



Annual Financial Report

**For the Fiscal Year Ended
September 30, 2023**

TABLE OF CONTENTS

	<u>Page</u>
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

SINGLE AUDIT SECTIONIndependent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of FinancialStatements Performed in Accordance With *Government Auditing Standards* 113Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance Required
by the Uniform Guidance

115

Schedule of Expenditures of Federal Awards 118

Notes to Schedule of Expenditures of Federal Awards..... 122

Schedule of Findings and Questioned Costs 123

Corrective Action Plan 125

Schedule of Status of Prior Audit Findings..... 126

FINANCIAL SECTION



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

STEPHEN W. VAN MANEN, CPA
DENNIS C. CHAL, 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, 2023, 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, 2023 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2025, 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, LLP

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

March 14, 2025

CITY OF WHARTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 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, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review 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, 2023, by \$39,456,670. Of this amount, \$2,221,078 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$16,685,282 for the fiscal year. The net expense was \$1,959,981.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$2,459,503. This represents an 17% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2023, the City's governmental funds reported combined ending fund balances of \$6,258,659, a net decrease of \$1,300,598 in comparison with prior year. The overall net decrease in fund balance was mainly due to the \$709,574 decrease in the Disaster Relief Fund as a result of spending unavailable grant funds under the modified accrual basis of accounting and the \$598,023 decrease in the TWDB Drainage Fund as a result of spending debt proceeds.
- At September 30, 2023, unassigned fund balance for the General Fund was \$3,375,980 or 44% of total General Fund expenditures.
- The City's investment in capital assets for governmental and business-type activities had a net increase of \$2,592,540 or 5% from the prior year, due mainly to various projects in construction.
- The City's long-term liabilities for governmental and business-type activities had a net decrease of \$907,584 or 5% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

Independent Auditors' Report

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

Management's Discussion and Analysis

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

Pages 4 to 16

Government-wide Financial Statements

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

Pages 17 to 20

Fund Financial Statements

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

Pages 21 to 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 2023. 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, 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 \$39,456,670 at the close of the fiscal year ended September 30, 2023.

At the end of fiscal year 2023, 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	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 13,303,237	\$ 13,790,973	\$ 13,449,765	\$ 12,250,526	\$ 26,753,002	\$ 26,041,499
Capital assets (net)	28,751,468	27,549,871	27,218,224	25,827,281	55,969,692	53,377,152
Other noncurrent assets	9,253,477	10,452,113	(90,644)	254,238	9,162,833	10,706,351
Total assets	51,308,182	51,792,957	40,577,345	38,332,045	91,885,527	90,125,002
Total deferred out- flows of resources	1,320,739	407,980	911,946	75,352	2,232,685	483,332
Long-term liabilities	30,256,417	31,113,917	16,749,310	16,799,394	47,005,727	47,913,311
Other liabilities	4,942,901	5,274,216	2,481,633	2,563,053	7,424,534	7,837,269
Total liabilities	35,199,318	36,388,133	19,230,943	19,362,447	54,430,261	55,750,580
Total deferred in- flows of resources	72,814	915,518	158,467	617,500	231,281	1,533,018
Net Position:						
Net investment						
in capital assets	17,472,313	14,581,873	19,185,114	14,029,415	36,657,427	28,611,288
Restricted	578,165	437,156	-	-	578,165	437,156
Unrestricted	(693,689)	(121,743)	2,914,767	4,398,035	2,221,078	4,276,292
Total net position	\$ 17,356,789	\$ 14,897,286	\$ 22,099,881	\$ 18,427,450	\$ 39,456,670	\$ 33,324,736

The largest portion of the City's net position (93%) 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 \$578,165 for debt service and for special projects related to general government, culture and recreation, municipal court, and public safety. The remaining balance of \$2,221,078 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	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 416,611	\$ 810,323	\$ 8,959,417	\$ 8,321,353	\$ 9,376,028	\$ 9,131,676
Operating grants and contributions	324,326	541,746	1,894,546	1,956,156	2,218,872	2,497,902
Capital grants and contributions	2,398,029	15,780,831	732,372	138,308	3,130,401	15,919,139
General revenues:						
Property taxes	2,592,110	2,357,456	-	-	2,592,110	2,357,456
Sales taxes	2,023,740	1,833,798	-	-	2,023,740	1,833,798
Franchise taxes	1,163,765	1,154,879	-	-	1,163,765	1,154,879
Other taxes	294,203	239,450	-	-	294,203	239,450
Unrestricted investment earnings	160,846	46,612	225,990	27,169	386,836	73,781
Industrial district payment	1,503,285	1,678,320	-	-	1,503,285	1,678,320
Miscellaneous	127,976	75,723	-	-	127,976	75,723
Total revenues	11,004,891	24,519,138	11,812,325	10,442,986	22,817,216	34,962,124
EXPENSES						
General government	1,492,143	1,451,232	-	-	1,492,143	1,451,232
Public safety	4,388,116	3,858,347	-	-	4,388,116	3,858,347
Public works	2,259,768	17,362,145	-	-	2,259,768	17,362,145
Cultural and recreation	223,442	169,138	-	-	223,442	169,138
Interest on long-term debt	385,618	514,373	-	-	385,618	514,373
Water and sewer	-	-	3,456,511	3,459,698	3,456,511	3,459,698
Solid waste	-	-	1,495,554	1,491,474	1,495,554	1,491,474
Emergency medical services	-	-	2,289,834	2,061,171	2,289,834	2,061,171
Civic center	-	-	312,837	326,077	312,837	326,077
Airport	-	-	381,459	342,984	381,459	342,984
Total expenses	8,749,087	23,355,235	7,936,195	7,681,404	16,685,282	31,036,639
Change in net position before transfers	2,255,804	1,163,903	3,876,130	2,761,582	6,131,934	3,925,485
Transfers	203,699	200,633	(203,699)	(200,633)	-	-
Change in net position	2,459,503	1,364,536	3,672,431	2,560,949	6,131,934	3,925,485
Net position - October 1	14,897,286	13,532,750	18,427,450	15,866,501	33,324,736	29,399,251
Net position - September 30	\$ 17,356,789	\$ 14,897,286	\$ 22,099,881	\$ 18,427,450	\$ 39,456,670	\$ 33,324,736

