



Annual Comprehensive Financial Report

**For the Fiscal Year Ended
September 30, 2022**

CITY OF WHARTON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended September 30, 2022

Joan Andel, CPA
Finance Director

Joseph R. Pace
City Manager

Issued By:
Finance Department

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Administrators' Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting.....	v
Organizational Chart	vi
Directory of Principal Officials	vii
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position.....	17
Statement of Activities.....	19
Fund Financial Statements	
Balance Sheet - Governmental Funds	21
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	26
Statement of Net Position - Proprietary Funds.....	27
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	31
Statement of Cash Flows - Proprietary Funds	33
Notes to Financial Statements.....	37
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund.....	85
Schedule of Changes in Net Pension Liability and Related Ratios Texas Municipal Retirement System - Pension.....	86
Schedule of Employer Contributions Texas Municipal Retirement System - Pension.....	88
Schedule of Changes in Total OPEB Liability and Related Ratios Texas Municipal Retirement System - Supplemental Death Benefit.....	90
Schedule of Employer Contributions Texas Municipal Retirement System - Supplemental Death Benefit.....	92
Notes to Required Supplementary Information	94

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules

Governmental Funds

Combining Statements

Combining Balance Sheet - All Nonmajor Governmental Funds..... 96

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Nonmajor Governmental Funds 97

Special Revenue Funds 98

Combining Balance Sheet - Nonmajor Special Revenue Funds 99

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Special Revenue Funds 101

Capital Project Funds..... 103

Combining Statements

Balance Sheet - Nonmajor Capital Project Funds..... 104

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -
Nonmajor Capital Project Funds 106

Individual Statements and Schedules

General Fund 108

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual..... 109

Debt Service Fund 111

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual..... 112

STATISTICAL SECTION..... 113

Financial Trends

Net Position by Component 114

Changes in Net Position 116

Fund Balances, Governmental Funds 120

Changes in Fund Balances, Governmental Funds..... 122

Tax Revenues by Source, Governmental Funds..... 124

STATISTICAL SECTION - (Continued)

Page

Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property	125
Direct and Overlapping Property Tax Rates	127
Principal Property Taxpayers (Unaudited).....	128
Property Tax Levies and Collections	129
Water Produced and Consumed and Wastewater Treated	131
Water and Sewer Rates	133
Ten Largest Water Customers (Unaudited).....	135

Debt Capacity

Ratios of Outstanding Debt by Type.....	136
Ratios of Net General Bonded Debt Outstanding.....	138
Direct and Overlapping Governmental Activities Debt (Unaudited)	140
Pledged-Revenue Coverage	141

Demographic and Economic Information

Demographic and Economic Statistics (Unaudited)	142
Principal Employers (Unaudited)	143

Operating Information

Full-Time-Equivalent City Government Employees by Function/Program	144
Operating Indicators by Function/Program.....	146
Capital Asset Statistics by Function/Program.....	148

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	150
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	152
Schedule of Expenditures of Federal Awards	155
Notes to Schedule of Expenditures of Federal Awards.....	159
Schedule of Findings and Questioned Costs	160
Schedule of Status of Prior Audit Findings.....	161

INTRODUCTORY SECTION



City of Wharton

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

September 12, 2023

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

INTRODUCTION

The Annual Comprehensive Financial Report of the City of Wharton, Texas, hereafter referred to as the “City”, for the fiscal year ended September 30, 2022, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

CITY PROFILE

As an independent political subdivision of the State of Texas, governed by an elected Mayor and Council, the City is considered a primary government operating under a home-rule Council-Manager form of government.

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

The City provides a full range of municipal services. These services include police and fire protection; construction and maintenance of streets and drainage systems; and cultural and recreation activities. In addition to general government activities, the City exercises authority over a water and wastewater system, sanitation services, emergency medical services, the civic center, and a municipal airport. These activities of the City are all included in this report as part of the primary government.

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

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

ECONOMIC CONDITION AND OUTLOOK

The City is located fifty-five miles southwest of Houston on the edge of the Houston Statistical Metropolitan Service Area (SMSA) with a population of 8,770. This proximity to Houston appeals to both domestic and foreign industry. The City is located on U.S. Highway 59 that ties the United States to Mexico and is currently being converted to an Interstate 69 highway that will strengthen the link from Mexico to Canada.

The industrial base within the City is anchored by Nan Ya Plastics and JM Manufacturing. These plants, which employ approximately 278 people, are the largest property taxpayers in the City, with combined assessed valuations of approximately \$77 million. Also, as part of the industrial base, the City has created two industrial districts that within their boundary is a 1,597 mega-watt natural gas electric generating plant. The districts currently have a value estimated at \$404,686,068. The industrial district is a major revenue source for the City's General Fund.

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

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

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

MAJOR INITIATIVES

During the 2022 fiscal year, the City's most important initiative continues to be to provide flood reduction improvements in the City. The United States Army Corp of Engineers (USACE) has secured funding for the construction phase of the flood reduction project which is approximately \$132 million. Construction plans for Phase I of the project have been developed by Halff & Associates Engineers engaged by USACE. The City will be responsible for all maintenance and costs associated with the levee for all future years and must plan accordingly in order to comply with USACE standards which will be in force. The City has acquired all of the property needed and has relocated all homeowners affected for this project. Phase II of this project is currently in the design stage.

As part of the City's flood reduction initiative, the City has received approval of its application to participate in the National Flood Insurance Program's (NFIP) Community Rating System (CRS). The CRS not only provides insurance premium rate reductions for communities that enact regulatory floodplain standards that are higher than the minimum NFIP requirements, but through these higher standards CRS helps protect property and people from potential flooding within the City.

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

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

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

- Farm to Market 1301 Relocation and Railroad Overpass Project,

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

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

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

The City is currently in the construction phase of a new water well plant with assistance from the United States Department of Agriculture (USDA). The City has also completed and implemented a fifty (50) year sustainable drinking water supply plan.

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

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

All of the initiatives above, along with the efforts of the WEDC, will help to develop existing businesses and attract new businesses to the City and play a key role in the City's future development.

FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL

The financial statements have been prepared in accordance with GAAP as prescribed by the GASB.

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse. In addition, the system is designed to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted government accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgements by management.

The City maintains effective budgeting controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget, City Charter, and State law.

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

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

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2021. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

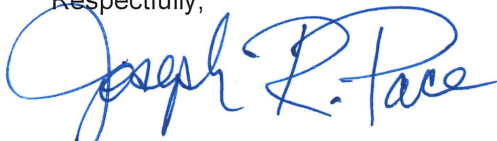
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting the report to GFOA to determine its eligibility for an additional certificate.

ACKNOWLEDGEMENT

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

Respectfully,



Joseph R. Pace
City Manager



Joan Andel, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Wharton
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

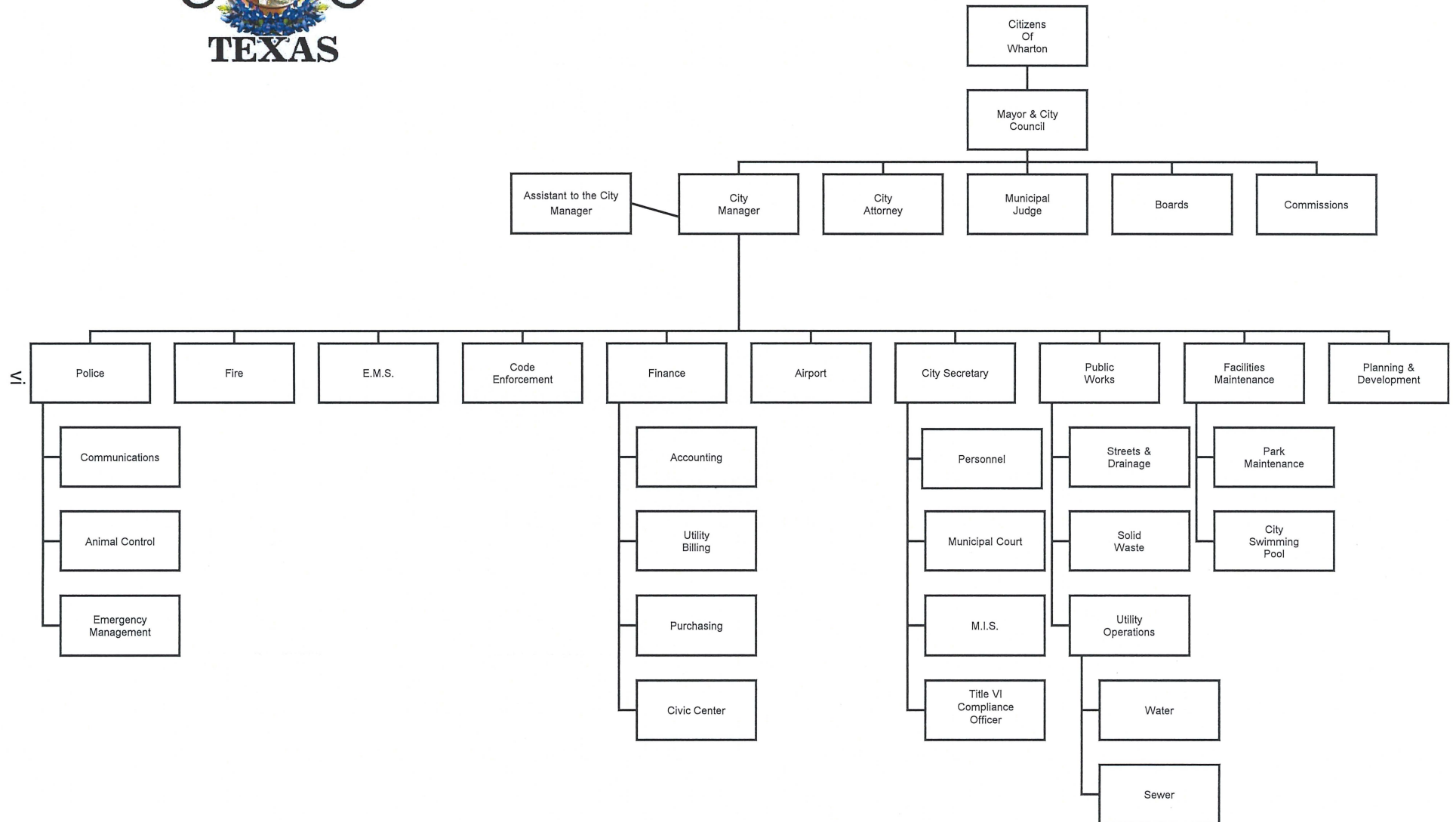
September 30, 2021

Christopher P. Morill

Executive Director/CEO



Organizational Chart



Elected Officials

Tim Barker	Mayor
Clifford Jackson	Council Member District 1
Steven Schneider	Council Member District 2
Terry Freese	Council Member District 3
Donald Mueller	Council Member District 4
Russell Machann	Council Member At Large Place 5
Larry Pittman	Council Member At Large Place 6

Appointed Officials

Joseph R. Pace	City Manager
Paul Webb	City Attorney
Jared Culler	Municipal Judge
Joan Andel, CPA	Finance Director

Department Heads

Paula Favors	City Secretary
Terry Lynch	Police Chief
Anthony Abbott	Volunteer Fire Chief
Ronnie Bollom	Building Official
Anthony Arcidiacono	Public Works Director
Christy Gonzales	E.M.S. Director
Robert Baker	Facilities Maintenance Director
Makyla Monroe	Community Services Director
Ben Guanajuato	Emergency Management Coordinator
Dwayne Pospisil	Interim Airport Manager
Gwyn Teves	Director of Planning and Development

FINANCIAL SECTION



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

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2023, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

September 12, 2023

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, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2022, by \$33,324,736. Of this amount, \$4,276,292 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$31,036,639 for the fiscal year. The net expense was \$3,487,922.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$1,364,536. This represents a 10% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2022, the City's governmental funds reported combined ending fund balances of \$7,559,257, a net decrease of \$12,277,389 in comparison with prior year. The overall net decrease in fund balance was mainly due to the \$14,426,467 decrease in the FM 1301 Project Fund as a result of spending debt proceeds.
- At September 30, 2022, unassigned fund balance for the General Fund was \$3,132,061 or 45% of total General Fund expenditures.
- The City's investment in capital assets for governmental and business-type activities had a net increase of \$8,830,346 or 20% from the prior year, due mainly to various projects in construction.
- The City's outstanding debt for governmental and business-type activities had a net increase of \$8,765,849 or 23% from the prior year, due mainly to the issuance of additional Series 2021 Certificates of Obligation, redemption of Series 2021 Revenue Bonds, and the issuance of Series 2021 State Infrastructure loan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Organization and Flow of Financial Section Information

Independent Auditors' Report

Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.
Pages 4 to 16

Government-wide Financial Statements

Provides information on governmental and business-type activities of the primary government.
Pages 17 to 20

Fund Financial Statements

Provides information on the financial position of specific funds of the primary governments.
Pages 21 to 36

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.
Pages 37 to 84

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the City's net position changed during fiscal year 2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

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

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

Fund Financial Statements

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Disaster Relief Fund, 2020 Tax Notes Fund, FM 1301 Project Fund, and the TWDB Drainage Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

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

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

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

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 37 through 84 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund and historical pension and OPEB benefits information. Required supplementary information can be found on pages 85 through 95 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 96 through 112 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$33,324,736 at the close of the fiscal year ended September 30, 2022.

At the end of fiscal year 2022, the City is able to report positive balances in all three categories of net position for the government as a whole.

City of Wharton, Texas						
Net Position						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 13,790,973	\$ 21,162,909	\$ 12,250,526	\$ 4,771,862	\$ 26,041,499	\$ 25,934,771
Capital assets (net)	27,549,871	22,920,109	25,827,281	21,626,697	53,377,152	44,546,806
Other noncurrent assets	10,452,113	500,528	254,238	(220,975)	10,706,351	279,553
Total assets	<u>51,792,957</u>	<u>44,583,546</u>	<u>38,332,045</u>	<u>26,177,584</u>	<u>90,125,002</u>	<u>70,761,130</u>
Total deferred out- flows of resources	<u>407,980</u>	<u>331,581</u>	<u>75,352</u>	<u>65,807</u>	<u>483,332</u>	<u>397,388</u>
Long-term liabilities	31,087,781	29,633,848	16,787,578	8,379,855	47,875,359	38,013,703
Other liabilities	5,300,352	1,262,350	2,574,869	1,651,837	7,875,221	2,914,187
Total liabilities	<u>36,388,133</u>	<u>30,896,198</u>	<u>19,362,447</u>	<u>10,031,692</u>	<u>55,750,580</u>	<u>40,927,890</u>
Total deferred in- flows of resources	<u>915,518</u>	<u>486,179</u>	<u>617,500</u>	<u>345,198</u>	<u>1,533,018</u>	<u>831,377</u>
Net Position:						
Net investment						
in capital assets	14,581,873	10,035,006	14,029,415	14,674,540	28,611,288	24,709,546
Restricted	437,156	601,106	-	-	437,156	601,106
Unrestricted	(121,743)	2,896,638	4,398,035	1,191,961	4,276,292	4,088,599
Total net position	<u>\$ 14,897,286</u>	<u>\$ 13,532,750</u>	<u>\$ 18,427,450</u>	<u>\$ 15,866,501</u>	<u>\$ 33,324,736</u>	<u>\$ 29,399,251</u>

The largest portion of the City's net position (86%) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has restricted net position of \$437,156 for debt service and for special projects related to culture and recreation, municipal court, and public safety. The remaining balance of \$4,276,292 may be used to meet the government's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Wharton, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues:						
Charges for services	\$ 810,323	\$ 430,341	\$ 8,321,353	\$ 7,713,327	\$ 9,131,676	\$ 8,143,668
Operating grants and contributions	541,746	1,048,426	1,956,156	1,824,512	2,497,902	2,872,938
Capital grants and contributions	15,780,831	3,248,651	138,308	116,283	15,919,139	3,364,934
General revenues:						
Property taxes	2,357,456	2,233,757	-	-	2,357,456	2,233,757
Sales taxes	1,833,798	1,756,635	-	-	1,833,798	1,756,635
Franchise taxes	1,154,879	1,112,917	-	-	1,154,879	1,112,917
Other taxes	239,450	244,434	-	-	239,450	244,434
Unrestricted investment earnings	46,612	80,049	27,169	6,066	73,781	86,115
Industrial district payment	1,678,320	1,702,079	-	-	1,678,320	1,702,079
Miscellaneous	75,723	81,357	-	14,800	75,723	96,157
Total revenues	<u>24,519,138</u>	<u>11,938,646</u>	<u>10,442,986</u>	<u>9,674,988</u>	<u>34,962,124</u>	<u>21,613,634</u>
EXPENSES						
General government	1,451,232	2,091,202	-	-	1,451,232	2,091,202
Public safety	3,858,347	3,897,625	-	-	3,858,347	3,897,625
Public works	17,362,145	2,575,512	-	-	17,362,145	2,575,512
Cultural and recreation	169,138	174,013	-	-	169,138	174,013
Interest on long-term debt	514,373	699,387	-	-	514,373	699,387
Water and sewer	-	-	3,459,698	3,154,855	3,459,698	3,154,855
Solid waste	-	-	1,491,474	1,570,331	1,491,474	1,570,331
Emergency medical services	-	-	2,061,171	2,146,602	2,061,171	2,146,602
Civic center	-	-	326,077	279,505	326,077	279,505
Airport	-	-	342,984	328,225	342,984	328,225
Total expenses	<u>23,355,235</u>	<u>9,437,739</u>	<u>7,681,404</u>	<u>7,479,518</u>	<u>31,036,639</u>	<u>16,917,257</u>
Change in net position before transfers	1,163,903	2,500,907	2,761,582	2,195,470	3,925,485	4,696,377
Transfers	200,633	802,471	(200,633)	(802,471)	-	-
Change in net position	1,364,536	3,303,378	2,560,949	1,392,999	3,925,485	4,696,377
Net position - October 1	<u>13,532,750</u>	<u>10,229,372</u>	<u>15,866,501</u>	<u>14,473,502</u>	<u>29,399,251</u>	<u>24,702,874</u>
Net position - September 30	<u>\$ 14,897,286</u>	<u>\$ 13,532,750</u>	<u>\$ 18,427,450</u>	<u>\$ 15,866,501</u>	<u>\$ 33,324,736</u>	<u>\$ 29,399,251</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The overall increase in the City's net position is \$3,925,485, which consists of an increase of \$1,364,536 in governmental activities and an increase of \$2,560,949 in business-type activities.

Governmental Activities

Governmental activities increased the City's net position by \$1,364,536. Key elements of this net increase are as follows:

- Charges for services increased by \$379,982 or 88% from prior year, primarily due to increased activity in licenses and permits issued.
- Operating grants and contributions decreased by \$506,680 or 48% due to less housing grant and Texas Department of Emergency Management monies received compared to prior year.
- Capital grants and contributions increased by \$12,532,180 or 386% from prior year, primarily due to the recognition of \$9,573,477 in WEDC contribution as part of the interlocal agreement for the FM 1301 Project.
- General government expenses decreased by \$639,970 or 31% from prior year, primarily due to decreased expense activity relating to housing grants.
- Public works expenses increased by \$14,786,633 or 574% due to increased expense activity relating to the FM 1301 Project.
- Interest on long-term debt decreased by \$185,014 or 26% from prior year due to less debt issuance costs compared to prior year.
- Net transfers in decreased \$601,838 or 75% from prior year due to the contribution of \$682,296 to business-type activities for a generator project.

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	\$ 1,451,232	6.21%	\$ 1,813,204	10.58%	\$ 361,972
Public safety	3,858,347	16.52%	187,759	1.10%	(3,670,588)
Public works	17,362,145	74.35%	15,131,697	88.32%	(2,230,448)
Cultural and recreation	169,138	0.72%	240	0.00%	(168,898)
Interest on long-term debt	<u>514,373</u>	<u>2.20%</u>	-	<u>0.00%</u>	<u>(514,373)</u>
Total	<u>\$ 23,355,235</u>	<u>100.00%</u>	<u>\$ 17,132,900</u>	<u>100.00%</u>	<u>\$ (6,222,335)</u>

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

City of Wharton, Texas

Revenues by Source - Governmental Activities

Description	Revenues	% of Total
Charges for services	\$ 810,323	3.28%
Operating grants and contributions	541,746	2.19%
Capital grants and contributions	15,780,831	63.84%
Property taxes	2,357,456	9.54%
Sales taxes	1,833,798	7.42%
Franchise taxes	1,154,879	4.67%
Other taxes	239,450	0.97%
Unrestricted investment earnings	46,612	0.19%
Industrial district payment	1,678,320	6.78%
Miscellaneous	75,723	0.31%
Transfers	200,633	0.81%
	<u>\$24,719,771</u>	<u>100.00%</u>

Business-type Activities

Business-type activities increased the City's net position by \$2,560,949. Key elements of this net increase are as follows:

- Charges for services increased \$608,026 or 8% from the prior year, primarily due to a 10% increase in water and sewer rates.
- Operating grants and contributions increased \$131,644 or 7% from the prior year, primarily due to additional EMS grants.
- Water and sewer expenses increased \$304,843 or 10% from the prior year, primarily due to an increase in other services and charges relating to contract labor and engineering expenses, an increase in repairs and maintenance expenses, and an increase in interest charges related to debt.
- Net transfers out decreased \$601,838 or 75% from prior year due to the contribution of \$682,296 from governmental activities for a generator project.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities - (Continued)

City of Wharton, Texas

Expenses and Program Revenues - Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water and sewer	\$ 3,459,698	45.03%	\$ 5,660,137	54.35%	\$ 2,200,439
Solid waste	1,491,474	19.42%	1,562,605	15.00%	71,131
Emergency medical services	2,061,171	26.83%	2,710,043	26.02%	648,872
Civic center	326,077	4.25%	123,239	1.18%	(202,838)
Airport	342,984	4.47%	359,793	3.45%	16,809
Total	<u>\$ 7,681,404</u>	<u>100.00%</u>	<u>\$ 10,415,817</u>	<u>100.00%</u>	<u>\$ 2,734,413</u>

City of Wharton, Texas

Revenues by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 8,321,353	81.24%
Operating grants and contributions	1,956,156	19.10%
Capital grants and contributions	138,308	1.35%
Unrestricted investment earnings	27,169	0.27%
Transfers	(200,633)	-1.96%
	<u>\$ 10,242,353</u>	<u>100.00%</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2022, the City's governmental funds reported combined ending fund balances of \$7,559,257, a decrease of \$12,277,389 or 62% in comparison with prior year. The General Fund ended the fiscal year with an increase of \$471,151, the Debt Service Fund decreased \$162,999, the Disaster Relief Fund decreased \$694,868, the 2020 Tax Notes Fund increased \$977,964, the FM 1301 Project Fund decreased \$14,426,467, and the TWDB Drainage Fund increased \$2,460,820.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2022, unassigned fund balance of the General Fund was \$3,132,061, while total fund balance was \$3,396,402. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45% of the total General Fund expenditures, while total fund balance represents 49% of that same amount.

