

CITY OF WHARTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2008

Joyce Vasut, CPA
Finance Director

Andres Garza, Jr.
City Manager

Issued By:
Finance Department

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INTRODUCTORY SECTION





City of Wharton

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

March 12, 2009

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

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of the City of Wharton, Texas, hereafter referred to as the "City", for the fiscal year ended September 30, 2008, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

The City's CAFR uses the "new financial reporting model" promulgated by the Government Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). The CAFR is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the certificate of achievement for excellence in financial reporting, the City's organizational chart, and a listing of the City's principal officials. The financial section includes the independent auditor's report, management's discussion and analysis, the basic financial statements (including notes), required supplementary information, and combining and individual fund statements and schedules for major and nonmajor funds. The statistical section provides selected historical financial and demographic information, generally presented on a multi-year basis. The single audit section includes auditor reports on internal control structure and compliance with applicable laws and regulations, and a schedule of expenditures of federal and state awards. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments.

Generally accepted accounting principles (GAAP) require 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 complement 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.

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

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

INTRODUCTION - (Continued)

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

ECONOMIC CONDITION AND OUTLOOK

The City is located fifty-five miles southwest of Houston on the edge of the Houston Statistical Metropolitan Service Area (SMSA) with a population of 9,237. 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 studied for conversion to an interstate highway that would link Mexico to Canada.

The industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing, both units of Formosa Plastics (USA), Inc. These plants, which employ over 300 people, are the largest taxpayer in the City, with combined assessed valuations of approximately \$65 million. They are also the largest purchaser of water, consuming approximately 38 million gallons a year.

In addition to the industrial base, the City has a major hospital and medical clinic which provide medical facilities to the Gulf Coast region. The hospital and medical clinic employ over 700 people. The hospital is a regional cancer center, providing medical and economic impact to the community and surrounding area.

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 three 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. The retail sector also continues to grow as confirmed by the increasing sales tax revenue.

MAJOR INITIATIVES

During the 2008 fiscal year, the City's most important initiative was to continue to provide drainage improvements and reduce flooding in the City. The City is moving forward with the construction of the Santa Fe drainage outfall channel project. Additionally, the City continues its efforts to reduce flooding in the City. The final report regarding the Wharton Interim Feasibility Study identifies potential flooding solutions from the Colorado River in the Wharton area. The City, in conjunction with the US Army Corps of Engineers and the federal elected officials, is securing funding on an annual basis for the Preconstruction Engineering and Design (PED) as well as the construction phase of the project. Through the Water Resources Development Act of 2007 (WRDA), congressional authorization was received for the project. The City must continue to make this project a priority and prepare for the future funding necessary to implement the identified solutions.

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

MAJOR INITIATIVES - (Continued)

As part of the City's flood reduction initiative, the City has submitted the 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 also helps protect property and people from potential flooding within the City.

Another major initiative of the City is improvements at the Wharton Regional Airport. A drainage improvement project is currently being implemented at the airport.

The City is also in the pre-design and engineering phase of the road extension project between FM 1301 and CR 235. TxDOT and the City are working together on this project and evaluating other options to ensure safety and access to the medical facilities once railroad operations through the City become operational.

During the 2008 fiscal year, the City completed many improvements throughout the City with funding from a variety of sources. These projects include completing:

- The improvements to the new Police Department and Municipal Court facility funded by the City.
- The infrastructure improvements to the Wharton Industrial Park funded by the United States Department of Agriculture and WEDC.
- The improvements to the sidewalks in the historical downtown area funded by the City and the County.
- The replacement of water and sanitary sewer lines in various locations throughout the City.

These initiatives, along with the efforts of 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 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 Honorable Mayor,
Members of the City Council, and
Citizens of the City of Wharton, Texas

FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL - (Continued)

The City maintains a General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Enterprise Funds. These funds are included in the annual appropriated budget and are reported in the attached audit document. Council approves the budget appropriations and any amendments at the department level within the budgeted funds. The department heads have discretion over line items within the departmental budget. Budgetary control is exercised generally by the Director of Finance and specifically at the department level by the department heads.

Cash Management

During the fiscal year, the City had a depository contract with Franklin Bank. This contract is in effect through September 30, 2009. Under this agreement, the City is not charged for bank services and deposits earn interest above the going bank rates. The City also invests reserve balances in TexPool as approved in the investment policy, which is in compliance with the Texas Public Funds Investment Act. The City's investment policy is based on maximizing yield while minimizing credit and market risk.

Risk Management

The City is exposed to a variety of risks including general liability, worker's compensation, automobile liability, and property damage. To reduce this risk exposure, the City has established a risk management strategy that attempts to minimize losses. The City participates in the Texas Municipal League Intergovernmental Risk Pool for worker's compensation, property, casualty, and liability coverage. The City also participates in the Texas Municipal League Intergovernmental Employee Benefits Pool for health insurance coverage for all full-time employees.

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 Council and Mayor, the public, investors, and other interested persons. The firm of Harrison, Waldrop & Uherek, L.L.P., Certified Public Accountants, was engaged by the City to satisfy this requirement.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2007. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

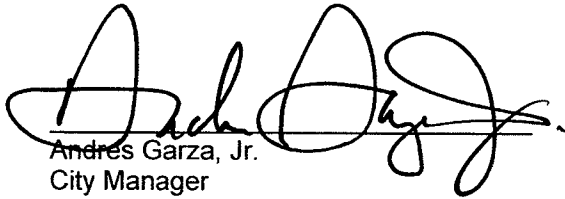
A Certificate of Achievement is valid for a period of one year only. The City of Wharton has received a Certificate of Achievement for the last seventeen consecutive years (fiscal years ended 1991 - 2007). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting the report to GFOA to determine its eligibility for an additional certificate.

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

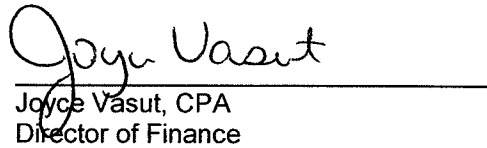
ACKNOWLEDGEMENT

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department of the City. We would also like to express our appreciation to the Mayor and the City Council Members for their interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully,



Andres Garza, Jr.
City Manager



Joyce Vasut
Joyce Vasut, CPA
Director of Finance



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wharton
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

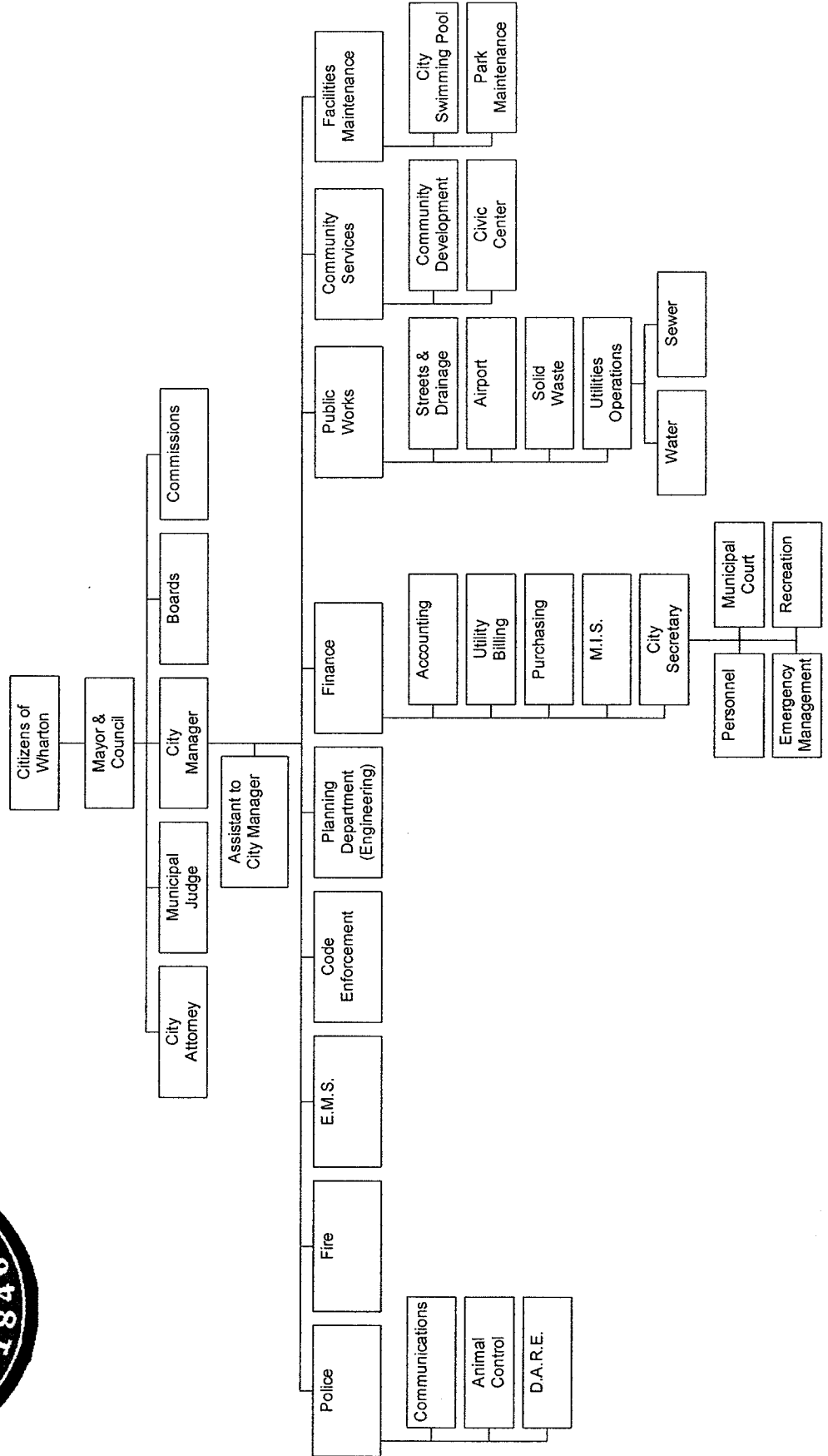


President

Executive Director



CITY OF WHARTON, TEXAS ORGANIZATION CHART



Elected Officials

Dr. David W. Samuelson	Mayor
V. L. Wiley, Jr.	Council Member District 1
Lewis Fortenberry, Jr.	Council Member District 2
Ken Freese	Council Member District 3
Donald Mueller	Council Member District 4
Domingo Montalvo, Jr.	Council Member At Large Place 5
Jeff Gubbels	Council Member At Large Place 6

Appointed Officials

Andres Garza, Jr.	City Manager
Paul Webb	City Attorney
Mary Garcia	Municipal Judge
Joyce Vasut, CPA	Finance Director

Department Heads

Lisa Olmeda	City Secretary
Tim Guin	Police Chief
Bobby Barnett	Fire Chief
Ronnie Bollom	Building Official
Carter Miska	Public Works Director
John Kowalik	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Jo Knezek	Community Services Director
Jim Cooper	Emergency Management Coordinator



FINANCIAL SECTION





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

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HAMILTON H. REDMON, CPA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 discretely presented component unit, and each major fund of the City as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 58 through 59, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2009, 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* and should be read in conjunction with this report in considering the results of our audit.

The Honorable Mayor and Members
of City Council

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 major and nonmajor fund financial statements and schedules, statistical data, and schedule of expenditures of federal awards (as required by the U.S. Office of Management and Budget Circular A-133, *Auditing of States, Local Governments, and Non-Profit Organizations*) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Harrison Waldrop + Wheeler, LLP.

March 12, 2009

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, 2008. 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 of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2008, by \$21,043,841. Of this amount, \$1,069,921 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2008, the City's governmental funds reported combined ending fund balances of \$2,068,567, a net decrease of \$919,477 in comparison with prior year. The net decrease in fund balance was mainly due to the decrease in the 2006 Bond Construction Fund fund balance in the amount of \$1,141,453.
- At September 30, 2008, unreserved fund balance for the General Fund was \$1,418,203 or 29.96% of total General Fund expenditures.
- The total cost of all City activities was \$11,552,263 for the fiscal year. The net expense was \$2,660,742.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$1,701,664. This represents a 23.63% increase in net assets from the previous fiscal year as a result of operations.

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 Auditor's Report

Provides the opinion of the Independent Auditor 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 3 to 13

Government-wide Financial Statements

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

Pages 14 to 17

Fund Financial Statements

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

Pages 18 to 29

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 30 to 57

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during fiscal year 2008. All changes in net assets 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.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

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.

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

The City adopts an annual appropriated budget for its General and Debt Service Funds and some of the Special Revenue 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 30 through 57 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. Required supplementary information can be found on pages 58 through 59 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 60 through 112 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,043,841 at the close of the fiscal year ended September 30, 2008.

At the end of fiscal year 2008, the City is able to report positive balances in all three categories of net assets for the government as a whole.

City of Wharton, Texas						
Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	Restated 2007	2008	Restated 2007
ASSETS						
Current assets	\$ 2,606,667	\$ 4,639,562	\$ 161,996	\$ 1,068,059	\$ 2,768,663	\$ 5,707,621
Capital assets (net)	12,549,164	9,292,511	16,892,603	16,187,627	29,441,767	25,480,138
Other noncurrent assets	117,375	83,977	20,383	30,471	137,758	114,448
Total assets	15,273,206	14,016,050	17,074,982	17,286,157	32,348,188	31,302,207
LIABILITIES						
Current and other liabilities	756,576	2,441,731	997,965	900,723	1,754,541	3,342,454
Noncurrent liabilities	5,612,624	4,371,977	3,937,182	4,704,571	9,549,806	9,076,548
Total liabilities	6,369,200	6,813,708	4,935,147	5,605,294	11,304,347	12,419,002
NET ASSETS						
Invested in capital assets, net of related debt	6,863,521	5,330,747	12,596,624	11,500,738	19,460,145	16,831,485
Restricted	513,775	613,877	-	-	513,775	613,877
Unrestricted	1,526,710	1,257,718	(456,789)	180,125	1,069,921	1,437,843
Total net assets	\$ 8,904,006	\$ 7,202,342	\$ 12,139,835	\$ 11,680,863	\$ 21,043,841	\$ 18,883,205

The largest portion of the City's net assets (92.47%) 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 assets of \$513,775 for debt service and for special projects. The remaining balance of \$1,069,921 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities increased the City's net assets by \$1,701,664. There was a net increase of \$458,972 in net assets reported in connection with the City's business-type activities. Therefore, there was an overall \$2,160,636 increase in the net assets of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Wharton, Texas

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	Restated	2008	Restated
				2007		2007
REVENUES						
Program revenues:						
Charges for services	\$ 332,174	\$ 423,398	\$ 4,933,998	\$ 4,803,960	\$ 5,266,172	\$ 5,227,358
Operating grants and contributions	729,601	526,724	243,467	255,649	973,068	782,373
Capital grants and contributions	1,899,894	824,211	752,387	534,432	2,652,281	1,358,643
General revenues:						
Property taxes	1,928,867	1,920,373	-	-	1,928,867	1,920,373
Sales taxes	1,240,084	1,319,795	-	-	1,240,084	1,319,795
Franchise taxes	1,047,982	918,589	-	-	1,047,982	918,589
Other taxes	199,153	175,474	-	-	199,153	175,474
Unrestricted investment earnings	65,870	174,312	14,936	21,204	80,806	195,516
Miscellaneous	324,486	76,942	-	-	324,486	76,942
Total revenues	7,768,111	6,359,818	5,944,788	5,615,245	13,712,899	11,975,063
EXPENSES						
General government	1,316,196	1,197,103	-	-	1,316,196	1,197,103
Public safety	2,825,817	2,653,594	-	-	2,825,817	2,653,594
Public works	1,817,233	1,300,791	-	-	1,817,233	1,300,791
Cultural and recreation	248,535	215,996	-	-	248,535	215,996
Interest on long-term debt	231,552	222,145	-	-	231,552	222,145
Water and sewer	-	-	2,162,499	2,067,083	2,162,499	2,067,083
Solid waste	-	-	1,175,700	1,242,914	1,175,700	1,242,914
Emergency medical services	-	-	1,300,504	1,339,596	1,300,504	1,339,596
Civic center	-	-	222,166	188,687	222,166	188,687
Airport	-	-	252,061	221,619	252,061	221,619
Total expenses	6,439,333	5,589,629	5,112,930	5,059,899	11,552,263	10,649,528
Change in net assets before transfers	1,328,778	770,189	831,858	555,346	2,160,636	1,325,535
Transfers	372,886	275,359	(372,886)	(275,359)	-	-
Change in net assets	1,701,664	1,045,548	458,972	279,987	2,160,636	1,325,535
Net assets - beginning, as restated	7,202,342	6,156,794	11,680,863	11,400,876	18,883,205	17,557,670
Net assets - ending	\$ 8,904,006	\$ 7,202,342	\$ 12,139,835	\$ 11,680,863	\$ 21,043,841	\$ 18,883,205

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

City of Wharton, Texas**Expenses and Program Revenues - Governmental Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General government	\$ 1,316,196	20.44%	\$ 795,696	26.87%	\$ (520,500)
Public safety	2,825,817	43.88%	455,122	15.37%	(2,370,695)
Public works	1,817,233	28.22%	1,646,503	55.59%	(170,730)
Cultural and recreation	248,535	3.86%	64,348	2.17%	(184,187)
Interest on long-term debt	<u>231,552</u>	<u>3.60%</u>	<u>-</u>	<u>0.00%</u>	<u>(231,552)</u>
Total	<u>\$ 6,439,333</u>	<u>100.00%</u>	<u>\$ 2,961,669</u>	<u>100.00%</u>	<u>\$ (3,477,664)</u>

City of Wharton, Texas**Revenue by Source - Governmental Activities**

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 332,174	4.08%
Operating grants and contributions	729,601	8.96%
Capital grants and contributions	1,899,894	23.34%
Property taxes	1,928,867	23.69%
Sales taxes	1,240,084	15.23%
Franchise taxes	1,047,982	12.87%
Other taxes	199,153	2.45%
Unrestricted investments earnings	65,870	0.81%
Miscellaneous	324,486	3.99%
Transfers	<u>372,886</u>	<u>4.58%</u>
Total	<u>\$ 8,140,997</u>	<u>100.00%</u>

Business-type Activities

Business-type activities increased the City's net assets by \$458,972. Key elements of this increase are as follows:

- Capital and noncapital contributions were \$995,854 for all business-type activities which is an increase of \$205,773 or 26% over prior year.
- Charges for services increased by more than \$100,000 for all business-type activities.
- The Water and Sewer Fund attributed to \$152,648 of the increase in charges due to a rate increase in August 2007 and a dry summer in 2008.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities - (Continued)

- The charges for Solid Waste services decreased by over \$120,000. Beginning October 1, 2007, the solid waste contractor began billing customers directly for roll-off containers which resulted in a decrease in revenue for 2008.
- The EMS charges increased by approximately \$76,000 and the bad debt expense decreased by over \$115,000. This was due to an increase in calls and an increase in the collection rate.
- In the Civic Center Fund, revenues were slightly down and expenses were up. However, with a transfer of funds from the Hotel/Motel Fund, the Civic Center Fund ended the fiscal year with only a \$9,309 decrease in net assets.
- The \$223,226 capital contributions in the Airport Fund allowed for a \$194,782 increase in net assets. The revenues and expenses in the Airport Fund both increased due to changes in operations at the airport. The City hired an airport manager and assumed the fuel sales during fiscal year 2007.