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The overall increase in the City's net position is \$6,131,934, which consists of an increase of \$2,459,503 in governmental activities and an increase of \$3,672,431 in business-type activities.

Governmental Activities

Governmental activities increased the City's net position by \$2,459,503. Key elements of this net increase are as follows:

- Charges for services decreased by \$393,712 or 49% from prior year, primarily due to decreased activity in licenses and permits issued.
- Capital grants and contributions decreased by \$13,382,802 or 85% 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 in prior year.
- Public safety expenses increased by \$529,769 or 14% from prior year, primarily due to the recognition of pension expense.
- Public works expenses decreased by \$15,102,377 or 87% due to decreased expense activity relating to the FM 1301 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	\$ 1,492,143	17.05%	\$ 1,264,326	40.28%	\$ (227,817)
Public safety	4,388,116	50.16%	295,444	9.41%	(4,092,672)
Public works	2,259,768	25.83%	1,578,946	50.30%	(680,822)
Cultural and recreation	223,442	2.55%	250	0.01%	(223,192)
Interest on long-term debt	385,618	4.41%	-	0.00%	(385,618)
Total	<u>\$ 8,749,087</u>	<u>100.00%</u>	<u>\$ 3,138,966</u>	<u>100.00%</u>	<u>\$ (5,610,121)</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	\$ 416,611	3.72%
Operating grants and contributions	324,326	2.89%
Capital grants and contributions	2,398,029	21.39%
Property taxes	2,592,110	23.13%
Sales taxes	2,023,740	18.06%
Franchise taxes	1,163,765	10.38%
Other taxes	294,203	2.62%
Unrestricted investment earnings	160,846	1.44%
Industrial district payment	1,503,285	13.41%
Miscellaneous	127,976	1.14%
Transfers	203,699	1.82%
	<u>\$11,208,590</u>	<u>100.00%</u>

Business-type Activities

Business-type activities increased the City's net position by \$3,672,431. Key elements of this net increase are as follows:

- Charges for services increased \$638,064 or 8% from the prior year, primarily due to a 10% increase in water and sewer rates.
- Capital grants and contributions increased \$594,064 or 430% from the prior year, primarily due to recognition of Coronavirus grant funding as well as additional contributions from the Wharton Economic Development Corporation for sewer improvements.
- Emergency medical services expenses increased \$228,663 or 11% from the prior year, primarily due to an increase in personnel expenses.

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	\$ 3,456,511	43.56%	\$ 6,583,931	56.82%	\$ 3,127,420
Solid waste	1,495,554	18.84%	1,705,749	14.72%	210,195
Emergency medical services	2,289,834	28.85%	2,893,693	24.98%	603,859
Civic center	312,837	3.94%	76,244	0.66%	(236,593)
Airport	381,459	4.81%	326,718	2.82%	(54,741)
Total	<u>\$ 7,936,195</u>	<u>100.00%</u>	<u>\$ 11,586,335</u>	<u>100.00%</u>	<u>\$ 3,650,140</u>

City of Wharton, Texas

Revenues by Source - Business-type Activities

<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 8,959,417	77.17%
Operating grants and contributions	1,894,546	16.32%
Capital grants and contributions	732,372	6.31%
Unrestricted investment earnings	225,990	1.95%
Transfers	<u>(203,699)</u>	<u>(1.75%)</u>
	<u>\$ 11,608,626</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 2023, the City's governmental funds reported combined ending fund balances of \$6,258,659, a decrease of \$1,300,598 or 17% in comparison with prior year. The General Fund ended the fiscal year with an increase of \$140,542, the Debt Service Fund increased \$58,563, the Disaster Relief Fund decreased \$709,574, and the TWDB Drainage Fund decreased \$598,023.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2023, unassigned fund balance of the General Fund was \$3,375,980, while total fund balance was \$3,536,944. 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 44% of the total General Fund expenditures, while total fund balance represents 46% of that same amount.

The fund balance of the City's General Fund increased \$140,542 during the current fiscal year. The factors related to the increase included a \$375,211 increase in ad valorem and sales tax revenues offset by a \$323,052 decrease in license and permit revenues, as well as a \$266,791 increase in capital outlay offset by a \$364,447 increase in debt issued. The Debt Service Fund experienced an increase in fund balance during fiscal year 2023 due to excess tax revenues and transfers in over debt service expenditures. The Disaster Relief Fund experienced a decrease in fund balance during fiscal year 2023 due to the spending of grant monies on the generator project for the Water and Sewer Fund. The TWDB Drainage Fund experienced a decrease in fund balance during fiscal year 2023 due to the spending of debt proceeds.