The fund balance of the City's General Fund increased \$471,151 during the current fiscal year. The factors related to the increase included a \$347,941 increase in licenses and permits issued, as well as a \$731,953 decrease in intergovernmental revenues related to Coronavirus and FEMA grants offset by a \$641,218 decrease in general government grant expenditures. The Debt Service Fund experienced a decrease in fund balance during fiscal year 2022 due to excess debt service expenditures over tax revenues, WEDC contribution, and transfers in. The Disaster Relief Fund experienced a decrease in fund balance during fiscal year 2022 due to the spending of grant monies on the generator project for the Water and Sewer Fund. The FM 1301 Project Fund experienced a decrease in fund balance during fiscal year 2022 due to the spending of debt proceeds for the FM 1301 Project. The 2020 Tax Notes Fund and the TWDB Drainage Fund experienced increases in fund balance during fiscal year 2022 due to the final advance of \$1,000,000 from the Series 2021 Tax Notes and the issuance of the Series 2021 Certificates of Obligation, respectively.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of proprietary funds at the end of the year amounted to:

<u>Fund</u>	<u>Unrestricted Net Position</u>
Water and sewer	\$ 3,516,701
Solid waste	(13,710)
Emergency medical services	1,113,910
Civic center	(305,037)
Airport	86,171
	<u>\$ 4,398,035</u>

This represents an increase of \$3,206,074 from the prior year unrestricted net position balances. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the fiscal year 2022 General Fund original budget and fiscal year 2022 General Fund final amended budget were an increase in revenues of \$412,566, an increase in expenditures of \$387,566, and a decrease in other financing sources (uses) of \$25,000. A few of the differences are briefly summarized as follows:

- An increase in sales tax of \$250,000 of additional tax received.
- An increase of \$165,000 in building permit revenue, primarily due to an increase in development.
- An increase of \$120,000 in plan review revenue, primarily due to an increase in development.
- A decrease in fines and forfeitures of \$52,000 was attributed to a reduction in fines and criminal traffic fees and related administrative fees.
- A decrease in intergovernmental revenue of \$96,314 which is primarily due to WEDC contribution to park maintenance being reclassified to the FM 1301 Project debt payment.
- An increase in grant expenditures of \$229,195 due to non-budgeting. At the time of the original budget calculation, there was uncertainty as to whether grants were going to be available.
- An increase of \$24,000 in central services for professional services.
- A decrease of \$75,395 in police department attributed to salary decrease due to available positions not being replaced.
- A decrease of \$22,924 in emergency management attributed to salary decrease due to change in personnel.
- A decrease of \$38,272 in communications attributed to salary and benefit decrease due to available positions not being replaced.
- An increase of \$43,014 in streets and drainage for additional street and equipment maintenance.
- An increase in capital outlay expenditures of \$243,200 due to non-budgeting.

For fiscal year 2022, the General Fund's actual revenues were \$70,973 more than the final amended budget and actual expenditures were \$352,168 less than the final amended budget. The most significant variance between the General Fund's actual revenues compared to the final amended budget was a positive variance in tax revenue of \$18,811 primarily attributed to additional sales tax revenue. The most significant variance between the General Fund's actual expenditures compared to the final amended budget was that Mayor and Council expenditures decreased by \$14,378 due to a decrease in expenditures for continuing education, and dues and subscriptions, as well as a \$16,996 decrease in police department expenditures in personnel. Streets and drainage decreased from the amended budget by \$14,373 primarily due to a decrease in personnel and benefits. The primary decrease was a decrease in the grant department of \$204,359 since there were budgets for grant expenditures that did not occur in the General Fund. For all other departments within general government, public safety, public works, and culture and recreation, actual expenditures were less than final amended budget primarily due to declines in personnel and operational expenditures.

Additional budget information can be found in the General Fund budget comparison schedule on page 85.

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, 2022, amounts to \$53,377,152 (net of accumulated depreciation and amortization). This investment in capital assets includes land, machinery and equipment, buildings, infrastructure, water and wastewater distribution system, and right-to-use lease assets. The total net increase in the City's investment in capital assets for the current fiscal year was 20% (a 20% increase for governmental activities and a 19% increase for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 8,548,518	\$ 5,379,954	\$ 319,093	\$ 319,093	\$ 8,867,611	\$ 5,699,047
Construction in progress	7,405,232	5,313,263	6,255,434	1,624,815	13,660,666	6,938,078
Machinery and equipment	1,828,893	2,078,934	1,258,160	1,086,389	3,087,053	3,165,323
Land improvements	-	-	990,100	970,881	990,100	970,881
Bldgs. and improvements	2,462,048	2,567,078	4,757,026	4,848,576	7,219,074	7,415,654
Infrastructure	7,274,721	7,580,880	-	-	7,274,721	7,580,880
Water and sewer system	-	-	12,239,285	12,776,943	12,239,285	12,776,943
Right-to-Use lease assets	30,459	-	8,183	-	38,642	-
Total	\$ 27,549,871	\$ 22,920,109	\$ 25,827,281	\$ 21,626,697	\$ 53,377,152	\$ 44,546,806

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, 2022, consisted of the following:
 - Land additions of \$3,168,564 relating to property acquired for the flood reduction project.
 - Infrastructure additions include street improvement projects in the amount of \$147,974.
 - Construction in progress of \$7,405,232 primarily includes \$6,486,622 for the flood reduction project, as well as drainage and street improvements, projects paid for from the Qualified Energy Conservation Bonds, and various other items.
 - Machinery and equipment additions include the following: police vehicles and equipment, fire department equipment, parks department lighting, maintenance equipment, and various other items.
 - Buildings improvement additions include \$37,978 of improvements to City Hall security.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2022, consisted of the following:
 - Projects in progress at September 30, 2022 include the following: Water and sewer projects of \$5,583,051 and projects paid for from the Qualified Energy Conservation Bonds of \$672,383.
 - Land improvement additions include airport paving improvements of \$43,230.
 - Various equipment additions include a vactor truck, civic center A/C and dehumidifier systems, as well as miscellaneous EMS and water and sewer equipment.
 - Building improvements include \$70,415 of renovations to the Civic Center building.

Additional information on the City's capital assets can be found in Note 7 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Long-term Debt

At the end of fiscal year 2022, the City had total bonded debt outstanding of \$32,233,801 (net of unamortized deferred amounts) of which 100% is backed by the full faith and credit of the government. In addition, the City had outstanding \$3,675,000 in revenue bonds, \$5,340,000 in tax notes, \$5,547,996 in State Infrastructure loan, \$318,270 in financed purchase payable, \$38,164 in right-to-use leases, \$380,618 in OPEB liability, (\$1,374,834) in net pension liability (asset), and \$379,462 in compensated absences as of September 30, 2022.

City of Wharton, Texas			
Long-term Debt			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 4,352,065	\$ 1,112,935	\$ 5,465,000
Issuance premiums	551,455	317,169	868,624
Certificates of obligation	20,172,000	4,786,000	24,958,000
Revenue bonds	-	3,675,000	3,675,000
Qualified energy cons. bonds	264,367	677,810	942,177
Tax notes	5,220,000	120,000	5,340,000
State infrastructure loan	-	5,547,996	5,547,996
Financed purchase payable	-	318,270	318,270
Right-to-Use leases	30,041	8,123	38,164
OPEB liability	262,627	117,991	380,618
Net pension liability (asset)	(948,636)	(426,198)	(1,374,834)
Compensated absences	261,362	118,100	379,462
Total	<u>\$ 30,165,281</u>	<u>\$ 16,373,196</u>	<u>\$ 46,538,477</u>

The City's total outstanding debt increased by \$8,765,849 or 23% from the prior fiscal year. The key factors in this net increase were:

- Issuance of Series 2021 Certificates of Obligation in the amount of \$2,601,000.
- \$1,000,000 final draw from the Series 2021 Tax Notes.
- Redemption of Series 2021 Revenue Bonds in the amount of \$3,226,000, with \$1,112,000 unredeemed as of September 30, 2022.
- The City entered into a State Infrastructure loan in the amount of \$5,547,996.
- The City entered into a financed purchase agreement to purchase a vector truck in the amount of \$318,270.
- Payments made on the certificates and bonds during fiscal year 2022 totaled \$1,665,031.
- Payments made on the tax notes during fiscal year 2022 totaled \$1,120,000.
- Net pension asset increased by \$1,095,281.

Additional information on the City's debt can be found in Note 11 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the 2022 fiscal year, the City's most important initiative was to continue to provide drainage improvements, reduce flooding in the City, and infrastructure improvements. The City has acquired all the real estate necessary for Phase I of the FY2018 Supplemental Appropriations Act with the US Army Corp of Engineers, which was funded at 100% for a flooding solution from the Colorado River in the city of Wharton. The total estimated cost of this phase is \$127 million. The City continues to work diligently toward applying for all applicable outstanding grant opportunities that would benefit the City as well as its residents.

The following initiatives are still in progress:

- Farm to Market 1301 Extension and Railroad Overpass Project. The design is complete and the City is working with the Texas Department of Transportation (TxDOT), who will be responsible for the construction of the project.
- Utility cost reduction measures with the 2015 issuance of the Qualified Energy Conservation Bonds.
- Construction of a new water well plant for sustainable future drinking water supply funded through a USDA loan for a water well plant.
- Grant funding through private and non-profit organizations related to housing for the citizens.
- Drainage infrastructure improvements through grant funding.

Factors affecting the 2022-2023 General Fund budget were as follows:

- Net taxable assessed value before freeze for tax year 2022 increased by \$65,824,297 or 11% to approximately \$652 million.
- The top ten principal taxpayers account for 21% of total assessed valuation as compared to 25% nine years ago.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2023 is to remain stable.

Requests for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Office of the Finance Director, 120 East Caney, Wharton, Texas 77488.

Basic Financial Statements

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,884,316	\$ 8,999,506	\$ 22,883,822	\$ 1,024,714
Receivables, net	428,211	815,960	1,244,171	166,930
Internal balances	(1,975,879)	1,975,879	-	-
Due from component unit	17,538	20,919	38,457	-
Due from other governments	1,252,446	212,746	1,465,192	-
Interlocal receivable - current portion	150,000	-	150,000	-
Lease receivable - current portion	-	21,591	21,591	-
Prepaid items	15,625	-	15,625	4,582
Land held for sale	-	108,567	108,567	650,000
Inventory	18,716	-	18,716	2,000
Restricted assets				
Cash and cash equivalents	-	95,358	95,358	-
Total current assets	13,790,973	12,250,526	26,041,499	1,848,226
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	15,953,750	6,574,527	22,528,277	70,603
Buildings, infrastructure, and equipment, net	11,565,662	19,244,571	30,810,233	3,209
Right-to-Use lease assets				
Equipment (net)	30,459	8,183	38,642	-
Net capital and right-to-use assets	27,549,871	25,827,281	53,377,152	73,812
Interlocal receivable - noncurrent portion	9,273,477	-	9,273,477	-
Lease receivable - noncurrent portion	-	58,040	58,040	-
Net pension asset	948,636	426,198	1,374,834	-
Noncurrent internal balances	230,000	(230,000)	-	-
Total noncurrent assets	38,001,984	26,081,519	64,083,503	73,812
Total assets	51,792,957	38,332,045	90,125,002	1,922,038
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	55,927	11,823	67,750	-
Deferred outflow related to OPEB	46,328	32,224	78,552	-
Deferred outflow related to pension	305,725	31,305	337,030	-
Total deferred outflows of resources	407,980	75,352	483,332	-

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,485,711	\$ 1,083,037	\$ 2,568,748	\$ 18,444
Accrued expenditures/expenses	50,856	32,083	82,939	-
Due to primary government	-	-	-	38,457
Due to other governments	29,651	8,758	38,409	-
Deposits	1,225	261,468	262,693	-
Accrued interest payable	148,233	98,607	246,840	-
Compensated absences	26,136	11,816	37,952	-
Unearned revenue	3,558,540	1,079,100	4,637,640	-
Current portion of long-term obligations	2,249,119	842,343	3,091,462	150,000
Total current liabilities	<u>7,549,471</u>	<u>3,417,212</u>	<u>10,966,683</u>	<u>206,901</u>
Noncurrent liabilities				
Compensated absences	235,226	106,284	341,510	-
OPEB liability	262,627	117,991	380,618	-
Noncurrent portion of long-term obligations	28,340,809	15,720,960	44,061,769	9,273,477
Total noncurrent liabilities	<u>28,838,662</u>	<u>15,945,235</u>	<u>44,783,897</u>	<u>9,273,477</u>
Total liabilities	<u>36,388,133</u>	<u>19,362,447</u>	<u>55,750,580</u>	<u>9,480,378</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to right-to-use lease receivable	-	79,410	79,410	-
Deferred inflow related to OPEB	10,768	6,682	17,450	-
Deferred inflow related to pension	904,750	531,408	1,436,158	-
Total deferred inflows of resources	<u>915,518</u>	<u>617,500</u>	<u>1,533,018</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,581,873	14,029,415	28,611,288	73,812
Restricted for:				
Debt service	270,909	-	270,909	-
Cultural and recreation	66,275	-	66,275	-
Municipal court	73,599	-	73,599	-
Public safety	26,373	-	26,373	-
Unrestricted net position	(121,743)	4,398,035	4,276,292	(7,632,152)
Total net position	<u>\$ 14,897,286</u>	<u>\$ 18,427,450</u>	<u>\$ 33,324,736</u>	<u>\$ (7,558,340)</u>

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2022

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,451,232	\$ 810,083	\$ 426,076	\$ 577,045
Public safety	3,858,347	-	82,420	105,339
Public works	17,362,145	-	33,250	15,098,447
Cultural and recreation	169,138	240	-	-
Interest on long-term debt	514,373	-	-	-
Total governmental activities	<u>23,355,235</u>	<u>810,323</u>	<u>541,746</u>	<u>15,780,831</u>
Business-type activities				
Water and sewer	3,459,698	5,547,492	54,746	57,899
Solid waste	1,491,474	1,562,605	-	-
Emergency medical services	2,061,171	858,633	1,851,410	-
Civic center	326,077	73,239	-	50,000
Airport	342,984	279,384	50,000	30,409
Total business-type activities	<u>7,681,404</u>	<u>8,321,353</u>	<u>1,956,156</u>	<u>138,308</u>
Total primary government	<u>\$ 31,036,639</u>	<u>\$ 9,131,676</u>	<u>\$ 2,497,902</u>	<u>\$ 15,919,139</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 10,242,158</u>	<u>\$ 2,100</u>	<u>\$ -</u>	<u>\$ -</u>

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ 361,972	\$ -	\$ 361,972	\$ -
(3,670,588)	-	(3,670,588)	-
(2,230,448)	-	(2,230,448)	-
(168,898)	-	(168,898)	-
(514,373)	-	(514,373)	-
<u>(6,222,335)</u>	<u>-</u>	<u>(6,222,335)</u>	<u>-</u>
-	2,200,439	2,200,439	-
-	71,131	71,131	-
-	648,872	648,872	-
-	(202,838)	(202,838)	-
-	16,809	16,809	-
<u>-</u>	<u>2,734,413</u>	<u>2,734,413</u>	<u>-</u>
<u>(6,222,335)</u>	<u>2,734,413</u>	<u>(3,487,922)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,240,058)</u>
565,768	-	565,768	-
1,791,688	-	1,791,688	-
1,833,798	-	1,833,798	916,899
1,154,879	-	1,154,879	-
239,450	-	239,450	-
46,612	27,169	73,781	3,717
1,678,320	-	1,678,320	-
75,723	-	75,723	-
200,633	(200,633)	-	-
<u>7,586,871</u>	<u>(173,464)</u>	<u>7,413,407</u>	<u>920,616</u>
1,364,536	2,560,949	3,925,485	(9,319,442)
<u>13,532,750</u>	<u>15,866,501</u>	<u>29,399,251</u>	<u>1,761,102</u>
<u>\$ 14,897,286</u>	<u>\$ 18,427,450</u>	<u>\$ 33,324,736</u>	<u>\$ (7,558,340)</u>

CITY OF WHARTON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Disaster Relief</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,105,996	\$ 122,932	\$ -
Receivables, net	249,928	118,107	-
Due from other funds	258,097	224,501	40,735
Due from component unit	17,538	-	-
Due from other governments	367,615	23,055	552,265
Advances to other funds	230,000	-	-
Prepaid items	15,625	-	-
Inventory	18,716	-	-
Total assets	<u>\$ 5,263,515</u>	<u>\$ 488,595</u>	<u>\$ 593,000</u>
LIABILITIES			
Accounts payable	\$ 283,419	\$ 600	\$ 693,985
Accrued expenditures	50,856	-	-
Due to other funds	137,729	68,854	297,778
Due to other governments	29,651	-	-
Deposits	1,225	-	-
Unearned revenue	1,158,383	-	-
Total liabilities	<u>1,661,263</u>	<u>69,454</u>	<u>991,763</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	205,850	118,107	552,265
Total deferred inflows of resources	<u>205,850</u>	<u>118,107</u>	<u>552,265</u>
FUND BALANCES			
Nonspendable	264,341	-	-
Restricted	-	301,034	-
Committed	-	-	-
Unassigned	3,132,061	-	(951,028)
Total fund balances	<u>3,396,402</u>	<u>301,034</u>	<u>(951,028)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,263,515</u>	<u>\$ 488,595</u>	<u>\$ 593,000</u>

The accompanying notes are an integral part of this statement.

<u>2020 Tax Notes</u>	<u>FM 1301 Project</u>	<u>TWDB Drainage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,130,016	\$ 288,489	\$ 4,910,829	\$ 3,326,054	\$ 13,884,316
-	-	-	60,176	428,211
831,371	-	-	294,099	1,648,803
-	-	-	-	17,538
-	-	-	309,511	1,252,446
-	-	-	-	230,000
-	-	-	-	15,625
-	-	-	-	18,716
<u>\$ 1,961,387</u>	<u>\$ 288,489</u>	<u>\$ 4,910,829</u>	<u>\$ 3,989,840</u>	<u>\$ 17,495,655</u>
\$ 37,592	\$ 56,208	\$ 49,852	\$ 364,055	\$ 1,485,711
-	-	-	-	50,856
-	-	-	3,120,321	3,624,682
-	-	-	-	29,651
-	-	-	-	1,225
-	-	2,400,157	-	3,558,540
<u>37,592</u>	<u>56,208</u>	<u>2,450,009</u>	<u>3,484,376</u>	<u>8,750,665</u>
-	-	-	309,511	1,185,733
-	-	-	309,511	1,185,733
-	-	-	-	264,341
1,923,795	232,281	2,460,820	1,289,791	6,207,721
-	-	-	313,582	313,582
-	-	-	(1,407,420)	773,613
<u>1,923,795</u>	<u>232,281</u>	<u>2,460,820</u>	<u>195,953</u>	<u>7,559,257</u>
<u>\$ 1,961,387</u>	<u>\$ 288,489</u>	<u>\$ 4,910,829</u>	<u>\$ 3,989,840</u>	<u>\$ 17,495,655</u>

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

September 30, 2022

Total governmental fund balances		\$ 7,559,257
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		206,548
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		979,185
Capital and right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital and right-to-use lease assets at year-end consist of:		
Governmental capital and right-to-use lease assets costs	\$ 45,538,213	
Accumulated depreciation and amortization of governmental capital and right-to-use-lease assets	<u>(17,988,342)</u>	27,549,871
Interlocal receivable on repayment of debt is not a current financial resource and, therefore, is not reported on the fund financial statements.		9,423,477
Long-term assets are not available for use in the current period and therefore are not reported as assets in the funds:		
Net pension asset		948,636
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	55,927	
Deferred amount on OPEB	46,328	
Deferred amount on pension	<u>305,725</u>	407,980
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	(24,788,432)	
Bond premiums	(551,455)	
Tax notes	(5,220,000)	
Right-to-use lease liability	(30,041)	
OPEB liability	(262,627)	
Accrued interest payable	(148,233)	
Compensated absences	<u>(261,362)</u>	(31,262,150)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on OPEB	(10,768)	
Deferred amount on pension	<u>(904,750)</u>	<u>(915,518)</u>
Net position of governmental activities		\$ <u>14,897,286</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, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Disaster Relief</u>
REVENUES			
Taxes	\$ 3,569,882	\$ 1,826,083	\$ -
Licenses and permits	543,480	-	-
Intergovernmental	267,041	-	24,780
Charges for services	24,632	-	-
Fines and forfeitures	223,547	-	-
Investment income	8,597	1,209	-
Industrial district fee	1,678,320	-	-
Miscellaneous	<u>12,472</u>	<u>150,000</u>	<u>-</u>
Total revenues	<u>6,327,971</u>	<u>1,977,292</u>	<u>24,780</u>
EXPENDITURES			
Current			
General government	1,209,747	-	-
Public safety	3,758,893	-	-
Public works	1,377,495	-	-
Cultural and recreation	81,311	-	-
Capital outlay	480,313	-	682,296
Debt service			
Principal retirement	-	2,114,251	35,150
Interest and fiscal charges	-	491,040	2,202
Issuance costs	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,907,759</u>	<u>2,605,291</u>	<u>719,648</u>
Excess (deficiency) of revenues over expenditures	(579,788)	(627,999)	(694,868)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	12,272	-	-
Debt issued	-	-	-
Right-to-use lease issued	45,738	-	-
Transfers in	992,929	465,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,050,939</u>	<u>465,000</u>	<u>-</u>
Net change in fund balances	471,151	(162,999)	(694,868)
Fund balances at beginning of year	<u>2,925,251</u>	<u>464,033</u>	<u>(256,160)</u>
Fund balances at end of year	<u>\$ 3,396,402</u>	<u>\$ 301,034</u>	<u>\$ (951,028)</u>

The accompanying notes are an integral part of this statement.

