|-------------|---------|---------|---------|
|                                | 2012        | 2013    | 2014    | 2015    |
| General government             |             |         |         |         |
| Building permits issued        | 351         | 706     | 415     | 666     |
| Building inspections conducted | 1,286       | 1,663   | 1,318   | 861     |
| Public safety                  |             |         |         |         |
| Police                         |             |         |         |         |
| Physical arrests               | 1,281       | 1,399   | 1,112   | 1,347   |
| Traffic violations             | 2,494       | 3,295   | 4,677   | 6,701   |
| Fire                           |             |         |         |         |
| Fire calls                     | 530         | 559     | 549     | 551     |
| Public works                   |             |         |         |         |
| Streets (miles)                | 97          | 97      | 97      | 97      |
| Culture and recreation         |             |         |         |         |
| Parks and recreation           |             |         |         |         |
| Park rental                    | 25          | 40      | 62      | 29      |
| Community center rentals       | 221         | 217     | 245     | 267     |
| Swimming pool                  |             |         |         |         |
| Single admissions              | 1,445       | 1,449   | 1,584   | 1,778   |
| Season passes                  | 22          | 23      | 12      | 7       |
| Aerobics                       | 40          | 20      | 24      | 26      |
| Swim lessons                   | 45          | 54      | 45      | 52      |
| Party rentals                  | 7           | 2       | 2       | 1       |
| Water and wastewater           |             |         |         |         |
| Water                          |             |         |         |         |
| New connections/taps           | 2           | 4       | 5       | 10      |
| Average daily consumption      | 1.1mgd      | 1.3mgd  | 1.0mgd  | 1.1mgd  |
| Peak daily consumption         | 2.2mgd      | 2.3mgd  | 2.0mgd  | 2.1mgd  |
| Wastewater                     |             |         |         |         |
| Average daily sewage treatment | .88 mgd     | .88 mgd | .76 mgd | .87 mgd |
| EMS                            |             |         |         |         |
| Ambulance loads                | 3,364       | 3,253   | 3,326   | 3,770   |

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

Culture and recreation activity increased in FY21 due to re-opening of facilities after COVID-19.

| Fiscal Year |         |         |          |          |          |  |
|-------------|---------|---------|----------|----------|----------|--|
| 2016        | 2017    | 2018    | 2019     | 2020     | 2021     |  |
| 701         | 799     | 479     | 364      | 1,155    | 1,163    |  |
| 746         | 1,264   | 1,538   | 1,210    | 1,284    | 1,414    |  |
| 2,047       | 1,095   | 868     | 922      | 833      | 672      |  |
| 8,748       | 8,677   | 6,826   | 6,504    | 2,432    | 1,653    |  |
| 539         | 600     | 438     | 457      | 445      | 397      |  |
| 97          | 97      | 97      | 97       | 97       | 97       |  |
| 41          | 18      | 25      | 45       | 15       | 32       |  |
| 352         | 388     | 351     | 337      | 130      | 224      |  |
| 1,980       | 1,364   | 1,422   | 1,602    | -        | 2,313    |  |
| 6           | 3       | 5       | 5        | -        | 8        |  |
| 18          | 24      | 21      | 27       | -        | 64       |  |
| 15          | 35      | 20      | 30       | -        | -        |  |
| 1           | 3       | 6       | 7        | -        | 7        |  |
| 8           | -       | -       | -        | 12       | 8        |  |
| 1.0mgd      | 1.6 mgd | 1.2 mgd | 1.1 mgd  | 1.2 mgd  | 1.2 mgd  |  |
| 2.0mgd      | 1.7 mgd | 1.6 mgd | 1.49 mgd | 1.41 mgd | 1.57 mgd |  |
| .91 mgd     | 1 mgd   | .97 mgd | 1.02 mgd | .92 mgd  | 1.20 mgd |  |
| 3,545       | 3,490   | 3,248   | 3,244    | 3,211    | 3,410    |  |