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	\$ 1,132,931
Solid waste	196,713
Emergency medical services	1,652,148
Civic center	(233,629)
Airport	166,604
	<u>\$ 2,914,767</u>

This represents a decrease of \$1,483,268 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 2023 General Fund original budget and fiscal year 2023 General Fund final amended budget were an increase in revenues of \$85,611, an increase in expenditures of \$43,176, and an increase in other financing sources (uses) of \$32,063. A few of the differences are briefly summarized as follows:

- An increase in sales tax of \$342,000 of additional tax received.
- A decrease of \$68,000 of ad valorem tax received.
- A decrease of \$28,000 in building permit revenue, primarily due to a decrease in development.
- A decrease of \$100,000 in plan review revenue, primarily due to a decrease in development.
- A decrease in fines and forfeitures of \$74,000 was attributed to a reduction in fines and criminal traffic fees and related administrative fees.
- An increase in investment income of \$90,000 due to investing the additional funds.
- An increase of \$18,000 in finance department for dues and professional fees.
- An increase of \$24,000 in central services for part-time IT personnel and an increase in equipment maintenance.
- A decrease of \$70,000 in the police department, attributed to salary and related benefits due to available positions not being filled.
- A decrease of \$9,000 in the fire department, attributed to part-time fire maintenance personnel not requiring full-time benefits and a decrease in building and radio maintenance.
- A decrease of \$42,000 in communications, attributed to salary and benefits decrease due to available positions not being filled.
- An increase of \$24,000 in the pool department for pool supplies, maintenance, and utilities.
- An increase in capital outlay expenditures of \$130,000 due to non-budgeting of additional capital items.

For fiscal year 2023, the General Fund's actual revenues were \$291,544 less than the final amended budget and actual expenditures were \$77,952 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 negative variance in the Industrial District fee of \$176,296 attributed to a change in the calculation of the contract fee and a \$112,613 decrease in license and permits. The most significant variances between the General Fund's actual expenditures compared to the final amended budget was the recording of a street sweeper into capital outlay in the amount of \$364,477 and a decrease of \$79,547 in the police department for unfilled positions. Also, there was a \$115,906 decrease in the code enforcement department for salary and benefits for an unfilled position, a decrease in supplies as well as a decrease in professional services due to less development anticipated. The grants department also decreased as compared to the final budget by \$69,808 due to fewer grant expenditures than anticipated. For all other departments within general government, public safety, public works, and culture and recreation, actual expenditures were less than the 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 pages 85, 109, and 110.

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, 2023, amounts to \$55,969,692 (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 5% (a 4% increase for governmental activities and a 5% increase for business-type activities).

City of Wharton, Texas

Capital Assets (Net of Depreciation and Amortization)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 9,133,268	\$ 8,548,518	\$ 319,093	\$ 319,093	\$ 9,452,361	\$ 8,867,611
Construction in progress	8,154,484	7,405,232	8,101,292	6,255,434	16,255,776	13,660,666
Machinery and equipment	1,966,815	1,828,893	977,592	945,195	2,944,407	2,774,088
Land improvements	-	-	965,296	990,100	965,296	990,100
Bldgs. and improvements	2,324,568	2,462,048	4,643,488	4,757,026	6,968,056	7,219,074
Infrastructure	7,157,459	7,274,721	-	-	7,157,459	7,274,721
Water and sewer system	-	-	11,927,796	12,239,285	11,927,796	12,239,285
Right-to-Use lease assets	14,874	30,459	283,667	321,148	298,541	351,607
Total	<u>\$ 28,751,468</u>	<u>\$ 27,549,871</u>	<u>\$ 27,218,224</u>	<u>\$ 25,827,281</u>	<u>\$ 55,969,692</u>	<u>\$ 53,377,152</u>

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, 2023, consisted of the following:
 - Land additions of \$584,750 relating to property acquired for the flood reduction project.
 - Infrastructure additions include street improvement projects in the amount of \$342,353.
 - Construction in progress of \$8,154,484 primarily includes \$6,631,976 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: street sweeper, police equipment, maintenance equipment, and various other items.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2023, consisted of the following:
 - Projects in progress at September 30, 2023 include the following: Water and sewer projects of \$7,373,199 and projects paid for from the Qualified Energy Conservation Bonds of \$728,093.
 - Water and sewer system improvement additions include various water line improvements.
 - Machinery and equipment additions include miscellaneous EMS, civic center, and water and sewer vehicles and equipment.

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 2023, the City had total bonded debt outstanding of \$30,505,025 (including unamortized deferred issuance premiums) of which 100% is backed by the full faith and credit of the government. In addition, the City had outstanding \$3,588,000 in revenue bonds, \$4,170,000 in tax notes, \$5,437,996 in State Infrastructure loan, \$364,447 in financed purchase payable, \$262,473 in right-to-use leases, \$2,040,760 in net pension liability, \$264,159 in OPEB liability, and \$372,867 in compensated absences as of September 30, 2023.