City of Wharton, Texas

Expenses and Program Revenues - Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water and sewer	\$ 2,162,499	42.29%	\$ 2,904,489	48.98%	\$ 741,990
Solid waste	1,175,700	22.99%	1,158,403	19.54%	(17,297)
Emergency medical services	1,300,504	25.44%	1,336,840	22.54%	36,336
Civic center	222,166	4.35%	88,102	1.49%	(134,064)
Airport	252,061	4.93%	442,018	7.45%	189,957
Total	\$ 5,112,930	100.00%	\$ 5,929,852	100.00%	\$ 816,922

City of Wharton, Texas

Revenue by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 4,933,998	88.55%
Operating grants and contributions	243,467	4.37%
Capital grants and contributions	752,387	13.50%
Unrestricted investment earnings	14,936	0.27%
Transfers	(372,886)	(6.69%)
Total	\$ 5,571,902	100.00%

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, unreserved 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 2008, the City's governmental funds reported combined ending fund balances of \$2,068,567 a decrease of \$919,477 in comparison with prior year. The net decrease in fund balance was mainly due to the decrease in the 2006 Bond Construction Fund, a major Capital Project Fund, fund balance in the amount of \$1,141,453. The General Fund ended the fiscal year with an increase of \$207,072, the Special Revenue Funds with an increase of \$72,178, a decrease in the Debt Service Fund of \$97,513, and an increase of \$40,239 in the Street Improvement Fund, which is a nonmajor Capital Project Fund. Unreserved fund balance is \$2,054,383 and is available for spending, subject to regulatory, statutory, and budgetary restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period in the amount of \$14,184.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$1,404,019, while total fund balance reached \$1,418,203. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29.66% of the total General Fund expenditures, while total fund balance represents 29.96% of that same amount.

The fund balance of the City's General Fund increased by \$207,072 during the current fiscal year. Key factors in this increase are as follows:

- A reduction in salaries and wages of over \$200,000 due to open positions in the following departments: City Secretary, Police, Code Enforcement, Animal Control, Communications, Streets, and Facilities Maintenance.
- \$185,680 decrease in transfers to the EMS Fund.

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 assets of proprietary funds at the end of the year amounted to:

<u>Fund</u>	<u>Unrestricted Net Assets</u>
Water and Sewer	\$ (838,383)
Solid Waste	(88,992)
Emergency Medical Services	174,679
Civic Center	148,099
Airport	<u>147,808</u>
Total	<u>\$ (456,789)</u>

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget were a decrease of \$46,327 to revenues and a decrease of \$198,844 to expenditures. The changes can be briefly summarized as follows:

- Over \$220,000 decrease to sales tax revenue due to relocation of a major sales tax generator.
- Nearly \$100,000 increase in electricity franchise tax from changes to a renewed franchise agreement.
- \$45,000 increase in building permit fees due to construction of and improvements to several school campuses.
- \$50,000 decrease in the municipal court fees and fines collected.
- An addition of \$79,000 to revenues from the industrial district fee collected from Navasota Energy.
- A reduction in salaries and wages of over \$200,000 due to open positions in the following departments: City Secretary, Police, Code Enforcement, Animal Control, Communications, Streets, and Facilities Maintenance.
- \$36,000 increase in fuel costs for the police, fire, and street departments.
- Increases in vehicle and equipment maintenance for the police, fire, and public works departments in the amount of \$68,500.
- \$185,680 decrease in transfers to the EMS Fund.

For fiscal year 2008, the General Fund's revenues were \$40,593 greater than the final budget. This positive budget variance was due to the grant funds that were receivable from FEMA for the City's efforts for removing storm debris.

For fiscal year 2008, the General Fund's expenditures were \$13,492 lower than the final budget. There were no significant variances between the General Fund's expenditures and final budget.

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, 2008, amounts to \$29,441,767 (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 15.55% (a 35.05% increase for governmental activities and 4.36% increase for business-type activities). 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, 2008, consisted of the following:
 - The increase in buildings of \$1,008,114 was for the renovation of the new police station.
 - The increase of \$2,427,927 to infrastructure included the following: Highway 59 access road, Santa Fe Outfall Ditch Project, improvements to various roads throughout the City, courthouse square sidewalks, and downtown lighting.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2008, consisted of the following:
 - The completion of the Industrial Park sanitary sewer line extension, various other water and sanitary sewer line extensions, and the Valhalla water well.
 - The completion of a new hangar at the Wharton Regional Airport.

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Capital Assets - (Continued)

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	Restated 2007	2008	Restated 2007
	Land	\$ 1,173,285	\$ 1,173,285	\$ 319,093	\$ 319,093	\$ 1,492,378
Construction in progress	26,606	492,482	300,290	875,353	326,896	1,367,835
Machinery and equipment	1,478,307	908,335	533,586	677,769	2,011,893	1,586,104
Land improvements	-	-	41,161	42,076	41,161	42,076
Bldgs. and improvements	2,984,971	2,051,046	4,464,469	4,008,115	7,449,440	6,059,161
Infrastructure	6,885,995	4,667,363	-	-	6,885,995	4,667,363
Water and sewer system	-	-	11,234,004	10,265,220	11,234,004	10,265,220
Total	\$ 12,549,164	\$ 9,292,511	\$ 16,892,603	\$ 16,187,626	\$ 29,441,767	\$ 25,480,137

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

Long-Term Debt

At the end of fiscal year 2008, the City had total bonded debt outstanding of \$8,435,000 of which 100% is backed by the full faith and credit of the government. In addition, the City had outstanding \$991,891 in capital leases and \$321,779 in compensated absences as of September 30, 2008.

City of Wharton, Texas

Long-term Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 491,400	\$ 588,600	\$ 1,080,000
Certificates of obligation	4,365,621	2,989,379	7,355,000
Tax anticipation notes	665,000	-	665,000
Capital leases	273,891	718,000	991,891
Compensated absences	261,699	60,080	321,779
Total	\$ 6,057,611	\$ 4,356,059	\$ 10,413,670

The City's total outstanding debt decreased by \$143,658 or 1.4% over the prior fiscal year. The key factors in this net decrease were:

- The City issued tax anticipation notes in the amount of \$665,000 during the fiscal year to complete the renovations and improvements to the new police station and municipal court building.
- Payments made on the certificates and bonds during fiscal year 2008 totaled \$670,000.
- The City reclassified \$350,964 of the 2006 Certificates of Obligation from the Airport Fund (a business-type activity) to the governmental activities due to the suspension of the construction of the airport terminal building.

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

- Taxable assessed value for tax year 2008 increased by \$14,120,576 or 3.7% to over \$397 million.
- The top ten principal taxpayers account for 31% of the total assessed valuation as compared to 49% nine years ago.
- The ad valorem tax rate for the General Fund remained relatively constant for the 2009 fiscal year budget.
- The City is expecting sales tax revenue for fiscal year 2009 to remain about the same as in fiscal year 2008.
- The City's General Fund projected ending unreserved fund balance for fiscal year 2009 to remain stable.
- The City issued \$300,000 in tax anticipation notes in fiscal year 2009 for emergency repairs to the Valhalla water well. The notes mature on September 30, 2009.

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 ASSETS
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 671,028	\$ 446,709	\$ 1,117,737	\$ 589,925
Receivables, net	484,112	461,052	945,164	114,188
Internal balances	862,930	(862,930)	-	-
Due from primary government	-	-	-	-
Due from component unit	7,076	-	7,076	-
Due from other governments	567,337	21,474	588,811	-
Deferred expenditures	14,184	-	14,184	-
Inventory	-	95,691	95,691	2,000
Total current assets	2,606,667	161,996	2,768,663	706,113
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,199,891	533,302	1,733,193	253,548
Buildings, infrastructure, and equipment, net	11,349,273	16,359,301	27,708,574	12,284
Net capital assets	12,549,164	16,892,603	29,441,767	265,832
Bond issue costs, net	117,375	20,383	137,758	37,800
Total noncurrent assets	12,666,539	16,912,986	29,579,525	303,632
Total assets	15,273,206	17,074,982	32,348,188	1,009,745

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 185,441	\$ 325,083	\$ 510,524	\$ 3,514
Accrued expenditures/expenses	12,513	5,870	18,383	3,673
Due to primary government	-	-	-	7,076
Due to other governments	28,809	7,336	36,145	-
Deposits	50	180,939	180,989	-
Accrued interest payable	84,776	59,860	144,636	5,655
Compensated absences	26,170	6,117	32,287	-
Current portion of long-term obligations	418,817	412,760	831,577	75,000
Total current liabilities	<u>756,576</u>	<u>997,965</u>	<u>1,754,541</u>	<u>94,918</u>
Noncurrent liabilities				
Compensated absences	235,529	53,963	289,492	-
Noncurrent portion of long-term obligations	<u>5,377,095</u>	<u>3,883,219</u>	<u>9,260,314</u>	<u>689,700</u>
Total noncurrent liabilities	<u>5,612,624</u>	<u>3,937,182</u>	<u>9,549,806</u>	<u>689,700</u>
Total liabilities	<u>6,369,200</u>	<u>4,935,147</u>	<u>11,304,347</u>	<u>784,618</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,863,521	12,596,624	19,460,145	265,832
Restricted for:				
Debt service	334,517	-	334,517	-
Special projects	179,258	-	179,258	-
Unrestricted net assets	<u>1,526,710</u>	<u>(456,789)</u>	<u>1,069,921</u>	<u>(40,705)</u>
Total net assets	<u>\$ 8,904,006</u>	<u>\$ 12,139,835</u>	<u>\$ 21,043,841</u>	<u>\$ 225,127</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2008

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,316,196	\$ 261,706	\$ 533,990	\$ -
Public safety	2,825,817	55,071	195,093	204,958
Public works	1,817,233	-	518	1,645,985
Cultural and recreation	248,535	15,397	-	48,951
Interest on long-term debt	231,552	-	-	-
Total governmental activities	<u>6,439,333</u>	<u>332,174</u>	<u>729,601</u>	<u>1,899,894</u>
Business-type activities				
Water and sewer	2,162,499	2,436,197	10,605	457,687
Solid waste	1,175,700	1,158,403	-	-
Emergency medical services	1,300,504	1,065,258	221,582	50,000
Civic center	222,166	88,102	-	-
Airport	252,061	186,038	11,280	244,700
Total business-type activities	<u>5,112,930</u>	<u>4,933,998</u>	<u>243,467</u>	<u>752,387</u>
Total primary government	<u>\$ 11,552,263</u>	<u>\$ 5,266,172</u>	<u>\$ 973,068</u>	<u>\$ 2,652,281</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 945,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Primary Government		Total	
Governmental Activities	Business- type Activities		
\$ (520,500)	\$ -	\$ (520,500)	\$ -
(2,370,695)	-	(2,370,695)	-
(170,730)	-	(170,730)	-
(184,187)	-	(184,187)	-
(231,552)	-	(231,552)	-
<u>(3,477,664)</u>	<u>-</u>	<u>(3,477,664)</u>	<u>-</u>
-	741,990	741,990	-
-	(17,297)	(17,297)	-
-	36,336	36,336	-
-	(134,064)	(134,064)	-
-	189,957	189,957	-
-	816,922	816,922	-
<u>(3,477,664)</u>	<u>816,922</u>	<u>(2,660,742)</u>	<u>-</u>
-	-	-	(945,543)
1,503,842	-	1,503,842	-
425,025	-	425,025	-
1,240,084	-	1,240,084	620,042
1,047,982	-	1,047,982	-
199,153	-	199,153	-
65,870	14,936	80,806	24,416
324,486	-	324,486	9,760
372,886	(372,886)	-	-
<u>5,179,328</u>	<u>(357,950)</u>	<u>4,821,378</u>	<u>654,218</u>
1,701,664	458,972	2,160,636	(291,325)
<u>7,202,342</u>	<u>11,680,863</u>	<u>18,883,205</u>	<u>516,452</u>
<u>\$ 8,904,006</u>	<u>\$ 12,139,835</u>	<u>\$ 21,043,841</u>	<u>\$ 225,127</u>

CITY OF WHARTON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2008

	<u>General</u>	<u>Texas Capital Buc-ee's</u>	<u>2006 Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 166,223	\$ -	\$ 7,069	\$ 497,736	\$ 671,028
Receivables, net	369,951	-	-	114,161	484,112
Due from other funds	1,134,926	-	43,991	37,400	1,216,317
Due from component unit	7,076	-	-	-	7,076
Due from other governments	261,328	-	306,009	-	567,337
Deferred expenditures	14,184	-	-	-	14,184
Total assets	<u>\$ 1,953,688</u>	<u>\$ -</u>	<u>\$ 357,069</u>	<u>\$ 649,297</u>	<u>\$ 2,960,054</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 159,805	\$ -	\$ 2,234	\$ 23,402	\$ 185,441
Accrued expenditures	12,513	-	-	-	12,513
Due to other governments	28,809	-	-	-	28,809
Due to other funds	81,552	-	244,566	27,269	353,387
Deposits	50	-	-	-	50
Deferred revenue	252,756	-	-	58,531	311,287
Total liabilities	<u>535,485</u>	<u>-</u>	<u>246,800</u>	<u>109,202</u>	<u>891,487</u>
Fund balances					
Reserved for:					
Deferred expenditures	14,184	-	-	-	14,184
Unreserved, undesignated reported in:					
General fund	1,404,019	-	-	-	1,404,019
Special revenue funds	-	-	-	194,899	194,899
Debt service fund	-	-	-	360,762	360,762
Capital project funds	-	-	110,269	(15,566)	94,703
Total fund balances	<u>1,418,203</u>	<u>-</u>	<u>110,269</u>	<u>540,095</u>	<u>2,068,567</u>
Total liabilities and fund balances	<u>\$ 1,953,688</u>	<u>\$ -</u>	<u>\$ 357,069</u>	<u>\$ 649,297</u>	<u>\$ 2,960,054</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS

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

September 30, 2008

Total governmental fund balances	\$ 2,068,567
<i>Amounts reported for governmental activities in the statement of net assets 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 deferred in the funds.	239,665
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 deferred revenues in the governmental funds and thus are not included in fund balance.	71,622
Other noncurrent assets (for example, bond issue costs) used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$135,430 and the accumulated amortization is \$18,055.	117,375
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$19,954,908 and the accumulated depreciation is \$7,405,744.	12,549,164
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	\$ (4,857,021)
Tax anticipation notes payable	(665,000)
Capital leases payable	(273,891)
Accrued interest payable	(84,776)
Compensated absences	(261,699)
	<u>(6,142,387)</u>
Net assets of governmental activities	<u>\$ 8,904,006</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2008

	General	Texas Capital Buc-ee's	2006 Bond Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,870,982	\$ -	\$ -	\$ 646,849	\$ 4,517,831
Licenses and permits	127,166	-	-	-	127,166
Intergovernmental	131,860	720,000	-	872,742	1,724,602
Charges for services	28,248	-	-	-	28,248
Fines and forfeitures	150,425	-	-	5,520	155,945
Investment income	21,979	-	26,346	17,545	65,870
Industrial district fee	79,268	-	-	-	79,268
Miscellaneous	149,015	503,381	614,373	208,294	1,475,063
Total revenues	<u>4,558,943</u>	<u>1,223,381</u>	<u>640,719</u>	<u>1,750,950</u>	<u>8,173,993</u>
EXPENDITURES					
Current					
General government	758,343	-	-	563,331	1,321,674
Public safety	2,445,745	-	-	78,510	2,524,255
Public works	1,178,623	-	417	352,149	1,531,189
Cultural and recreation	146,016	-	3,991	45,911	195,918
Capital outlay	106,758	1,223,381	2,410,049	131,468	3,871,656
Debt service					
Principal retirement	80,448	-	-	353,090	433,538
Interest and fiscal charges	17,559	-	-	202,852	220,411
Bond issuance costs	-	-	32,715	-	32,715
Total expenditures	<u>4,733,492</u>	<u>1,223,381</u>	<u>2,447,172</u>	<u>1,727,311</u>	<u>10,131,356</u>
Excess (deficiency) of revenues over expenditures	(174,549)	-	(1,806,453)	23,639	(1,957,363)
OTHER FINANCING SOURCES (USES)					
Debt issued	-	-	665,000	-	665,000
Transfers in	418,486	-	-	117,865	536,351
Transfers out	(36,865)	-	-	(126,600)	(163,465)
Total other financing sources (uses)	<u>381,621</u>	<u>-</u>	<u>665,000</u>	<u>(8,735)</u>	<u>1,037,886</u>
Net change in fund balances	207,072	-	(1,141,453)	14,904	(919,477)
Fund balances at beginning of year	1,211,131	-	1,251,722	525,191	2,988,044
Fund balances at end of year	<u>\$ 1,418,203</u>	<u>\$ -</u>	<u>\$ 110,269</u>	<u>\$ 540,095</u>	<u>\$ 2,068,567</u>

The accompanying notes are an integral part of this statement.

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, 2008*

Total net change in fund balances - governmental funds		\$ (919,477)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2007/2008 capital outlays is to increase net assets.		3,760,906
Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(504,253)
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 principal retirement	\$ 353,090	
Capital lease principal retirement	<u>80,448</u>	433,538
Proceeds of long-term debt during the year are recognized as other financing sources in the governmental funds but increases the liabilities in the statement of net assets. In the current year, this amount consisted of:		
Reclassification of debt from business-type activities	(350,964)	
Tax anticipation notes	<u>(665,000)</u>	(1,015,964)
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	(63,619)	
Other revenues	<u>8,702</u>	(54,917)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(19,742)	
Net increase in bond issuance costs	33,397	
Increase in accrued interest	<u>(11,824)</u>	<u>1,831</u>
Change in net assets of governmental activities		\$ <u>1,701,664</u>

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2008

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 49,310	\$ 592	\$ 97,865
Receivables, net			
Accounts	232,405	129,719	81,686
Due from other funds	579	4,816	45,291
Due from other governments	-	-	-
Inventory	56,808	-	-
Total current assets	<u>339,102</u>	<u>135,127</u>	<u>224,842</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	463,965	-	-
Buildings, improvements, and equipment, net	11,461,453	-	219,647
Net capital assets	<u>11,925,418</u>	<u>-</u>	<u>219,647</u>
Bond issue costs, net	18,447	-	-
Total noncurrent assets	<u>11,943,865</u>	<u>-</u>	<u>219,647</u>
Total assets	<u>12,282,967</u>	<u>135,127</u>	<u>444,489</u>
LIABILITIES			
Current liabilities			
Accounts payable	232,844	54,624	25,846
Accrued expenses	2,101	123	2,911
Due to other governments	-	7,336	-
Deposits	173,564	75	-
Accrued interest payable	51,907	-	-
Due to other funds	709,766	161,840	-
Compensated absences	2,575	121	2,141
Current portion of capital leases payable	78,000	-	-
Current portion of certificates of obligation	104,685	-	-
Current portion of general obligation bonds	174,400	-	-
Total current liabilities	<u>1,529,842</u>	<u>224,119</u>	<u>30,898</u>
Noncurrent liabilities			
Compensated absences	23,175	-	19,265
Capital leases payable, net of current portion	640,000	-	-
Certificates of obligation, net of current portion	2,395,934	-	-
General obligation bonds, net of current portion	414,200	-	-
Total noncurrent liabilities	<u>3,473,309</u>	<u>-</u>	<u>19,265</u>
Total liabilities	<u>5,003,151</u>	<u>224,119</u>	<u>50,163</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,118,199	-	219,647
Unrestricted net assets	(838,383)	(88,992)	174,679
Total net assets	<u>\$ 7,279,816</u>	<u>\$ (88,992)</u>	<u>\$ 394,326</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 172,728	\$ 126,214	\$ 446,709
4,676	12,566	461,052
1,094	1,046	52,826
-	21,474	21,474
-	38,883	95,691
<u>178,498</u>	<u>200,183</u>	<u>1,077,752</u>
-	69,337	533,302
<u>1,576,258</u>	<u>3,101,943</u>	<u>16,359,301</u>
<u>1,576,258</u>	<u>3,171,280</u>	<u>16,892,603</u>
-	1,936	20,383
<u>1,576,258</u>	<u>3,173,216</u>	<u>16,912,986</u>
<u>1,754,756</u>	<u>3,373,399</u>	<u>17,990,738</u>
6,597	5,172	325,083
477	258	5,870
-	-	7,336
6,800	500	180,939
4,981	2,972	59,860
15	44,135	915,756
1,153	127	6,117
-	-	78,000
19,190	36,485	160,360
-	-	174,400
<u>39,213</u>	<u>89,649</u>	<u>1,913,721</u>
10,376	1,147	53,963
-	-	640,000
263,705	169,380	2,829,019
-	-	414,200
<u>274,081</u>	<u>170,527</u>	<u>3,937,182</u>
<u>313,294</u>	<u>260,176</u>	<u>5,850,903</u>
1,293,363	2,965,415	12,596,624
148,099	147,808	(456,789)
<u>\$ 1,441,462</u>	<u>\$ 3,113,223</u>	<u>\$ 12,139,835</u>