**CITY OF WHARTON, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

| Function/Program           | Fiscal Year |        |        |        |
|----------------------------|-------------|--------|--------|--------|
|                            | 2012        | 2013   | 2014   | 2015   |
| 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               | 858         | 858    | 858    | 858    |
| Pedestrian crosswalks      | 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         | 481    | 481    | 482    |
| 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 |         |         |         |         |         |         |
|-------------|---------|---------|---------|---------|---------|---------|
| 2016        | 2017    | 2018    | 2019    | 2020    | 2021    |         |
| 1           | 1       | 1       | 1       | 1       | 1       | 1       |
| 9           | 9       | 9       | 9       | 9       | 10      | 10      |
| 1           | 1       | 1       | 1       | 1       | 1       | 1       |
| 97.0        | 97.0    | 97.0    | 97.0    | 97.0    | 97.0    | 97.0    |
| 858         | 858     | 858     | 858     | 887     | 902     | 902     |
| 8           | 8       | 8       | 8       | 8       | 8       | 8       |
| 92          | 92      | 92      | 92      | 92      | 92      | 92      |
| 11          | 11      | 11      | 11      | 11      | 11      | 11      |
| 5           | 5       | 5       | 5       | 5       | 5       | 5       |
| 1           | 1       | 1       | 1       | 1       | 1       | 1       |
| 1           | 1       | 1       | 1       | 1       | 1       | 1       |
| 80.5        | 80.5    | 80.5    | 80.5    | 80.5    | 80.5    | 80.5    |
| 482         | 482     | 482     | 482     | 482     | 482     | 482     |
| 3.5mgd      | 3.5 mgd | 3.5 mgd | 3.5 mgd | 3.5 mgd | 3.5 mgd | 3.5 mgd |
| 84          | 84      | 84      | 84      | 84      | 84      | 84      |
| 15          | 15      | 15      | 15      | 15      | 15      | 15      |
| 2.0mgd      | 2.0 mgd | 2.0 mgd | 2.0 mgd | 2.0 mgd | 2.0 mgd | 2.0 mgd |

**SINGLE AUDIT SECTION**



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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 9, 2022. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

May 9, 2022



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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

**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, 2021. 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, 2021.

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

May 9, 2022

**CITY OF WHARTON, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the year ended September 30, 2021*

---

| Federal Grantor/Pass-Through Grantor/Program Title                                  | Federal Assistance Listing No. | Other Award Number |
|---|--------------------------------|--------------------|
| <b>FEDERAL EXPENDITURES</b>   |                                |                    |
| <b>U. S. Department of Housing and Urban Development</b>                            |                                |                    |
| <i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i> |                                |                    |
| Community Development Block Grant   | 14.228                         | 7220499            |
| <i>Passed Through the Texas General Land Office</i>                                 |                                |                    |
| Community Development Block Grant   | 14.228                         | 19-076-050-B703    |
| Community Development Block Grant   | 14.228                         | 20-065-081-C234    |
| Community Development Block Grant   | 14.228                         | 20-065-005-C034    |
| <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                              |                                |                    |
| <b>U. S. Department of Transportation</b>   |                                |                    |
| <i>Passed Through the Texas Department of Transportation</i>                        |                                |                    |
| Airport Improvement Program   | 20.106                         | M2113WHRT          |
| State and Community Highway Safety  | 20.600                         | N/A                |
| National Priority Safety Program  | 20.616                         | N/A                |
| <i>Total for Highway Safety Cluster</i>   |                                |                    |
| Total U.S. Department of Transportation   |                                |                    |
| <b>U. S. Department of Agriculture</b>  |                                |                    |
| Water and Waste Disposal Systems for Rural Communities                              | 10.760                         | N/A                |
| Total U.S. Department of Agriculture  |                                |                    |
| <b>U. S. Department of Justice</b>  |                                |                    |
| <i>Passed Through the Office of the Governor</i>                                    |                                |                    |
| <i>Criminal Justice Division</i>  |                                |                    |
| Crime Victim Assistance   | 16.575                         | VA20-PY21          |
| Total U.S. Department of Justice  |                                |                    |
| <b>U. S. Department of Treasury</b>   |                                |                    |
| <i>Passed Through the Texas Division of Emergency Management</i>                    |                                |                    |
| Coronavirus Relief Fund   | 21.019                         | COVID-19           |
| Total U.S. Department of Treasury   |                                |                    |