City of Wharton, Texas			
Long-term Debt			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 3,831,835	\$ 983,165	\$ 4,815,000
Issuance premiums	485,658	284,691	770,349
Certificates of obligation	19,597,278	4,478,722	24,076,000
Revenue bonds	-	3,588,000	3,588,000
Qualified energy cons. bonds	236,728	606,948	843,676
Tax notes	4,109,200	60,800	4,170,000
State infrastructure loan	-	5,437,996	5,437,996
Financed purchase payable	364,447	-	364,447
Right-to-Use leases	14,313	248,160	262,473
Net pension liability	1,224,456	816,304	2,040,760
OPEB liability	158,495	105,664	264,159
Compensated absences	234,007	138,860	372,867
Total	<u>\$ 30,256,417</u>	<u>\$ 16,749,310</u>	<u>\$ 47,005,727</u>

The City's total long-term liabilities decreased by \$907,584 or 5% from the prior fiscal year. The key factors in this net decrease were:

- The City entered into a financed purchase agreement to purchase a street sweeper in the amount of \$364,447.
- Payments made on the certificates and bonds during fiscal year 2023 totaled \$1,717,501.
- Payments made on the tax notes during fiscal year 2023 totaled \$1,170,000.
- Payments made on the State Infrastructure Loan during fiscal year 2023 totaled \$110,000.
- Net pension liability increased by \$3,415,594 (from a net pension asset in the prior year of \$1,374,834).

The City entered into an agreement with the Texas Department of Transportation (TxDOT) to construct Farm to Market 1301 to U.S. Highway 59 for \$15 million. The City obtained a loan for this construction. At this time, the outstanding loan is \$14,400,000 and TxDOT has been paid the full contracted amount and the road is complete. The road is maintained by TxDOT. The City has obtained in exchange FM 102, which will become a City street and the value of this street is yet to be determined.

Payments made on the Qualified Energy Conservation project of \$503,000 have been made in FY2024 and the project is complete.

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 2023 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 of 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 Wharton area. Phase 2 of the levee project is designed at 90% and 100% funding for this portion has also been granted through the Cost Control Board of the U.S. Government at an estimated cost of \$230 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:

- Grant funding through private and non-profit organizations related to housing for the citizens.
- Drainage infrastructure improvements through grant funding.

The following initiatives are completed:

- Farm to Market 102 Relocation or Farm to Market 1301 to U.S. Highway 59 and Railroad Overpass Project was completed in February 2025.
- Utility cost reduction measures with the 2015 issuance of the Qualified Energy Conservation Bonds were completed in FY2024.
- Sustainable future drinking water supply funded through a USDA loan for a water well plant was completed in FY2025.

Factors affecting the 2023-2024 General Fund budget were as follows:

- Net taxable assessed value before freeze for tax year 2023 increased by \$60,434,080 or 9% to approximately \$712 million.
- The top ten principal taxpayers account for 23% of the total assessed valuation as compared to 25% nine years ago.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2024 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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 12,230,091	\$ 10,379,424	\$ 22,609,515	\$ 946,311
Investments	-	-	-	240,000
Receivables, net	450,326	909,384	1,359,710	-
Internal balances	(1,833,950)	1,833,950	-	-
Due from component unit	16,725	200	16,925	-
Due from other governments	2,259,081	47,915	2,306,996	173,253
Interlocal receivable - current portion	150,000	-	150,000	-
Lease receivable - current portion	-	18,684	18,684	-
Prepaid items	14,273	-	14,273	4,582
Land held for sale	-	-	-	329,524
Inventory	16,691	117,171	133,862	2,000
Restricted assets				
Cash and cash equivalents	-	143,037	143,037	-
Total current assets	13,303,237	13,449,765	26,753,002	1,695,670
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	17,287,752	8,420,385	25,708,137	98,834
Buildings, infrastructure, and equipment, net	11,448,842	18,514,172	29,963,014	3,232
Right-to-Use lease assets, net	14,874	283,667	298,541	-
Net capital assets	28,751,468	27,218,224	55,969,692	102,066
Interlocal receivable - noncurrent portion	9,123,477	-	9,123,477	-
Lease receivable - noncurrent portion	-	39,356	39,356	-
Noncurrent internal balances	130,000	(130,000)	-	-
Total noncurrent assets	38,004,945	27,127,580	65,132,525	102,066
Total assets	51,308,182	40,577,345	91,885,527	1,797,736
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	45,676	9,458	55,134	-
Deferred outflow related to OPEB	34,757	25,140	59,897	-
Deferred outflow related to pension	1,240,306	877,348	2,117,654	-
Total deferred outflows of resources	1,320,739	911,946	2,232,685	-

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	\$ 1,052,974	\$ 1,385,498	\$ 2,438,472	\$ 13,281
Accrued expenditures/expenses	65,707	41,373	107,080	-
Due to primary government	-	-	-	16,925
Due to other governments	25,185	9,460	34,645	-
Deposits	1,435	257,903	259,338	-
Accrued interest payable	142,916	89,679	232,595	-
Compensated absences	23,401	13,890	37,291	-
Unearned revenue	3,654,684	697,720	4,352,404	-
Current portion of long-term obligations	2,355,304	823,445	3,178,749	150,000
Total current liabilities	7,321,606	3,318,968	10,640,574	180,206
Noncurrent liabilities				
Compensated absences	210,606	124,970	335,576	-
OPEB liability	158,495	105,664	264,159	-
Net pension liability	1,224,456	816,304	2,040,760	-
Noncurrent portion of long-term obligations	26,284,155	14,865,037	41,149,192	9,123,477
Total noncurrent liabilities	27,877,712	15,911,975	43,789,687	9,123,477
Total liabilities	35,199,318	19,230,943	54,430,261	9,303,683
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to right-to-use lease receivable	-	57,671	57,671	-
Deferred inflow related to OPEB	72,814	48,046	120,860	-
Deferred inflow related to pension	-	52,750	52,750	-
Total deferred inflows of resources	72,814	158,467	231,281	-
NET POSITION				
Net investment in capital assets	17,472,313	19,185,114	36,657,427	102,066
Restricted for:				
Debt service	347,953	-	347,953	-
General government	45,912	-	45,912	-
Cultural and recreation	85,492	-	85,492	-
Municipal court	82,590	-	82,590	-
Public safety	16,218	-	16,218	-
Unrestricted net position	(693,689)	2,914,767	2,221,078	(7,608,013)
Total net position	\$ 17,356,789	\$ 22,099,881	\$ 39,456,670	\$ (7,505,947)