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

For the year ended September 30, 2008

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 2,436,197	\$ 1,158,403	\$ 1,065,258
Total operating revenues	<u>2,436,197</u>	<u>1,158,403</u>	<u>1,065,258</u>
OPERATING EXPENSES			
Personnel	593,529	29,364	680,515
Materials and supplies	86,429	133	74,126
Repairs and maintenance	218,652	-	37,631
Other services and charges	604,245	1,139,005	127,120
Bad debt expense	24,255	7,198	282,962
Depreciation and amortization	453,892	-	98,150
Total operating expenses	<u>1,981,002</u>	<u>1,175,700</u>	<u>1,300,504</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	455,195	(17,297)	(235,246)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	10,605	-	221,582
Investment income	1,920	1,009	3,027
Interest and fiscal charges	(181,497)	-	-
Total nonoperating revenues (expenses)	<u>(168,972)</u>	<u>1,009</u>	<u>224,609</u>
Income (loss) before transfers and contributions	286,223	(16,288)	(10,637)
Contributions and transfers			
Capital grants and contributions	457,687	-	50,000
Transfers in	-	-	-
Transfers out	(452,151)	-	(41,335)
Total contributions and transfers	<u>5,536</u>	<u>-</u>	<u>8,665</u>
Change in net assets	291,759	(16,288)	(1,972)
Net assets at beginning of year, as restated	<u>6,988,057</u>	<u>(72,704)</u>	<u>396,298</u>
Net assets at end of year	<u>\$ 7,279,816</u>	<u>\$ (88,992)</u>	<u>\$ 394,326</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 88,102	\$ 186,038	\$ 4,933,998
<u>88,102</u>	<u>186,038</u>	<u>4,933,998</u>
81,424	58,319	1,443,151
6,644	4,044	171,376
28,574	40,367	325,224
38,367	43,764	1,952,501
-	-	314,415
<u>48,199</u>	<u>72,460</u>	<u>672,701</u>
<u>203,208</u>	<u>218,954</u>	<u>4,879,368</u>
(115,106)	(32,916)	54,630
-	11,280	243,467
4,155	4,825	14,936
<u>(18,958)</u>	<u>(33,107)</u>	<u>(233,562)</u>
<u>(14,803)</u>	<u>(17,002)</u>	<u>24,841</u>
(129,909)	(49,918)	79,471
-	244,700	752,387
120,600	-	120,600
<u>-</u>	<u>-</u>	<u>(493,486)</u>
<u>120,600</u>	<u>244,700</u>	<u>379,501</u>
(9,309)	194,782	458,972
<u>1,450,771</u>	<u>2,918,441</u>	<u>11,680,863</u>
<u>\$ 1,441,462</u>	<u>\$ 3,113,223</u>	<u>\$ 12,139,835</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2008

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 2,479,678	\$ 1,158,645	\$ 750,741
Cash paid to suppliers for goods and services	(770,162)	(1,188,798)	(234,290)
Cash paid to employees for services	(606,404)	(29,120)	(692,872)
Net cash provided (used) by operating activities	<u>1,103,112</u>	<u>(59,273)</u>	<u>(176,421)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	518,875	54,616	(62,257)
Transfers in from other funds	-	-	-
Transfers out to other funds	(452,151)	-	(41,335)
Grants and contributions	10,605	-	221,582
Net cash provided (used) by noncapital financing activities	<u>77,329</u>	<u>54,616</u>	<u>117,990</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,088,523)	-	(10,563)
Proceeds from capital grants and contributions	457,687	-	50,000
Proceeds from issuance of debt	-	-	-
Issuance costs paid on long-term debt	-	-	-
Proceeds from sale of capital assets	-	-	-
Principal paid on long-term debt	(341,085)	-	-
Interest paid on long-term debt	(185,664)	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,157,585)</u>	<u>-</u>	<u>39,437</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	1,920	1,009	3,027
Net cash provided (used) by investing activities	<u>1,920</u>	<u>1,009</u>	<u>3,027</u>
Net increase (decrease) in cash and cash equivalents	24,776	(3,648)	(15,967)
Cash and cash equivalents at beginning of year	<u>24,534</u>	<u>4,240</u>	<u>113,832</u>
Cash and cash equivalents at end of year	<u>\$ 49,310</u>	<u>\$ 592</u>	<u>\$ 97,865</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 88,694	\$ 175,814	\$ 4,653,572
(72,612)	(108,068)	(2,373,930)
<u>(92,148)</u>	<u>(59,011)</u>	<u>(1,479,555)</u>
<u>(76,066)</u>	<u>8,735</u>	<u>800,087</u>
6,502	42,921	560,657
120,600	-	120,600
-	-	(493,486)
-	25,811	257,998
<u>127,102</u>	<u>68,732</u>	<u>445,769</u>
-	(277,148)	(1,376,234)
-	223,226	730,913
-	-	-
-	-	-
-	-	-
(18,355)	(31,470)	(390,910)
<u>(16,271)</u>	<u>(30,928)</u>	<u>(232,863)</u>
<u>(34,626)</u>	<u>(116,320)</u>	<u>(1,269,094)</u>
<u>4,155</u>	<u>4,825</u>	<u>14,936</u>
4,155	4,825	14,936
20,565	(34,028)	(8,302)
<u>152,163</u>	<u>160,242</u>	<u>455,011</u>
<u>\$ 172,728</u>	<u>\$ 126,214</u>	<u>\$ 446,709</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2008

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 455,195	\$ (17,297)	\$ (235,246)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	453,892	-	98,150
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	34,911	4,242	(31,555)
(Increase) decrease in inventory	7,686	-	-
Increase (decrease) in accounts payable	155,733	(42,699)	4,587
Increase (decrease) in accrued expenses	(13,548)	123	(15,477)
Increase (decrease) in deposits	8,570	(4,000)	-
Increase (decrease) in due to other governments	-	237	-
Increase (decrease) in compensated absences	673	121	3,120
Total adjustments	<u>647,917</u>	<u>(41,976)</u>	<u>58,825</u>
Net cash provided (used) by operating activities	<u>\$ 1,103,112</u>	<u>\$ (59,273)</u>	<u>\$ (176,421)</u>
Noncash capital and related financing activities			
Assets acquired from contributions	<u>\$ 457,687</u>	<u>\$ -</u>	<u>\$ -</u>
Reclassification of debt to governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (115,106)	\$ (32,916)	\$ 54,630
48,199	72,460	672,701
592	(9,824)	(1,634)
-	(12,969)	(5,283)
973	(6,924)	111,670
(1,584)	(1,966)	(32,452)
-	(400)	4,170
-	-	237
<u>(9,140)</u>	<u>1,274</u>	<u>(3,952)</u>
<u>39,040</u>	<u>41,651</u>	<u>745,457</u>
<u>\$ (76,066)</u>	<u>\$ 8,735</u>	<u>\$ 800,087</u>
<u>\$ -</u>	<u>\$ 223,226</u>	<u>\$ 680,913</u>
<u>\$ -</u>	<u>\$ 350,964</u>	<u>\$ 350,964</u>



INDEX

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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

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

A. Reporting Entity - (Continued)

Other Entities

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has eleven Special Revenue Funds, one of which, the Texas Capital Buc-ee's Fund, has been reported as a major fund at September 30, 2008. The Texas Capital Buc-ee's Fund accounts for federal funds received for economic development within the City.

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has two Capital Project Funds, one of which has been reported as a major fund. The 2006 Bond Construction Fund accounts for the use of the proceeds from the City's 2006 certificates of obligation on various capital improvement projects.

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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.

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

D. Budgets and Budgetary Accounting

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

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

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

D. Budgets and Budgetary Accounting - (Continued)

3. Legally adopted annual budgets for the General Fund, certain special revenue funds (the Hotel/Motel Tax Fund, Narcotics Control Fund, and DARE Fund), the Debt Service Fund, certain capital project funds (the Street Improvement Fund), and all enterprise funds are prepared on a basis consistent with generally accepted accounting principles (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, 2008.

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, 2008, approximates fair value.

G. Receivables and Payables

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

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

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

H. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as deferred expenditures (governmental funds) or prepaid expenses (proprietary funds) in the fund financial statements and as deferred expenditures/expenses in the government-wide statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred (interest earnings minus interest expense) during the construction phase of capital assets of business-type activities is capitalized as part of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Water and sewer system	50
Land improvements	50
Infrastructure	50
Machinery and equipment	5-15

J. Compensated Absences

Vacation, compensated time worked, and sick leave are accrued as a liability when earned by the employees since the employees' right to receive this compensation is already rendered and it is probable that the City will compensate the employees for benefits through paid time off or through cash payments at termination.

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

J. Compensated Absences - (Continued)

Employees receive 80 hours of vacation time for the first five years of employment and an additional eight hours for each year beyond the first five up to a maximum of 120 hours. Vacation time is earned on the first day of the fiscal year and must be used by the last day of the fiscal year. However, in some instances vacation time may be carried forward with approval by the City Manager. Upon termination, up to 120 hours of accumulated vacation will be paid to the employee.

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

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

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

K. Long-term Obligations

In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

M. Use of Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2007-2008.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Municipal court	\$ 104,664	\$ 107,469	\$ (2,805)
Central services	55,200	56,990	(1,790)
Fire	285,031	286,000	(969)
Streets and drainage	870,815	883,544	(12,729)
Interest and fiscal charges	17,500	17,559	(59)

These over expenditures were funded by an available fund balance in the General Fund.

B. Deficit Fund Equity

As of September 30, 2008, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Assets</u>
Solid Waste	\$ 88,992
Nonmajor Governmental Funds	
Special Revenue Funds	
Santa Fe Trail	18,714
Capital Project Fund	
Street Improvement	15,566

Steps will be taken to eliminate these deficits in the upcoming fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 885,353	45

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 assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool.

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

A. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of the City's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

B. Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with TexPool. The pool operates in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard & Poor's.

C. Concentration of Credit Risk

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

D. Custodial Credit Risk - Deposits

The City's custodial credit risk refers to the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policies require 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.

As of September 30, 2008, \$476,527 of the City's bank balance of \$644,511 was exposed to custodial credit risk because it was uninsured by the FDIC and collateralized with securities held by the pledging institution's trust department or agent, but not in the City's name.

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, 2008, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 15 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

Receivables at September 30, 2008, consist of the following:

	<u>General</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	\$ -	\$ 232,405	\$ 129,719	\$ 1,020,382	\$ 4,676	\$ 12,566	\$ 55,630	\$ 1,455,378
Ad valorem taxes	231,166	-	-	-	-	-	75,598	306,764
Franchise taxes	91,311	-	-	-	-	-	-	91,311
Fines	79,408	-	-	-	-	-	-	79,408
Other	336,182	-	-	-	-	-	-	336,182
Total gross receivables	738,067	232,405	129,719	1,020,382	4,676	12,566	131,228	2,269,043
Less: Allowances	368,116	-	-	938,696	-	-	17,067	1,323,879
Total net receivables	<u>\$ 369,951</u>	<u>\$ 232,405</u>	<u>\$ 129,719</u>	<u>\$ 81,686</u>	<u>\$ 4,676</u>	<u>\$ 12,566</u>	<u>\$ 114,161</u>	<u>\$ 945,164</u>

NOTE 4: RECEIVABLES - (Continued)

The City's governmental funds report deferred 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 deferred 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	\$ 181,134	\$ -	\$ 181,134
Fines	31,763	-	31,763
Other	39,859	-	39,859
Debt Service Fund			
Ad valorem receivable	<u>58,531</u>	-	<u>58,531</u>
	<u>\$ 311,287</u>	<u>\$ -</u>	<u>\$ 311,287</u>

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.51281 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.40029 and \$0.11252, respectively. The resulting adjusted total tax levy was \$1,942,362 on the total adjusted taxable valuation of \$337,017,091 for the 2007 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 and state governments as of September 30, 2008, are summarized as follows:

	<u>General</u>	<u>2006 Bond Construction</u>	<u>Airport</u>	<u>Total</u>
Sales taxes	\$ 214,644	\$ -	\$ -	\$ 214,644
Federal and state grants	<u>46,684</u>	<u>306,009</u>	<u>21,474</u>	<u>374,167</u>
	<u>\$ 261,328</u>	<u>\$ 306,009</u>	<u>\$ 21,474</u>	<u>\$ 588,811</u>

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,173,285	\$ -	\$ -	\$ 1,173,285
Construction in progress	<u>492,482</u>	<u>15,340</u>	<u>481,216</u>	<u>26,606</u>
Total capital assets not being depreciated	<u>1,665,767</u>	<u>15,340</u>	<u>481,216</u>	<u>1,199,891</u>
Capital assets, being depreciated				
Machinery and equipment	3,105,240	790,741	143,640	3,752,341
Buildings and improvements	2,961,766	1,008,114	-	3,969,880
Infrastructure	<u>8,604,869</u>	<u>2,427,927</u>	-	<u>11,032,796</u>
Total capital assets being depreciated	<u>14,671,875</u>	<u>4,226,782</u>	<u>143,640</u>	<u>18,755,017</u>
Less accumulated depreciation for				
Machinery and equipment	2,196,905	220,769	143,640	2,274,034
Buildings and improvements	910,720	74,189	-	984,909
Infrastructure	<u>3,937,506</u>	<u>209,295</u>	-	<u>4,146,801</u>
Total accumulated depreciation	<u>7,045,131</u>	<u>504,253</u>	<u>143,640</u>	<u>7,405,744</u>
Total capital assets being depreciated, net	<u>7,626,744</u>	<u>3,722,529</u>	-	<u>11,349,273</u>
Governmental activities capital assets, net	<u>\$ 9,292,511</u>	<u>\$ 3,737,869</u>	<u>\$ 481,216</u>	<u>\$ 12,549,164</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	<u>875,353</u>	<u>254,539</u>	<u>829,602</u>	<u>300,290</u>
Total capital assets not being depreciated	<u>1,194,446</u>	<u>254,539</u>	<u>829,602</u>	<u>619,383</u>
Capital assets, being depreciated				
Machinery and equipment	1,932,393	29,817	-	1,962,210
Land improvements	45,735	-	-	45,735
Buildings and improvements	4,795,377	563,532	-	5,358,909
Water and sewer system	<u>16,698,623</u>	<u>1,357,947</u>	-	<u>18,056,570</u>
Total capital assets being depreciated	<u>23,472,128</u>	<u>1,951,296</u>	-	<u>25,423,424</u>
Less accumulated depreciation for				
Machinery and equipment	1,254,624	174,000	-	1,428,624
Land improvements	3,659	915	-	4,574
Buildings and improvements	787,262	107,178	-	894,440
Water and sewer system	<u>6,433,403</u>	<u>389,163</u>	-	<u>6,822,566</u>
Total accumulated depreciation	<u>8,478,948</u>	<u>671,256</u>	-	<u>9,150,204</u>
Total capital assets being depreciated, net	<u>14,993,180</u>	<u>1,280,040</u>	-	<u>16,273,220</u>
Business-type activities capital assets, net	<u>\$ 16,187,626</u>	<u>\$ 1,534,579</u>	<u>\$ 829,602</u>	<u>\$ 16,892,603</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 14,737
Public safety	168,709
Public works	283,312
Cultural and recreation	37,495
Total depreciation expense - governmental activities	<u>\$ 504,253</u>
Business-type activities	
Water and sewer	\$ 452,580
Emergency medical services	98,150
Civic center	48,199
Airport	72,327
Total depreciation expense - business-type activities	<u>\$ 671,256</u>

At September 30, 2008, the City had temporarily impaired idle assets in the business-type activities (the Airport Fund) that amounted to \$86,081. The assets relate to costs incurred on the airport terminal building project that has been temporarily suspended.

NOTE 7: EMPLOYEES' RETIREMENT PLANPlan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions

The contribution rate for the employees is 5%, and the City matching percent is currently 1 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2007, valuation is effective for rates beginning January 2009).

Annual Pension Cost

For the employer's fiscal year ending September 30, 2008, the annual pension cost for the TMRS plan for its employees was \$138,670, and the actual contributions were \$138,670. The net pension obligation at the beginning and end of the fiscal year was zero.

Actuarial Valuation Information

Following is a tabular summary of actuarial valuation information for the 12/31/07 and 12/31/06 valuation dates:

	Actuarial Valuation Information	
	12/31/07	12/31/06
Actuarial cost method	projected unit credit	unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	30 - closed	25 - open
Asset valuation method	amortized cost	amortized cost
Investment return	7.00%	7.00%
Projected salary increases	varies by age and service	none
Inflation	3.00%	3.50%
Cost of living adjustments	2.1% (3.0% CPI)	none
Payroll growth assumption	3.00%	4.00%
Withdrawal rates for male/female	mid-high/mid	mid/low

Trend Information

Year Ended September 30	Contributions Required and Contributions Made		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 138,670	100%	\$ -
2007	142,048	100%	-
2006	132,292	100%	-

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)Trend Information - (Continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/07	\$ 5,225,360	\$ 6,190,137	\$ 964,777	84.41%	\$ 3,221,388	29.95%
12/31/06	5,342,676	5,729,629	386,953	93.25%	3,287,506	11.77%
12/31/05	4,870,630	5,277,872	407,242	92.28%	3,061,854	13.30%
12/31/04	4,529,921	4,928,170	398,249	91.92%	3,109,715	12.81%
12/31/03	4,319,465	4,744,440	424,975	91.04%	2,674,524	15.89%
12/31/02	4,030,311	4,392,391	362,080	91.76%	2,698,111	13.42%
12/31/01	3,765,295	4,104,529	339,234	91.74%	2,622,790	12.93%
12/31/00	3,490,489	3,790,518	300,029	92.08%	2,509,618	11.96%

The City is one of 827 municipalities having the benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007, valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 30-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$469,598 and the funded ratio would have been 91.8%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009, actuarial valuation.

NOTE 8: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008, there were 186 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2008, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	1,939
Terminated Participants Entitled to Benefits but not yet receiving them	1,975
Active Participants (vested and nonvested)	<u>4,340</u>
	<u>8,254</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005) recodified the provision and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off duty death benefits and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contribution provisions were originally established by Senate Bill 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

NOTE 8: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2007, total contributions (dues and prior services) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. The City's contributions into TESRS for fiscal year ending September 30, 2008, were \$21,552. Total contributions made were greater than the contributions required by the state statute and were greater than the contributions required based on the revised August 31, 2006, actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008, revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009, (\$415,405 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of 1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and 2) approximately \$425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009, are equal to the contributions required.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate, and in compliance with GASB Statement No. 27. In our opinion, each assumption used in the August 31, 2008, actuarial valuation is reasonable (taking into account the experience of the plan and reasonable expectations) and represents a reasonable estimate of anticipated experience under the plan solely with respect to that individual assumption.

Actuarial Valuation Information

Following is a tabular summary of actuarial valuation information for the 8/31/06 and 8/31/08 valuation dates:

	Actuarial Valuation Information	
	8/31/06	8/31/08
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period in years	30 years	6 years
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value
Investment return	8.00%, net of expenses	8.00%, net of expenses
Projected salary increases	n/a	n/a
Inflation	3.75%	3.50%
Cost of living adjustment	none	none

NOTE 8: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2004	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680
8/31/2006 ²	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/2008 ³	60,987,157	64,227,341	3,240,184	95.0%	8,254	393

Notes:

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

² Changes in actuarial assumptions and methods, as well as benefit and contribution provisions, were first reflected in this valuation.

³ Changes in actuarial assumptions were reflected in this valuation.

Three-Year Trend Information - State-wide

Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006	\$ 2,753,035 ¹	\$ 2,753,035 ³	100%
2007	3,162,742 ²	3,162,742 ⁴	100%
2008	3,160,764 ³	11,239,339 ⁵	356%

Notes:

¹ Based on the revised August 31, 2004, actuarial valuation.

² Based on the August 31, 2006, actuarial valuation.

³ Includes a state contribution of \$675,307.

⁴ Includes a state contribution of \$709,072.

⁵ Includes a state contribution of \$8,800,000.