<u>2020 Tax Notes</u>	<u>FM 1301 Project</u>	<u>TWDB Drainage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 239,450	\$ 5,635,415
-	-	-	-	543,480
4,971,199	-	-	863,395	6,126,415
-	-	-	-	24,632
-	-	-	24,358	247,905
1,877	22,712	-	12,217	46,612
-	-	-	-	1,678,320
-	4,670	-	240	167,382
<u>4,973,076</u>	<u>27,382</u>	<u>-</u>	<u>1,139,660</u>	<u>14,470,161</u>
-	-	-	304,904	1,514,651
-	-	-	13,617	3,772,510
-	14,453,849	-	1,012,150	16,843,494
-	-	-	40,300	121,611
4,530,112	-	49,852	561,679	6,304,252
-	-	-	-	2,149,401
-	-	-	-	493,242
-	-	90,328	-	90,328
<u>4,530,112</u>	<u>14,453,849</u>	<u>140,180</u>	<u>1,932,650</u>	<u>31,289,489</u>
442,964	(14,426,467)	(140,180)	(792,990)	(16,819,328)
-	-	-	-	12,272
1,000,000	-	2,601,000	-	3,601,000
-	-	-	-	45,738
-	-	-	103,000	1,560,929
(465,000)	-	-	(213,000)	(678,000)
<u>535,000</u>	<u>-</u>	<u>2,601,000</u>	<u>(110,000)</u>	<u>4,541,939</u>
977,964	(14,426,467)	2,460,820	(902,990)	(12,277,389)
<u>945,831</u>	<u>14,658,748</u>	<u>-</u>	<u>1,098,943</u>	<u>19,836,646</u>
<u>\$ 1,923,795</u>	<u>\$ 232,281</u>	<u>\$ 2,460,820</u>	<u>\$ 195,953</u>	<u>\$ 7,559,257</u>

CITY OF WHARTON, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2022*

Total net change in fund balances - governmental funds **\$ (12,277,389)**

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

Capital outlays and right-to-use lease assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or the term of the lease agreement as amortization expense.

Increase in capital and right-to-use lease assets	\$ 5,676,369	
Depreciation and amortization expense	<u>(1,046,607)</u>	4,629,762

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

Certificates at par value	(2,601,000)	
Tax notes	(1,000,000)	
Right-to-Use lease	<u>(45,738)</u>	(3,646,738)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		9,573,477
---	--	-----------

The payment on an interlocal receivable is reported as miscellaneous income in the governmental funds. However, in the government-wide statements, this payment is reported as a reduction of a current asset.		(150,000)
--	--	-----------

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Bond and certificates principal retirement	1,088,601	
Tax notes principal retirement	1,060,800	
Right-to-use lease principal retirement	<u>15,697</u>	2,165,098

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	(3,521)	
Other revenues	<u>611,343</u>	607,822

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

Decrease in compensated absences	1,917	
Decrease in loss on refunding	(10,250)	
Decrease in bond premium	70,276	
Decrease in accrued interest	9,171	
Net OPEB costs	(50,612)	
Net pension costs	<u>442,002</u>	<u>462,504</u>

Change in net position of governmental activities **\$ 1,364,536**

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,520,780	\$ 43,943	\$ 1,334,389
Receivables, net	494,293	167,838	54,972
Due from other funds	2,293,785	39,069	15,064
Due from component unit	20,919	-	-
Due from other governments	162,746	-	-
Lease receivable - current portion	-	-	-
Inventory	71,892	-	-
Restricted assets			
Cash and cash equivalents	95,358	-	-
Total current assets	<u>10,659,773</u>	<u>250,850</u>	<u>1,404,425</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	6,470,070	-	10,575
Buildings, improvements, and equipment, net	12,764,794	-	721,315
Right-to-Use lease assets			
Equipment (net)	3,705	-	2,239
Net capital and right-to-use assets	<u>19,238,569</u>	<u>-</u>	<u>734,129</u>
Lease receivable - noncurrent portion	-	-	-
Net pension asset	164,980	-	247,470
Total noncurrent assets	<u>19,403,549</u>	<u>-</u>	<u>981,599</u>
Total assets	<u>30,063,322</u>	<u>250,850</u>	<u>2,386,024</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	-	-
Deferred outflow related to OPEB	13,311	-	18,913
Deferred outflow related to pension	8,931	-	17,273
Total deferred outflows of resources	<u>22,242</u>	<u>-</u>	<u>36,186</u>

Business-type Activities

Civic Center	Airport	Total
\$ 7,173	\$ 93,221	\$ 8,999,506
60,214	38,643	815,960
42,636	62,962	2,453,516
-	-	20,919
-	50,000	212,746
-	21,591	21,591
-	36,675	108,567
-	-	95,358
110,023	303,092	12,728,163
44,682	49,200	6,574,527
1,600,790	4,157,672	19,244,571
2,239	-	8,183
1,647,711	4,206,872	25,827,281
-	58,040	58,040
13,748	-	426,198
1,661,459	4,264,912	26,311,519
1,771,482	4,568,004	39,039,682
-	11,823	11,823
-	-	32,224
5,101	-	31,305
5,101	11,823	75,352

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
LIABILITIES			
Current liabilities			
Accounts payable	\$ 756,551	\$ 255,326	\$ 44,682
Accrued expenses	9,755	468	19,516
Due to other governments	-	8,758	-
Deposits	231,093	-	-
Accrued interest payable	85,199	-	-
Due to other funds	331,408	-	5,083
Compensated absences	4,709	8	6,825
Unearned revenue	1,004,100	-	75,000
Current portion of long-term obligations	755,283	-	1,547
Total current liabilities	<u>3,178,098</u>	<u>264,560</u>	<u>152,653</u>
Noncurrent liabilities			
Advances from other funds	230,000	-	-
Compensated absences	42,384	-	61,429
OPEB liability	49,480	-	68,511
Noncurrent portion of long-term obligations	14,531,612	-	675
Total noncurrent liabilities	<u>14,853,476</u>	<u>-</u>	<u>130,615</u>
Total liabilities	<u>18,031,574</u>	<u>264,560</u>	<u>283,268</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to right-to-use lease receivable	-	-	-
Deferred inflow related to OPEB	2,435	-	4,247
Deferred inflow related to pension	226,001	-	286,656
Total deferred inflows of resources	<u>228,436</u>	<u>-</u>	<u>290,903</u>
NET POSITION			
Net investment in capital assets	8,308,853	-	734,129
Unrestricted net position	3,516,701	(13,710)	1,113,910
Total net position	<u>\$ 11,825,554</u>	<u>\$ (13,710)</u>	<u>\$ 1,848,039</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 16,048	\$ 10,430	\$ 1,083,037
1,638	706	32,083
-	-	8,758
30,075	300	261,468
4,886	8,522	98,607
141,131	15	477,637
175	99	11,816
-	-	1,079,100
<u>33,787</u>	<u>51,726</u>	<u>842,343</u>
<u>227,740</u>	<u>71,798</u>	<u>3,894,849</u>
-	-	230,000
1,578	893	106,284
-	-	117,991
<u>482,718</u>	<u>705,955</u>	<u>15,720,960</u>
<u>484,296</u>	<u>706,848</u>	<u>16,175,235</u>
<u>712,036</u>	<u>778,646</u>	<u>20,070,084</u>
-	79,410	79,410
-	-	6,682
<u>18,751</u>	-	<u>531,408</u>
<u>18,751</u>	<u>79,410</u>	<u>617,500</u>
1,350,833	3,635,600	14,029,415
(305,037)	86,171	4,398,035
<u>\$ 1,045,796</u>	<u>\$ 3,721,771</u>	<u>\$ 18,427,450</u>

(concluded)

CITY OF WHARTON, TEXAS

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

PROPRIETARY FUNDS

For the year ended September 30, 2022

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 5,547,492	\$ 1,562,605	\$ 858,633
Total operating revenues	<u>5,547,492</u>	<u>1,562,605</u>	<u>858,633</u>
OPERATING EXPENSES			
Personnel	907,862	47,723	1,573,140
Materials and supplies	172,771	69	126,103
Repairs and maintenance	458,520	-	97,556
Other services and charges	1,031,421	1,443,682	161,991
Depreciation and amortization	624,253	-	102,372
Total operating expenses	<u>3,194,827</u>	<u>1,491,474</u>	<u>2,061,162</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	2,352,665	71,131	(1,202,529)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	54,746	-	1,851,410
Investment income	19,846	168	6,128
Interest and fiscal charges	(264,871)	-	(9)
Total nonoperating revenues (expenses)	<u>(190,279)</u>	<u>168</u>	<u>1,857,529</u>
Income (loss) before transfers and contributions	2,162,386	71,299	655,000
Contributions and transfers			
Capital grants and contributions	740,195	-	-
Transfers in	-	-	-
Transfers out	(994,517)	-	(98,412)
Total contributions and transfers	<u>(254,322)</u>	<u>-</u>	<u>(98,412)</u>
Change in net position	1,908,064	71,299	556,588
Net position at beginning of year	<u>9,917,490</u>	<u>(85,009)</u>	<u>1,291,451</u>
Net position at end of year	<u>\$ 11,825,554</u>	<u>\$ (13,710)</u>	<u>\$ 1,848,039</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 73,239	\$ 279,384	\$ 8,321,353
<u>73,239</u>	<u>279,384</u>	<u>8,321,353</u>
151,512	73,026	2,753,263
7,570	7,770	314,283
34,651	54,567	645,294
34,197	54,594	2,725,885
<u>83,702</u>	<u>130,512</u>	<u>940,839</u>
<u>311,632</u>	<u>320,469</u>	<u>7,379,564</u>
(238,393)	(41,085)	941,789
-	50,000	1,956,156
79	948	27,169
<u>(14,445)</u>	<u>(22,515)</u>	<u>(301,840)</u>
<u>(14,366)</u>	<u>28,433</u>	<u>1,681,485</u>
(252,759)	(12,652)	2,623,274
50,000	30,409	820,604
210,000	-	210,000
<u>-</u>	<u>-</u>	<u>(1,092,929)</u>
<u>260,000</u>	<u>30,409</u>	<u>(62,325)</u>
7,241	17,757	2,560,949
<u>1,038,555</u>	<u>3,704,014</u>	<u>15,866,501</u>
<u>\$ 1,045,796</u>	<u>\$ 3,721,771</u>	<u>\$ 18,427,450</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2022

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 5,593,509	\$ 1,569,339	\$ 875,825
Cash paid to suppliers for goods and services	(1,631,700)	(1,672,491)	(379,217)
Cash paid to employees for services	(978,231)	(47,614)	(1,656,302)
Net cash provided (used) by operating activities	<u>2,983,578</u>	<u>(150,766)</u>	<u>(1,159,694)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	(100,915)	(9,558)	3,429
Borrowings from (to) component unit	(20,919)	-	-
Transfers in from other funds	-	-	-
Transfers out to other funds	(994,517)	-	(98,412)
Noncapital grants and contributions	54,746	-	1,866,210
Net cash provided (used) by noncapital financing activities	<u>(1,061,605)</u>	<u>(9,558)</u>	<u>1,771,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(3,976,657)	-	(4,366)
Proceeds from capital grants and contributions	917,121	-	75,000
Proceeds from issuance of debt	8,773,996	-	-
Principal paid on long-term debt	(557,534)	-	(1,564)
Interest and debt costs paid	(276,557)	-	(9)
Net cash provided (used) by capital and related financing activities	<u>4,880,369</u>	<u>-</u>	<u>69,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	19,846	168	6,128
Net cash provided (used) by investing activities	<u>19,846</u>	<u>168</u>	<u>6,128</u>
Net increase (decrease) in cash and cash equivalents	6,822,188	(160,156)	686,722
Cash and cash equivalents at beginning of year	793,950	204,099	647,667
Cash and cash equivalents at end of year	<u>\$ 7,616,138</u>	<u>\$ 43,943</u>	<u>\$ 1,334,389</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 84,851	\$ 283,828	\$ 8,407,352
(67,357)	(102,434)	(3,853,199)
<u>(151,472)</u>	<u>(72,424)</u>	<u>(2,906,043)</u>
<u>(133,978)</u>	<u>108,970</u>	<u>1,648,110</u>
17,504	(27,507)	(117,047)
-	-	(20,919)
210,000	-	210,000
-	-	(1,092,929)
-	45,121	1,966,077
<u>227,504</u>	<u>17,614</u>	<u>945,182</u>
(100,402)	(43,230)	(4,124,655)
50,000	30,409	1,072,530
-	-	8,773,996
(32,896)	(49,622)	(641,616)
<u>(15,903)</u>	<u>(27,057)</u>	<u>(319,526)</u>
<u>(99,201)</u>	<u>(89,500)</u>	<u>4,760,729</u>
<u>79</u>	<u>948</u>	<u>27,169</u>
<u>79</u>	<u>948</u>	<u>27,169</u>
(5,596)	38,032	7,381,190
<u>12,769</u>	<u>55,189</u>	<u>1,713,674</u>
<u>\$ 7,173</u>	<u>\$ 93,221</u>	<u>\$ 9,094,864</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2022

	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)	\$ 2,352,665	\$ 71,131	\$ (1,202,529)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	624,253	-	102,372
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	40,865	7,036	17,192
(Increase) decrease in lease receivable	-	-	-
(Increase) decrease in inventory	15,230	-	-
(Increase) decrease in deferred outflow related to OPEB	1,426	-	1,909
(Increase) decrease in deferred outflow related to pension	(6,123)	-	(10,328)
Increase (decrease) in accounts payable	15,782	(228,740)	6,433
Increase (decrease) in accrued expenses	1,852	101	6,344
Increase (decrease) in deposits	5,152	-	-
Increase (decrease) in due to other governments	-	(302)	-
Increase (decrease) in compensated absences	(7,709)	8	3,206
Increase (decrease) in OPEB liability	(11,439)	-	(10,326)
Increase (decrease) in net pension liability (asset)	(123,048)	-	(185,968)
Increase (decrease) in deferred inflow related to OPEB	48	-	66
Increase (decrease) in deferred inflow related to pension	74,624	-	111,935
Increase (decrease) in deferred inflow related to right-to-use lease receivable	-	-	-
Total adjustments	<u>630,913</u>	<u>(221,897)</u>	<u>42,835</u>
Net cash provided (used) by operating activities	<u>\$ 2,983,578</u>	<u>\$ (150,766)</u>	<u>\$ (1,159,694)</u>
Reconciliation of cash and cash equivalents			
Cash and cash equivalents - Unrestricted	\$ 7,520,780	\$ 43,943	\$ 1,334,389
Cash and cash equivalents - Restricted	<u>95,358</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,616,138</u>	<u>\$ 43,943</u>	<u>\$ 1,334,389</u>
Noncash capital and related financing activities			
Noncash capital grants and contributions	\$ 682,296	\$ -	\$ -
Assets acquired from financed purchases	318,270	-	-
Assets acquired from initiation of Right-to-Use lease	<u>6,265</u>	<u>-</u>	<u>3,786</u>
Total	<u>\$ 1,006,831</u>	<u>\$ -</u>	<u>\$ 3,786</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (238,393)	\$ (41,085)	\$ 941,789
83,702	130,512	940,839
5,213	4,665	74,971
-	(79,631)	(79,631)
-	6,838	22,068
-	-	3,335
1,206	-	(15,245)
9,061	7,659	(189,805)
445	(53)	8,689
6,400	-	11,552
-	-	(302)
326	655	(3,514)
-	-	(21,765)
(8,157)	-	(317,173)
-	-	114
6,219	-	192,778
-	<u>79,410</u>	<u>79,410</u>
<u>104,415</u>	<u>150,055</u>	<u>706,321</u>
<u>\$ (133,978)</u>	<u>\$ 108,970</u>	<u>\$ 1,648,110</u>
\$ 7,173	\$ 93,221	\$ 8,999,506
-	-	95,358
<u>\$ 7,173</u>	<u>\$ 93,221</u>	<u>\$ 9,094,864</u>
\$ -	\$ -	\$ 682,296
-	-	318,270
<u>3,786</u>	<u>-</u>	<u>13,837</u>
<u>\$ 3,786</u>	<u>\$ -</u>	<u>\$ 1,014,403</u>

(concluded)

INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	38
2	Stewardship, Compliance, and Accountability	50
3	Deposits and Investments	50
4	Receivables	52
5	Due from Other Governments	53
6	Lease Receivable	54
7	Capital Assets	54
8	Defined Benefit Pension Plan	56
9	Supplemental Death Benefit Plan (OPEB)	61
10	Risk Management	64
11	Long-term Debt	65
12	Interfund Receivables, Payables, and Transfers	73
13	Commitments and Contingencies	74
14	Fund Balances	75
15	Sales Tax Rebate Agreement	76
16	Subsequent Events	76
17	Implementation of New Standard	76
18	Wharton Economic Development Corporation	77

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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

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

A. Reporting Entity - (Continued)

Other Entities

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

County of Wharton, Texas
Wharton County Central Appraisal District
Wharton County Junior College
Wharton County Rural Fire District #1
Wharton Independent School District
Coastal Bend Groundwater Conservation District
Wharton County Emergency Services District #3

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

B. Government-wide and Fund Financial Statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

The City reports the following major governmental funds:

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

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

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The City has eleven Special Revenue Funds, one of which is reported as a major fund. The Disaster Relief Fund accounts for the activities of the City associated with disasters such as floods, hurricanes, etc.

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

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

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has eleven Capital Project Funds, three of which have been reported as major funds.

- The 2020 Tax Notes accounts for the use of the proceeds from the City's 2020 Tax Notes for the flood reduction project with the United States Army Corp of Engineers (USACE). The capital expenditures include property surveying, appraisal, acquisition, and relocation. This fund is on a reimbursement structure with the USACE.
- The FM 1301 Project accounts for the use of the proceeds from the City's 2021 Certificates of Obligation for the engineering, construction, and property acquisitions related to the highway extension.
- The TWDB Drainage Fund accounts for the expenditures and proceeds for the Texas Water Development Board Drainage Project.

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.

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

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

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

1. City department and division leaders shall submit budget requests for the next fiscal year to and as directed by the City Manager for review and consolidation. The City Manager shall submit a proposed annual budget to the City Council before August 31st of each fiscal year. Before taxes are levied, but after a public hearing or hearings, the City Council shall adopt an annual budget. The budget shall be adopted by a majority of all members of the City Council not later than the last day of the then current fiscal year.
2. At any time during the fiscal year, the City Manager is authorized to transfer unencumbered budgeted amounts between line-items within a department; however, any revisions that alter the total budgeted expenditures of any department must be approved by the City Council.
3. Legally adopted annual budgets for the General Fund and the Debt Service Fund are prepared on a basis consistent with GAAP. They are presented at the departmental level (i.e., City Manager, City Secretary, etc.), which is the legal level of budgetary control.
4. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2022.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)F. LeasesCity as Lessee

With the exception of short-term leases, when the City is a lessee in noncancellable lease arrangements the City recognizes a right-to-use lease liability (lease liability) and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value that would be material to the government-wide financial statements. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract. See Note 11 for details of the City's leasing arrangements as lessee.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

City as Lessor

With the exception of short-term leases and certain regulated leases, when the City is a lessor in noncancellable lease arrangements the City recognizes a right-to-use lease receivable (lease receivable) and a deferred inflow of resources in the government-wide and governmental fund financial statements. The City recognizes lease receivables with an initial, individual value that would be material to the governmental financial statements. For leases not meeting these criteria, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 6 for details of the City's leasing arrangements as lessor.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

F. Leases - (Continued)

City as Lessor - (Continued)

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

G. 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, 2022, approximates fair value.

H. Receivables and Payables

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

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

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

I. Inventories and Prepaid Items

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

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

J. Capital Assets

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

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

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

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

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

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

K. Compensated Absences

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

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

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

Employees may accumulate 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. Employees may accrue up to 240 hours; however, non-exempt employees engaged in public safety or emergency response may accrue up to 480 hours. 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.

L. Long-term Obligations

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

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

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- Deferred amounts relating to leases represent future inflows of resources which will be recognized as revenue over the life of the lease term.

N. Pensions and OPEB

For purposes of measuring the net pension liability, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension and OPEB expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension and OPEB liability is obtained from TMRS through reports prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68 and No. 75.

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

O. Fund Equity

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2022. This Statement did not have an impact on the City's functions, financial position or results of operations.

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

P. 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 and at the fund level in the Debt Service Fund. For the year ended September 30, 2022, the City complied with budgetary restrictions except for the following:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Capital outlay	\$ 443,200	\$ 480,313	\$ (37,113)
Debt Service Fund	2,388,999	2,605,291	(216,292)

B. Deficit Fund Equity

As of September 30, 2022, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
Disaster Relief	\$ 951,028
Solid Waste	13,710
Nonmajor Governmental	
TDA Sidewalk	1,650
Special Funding	60,060
Hurricane Harvey Infrastructure	69,815
Housing Grant	195,903
2013 Bond Construction	168,007
2019 Tax Notes	911,985

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

As of September 30, 2022, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Public Funds Investment Pool			
TexPool	\$ 4,577,038	24	AAAm

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. The investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The investment pool transacts at a net asset value of \$1.00 per share and is classified as cash and cash equivalents for reporting purposes.

A. Interest Rate Risk

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

B. Credit Risk

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

C. Concentration of Credit Risk

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

D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized.

E. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2022, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 18 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

Receivables at September 30, 2022, consisted of the following:

	General	Debt Service	Water and Sewer	Solid Waste	Emergency Medical Services	Civic Center	Airport	Nonmajor Funds	Total
Gross receivables:									
Accounts	\$ 347,837	\$ -	\$ 494,293	\$ 167,838	\$ 4,236,550	\$ 60,214	\$ 38,611	\$ 60,176	\$ 5,405,519
Ad valorem taxes	157,456	177,793	-	-	-	-	-	-	335,249
Franchise taxes	34,888	-	-	-	-	-	-	-	34,888
Fines	288,479	-	-	-	-	-	-	-	288,479
Other	9,073	-	-	-	-	-	32	-	9,105
Total gross receivables	837,733	177,793	494,293	167,838	4,236,550	60,214	38,643	60,176	6,073,240
Less: Allowances	587,805	59,686	-	-	4,181,578	-	-	-	4,829,069
Total net receivables	\$ 249,928	\$ 118,107	\$ 494,293	\$ 167,838	\$ 54,972	\$ 60,214	\$ 38,643	\$ 60,176	\$ 1,244,171

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

	Unavailable	Unearned	Total
General Fund			
Ad valorem receivable	\$ 88,441	\$ -	\$ 88,441
Fines	117,409	-	117,409
Other	-	25,268	25,268
Grants	-	1,133,115	1,133,115
Debt Service Fund			
Ad valorem receivable	118,107	-	118,107
Disaster Relief			
Grants	552,265	-	552,265
TWDB			
Grants	-	2,400,157	2,400,157
Nonmajor Governmental			
Grants	309,511	-	309,511
	<u>\$ 1,185,733</u>	<u>\$ 3,558,540</u>	<u>\$ 4,744,273</u>

NOTE 4: RECEIVABLES - (Continued)

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

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

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

Property taxes are prorated between operations and debt service for the current year roll. Delinquent taxes collected are used for maintenance and operations. For the current year, the City levied property taxes of \$0.41917 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.09972 and \$0.31945, respectively. The resulting adjusted total tax levy was \$2,457,886 on the total adjusted taxable valuation of \$586,369,736 for the 2021 tax year.

NOTE 5: DUE FROM OTHER GOVERNMENTS

The City has amounts due from other governments as of the end of the current fiscal year. Amounts due from federal, state, and local governments as of September 30, 2022, are summarized as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Disaster Relief</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Sales taxes	\$ 333,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,860
Federal and state grants	26,447	-	552,265	162,746	50,000	309,511	1,100,969
Property taxes	<u>7,308</u>	<u>23,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,363</u>
	<u>\$ 367,615</u>	<u>\$ 23,055</u>	<u>\$ 552,265</u>	<u>\$ 162,746</u>	<u>\$ 50,000</u>	<u>\$ 309,511</u>	<u>\$ 1,465,192</u>

NOTE 6: LEASE RECEIVABLE

As of October 1, 2021, date of implementation, the City recorded the following noncancelable lease agreement, for which the City is a lessor, in the proprietary fund financial statements:

- Hangar No. 36. An initial lease receivable was recorded in the amount of \$8,237. The lessee is required to make annual variable principal and interest payments of \$435 for 19 months. Future payments may be increased based on the CPI index.

On November 1, 2021, the City entered into a 60-month lease as lessor for the use of a large commercial hangar. An initial lease receivable was recorded in the amount of \$93,521 in the proprietary fund financial statements. The lessee is required to make monthly variable principal and interest payments of \$1,586. Future payments may be increased based on the CPI index.

As of September 30, 2022, both the right-to-use lease receivable of \$79,631 and the related deferred inflow of resources of \$79,410 for the proprietary funds are recorded in the government-wide and fund financial statements.

Proprietary fund inflows of resources during the current fiscal year include \$22,127 in base lease revenues and \$571 in lease interest revenues. No variable payments were recorded.

NOTE 7: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2022, 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	\$ 5,379,954	\$ 3,168,564	\$ -	\$ 8,548,518
Construction in progress	5,313,263	2,233,643	141,674	7,405,232
Total capital assets not being depreciated	<u>10,693,217</u>	<u>5,402,207</u>	<u>141,674</u>	<u>15,953,750</u>
Capital assets, being depreciated				
Machinery and equipment	7,885,220	184,146	40,225	8,029,141
Buildings and improvements	5,166,572	37,978	-	5,204,550
Infrastructure	16,157,060	147,974	-	16,305,034
Total capital assets being depreciated	<u>29,208,852</u>	<u>370,098</u>	<u>40,225</u>	<u>29,538,725</u>
Right-to-Use lease assets, being amortized				
Machinery and equipment	-	45,738	-	45,738
Total right-to-use lease assets being amortized	<u>-</u>	<u>45,738</u>	<u>-</u>	<u>45,738</u>
Less accumulated depreciation and amortization for				
Capital assets, being depreciated				
Machinery and equipment	5,806,286	434,187	40,225	6,200,248
Buildings and improvements	2,599,494	143,008	-	2,742,502
Infrastructure	8,576,180	454,133	-	9,030,313
Right-to-Use lease assets, being amortized				
Machinery and equipment	-	15,279	-	15,279
Total accumulated depreciation and amortization	<u>16,981,960</u>	<u>1,046,607</u>	<u>40,225</u>	<u>17,988,342</u>
Total capital assets being depreciated, net	<u>12,226,892</u>	<u>(630,771)</u>	<u>-</u>	<u>11,596,121</u>
Governmental activities capital assets, net	<u>\$ 22,920,109</u>	<u>\$ 4,771,436</u>	<u>\$ 141,674</u>	<u>\$ 27,549,871</u>

NOTE 7: CAPITAL ASSETS - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	1,624,815	4,630,619	-	6,255,434
Total capital assets not being depreciated	<u>1,943,908</u>	<u>4,630,619</u>	<u>-</u>	<u>6,574,527</u>
Capital assets, being depreciated				
Machinery and equipment	4,579,956	378,158	-	4,958,114
Land improvements	1,196,950	43,230	-	1,240,180
Buildings and improvements	7,347,741	73,214	-	7,420,955
Water and sewer system	<u>25,625,916</u>	<u>-</u>	<u>-</u>	<u>25,625,916</u>
Total capital assets being depreciated	<u>38,750,563</u>	<u>494,602</u>	<u>-</u>	<u>39,245,165</u>
Right-to-Use lease assets, being amortized				
Machinery and equipment	-	13,837	-	13,837
Total right-to-use lease assets being amortized	<u>-</u>	<u>13,837</u>	<u>-</u>	<u>13,837</u>
Less accumulated depreciation and amortization for				
Machinery and equipment	3,493,567	206,387	-	3,699,954
Land improvements	226,069	24,011	-	250,080
Buildings and improvements	2,499,165	164,764	-	2,663,929
Water and sewer system	12,848,973	537,658	-	13,386,631
Right-to-Use lease assets, being amortized				
Machinery and equipment	-	5,654	-	5,654
Total accumulated depreciation and amortization	<u>19,067,774</u>	<u>938,474</u>	<u>-</u>	<u>20,006,248</u>
Total capital assets being depreciated, net	<u>19,682,789</u>	<u>(430,035)</u>	<u>-</u>	<u>19,252,754</u>
Business-type activities capital assets, net	<u>\$ 21,626,697</u>	<u>\$ 4,200,584</u>	<u>\$ -</u>	<u>\$ 25,827,281</u>

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

Governmental activities

General government	\$ 73,357
Public safety	317,615
Public works	608,108
Cultural and recreation	<u>47,527</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 1,046,607</u>

Business-type activities

Water and sewer	\$ 624,253
Emergency medical services	102,372
Civic center	83,702
Airport	<u>128,147</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 938,474</u>

At September 30, 2022, 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 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual report) that can be obtained at www.thrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated as if the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2022 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100.0% - transfers; 2010 - Auto Readoption
COLA (for retirees)	70.0%; 2010 - Auto Readoption
Military service credit	Yes, adopted 1-1997
Restricted prior service credit	Yes, adopted 11-1997
Buy back last adopted	May 16, 2022

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	79
Active employees	<u>97</u>
	<u>228</u>

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.38% and 5.06% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$288,429, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)Net Pension Liability - (Continued)*Actuarial Assumptions - (Continued)*

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	<u>10.00%</u>	10.00%
Total	<u>100.00%</u>	

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability - (Continued)***Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 18,759,719	\$ 19,039,272	\$ (279,553)
Changes for the year:			
Service cost	547,544	-	547,544
Interest	1,250,973	-	1,250,973
Changes of benefit terms	-	-	-
Difference between expected and actual experience	164,593	-	164,593
Change of assumptions	-	-	-
Contributions - Employer	-	304,946	(304,946)
Contributions - Employee	-	283,408	(283,408)
Net investment income	-	2,481,442	(2,481,442)
Benefit payments, including refunds of employee contributions	(1,001,118)	(1,001,118)	-
Administrative expense	-	(11,484)	11,484
Other changes	-	79	(79)
Net changes	<u>961,992</u>	<u>2,057,273</u>	<u>(1,095,281)</u>
Balance at 12/31/2021	<u>\$ 19,721,711</u>	<u>\$ 21,096,545</u>	<u>\$ (1,374,834)</u>

NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$1,237,814	\$(1,374,834)	\$(3,521,796)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2022 the City recognized pension expense of \$(293,212).

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 124,740	\$ 158,697
Changes in actuarial assumptions	-	3,170
Difference between projected and actual investment earnings	-	1,274,291
Contributions subsequent to the measurement date	212,290	-
Total	\$ 337,030	\$ 1,436,158

\$212,290 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e. recognized in the City's financial statements for the year ending September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2022	\$ (297,950)
2023	(547,657)
2024	(231,733)
2025	(234,078)
2026	-
Thereafter	-
Total	\$ (1,311,418)

NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

TMRS administers an optional death benefit plan known as the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. A City may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 777 participating cities on December 31, 2021.

Benefits payable from SDBF become due after the death of a covered active member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the member's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded, single-employer OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2021 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>97</u>
Total	<u>147</u>

Contributions

Contributions to the SDBF are made monthly based on the payroll of covered members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each City participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

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

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2018	0.21%	0.03%
2019	0.22%	0.04%
2020	0.23%	0.03%
2021	0.24%	0.10%
2022	0.24%	0.10%

NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

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

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	1.84%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

Balance at 12/31/20	\$ 358,350
Changes for the year:	
Service cost	15,304
Interest	7,263
Change of benefit terms	-
Difference between expected and actual experience	(6,275)
Change of assumptions	11,644
Benefit payments	(5,668)
Net changes	<u>22,268</u>
Balance at 12/31/21	<u>\$ 380,618</u>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 1.84%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1.0% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1.0% Increase in Discount Rate (2.84%)
City's Total OPEB Liability:	\$466,525	\$380,618	\$315,245

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$37,908.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,582	\$ 11,146
Changes in actuarial assumptions	71,776	6,304
Contributions subsequent to the measurement date	4,194	-
Total	<u>\$ 78,552</u>	<u>\$ 17,450</u>

NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

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

\$4,194 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	OPEB Expense Amount
2022	\$ 15,341
2023	13,873
2024	14,862
2025	11,803
2026	1,027
Thereafter	-
Total	\$ 56,906

NOTE 10: 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 11: LONG-TERM DEBT

A. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 18,136,224	\$ 2,601,000	\$ 565,224	\$ 20,172,000	\$ 574,722
General obligation bonds	4,848,215	-	496,150	4,352,065	520,230
Qualified energy cons. bonds	291,594	-	27,227	264,367	27,639
Plus deferred amounts:					
Issuance premiums	621,731	-	70,276	551,455	-
Total bonds and certificates payable	23,897,764	2,601,000	1,158,877	25,339,887	1,122,591
Tax notes	5,280,800	1,000,000	1,060,800	5,220,000	1,110,800
Right-to-Use leases	-	45,738	15,697	30,041	15,728
Net pension liability (asset)	(170,528)	-	778,108	(948,636)	-
OPEB liability	218,594	44,033	-	262,627	-
Compensated absences	263,279	236,294	238,211	261,362	26,136
Total governmental activity long-term liabilities	<u>\$ 29,489,909</u>	<u>\$ 3,927,065</u>	<u>\$ 3,251,693</u>	<u>\$ 30,165,281</u>	<u>\$ 2,275,255</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 5,083,776	\$ -	\$ 297,776	\$ 4,786,000	\$ 307,278
General obligation bonds	1,236,785	-	123,850	1,112,935	129,770
Revenue bonds	534,000	3,226,000	85,000	3,675,000	87,000
Qualified energy cons. bonds	747,614	-	69,804	677,810	70,862
Plus deferred amounts:					
Issuance premiums	348,999	-	31,830	317,169	-
Total bonds and certificates payable	7,951,174	3,226,000	608,260	10,568,914	594,910
Tax notes	179,200	-	59,200	120,000	59,200
State Infrastructure loan	-	5,547,996	-	5,547,996	110,000
Financed purchase payable	-	318,270	-	318,270	72,503
Right-to-Use leases	-	13,837	5,714	8,123	5,730
Net pension liability (asset)	(109,025)	-	317,173	(426,198)	-
OPEB liability	139,756	-	21,765	117,991	-
Compensated absences	121,614	124,353	127,867	118,100	11,816
Total business-type activity long-term liabilities	<u>\$ 8,282,719</u>	<u>\$ 9,230,456</u>	<u>\$ 1,139,979</u>	<u>\$ 16,373,196</u>	<u>\$ 854,159</u>

NOTE 11: LONG-TERM DEBT - (Continued)

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

The City has defeased certain outstanding bonds and certificates by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old bonds and certificates. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2022, \$5,840,000 of bonds and certificates outstanding was considered defeased.

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

Please see Note 18 for discussions relative to the interlocal commitment of the City's component unit.

B. General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 2013	12/13 - 12/26	3.00 - 4.00%	\$ 3,600,000
Refunding Series 2019	03/19 - 09/30	3.00 - 5.00%	5,700,000
			<u>\$ 9,300,000</u>

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 520,230	\$ 184,747	\$ 129,770	\$ 47,653	\$ 882,400
2024	548,255	161,205	136,745	41,670	887,875
2025	572,130	135,681	142,870	35,219	885,900
2026	604,100	108,527	150,900	28,373	891,900
2027	624,030	79,940	155,970	21,160	881,100
2028-2030	1,483,320	99,651	396,680	26,649	2,006,300
	<u>\$ 4,352,065</u>	<u>\$ 769,751</u>	<u>\$ 1,112,935</u>	<u>\$ 200,724</u>	<u>\$ 6,435,475</u>

NOTE 11: LONG-TERM DEBT - (Continued)

C. Combination Tax and Revenue Certificates of Obligation

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

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Series 2013	06/14 - 06/33	3.00 - 4.125%	\$ 5,000,000
Series 2015	10/15 - 12/32	2.00 - 3.50%	2,705,000
Series 2019	03/19 - 06/39	3.00 - 5.00%	2,825,000
Series 2021	12/21 - 06/52	1.76%	15,000,000
Series 2021	06/22 - 06/51	0.00%	2,601,000
			<u>\$ 28,131,000</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>	
2023	\$ 574,722	\$ 110,583	\$ 307,278	\$ 175,117	\$ 1,167,700
2024	582,414	103,135	319,586	163,452	1,168,587
2025	590,106	95,275	331,894	151,037	1,168,312
2026	599,748	86,992	347,252	137,843	1,171,835
2027	595,545	337,494	359,560	123,711	1,416,310
2028-2032	3,899,351	1,475,470	2,018,856	397,307	7,790,984
2033-2037	3,411,859	1,080,626	872,824	94,388	5,459,697
2038-2042	3,222,209	805,178	228,750	10,770	4,266,907
2043-2047	3,318,848	557,603	-	-	3,876,451
2048-2052	3,377,198	289,526	-	-	3,666,724
	<u>\$ 20,172,000</u>	<u>\$ 4,941,882</u>	<u>\$ 4,786,000</u>	<u>\$ 1,253,625</u>	<u>\$ 31,153,507</u>

NOTE 11: LONG-TERM DEBT - (Continued)

C. Combination Tax and Revenue Certificates of Obligation - (Continued)

Interlocal Receivable

In December 2021, the City entered into an Interlocal Agreement with WEDC, in which WEDC agreed to contribute \$9,573,477 for the construction of the FM1301 Relocation and Railroad Overpass Project ("Project"). Payment of the contribution to the City shall be made through annual transfers of one-half of the annual debt service for the City's \$15,000,000 Tax and Revenue Certificates of Obligation, Series 2021 beginning on May 1, 2022 and continuing until May 1, 2052. If expenditures for the Project are less than the agreed upon amount, WEDC's obligation will be reduced proportionately.

In fiscal year 2022, WEDC paid a total of \$150,000 to the City relating to the interlocal commitment. The remaining amount of \$9,423,477 is reported as an interlocal receivable on the government-wide financial statements at September 30, 2022.

Annual payments on this long-term interlocal receivable are as follows:

<u>Year</u>	<u>Principal and Interest</u>
2023	\$ 150,000
2024	150,000
2025	150,000
2026	150,000
2027	273,705
2028-2032	1,722,829
2033-2037	1,724,729
2038-2042	1,719,625
2043-2047	1,721,725
2048-2052	1,660,864
	<u>\$ 9,423,477</u>

NOTE 11: LONG-TERM DEBT - (Continued)

D. Revenue Bonds

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

On April 26, 2021, the City authorized the issuance of Waterworks and Sewer System Revenue Bonds Series 2021 in the aggregate principal amount of \$4,872,000 through the United States Department of Agriculture (USDA) for the purpose of constructing a new well, ground storage tank, distribution pump system and any related improvements to the system, and to pay the costs incurred in connection with the issuance of the bonds. The revenue bonds were dated July 1, 2021. Principal payments are made in yearly installments beginning June 15, 2022. The revenue bonds will bear an interest rate of 1.75% and will mature on June 15, 2061. As of September 30, 2022, the City has redeemed \$3,760,000 of the bonds available.

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

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

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

<u>Year</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 87,000	\$ 61,535	\$ 148,535
2024	88,000	62,962	150,962
2025	90,000	61,250	151,250
2026	91,000	59,675	150,675
2027	93,000	58,083	151,083
2028-2032	490,000	265,696	755,696
2033-2037	535,000	221,141	756,141
2038-2042	580,000	172,732	752,732
2043-2047	635,000	120,034	755,034
2048-2052	692,000	62,529	754,529
2053-2054	294,000	7,735	301,735
	<u>\$ 3,675,000</u>	<u>\$ 1,153,372</u>	<u>\$ 4,828,372</u>

NOTE 11: LONG-TERM DEBT - (Continued)

E. Qualified Energy Conservation Bonds

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

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

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2023	\$ 27,639	\$ 4,006	\$ 70,862	\$ 10,269	\$ 112,776
2024	28,058	3,587	71,936	9,195	112,776
2025	28,483	3,162	73,026	8,105	112,776
2026	28,914	2,731	74,133	6,999	112,777
2027	29,352	2,293	75,256	5,876	112,777
2028-2031	121,921	4,659	312,597	11,929	451,106
	<u>\$ 264,367</u>	<u>\$ 20,438</u>	<u>\$ 677,810</u>	<u>\$ 52,373</u>	<u>\$ 1,014,988</u>

F. Tax Notes

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

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

NOTE 11: LONG-TERM DEBT - (Continued)

F. Tax Notes - (Continued)

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2023	\$ 1,110,800	\$ 143,574	\$ 59,200	\$ 2,508	\$ 1,316,082
2024	1,139,200	113,732	60,800	1,271	1,315,003
2025	1,045,000	83,126	-	-	1,128,126
2026	1,070,000	51,481	-	-	1,121,481
2027	855,000	24,710	-	-	879,710
	<u>\$ 5,220,000</u>	<u>\$ 416,623</u>	<u>\$ 120,000</u>	<u>\$ 3,779</u>	<u>\$ 5,760,402</u>

G. State Infrastructure Loan

On December 17, 2021, the City received a loan from the State Infrastructure Bank administered through the Texas Transportation Commission. The loan is to be used to finance utility relocations necessary for the City of Wharton FM 1301 Relocation and Railroad Overpass Project. State infrastructure loan currently outstanding are as follows:

	Term	Interest Rates	Original Amount
State Infrastructure Loan Series 2021	12/21 - 06/41	0.65%	\$ 5,547,996
			<u>\$ 5,547,996</u>

Annual debt service requirements to maturity for the state infrastructure loan are as follows:

Year	Business-type Activities		Total
	Principal	Interest	
2023	\$ 110,000	\$ -	\$ 110,000
2024	110,000	-	110,000
2025	325,000	15,635	340,635
2026	325,000	32,362	357,362
2027	298,000	30,407	328,407
2028-2032	1,519,000	122,720	1,641,720
2033-2037	1,566,000	72,767	1,638,767
2038-2041	1,294,996	21,125	1,316,121
	<u>\$ 5,547,996</u>	<u>\$ 295,016</u>	<u>\$ 5,843,012</u>

NOTE 11: LONG-TERM DEBT - (Continued)

H. Financed Purchases

The City has entered into a financed purchase agreement (direct borrowing) to purchase a vector truck for the City's sewer department. The agreement qualifies as a financed purchase for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. Financed purchases currently outstanding are as follows:

Financed purchase of a vector truck. The original amount of the liability, entered into in fiscal year 2022, was \$318,270. The liability is payable in annual installments ranging from \$33,985 to \$139,737 and bears interest at a rate of 3.963%.

\$ 318,270

\$ 318,270

Annual debt service requirements to maturity for the financed purchase are as follows:

Year	Business-type Activities		Total
	Principal	Interest	
2023	\$ 72,503	\$ 15,327	\$ 87,830
2024	33,985	9,693	43,678
2025	35,326	8,352	43,678
2026	36,719	6,959	43,678
2027	139,737	5,511	145,248
	<u>\$ 318,270</u>	<u>\$ 45,842</u>	<u>\$ 364,112</u>

I. Right-to-Use Leases

Right-to-Use leases payable at September 30, 2022, are comprised of the following leases:

- On October 1, 2021, the date of implementation, the City recorded a 29-month lease for the use of copiers. An initial lease liability was recorded in the amount of \$44,693, of which \$30,856 related to governmental activities and \$13,837 related to business-type activities. The City is required to make annual fixed payments of \$1,764.
- On November 8, 2021, the City entered into two 60-month leases for the use of postage equipment. An initial lease liability was recorded in the amount of \$14,882 relating to governmental activities. The City is required to make quarterly fixed payments of \$757.

Outflows of resources relating to usage fees of \$1,796 in governmental activities and \$805 in business-type activities were recognized during the fiscal year that were not previously included in the measurement of the lease liabilities.