CITY OF WHARTON, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,492,143	\$ 409,404	\$ 109,053	\$ 745,869
Public safety	4,388,116	6,957	182,023	106,464
Public works	2,259,768	-	33,250	1,545,696
Cultural and recreation	223,442	250	-	-
Interest on long-term debt	385,618	-	-	-
Total governmental activities	<u>8,749,087</u>	<u>416,611</u>	<u>324,326</u>	<u>2,398,029</u>
Business-type activities				
Water and sewer	3,456,511	5,851,455	104	732,372
Solid waste	1,495,554	1,705,749	-	-
Emergency medical services	2,289,834	1,034,638	1,859,055	-
Civic center	312,837	76,244	-	-
Airport	381,459	291,331	35,387	-
Total business-type activities	<u>7,936,195</u>	<u>8,959,417</u>	<u>1,894,546</u>	<u>732,372</u>
Total primary government	<u>\$ 16,685,282</u>	<u>\$ 9,376,028</u>	<u>\$ 2,218,872</u>	<u>\$ 3,130,401</u>
Component Unit				
Wharton Economic Development Corporation	<u>\$ 1,051,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Sales taxes

 Franchise taxes

 Other taxes

Unrestricted investment earnings

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			
Governmental Activities	Business- type Activities	Total	Wharton Economic Development Corporation
\$ (227,817)	\$ -	\$ (227,817)	\$ -
(4,092,672)	-	(4,092,672)	-
(680,822)	-	(680,822)	-
(223,192)	-	(223,192)	-
(385,618)	-	(385,618)	-
<u>(5,610,121)</u>	<u>-</u>	<u>(5,610,121)</u>	<u>-</u>
			-
-	3,127,420	3,127,420	-
-	210,195	210,195	-
-	603,859	603,859	-
-	(236,593)	(236,593)	-
-	(54,741)	(54,741)	-
<u>-</u>	<u>3,650,140</u>	<u>3,650,140</u>	<u>-</u>
<u>(5,610,121)</u>	<u>3,650,140</u>	<u>(1,959,981)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,051,344)</u>
755,472	-	755,472	-
1,836,638	-	1,836,638	-
2,023,740	-	2,023,740	1,011,870
1,163,765	-	1,163,765	-
294,203	-	294,203	-
160,846	225,990	386,836	21,839
1,503,285	-	1,503,285	-
127,976	-	127,976	41,797
203,699	(203,699)	-	-
<u>8,069,624</u>	<u>22,291</u>	<u>8,091,915</u>	<u>1,075,506</u>
2,459,503	3,672,431	6,131,934	24,162
<u>14,897,286</u>	<u>18,427,450</u>	<u>33,324,736</u>	<u>(7,530,109)</u>
\$ 17,356,789	\$ 22,099,881	\$ 39,456,670	\$ (7,505,947)

CITY OF WHARTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Disaster Relief</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,734,382	\$ 93,646	\$ -
Receivables, net	246,485	131,272	-
Due from other funds	2,047,955	261,130	72,285
Due from component unit	16,725	-	-
Due from other governments	469,812	5,421	1,138,732
Advances to other funds	130,000	-	-
Prepaid items	14,273	-	-
Inventory	16,691	-	-
Total assets	<u>\$ 5,676,323</u>	<u>\$ 491,469</u>	<u>\$ 1,211,017</u>
LIABILITIES			
Accounts payable	\$ 313,089	\$ 600	\$ 189,122
Accrued expenditures	65,707	-	-
Due to other funds	169,963	-	1,543,765
Due to other governments	25,185	-	-
Deposits	1,435	-	-
Unearned revenue	1,254,527	-	-
Total liabilities	<u>1,829,906</u>	<u>600</u>	<u>1,732,887</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	309,473	131,272	1,138,732
Total deferred inflows of resources	<u>309,473</u>	<u>131,272</u>	<u>1,138,732</u>
FUND BALANCES			
Nonspendable	160,964	-	-
Restricted	-	359,597	-
Committed	-	-	-
Unassigned	3,375,980	-	(1,660,602)
Total fund balances	<u>3,536,944</u>	<u>359,597</u>	<u>(1,660,602)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,676,323</u>	<u>\$ 491,469</u>	<u>\$ 1,211,017</u>

The accompanying notes are an integral part of this statement.