State contributions to the City's plan for the fiscal year 2008 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Wharton, Texas

Year Ended September 30	Annual Required Contributions	Percentage of ARC Contributed	Net Obligation
2008	\$ 21,552	100%	\$ -
2007	20,835	100%	-
2006	22,400	100%	-

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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 4,226,697	\$ 350,964	\$ 212,040	\$ 4,365,621	\$ 224,640
General obligation bonds	<u>632,450</u>	<u>-</u>	<u>141,050</u>	<u>491,400</u>	<u>145,600</u>
Total bonds and certificates payable	<u>4,859,147</u>	<u>350,964</u>	<u>353,090</u>	<u>4,857,021</u>	<u>370,240</u>
Tax anticipation notes	<u>-</u>	<u>665,000</u>	<u>-</u>	<u>665,000</u>	<u>-</u>
Capital leases payable	<u>354,339</u>	<u>-</u>	<u>80,448</u>	<u>273,891</u>	<u>48,577</u>
Compensated absences	<u>241,957</u>	<u>202,150</u>	<u>182,408</u>	<u>261,699</u>	<u>26,170</u>
Total governmental activity long-term liabilities	<u>\$ 5,455,443</u>	<u>\$ 1,218,114</u>	<u>\$ 615,946</u>	<u>\$ 6,057,611</u>	<u>\$ 444,987</u>
Business-type activities					
Bonds					
Certificates of obligation	\$ 3,488,303	\$ -	\$ 498,924	\$ 2,989,379	\$ 160,360
General obligation bonds	<u>757,550</u>	<u>-</u>	<u>168,950</u>	<u>588,600</u>	<u>174,400</u>
Total bonds and certificates payable	<u>4,245,853</u>	<u>-</u>	<u>667,874</u>	<u>3,577,979</u>	<u>334,760</u>
Capital leases payable	<u>792,000</u>	<u>-</u>	<u>74,000</u>	<u>718,000</u>	<u>78,000</u>
Compensated absences	<u>64,032</u>	<u>48,798</u>	<u>52,750</u>	<u>60,080</u>	<u>6,117</u>
Total business-type activity long-term liabilities	<u>\$ 5,101,885</u>	<u>\$ 48,798</u>	<u>\$ 794,624</u>	<u>\$ 4,356,059</u>	<u>\$ 418,877</u>

In prior years, the City defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2008, \$525,000 of bonds outstanding was considered defeased.

Compensated absences are generally liquidated by the General Fund for the governmental activities. Please see Note 15 for discussions relative to the notes payable of the City's component unit.

During fiscal year 2008, the City reclassified \$350,964 of the 2006 Certificates of Obligation from the business-type activities (the Airport Fund) to the governmental activities. The monies were used for the renovation of the new police station during fiscal year 2008 which was accounted for in the 2006 Bond Construction Fund.

NOTE 10: LONG-TERM DEBT - (Continued)

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 1998	9/98 - 12/10	4.15 - 4.25%	\$ 2,745,000

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 145,600	\$ 17,791	\$ 174,400	\$ 21,310	\$ 359,101
2010	152,425	11,457	182,575	13,724	360,181
2011	193,375	4,109	231,625	4,922	434,031
	<u>\$ 491,400</u>	<u>\$ 33,357</u>	<u>\$ 588,600</u>	<u>\$ 39,956</u>	<u>\$ 1,153,313</u>

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 1995	11/95 - 05/10	5.10 - 5.25%	\$ 750,000
Series 1998	09/98 - 12/13	4.15 - 4.45%	1,285,000
Series 2000	09/00 - 12/20	4.45 - 5.00%	2,785,000
Series 2004	10/04 - 12/20	3.60 - 4.10%	1,715,000
Series 2006	11/06 - 12/27	3.60 - 4.125%	2,965,000
			<u>\$ 9,500,000</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>	
2009	\$ 224,640	\$ 181,832	\$ 160,360	\$ 145,333	\$ 712,165
2010	236,975	171,564	173,025	137,669	719,233
2011	194,465	160,834	155,535	129,459	640,293
2012	217,905	151,886	172,095	121,833	663,719
2013	227,045	141,774	182,955	113,338	665,112
2014-2018	1,301,795	541,232	1,113,205	402,221	3,358,453
2019-2023	1,248,707	256,630	906,293	101,860	2,513,490
2024-2027	714,089	60,301	125,911	11,061	911,362
	<u>\$ 4,365,621</u>	<u>\$ 1,666,053</u>	<u>\$ 2,989,379</u>	<u>\$ 1,162,774</u>	<u>\$ 10,183,827</u>

NOTE 10: LONG-TERM DEBT - (Continued)

D. Tax Anticipation Notes

The City issued tax anticipation notes to provide funds for the acquisition and renovation of the new police station, including related equipment and cost of issuance related to the notes. The notes are payable from and secured by ad valorem taxes and are designated as a qualified tax-exempt obligation. The notes have been issued for governmental activities.

Tax anticipation notes currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 1998	3/08 - 12/14	3.00%	\$ 665,000

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	\$ -	\$ 24,217	\$ 24,217
2010	100,000	18,450	118,450
2011	105,000	15,375	120,375
2012	110,000	12,150	122,150
2013	115,000	8,775	123,775
2014-2015	235,000	7,125	242,125
	<u>\$ 665,000</u>	<u>\$ 86,092</u>	<u>\$ 751,092</u>

E. Capital Leases

Lease purchase agreement on a Caterpillar motor grader. The original amount of the lease, entered into in 2007, was \$184,350. The lease is payable in annual installments of \$23,424 and bears interest at a rate of 5.55%.

\$ 169,977

Lease purchase agreement on a Motorola communications console. The original amount of the lease, entered into in 2007, was \$111,744. The lease is payable in annual installments of \$26,636 and bears interest at a rate of 6.15%.

91,981

Lease purchase agreement on a Caterpillar track-type tractor. The original amount of the lease, entered into in 2006, was \$133,619. The lease is payable in monthly installments of \$3,996 and bears interest at a rate of 3.06%.

11,933

Lease purchase agreement on water meters. The original amount of the lease, entered into in 2006, was \$840,000. The lease is payable in annual installments ranging from \$74,000 to \$96,000 and bears interest at a rate of 4.58%.

718,000

\$ 991,891

NOTE 10: LONG-TERM DEBT - (Continued)E. Capital Leases - (Continued)

The present value of the capital leases after deduction of imputed interest is \$991,891.

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2009	\$ 48,577	\$ 13,471	\$ 78,000	\$ 31,098	\$ 171,146
2010	38,656	11,404	84,000	27,388	161,448
2011	40,781	9,279	90,000	23,404	163,464
2012	43,025	7,035	91,000	19,259	160,319
2013	18,759	4,665	92,000	15,068	130,492
2014-2017	84,093	9,604	283,000	19,580	396,277
	<u>\$ 273,891</u>	<u>\$ 55,458</u>	<u>\$ 718,000</u>	<u>\$ 135,797</u>	<u>\$ 1,183,146</u>

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERSA. Interfund Receivables and Payables

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. The Water and Sewer Fund is expected to repay the General Fund approximately 30% of the year-end balance during fiscal year 2009. Interfund receivable and payable balances as of September 30, 2008, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2006 Bond Construction	\$ 243,987
	Water and Sewer	709,767
	Solid Waste	161,840
	Civic Center	15
	Airport	144
	Nonmajor Governmental	19,173
2006 Bond Construction	Airport	43,991
Nonmajor Governmental	General	29,304
	Nonmajor Governmental	8,096
Water and Sewer	2006 Bond Construction	579
Solid Waste	General	4,816
Emergency Medical Services	General	45,291
Civic Center	Nonmajor Governmental	1,094
Airport	2006 Bond Construction	1,046
		<u>\$ 1,269,143</u>

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

B. Interfund Transfers

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

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

Transfers Out	Transfers in			Total
	General	Nonmajor Governmental	Civic Center	
General	\$ -	\$ 36,865	\$ -	\$ 36,865
Nonmajor Governmental	-	6,000	120,600	126,600
Water and Sewer	377,151	75,000	-	452,151
Emergency Medical Services	41,335	-	-	41,335
	<u>\$ 418,486</u>	<u>\$ 117,865</u>	<u>\$ 120,600</u>	<u>\$ 656,951</u>

NOTE 12: COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2008, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Construction and Acquisition Commitments

As of September 30, 2008, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

Project	Remaining Commitment
Valhalla water well rework	\$ 72,154
FM 1301 engineering	82,155
Total	<u>\$ 154,309</u>

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

NOTE 13: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The business-type activities and the Airport Fund's financial statements for the fiscal year September 30, 2007, have been restated to properly reflect the capital asset category of assets not being depreciated for fiscal year ending September 30, 2007. The results of the restatement were to decrease the capital asset balance and the beginning net assets by \$80,352 and would have had no effect on the change in net assets for the fiscal year September 30, 2007.

NOTE 14: SUBSEQUENT EVENTS

In November 2008, the City Council authorized the issuance of tax anticipation notes in the amount of \$300,000 for emergency repairs to the Valhalla water well. The notes bear interest at 5% and mature on September 30, 2009.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION

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

A. Organization

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

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

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

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

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

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

For the year ended September 30, 2008, the budget, as amended, anticipated \$679,510 more in expenditures than revenues. This amount is to be funded from existing fund balance of \$1,192,214.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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.

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 markets funds, 5) Constant Dollar Texas Local Government Investments Pools as defined by the Public Funds Investment Act, 6) certificates of deposits, and 7) other instruments and obligations authorized by statute.

Capital Assets

WEDC's capital assets, which consist of furniture and fixtures, are recorded at cost. 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.

Federal Income Taxes

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

C. Deposits and Investments

As of September 30, 2008, WEDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool TexPool	\$ 461,404	45

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

As previously discussed, the investments are reported in the accompanying statements at amortized cost.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

Interest Rate Risk

In accordance with WEDC's investment policy, WEDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of WEDC's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

Credit Risk

It is WEDC's policy to limit its investments to those with ratings of not less than A or its equivalent. WEDC's investments in the public funds investment pools include those with TexPool. The pool operates in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard & Poor's.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, WEDC's deposits may not be returned to it. WEDC's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to WEDC by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2008, and for the year then ended, WEDC was not exposed to any custodial credit risk.

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, 2008, and for the year then ended, WEDC was not exposed to any custodial credit risk.

D. Sales Taxes

WEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. WEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2008, was \$107,322. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

E. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Real estate held for development	\$ 118,131	\$ 135,417	\$ -	\$ 253,548
Total capital assets not being depreciated	<u>118,131</u>	<u>135,417</u>	<u>-</u>	<u>253,548</u>
Capital assets, being depreciated				
Leasehold improvements	8,975	-	-	8,975
Furniture and fixtures	<u>25,842</u>	<u>-</u>	<u>-</u>	<u>25,842</u>
Total capital assets being depreciated	<u>34,817</u>	<u>-</u>	<u>-</u>	<u>34,817</u>
Less accumulated depreciation for				
Furniture and fixtures	19,242	3,291	-	22,533
Total accumulated depreciation	<u>19,242</u>	<u>3,291</u>	<u>-</u>	<u>22,533</u>
Total capital assets being depreciated, net	<u>15,575</u>	<u>(3,291)</u>	<u>-</u>	<u>12,284</u>
Governmental activities capital assets, net	<u>\$ 133,706</u>	<u>\$ 132,126</u>	<u>\$ -</u>	<u>\$ 265,832</u>

F. Long-term Debt

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	\$ 15,161	\$ -	\$ 15,161	\$ -	\$ -
Sales tax revenue bonds	850,000	-	70,000	780,000	75,000
Less deferred amounts:					
Issuance discounts	<u>(17,000)</u>	<u>-</u>	<u>(1,700)</u>	<u>(18,700)</u>	<u>-</u>
	<u>\$ 848,161</u>	<u>\$ -</u>	<u>\$ 83,461</u>	<u>\$ 761,300</u>	<u>\$ 75,000</u>

During the year ended September 30, 2007, WEDC issued Sales Tax Revenue Bonds in the amount of \$850,000 to provide for certain infrastructure improvements. The bonds will be repaid over a ten-year period by sales tax revenues. Payments of principal and interest will be made in semi-annual installments at an interest rate of 4.35%. WEDC reserves the right to redeem the bonds in whole or from time to time in part, in integral multiples of \$5,000, on any date at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption; provided, however, that WEDC may make only one partial redemption each calendar year or portion thereof in which the bonds may be outstanding, for a par amount of not less than \$100,000.

NOTE 15: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

F. Long-term Debt - (Continued)

Annual debt service requirements to maturity for sales tax revenue bonds and notes payable are as follows:

Year	Sales Tax Revenue Bonds		Total
	Principal	Interest	
2009	\$ 75,000	\$ 33,060	\$ 108,060
2010	75,000	29,907	104,907
2011	80,000	26,536	106,536
2012	80,000	23,056	103,056
2013	85,000	19,576	104,576
2014-2017	385,000	38,390	423,390
	<u>\$ 780,000</u>	<u>\$ 170,525</u>	<u>\$ 950,525</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.

Lease Income Agreements

WEDC leases real estate, including a portable office building, to a non-profit organization for \$1 per year under the term of a five-year lease effective May 18, 2004.



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, 2008
With comparative totals for the year ended September 30, 2007

	2008			Variance Positive (Negative)	2007
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,982,627	\$ 3,867,300	\$ 3,870,982	\$ 3,682	\$ 3,710,849
Licenses and permits	80,700	125,700	127,166	1,466	150,149
Intergovernmental	58,500	93,500	131,860	38,360	108,400
Charges for services	18,500	27,500	28,248	748	15,042
Fines and forfeitures	230,400	155,400	150,425	(4,975)	225,045
Investment income	30,000	21,000	21,979	979	28,679
Industrial district fee	-	79,000	79,268	268	-
Miscellaneous	163,950	148,950	149,015	65	55,943
Total revenues	4,564,677	4,518,350	4,558,943	40,593	4,294,107
EXPENDITURES					
Current					
General government	758,426	766,868	758,343	8,525	745,217
Public safety	2,616,481	2,457,785	2,445,745	12,040	2,442,721
Public works	1,105,185	1,168,683	1,178,623	(9,940)	1,017,580
Cultural and recreation	141,519	148,319	146,016	2,303	124,739
Capital outlay	63,000	106,829	106,758	71	402,924
Debt service	71,372	98,500	98,007	493	36,282
Total expenditures	4,755,983	4,746,984	4,733,492	13,492	4,769,463
Excess (deficiency) of revenues over expenditures	(191,306)	(228,634)	(174,549)	54,085	(475,356)
OTHER FINANCING SOURCES (USES)					
Capital leases	-	-	-	-	296,094
Transfers in	418,486	418,486	418,486	-	430,039
Transfers out	(227,180)	(37,335)	(36,865)	470	(263,475)
Total other financing sources (uses)	191,306	381,151	381,621	470	462,658
Net change in fund balance	-	152,517	207,072	54,555	(12,698)
Fund balance at beginning of year	1,211,131	1,211,131	1,211,131	-	1,223,829
Fund balance at end of year	\$ 1,211,131	\$ 1,363,648	\$ 1,418,203	\$ 54,555	\$ 1,211,131

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

CITY OF WHARTON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2008

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The Required Supplementary Information does not include a budgetary comparison schedule for the Major Special Revenue Fund, Texas Capital Buc-ee's. The activity of the fund is funded by the federal government thereby no local control over appropriating funds is possible. Therefore, there is no requirement of presenting a budgetary comparison schedule.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the year ended September 30, 2008, the City complied with budgetary restrictions at all departmental levels except the following. The following table details these variances:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Municipal court	\$ 104,664	\$ 107,469	\$ (2,805)
Central services	55,200	56,990	(1,790)
Fire	285,031	286,000	(969)
Streets and drainage	805,815	818,544	(12,729)
Interest and fiscal charges	17,500	17,559	(59)

Combining and Individual Fund Statements and Schedules



CITY OF WHARTON, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2008

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 152,502	\$ 339,125	\$ 6,109	\$ 497,736
Receivables, net	55,630	58,531	-	114,161
Due from other funds	15,763	21,637	-	37,400
Total assets	\$ 223,895	\$ 419,293	\$ 6,109	\$ 649,297
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,727	\$ -	\$ 21,675	\$ 23,402
Due to other funds	27,269	-	-	27,269
Deferred revenue	-	58,531	-	58,531
Total liabilities	28,996	58,531	21,675	109,202
Fund balances				
Unreserved, undesignated reported in:				
Special revenue funds	194,899	-	-	194,899
Debt service fund	-	360,762	-	360,762
Capital project funds	-	-	(15,566)	(15,566)
Total fund balances	194,899	360,762	(15,566)	540,095
Total liabilities and fund balances	\$ 223,895	\$ 419,293	\$ 6,109	\$ 649,297

CITY OF WHARTON, TEXAS

ALL NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the year ended September 30, 2008

	Total Nonmajor Special <u>Revenue Funds</u>	Total Nonmajor Debt <u>Service Fund</u>	Total Nonmajor Capital <u>Project Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES				
Taxes	\$ 199,153	\$ 447,696	\$ -	\$ 646,849
Intergovernmental	872,742	-	-	872,742
Fines and forfeitures	5,520	-	-	5,520
Investment income	5,560	10,733	1,252	17,545
Miscellaneous	136,699	-	71,595	208,294
Total revenues	<u>1,219,674</u>	<u>458,429</u>	<u>72,847</u>	<u>1,750,950</u>
EXPENDITURES				
Current				
General government	563,331	-	-	563,331
Public safety	78,510	-	-	78,510
Public works	351,009	-	1,140	352,149
Cultural and recreation	45,911	-	-	45,911
Capital outlay	-	-	131,468	131,468
Debt service				
Principal retirement	-	353,090	-	353,090
Interest and fiscal charges	-	202,852	-	202,852
Total expenditures	<u>1,038,761</u>	<u>555,942</u>	<u>132,608</u>	<u>1,727,311</u>
Excess (deficiency) of revenues over expenditures	180,913	(97,513)	(59,761)	23,639
OTHER FINANCING SOURCES (USES)				
Transfers in	17,865	-	100,000	117,865
Transfers out	(126,600)	-	-	(126,600)
Total other financing sources (uses)	<u>(108,735)</u>	<u>-</u>	<u>100,000</u>	<u>(8,735)</u>
Net change in fund balances	72,178	(97,513)	40,239	14,904
Fund balances at beginning of year	122,721	458,275	(55,805)	525,191
Fund balances at end of year	<u>\$ 194,899</u>	<u>\$ 360,762</u>	<u>\$ (15,566)</u>	<u>\$ 540,095</u>

SPECIAL REVENUE FUNDS

The City maintains eleven Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Texas Capital Buc-ee's Fund is reported as a major fund.

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.

DARE Fund - Accounts for grants, donations, and other sources designated for "Drug Abuse Resistance Education" purposes.

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.

Industrial Park Improvement Fund - Accounts for funds received for the extension of the City's wastewater system along U.S. Highway 59 to the Industrial Park.

HOME Grant Fund - Accounts for grant funds used to provide assistance to homeowners within the City.

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

Santa Fe Trail Fund - Accounts for funds received to finance the "Santa Fe Trail Project".

Texas Capital Funds - Account for federal funds received for various projects that relate to economic development within the City.