Annual requirements to maturity for the right-to-use lease liabilities are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2023	\$ 15,728	\$ 117	\$ 5,730	\$ 18	\$ 21,593
2024	8,308	60	2,393	2	10,763
2025	2,992	35	-	-	3,027
2026	3,013	13	-	-	3,026
	<u>\$ 30,041</u>	<u>\$ 225</u>	<u>\$ 8,123</u>	<u>\$ 20</u>	<u>\$ 38,409</u>

NOTE 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

Due To/From Other Funds

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2022, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 68,854
	Disaster Relief	88,422
	Water and Sewer	32,917
	Emergency Medical Services	5,083
	Civic Center	62,806
	Airport	15
		<u>258,097</u>
Debt Service	Disaster Relief	146,176
	Civic Center	78,325
		<u>224,501</u>
Disaster Relief	Water and Sewer	40,735
2020 Tax Notes	Nonmajor Governmental	831,371
Nonmajor Governmental	General	1,398
	Disaster Relief	34,945
	Water and Sewer	257,756
		<u>294,099</u>
Water and Sewer	General	89,978
	Nonmajor Governmental	2,203,807
		<u>2,293,785</u>
Solid Waste	General	38,187
	Disaster Relief	882
		<u>39,069</u>
Emergency Medical Services	General	7,631
	Disaster Relief	7,433
		<u>15,064</u>
Civic Center	Disaster Relief	4,781
	Nonmajor Governmental	37,855
		<u>42,636</u>
Airport	General	535
	Disaster Relief	15,139
	Nonmajor Governmental	47,288
		<u>62,962</u>
		<u>\$ 4,102,319</u>

NOTE 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

A. Interfund Receivables and Payables - (Continued)

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>\$ 230,000</u>

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

B. Interfund Transfers

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

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

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Civic Center</u>	<u>Nonmajor Funds</u>	
2020 Tax Notes	\$ -	\$ 465,000	\$ -	\$ -	\$ 465,000
Nonmajor Governmental	-	-	210,000	3,000	213,000
Water and Sewer	894,517	-	-	100,000	994,517
Emergency Medical Services	<u>98,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,412</u>
	<u>\$ 992,929</u>	<u>\$ 465,000</u>	<u>\$ 210,000</u>	<u>\$ 103,000</u>	<u>\$ 1,770,929</u>

NOTE 13: COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2022, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13: COMMITMENTS AND CONTINGENCIES - (Continued)Construction and Acquisition Commitments

As of September 30, 2022, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Levee acquisition	\$ 79,754
Energy savings project	447,997
Road construction projects	14,000,000
Water well and water plant system project	1,281,525
Total	<u>\$ 15,809,276</u>

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

NOTE 14: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2022:

	<u>Governmental Fund Balances</u>				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid items	\$ 15,625	\$ -	\$ -	\$ -	\$ 15,625
Inventory	18,716	-	-	-	18,716
Long-term interfund advances	230,000	-	-	-	230,000
Unassigned	-	-	-	3,132,061	3,132,061
Debt Service					
Long-term debt	-	301,034	-	-	301,034
Disaster Relief					
Unassigned	-	-	-	(951,028)	(951,028)
2020 Tax Notes					
Various capital projects	-	1,923,795	-	-	1,923,795
FM 1301 Project					
Various capital projects	-	232,281	-	-	232,281
TWDB Drainage					
Various capital projects	-	2,460,820	-	-	2,460,820
Nonmajor Governmental					
Various capital projects	-	1,123,544	313,582	-	1,437,126
Arts and tourism	-	66,275	-	-	66,275
Municipal court security and technology	-	73,599	-	-	73,599
Law enforcement	-	25,977	-	-	25,977
Fire department	-	396	-	-	396
Unassigned	-	-	-	(1,407,420)	(1,407,420)
	<u>\$ 264,341</u>	<u>\$ 6,207,721</u>	<u>\$ 313,582</u>	<u>\$ 773,613</u>	<u>\$ 7,559,257</u>

NOTE 15: SALES TAX REBATE AGREEMENT

The City, along with WEDC, and as part of a business development plan to bring in new businesses to the City, entered into a five year agreement effective July 1, 2019 with Tractor Supply Company (TSC) whereby the City will make annual grant payments to TSC in the amount of one-half percent (0.5%) and WEDC will make annual grant payments in the amount of one-quarter percent (0.25%) for a total of three quarters percent (0.75%) of the Site-Specific Sales Tax Revenue generated by TSC. The City and WEDC will continue to make grant payments until TSC receives the maximum total grant amount (\$150,000) or the expiration of the agreement, whichever comes first. During the year ended September 30, 2022, tax rebate expenditures were not incurred.

NOTE 16: SUBSEQUENT EVENTS

On January 10, 2023, the City entered into a financed purchase agreement with Republic First National for an Elgin Broom Sweeper in the amount of \$364,447 with the first of five payments due on November 1, 2023. The interest rate is 5.5%.

NOTE 17: IMPLEMENTATION OF NEW STANDARD

The City implemented GASB Statement No. 87, *Leases* ("GASB 87") during the fiscal year ended September 30, 2022. GASB 87 requires recognition of certain lease assets, liabilities, and deferred inflows of resources for leases that previously were classified as operating leases and were previously recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City implemented GASB 87 as of the beginning of the fiscal year, resulting in the recognition of \$101,758 in both a lease receivable and deferred inflows of resources in the Airport Fund, related to leasing arrangements under which the City is the lessor. Implementation also resulted in the recognition of \$59,575 in both right-to-use lease liabilities and intangible right-to-use lease assets on the government-wide financial statements, related to leasing arrangements under which the City is the lessee. Of this amount, \$45,738 was recorded in the governmental activities and \$13,837 was recorded in business-type activities. Implementation of GASB 87 had no impact on the net position or the change in net position previously reported prior to implementation.

NOTE 18: 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, 2022, the final budget anticipated \$572,823 more in expenditures than revenues. WEDC did not over-expend any budgeted expenditures.

NOTE 18: 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 market funds, 5) Constant Dollar Texas Local Government Investments Pools as defined by the Public Funds Investment Act, 6) certificates of deposits, and 7) other instruments and obligations authorized by statute.

Inventory

WEDC inventory, consisting of materials and supplies, is recorded using the purchases method.

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

Capital Assets

WEDC's capital assets, which consist of real estate held for development, furniture, fixtures, and equipment, are recorded at cost. Real estate held for development is not subject to depreciation. Depreciation has been charged against these assets using a straight-line method from 5 to 7 years.

Compensated Absences and Retirement Plans

WEDC follows the City's policies for compensated absences, retirement, and other benefits for its employees. Accumulated benefits payable is not considered material to the accompanying financial statements. As such, no liability for these benefits has been reported as of September 30, 2022.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

Fund Equity

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

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

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

Federal Income Taxes

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

C. Deposits and Investments

As of September 30, 2022, WEDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>	<u>Portfolio %age</u>
Public Funds Investment Pool				
TexPool	\$ 363,771	24	AAAm	60%
Certificates of Deposit	240,127	389	N/A	40%
	<u>\$ 603,898</u>			

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost and Texas CLASS uses the fair value method to value portfolio assets. The pools operate 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 pools are the State of Texas. The investment pools transact at a net asset value of \$1.00 per share and are classified as cash and cash equivalents for reporting purposes.

WEDC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2022, WEDC has certificates of deposit valued using quoted prices for similar assets in active markets (Level 2 inputs).

NOTE 18: 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 to six months or less. WEDC's certificates of deposit have original maturities that are 6 to 24 months.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2022, and for the year then ended, WEDC was not exposed to credit risk.

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

WEDC's custodial credit risk refers to the risk that in the event of a bank failure, WEDC's deposits may not be returned to it. WEDC's investment policies require that deposits at financial institutions be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA), 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, 2022, WEDC had deposits in six financial institutions and the deposits were either FDIC or NCUA insured at each institution up to \$250,000. At September 30, 2022, WEDC had no uninsured cash balances.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, WEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. WEDC's investment policy requires that securities be held in the name of WEDC or held on behalf of WEDC and that all securities are purchased using the delivery versus payment method. As of September 30, 2022, and for the year then ended, WEDC was not exposed to any custodial credit risk.

D. Sales Taxes

WEDC, by law, is to receive one-third of the sales tax earned by the City and paid monthly to the City by the State of Texas. WEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2022, was \$166,930. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

E. Sales Tax Rebate Agreement

WEDC executed a sales tax reimbursement agreement, authorized under Chapter 380 of the Local Government Code, with Tractor Supply Company (TSC). The purpose of the agreement is to create jobs and invigorate the local economy.

WEDC entered into the rebate agreement with TSC effective July 1, 2019. The agreement will remain in effect until (i) the fifth anniversary of the commencement date, or (ii) upon TSC receiving grant payments totaling the maximum grant amount of \$150,000, or (iii) the applicable time period for termination following TSC's uncured default (5 years), whereby WEDC would rebate TSC a percentage of sales tax collected as a result of TSC's sales. For the year ended September 30, 2022, tax rebate expenditures were not incurred.

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

F. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Real estate held for development	\$ 70,603	\$ -	\$ -	\$ 70,603
Total capital assets not being depreciated	<u>70,603</u>	<u>-</u>	<u>-</u>	<u>70,603</u>
Capital assets, being depreciated				
Leasehold improvements	11,020	-	-	11,020
Furniture and fixtures	42,153	1,098	-	43,251
Total capital assets being depreciated	<u>53,173</u>	<u>1,098</u>	<u>-</u>	<u>54,271</u>
Less accumulated depreciation for				
Leasehold improvements	9,395	136	-	9,531
Furniture and fixtures	39,946	1,585	-	41,531
Total accumulated depreciation	<u>49,341</u>	<u>1,721</u>	<u>-</u>	<u>51,062</u>
Total capital assets being depreciated, net	<u>3,832</u>	<u>(623)</u>	<u>-</u>	<u>3,209</u>
Governmental activities capital assets, net	<u>\$ 74,435</u>	<u>\$ (623)</u>	<u>\$ -</u>	<u>\$ 73,812</u>

*Beginning balances have been restated. See Note 18, Section M of this report.

Depreciation expense of \$1,721 was charged to the general government function/program.

NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Long-term Debt

Long-term liability activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Interlocal commitment	\$ -	\$ 9,573,477	\$ 150,000	\$ 9,423,477	\$ 150,000
	<u>\$ -</u>	<u>\$ 9,573,477</u>	<u>\$ 150,000</u>	<u>\$ 9,423,477</u>	<u>\$ 150,000</u>

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

In fiscal year 2022, WEDC paid \$150,000 to the City relating to the interlocal commitment. The remaining payable of \$9,423,477 is reported as a long-term obligation on the government-wide financial statements as of September 30, 2022.

Annual requirements on this long-term interlocal commitment are as follows:

	<u>Principal and Interest</u>
2023	\$ 150,000
2024	150,000
2025	150,000
2026	150,000
2027	273,705
2028-2032	1,722,829
2033-2037	1,724,729
2038-2042	1,719,625
2043-2047	1,721,725
2048-2052	<u>1,660,862</u>
	<u>\$ 9,423,477</u>

NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

H. Related Party Transactions

During the normal course of business, WEDC purchased goods and services from businesses in and around the City of Wharton. On occasion, there are companies that WEDC conducted business with that are owned wholly by, partially owned by, or employers of members of the Board of Directors of WEDC. WEDC has established conflict of interest policies, as are outlined in WEDC's by-laws, which provide procedures when a business transaction involves a conflict of interest and/or the appearance of self-dealing with employees, officers, or board members of WEDC.

The City pays WEDC's payroll each month from City funds, and WEDC generally reimburses the City the following month. At September 30, 2022, WEDC owed the City \$17,538 for wages and benefits previously paid by the City. WEDC also owed the City \$20,919 as a result of an interlocal agreement for infrastructure improvements at 1106 N. Richmond Road.

I. Commitments

As of September 30, 2022, WEDC had approved but not yet paid a total of \$548,989 for business restoration grants and other various construction projects. Of this amount, WEDC has committed to paying \$30,000 in sales tax rebates and \$518,989 for various construction projects related to improving the City's commercial properties. These commitments are being funded by the sales tax revenues received from the City.

In addition, WEDC has a commitment to the Wharton Downtown Business Association in the amount of \$15,350. On February 12, 2020, the Wharton Industrial Foundation (WIF) Board voted to donate \$217,500 to WEDC with the stipulations of: (a) \$50,000 be given to the Wharton Chamber of Commerce (Chamber) over a two-year period to help with general operating expenses and (b) \$50,000 be given to the Wharton Downtown Business Association Wayfinding Project (Project) sponsored by the Chamber, with WEDC funding an additional \$15,000 to complete the study. As of September 30, 2022, WEDC paid \$50,000 to the Chamber for operations, and \$49,650 to the Project. The Chamber operation funds have been disbursed in full, and the remaining Wharton Downtown Business Association funding will be disbursed for the Project as invoices are submitted and the project is completed. The remainder of the capital donated by the WIF to WEDC will be reserved to develop infrastructure on the land donated by the WIF in fiscal year 2019 to bring it up to the "build-to-suit" level of development needed to attract employers.

On June 24, 2022, WEDC entered into an interlocal agreement with the City wherein WEDC agreed to reimburse the City in an amount not to exceed \$198,000 for infrastructure improvements for the commercial development at 1106 N. Richmond Road. During the fiscal year, WEDC accrued \$20,919 of expenditures incurred by the City, reported as Due to the City of Wharton. The remaining amount relating to the interlocal agreement of \$177,081 was included in committed fund balance as of September 30, 2022.

J. Employees' Retirement Plan

WEDC provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The employees of WEDC are treated as employees of the City of Wharton for retirement plan purposes. Please see Note 8 for discussions relative to the funding arrangements.

NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

K. Subsequent Event

During fiscal year 2023, WEDC entered into a Real Estate Sales Contract and Performance Agreement (Agreement) with Cochrum Enterprises, LLC (Cochrum) for a term of ten years. The Agreement contains provisions for the conveyance of an 18.35 acre tract of land, a portion of the land classified as held for sale as of September 30, 2022. Cochrum agreed to own the property, as well as construct, maintain, and continuously operate a minimum of 18,000 square foot retail and commercial facility (within a five-year period) located at the property, for the full term of the Agreement. Cochrum also agreed to generate and remit to the State of Texas a minimum of \$1,000,000 in sales tax revenue cumulatively over the term of the Agreement. However, if Cochrum fails to reach this amount in sales tax revenues, they shall pay directly to the City the difference in the amount of sales tax revenue that the City did receive from the amount generated and remitted from the amount that the City would have received. In the event Cochrum wishes to be released from these obligations, they may pay WEDC \$734,000, which is the contracted purchase price of \$40,000 per acre for the land. If, during the term, Cochrum should desire to assign or convey its rights to the property or any portion of the property to any third party, WEDC shall have the opportunity to acquire the property at the contracted purchase price of \$40,000 per acre. Upon completion of the term of the Agreement or the full payment of the \$734,000 to WEDC, whichever occurs first, all options for WEDC to purchase the property will terminate. In addition, WEDC will release up to a three acre tract of land to Cochrum one year after the effective date of the agreement, the location of which shall be determined by mutual agreement between the parties.

L. Implementation of New Standard

During fiscal year 2022, WEDC adopted GASB Statement No. 87, *Leases* ("GASB 87"). The objective of this Statement was to establish standards for recognizing and measuring right to use assets and lease liabilities related to contracts granting the use and control of assets. As of September 30, 2022, WEDC did not have any items required to be recorded as right to use assets or lease liabilities as a result of implementing GASB 87.

M. Restatement of Beginning Balances

WEDC's governmental activities financial statements for the fiscal year ending September 30, 2022 have been restated to properly reflect capital asset balances. The result of the restatement was to decrease beginning net investment in capital assets by \$190,853.

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, 2022

With comparative totals for the year ended September 30, 2021

	2022			Variance Positive (Negative)	2021
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Taxes	\$ 3,269,141	\$ 3,551,071	\$ 3,569,882	\$ 18,811	\$ 3,387,800
Licenses and permits	232,107	530,107	543,480	13,373	195,539
Intergovernmental	357,814	261,500	267,041	5,541	998,994
Charges for services	13,500	8,450	24,632	16,182	17,903
Fines and forfeitures	267,050	211,050	223,547	12,497	192,264
Investment income	10,000	10,000	8,597	(1,403)	12,431
Industrial district fee	1,678,320	1,678,320	1,678,320	-	1,702,079
Miscellaneous	16,500	6,500	12,472	5,972	10,611
Total revenues	5,844,432	6,256,998	6,327,971	70,973	6,517,621
EXPENDITURES					
Current					
General government	1,219,252	1,474,802	1,209,747	265,055	1,879,501
Public safety	3,983,134	3,829,184	3,758,893	70,291	3,726,458
Public works	1,384,450	1,427,491	1,377,495	49,996	1,264,315
Cultural and recreation	82,025	85,250	81,311	3,939	95,517
Capital outlay	203,500	443,200	480,313	(37,113)	334,257
Total expenditures	6,872,361	7,259,927	6,907,759	352,168	7,300,048
Excess (deficiency) of revenues over expenditures	(1,027,929)	(1,002,929)	(579,788)	423,141	(782,427)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	35,000	10,000	12,272	2,272	22,128
Right-to-Use lease issued	-	-	45,738	45,738	-
Transfers in	992,929	992,929	992,929	-	975,851
Transfers out	-	-	-	-	(200)
Total other financing sources (uses)	1,027,929	1,002,929	1,050,939	48,010	997,779
Net change in fund balance	-	-	471,151	471,151	215,352
Fund balance at beginning of year	2,925,251	2,925,251	2,925,251	-	2,709,899
Fund balance at end of year	\$ 2,925,251	\$ 2,925,251	\$ 3,396,402	\$ 471,151	\$ 2,925,251

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

CITY OF WHARTON, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

Last ten years

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

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

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

Measurement Year				
2017	2018	2019	2020	2021
\$ 530,477	\$ 530,197	\$ 528,073	\$ 562,158	\$ 547,544
1,026,605	1,087,522	1,142,292	1,202,021	1,250,973
-	-	-	-	-
(117,320)	(250,455)	(148,826)	(168,768)	164,593
-	-	(10,902)	-	-
<u>(525,617)</u>	<u>(548,659)</u>	<u>(560,931)</u>	<u>(724,675)</u>	<u>(1,001,118)</u>
914,145	818,605	949,706	870,736	961,992
<u>15,206,527</u>	<u>16,120,672</u>	<u>16,939,277</u>	<u>17,888,983</u>	<u>18,759,719</u>
<u>\$ 16,120,672</u>	<u>\$ 16,939,277</u>	<u>\$ 17,888,983</u>	<u>\$ 18,759,719</u>	<u>\$ 19,721,711</u>
\$ 335,008	\$ 333,407	\$ 317,492	\$ 331,708	\$ 304,946
271,482	271,062	269,976	290,972	283,408
1,917,689	(474,041)	2,380,744	1,350,644	2,481,442
(525,617)	(548,659)	(560,931)	(724,675)	(1,001,118)
(9,945)	(9,167)	(13,458)	(8,743)	(11,484)
<u>(502)</u>	<u>(480)</u>	<u>(405)</u>	<u>(341)</u>	<u>79</u>
1,988,115	(427,878)	2,393,418	1,239,565	2,057,273
<u>13,846,053</u>	<u>15,834,167</u>	<u>15,406,289</u>	<u>17,799,707</u>	<u>19,039,272</u>
<u>\$ 15,834,168</u>	<u>\$ 15,406,289</u>	<u>\$ 17,799,707</u>	<u>\$ 19,039,272</u>	<u>\$ 21,096,545</u>
\$ 286,504	\$ 1,532,988	\$ 89,276	\$ (279,553)	\$ (1,374,834)
98.22%	90.95%	99.50%	101.49%	106.97%
\$ 5,429,650	\$ 5,421,238	\$ 5,399,517	\$ 5,819,444	\$ 5,668,153
5.28%	28.28%	1.65%	-4.80%	-24.26%

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

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

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

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

Fiscal Year				
2018	2019	2020	2021	2022
\$ 329,837	\$ 321,961	\$ 340,877	\$ 309,962	\$ 288,429
<u>(341,254)</u>	<u>(333,697)</u>	<u>(354,367)</u>	<u>(323,444)</u>	<u>(301,895)</u>
<u>\$ (11,417)</u>	<u>\$ (11,736)</u>	<u>\$ (13,490)</u>	<u>\$ (13,482)</u>	<u>\$ (13,466)</u>
\$ 5,358,388	\$ 5,404,745	\$ 5,931,798	\$ 5,676,696	\$ 5,610,687
6.37%	6.17%	5.97%	5.70%	5.38%

CITY OF WHARTON, TEXAS

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

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

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

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

Measurement Year	
<u>2020</u>	<u>2021</u>
\$ 12,803	\$ 15,304
8,172	7,263
-	-
(773)	(6,275)
48,274	11,644
<u>(1,746)</u>	<u>(5,668)</u>
66,730	22,268
<u>291,620</u>	<u>358,350</u>
<u>\$ 358,350</u>	<u>\$ 380,618</u>
\$ 5,819,444	\$ 5,668,153
6.16%	6.72%

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

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

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

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

Fiscal Year	
<u>2021</u>	<u>2022</u>
\$ 4,680	\$ 5,611
<u>(4,680)</u>	<u>(5,611)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 5,676,696	\$ 5,610,687
0.0824%	0.1000%

CITY OF WHARTON, TEXAS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 September 30, 2022

NOTE 1: BUDGETARY INFORMATION

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

The Required Supplementary Information does not include a budgetary comparison schedule for the Major Special Revenue Fund, Disaster Relief. 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, 2022, the City complied with budgetary restrictions at all departmental levels in the General Fund except for the following:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Capital outlay	\$ 443,200	\$ 480,313	\$ (37,113)

NOTE 3: DEFINED BENEFIT PENSION PLAN

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety tables used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF WHARTON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2022

NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)

Other Information

There were no benefit changes during the year.

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

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

There were no changes in plan provisions during the year.

Changes in Assumptions

- Discount rate decreased to 1.84% from 2.00%.