<u>TWDB Drainage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,512,183	\$ 4,889,880	\$ 12,230,091
-	72,569	450,326
-	1,250,459	3,631,829
-	-	16,725
-	645,116	2,259,081
-	-	130,000
-	-	14,273
-	-	16,691
<u>\$ 4,512,183</u>	<u>\$ 6,858,024</u>	<u>\$ 18,749,016</u>
 \$ 249,229	 \$ 300,934	 \$ 1,052,974
-	-	65,707
-	3,752,051	5,465,779
-	-	25,185
-	-	1,435
2,400,157	-	3,654,684
<u>2,649,386</u>	<u>4,052,985</u>	<u>10,265,764</u>
 -	 645,116	 2,224,593
<u>-</u>	<u>645,116</u>	<u>2,224,593</u>
 -	 -	 160,964
1,862,797	3,564,911	5,787,305
-	377,084	377,084
-	(1,782,072)	(66,694)
<u>1,862,797</u>	<u>2,159,923</u>	<u>6,258,659</u>
<u>\$ 4,512,183</u>	<u>\$ 6,858,024</u>	<u>\$ 18,749,016</u>

CITY OF WHARTON, TEXAS**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION****OF GOVERNMENTAL ACTIVITIES***September 30, 2023*

Total governmental fund balances	\$ 6,258,659
---	---------------------

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

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.	221,078
--	---------

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.	2,003,515
---	-----------

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	\$ 47,776,059	
Accumulated depreciation and amortization of governmental capital and right-to-use-lease assets	<u>(19,024,591)</u>	28,751,468

Interlocal receivable on repayment of debt is not a current financial resource and, therefore, is not reported on the fund financial statements.	9,273,477
--	-----------

Deferred outflows of resources are not reported in the governmental funds:

Deferred amount on refunding	45,676	
Deferred amount on OPEB	34,757	
Deferred amount on pension	<u>1,240,306</u>	1,320,739

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and certificates payable	(23,665,841)	
Bond premiums	(485,658)	
Tax notes	(4,109,200)	
Financed purchase payable	(364,447)	
Right-to-use lease liability	(14,313)	
Net pension liability	(1,224,456)	
OPEB liability	(158,495)	
Accrued interest payable	(142,916)	
Compensated absences	<u>(234,007)</u>	(30,399,333)

Deferred inflows of resources are not reported in the governmental funds:

Deferred amount on OPEB	<u>(72,814)</u>
-------------------------	-----------------

Net position of governmental activities	<u>\$ 17,356,789</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, 2023*

	General	Debt Service	Disaster Relief
REVENUES			
Taxes	\$ 3,953,979	\$ 1,851,442	\$ -
Licenses and permits	220,428	-	-
Intergovernmental	237,130	-	159,402
Charges for services	23,229	-	-
Fines and forfeitures	156,863	-	-
Investment income	106,999	1,669	-
Industrial district fee	1,503,285	-	-
Miscellaneous	61,440	150,000	-
Total revenues	<u>6,263,353</u>	<u>2,003,111</u>	<u>159,402</u>
EXPENDITURES			
Current			
General government	1,283,396	-	-
Public safety	3,968,904	-	-
Public works	1,571,048	-	-
Cultural and recreation	109,940	-	-
Capital outlay	701,366	-	832,347
Debt service			
Principal retirement	-	2,198,241	35,150
Interest and fiscal charges	-	444,987	1,479
Total expenditures	<u>7,634,654</u>	<u>2,643,228</u>	<u>868,976</u>
Excess (deficiency) of revenues over expenditures	(1,371,301)	(640,117)	(709,574)
OTHER FINANCING SOURCES (USES)			
Debt issued	364,447	-	-
Transfers in	1,180,144	698,680	-
Transfers out	(32,748)	-	-
Total other financing sources (uses)	<u>1,511,843</u>	<u>698,680</u>	<u>-</u>
Net change in fund balances	140,542	58,563	(709,574)
Fund balances at beginning of year	<u>3,396,402</u>	<u>301,034</u>	<u>(951,028)</u>
Fund balances at end of year	<u>\$ 3,536,944</u>	<u>\$ 359,597</u>	<u>\$ (1,660,602)</u>

The accompanying notes are an integral part of this statement.

<u>TWDB Drainage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 294,203	\$ 6,099,624
-	-	220,428
-	1,302,722	1,699,254
-	-	23,229
-	14,612	171,475
-	52,178	160,846
-	-	1,503,285
-	26,437	237,877
-	<u>1,690,152</u>	<u>10,116,018</u>
-	83,022	1,366,418
-	12,064	3,980,968
-	54,981	1,626,029
-	63,929	173,869
598,023	858,232	2,989,968
-	-	2,233,391
-	-	446,466
<u>598,023</u>	<u>1,072,228</u>	<u>12,817,109</u>
(598,023)	617,924	(2,701,091)
-	-	364,447
-	103,700	1,982,524
-	<u>(913,730)</u>	<u>(946,478)</u>
-	<u>(810,030)</u>	<u>1,400,493</u>
(598,023)	(192,106)	(1,300,598)
<u>2,460,820</u>	<u>2,352,029</u>	<u>7,559,257</u>
<u>\$ 1,862,797</u>	<u>\$ 2,159,923</u>	<u>\$ 6,258,659</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, 2023

Total net change in fund balances - governmental funds	\$ (1,300,598)
---	-----------------------

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	\$ 2,237,846	
Depreciation and amortization expense	<u>(1,036,249)</u>	1,201,597

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

Financed purchase payable		(364,447)
---------------------------	--	-----------

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	1,122,591	
Tax notes principal retirement	1,110,800	
Right-to-use lease principal retirement	<u>15,728</u>	2,249,119

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	14,543	
Other revenues	<u>1,024,331</u>	1,038,874

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	27,355	
Decrease in loss on refunding	(10,250)	
Decrease in bond premium	65,797	
Decrease in accrued interest	5,301	
Net OPEB costs	30,515	
Net pension costs	<u>(333,760)</u>	(215,042)

Change in net position of governmental activities	\$ 2,459,503
--	---------------------

The accompanying notes are an integral part of this statement.