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING BALANCE SHEET**

September 30, 2008

	Hotel/ Motel Tax	Municipal Court Technology	Narcotics Control	DARE
ASSETS				
Cash and cash equivalents	\$ 80,969	\$ 7,379	\$ 42,753	\$ 935
Receivables, net				
Accounts	55,630	-	-	-
Due from other funds	-	-	-	844
Due from component unit	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 136,599</u>	<u>\$ 7,379</u>	<u>\$ 42,753</u>	<u>\$ 1,779</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 387	\$ -	\$ -	\$ 1,320
Accrued expenditures	-	-	-	-
Due to other funds	8,096	-	-	459
Total liabilities	<u>8,483</u>	<u>-</u>	<u>-</u>	<u>1,779</u>
Fund balances				
Unreserved, undesignated	128,116	7,379	42,753	-
Total liabilities and fund balances	<u>\$ 136,599</u>	<u>\$ 7,379</u>	<u>\$ 42,753</u>	<u>\$ 1,779</u>

<u>Fire Department Special</u>	<u>Municipal Court Building Security</u>	<u>Industrial Park Improvement</u>	<u>HOME Grant</u>	<u>Railroad Depot Restoration</u>	<u>Santa Fe Trail</u>	<u>Total</u>
\$ 1,064	\$ 1,010	\$ -	\$ -	\$ 18,392	\$ -	\$ 152,502
-	-	-	-	-	-	55,630
6,823	-	-	-	8,096	-	15,763
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 7,887</u>	<u>\$ 1,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,488</u>	<u>\$ -</u>	<u>\$ 223,895</u>
\$ -	\$ -	\$ -	\$ -	\$ 20	\$ -	\$ 1,727
-	-	-	-	-	-	-
-	-	-	-	-	18,714	27,269
-	-	-	-	20	18,714	28,996
<u>7,887</u>	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>26,468</u>	<u>(18,714)</u>	<u>194,899</u>
<u>\$ 7,887</u>	<u>\$ 1,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,488</u>	<u>\$ -</u>	<u>\$ 223,895</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, 2008

	Hotel/ Motel Tax	Municipal Court Technology	Narcotics Control
REVENUES			
Taxes	\$ 199,153	\$ -	\$ -
Intergovernmental	-	-	31,122
Fines and forfeitures	-	2,365	-
Investment income	2,914	327	1,055
Miscellaneous	-	-	1,038
Total revenues	<u>202,067</u>	<u>2,692</u>	<u>33,215</u>
EXPENDITURES			
Current			
General government	-	4,476	-
Public safety	-	-	12,418
Public works	-	-	-
Cultural and recreation	41,173	-	-
Total expenditures	<u>41,173</u>	<u>4,476</u>	<u>12,418</u>
Excess (deficiency) of revenues over expenditures	160,894	(1,784)	20,797
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(120,600)	-	(6,000)
Total other financing sources (uses)	<u>(120,600)</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balances	40,294	(1,784)	14,797
Fund balances at beginning of year	87,822	9,163	27,956
Fund balances at end of year	<u>\$ 128,116</u>	<u>\$ 7,379</u>	<u>\$ 42,753</u>

<u>DARE</u>	<u>Fire Department Special</u>	<u>Municipal Court Building Security</u>	<u>Industrial Park Improvement</u>	<u>HOME Grant</u>
\$ -	\$ -	\$ -	\$ -	\$ -
38,000	-	-	275,000	528,620
-	-	3,155	-	-
335	122	789	-	-
100	12,111	-	76,009	-
<u>38,435</u>	<u>12,233</u>	<u>3,944</u>	<u>351,009</u>	<u>528,620</u>
-	-	29,146	-	529,709
56,533	9,559	-	-	-
-	-	-	351,009	-
-	-	-	-	-
<u>56,533</u>	<u>9,559</u>	<u>29,146</u>	<u>351,009</u>	<u>529,709</u>
(18,098)	2,674	(25,202)	-	(1,089)
16,776	-	-	-	1,089
-	-	-	-	-
<u>16,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,089</u>
(1,322)	2,674	(25,202)	-	-
1,322	5,213	26,212	-	-
<u>\$ -</u>	<u>\$ 7,887</u>	<u>\$ 1,010</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)



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, 2008

	Railroad Depot Restoration	Santa Fe Trail	Total
REVENUES			
Taxes	\$ -	\$ -	\$ 199,153
Intergovernmental	-	-	872,742
Fines and forfeitures	-	-	5,520
Investment income	-	18	5,560
Miscellaneous	31,720	15,721	136,699
Total revenues	<u>31,720</u>	<u>15,739</u>	<u>1,219,674</u>
EXPENDITURES			
Current			
General government	-	-	563,331
Public safety	-	-	78,510
Public works	-	-	351,009
Cultural and recreation	3,272	1,466	45,911
Total expenditures	<u>3,272</u>	<u>1,466</u>	<u>1,038,761</u>
Excess (deficiency) of revenues over expenditures	28,448	14,273	180,913
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	17,865
Transfers out	-	-	(126,600)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(108,735)</u>
Net change in fund balances	28,448	14,273	72,178
Fund balances at beginning of year	(1,980)	(32,987)	122,721
Fund balances at end of year	<u>\$ 26,468</u>	<u>\$ (18,714)</u>	<u>\$ 194,899</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
HOTEL/MOTEL TAX
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 80,969	\$ 65,258
Receivables, net		
Accounts	55,630	38,394
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>\$ 136,599</u>	<u>\$ 103,652</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 387	\$ 330
Due to other funds	<u>8,096</u>	<u>15,500</u>
Total liabilities	<u>8,483</u>	<u>15,830</u>
Fund balance		
Unreserved, undesignated	<u>128,116</u>	<u>87,822</u>
Total liabilities and fund balance	<u>\$ 136,599</u>	<u>\$ 103,652</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****HOTEL/MOTEL TAX****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance	2007
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Hotel/motel	\$ 181,000	\$ 199,153	\$ 18,153	\$ 175,474
Investment income	2,500	2,914	414	2,797
Total revenues	<u>183,500</u>	<u>202,067</u>	<u>18,567</u>	<u>178,271</u>
EXPENDITURES				
Current				
Cultural and recreation	<u>38,105</u>	<u>41,173</u>	<u>(3,068)</u>	<u>43,557</u>
Total expenditures	<u>38,105</u>	<u>41,173</u>	<u>(3,068)</u>	<u>43,557</u>
Excess (deficiency) of revenues over expenditures	145,395	160,894	15,499	134,714
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(120,600)</u>	<u>(120,600)</u>	<u>-</u>	<u>(109,000)</u>
Net change in fund balance	24,795	40,294	15,499	25,714
Fund balance at beginning of year	<u>87,822</u>	<u>87,822</u>	<u>-</u>	<u>62,108</u>
Fund balance at end of year	<u>\$ 112,617</u>	<u>\$ 128,116</u>	<u>\$ 15,499</u>	<u>\$ 87,822</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
MUNICIPAL COURT TECHNOLOGY
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 7,379	\$ 9,163
Total assets	<u>\$ 7,379</u>	<u>\$ 9,163</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Unreserved, undesignated	<u>7,379</u>	<u>9,163</u>
Total liabilities and fund balance	<u>\$ 7,379</u>	<u>\$ 9,163</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
MUNICIPAL COURT TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended September 30, 2008
With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Fines and forfeitures		
Municipal court fees	\$ 2,365	\$ 6,766
Investment income	<u>327</u>	<u>315</u>
Total revenues	<u>2,692</u>	<u>7,081</u>
EXPENDITURES		
Current		
General government	<u>4,476</u>	<u>2,464</u>
Total expenditures	<u>4,476</u>	<u>2,464</u>
Excess (deficiency) of revenues over expenditures	(1,784)	4,617
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	(1,784)	4,617
Fund balance at beginning of year	<u>9,163</u>	<u>4,546</u>
Fund balance at end of year	<u>\$ 7,379</u>	<u>\$ 9,163</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
NARCOTICS CONTROL
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 42,753	\$ 27,956
Total assets	<u>\$ 42,753</u>	<u>\$ 27,956</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Unreserved, undesignated	<u>42,753</u>	<u>27,956</u>
Total liabilities and fund balance	<u>\$ 42,753</u>	<u>\$ 27,956</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****NARCOTICS CONTROL****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008			2007
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Intergovernmental	\$ 30,500	\$ 31,122	\$ 622	\$ 15,868
Investment income	500	1,055	555	1,071
Miscellaneous	-	1,038	1,038	1,366
Total revenues	<u>31,000</u>	<u>33,215</u>	<u>2,215</u>	<u>18,305</u>
EXPENDITURES				
Current				
Public safety	<u>12,500</u>	<u>12,418</u>	<u>82</u>	<u>10,067</u>
Total expenditures	<u>12,500</u>	<u>12,418</u>	<u>82</u>	<u>10,067</u>
Excess (deficiency) of revenues over expenditures	18,500	20,797	2,297	8,238
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	12,500	14,797	2,297	2,238
Fund balance at beginning of year	<u>27,956</u>	<u>27,956</u>	<u>-</u>	<u>25,718</u>
Fund balance at end of year	<u>\$ 40,456</u>	<u>\$ 42,753</u>	<u>\$ 2,297</u>	<u>\$ 27,956</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
DARE
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 935	\$ 3,816
Due from other funds	844	-
Total assets	<u>\$ 1,779</u>	<u>\$ 3,816</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,320	\$ 949
Accrued expenditures	-	1,545
Due to other funds	459	-
Total liabilities	<u>1,779</u>	<u>2,494</u>
Fund balance		
Unreserved, undesignated	<u>-</u>	<u>1,322</u>
Total liabilities and fund balance	<u>\$ 1,779</u>	<u>\$ 3,816</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

DARE

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

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008			2007
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Intergovernmental	\$ 38,000	\$ 38,000	\$ -	\$ 38,000
Investment income	650	335	(315)	935
Miscellaneous	-	100	100	-
Total revenues	<u>38,650</u>	<u>38,435</u>	<u>(215)</u>	<u>38,935</u>
EXPENDITURES				
Current				
Public safety	<u>56,979</u>	<u>56,533</u>	<u>446</u>	<u>56,579</u>
Total expenditures	<u>56,979</u>	<u>56,533</u>	<u>446</u>	<u>56,579</u>
Excess (deficiency) of revenues over expenditures	(18,329)	(18,098)	231	(17,644)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>17,235</u>	<u>16,776</u>	<u>(459)</u>	<u>14,500</u>
Net change in fund balance	(1,094)	(1,322)	(228)	(3,144)
Fund balance at beginning of year	<u>1,322</u>	<u>1,322</u>	-	<u>4,466</u>
Fund balance at end of year	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ (228)</u>	<u>\$ 1,322</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FIRE DEPARTMENT SPECIAL
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,064	\$ 11,124
Due from other funds	<u>6,823</u>	<u>-</u>
Total assets	<u>\$ 7,887</u>	<u>\$ 11,124</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 766
Due to other funds	<u>-</u>	<u>5,145</u>
Total liabilities	<u>-</u>	<u>5,911</u>
Fund balance		
Unreserved, undesignated	<u>7,887</u>	<u>5,213</u>
Total liabilities and fund balance	<u>\$ 7,887</u>	<u>\$ 11,124</u>

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

FIRE DEPARTMENT SPECIAL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Investment income	\$ 122	\$ 843
Miscellaneous	<u>12,111</u>	<u>20,247</u>
Total revenues	<u>12,233</u>	<u>21,090</u>
EXPENDITURES		
Current		
Public safety	<u>9,559</u>	<u>30,539</u>
Total expenditures	<u>9,559</u>	<u>30,539</u>
Excess (deficiency) of revenues over expenditures	2,674	(9,449)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	2,674	(9,449)
Fund balance at beginning of year	<u>5,213</u>	<u>14,662</u>
Fund balance at end of year	<u>\$ 7,887</u>	<u>\$ 5,213</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
MUNICIPAL COURT BUILDING SECURITY
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,010	\$ 26,212
Total assets	<u>\$ 1,010</u>	<u>\$ 26,212</u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$ -	\$ -
Fund balance		
Unreserved, undesignated	<u>1,010</u>	<u>26,212</u>
Total liabilities and fund balance	<u>\$ 1,010</u>	<u>\$ 26,212</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****MUNICIPAL COURT BUILDING SECURITY****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Fines and forfeitures		
Municipal court fees	\$ 3,155	\$ 4,961
Investment income	<u>789</u>	<u>1,275</u>
Total revenues	<u>3,944</u>	<u>6,236</u>
EXPENDITURES		
Current		
General government	<u>29,146</u>	<u>-</u>
Total expenditures	<u>29,146</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(25,202)	6,236
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	(25,202)	6,236
Fund balance at beginning of year	<u>26,212</u>	<u>19,976</u>
Fund balance at end of year	<u>\$ 1,010</u>	<u>\$ 26,212</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
INDUSTRIAL PARK IMPROVEMENT
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 70,293
Due from other funds	-	<u>11,477</u>
Total assets	<u>\$ -</u>	<u>\$ 81,770</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 2,997
Due to other funds	-	<u>78,773</u>
Total liabilities	-	<u>81,770</u>
Fund balance		
Unreserved, undesignated	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 81,770</u>

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

INDUSTRIAL PARK IMPROVEMENT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Intergovernmental	\$ 275,000	\$ -
Miscellaneous	<u>76,009</u>	<u>186,589</u>
Total revenues	<u>351,009</u>	<u>186,589</u>
EXPENDITURES		
Capital outlay	<u>351,009</u>	<u>186,589</u>
Total expenditures	<u>351,009</u>	<u>186,589</u>
Excess (deficiency) of revenues over expenditures	-	-
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>-</u>	<u>-</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
HOME GRANT
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Due from other funds	\$ -	\$ 5,258
Total assets	<u>\$ -</u>	<u>\$ 5,258</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 5,258
Total Liabilities	<u>-</u>	<u>5,258</u>
Fund balance		
Unreserved, undesignated	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 5,258</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
HOME GRANT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended September 30, 2008
With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Intergovernmental	\$ 528,620	\$ 376,179
Total revenues	<u>528,620</u>	<u>376,179</u>
EXPENDITURES		
Current		
General government	<u>529,709</u>	<u>421,949</u>
Total expenditures	<u>529,709</u>	<u>421,949</u>
Excess (deficiency) of revenues over expenditures	(1,089)	(45,770)
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>1,089</u>	<u>45,770</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
RAILROAD DEPOT RESTORATION
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 18,392	\$ -
Due from other funds	8,096	-
Due from other governments	<u>-</u>	<u>54,604</u>
Total assets	<u>\$ 26,488</u>	<u>\$ 54,604</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 20	\$ 719
Due to other funds	<u>-</u>	<u>55,865</u>
Total liabilities	<u>20</u>	<u>56,584</u>
Fund balance		
Unreserved, undesignated	<u>26,468</u>	<u>(1,980)</u>
Total liabilities and fund balance	<u>\$ 26,488</u>	<u>\$ 54,604</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****RAILROAD DEPOT RESTORATION****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE***For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	<u>2008</u>	<u>2007</u>
REVENUES		
Intergovernmental	\$ -	\$ 2,253
Miscellaneous	<u>31,720</u>	<u>77,923</u>
Total revenues	<u>31,720</u>	<u>80,176</u>
EXPENDITURES		
Current		
Cultural and recreation	<u>3,272</u>	<u>8,148</u>
Total expenditures	<u>3,272</u>	<u>8,148</u>
Excess (deficiency) of revenues over expenditures	28,448	72,028
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	28,448	72,028
Fund balance at beginning of year	<u>(1,980)</u>	<u>(74,008)</u>
Fund balance at end of year	<u>\$ 26,468</u>	<u>\$ (1,980)</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
SANTA FE TRAIL
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 82
Due to other funds	<u>18,714</u>	<u>32,905</u>
Total liabilities	<u>18,714</u>	<u>32,987</u>
Fund balance		
Unreserved, undesignated	<u>(18,714)</u>	<u>(32,987)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****SANTA FE TRAIL****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE***For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	<u>2008</u>	<u>2007</u>
REVENUES		
Investment income	\$ 18	\$ 1,525
Miscellaneous	<u>15,721</u>	<u>111,795</u>
Total revenues	<u>15,739</u>	<u>113,320</u>
EXPENDITURES		
Current		
Cultural and recreation	<u>1,466</u>	<u>185,798</u>
Total expenditures	<u>1,466</u>	<u>185,798</u>
Excess (deficiency) of revenues over expenditures	14,273	(72,478)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	14,273	(72,478)
Fund balance at beginning of year	<u>(32,987)</u>	<u>39,491</u>
Fund balance at end of year	<u>\$ (18,714)</u>	<u>\$ (32,987)</u>

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
TEXAS CAPITAL BUC-EE'S
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Due from component unit	\$ -	\$ 206,155
Due from other governments	-	10,000
Total assets	<u>\$ -</u>	<u>\$ 216,155</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 206,155
Due to other funds	-	10,000
Total liabilities	<u>-</u>	<u>216,155</u>
Fund balance		
Unreserved, undesignated	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 216,155</u>

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

TEXAS CAPITAL BUC-EE'S

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Intergovernmental	\$ 720,000	\$ 10,000
Miscellaneous	<u>503,381</u>	<u>331,676</u>
Total revenues	<u>1,223,381</u>	<u>341,676</u>
EXPENDITURES		
Capital outlay	<u>1,223,381</u>	<u>341,676</u>
Total expenditures	<u>1,223,381</u>	<u>341,676</u>
Excess (deficiency) of revenues over expenditures	-	-
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
Net change in fund balance	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>



NONMAJOR DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.



CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 339,125	\$ 435,425
Receivables, net		
Taxes	58,531	76,079
Due from other funds	21,637	20,709
Due from other governments	<u>-</u>	<u>2,141</u>
Total assets	<u>\$ 419,293</u>	<u>\$ 534,354</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred revenue	<u>\$ 58,531</u>	<u>\$ 76,079</u>
Total liabilities	<u>58,531</u>	<u>76,079</u>
 Fund balance		
Unreserved, undesignated	<u>360,762</u>	<u>458,275</u>
Total fund balance	<u>360,762</u>	<u>458,275</u>
 Total liabilities and fund balance	<u>\$ 419,293</u>	<u>\$ 534,354</u>

CITY OF WHARTON, TEXAS**NONMAJOR 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, 2008

With comparative totals for the year ended September 30, 2007

	2008			2007
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 425,000	\$ 447,696	\$ 22,696	\$ 439,104
Investment income	10,000	10,733	733	28,209
Total revenues	<u>435,000</u>	<u>458,429</u>	<u>23,429</u>	<u>467,313</u>
EXPENDITURES				
Debt service				
Principal retirement	353,090	353,090	-	260,375
Interest and fiscal charges	203,000	202,852	148	180,576
Total expenditures	<u>556,090</u>	<u>555,942</u>	<u>148</u>	<u>440,951</u>
Excess (deficiency) of revenues over expenditures	(121,090)	(97,513)	23,577	26,362
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(121,090)	(97,513)	23,577	26,362
Fund balance at beginning of year	<u>458,275</u>	<u>458,275</u>	<u>-</u>	<u>431,913</u>
Fund balance at end of year	<u>\$ 337,185</u>	<u>\$ 360,762</u>	<u>\$ 23,577</u>	<u>\$ 458,275</u>

CAPITAL PROJECT FUNDS

The City maintains two Capital Project Funds: Street Improvement Fund and the 2006 Bond Construction Fund. The purpose of these funds is to account for the acquisition or construction of City facilities, usually accounting for proceeds of bond issues and local sources. These funds are not used to account for projects financed by proprietary funds, trust funds, or Special Revenue Funds. The 2006 Bond Construction Fund is reported as a major fund.

Street Improvement Fund - Accounts for the improvement and construction of the City's streets.