Combining and Individual Fund Statements and Schedules

CITY OF WHARTON, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2022

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 107,413	\$ 3,218,641	\$ 3,326,054
Receivables, net	60,176	-	60,176
Due from other funds	8,190	285,909	294,099
Due from other governments	309,511	-	309,511
Total assets	\$ 485,290	\$ 3,504,550	\$ 3,989,840
LIABILITIES			
Accounts payable	\$ 278,110	\$ 85,945	\$ 364,055
Due to other funds	58,850	3,061,471	3,120,321
Total liabilities	336,960	3,147,416	3,484,376
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	309,511	-	309,511
Total deferred inflows of resources	309,511	-	309,511
FUND BALANCES			
Restricted			
Cultural and recreation	66,275	-	66,275
Municipal court	73,599	-	73,599
Public safety	26,373	-	26,373
Various capital projects	-	1,123,544	1,123,544
Committed			
Various capital projects	-	313,582	313,582
Unassigned	(327,428)	(1,079,992)	(1,407,420)
Total fund balances	(161,181)	357,134	195,953
Total liabilities, deferred inflows and fund balances	\$ 485,290	\$ 3,504,550	\$ 3,989,840

CITY OF WHARTON, TEXAS*ALL NONMAJOR GOVERNMENTAL FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2022*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 239,450	\$ -	\$ 239,450
Intergovernmental	234,990	628,405	863,395
Fines and forfeitures	24,358	-	24,358
Investment income	414	11,803	12,217
Miscellaneous	240	-	240
Total revenues	<u>499,452</u>	<u>640,208</u>	<u>1,139,660</u>
EXPENDITURES			
Current			
General government	304,904	-	304,904
Public safety	13,617	-	13,617
Public works	12,150	1,000,000	1,012,150
Cultural and recreation	40,300	-	40,300
Capital outlay	63,216	498,463	561,679
Total expenditures	<u>434,187</u>	<u>1,498,463</u>	<u>1,932,650</u>
Excess (deficiency) of revenues over expenditures	65,265	(858,255)	(792,990)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	100,000	103,000
Transfers out	(213,000)	-	(213,000)
Total other financing sources (uses)	<u>(210,000)</u>	<u>100,000</u>	<u>(110,000)</u>
Net change in fund balances	(144,735)	(758,255)	(902,990)
Fund balances at beginning of year	(16,446)	1,115,389	1,098,943
Fund balances at end of year	<u>\$ (161,181)</u>	<u>\$ 357,134</u>	<u>\$ 195,953</u>

SPECIAL REVENUE FUNDS

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

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

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

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

TDA Sidewalk Fund - Accounts for the activities related to a sidewalk project in the downtown area funded through the Texas Department of Agriculture.

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

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

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

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

Housing Grant Fund - Accounts for the activities related to the housing project that is granted through the Community Development Block Grant from the General Land Office.

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2022

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	TDA Sidewalk
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,992	\$ 10,626	\$ 25,977	\$ -
Receivables, net				
Accounts	60,176	-	-	-
Due from other funds	-	901	-	-
Due from other governments	-	-	-	1,650
Total assets	<u>\$ 66,168</u>	<u>\$ 11,527</u>	<u>\$ 25,977</u>	<u>\$ 1,650</u>
LIABILITIES				
Accounts payable	\$ 940	\$ 1,460	\$ -	\$ -
Due to other funds	-	-	-	1,650
Total liabilities	<u>940</u>	<u>1,460</u>	<u>-</u>	<u>1,650</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	1,650
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,650</u>
FUND BALANCES				
Restricted				
Cultural and recreation	65,228	-	-	-
Municipal court	-	10,067	-	-
Public safety	-	-	25,977	-
Unassigned	-	-	-	(1,650)
Total fund balances	<u>65,228</u>	<u>10,067</u>	<u>25,977</u>	<u>(1,650)</u>
Total liabilities and fund balances	<u>\$ 66,168</u>	<u>\$ 11,527</u>	<u>\$ 25,977</u>	<u>\$ 1,650</u>

<u>Fire Department Special</u>	<u>Municipal Court Building Security</u>	<u>Railroad Depot Restoration</u>	<u>Special Funding</u>	<u>Hurricane Harvey Infrastructure</u>	<u>Housing Grant</u>	<u>Total</u>
\$ 396	\$ 63,035	\$ 1,352	\$ -	\$ 35	\$ -	\$ 107,413
-	-	-	-	-	-	60,176
-	497	-	6,792	-	-	8,190
-	-	-	60,060	12,650	235,151	309,511
<u>\$ 396</u>	<u>\$ 63,532</u>	<u>\$ 1,352</u>	<u>\$ 66,852</u>	<u>\$ 12,685</u>	<u>\$ 235,151</u>	<u>\$ 485,290</u>
\$ -	\$ -	\$ 305	\$ 66,852	\$ 12,650	\$ 195,903	\$ 278,110
-	-	-	-	57,200	-	58,850
-	-	305	66,852	69,850	195,903	336,960
-	-	-	60,060	12,650	235,151	309,511
-	-	-	60,060	12,650	235,151	309,511
-	-	1,047	-	-	-	66,275
-	63,532	-	-	-	-	73,599
396	-	-	-	-	-	26,373
-	-	-	(60,060)	(69,815)	(195,903)	(327,428)
396	63,532	1,047	(60,060)	(69,815)	(195,903)	(161,181)
<u>\$ 396</u>	<u>\$ 63,532</u>	<u>\$ 1,352</u>	<u>\$ 66,852</u>	<u>\$ 12,685</u>	<u>\$ 235,151</u>	<u>\$ 485,290</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, 2022

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	TDA Sidewalk
REVENUES				
Taxes	\$ 239,450	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	10,500
Fines and forfeitures	-	12,849	4,451	-
Investment income	38	17	71	-
Miscellaneous	-	-	-	-
Total revenues	<u>239,488</u>	<u>12,866</u>	<u>4,522</u>	<u>10,500</u>
EXPENDITURES				
Current				
General government	-	10,759	-	-
Public safety	-	-	13,617	-
Public works	-	-	-	12,150
Cultural and recreation	37,512	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>37,512</u>	<u>10,759</u>	<u>13,617</u>	<u>12,150</u>
Excess (deficiency) of revenues over expenditures	201,976	2,107	(9,095)	(1,650)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(213,000)	-	-	-
Total other financing sources (uses)	<u>(213,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(11,024)	2,107	(9,095)	(1,650)
Fund balances at beginning of year	<u>76,252</u>	<u>7,960</u>	<u>35,072</u>	<u>-</u>
Fund balances at end of year	<u>\$ 65,228</u>	<u>\$ 10,067</u>	<u>\$ 25,977</u>	<u>\$ (1,650)</u>

<u>Fire Department Special</u>	<u>Municipal Court Building Security</u>	<u>Railroad Depot Restoration</u>	<u>Special Funding</u>	<u>Hurricane Harvey Infrastructure</u>	<u>Housing Grant</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,450
-	-	-	173,924	50,566	-	234,990
-	7,058	-	-	-	-	24,358
1	274	1	-	12	-	414
-	-	240	-	-	-	240
<u>1</u>	<u>7,332</u>	<u>241</u>	<u>173,924</u>	<u>50,578</u>	<u>-</u>	<u>499,452</u>
-	-	-	98,242	-	195,903	304,904
-	-	-	-	-	-	13,617
-	-	-	-	-	-	12,150
-	-	2,788	-	-	-	40,300
-	-	-	-	63,216	-	63,216
-	-	<u>2,788</u>	<u>98,242</u>	<u>63,216</u>	<u>195,903</u>	<u>434,187</u>
1	7,332	(2,547)	75,682	(12,638)	(195,903)	65,265
-	-	3,000	-	-	-	3,000
-	-	-	-	-	-	(213,000)
-	-	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,000)</u>
1	7,332	453	75,682	(12,638)	(195,903)	(144,735)
<u>395</u>	<u>56,200</u>	<u>594</u>	<u>(135,742)</u>	<u>(57,177)</u>	<u>-</u>	<u>(16,446)</u>
<u>\$ 396</u>	<u>\$ 63,532</u>	<u>\$ 1,047</u>	<u>\$ (60,060)</u>	<u>\$ (69,815)</u>	<u>\$ (195,903)</u>	<u>\$ (161,181)</u>

CAPITAL PROJECT FUNDS

The City maintains eleven Capital Project Funds: the 2011 Bond Construction Fund, the 2013 Bond Construction Fund, the Qualified Energy Conservation Bonds Fund, the Capital Improvement Fund, the 2015 Bond Construction Fund, the 2017 Tax Notes Fund, the 2019 Bond Construction Fund, the 2019 Tax Notes Fund, the 2020 Tax Notes Fund, the FM 1301 Project Fund, and the TWDB Drainage Fund. The purpose of these funds is to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The 2020 Tax Notes Fund, the FM 1301 Project Fund, and the TWDB Drainage Fund are reported as major funds.

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

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

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

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

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

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

2019 Bond Construction Fund - Accounts for the use of the proceeds from the City's 2019 Certificates of Obligation.

2019 Tax Notes Fund - Accounts for the use of the proceeds from the City's 2019 Tax Notes for the flood reduction project with the United States Army Corp of Engineers (USACE).

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

September 30, 2022

	<u>Capital Improvement</u>	<u>2011 Bond Construction</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 313,582	\$ 187,980	\$ 8,164	\$ 142,528
Due from other funds	<u>-</u>	<u>257,756</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 313,582</u>	<u>\$ 445,736</u>	<u>\$ 8,164</u>	<u>\$ 142,528</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>176,171</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>176,171</u>	<u>-</u>
FUND BALANCES				
Restricted				
Various capital projects	-	445,736	-	142,528
Committed				
Various capital projects	313,582	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(168,007)</u>	<u>-</u>
Total fund balances	<u>313,582</u>	<u>445,736</u>	<u>(168,007)</u>	<u>142,528</u>
Total liabilities and fund balances	<u>\$ 313,582</u>	<u>\$ 445,736</u>	<u>\$ 8,164</u>	<u>\$ 142,528</u>

Qualified Energy Cons. Bonds	2017 Tax Notes	2019 Bond Construction	2019 Tax Notes	Total
\$ 813,066	\$ 324,409	\$ 1,374,824	\$ 54,088	\$ 3,218,641
<u>-</u>	<u>-</u>	<u>28,153</u>	<u>-</u>	<u>285,909</u>
<u>\$ 813,066</u>	<u>\$ 324,409</u>	<u>\$ 1,402,977</u>	<u>\$ 54,088</u>	<u>\$ 3,504,550</u>
\$ 83,741	\$ -	\$ -	\$ 2,204	\$ 85,945
<u>639,971</u>	<u>241,132</u>	<u>1,040,328</u>	<u>963,869</u>	<u>3,061,471</u>
<u>723,712</u>	<u>241,132</u>	<u>1,040,328</u>	<u>966,073</u>	<u>3,147,416</u>
89,354	83,277	362,649	-	1,123,544
-	-	-	-	313,582
<u>-</u>	<u>-</u>	<u>-</u>	<u>(911,985)</u>	<u>(1,079,992)</u>
<u>89,354</u>	<u>83,277</u>	<u>362,649</u>	<u>(911,985)</u>	<u>357,134</u>
<u>\$ 813,066</u>	<u>\$ 324,409</u>	<u>\$ 1,402,977</u>	<u>\$ 54,088</u>	<u>\$ 3,504,550</u>

CITY OF WHARTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS

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

For the year ended September 30, 2022

	<u>Capital Improvement</u>	<u>2011 Bond Construction</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	<u>537</u>	<u>3,553</u>	<u>16</u>	<u>286</u>
Total revenues	<u>537</u>	<u>3,553</u>	<u>16</u>	<u>286</u>
EXPENDITURES				
Current				
Public works	-	1,000,000	-	-
Capital outlay	<u>6,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,300</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(5,763)	(996,447)	16	286
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	94,237	(996,447)	16	286
Fund balances at beginning of year	<u>219,345</u>	<u>1,442,183</u>	<u>(168,023)</u>	<u>142,242</u>
Fund balances at end of year	<u>\$ 313,582</u>	<u>\$ 445,736</u>	<u>\$ (168,007)</u>	<u>\$ 142,528</u>

Qualified Energy Cons. Bonds	2017 Tax Notes	2019 Bond Construction	2019 Tax Notes	Total
\$ -	\$ -	\$ -	\$ 628,405	\$ 628,405
912	650	5,338	511	11,803
<u>912</u>	<u>650</u>	<u>5,338</u>	<u>628,916</u>	<u>640,208</u>
-	-	-	-	1,000,000
-	-	37,978	454,185	498,463
-	-	37,978	454,185	1,498,463
912	650	(32,640)	174,731	(858,255)
-	-	-	-	100,000
-	-	-	-	100,000
912	650	(32,640)	174,731	(758,255)
88,442	82,627	395,289	(1,086,716)	1,115,389
<u>\$ 89,354</u>	<u>\$ 83,277</u>	<u>\$ 362,649</u>	<u>\$ (911,985)</u>	<u>\$ 357,134</u>

GENERAL FUND

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

CITY OF WHARTON TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2022

With comparative totals for the year ended September 30, 2021

	2022		Variance	2021
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 596,371	\$ 581,205	\$ (15,166)	\$ 518,248
Sales	1,800,000	1,833,798	33,798	1,756,635
Franchise	1,154,700	1,154,879	179	1,112,917
Licenses and permits	530,107	543,480	13,373	195,539
Intergovernmental	261,500	267,041	5,541	998,994
Charges for services	8,450	24,632	16,182	17,903
Fines and forfeitures	211,050	223,547	12,497	192,264
Investment income	10,000	8,597	(1,403)	12,431
Industrial district fee	1,678,320	1,678,320	-	1,702,079
Miscellaneous	6,500	12,472	5,972	10,611
Total revenues	6,256,998	6,327,971	70,973	6,517,621
EXPENDITURES				
Current				
General government				
Mayor and council	30,325	15,947	14,378	17,130
City manager	273,894	269,474	4,420	292,201
City secretary	188,868	181,358	7,510	159,130
Legal and professional	62,000	59,126	2,874	48,423
Finance	322,001	312,012	9,989	309,803
Municipal court	174,677	164,944	9,733	169,510
Central services	115,900	104,108	11,792	139,308
Grants	307,137	102,778	204,359	743,996
Total general government	1,474,802	1,209,747	265,055	1,879,501
Public safety				
Police	2,310,473	2,293,477	16,996	2,260,382
Fire	448,594	444,990	3,604	404,206
Code enforcement	328,575	323,139	5,436	293,236
Emergency management	91,568	73,192	18,376	123,450
Animal control	73,304	67,545	5,759	65,405
Communications	576,670	556,550	20,120	579,779
Total public safety	3,829,184	3,758,893	70,291	3,726,458
Public works				
Streets and drainage	1,014,926	1,000,553	14,373	928,234
Garage	158,045	153,193	4,852	121,524
Facilities maintenance	254,520	223,749	30,771	214,557
Total public works	1,427,491	1,377,495	49,996	1,264,315

(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, 2022

With comparative totals for the year ended September 30, 2021

	2022		Variance	2021
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Recreation	\$ 25,125	\$ 24,275	\$ 850	\$ 48,392
Community pool	60,125	57,036	3,089	47,125
Total cultural and recreation	85,250	81,311	3,939	95,517
Capital outlay				
Capital assets	443,200	434,575	8,625	334,257
Right-to-Use lease assets	-	45,738	(45,738)	-
Total capital outlay	443,200	480,313	(37,113)	334,257
Total expenditures	7,259,927	6,907,759	352,168	7,300,048
Excess (deficiency) of revenues over expenditures	(1,002,929)	(579,788)	423,141	(782,427)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,000	12,272	2,272	22,128
Right-to-Use lease issued	-	45,738	45,738	-
Transfers in	992,929	992,929	-	975,851
Transfers out	-	-	-	(200)
Total other financing sources (uses)	1,002,929	1,050,939	48,010	997,779
Net change in fund balance	\$ -	471,151	\$ 471,151	215,352
Fund balance at beginning of year		2,925,251		2,709,899
Fund balance at end of year		\$ 3,396,402		\$ 2,925,251

(concluded)

DEBT SERVICE FUND

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest.

CITY OF WHARTON, TEXAS**MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2022

With comparative totals for the year ended September 30, 2021

	2022			2021
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,805,000	\$ 1,826,083	\$ 21,083	\$ 1,773,195
Investment income	1,000	1,207	207	3,373
Miscellaneous income	<u>150,000</u>	<u>150,000</u>	-	-
Total revenues	<u>1,956,000</u>	<u>1,977,290</u>	<u>21,290</u>	<u>1,776,568</u>
EXPENDITURES				
Debt service				
Principal retirement	1,895,999	2,114,251	(218,252)	1,476,829
Interest and fiscal charges	<u>493,000</u>	<u>491,040</u>	<u>1,960</u>	<u>450,285</u>
Total expenditures	<u>2,388,999</u>	<u>2,605,291</u>	<u>(216,292)</u>	<u>1,927,114</u>
Excess (deficiency) of revenues over expenditures	(432,999)	(628,001)	(195,002)	(150,546)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>465,000</u>	<u>465,000</u>	-	-
Total other financing sources (uses)	<u>465,000</u>	<u>465,000</u>	-	-
Net change in fund balance	32,001	(163,001)	(195,002)	(150,546)
Fund balance at beginning of year	<u>646,579</u>	<u>464,033</u>	<u>182,546</u>	<u>614,579</u>
Fund balance at end of year	<u>\$ 678,580</u>	<u>\$ 301,032</u>	<u>\$ (12,456)</u>	<u>\$ 464,033</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	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 POSITION BY COMPONENT (1)**

Last ten fiscal years

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities				
Net investment in capital assets	\$ 5,399,629	\$ 5,203,356	\$ 5,276,256	\$ 5,049,412
Restricted	555,253	491,100	540,953	560,730
Unrestricted	<u>1,578,613</u>	<u>1,713,091</u>	<u>1,328,869</u>	<u>1,520,167</u>
Total governmental activities net position	<u>\$ 7,533,495</u>	<u>\$ 7,407,547</u>	<u>\$ 7,146,078</u>	<u>\$ 7,130,309</u>
Business-type activities				
Net investment in capital assets	\$ 13,568,618	\$ 13,575,582	\$ 13,273,028	\$ 14,570,164
Unrestricted	<u>759,682</u>	<u>725,541</u>	<u>1,277,183</u>	<u>(350,995)</u>
Total business-type activities net position	<u>\$ 14,328,300</u>	<u>\$ 14,301,123</u>	<u>\$ 14,550,211</u>	<u>\$ 14,219,169</u>
Primary government				
Net investment in capital assets	\$ 18,968,247	\$ 18,778,938	\$ 18,549,284	\$ 19,619,576
Restricted	555,253	491,100	540,953	560,730
Unrestricted	<u>2,338,295</u>	<u>2,438,632</u>	<u>2,606,052</u>	<u>1,169,172</u>
Total primary government activities net position	<u>\$ 21,861,795</u>	<u>\$ 21,708,670</u>	<u>\$ 21,696,289</u>	<u>\$ 21,349,478</u>

(1) Accrual basis of accounting

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

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

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 5,849,449	\$ 6,021,228	\$ 5,346,151	\$ 8,616,589	\$ 10,035,006	\$ 14,581,873
626,562	577,404	692,423	767,053	601,106	437,156
<u>1,136,105</u>	<u>1,374,526</u>	<u>2,036,153</u>	<u>1,036,338</u>	<u>2,896,638</u>	<u>(121,743)</u>
<u>\$ 7,612,116</u>	<u>\$ 7,973,158</u>	<u>\$ 8,074,727</u>	<u>\$ 10,419,980</u>	<u>\$ 13,532,750</u>	<u>\$ 14,897,286</u>
\$ 15,009,120	\$ 14,992,726	\$ 15,399,868	\$ 14,956,280	\$ 14,674,540	\$ 14,029,415
(965,105)	(1,081,334)	(1,539,598)	(482,778)	1,191,961	4,398,035
<u>\$ 14,044,015</u>	<u>\$ 13,911,392</u>	<u>\$ 13,860,270</u>	<u>\$ 14,473,502</u>	<u>\$ 15,866,501</u>	<u>\$ 18,427,450</u>
\$ 20,858,569	\$ 21,013,954	\$ 20,746,019	\$ 23,572,869	\$ 24,709,546	\$ 28,611,288
626,562	577,404	692,423	767,053	601,106	437,156
<u>171,000</u>	<u>293,192</u>	<u>496,555</u>	<u>553,560</u>	<u>4,088,599</u>	<u>4,276,292</u>
<u>\$ 21,656,131</u>	<u>\$ 21,884,550</u>	<u>\$ 21,934,997</u>	<u>\$ 24,893,482</u>	<u>\$ 29,399,251</u>	<u>\$ 33,324,736</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities				
Expenses				
General government	\$ 926,431	\$ 902,639	\$ 956,481	\$ 1,033,645
Public safety	3,430,366	3,686,833	3,560,086	3,732,614
Public works	1,576,819	1,856,576	1,830,354	1,925,823
Culture and recreation	215,061	209,509	216,496	247,724
Interest on long-term debt	388,653	542,435	410,719	437,013
Total expenses	<u>6,537,330</u>	<u>7,197,992</u>	<u>6,974,136</u>	<u>7,376,819</u>
Program revenues				
Charges for services				
General government	317,267	331,367	359,180	390,566
Public safety	42,882	399	900	6,040
Culture and recreation	10,941	5,745	8,995	8,877
Operating grants and contributions	2,238	99,327	125,634	159,932
Capital grants and contributions	50,000	547,318	250,000	497,778
Total program revenues	<u>423,328</u>	<u>984,156</u>	<u>744,709</u>	<u>1,063,193</u>
Total governmental activities net program expense	(6,114,002)	(6,213,836)	(6,229,427)	(6,313,626)
General revenues and other changes in net position				
Taxes				
Property taxes	1,926,421	1,906,728	1,906,722	1,929,445
Sales taxes	1,274,114	1,252,647	1,295,561	1,391,868
Franchise taxes	1,047,976	1,052,147	1,077,112	1,101,070
Other taxes	196,669	181,243	217,309	252,562
Unrestricted investment earnings	8,052	13,075	10,942	15,218
Industrial district payment	922,448	905,337	877,318	830,603
Miscellaneous	70,872	162,529	59,034	76,199
Transfers	437,439	614,162	788,246	700,892
Total general revenues and other changes in net position	<u>5,883,991</u>	<u>6,087,868</u>	<u>6,232,244</u>	<u>6,297,857</u>
Total governmental activities change in net position	<u>\$ (230,011)</u>	<u>\$ (125,968)</u>	<u>\$ 2,817</u>	<u>\$ (15,769)</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 1,538,531	\$ 1,883,507	\$ 1,673,997	\$ 1,370,729	\$ 2,091,202	\$ 1,451,232
3,999,508	3,926,999	4,106,591	3,964,243	3,897,625	3,858,347
1,877,799	1,716,963	2,283,018	2,316,110	2,575,512	17,362,145
260,815	281,150	309,231	169,331	174,013	169,138
391,646	416,720	552,115	364,595	699,387	514,373
<u>8,068,299</u>	<u>8,225,339</u>	<u>8,924,952</u>	<u>8,185,008</u>	<u>9,437,739</u>	<u>23,355,235</u>
457,165	453,443	417,544	476,150	426,176	810,083
12,633	5,493	14,332	21,943	4,065	-
7,661	8,481	11,468	245	100	240
606,537	886,952	694,606	959,479	1,048,426	541,746
887,238	402,609	248,862	384,221	3,248,651	15,780,831
<u>1,971,234</u>	<u>1,756,978</u>	<u>1,386,812</u>	<u>1,842,038</u>	<u>4,727,418</u>	<u>17,132,900</u>
(6,097,065)	(6,468,361)	(7,538,140)	(6,342,970)	(4,710,321)	(6,222,335)
1,905,008	1,920,441	1,927,053	2,211,395	2,233,757	2,357,456
1,283,407	1,416,116	1,527,344	1,520,302	1,756,635	1,833,798
1,122,792	1,107,947	1,052,182	1,062,395	1,112,917	1,154,879
279,726	376,852	229,048	193,718	244,434	239,450
20,409	26,188	69,070	128,767	80,049	46,612
1,059,353	1,276,673	1,882,084	2,138,336	1,702,079	1,678,320
104,429	139,594	88,945	58,171	81,357	75,723
803,748	728,312	863,983	942,268	802,471	200,633
<u>6,578,872</u>	<u>6,992,123</u>	<u>7,639,709</u>	<u>8,255,352</u>	<u>8,013,699</u>	<u>7,586,871</u>
<u>\$ 481,807</u>	<u>\$ 523,762</u>	<u>\$ 101,569</u>	<u>\$ 1,912,382</u>	<u>\$ 3,303,378</u>	<u>\$ 1,364,536</u>