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2023

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,112,820	\$ 200,136	\$ 1,935,183
Receivables, net	527,385	185,922	88,617
Due from other funds	2,202,157	62,080	15,049
Due from component unit	-	-	-
Due from other governments	5,850	-	6,678
Lease receivable - current portion	-	-	-
Inventory	64,409	-	-
Restricted assets			
Cash and cash equivalents	143,037	-	-
Total current assets	11,055,658	448,138	2,045,527
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	8,315,928	-	10,575
Buildings, improvements, and equipment, net	12,188,502	-	765,441
Right-to-Use lease assets, net	282,283	-	692
Net capital assets	20,786,713	-	776,708
Lease receivable - noncurrent portion	-	-	-
Total noncurrent assets	20,786,713	-	776,708
Total assets	31,842,371	448,138	2,822,235
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	-	-
Deferred outflow related to OPEB	10,597	-	14,543
Deferred outflow related to pension	222,606	-	566,490
Total deferred outflows of resources	233,203	-	581,033

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 20,483	\$ 110,802	\$ 10,379,424
62,264	45,196	909,384
42,636	64,019	2,385,941
200	-	200
-	35,387	47,915
-	18,684	18,684
-	52,762	117,171
-	-	143,037
<u>125,583</u>	<u>326,850</u>	<u>14,001,756</u>
44,682	49,200	8,420,385
1,531,232	4,028,997	18,514,172
692	-	283,667
<u>1,576,606</u>	<u>4,078,197</u>	<u>27,218,224</u>
-	39,356	39,356
<u>1,576,606</u>	<u>4,117,553</u>	<u>27,257,580</u>
<u>1,702,189</u>	<u>4,444,403</u>	<u>41,259,336</u>
-	9,458	9,458
-	-	25,140
<u>88,252</u>	-	<u>877,348</u>
<u>88,252</u>	<u>9,458</u>	<u>911,946</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2023

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,043,534	\$ 241,397	\$ 69,024
Accrued expenses	12,849	564	24,561
Due to other governments	-	9,460	-
Deposits	230,628	-	-
Accrued interest payable	77,218	-	-
Due to other funds	405,793	-	5,381
Compensated absences	4,784	4	8,871
Unearned revenue	522,720	-	175,000
Current portion of long-term obligations	734,936	-	655
Total current liabilities	3,032,462	251,425	283,492
Noncurrent liabilities			
Advances from other funds	130,000	-	-
Compensated absences	43,053	-	79,838
OPEB liability	39,624	-	66,040
Net pension liability	244,891	-	510,190
Noncurrent portion of long-term obligations	13,769,513	-	-
Total noncurrent liabilities	14,227,081	-	656,068
Total liabilities	17,259,543	251,425	939,560
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to right-to-use lease receivable	-	-	-
Deferred inflow related to OPEB	17,946	-	30,100
Deferred inflow related to pension	47,998	-	4,752
Total deferred inflows of resources	65,944	-	34,852
NET POSITION			
Net investment in capital assets	13,617,156	-	776,708
Unrestricted net position	1,132,931	196,713	1,652,148
Total net position	\$ 14,750,087	\$ 196,713	\$ 2,428,856

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 18,277	\$ 13,266	\$ 1,385,498
2,557	842	41,373
-	-	9,460
26,975	300	257,903
4,561	7,900	89,679
140,781	36	551,991
112	119	13,890
-	-	697,720
33,904	53,950	823,445
<u>227,167</u>	<u>76,413</u>	<u>3,870,959</u>
-	-	130,000
1,009	1,070	124,970
-	-	105,664
61,223	-	816,304
<u>447,684</u>	<u>647,840</u>	<u>14,865,037</u>
<u>509,916</u>	<u>648,910</u>	<u>16,041,975</u>
<u>737,083</u>	<u>725,323</u>	<u>19,912,934</u>
-	57,671	57,671
-	-	48,046
-	-	52,750
<u>-</u>	<u>57,671</u>	<u>158,467</u>
1,286,987	3,504,263	19,185,114
(233,629)	166,604	2,914,767
<u>\$ 1,053,358</u>	<u>\$ 3,670,867</u>	<u>\$ 22,099,881</u>

(concluded)

CITY OF WHARTON, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS***For the year ended September 30, 2023*