| Expenditures             |                    |           | Passed through to Subrecipients | Name of Cluster (if applicable) | Note |
|--------------------------|--------------------|-----------|---------------------------------|---------------------------------|------|
| From Pass-Through Awards | From Direct Awards | Total     |                                 |                                 |      |
| \$ 41,283                | \$ -               | \$ 41,283 | \$ -                            |                                 |      |
| 431,480                  | -                  | 431,480   | -                               |                                 |      |
| 29,552                   | -                  | 29,552    | -                               |                                 |      |
| 30,480                   | -                  | 30,480    | -                               |                                 |      |
| 491,512                  | -                  | 491,512   | -                               |                                 |      |
| 246,203                  | -                  | 246,203   | -                               |                                 |      |
| 778,998                  | -                  | 778,998   | -                               |                                 |      |
| 45,121                   | -                  | 45,121    | -                               |                                 |      |
| 3,568                    | -                  | 3,568     | -                               | Highway Safety Cluster          |      |
| 263                      | -                  | 263       | -                               | Highway Safety Cluster          |      |
| 3,831                    | -                  | 3,831     | -                               |                                 |      |
| 48,952                   | -                  | 48,952    | -                               |                                 |      |
| 643,003                  | -                  | 643,003   | -                               |                                 | 4    |
| 643,003                  | -                  | 643,003   | -                               |                                 |      |
| 59,357                   | -                  | 59,357    | -                               |                                 |      |
| 59,357                   | -                  | 59,357    | -                               |                                 |      |
| 184,007                  | -                  | 184,007   | -                               |                                 |      |
| 184,007                  | -                  | 184,007   | -                               |                                 |      |

(continued)



**CITY OF WHARTON, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the year ended September 30, 2021*

---

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>        | <u>Federal Assistance Listing No.</u> | <u>Other Award Number</u> |
|--|---------------------------------------|---------------------------|
| <b>FEDERAL EXPENDITURES - (Continued)</b>                        |                                       |                           |
| <b>U. S. Department of Homeland Security</b>                     |                                       |                           |
| <i>Passed Through the Texas Division of Emergency Management</i> |                                       |                           |
| Hazard Mitigation Grant  | 97.039                                | DR-4332-0105              |
| Hazard Mitigation Grant  | 97.039                                | DR-4332-57                |
| Total U.S. Department of Homeland Security                       |                                       |                           |
| <b>TOTAL FEDERAL EXPENDITURES</b>                                |                                       |                           |

See accompanying notes to schedule of expenditures of federal awards.

| Expenditures                   |                          |                     | Passed<br>through to<br>Subrecipients | Name of Cluster<br>(if applicable) | Note |
|--------------------------------|--------------------------|---------------------|---------------------------------------|------------------------------------|------|
| From<br>Pass-Through<br>Awards | From<br>Direct<br>Awards | Total               |                                       |                                    |      |
| \$ 44,774                      | \$ -                     | \$ 44,774           | \$ -                                  |                                    |      |
| <u>162,910</u>                 | <u>-</u>                 | <u>162,910</u>      | <u>162,910</u>                        |                                    |      |
| <u>207,684</u>                 | <u>-</u>                 | <u>207,684</u>      | <u>162,910</u>                        |                                    |      |
| <u>207,684</u>                 | <u>-</u>                 | <u>207,684</u>      | <u>162,910</u>                        |                                    |      |
| <u>\$ 1,922,001</u>            | <u>\$ -</u>              | <u>\$ 1,922,001</u> | <u>\$ 162,910</u>                     |                                    |      |

(concluded)

**CITY OF WHARTON, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*For the year ended September 30, 2021*

---

**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, 2021 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.

**NOTE 4: WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES - CFDA 10.760**

Expenditures reported on the accompanying schedule of expenditures of federal awards that were incurred in a prior fiscal year total \$403,662.

**CITY OF WHARTON, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*For the year ended September 30, 2021*

**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>               |
|-----------------------|--|
| 10.760                | Water and Waste Disposal Systems for Rural Communities |
| 97.039                | Hazard Mitigation Grant                                |

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, 2021*

---

None were reported.