(continued)

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Business-type activities				
Expenses				
Water and sewer	\$ 2,377,966	\$ 2,656,570	\$ 2,561,784	\$ 2,886,182
Solid waste	1,300,929	1,289,653	1,343,826	1,332,985
Emergency medical services	1,395,931	1,669,455	1,771,503	2,067,077
Civic center	200,266	225,854	234,636	285,146
Airport	262,912	268,944	267,542	296,475
Total expenses	<u>5,538,004</u>	<u>6,110,476</u>	<u>6,179,291</u>	<u>6,867,865</u>
Program revenues				
Charges for services				
Water and sewer	2,999,959	3,140,678	3,219,570	3,585,465
Solid waste	1,338,967	1,345,910	1,379,460	1,401,478
Emergency medical services	840,708	833,862	963,612	825,885
Civic center	55,344	82,269	74,102	76,282
Airport	177,845	173,920	171,931	211,211
Operating grants and contributions	775,650	898,511	847,681	1,036,169
Capital grants and contributions	451,639	219,868	628,072	99,446
Total program revenues	<u>6,640,112</u>	<u>6,695,018</u>	<u>7,284,428</u>	<u>7,235,936</u>
Total business-type activities net program expense	1,102,108	584,542	1,105,137	368,071
General revenues and other changes in net position				
Unrestricted investment earnings	2,235	2,463	2,451	1,779
Miscellaneous	-	-	-	-
Transfers	(437,439)	(614,182)	(788,246)	(700,892)
Total general revenues and other changes in net position	<u>(435,204)</u>	<u>(611,719)</u>	<u>(785,795)</u>	<u>(699,113)</u>
Total business-type activities change in net position	<u>\$ 666,904</u>	<u>\$ (27,177)</u>	<u>\$ 319,342</u>	<u>\$ (331,042)</u>
Total primary government change in net position	<u>\$ 436,893</u>	<u>\$ (153,145)</u>	<u>\$ 322,159</u>	<u>\$ (346,811)</u>

(1) Accrual basis of accounting

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

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

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 2,989,213	\$ 3,239,252	\$ 3,154,572	\$ 2,925,024	\$ 3,154,855	\$ 3,459,698
1,498,067	1,445,264	1,494,216	1,566,383	1,570,331	1,491,474
2,260,933	2,313,208	2,216,326	2,236,471	2,146,602	2,061,171
263,521	268,924	314,049	269,692	279,505	326,077
319,099	350,530	352,242	336,682	328,225	342,984
<u>7,330,833</u>	<u>7,617,178</u>	<u>7,531,405</u>	<u>7,334,252</u>	<u>7,479,518</u>	<u>7,681,404</u>
3,742,104	4,048,367	4,126,572	4,444,064	5,099,320	5,547,492
1,475,518	1,465,834	1,476,178	1,469,441	1,544,429	1,562,605
774,356	827,044	802,705	773,425	790,523	858,633
84,736	91,518	115,076	45,524	59,820	73,239
210,464	225,944	215,112	248,440	219,235	279,384
1,451,379	1,584,219	1,506,827	1,893,693	1,824,512	1,956,156
216,716	75,000	91,924	-	116,283	138,308
<u>7,955,273</u>	<u>8,317,926</u>	<u>8,334,394</u>	<u>8,874,587</u>	<u>9,654,122</u>	<u>10,415,817</u>
624,440	700,748	802,989	1,540,335	2,174,604	2,734,413
4,154	7,189	9,872	15,165	6,066	27,169
-	-	-	-	14,800	-
<u>(803,748)</u>	<u>(728,312)</u>	<u>(863,983)</u>	<u>(942,268)</u>	<u>(802,471)</u>	<u>(200,633)</u>
<u>(799,594)</u>	<u>(721,123)</u>	<u>(854,111)</u>	<u>(927,103)</u>	<u>(781,605)</u>	<u>(173,464)</u>
<u>\$ (175,154)</u>	<u>\$ (20,375)</u>	<u>\$ (51,122)</u>	<u>\$ 613,232</u>	<u>\$ 1,392,999</u>	<u>\$ 2,560,949</u>
<u>\$ 306,653</u>	<u>\$ 503,387</u>	<u>\$ 50,447</u>	<u>\$ 2,525,614</u>	<u>\$ 4,696,377</u>	<u>\$ 3,925,485</u>

(concluded)

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

Last ten fiscal years

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable				
Prepaid items	\$ 19,499	\$ 26,809	\$ 7,847	\$ 11,767
Inventory	-	-	-	-
Long-term interfund advances	350,000	325,000	430,000	430,000
Unassigned	<u>1,257,474</u>	<u>1,366,287</u>	<u>1,289,786</u>	<u>1,320,205</u>
Total general fund	<u>\$ 1,626,973</u>	<u>\$ 1,718,096</u>	<u>\$ 1,727,633</u>	<u>\$ 1,761,972</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ 419,775	\$ 436,098	\$ 468,843	\$ 426,192
Arts and tourism	69,706	76,610	75,716	85,835
Municipal court	17,787	21,373	26,463	33,954
Public safety	69,537	12,660	19,841	42,700
Various capital projects	3,062,743	3,100,671	3,036,452	2,703,475
Committed				
Various capital projects	6,137	65,686	18,886	23,987
Unassigned	<u>-</u>	<u>-</u>	<u>(141,516)</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,645,685</u>	<u>\$ 3,713,098</u>	<u>\$ 3,504,685</u>	<u>\$ 3,316,143</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 15,648	\$ 29,107	\$ 14,163	\$ 1,541	\$ 387	\$ 15,625
-	-	-	7,341	10,509	18,716
430,000	430,000	430,000	430,000	330,000	230,000
1,251,623	1,460,523	1,916,870	2,271,017	2,584,355	3,132,061
<u>\$ 1,697,271</u>	<u>\$ 1,919,630</u>	<u>\$ 2,361,033</u>	<u>\$ 2,709,899</u>	<u>\$ 2,925,251</u>	<u>\$ 3,396,402</u>
\$ 440,904	\$ 383,852	\$ 516,697	\$ 614,579	\$ 464,033	\$ 301,034
123,710	118,783	67,807	74,897	76,846	66,275
33,046	40,614	46,749	50,545	64,160	73,599
49,346	59,818	107,443	44,900	35,467	26,373
2,446,906	2,999,354	4,227,477	2,612,817	17,755,362	5,740,440
123,601	-	475,749	668,654	219,345	313,582
<u>(667,035)</u>	<u>(416,566)</u>	<u>(178,162)</u>	<u>(2,214,847)</u>	<u>(1,703,818)</u>	<u>(2,358,448)</u>
<u>\$ 2,550,478</u>	<u>\$ 3,185,855</u>	<u>\$ 5,263,760</u>	<u>\$ 1,851,545</u>	<u>\$ 16,911,395</u>	<u>\$ 4,162,855</u>

CITY OF WHARTON, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Taxes	\$ 4,490,924	\$ 4,438,356	\$ 4,556,387	\$ 4,669,025
Licenses and permits	98,609	106,913	78,284	72,173
Intergovernmental	52,238	534,532	368,740	657,505
Charges for services	12,888	5,745	13,965	14,671
Fines and forfeitures	223,811	216,090	254,392	303,077
Investment income	8,052	13,075	10,942	15,218
Industrial district payment	922,448	905,337	877,318	830,603
Miscellaneous	57,932	165,450	30,626	27,512
Total revenues	<u>5,866,902</u>	<u>6,385,498</u>	<u>6,190,654</u>	<u>6,589,784</u>
Expenditures				
Current				
General government	880,776	853,986	915,778	980,663
Public safety	3,140,019	3,365,083	3,263,634	3,380,267
Public works	1,041,924	1,468,361	1,348,961	1,459,995
Culture and recreation	154,054	148,503	145,207	173,288
Capital outlay	788,817	2,126,657	992,335	1,301,302
Debt service				
Principal retirement	504,666	635,139	629,592	672,323
Interest and fiscal charges	401,535	369,490	415,373	413,034
Bond issuance costs	-	144,026	12,145	34,897
Total expenditures	<u>6,911,791</u>	<u>9,111,245</u>	<u>7,723,025</u>	<u>8,415,769</u>
Excess (deficiency) of revenues over expenditures	(1,044,889)	(2,725,747)	(1,532,371)	(1,825,985)
Other financing sources (uses)				
Debt issued	-	4,988,000	545,249	911,692
Premium on issuance of bonds	-	210,350	-	36,798
Right-to-use lease issued	-	-	-	-
Payment to escrow	-	(3,048,579)	-	-
Sale of capital assets	22,707	59,109	-	22,400
Transfers in	668,700	832,403	1,135,081	869,616
Transfers out	(185,328)	(157,000)	(346,835)	(168,724)
Total other financing sources (uses)	<u>506,079</u>	<u>2,884,283</u>	<u>1,333,495</u>	<u>1,671,782</u>
Change in fund balances	<u>\$ (538,810)</u>	<u>\$ 158,536</u>	<u>\$ (198,876)</u>	<u>\$ (154,203)</u>
Debt service as a percentage of noncapital expenditures	<u>14.69%</u>	<u>14.29%</u>	<u>15.39%</u>	<u>15.26%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 4,630,579	\$ 4,861,097	\$ 4,779,888	\$ 5,011,896	\$ 5,405,429	\$ 5,635,415
107,737	119,824	142,304	193,142	195,539	543,480
1,018,415	1,537,236	1,171,153	935,692	4,457,519	6,126,415
7,736	14,841	16,744	4,776	17,903	24,632
335,266	326,769	258,884	270,232	217,119	247,905
20,409	26,188	69,070	128,767	80,049	46,612
1,059,353	1,276,673	1,882,084	2,138,336	1,702,079	1,678,320
62,125	126,461	61,148	53,162	10,808	167,382
<u>7,241,620</u>	<u>8,289,089</u>	<u>8,381,275</u>	<u>8,736,003</u>	<u>12,086,445</u>	<u>14,470,161</u>
1,452,868	1,846,867	1,497,409	1,376,659	2,081,311	1,514,651
3,548,522	3,585,001	3,673,300	3,722,089	3,743,585	3,772,510
1,269,851	1,156,208	1,169,600	1,747,706	2,027,654	16,843,494
185,054	203,807	232,049	129,357	123,182	121,611
1,537,300	857,068	1,210,587	4,217,282	6,576,269	6,304,252
737,577	880,490	1,238,778	1,127,209	1,511,029	2,149,401
409,857	400,536	327,829	440,874	453,218	493,242
-	33,929	233,921	-	282,753	90,328
<u>9,141,029</u>	<u>8,963,906</u>	<u>9,583,473</u>	<u>12,761,176</u>	<u>16,799,001</u>	<u>31,289,489</u>
(1,899,409)	(674,817)	(1,202,198)	(4,025,173)	(4,712,556)	(16,819,328)
237,211	829,600	7,154,050	-	19,105,000	3,601,000
-	-	631,325	-	-	-
-	-	-	-	-	45,738
-	-	(4,927,852)	-	-	-
28,084	22,261	-	-	22,128	12,272
977,147	1,022,212	1,827,716	1,422,757	1,081,573	1,560,929
(173,399)	(293,900)	(963,733)	(460,933)	(220,943)	(678,000)
<u>1,069,043</u>	<u>1,580,173</u>	<u>3,721,506</u>	<u>961,824</u>	<u>19,987,758</u>	<u>4,541,939</u>
\$ (830,366)	\$ 905,356	\$ 2,519,308	\$ (3,063,349)	\$ 15,275,202	\$ (12,277,389)
<u>14.84%</u>	<u>15.63%</u>	<u>17.40%</u>	<u>18.44%</u>	<u>19.11%</u>	<u>10.32%</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>
2013	\$ 1,940,658	\$ 31,507	\$ 1,274,114	\$ 1,047,976	\$ 196,669	\$ 4,490,924
2014	1,902,409	49,910	1,252,647	1,052,147	181,243	4,438,356
2015	1,921,229	45,176	1,295,561	1,077,112	217,309	4,556,387
2016	1,896,911	26,614	1,391,868	1,101,070	252,562	4,669,025
2017	1,912,854	31,800	1,283,407	1,122,792	279,726	4,630,579
2018	1,924,447	35,735	1,416,116	1,107,947	376,852	4,861,097
2019	1,938,334	32,980	1,527,344	1,052,182	229,048	4,779,888
2020	2,204,906	30,575	1,520,302	1,062,395	193,718	5,011,896
2021	2,239,613	51,830	1,756,635	1,112,917	244,434	5,405,429
2022	2,362,158	45,130	1,833,798	1,154,879	239,450	5,635,415

(1) Modified accrual basis of accounting

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

CITY OF WHARTON, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years

Fiscal Year	Tax Roll	Real Property				Minerals	Less: Tax Exempt Real Property	Total Taxable Assessed Value Before Freeze
		Residential Property	Non-Residential Property	Personal Property				
2013	2012	\$ 160,858,531	\$ 303,624,146	\$ 112,288,730	\$ 14,731,697	\$ 153,986,762	\$ 437,516,342	
2014	2013	158,970,406	308,221,307	115,595,295	13,288,647	155,859,770	440,215,885	
2015	2014	160,882,365	316,997,605	113,475,604	13,375,139	156,077,570	448,653,143	
2016	2015	163,259,708	307,892,863	107,946,641	13,236,985	147,283,978	445,052,219	
2017	2016	176,233,464	325,076,722	103,456,879	14,744,456	154,782,623	464,728,898	
2018	2017	194,285,276	330,156,401	102,569,810	14,300,774	159,501,700	481,810,561	
2019	2018	193,971,019	315,781,000	104,276,784	13,908,304	152,748,062	475,189,045	
2020	2019	220,378,808	340,118,282	109,571,702	13,517,540	164,667,344	518,918,988	
2021	2020	225,097,256	339,478,970	111,600,388	16,753,063	152,846,892	540,082,785	
2022	2021	256,577,124	399,058,969	100,180,075	19,388,578	188,835,010	586,369,736	

(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>
\$ (57,858,612)	\$ 379,657,730	\$ 0.45023	\$ 1,709,333	\$ 227,122	\$ 1,936,455	100.00%
(55,784,991)	384,430,894	0.44563	1,713,139	220,267	1,933,406	100.00%
(56,612,009)	392,041,134	0.43202	1,693,696	223,270	1,916,966	100.00%
(59,084,772)	385,967,447	0.44205	1,706,169	228,687	1,934,856	100.00%
(62,108,003)	402,620,895	0.42450	1,709,126	233,753	1,942,879	100.00%
(68,613,716)	413,196,845	0.41008	1,694,438	247,433	1,941,871	100.00%
(70,243,405)	404,945,640	0.41594	1,684,331	248,485	1,932,815	100.00%
(76,475,637)	442,443,351	0.44535	1,970,421	256,307	2,226,728	100.00%
(81,190,677)	458,892,108	0.43726	2,006,552	268,337	2,274,889	100.00%
(87,310,619)	499,059,117	0.41917	2,091,906	271,649	2,363,555	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
2013	\$0.1928	\$0.2574	\$0.4502	\$1.2259	\$0.1382	\$ 0.0300	\$ 0.5022	\$ 0.0073	\$ 1.9036
2014	0.2035	0.2421	0.4456	1.2149	0.1342	0.0300	0.4881	0.0076	1.8748
2015	0.2346	0.1975	0.4321	1.1970	0.1266	0.0300	0.4340	0.0077	1.7953
2016	0.2357	0.2064	0.4421	1.1971	0.1303	0.0300	0.4900	0.0085	1.8559
2017	0.2501	0.1744	0.4245	1.1970	0.1371	0.0300	0.4900	0.0085	1.8626
2018	0.2643	0.1458	0.4101	1.1970	0.1355	0.0500	0.4750	0.0085	1.8660
2019	0.3164	0.0995	0.4159	1.1970	0.1435	0.0500	0.4740	0.0083	1.8727
2020	0.3540	0.0914	0.4454	1.2864	0.1393	0.0500	0.4623	0.0080	1.9460
2021	0.3410	0.0962	0.4373	1.2865	0.1368	0.0500	0.4587	0.0080	1.9400
2022	0.3195	0.0997	0.4192	1.3134	0.1318	0.0497	0.3906	0.0071	1.8926

(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

2022		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 39,856,374	6.80%
JM Eagle	37,504,410	6.40%
Buc-ee's	8,155,800	1.39%
Wal-Mart Stores Texas LP	7,200,000	1.23%
Centerpoint Energy Houston	6,637,450	1.13%
Kansas City Southern Railway	5,077,480	0.87%
Wal-Mart Property Tax Dept.	4,848,321	0.83%
DVD Enterprises LTD	4,750,000	0.81%
Nutrien AG Solutions INC	4,538,211	0.77%
Reddy Prtnshp- Pkaire & Cypress WD	4,418,568	0.75%
	<u>\$ 122,986,614</u>	<u>20.98%</u>

2013		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nan Ya Plastics Corp. USA	\$ 32,893,120	7.52%
J-M Manufacturing Company, Inc.	24,450,940	5.59%
GCMC Re Partners LP	12,305,202	2.81%
M-I LLC	8,485,420	1.94%
Wal-Mart Property Tax Dept	7,032,768	1.61%
Wal-Mart Stores Texas LP	6,871,122	1.57%
Reddy Partnership Briar Pointe LP	5,361,793	1.23%
Wharton RP LTD	4,664,981	1.07%
Geokinetics Inc	4,315,630	0.99%
Centerpoint Energy Houston Electric	4,247,530	0.97%
	<u>\$ 110,628,506</u>	<u>25.30%</u>

SOURCE: Wharton County Central Appraisal District

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

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Adjustments</u>	Total <u>Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
2013	\$ 1,951,751	\$ (29,214)	\$ 1,922,537	\$ 1,894,657	98.55%
2014	1,943,203	(26,382)	1,916,821	1,869,799	97.55%
2015	1,937,738	(8,817)	1,928,921	1,867,997	96.84%
2016	1,965,060	(3,990)	1,961,070	1,869,850	95.35%
2017	1,959,650	(35,715)	1,923,935	1,863,194	96.84%
2018	1,966,387	(19,050)	1,947,337	1,877,009	96.39%
2019	1,975,928	(8,023)	1,967,905	1,888,629	95.97%
2020	2,300,157	(15,909)	2,284,248	2,166,826	94.86%
2021	2,358,923	(42,768)	2,316,155	2,239,528	96.69%
2022	2,451,959	(6,807)	2,445,152	2,404,974	98.36%

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 27,880	\$ 1,922,537	100.00%
32,453	1,902,252	99.24%
28,999	1,896,996	98.34%
91,220	1,961,070	100.00%
39,968	1,903,162	98.92%
32,113	1,909,122	98.04%
29,436	1,918,065	97.47%
29,125	2,195,951	96.13%
23,510	2,263,038	97.71%
-	2,404,974	98.36%

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>
2013	522,205,000	395,144,500	127,060,500	24%	319,831,000
2014	503,413,000	360,895,800	142,517,200	28%	276,870,000
2015	509,232,000	364,982,000	144,250,000	28%	382,082,000
2016	527,944,000	390,678,560	137,265,440	26%	334,400,000
2017	503,059,000	375,067,000	127,992,000	25%	404,399,000
2018	482,441,000	426,041,500	56,399,500	12%	353,400,000
2019	523,885,000	455,779,950	68,105,050	13%	346,573,000
2020	455,896,000	321,936,600	133,959,400	29%	334,810,000
2021	485,797,000	337,965,300	147,831,700	30%	437,148,000
2022	449,777,000	351,684,200	98,092,800	22%	292,014,000