2006 Bond Construction Fund - Accounts for the use of the proceeds from the City's 2006 Certificates of Obligation.

CITY OF WHARTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
STREET IMPROVEMENT
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 6,109	\$ 392
Due from other funds	<u>-</u>	<u>49,065</u>
Total assets	<u>\$ 6,109</u>	<u>\$ 49,457</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 21,675	\$ 28,875
Due to other funds	<u>-</u>	<u>76,387</u>
Total liabilities	<u>21,675</u>	<u>105,262</u>
Fund balance		
Unreserved, undesignated	<u>(15,566)</u>	<u>(55,805)</u>
Total liabilities and fund balance	<u>\$ 6,109</u>	<u>\$ 49,457</u>

CITY OF WHARTON, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****STREET IMPROVEMENT****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance	2007
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Investment income	\$ 1,500	\$ 1,252	\$ (248)	\$ 1,367
Miscellaneous	166,000	71,595	(94,405)	34,011
Total revenues	<u>167,500</u>	<u>72,847</u>	<u>(94,653)</u>	<u>35,378</u>
EXPENDITURES				
Current				
Public works	1,500	1,140	360	-
Capital outlay	<u>166,924</u>	<u>131,468</u>	<u>35,456</u>	<u>268,245</u>
Total expenditures	<u>168,424</u>	<u>132,608</u>	<u>35,816</u>	<u>268,245</u>
Excess (deficiency) of revenues over expenditures	(924)	(59,761)	(58,837)	(232,867)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>100,000</u>	<u>100,000</u>	-	<u>100,000</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	-	<u>100,000</u>
Net change in fund balance	99,076	40,239	(58,837)	(132,867)
Fund balance at beginning of year	<u>(55,805)</u>	<u>(55,805)</u>	-	<u>77,062</u>
Fund balance at end of year	<u>\$ 43,271</u>	<u>\$ (15,566)</u>	<u>\$ (58,837)</u>	<u>\$ (55,805)</u>

CITY OF WHARTON, TEXAS
MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
2006 BOND CONSTRUCTION
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 7,069	\$ 2,123,506
Due from other funds	43,991	-
Due from other governments	306,009	-
Deferred expenditures	<u>-</u>	<u>504,985</u>
Total assets	<u>\$ 357,069</u>	<u>\$ 2,628,491</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,234	\$ 587,451
Due to other funds	244,566	584,360
Deferred revenue	<u>-</u>	<u>204,958</u>
Total liabilities	<u>246,800</u>	<u>1,376,769</u>
Fund balance		
Unreserved, undesignated	<u>110,269</u>	<u>1,251,722</u>
Total liabilities and fund balance	<u>\$ 357,069</u>	<u>\$ 2,628,491</u>

CITY OF WHARTON, TEXAS**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****2006 BOND CONSTRUCTION****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the year ended September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Investment income	\$ 26,346	\$ 101,699
Miscellaneous	<u>614,373</u>	<u>225,752</u>
Total revenues	<u>640,719</u>	<u>327,451</u>
EXPENDITURES		
Current		
Public works	417	32,710
Cultural and recreation	3,991	16,286
Capital outlay	2,410,049	1,035,401
Debt service		
Principal retirement	-	98,355
Bond issuance costs	<u>32,715</u>	<u>54,877</u>
Total expenditures	<u>2,447,172</u>	<u>1,237,629</u>
Excess (deficiency) of revenues over expenditures	(1,806,453)	(910,178)
OTHER FINANCING SOURCES (USES)		
Bonds issued	<u>665,000</u>	<u>2,161,900</u>
Total other financing sources (uses)	<u>665,000</u>	<u>2,161,900</u>
Net change in fund balance	(1,141,453)	1,251,722
Fund balance at beginning of year	<u>1,251,722</u>	<u>-</u>
Fund balance at end of year	<u>\$ 110,269</u>	<u>\$ 1,251,722</u>



GENERAL FUND

The General Fund is a constitutional fund and is utilized to account for all of the City's revenues and expenditures except those which are required to be classed in other constitutional funds and such other funds that are presented separately to facilitate proper accountability.

CITY OF WHARTON TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 166,223	\$ 193,988
Receivables, net		
Taxes	272,447	448,891
Fines	31,763	53,168
Other	65,741	29,952
Due from other funds	1,134,926	812,756
Due from component unit	7,076	-
Due from other governments	261,328	234,342
Deferred expenditures	<u>14,184</u>	<u>17,719</u>
Total assets	<u>\$ 1,953,688</u>	<u>\$ 1,790,816</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 159,805	\$ 131,651
Accrued expenditures	12,513	89,793
Due to other governments	28,809	23,634
Due to other funds	81,552	44,331
Deposits	50	150
Deferred revenue	<u>252,756</u>	<u>290,126</u>
Total liabilities	<u>535,485</u>	<u>579,685</u>
Fund balance		
Reserved for deferred expenditures	14,184	17,719
Unreserved, undesignated	<u>1,404,019</u>	<u>1,193,412</u>
Total fund balance	<u>1,418,203</u>	<u>1,211,131</u>
Total liabilities and fund balance	<u>\$ 1,953,688</u>	<u>\$ 1,790,816</u>

CITY OF WHARTON TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance Positive (Negative)	2007
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 1,603,000	\$ 1,582,916	\$ (20,084)	\$ 1,472,465
Sales	1,220,000	1,240,084	20,084	1,319,795
Franchise	1,044,300	1,047,982	3,682	918,589
Licenses and permits	125,700	127,166	1,466	150,149
Intergovernmental	93,500	131,860	38,360	108,400
Charges for services	27,500	28,248	748	15,042
Fines and forfeitures	155,400	150,425	(4,975)	225,045
Investment income	21,000	21,979	979	28,679
Industrial district fee	79,000	79,268	268	-
Miscellaneous	148,950	149,015	65	55,943
Total revenues	4,518,350	4,558,943	40,593	4,294,107
EXPENDITURES				
Current				
General government				
Mayor and council	25,225	24,404	821	25,305
City manager	177,945	177,433	512	166,287
City secretary	89,763	86,310	3,453	80,836
Legal and professional	79,700	77,456	2,244	88,568
Finance	227,791	227,161	630	225,024
Municipal court	104,664	107,469	(2,805)	106,408
Community services coordinator	6,580	1,120	5,460	3,668
Central services	55,200	56,990	(1,790)	49,121
Total general government	766,868	758,343	8,525	745,217
Public safety				
Police	1,576,251	1,575,632	619	1,623,840
Fire	285,031	286,000	(969)	251,276
Code enforcement	169,216	162,518	6,698	157,125
Emergency management	34,510	33,193	1,317	25,273
Animal control	33,282	31,163	2,119	45,030
Communications	359,495	357,239	2,256	340,177
Total public safety	2,457,785	2,445,745	12,040	2,442,721
Public works				
Streets and drainage	805,815	818,544	(12,729)	729,166
Garage	90,985	90,292	693	83,066
Facilities maintenance	206,883	204,787	2,096	205,348
Flood reduction project	65,000	65,000	-	-
Total public works	1,168,683	1,178,623	(9,940)	1,017,580

(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, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance Positive (Negative)	2007
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Community services	\$ 59,092	\$ 58,239	\$ 853	\$ 52,632
Recreation	41,600	41,562	38	26,268
Community pool	47,627	46,215	1,412	45,839
Total cultural and recreation	148,319	146,016	2,303	124,739
Capital outlay	106,829	106,758	71	402,924
Debt service				
Principal retirement	81,000	80,448	552	33,516
Interest and fiscal charges	17,500	17,559	(59)	2,766
Total debt service	98,500	98,007	493	36,282
Total expenditures	4,746,984	4,733,492	13,492	4,769,463
Excess (deficiency) of revenues over expenditures	(228,634)	(174,549)	54,085	(475,356)
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	-	296,094
Transfers in	418,486	418,486	-	430,039
Transfers out	(37,335)	(36,865)	470	(263,475)
Total other financing sources (uses)	381,151	381,621	470	462,658
Net change in fund balance	\$ 152,517	207,072	\$ 54,555	(12,698)
Fund balance at beginning of year		1,211,131		1,223,829
Fund balance at end of year		\$ 1,418,203		\$ 1,211,131

ENTERPRISE FUNDS

Enterprise Funds account for the acquisition, operations, and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. Debt service amounts are also included.

Water and Sewer Fund - Accounts for the activities of the City related to its sewage treatment plant and water distribution system.

Solid Waste Fund - Accounts for the operations of the solid waste removal services provided to the residents of the City through a private company.

Emergency Medical Services Fund - Accounts for the emergency medical services provided to the residents of the City.

Civic Center Fund - Accounts for the operation of the City's civic center.

Airport Fund - Accounts for the operation of the City's airport.

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - WATER AND SEWER
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,310	\$ 24,534
Receivables, net		
Accounts	232,405	267,316
Due from other funds	579	240,829
Inventory	<u>56,808</u>	<u>64,494</u>
Total current assets	<u>339,102</u>	<u>597,173</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	928,638	919,315
Water and sewer system	<u>18,056,570</u>	<u>16,698,623</u>
Total capital assets	18,985,208	17,617,938
Accumulated depreciation	<u>(7,523,755)</u>	<u>(7,071,175)</u>
Subtotal	11,461,453	10,546,763
Land	276,750	276,750
Construction in progress	<u>187,215</u>	<u>465,962</u>
Net capital assets	<u>11,925,418</u>	<u>11,289,475</u>
Bond issue costs, net	<u>18,447</u>	<u>19,759</u>
Total noncurrent assets	<u>11,943,865</u>	<u>11,309,234</u>
Total assets	<u>12,282,967</u>	<u>11,906,407</u>
LIABILITIES		
Current liabilities		
Accounts payable	232,844	77,111
Accrued expenses	2,101	15,649
Deposits	173,564	164,994
Accrued interest payable	51,907	56,074
Due to other funds	709,766	431,141
Compensated absences	2,575	2,508
Current portion of capital leases payable	78,000	74,000
Current portion of certificates of obligation	104,685	98,135
Current portion of general obligation bonds	<u>174,400</u>	<u>168,950</u>
Total current liabilities	<u>1,529,842</u>	<u>1,088,562</u>
Noncurrent liabilities		
Compensated absences	23,175	22,569
Capital leases payable, net of current portion	640,000	718,000
Certificates of obligation, net of current portion	2,395,934	2,500,619
General obligation bonds, net of current portion	<u>414,200</u>	<u>588,600</u>
Total noncurrent liabilities	<u>3,473,309</u>	<u>3,829,788</u>
Total liabilities	<u>5,003,151</u>	<u>4,918,350</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,118,199	7,141,171
Unrestricted net assets	<u>(838,383)</u>	<u>(153,114)</u>
Total net assets	<u>\$ 7,279,816</u>	<u>\$ 6,988,057</u>

CITY OF WHARTON, TEXAS**MAJOR ENTERPRISE FUND - WATER AND SEWER****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance Positive (Negative)	2007
	Final Budget	Actual		Actual
OPERATING REVENUES				
Water	\$ 1,200,000	\$ 1,198,847	\$ (1,153)	\$ 1,129,770
Sewer	1,145,000	1,146,770	1,770	1,054,352
Penalties	32,000	30,164	(1,836)	31,438
Connection and installation fees	42,000	41,961	(39)	34,920
Other	18,300	18,455	155	33,069
Total operating revenues	<u>2,437,300</u>	<u>2,436,197</u>	<u>(1,103)</u>	<u>2,283,549</u>
OPERATING EXPENSES				
Water and sewer operations				
Personnel	591,512	593,529	(2,017)	642,741
Materials and supplies	87,000	86,429	571	72,648
Repairs and maintenance	212,200	218,652	(6,452)	141,632
Other services and charges	584,011	604,245	(20,234)	582,923
Bad debt expense	4,000	24,255	(20,255)	6,651
Depreciation and amortization	365,355	453,892	(88,537)	426,111
Total operating expenses	<u>1,844,078</u>	<u>1,981,002</u>	<u>(136,924)</u>	<u>1,872,706</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	593,222	455,195	(138,027)	410,843
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	-	10,605	10,605	-
Investment income	2,000	1,920	(80)	3,149
Interest and fiscal charges	(186,000)	(181,497)	4,503	(194,377)
Total nonoperating revenues (expenses)	<u>(184,000)</u>	<u>(168,972)</u>	<u>15,028</u>	<u>(191,228)</u>
Income (loss) before contributions and transfers	409,222	286,223	(122,999)	219,615
Contributions and transfers				
Capital grants and contributions	23,000	457,687	434,687	268,256
Transfers out	(452,151)	(452,151)	-	(464,651)
Total contributions and transfers	<u>(429,151)</u>	<u>5,536</u>	<u>434,687</u>	<u>(196,395)</u>
Change in net assets	\$ <u>(19,929)</u>	291,759	\$ <u>311,688</u>	23,220
Net assets at beginning of year		<u>6,988,057</u>		<u>6,964,837</u>
Net assets at end of year		<u>\$ 7,279,816</u>		<u>\$ 6,988,057</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - SOLID WASTE
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 592	\$ 4,240
Receivables, net		
Accounts	129,719	133,961
Due from other funds	<u>4,816</u>	<u>21</u>
Total assets	<u>135,127</u>	<u>138,222</u>
LIABILITIES		
Current liabilities		
Accounts payable	54,624	97,323
Accrued expenses	123	-
Due to other governments	7,336	7,099
Deposits	75	4,075
Due to other funds	161,840	102,429
Compensated absences	<u>121</u>	<u>-</u>
Total liabilities	<u>224,119</u>	<u>210,926</u>
NET ASSETS		
Unrestricted net assets	<u>(88,992)</u>	<u>(72,704)</u>
Total net assets	<u>\$ (88,992)</u>	<u>\$ (72,704)</u>

CITY OF WHARTON, TEXAS**MAJOR ENTERPRISE FUND - SOLID WASTE****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance	2007
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Solid waste fees	\$ 1,103,000	\$ 1,102,480	\$ (520)	\$ 1,219,290
Garbage collection fee	53,000	55,411	2,411	58,361
Other	-	512	512	1,654
Total operating revenues	<u>1,156,000</u>	<u>1,158,403</u>	<u>2,403</u>	<u>1,279,305</u>
OPERATING EXPENSES				
Solid waste operations				
Personnel	32,247	29,364	2,883	484
Materials and supplies	100	133	(33)	-
Other services and charges	1,135,000	1,139,005	(4,005)	1,240,182
Bad debt expense	-	7,198	(7,198)	2,248
Total operating expenses	<u>1,167,347</u>	<u>1,175,700</u>	<u>(8,353)</u>	<u>1,242,914</u>
Operating income (loss) before nonoperating revenues (expenses)	(11,347)	(17,297)	(5,950)	36,391
NONOPERATING REVENUES (EXPENSES)				
Investment income	200	1,009	809	809
Total nonoperating revenues (expenses)	<u>200</u>	<u>1,009</u>	<u>809</u>	<u>809</u>
Change in net assets	<u>\$ (11,147)</u>	(16,288)	<u>\$ (5,141)</u>	37,200
Net assets at beginning of year		<u>(72,704)</u>		<u>(109,904)</u>
Net assets at end of year		<u>\$ (88,992)</u>		<u>\$ (72,704)</u>

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

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 97,865	\$ 113,832
Receivables, net		
Accounts	81,686	50,131
Due from other funds	45,291	164
Total current assets	<u>224,842</u>	<u>164,127</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	852,027	841,464
Less accumulated depreciation	<u>(632,380)</u>	<u>(534,230)</u>
Net capital assets	<u>219,647</u>	<u>307,234</u>
Total assets	<u>444,489</u>	<u>471,361</u>
LIABILITIES		
Current liabilities		
Accounts payable	25,846	21,259
Accrued expenses	2,911	18,388
Due to other funds	-	17,130
Compensated absences	<u>2,141</u>	<u>1,829</u>
Total current liabilities	<u>30,898</u>	<u>58,606</u>
Noncurrent liabilities		
Compensated absences	<u>19,265</u>	<u>16,457</u>
Total liabilities	<u>50,163</u>	<u>75,063</u>
NET ASSETS		
Invested in capital assets, net of related debt	219,647	307,234
Unrestricted net assets	<u>174,679</u>	<u>89,064</u>
Total net assets	<u>\$ 394,326</u>	<u>\$ 396,298</u>

CITY OF WHARTON, TEXAS**MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance	2007
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Ambulance services	\$ 741,000	\$ 1,064,258	\$ 323,258	\$ 988,845
Other	4,000	1,000	(3,000)	-
Total operating revenues	<u>745,000</u>	<u>1,065,258</u>	<u>320,258</u>	<u>988,845</u>
OPERATING EXPENSES				
Emergency medical services				
Personnel	675,771	680,515	(4,744)	634,087
Materials and supplies	85,651	74,126	11,525	67,218
Repairs and maintenance	38,800	37,631	1,169	23,075
Other services and charges	129,600	127,120	2,480	128,075
Bad debt expense	-	282,962	(282,962)	399,627
Depreciation	85,765	98,150	(12,385)	97,446
Total operating expenses	<u>1,015,587</u>	<u>1,300,504</u>	<u>(284,917)</u>	<u>1,349,528</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(270,587)	(235,246)	35,341	(360,683)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	221,500	221,582	82	229,124
Investment income	3,000	3,027	27	4,990
Gain on disposition of capital assets	-	-	-	9,932
Total nonoperating revenues (expenses)	<u>224,500</u>	<u>224,609</u>	<u>109</u>	<u>244,046</u>
Income (loss) before contributions and transfers	(46,087)	(10,637)	35,450	(116,637)
Contributions and transfers				
Capital grants and contributions	50,000	50,000	-	-
Transfers in	-	-	-	120,680
Transfers out	(41,335)	(41,335)	-	(40,388)
Total contributions and transfers	<u>8,665</u>	<u>8,665</u>	<u>-</u>	<u>80,292</u>
Change in net assets	<u>\$ (37,422)</u>	<u>(1,972)</u>	<u>\$ 35,450</u>	<u>(36,345)</u>
Net assets at beginning of year		396,298		432,643
Net assets at end of year		<u>\$ 394,326</u>		<u>\$ 396,298</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - CIVIC CENTER
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 172,728	\$ 152,163
Receivables, net		
Accounts	4,676	5,268
Due from other funds	1,094	15,500
Total current assets	<u>178,498</u>	<u>172,931</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	126,949	126,949
Buildings and improvements	1,986,788	1,986,788
Total capital assets	<u>2,113,737</u>	<u>2,113,737</u>
Less accumulated depreciation	<u>(537,479)</u>	<u>(489,280)</u>
Net capital assets	<u>1,576,258</u>	<u>1,624,457</u>
Total assets	<u>1,754,756</u>	<u>1,797,388</u>
LIABILITIES		
Current liabilities		
Accounts payable	6,597	5,624
Accrued expenses	477	2,061
Deposits	6,800	6,800
Accrued interest payable	4,981	2,294
Due to other funds	15	7,919
Compensated absences	1,153	2,067
Current portion of certificates of obligation	19,190	18,355
Total current liabilities	<u>39,213</u>	<u>45,120</u>
Noncurrent liabilities		
Compensated absences	10,376	18,602
Certificates of obligation, net of current portion	263,705	282,895
Total noncurrent liabilities	<u>274,081</u>	<u>301,497</u>
Total liabilities	<u>313,294</u>	<u>346,617</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,293,363	1,323,207
Unrestricted net assets	<u>148,099</u>	<u>127,564</u>
Total net assets	<u>\$ 1,441,462</u>	<u>\$ 1,450,771</u>

CITY OF WHARTON, TEXAS**MAJOR ENTERPRISE FUND - CIVIC CENTER****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008			2007
	Final Budget	Actual	Variance Positive (Negative)	Actual
OPERATING REVENUES				
Civic center fees	\$ 86,851	\$ 88,072	\$ 1,221	\$ 71,984
Other	500	30	(470)	8,389
Total operating revenues	<u>87,351</u>	<u>88,102</u>	<u>751</u>	<u>80,373</u>
OPERATING EXPENSES				
Civic center operations				
Personnel	90,354	81,424	8,930	66,813
Materials and supplies	7,445	6,644	801	5,354
Repairs and maintenance	23,500	28,574	(5,074)	17,716
Other services and charges	38,515	38,367	148	37,525
Depreciation	47,000	48,199	(1,199)	48,199
Total operating expenses	<u>206,814</u>	<u>203,208</u>	<u>3,606</u>	<u>175,607</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(119,463)	(115,106)	4,357	(95,234)
NONOPERATING REVENUES (EXPENSES)				
Investment income	4,500	4,155	(345)	5,460
Interest and fiscal charges	(15,699)	(18,958)	(3,259)	(13,080)
Total nonoperating revenues (expenses)	<u>(11,199)</u>	<u>(14,803)</u>	<u>(3,604)</u>	<u>(7,620)</u>
Income (loss) before transfers	(130,662)	(129,909)	753	(102,854)
Transfers				
Transfers in	120,600	120,600	-	109,000
Total transfers	<u>120,600</u>	<u>120,600</u>	<u>-</u>	<u>109,000</u>
Change in net assets	\$ <u>(10,062)</u>	(9,309)	\$ <u>753</u>	6,146
Net assets at beginning of year		1,450,771		1,444,625
Net assets at end of year		<u>\$ 1,441,462</u>		<u>\$ 1,450,771</u>

CITY OF WHARTON, TEXAS
MAJOR ENTERPRISE FUND - AIRPORT
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 126,214	\$ 160,242
Receivables, net		
Accounts	12,566	2,742
Due from other funds	1,046	350,964
Due from other governments	21,474	14,531
Inventory	38,883	25,914
Total current assets	<u>200,183</u>	<u>554,393</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	54,596	44,664
Land improvements	45,735	45,735
Buildings and improvements	3,458,202	2,808,589
Total capital assets	<u>3,558,533</u>	<u>2,898,988</u>
Less accumulated depreciation	<u>(456,590)</u>	<u>(384,262)</u>
Subtotal	3,101,943	2,514,726
Land	42,343	42,343
Construction in progress	26,994	409,392
Net capital assets	<u>3,171,280</u>	<u>2,966,461</u>
Bond issue costs, net	1,936	10,712
Total assets	<u>3,373,399</u>	<u>3,531,566</u>
LIABILITIES		
Current liabilities		
Accounts payable	5,172	12,096
Accrued expenses	258	2,224
Deposits	500	900
Accrued interest payable	2,972	9,438
Due to other funds	44,135	168
Compensated absences	127	-
Current portion of certificates of obligation	36,485	31,470
Total current liabilities	<u>89,649</u>	<u>56,296</u>
Noncurrent liabilities		
Compensated absences	1,147	-
Certificates of obligation, net of current portion	169,380	556,829
Total noncurrent liabilities	<u>170,527</u>	<u>556,829</u>
Total liabilities	<u>260,176</u>	<u>613,125</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,965,415	2,729,126
Unrestricted net assets	147,808	189,315
Total net assets	<u>\$ 3,113,223</u>	<u>\$ 2,918,441</u>

CITY OF WHARTON, TEXAS**MAJOR ENTERPRISE FUND - AIRPORT****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance	2007
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Airport fees	\$ 183,963	\$ 185,813	\$ 1,850	\$ 171,780
Other	500	225	(275)	108
Total operating revenues	<u>184,463</u>	<u>186,038</u>	<u>1,575</u>	<u>171,888</u>
OPERATING EXPENSES				
Airport operations				
Personnel	56,302	58,319	(2,017)	44,397
Materials and supplies	4,650	4,044	606	4,017
Repairs and maintenance	25,700	40,367	(14,667)	43,834
Other services and charges	42,850	43,764	(914)	36,213
Depreciation and amortization	60,000	72,460	(12,460)	60,361
Total operating expenses	<u>189,502</u>	<u>218,954</u>	<u>(29,452)</u>	<u>188,822</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions	(5,039)	(32,916)	(27,877)	(16,934)
NONOPERATING REVENUES (EXPENSES)				
Noncapital grants and contributions	23,200	32,754	9,554	26,525
Investment income	4,500	4,825	325	6,796
Interest and fiscal charges	(31,000)	(33,107)	(2,107)	(32,797)
Total nonoperating revenues (expenses)	<u>(3,300)</u>	<u>4,472</u>	<u>7,772</u>	<u>524</u>
Income (loss) before contributions	(8,339)	(28,444)	(20,105)	(16,410)
Contributions				
Capital grants and contributions	9,000	223,226	214,226	308,265
Total contributions	<u>9,000</u>	<u>223,226</u>	<u>214,226</u>	<u>308,265</u>
Change in net assets	<u>\$ 661</u>	194,782	<u>\$ 194,121</u>	291,855
Net assets at beginning of year, as restated		<u>2,918,441</u>		<u>2,626,586</u>
Net assets at end of year		<u>\$ 3,113,223</u>		<u>\$ 2,918,441</u>



STATISTICAL SECTION

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

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Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	114
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues	125
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	136
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.....	142
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.....	144

CITY OF WHARTON, TEXAS
NET ASSETS BY COMPONENT (1)
Last five fiscal years

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	\$ 3,041,931	\$ 3,462,536	\$ 4,277,648
Restricted	375,245	377,314	500,635
Unrestricted	1,992,192	1,370,948	1,378,511
Total governmental activities net assets	<u>\$ 5,409,368</u>	<u>\$ 5,210,798</u>	<u>\$ 6,156,794</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 11,071,602	\$ 11,130,958	\$ 11,286,468
Unrestricted	(241,357)	66,413	114,408
Total business-type activities net assets	<u>\$ 10,830,245</u>	<u>\$ 11,197,371</u>	<u>\$ 11,400,876</u>
Primary government			
Invested in capital assets, net of related debt	\$ 14,113,533	\$ 14,593,494	\$ 15,564,116
Restricted	375,245	377,314	500,635
Unrestricted	1,750,835	1,437,361	1,492,919
Total primary government activities net assets	<u>\$ 16,239,613</u>	<u>\$ 16,408,169</u>	<u>\$ 17,557,670</u>

(1) Accrual basis of accounting

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year	
2007	2008
\$ 5,330,747	\$ 6,863,521
613,877	513,775
<u>1,257,718</u>	<u>1,526,710</u>
<u>\$ 7,202,342</u>	<u>\$ 8,904,006</u>
\$ 11,500,738	\$ 12,596,624
180,125	(456,789)
<u>\$ 11,680,863</u>	<u>\$ 12,139,835</u>
\$ 16,831,485	\$ 19,460,145
613,877	513,775
<u>1,437,843</u>	<u>1,069,921</u>
<u>\$ 18,883,205</u>	<u>\$ 21,043,841</u>

CITY OF WHARTON, TEXAS

CHANGES IN NET ASSETS (1)

Last five fiscal years

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Expenses			
General government	\$ 1,292,705	\$ 1,735,633	\$ 1,208,119
Public safety	2,156,564	2,408,652	2,546,521
Public works	2,386,715	2,091,123	1,430,714
Culture and recreation	244,138	224,491	186,343
Interest on long-term debt	110,051	151,537	146,131
Total expenses	<u>6,190,173</u>	<u>6,611,436</u>	<u>5,517,828</u>
Program revenues			
Charges for services			
General government	83,691	51,505	144,315
Public safety	228,705	234,982	242,056
Public works	19,383	-	-
Culture and recreation	7,384	5,917	12,247
Operating grants and contributions	767,326	1,689,193	471,859
Capital grants and contributions	1,099,881	214,510	934,450
Total program revenues	<u>2,206,370</u>	<u>2,196,107</u>	<u>1,804,927</u>
Total governmental activities net program expense	(3,983,803)	(4,415,329)	(3,712,901)
General revenues and other changes in net assets			
Taxes			
Property taxes	1,754,009	1,916,640	1,836,399
Sales taxes	1,049,238	1,124,445	1,292,565
Franchise taxes	792,682	818,192	893,839
Other taxes	56,798	90,170	134,824
Unrestricted investment earnings	24,683	55,969	61,579
Miscellaneous	163,753	119,270	98,561
Transfers	266,300	247,012	341,130
Total general revenues and other changes in net assets	<u>4,107,463</u>	<u>4,371,698</u>	<u>4,658,897</u>
Total governmental activities change in net assets	<u>\$ 123,660</u>	<u>\$ (43,631)</u>	<u>\$ 945,996</u>

Fiscal Year	
2007	2008
\$ 1,197,103	\$ 1,316,196
2,653,594	2,825,817
1,300,791	1,817,233
215,996	248,535
222,145	231,552
<u>5,589,629</u>	<u>6,439,333</u>
166,240	261,706
244,350	55,071
-	-
12,808	15,397
526,724	729,601
824,211	1,899,894
<u>1,774,333</u>	<u>2,961,669</u>
(3,815,296)	(3,477,664)
1,914,766	1,928,867
1,319,795	1,240,084
924,196	1,047,982
175,474	199,153
174,312	65,870
76,942	324,486
275,359	372,886
<u>4,860,844</u>	<u>5,179,328</u>
<u>\$ 1,045,548</u>	<u>\$ 1,701,664</u>

(continued)

CITY OF WHARTON, TEXAS

CHANGES IN NET ASSETS (1)

Last five fiscal years

	Fiscal Year		
	2004	2005	2006
Business-type activities			
Expenses			
Water and sewer	\$ 1,687,953	\$ 1,805,704	\$ 1,885,041
Solid waste	1,324,001	1,179,798	1,195,075
Emergency medical services	1,146,702	1,107,249	1,093,960
Civic center	199,272	176,969	185,618
Airport	100,092	104,536	129,760
Total expenses	<u>4,458,020</u>	<u>4,374,256</u>	<u>4,489,454</u>
Program revenues			
Charges for services			
Water and sewer	1,925,359	2,210,061	2,209,304
Solid waste	1,160,779	1,185,713	1,178,801
Emergency medical services	788,728	695,402	797,431
Civic center	48,103	77,548	76,894
Airport	118,795	120,482	117,446
Operating grants and contributions	169,607	191,440	221,110
Capital grants and contributions	821,243	454,269	389,104
Total program revenues	<u>5,032,614</u>	<u>4,934,915</u>	<u>4,990,090</u>
Total governmental activities net program expense	574,594	560,659	500,636
General revenues and other changes in net assets			
Unrestricted investment earnings	6,665	11,062	18,688
Miscellaneous	167,516	42,417	25,311
Transfers	(266,300)	(247,012)	(341,130)
Total general revenues and other changes in net assets	<u>(92,119)</u>	<u>(193,533)</u>	<u>(297,131)</u>
Total business-type activities change in net assets	<u>\$ 482,475</u>	<u>\$ 367,126</u>	<u>\$ 203,505</u>
Total primary government change in net assets	<u>\$ 606,135</u>	<u>\$ 323,495</u>	<u>\$ 1,149,501</u>

(1) Accrual basis of accounting

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year	
2007	2008
\$ 2,067,083	\$ 2,162,499
1,242,914	1,175,700
1,339,596	1,300,504
188,687	222,166
221,619	252,061
<u>5,059,899</u>	<u>5,112,930</u>
2,283,549	2,436,197
1,279,305	1,158,403
988,845	1,065,258
80,373	88,102
171,888	186,038
255,649	243,467
614,784	752,387
<u>5,674,393</u>	<u>5,929,852</u>
614,494	816,922
21,204	14,936
-	-
<u>(275,359)</u>	<u>(372,886)</u>
<u>(254,155)</u>	<u>(357,950)</u>
<u>\$ 360,339</u>	<u>\$ 458,972</u>
<u>\$ 1,405,887</u>	<u>\$ 2,160,636</u>

CITY OF WHARTON, TEXAS**FUND BALANCES, GOVERNMENTAL FUNDS (1)***Last five fiscal years*

	Fiscal Year		
	2004	2005	2006
General Fund			
Reserved for encumbrances	\$ 12,925	\$ 21,887	\$ 20,409
Unreserved	<u>1,195,181</u>	<u>1,146,653</u>	<u>1,203,420</u>
Total general fund	<u>\$ 1,208,106</u>	<u>\$ 1,168,540</u>	<u>\$ 1,223,829</u>
All Other Governmental Funds			
Unreserved, reported in			
Special revenue funds	\$ 250,688	\$ 244,936	\$ 56,102
Debt Service	365,845	366,349	431,913
Capital project funds	<u>71,833</u>	<u>754,942</u>	<u>255,294</u>
Total all other governmental funds	<u>\$ 688,366</u>	<u>\$ 1,366,227</u>	<u>\$ 743,309</u>

(1) Modified accrual basis of accounting

Note: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is available only beginning in 2004.

Fiscal Year	
<u>2007</u>	<u>2008</u>
\$ 17,719	\$ 14,184
<u>1,193,412</u>	<u>1,404,019</u>
<u>\$ 1,211,131</u>	<u>\$ 1,418,203</u>

\$ 122,721	\$ 194,899
458,275	360,762
<u>1,195,917</u>	<u>94,703</u>
<u>\$ 1,776,913</u>	<u>\$ 650,364</u>

CITY OF WHARTON, TEXAS**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**

Last five fiscal years

	Fiscal Year		
	2004	2005	2006
Revenues			
Taxes	\$ 3,651,309	\$ 3,933,874	\$ 4,210,088
Licenses and permits	83,691	63,597	66,286
Intergovernmental	1,867,207	1,851,081	1,285,045
Charges for services	21,996	9,522	16,171
Fines and forfeitures	223,122	227,231	230,221
Investment income	24,683	55,969	61,579
Industrial district payment	-	-	-
Miscellaneous	163,753	148,553	202,510
Total revenues	6,035,761	6,289,827	6,071,900
Expenditures			
Current			
General government	1,273,723	1,728,216	1,183,005
Public safety	1,997,416	2,274,101	2,437,946
Public works	932,792	1,591,928	1,314,051
Culture and recreation	240,805	472,851	950,388
Capital outlay	1,631,152	630,338	775,590
Debt service			
Principal retirement	274,480	296,622	304,633
Interest and fiscal charges	113,749	134,394	148,665
Bond issue costs	-	39,194	-
Total expenditures	6,464,117	7,167,644	7,114,278
Excess (deficiency) of revenues over expenditures	(428,356)	(877,817)	(1,042,378)
Other financing sources (uses)			
Debt issued	-	1,269,100	-
Capital lease proceeds	221,349	-	133,619
Transfers in	728,142	531,064	527,276
Transfers out	(461,842)	(284,052)	(186,146)
Total other financing sources (uses)	487,649	1,516,112	474,749
Change in fund balances	\$ 59,293	\$ 638,295	\$ (567,629)
Debt service as a percentage of noncapital expenditures	6.41%	6.95%	7.01%

(1) Modified accrual basis of accounting

Note: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the changes in fund balance information is available only beginning in 2004.

Fiscal Year	
2007	2008
\$ 4,325,427	\$ 4,517,831
150,149	127,166
569,126	1,724,602
15,042	28,248
236,772	155,945
174,312	65,870
-	79,268
<u>1,045,302</u>	<u>1,475,063</u>
<u>6,516,130</u>	<u>8,173,993</u>
1,188,056	1,321,674
2,539,906	2,524,255
1,869,878	1,531,189
378,528	195,918
1,597,770	3,871,656
414,041	433,538
185,521	220,411
<u>54,877</u>	<u>32,715</u>
<u>8,228,577</u>	<u>10,131,356</u>
(1,712,447)	(1,957,363)
2,161,900	665,000
296,094	-
653,834	536,351
<u>(378,475)</u>	<u>(163,465)</u>
<u>2,733,353</u>	<u>1,037,886</u>
<u>\$ 1,020,906</u>	<u>\$ (919,477)</u>
<u>10.03%</u>	<u>10.78%</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>
1999	\$ 1,728,260	\$ 31,793	\$ 1,125,169	\$ 693,821	\$ 54,955	\$ 3,633,998
2000	1,688,814	28,994	1,147,398	737,086	55,150	3,657,442
2001	1,670,559	24,321	1,217,512	830,621	59,252	3,802,265
2002	1,820,968	24,176	1,151,185	785,180	52,236	3,833,745
2003	1,778,107	34,225	1,235,592	796,546	48,856	3,893,326
2004	1,725,441	27,150	1,049,238	792,682	56,798	3,651,309
2005	1,858,369	42,698	1,124,445	818,192	90,170	3,933,874
2006	1,846,026	42,835	1,292,565	893,839	134,824	4,210,089
2007	1,870,702	40,867	1,319,795	918,589	175,474	4,325,427
2008	1,980,041	50,571	1,240,084	1,047,982	199,153	4,517,831

(1) Modified accrual basis of accounting

CITY OF WHARTON, TEXAS**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last ten fiscal years*

Fiscal Year	Tax Roll	Real Property				Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property	Personal Property				
1999	1998	\$81,681,670	\$ 139,200,005	\$17,987,360	\$142,305,370	\$ 91,767,182	\$ 289,407,223	
2000	1999	76,751,960	145,334,750	17,723,952	136,033,890	93,094,354	282,750,198	
2001	2000	80,629,021	147,551,241	17,705,074	131,551,070	94,431,643	283,004,763	
2002	2001	85,677,155	146,377,776	18,813,483	140,437,510	79,692,269	311,613,655	
2003	2002	90,014,100	151,308,122	19,386,761	127,143,500	83,092,699	304,759,784	
2004	2003	94,534,520	153,336,918	17,544,851	117,443,460	85,963,800	296,895,949	
2005	2004	100,566,970	161,689,206	22,823,136	119,002,010	90,722,440	313,358,882	
2006	2005	108,295,179	165,152,854	26,663,705	124,211,890	95,987,751	328,335,877	
2007	2006	135,066,795	197,960,574	27,341,467	119,532,580	134,278,532	345,622,884	
2008	2007	143,400,935	216,067,975	29,168,446	123,191,717	128,243,153	383,585,920	

(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>
\$ -	\$289,407,223	\$ 0.60000	\$ 1,736,443	\$ -	\$ 1,736,443	100.00%
-	282,750,198	0.60000	1,696,501	-	1,696,501	100.00%
-	283,004,763	0.60000	1,698,029	-	1,698,029	100.00%
-	311,613,655	0.59528	1,854,974	-	1,854,974	100.00%
-	304,759,784	0.58551	1,784,399	-	1,784,399	100.00%
-	296,895,949	0.58551	1,738,355	-	1,738,355	100.00%
-	313,358,882	0.58551	1,834,748	-	1,834,748	100.00%
(36,519,880)	291,815,997	0.56473	1,647,972	203,336	1,851,308	100.00%
(41,353,364)	304,269,520	0.54997	1,673,391	200,837	1,874,228	100.00%
(46,568,829)	337,017,091	0.51281	1,728,257	204,946	1,933,203	100.00%

CITY OF WHARTON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUE
Last ten fiscal years

Fiscal Year	City Direct Rates			Overlapping Rates					
	Debt Service	General Fund	Total	School District	Junior College	Fire District	(1) Wharton County	Groundwater District	Total
1999	\$0.15868	\$0.44132	\$0.60000	\$1.4650	\$0.1614	\$0.0300	\$ 0.6300	\$ -	\$ 2.2864
2000	0.18510	0.41490	0.60000	1.4650	0.1564	0.0300	0.6600	-	2.3114
2001	0.18500	0.41500	0.60000	1.4850	0.1564	0.0300	0.6900	-	2.3614
2002	0.19185	0.40343	0.59528	1.4850	0.1564	0.0300	0.6875	-	2.3589
2003	0.13674	0.44877	0.58551	1.5000	0.1674	0.0300	0.6999	0.0200	2.4173
2004	0.11844	0.46707	0.58551	1.5000	0.1740	0.0300	0.6999	0.0200	2.4239
2005	0.11121	0.47430	0.58551	1.5000	0.1689	0.0300	0.6899	0.0190	2.4078
2006	0.12468	0.43995	0.56463	1.4850	0.1560	0.0300	0.6699	0.0165	2.3574
2007	0.12622	0.42375	0.54997	1.5658	0.1358	0.0300	0.5736	0.0112	2.3164
2008	0.11252	0.40029	0.51281	1.2229	0.1349	0.0300	0.5634	0.0085	1.9597

(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

2008		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 38,155,200	9.95%
J-M Manufacturing Company, Inc.	27,437,660	7.15%
Anadrill	12,711,320	3.31%
Signature Gulf Coast Hospital LP	8,655,770	2.26%
Signature Gulf Coast Hospital LP	7,370,390	1.92%
Wal-Mart Stores Texas, LP	5,904,230	1.54%
Wal-Mart Property Tax Dept.	5,837,740	1.52%
Centerpoint Energy Houston	4,801,390	1.25%
Reddy Partnership	3,422,558	0.89%
H E Butt Grocery Co.	3,385,930	0.88%
	<u>\$ 117,682,188</u>	<u>30.68%</u>

1999		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 83,432,000	28.83%
J-M Manufacturing Company, Inc.	22,142,500	7.65%
Health Trust - The Hospital Corporation	16,465,310	5.69%
Southwestern Bell Telephone Co.	5,444,376	1.88%
Houston Lighting & Power Co.	4,495,710	1.55%
South Texas Medical Joint Venture	3,574,868	1.24%
Briar Point Ltd.	2,275,000	0.79%
Wharton Assisted Living	2,050,640	0.71%
Don Elliot Autoworld	1,537,126	0.53%
H.E.B. Grocery Co.	1,531,840	0.53%
	<u>\$ 142,949,370</u>	<u>49.39%</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>
1999	\$ 1,736,444	\$ (3,407)	\$ 1,733,037	\$ 1,685,206	97.24%
2000	1,696,501	(2,868)	1,693,633	1,640,572	96.87%
2001	1,702,578	(2,319)	1,700,259	1,643,704	96.67%
2002	1,854,974	(3,849)	1,851,125	1,790,769	96.74%
2003	1,784,399	(2,474)	1,781,925	1,780,546	99.92%
2004	1,738,355	1,714	1,740,069	1,680,268	96.56%
2005	1,834,748	(335)	1,834,413	1,790,363	97.60%
2006	1,840,931	2,178	1,843,109	1,793,802	97.32%
2007	1,872,269	31,255	1,903,524	1,820,927	95.66%
2008	1,930,230	12,132	1,942,362	1,884,553	97.02%

SOURCE: City of Wharton

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 40,179	\$ 1,725,385	99.56%
44,163	1,684,735	99.47%
46,737	1,690,441	99.42%
49,940	1,840,709	99.44%
45,431	1,825,977	102.47%
46,692	1,726,960	99.25%
28,432	1,818,795	99.15%
32,597	1,826,399	99.09%
56,378	1,877,305	98.62%
-	1,884,553	97.02%

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>
1999	568,380,000	N/A	N/A	N/A	215,653,000
2000	584,366,000	495,740,100	88,625,900	15%	209,236,000
2001	557,572,000	449,564,300	108,007,700	19%	193,561,000
2002	601,210,000	392,679,800	208,530,200	35%	206,576,000
2003	567,697,000	406,842,700	160,854,300	28%	207,436,000
2004	549,844,000	414,229,300	135,614,700	25%	236,780,000
2005	557,524,000	413,543,800	143,980,200	26%	239,161,000
2006	542,031,000	430,111,800	111,919,200	21%	197,909,000
2007	506,389,000	413,042,500	93,346,500	18%	437,312,000
2008	519,351,000	464,899,900	54,451,100	10%	343,549,000

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".