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

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

SOURCE: City of Wharton Utility Department

Total Direct Rate			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 13.62	\$ 2.67	\$ 14.64	\$ 2.78
14.71	2.88	15.81	3.00
15.16	2.97	16.29	3.09
16.68	3.27	17.92	3.40
18.35	3.48	19.71	3.06
19.82	3.76	21.29	3.31
21.41	4.06	23.00	3.58
23.55	4.63	25.30	4.81
25.91	5.09	27.83	5.29
28.51	5.60	30.62	5.82

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

	Fiscal Year			
	2013	2014	2015	2016
Water Rates (per 2,000 gallons)				
Base Rate	\$ 13.62	\$ 14.71	\$ 15.16	\$ 16.68
Water usage rate				
2,000-4,000	2.57	2.78	2.87	3.16
4,000-7,000	2.67	2.88	2.97	3.27
7,000-11,000	2.78	3.00	3.09	3.40
11,000-15,000	2.95	3.19	3.29	3.62
15,000-50,000	3.13	3.38	3.49	3.84
50,000-100,000	3.24	3.50	3.61	3.98
100,000-150,000	3.48	3.76	3.88	4.27
>150,000	3.71	4.00	4.12	4.54
Sewer Rates (per 2,000 gallons)				
Base Rate	14.64	15.81	16.29	17.92
Sewer usage rate				
2,000-4,000	2.26	2.44	2.52	2.78
4,000-7,000	2.78	3.00	3.09	3.40
7,000-11,000	3.07	3.32	3.42	3.77
11,000-15,000	3.31	3.57	3.68	4.05
15,000-50,000	3.58	3.87	3.99	4.39
50,000-100,000	3.89	4.20	4.33	4.77
100,000-150,000	4.12	4.45	4.59	5.05
>150,000	4.41	4.76	4.91	5.41

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					
2017	2018	2019	2020	2021	2022
\$ 18.35	\$ 19.82	\$ 21.41	\$ 23.55	\$ 25.91	\$ 28.51
3.48	3.76	4.06	4.47	4.92	5.42
3.60	3.89	4.21	4.63	5.09	5.60
3.74	4.04	4.37	4.81	5.29	5.82
3.98	4.30	4.65	5.12	5.63	6.20
4.22	4.56	4.93	5.42	5.96	6.56
4.38	4.73	5.11	5.62	6.18	6.80
4.70	5.08	5.49	6.04	6.64	7.31
4.99	5.39	5.83	6.41	7.05	7.76
19.71	21.29	23.00	25.30	27.83	30.62
3.06	3.31	3.58	3.93	4.32	4.76
3.74	4.04	4.37	4.81	5.29	5.82
4.15	4.49	4.85	5.34	5.87	6.46
4.46	4.82	5.21	5.73	6.30	6.93
4.83	5.22	5.64	6.20	6.93	7.63
5.25	5.67	6.13	6.74	7.41	8.16
5.56	6.01	6.49	7.14	7.85	8.64
5.95	6.43	6.95	7.65	8.42	9.27

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

2022			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Nan Ya Plastics Corp. USA	Manufacturing	29,314,800	8.34%
Briar Pointe LTD	Apartment Complex	14,499,600	4.12%
JM Eagle	Manufacturing	10,068,500	2.86%
Colorado Bend Power Plant	Power Plant	7,543,400	2.14%
Buc-ee's	Retail	7,444,800	2.12%
Wharton County Junior College	Education	5,261,100	1.50%
The Meadow Associate	Apartment Complex	5,195,400	1.48%
Interurban Millcreek	Apartment Complex	4,780,600	1.36%
Wharton ISD	Education	4,721,200	1.34%
Matthew D Wiggins	Apartment Complex	4,596,800	1.31%
2013			
Customer	Type of Business	12-Month Water Consumption	Percent of Total Billed
Nan Ya Plastics Corp. USA	Manufacturing	35,210,000	8.91%
Briar Pointe LTD	Apartment Complex	16,355,000	4.14%
Millcreek Apartments	Apartment Complex	7,354,900	1.86%
Gulf Coast Medical Center	Hospital	4,976,800	1.26%
JM Eagle	Manufacturing	4,009,700	1.01%
Wharton ISD	Education	3,971,900	1.01%
The Meadow Associate	Apartment Complex	3,627,000	0.92%
Wharton County Junior College	Education	3,524,000	0.89%
Buc-ee's	Retail	3,232,400	0.82%
CLVR Acquisition	Apartment Complex	3,078,200	0.78%

SOURCE: City of Wharton Utility Billing Department

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

Fiscal Year	Governmental Activities							Business-type Activities	
	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Notes	Direct-Borrowing Financed Purchases	Right-to-Use Leases	Qualified Energy Conserv. Bonds	Plus: Issuance Premiums	Certificates of Obligation	General Obligation Bonds
2013	\$ 9,190,181	\$ 240,782	\$ 345,000	\$ 124,739	\$ -	\$ -	\$ 102,639	\$ 2,744,819	\$ 1,454,218
2014	8,130,275	3,017,032	175,000	-	-	-	292,312	4,979,725	1,832,968
2015	7,863,400	2,848,632	-	78,945	-	447,945	271,636	4,726,600	1,646,368
2016	8,440,842	2,555,482	-	60,200	-	421,767	285,714	6,274,158	1,434,518
2017	8,049,128	2,254,282	-	278,004	-	396,511	262,993	5,905,872	1,210,718
2018	7,654,976	1,949,682	737,800	213,704	-	370,873	240,273	5,525,024	975,318
2019	3,482,226	6,085,537	2,177,200	-	-	344,847	764,058	5,652,774	1,914,463
2020	3,311,838	5,479,137	1,853,200	-	-	318,426	692,007	5,373,162	1,580,863
2021	18,135,952	4,848,215	5,280,800	-	-	291,605	621,731	5,084,048	1,236,785
2022	20,172,000	4,352,065	5,220,000	-	30,041	264,367	551,455	4,786,000	1,112,935

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

Business-type Activities

<u>Revenue Bonds</u>	<u>Tax Anticipation Notes</u>	<u>State Infrastructure Loan</u>	<u>Direct-Borrowing Financed Purchases</u>	<u>Right-to-Use Leases</u>	<u>Qualified Energy Conserv. Bonds</u>	<u>Plus: Issuance Premiums</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,282	\$ 14,291,660	4.3%	\$ 1,618
-	-	-	-	-	-	211,266	18,638,578	5.3%	2,110
-	-	-	36,219	-	1,149,396	194,121	19,263,262	6.0%	2,225
-	-	-	27,621	-	1,081,322	270,559	20,852,183	6.2%	2,390
-	-	-	145,824	-	1,016,573	247,908	19,767,813	5.6%	2,250
-	347,200	-	112,917	-	950,843	225,257	19,303,867	5.4%	2,201
-	292,800	-	-	-	884,115	418,494	22,016,514	6.1%	2,511
-	236,800	-	-	-	816,378	380,829	20,042,640	5.1%	2,286
534,000	179,200	-	-	-	747,614	348,999	37,308,949	8.9%	4,325
3,675,000	120,000	5,547,996	318,270	8,123	677,810	317,169	47,153,231	10.2%	5,377

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

General Bonded Debt Outstanding					
<u>Fiscal Year</u>	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Qualified Energy Cons. Bonds</u>	<u>Plus: Issuance Premiums</u>	<u>Total</u>
2013	\$ 11,935,000	\$ 1,695,000	\$ -	\$ 191,921	\$ 13,821,921
2014	13,110,000	4,850,000	-	503,578	18,463,578
2015	12,590,000	4,495,000	1,597,341	465,757	17,550,757
2016	14,715,000	3,990,000	1,503,089	556,273	20,764,362
2017	13,955,000	3,465,000	1,413,084	510,901	19,343,985
2018	13,180,000	2,925,000	1,321,716	465,530	17,892,246
2019	9,135,000	8,000,000	1,228,962	1,182,552	19,546,514
2020	8,685,000	7,060,000	1,134,804	1,072,836	17,952,640
2021	23,220,000	6,085,000	1,039,219	970,730	31,314,949
2022	24,958,000	5,465,000	942,177	868,624	32,233,801

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

<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 398,223	\$ 13,423,698	3.07%	\$ 1,520
380,457	18,083,121	4.11%	2,047
418,933	17,131,824	3.82%	1,978
426,192	20,338,170	4.57%	2,331
440,904	18,903,081	4.07%	2,152
383,852	17,508,394	3.63%	1,997
516,697	19,029,817	4.00%	2,170
614,579	17,338,061	3.34%	1,977
464,033	30,850,916	5.71%	3,576
270,909	31,962,892	5.45%	3,645

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

September 30, 2022

	<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	9/30/2022	<u>\$ 30,589,928</u>	100.00%	<u>\$ 30,589,928</u>
Overlapping Debt:				
Wharton County	9/30/2022	-	0.00%	-
Wharton Independent School District	9/30/2022	<u>72,390,000</u>	43.96%	<u>31,822,644</u>
Total Overlapping Debt		<u>72,390,000</u>		<u>31,822,644</u>
Total		<u>\$ 102,979,928</u>		<u>\$ 62,412,572</u>

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

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

SOURCE: Wharton County and Wharton Independent School District

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Average Debt Service Requirements</u>	<u>Times Debt Coverage</u>
2013	\$ 3,000,550	\$ 1,758,675	\$ 1,241,875	\$ 207,228	5.99
2014	3,141,454	1,817,838	1,323,616	524,053	2.53
2015	3,220,308	1,812,956	1,407,352	613,876	2.29
2016	3,586,031	2,022,299	1,563,732	680,670	2.30
2017	3,742,790	2,184,950	1,557,840	862,816	1.81
2018	4,049,782	2,384,729	1,665,053	865,748	1.92
2019	4,127,466	2,271,061	1,856,405	835,796	2.22
2020	4,447,444	2,104,327	2,343,117	881,628	2.66
2021	5,102,044	2,355,828	2,746,216	879,166	3.12
2022	5,567,338	2,570,574	2,859,374	782,532	3.65

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

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

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

Fiscal Year	(1) <u>Population</u>	Personal Income	(2) <u>Per Capita Personal Income</u>	(3) <u>School Enrollment</u>	(4) <u>Unemployment Rate</u>
2013	8,832	\$ 333,408,000	\$ 37,750	2,130	6.2%
2014	8,832	352,873,728	39,954	2,205	5.9%
2015	8,659	318,857,056	36,824	2,208	4.2%
2016	8,726	334,118,540	38,290	2,212	5.0%
2017	8,785	350,073,465	39,849	2,201	4.9%
2018	8,769	355,451,415	40,535	2,080	4.5%
2019	8,769	363,676,737	41,473	1,998	3.7%
2020	8,769	396,542,949	45,221	1,998	7.0%
2021	8,627	417,408,768	48,384	1,907	4.9%
2022	8,770	464,353,960	52,948	1,966	5.7%

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

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

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

2022

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	393	1.81%
Wharton County Junior College	362	1.67%
Wharton County	241	1.11%
Buc-ee's	205	0.94%
Wharton County Foods	203	0.94%
HEB Food Store	173	0.80%
Wal-Mart Stores Texas LP	165	0.76%
Nan Ya Plastics Corp. USA	150	0.69%
City of Wharton	141	0.65%
J-M Manufacturing Company INC	<u>128</u>	<u>0.59%</u>
	<u>2,161</u>	<u>9.96%</u>

2013

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Wharton ISD	400	2.10%
South Texas Medical Center	350	1.84%
Wal-Mart Stores Texas LP	260	1.36%
Wharton County	253	1.33%
Maxim Production Company	240	1.26%
Wharton County Junior College	236	1.24%
Gulf Coast Medical Center	235	1.23%
Nan Ya Plastics Corp. USA	205	1.08%
HEB Food Store	130	0.68%
J-M Manufacturing Company INC	<u>102</u>	<u>0.54%</u>
	<u>2,411</u>	<u>12.66%</u>

SOURCE: Wharton Economic Development Corporation

CITY OF WHARTON, TEXAS

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

Last ten fiscal years

Function/Program	Fiscal Year			
	2013	2014	2015	2016
General government				
City manager	2.0	2.0	2.0	2.0
City secretary	1.0	1.0	1.0	1.0
Finance	2.5	2.5	2.5	2.5
Municipal court	2.0	2.5	2.5	2.5
Central services	0.5	0.5	0.8	0.8
Public safety				
Police	25.0	25.0	25.0	25.0
Fire	2.0	2.0	2.0	2.0
Code enforcement	3.5	3.5	3.5	4.0
Emergency management	1.0	1.0	1.0	1.0
Animal control	1.0	1.0	1.0	1.0
Communications	9.0	9.0	9.0	9.0
Public works				
Public works	10.2	9.0	9.0	9.5
Garage	2.0	2.0	2.0	2.0
Facilities maintenance	4.0	4.0	4.0	4.0
Water/wastewater				
City planning	-	-	1.3	0.3
Administration	2.0	2.0	2.0	2.0
Water operations	8.5	9.5	9.5	10.5
Sewer operations	4.5	2.5	2.5	2.5
Beautification	1.0	1.0	1.0	1.0
EMS	14.0	20.0	19.0	18.0
Civic Center	2.8	2.8	2.8	2.3
Airport	1.5	1.5	1.5	1.5
Total	100.0	104.3	104.9	104.3

Fiscal Year					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
2.5	2.5	2.5	2.5	2.5	2.5
3.0	3.0	3.0	3.0	3.0	2.5
0.8	0.8	0.8	0.8	0.8	0.8
25.0	25.0	25.0	26.0	26.0	26.0
2.0	2.0	2.0	2.0	3.0	3.0
4.0	4.0	4.0	3.5	3.5	3.5
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	10.0	10.0	9.0
9.0	9.5	9.5	9.5	10.5	9.5
2.0	2.0	1.5	1.5	1.5	1.5
4.0	4.0	4.0	4.0	3.0	4.0
1.0	1.0	2.0	2.0	2.0	1.0
2.0	2.0	2.5	2.5	2.5	2.5
9.5	10.5	10.0	10.0	9.0	10.0
2.5	2.5	3.5	3.5	2.5	2.5
1.0	1.0	1.0	1.0	1.0	1.0
19.0	20.0	20.0	20.0	20.0	20.0
2.8	2.8	2.8	2.8	2.8	2.8
1.5	1.5	1.5	1.5	1.5	1.5
<u>105.6</u>	<u>108.1</u>	<u>109.6</u>	<u>111.1</u>	<u>110.1</u>	<u>108.6</u>

CITY OF WHARTON, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2013	2014	2015	2016
General government				
Building permits issued	706	415	666	701
Building inspections conducted	1,663	1,318	861	746
Public safety				
Police				
Physical arrests	1,399	1,112	1,347	2,047
Traffic violations	3,295	4,677	6,701	8,748
Fire				
Fire calls	559	549	551	539
Public works				
Streets (miles)	97	97	97	97
Culture and recreation				
Parks and recreation				
Park rental	40	62	29	41
Community center rentals	217	245	267	352
Swimming pool				
Single admissions	1,449	1,584	1,778	1,980
Season passes	23	12	7	6
Aerobics	20	24	26	18
Swim lessons	54	45	52	15
Party rentals	2	2	1	1
Water and wastewater				
Water				
New connections/taps	4	5	10	8
Average daily consumption	1.3mgd	1.0mgd	1.1mgd	1.0mgd
Peak daily consumption	2.3mgd	2.0mgd	2.1mgd	2.0mgd
Wastewater				
Average daily sewage treatment	.88 mgd	.76 mgd	.87 mgd	.91 mgd
EMS				
Ambulance loads	3,253	3,326	3,770	3,545

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

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

Traffic violations activity increased in FY22 due to normalization of staff levels after COVID-19.

Fiscal Year					
2017	2018	2019	2020	2021	2022
799	479	364	1,155	1,163	1,102
1,264	1,538	1,210	1,284	1,414	1,042
1,095	868	922	833	672	873
8,677	6,826	6,504	2,432	1,653	4,888
600	438	457	445	397	553
97	97	97	97	97	97
18	25	45	15	32	29
388	351	337	130	224	232
1,364	1,422	1,602	-	2,313	1,827
3	5	5	-	8	7
24	21	27	-	64	41
35	20	30	-	-	-
3	6	7	-	7	10
-	-	-	12	8	5
1.6 mgd	1.2 mgd	1.1 mgd	1.2 mgd	1.2 mgd	1.2 mgd
1.7 mgd	1.6 mgd	1.49 mgd	1.41 mgd	1.57 mgd	1.4 mgd
1 mgd	.97 mgd	1.02 mgd	.92 mgd	1.20 mgd	0.80 mgd
3,490	3,248	3,244	3,211	3,410	3,473

CITY OF WHARTON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2013	2014	2015	2016
Public safety				
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	97.0	97.0	97.0	97.0
Streetlights	858	858	858	858
Pedestrian crosswalks	8	8	8	8
Culture and recreation				
Acreage	92	92	92	92
Parks	11	11	11	11
Baseball/softball diamonds	5	5	5	5
Community centers	1	1	1	1
Swimming pools	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	80.5	80.5	80.5	80.5
Fire hydrants	481	481	482	482
Storage capacity	3.5mgd	3.5mgd	3.5mgd	3.5mgd
Wastewater				
Sanitary sewers (miles)	84	84	84	84
Storm sewers (miles)	15	15	15	15
Treatment capacity	2.0mgd	2.0mgd	2.0mgd	2.0mgd

Fiscal Year						
2017	2018	2019	2020	2021	2022	
1	1	1	1	1	1	1
9	9	9	10	10	10	10
1	1	1	1	1	1	1
97.0	97.0	97.0	97.0	97.0	97.0	97.0
858	858	858	887	902	902	902
8	8	8	8	-	-	-
92	92	92	92	92	92	92
11	11	11	11	11	11	11
5	5	5	5	5	5	5
1	1	1	1	1	1	1
1	1	1	1	1	1	1
80.5	80.5	80.5	80.5	80.5	80.5	80.5
482	482	482	482	482	482	482
3.5 mgd	3.5 mgd	3.5 mgd	3.5 mgd	3.5 mgd	3.5 mgd	3.5 mgd
84	84	84	84	84	84	84
15	15	15	15	15	15	15
2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd	2.0 mgd

SINGLE AUDIT SECTION



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

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wharton, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 12, 2023. The financial statements of the Wharton Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harrison, Waldrop & Uherek, LLP

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

September 12, 2023



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

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

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Wharton, Texas (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Handwritten signature in black ink that reads "Harrison, Waldrop & Uherek, LLP". The signature is written in a cursive, flowing style.

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

September 12, 2023

CITY OF WHARTON, TEXAS*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the year ended September 30, 2022*

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Other Award Number
FEDERAL EXPENDITURES		
U. S. Department of Housing and Urban Development		
<i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i>		
Community Development Block Grant	14.228	7220499
Community Development Block Grant	14.228	CDM21-0262
<i>Total passed through the Texas Department of Agriculture - Office of Rural Affairs</i>		
<i>Passed Through the Texas General Land Office</i>		
Community Development Block Grant	14.228	19-076-050-B703
Community Development Block Grant	14.228	20-065-081-C234
Community Development Block Grant	14.228	20-065-005-C034
<i>Total passed through the Texas General Land Office</i>		
Total U.S. Department of Housing and Urban Development		
U. S. Department of Transportation		
<i>Passed Through the Texas Department of Transportation</i>		
Airport Improvement Program	20.106	M2213WHRT
State and Community Highway Safety	20.600	N/A
Total U.S. Department of Transportation		
U. S. Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	N/A
Total U.S. Department of Agriculture		
U. S. Department of Justice		
<i>Passed Through the Office of the Governor</i>		
<i>Criminal Justice Division</i>		
Crime Victim Assistance	16.575	VA20-PY21
Total U.S. Department of Justice		
U. S. Department of Treasury		
<i>Passed Through the Texas Division of Emergency Management</i>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19
Total U.S. Department of Treasury		

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 17,981	\$ -	\$ 17,981	\$ -		
12,150	-	12,150	-		
<u>30,131</u>	<u>-</u>	<u>30,131</u>	<u>-</u>		
190,039	-	190,039	-		
50,566	-	50,566	-		
12,650	-	12,650	-		
<u>253,255</u>	<u>-</u>	<u>253,255</u>	<u>-</u>		
<u>283,386</u>	<u>-</u>	<u>283,386</u>	<u>-</u>		
50,000	-	50,000	-		
2,397	-	2,397	-	<i>Highway Safety Cluster</i>	
<u>52,397</u>	<u>-</u>	<u>52,397</u>	<u>-</u>		
<u>3,212,961</u>	<u>-</u>	<u>3,212,961</u>	<u>-</u>		4
<u>3,212,961</u>	<u>-</u>	<u>3,212,961</u>	<u>-</u>		
<u>63,014</u>	<u>-</u>	<u>63,014</u>	<u>-</u>		
<u>63,014</u>	<u>-</u>	<u>63,014</u>	<u>-</u>		
<u>65,964</u>	<u>-</u>	<u>65,964</u>	<u>-</u>		
<u>65,964</u>	<u>-</u>	<u>65,964</u>	<u>-</u>		

(continued)

CITY OF WHARTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>Other Award Number</u>
FEDERAL EXPENDITURES - (Continued)		
U. S. Department of Homeland Security		
<i>Passed Through the Texas Division of Emergency Management</i>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4586-318
Hazard Mitigation Grant	97.039	DR-4332-0105
Hazard Mitigation Grant	97.039	DR-4332-57
Total U.S. Department of Homeland Security		
TOTAL FEDERAL EXPENDITURES		

See accompanying notes to schedule of expenditures of federal awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 12,345	\$ -	\$ 12,345	\$ -		
681,700	-	681,700	-		
98,242	-	98,242	-		
779,942	-	779,942	-		
792,287	-	792,287	-		
\$ 4,470,009	\$ -	\$ 4,470,009	\$ -		

(concluded)

CITY OF WHARTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City, under programs of the federal government for the year ended September 30, 2022 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3: INDIRECT COST RATE

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

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

The City had the following federal expenditures that have been or will be funded by loans from U.S. Department of Agriculture for the fiscal year ended September 30, 2022.

Water and Waste Disposal Systems for Rural Communities - ALN 10.760 - \$3,212,961

CITY OF WHARTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

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

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

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

yes no

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Major Programs or Cluster</i>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

CITY OF WHARTON, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2022

None were reported.