N/A denotes information not available

SOURCE: City of Wharton Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 5.98	\$ 1.23	\$ 8.50	\$ 1.20
6.88	1.43	8.50	1.37
6.88	1.43	8.50	1.37
6.88	1.43	8.50	1.37
7.91	1.64	8.50	1.65
7.91	1.64	8.50	1.65
9.10	1.88	9.80	1.89
9.10	1.88	9.80	1.89
10.20	2.00	11.00	2.10
10.20	2.00	11.00	2.10

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

	Fiscal Year			
	1999	2000	2001	2002
Water Rates (per 2,000 gallons)				
Base Rate	\$ 6.88	\$ 6.88	\$ 6.88	\$ 7.91
Water usage rate				
2,000-4,000	1.38	1.38	1.38	1.59
4,000-7,000	1.43	1.43	1.43	1.64
7,000-11,000	1.49	1.49	1.49	1.71
11,000-15,000	1.56	1.56	1.56	1.79
15,000-50,000	1.65	1.65	1.65	1.90
50,000-100,000	1.75	1.75	1.75	2.01
100,000-150,000	1.90	1.90	1.90	2.19
>150,000	2.05	2.05	2.05	2.36
Sewer Rates (per 2,000 gallons)				
Base Rate	8.50	8.50	8.50	8.50
Sewer usage rate				
2,000-4,000	1.32	1.32	1.32	1.32
4,000-7,000	1.37	1.37	1.37	1.65
7,000-11,000	1.43	1.43	1.43	1.80
11,000-15,000	1.50	1.50	1.50	1.95
15,000-50,000	1.59	1.59	1.59	2.10
50,000-100,000	1.69	1.69	1.69	2.25
100,000-150,000	1.84	1.84	1.84	2.40
>150,000	1.99	1.99	1.99	2.55

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						
2003	2004	2005	2006	2007	2008	
\$ 7.91	\$ 9.10	\$ 9.10	\$ 9.10	\$ 10.20	\$ 10.20	
1.59	1.82	1.82	1.82	1.95	1.95	
1.64	1.88	1.88	1.88	2.00	2.00	
1.71	1.96	1.96	1.96	2.10	2.10	
1.79	2.05	2.05	2.05	2.20	2.20	
1.90	2.18	2.18	2.18	2.35	2.35	
2.01	2.31	2.31	2.31	2.45	2.45	
2.19	2.51	2.51	2.51	2.60	2.60	
2.36	2.71	2.71	2.71	2.80	2.80	
8.50	9.80	9.80	9.80	11.00	11.00	
1.32	1.51	1.51	1.51	1.70	1.70	
1.65	1.89	1.89	1.89	2.10	2.10	
1.80	2.07	2.07	2.07	2.30	2.30	
1.95	2.24	2.24	2.24	2.50	2.50	
2.10	2.41	2.41	2.41	2.70	2.70	
2.25	2.58	2.58	2.58	2.90	2.90	
2.40	2.76	2.76	2.76	3.10	3.10	
2.55	2.93	2.93	2.93	3.30	3.30	



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

2008			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	32,156,000	6.92%
Briar Pointe-Reddy Partnership	Apartment Complex	16,515,900	3.55%
Gulf Coast Medical Center	Hospital	13,395,200	2.88%
Millcreek Apartments	Apartment Complex	8,877,400	1.91%
J-M Eagle	Manufacturing	6,691,000	1.44%
The Meadow Associate	Apartment Complex	5,920,100	1.27%
Southwest LTC	Skilled Nursing Facility	5,537,500	1.19%
Wharton County Jail	County Jail	3,576,800	0.77%
RNCP - Wharton LTD	Residential Housing Unit	3,302,000	0.71%
Hearthstone Living Center	Assisted Living	3,236,700	0.70%

2000			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption</u>	<u>Percent of Total Billed</u>
Nan Ya Plastics Corp. USA	Manufacturing	35,210,000	8.97%
Gulf Coast Medical Center	Hospital	16,355,000	4.16%
J-M MFG Co.	Manufacturing	7,354,900	1.87%
The Meadow Associate	Apartment Complex	4,976,800	1.27%
Rio Posada Apartments	Apartment Complex	4,009,700	1.02%
South Texas Medical Clinic	Medical	3,971,900	1.01%
Morning Star Apartments	Apartment Complex	3,627,000	0.92%
WISD Tiger Stadium	School	3,524,400	0.90%
Wharton ISD	School	3,232,400	0.82%
Hearthstone Assisted Living	Assisted Living	3,078,200	0.78%

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

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	Capital Leases	Certificates of Obligation	General Obligation Bonds
1999	\$ 2,065,000	\$ 3,155,000	\$ -	\$ 78,339	\$ -	\$ -
2000	1,975,000	2,945,000	-	58,837	-	-
2001	1,758,772	1,250,000	-	30,391	2,906,228	1,495,000
2002	1,526,772	1,195,400	-	10,926	2,808,228	1,429,600
2003	1,285,372	1,136,200	-	-	2,704,628	1,358,800
2004	1,156,162	1,016,925	-	194,533	2,593,838	1,218,075
2005	2,295,537	891,800	-	152,761	2,924,463	1,068,200
2006	2,193,222	764,400	-	211,547	2,811,778	915,600
2007	4,226,697	632,450	-	354,339	3,488,303	757,550
2008	4,365,621	491,400	665,000	273,891	2,989,379	588,600

(1) The Special Assessment bonds were issued for water and sewer improvements in the TARZ zone.

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

Business-type Activities					
Revenue Bonds	Capital Leases	Special Assessment Bonds (1)	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 120,000	\$ -	\$ 825,000	\$ 6,243,339	3.1%	\$ 659.90
70,000	-	415,000	5,463,837	2.7%	591.52
-	48,213	-	7,488,604	3.4%	797.76
-	26,772	-	6,997,698	3.1%	746.58
-	-	-	6,485,000	2.8%	692.84
-	75,652	-	6,255,185	2.7%	667.22
-	59,407	-	7,392,168	3.0%	788.58
-	882,458	-	7,779,005	3.0%	832.42
-	792,000	-	10,251,339	3.9%	1,089.18
-	718,000	-	10,091,891	3.9%	1,093.73

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>Tax Anticipation Notes</u>	<u>Special Assessment Bonds (1)</u>	<u>Total</u>
1999	\$ 2,065,000	\$ 3,155,000	\$ -	\$ 825,000	\$ 6,045,000
2000	1,975,000	2,945,000	-	415,000	5,335,000
2001	4,665,000	2,745,000	-	-	7,410,000
2002	4,335,000	2,625,000	-	-	6,960,000
2003	3,990,000	2,495,000	-	-	6,485,000
2004	3,750,000	2,235,000	-	-	5,985,000
2005	5,220,000	1,960,000	-	-	7,180,000
2006	5,005,000	1,680,000	-	-	6,685,000
2007	7,715,000	1,390,000	-	-	9,105,000
2008	7,355,000	1,080,000	665,000	-	9,100,000

(1) The Special Assessment bonds were issued for water and sewer improvements in the TARZ zone.

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

SOURCE: City of Wharton

<u>Debt Service Monies Available</u>	<u>Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 480,630	\$ -	\$ 5,564,370	1.92%	\$ 588.14
520,899	1,927,610	2,886,491	1.02%	312.49
223,958	4,401,228	2,784,814	0.98%	296.67
388,765	4,237,828	2,333,407	0.75%	248.95
375,937	4,063,428	2,045,635	0.67%	218.55
365,845	3,811,913	1,807,242	0.61%	192.77
366,349	3,992,663	2,820,988	0.90%	300.94
431,913	3,727,378	2,525,709	0.77%	270.27
458,275	4,245,853	4,400,872	1.27%	467.58
360,762	3,577,979	5,161,259	1.35%	559.36

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

September 30, 2008

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Wharton	9/30/2008	<u>\$ 9,100,000</u>	100.00%	<u>\$ 9,100,000</u>
Overlapping Debt:				
Wharton County	9/30/2008	5,467,917	13.09%	715,531
Wharton Independent School District	9/30/2008	<u>25,467,940</u>	43.89%	<u>11,177,116</u>
Total Overlapping Debt		<u>30,935,857</u>		<u>11,892,647</u>
Total		<u>\$ 40,035,857</u>		<u>\$ 20,992,647</u>

NOTES: 1 There is no legal debt limit for the City. Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in a tax levy for general bonded debt of over \$1.00 for cities under 5,000 population, or \$1.50 for cities over 5,000 population.

2 The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each government's total taxable value.

SOURCE: Wharton County and Wharton Independent School District

CITY OF WHARTON, TEXAS
PLEDGED-REVENUE COVERAGE
Last ten fiscal years

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
1999	\$ 1,414,006	\$ 1,106,507	\$ 307,499	\$ -	-
2000 (1)	1,995,158	1,369,640	625,518	191,528	3.27
2001 (1)	1,884,591	1,600,028	284,563	312,989	0.91
2002 (1)	1,965,030	1,533,509	431,521	299,226	1.44
2003 (2)	1,875,592	1,152,349	723,243	315,910	2.29
2004 (2)	1,927,029	1,163,994	763,035	312,795	2.44
2005 (2)	2,212,044	1,258,856	953,188	293,307	3.25
2006 (2)	2,213,933	1,341,092	872,841	294,576	2.96
2007 (2)	2,286,698	1,446,595	840,103	227,480	3.69
2008 (2)	2,438,117	1,527,110	911,007	217,255	4.19

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

SOURCE: City of Wharton

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

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
1999	9,461	\$ 204,698,196	\$ 21,636	2,698	5.1%
2000	9,237	205,181,481	22,213	2,667	4.5%
2001	9,387	222,941,250	23,750	2,605	4.3%
2002	9,373	222,880,567	23,779	2,616	5.7%
2003	9,360	228,571,200	24,420	2,520	6.2%
2004	9,375	231,796,875	24,725	2,450	5.9%
2005	9,374	244,595,782	26,093	2,543	5.3%
2006	9,345	263,080,440	28,152	2,399	5.0%
2007	9,412	260,881,816	27,718	2,280	4.4%
2008	9,227	255,753,986	27,718	2,265	4.3%

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

SOURCE: (1) Population based on U.S. Census Bureau & Texas State Library and Archives Commission
(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 Two Years Ago*

2008		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	391	2.17%
South Texas Medical Center	350	1.94%
Wharton Junior College	286	1.58%
Gulf Coast Medical Center	277	1.53%
Wal-Mart	250	1.38%
Wharton County	245	1.36%
Nan Ya Plastics Corp. USA	240	1.33%
HEB Food Store	125	0.69%
J-M Manufacturing	102	0.56%
City of Wharton	<u>93</u>	<u>0.52%</u>
	<u>2,359</u>	<u>13.06%</u>

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

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

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

CITY OF WHARTON, TEXAS

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

Last ten fiscal years

Function/Program	Fiscal Year			
	1999	2000	2001	2002
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	1.0	1.0
Finance	3.5	3.0	3.0	3.0
Municipal court	3.0	3.0	3.0	3.0
Community services coordinator	-	0.5	0.5	0.5
Central services	-	-	-	0.5
Public safety				
Police	20.0	21.0	21.0	21.5
Fire	1.5	1.5	1.5	2.0
Code enforcement	2.0	2.0	3.0	3.0
Emergency management	-	-	-	-
Animal control	1.0	1.0	1.0	1.0
Communications	8.0	8.0	8.0	8.0
DARE	2.0	1.0	1.0	1.0
Public works				
Public works	11.0	11.5	11.5	11.5
Garage	2.0	2.0	2.0	1.5
Facilities maintenance	4.0	4.0	4.0	4.0
Water/wastewater				
City planning	1.0	1.5	1.5	1.5
Administration	2.5	2.0	2.0	2.0
Water operations	5.0	5.0	5.0	5.5
Sewer operations	4.0	4.0	4.0	4.0
Beautification	-	-	0.5	1.0
EMS	10.0	11.0	11.0	11.0
Civic Center	3.0	3.0	3.5	3.5
Aiport	-	-	-	-
Total	86.5	88.0	90.0	92.0

SOURCE: City of Wharton

Fiscal Year					
2003	2004	2005	2006	2007	2008
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	4.0
3.0	2.5	2.5	2.5	2.5	2.5
0.5	0.5	0.5	0.5	0.5	0.5
0.5	0.5	0.5	-	-	-
22.0	21.5	23.5	24.5	24.5	24.5
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	4.0
-	-	0.5	0.5	0.5	0.5
1.0	1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	8.0	9.0
1.0	1.0	1.0	1.0	1.0	1.0
11.0	11.5	11.5	11.5	11.5	11.5
1.5	2.0	2.0	2.0	2.0	2.0
4.0	4.0	5.0	4.0	4.0	5.0
2.0	1.5	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	2.0	1.0
6.5	6.0	7.0	7.0	7.0	7.0
3.5	3.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	8.0	8.0	8.0	8.0
3.5	4.0	2.5	2.5	2.5	2.5
-	-	-	-	-	1.5
<u>91.0</u>	<u>90.0</u>	<u>93.5</u>	<u>93.0</u>	<u>93.0</u>	<u>97.5</u>

CITY OF WHARTON, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last ten fiscal years

Function/Program	Fiscal Year			
	1999	2000	2001	2002
General government				
Building permits issued	N/A	1,301	1,343	1,261
Building inspections conducted	N/A	N/A	N/A	N/A
Public safety				
Police				
Physical arrests	945	883	989	988
Traffic violations	3,002	4,314	3,325	4,685
Fire				
Fire calls	410	357	410	403
Public works				
Streets (miles)	95	95	95	95
Culture and recreation				
Parks and recreation				
Park rental	N/A	N/A	N/A	N/A
Community center rentals	N/A	333	336	316
Swimming pool				
Single admissions	N/A	N/A	N/A	N/A
Season passes	N/A	N/A	N/A	N/A
Aerobics	N/A	N/A	N/A	N/A
Swim lessons	N/A	N/A	N/A	N/A
Party rentals	N/A	N/A	N/A	N/A
Water and wastewater				
Water				
New connections/taps	N/A	4	21	14
Average daily consumption	1.6 mgd	1.4 mgd	1.2 mgd	1.1 mgd
Peak daily consumption	N/A	N/A	N/A	N/A
Wastewater				
Average daily sewage treatment	.6 mgd	.6 mgd	.5 mgd	.6 mgd
EMS				
Ambulance loads	N/A	2,769	2,760	2,491

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year						
2003	2004	2005	2006	2007	2008	
1,734	1,357	1,152	1,048	1,099	1,031	
N/A	1,323	1,387	1,484	1,003	1,658	
968	1,114	957	908	789	657	
2,587	3,066	2,610	3,401	3,238	1,932	
438	475	502	511	457	527	
95	95	95	95	97	97	
N/A	N/A	99	103	96	58	
286	322	496	320	294	310	
N/A	N/A	N/A	4,824	4,770	2,633	
N/A	N/A	N/A	19	87	56	
N/A	N/A	N/A	41	43	32	
N/A	N/A	N/A	29	29	42	
N/A	N/A	N/A	11	6	12	
4	9	7	3	14	17	
1.1 mgd	1.1 mgd	1.1mgd	1.2 mgd	1.1 mgd	1.4 mgd	
N/A	N/A	N/A	N/A	1.9 mgd	1.9 mgd	
.6 mgd	.6 mgd	.7 mgd	.5 mgd	1.2 mgd	.95 mgd	
2,688	2,784	2,444	2,874	2,928	3,309	

CITY OF WHARTON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	1999	2000	2001	2002
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	8	8	8
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	95	95	95	95
Streetlights	624	624	624	624
School zone flashers	4	4	4	4
Culture and recreation				
Acreage	90	90	90	90
Parks	10	10	10	10
Baseball/softball diamonds	5	5	5	5
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	75	75	75	75
Fire hydrants	430	430	430	430
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	77	77	77	77
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd

SOURCE: Various City departments

Fiscal Year						
2003	2004	2005	2006	2007	2008	
1	1	1	1	1	1	1
8	8	8	8	8	8	8
1	1	1	1	1	1	1
95	95	95	96	96.5	96.5	
624	624	624	624	852	852	
4	4	4	4	8	8	
90	90	90	90	90	90	
10	10	10	10	10	10	
5	5	5	5	5	5	
1	1	1	1	1	1	
1	1	1	1	1	1	
75	75	75	75	80	80.5	
430	430	430	430	470	475	
3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	3.5mgd	
77	77	77	77	80	83	
15	15	15	15	15	15	
2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	



SINGLE AUDIT SECTION





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**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 City Council
City of Wharton, Texas

We have audited 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

The Honorable Mayor and Members
of City Council

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 on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor and members of City Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison Waldrop + Wheeler, LLP.

March 12, 2009



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO MAJOR PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Wharton, Texas (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

The Honorable Mayor and Members
of City Council

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined below.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of the Mayor and members of City Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison Waldrop + Wheeler, LLP.

March 12, 2009

CITY OF WHARTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2008

Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
FEDERAL EXPENDITURES			
U.S. Department of Housing and Urban Development			
<i>Passed through Office of Rural and Community Affairs</i>			
Texas Community Development Program	14.228	0348-0039	\$ 275,000
<i>Passed through Texas Department of Housing and Community Affairs</i>			
Home Investment Partnerships Program	14.239	1000533	528,620
<i>Passed through Texas Department of Agriculture</i>			
Texas Community Development Program - Capital Fund Program	14.228	726322	720,000
Total U.S. Department of Housing and Urban Development			<u>1,523,620</u>
U.S. Department of Homeland Security			
<i>Passed Through the Governor's Division of Emergency Management</i>			
PA Pilot Program - Debris Removal	97.039	FEMA 1791 DR TX	46,684
Total U.S. Department of Homeland Security			<u>46,684</u>
US Army Corps of Engineers			
P.E.D.-Flood Reduction Project	12.106	N/A	181,342
Total US Army Corps of Engineers			<u>181,342</u>
U.S. Department of Transportation			
<i>Passed through Texas Department of Transportation - Division of Aviation</i>			
FY2007 Routine Airport Maintenance Program	20.106	M813WHRTN	21,474
Airport Improvement Grant	20.106	6X1AV044	7,703
Airport Improvement Grant	20.106	6X1AV118	23,333
Airport Improvement Grant	20.106	6X1AV106	10,108
Airport Improvement Grant	20.106	6XXAV106	1,294
Airport Improvement Grant	20.106	6X2AV106	332,275
Total U.S. Department of Transportation			<u>396,187</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 2,147,833</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WHARTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2008

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF WHARTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Major Programs or Cluster</i>
14.228	Texas Community Development Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2008

No audit findings were reported in the prior year.