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
OPERATING REVENUES			
Charges for services	\$ 5,851,455	\$ 1,705,749	\$ 1,034,638
Total operating revenues	<u>5,851,455</u>	<u>1,705,749</u>	<u>1,034,638</u>
OPERATING EXPENSES			
Personnel	1,033,975	50,334	1,750,704
Materials and supplies	141,285	77	139,332
Repairs and maintenance	454,827	-	103,802
Other services and charges	961,438	1,445,143	188,836
Depreciation and amortization	<u>627,031</u>	<u>-</u>	<u>107,155</u>
Total operating expenses	<u>3,218,556</u>	<u>1,495,554</u>	<u>2,289,829</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	2,632,899	210,195	(1,255,191)
NONOPERATING REVENUES (EXPENSES)			
Noncapital grants and contributions	104	-	1,859,055
Investment income	146,498	228	75,370
Interest and fiscal charges	<u>(237,955)</u>	<u>-</u>	<u>(5)</u>
Total nonoperating revenues (expenses)	<u>(91,353)</u>	<u>228</u>	<u>1,934,420</u>
Income (loss) before transfers and contributions	2,541,546	210,423	679,229
Contributions and transfers			
Capital grants and contributions	1,564,719	-	-
Transfers in	-	-	-
Transfers out	<u>(1,181,732)</u>	<u>-</u>	<u>(98,412)</u>
Total contributions and transfers	<u>382,987</u>	<u>-</u>	<u>(98,412)</u>
Change in net position	2,924,533	210,423	580,817
Net position at beginning of year	<u>11,825,554</u>	<u>(13,710)</u>	<u>1,848,039</u>
Net position at end of year	<u>\$ 14,750,087</u>	<u>\$ 196,713</u>	<u>\$ 2,428,856</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 76,244	\$ 291,331	\$ 8,959,417
<u>76,244</u>	<u>291,331</u>	<u>8,959,417</u>
140,142	66,129	3,041,284
8,972	8,114	297,780
21,664	105,234	685,527
40,666	50,483	2,686,566
<u>87,913</u>	<u>131,038</u>	<u>953,137</u>
<u>299,357</u>	<u>360,998</u>	<u>7,664,294</u>
(223,113)	(69,667)	1,295,123
-	35,387	1,894,546
57	3,837	225,990
<u>(13,480)</u>	<u>(20,461)</u>	<u>(271,901)</u>
<u>(13,423)</u>	<u>18,763</u>	<u>1,848,635</u>
(236,536)	(50,904)	3,143,758
-	-	1,564,719
244,098	-	244,098
<u>-</u>	<u>-</u>	<u>(1,280,144)</u>
<u>244,098</u>	<u>-</u>	<u>528,673</u>
7,562	(50,904)	3,672,431
<u>1,045,796</u>	<u>3,721,771</u>	<u>18,427,450</u>
<u>\$ 1,053,358</u>	<u>\$ 3,670,867</u>	<u>\$ 22,099,881</u>

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2023

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 5,817,898	\$ 1,688,367	\$ 1,000,993
Cash paid to suppliers for goods and services	(1,263,084)	(1,459,149)	(407,628)
Cash paid to employees for services	(1,003,575)	(50,242)	(1,770,913)
Net cash provided (used) by operating activities	<u>3,551,239</u>	<u>178,976</u>	<u>(1,177,548)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowing (repayments) to other funds	66,013	(23,011)	313
Borrowings from (to) component unit	20,919	-	-
Transfers in from other funds	-	-	-
Transfers out to other funds	(1,181,732)	-	(98,412)
Noncapital grants and contributions	104	-	1,852,377
Net cash provided (used) by noncapital financing activities	<u>(1,094,696)</u>	<u>(23,011)</u>	<u>1,754,278</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,342,828)	-	(149,734)
Proceeds from capital grants and contributions	407,888	-	100,000
Principal paid on long-term debt	(755,244)	-	(1,567)
Interest and debt costs paid	(273,138)	-	(5)
Net cash provided (used) by capital and related financing activities	<u>(1,963,322)</u>	<u>-</u>	<u>(51,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	146,498	228	75,370
Net cash provided (used) by investing activities	<u>146,498</u>	<u>228</u>	<u>75,370</u>
Net increase (decrease) in cash and cash equivalents	639,719	156,193	600,794
Cash and cash equivalents at beginning of year	<u>7,616,138</u>	<u>43,943</u>	<u>1,334,389</u>
Cash and cash equivalents at end of year	<u>\$ 8,255,857</u>	<u>\$ 200,136</u>	<u>\$ 1,935,183</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 71,094	\$ 284,630	\$ 8,862,982
(69,073)	(177,081)	(3,376,015)
(166,786)	(65,796)	(3,057,312)
<u>(164,765)</u>	<u>41,753</u>	<u>2,429,655</u>
(350)	(1,037)	41,928
(200)	-	20,719
244,098	-	244,098
-	-	(1,280,144)
<u>-</u>	<u>50,000</u>	<u>1,902,481</u>
<u>243,548</u>	<u>48,963</u>	<u>929,082</u>
(16,808)	-	(1,509,370)
-	-	507,888
(33,807)	(51,725)	(842,343)
<u>(14,915)</u>	<u>(25,247)</u>	<u>(313,305)</u>
<u>(65,530)</u>	<u>(76,972)</u>	<u>(2,157,130)</u>
<u>57</u>	<u>3,837</u>	<u>225,990</u>
<u>57</u>	<u>3,837</u>	<u>225,990</u>
13,310	17,581	1,427,597
<u>7,173</u>	<u>93,221</u>	<u>9,094,864</u>
<u>\$ 20,483</u>	<u>\$ 110,802</u>	<u>\$ 10,522,461</u>

(continued)

CITY OF WHARTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2023

	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)	\$ 2,632,899	\$ 210,195	\$ (1,255,191)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	627,031	-	107,155
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(33,092)	(18,084)	(33,645)
(Increase) decrease in lease receivable	-	-	-
(Increase) decrease in inventory	7,483	-	-
(Increase) decrease in deferred outflow related to OPEB	2,714	-	4,370
(Increase) decrease in deferred outflow related to pension	(213,675)	-	(549,217)
Increase (decrease) in accounts payable	286,983	(13,929)	24,342
Increase (decrease) in accrued expenses	3,094	96	5,045
Increase (decrease) in deposits	(465)	-	-
Increase (decrease) in due to other governments	-	702	-
Increase (decrease) in compensated absences	744	(4)	20,455
Increase (decrease) in OPEB liability	(9,856)	-	(2,471)
Increase (decrease) in net pension liability (asset)	409,871	-	757,660
Increase (decrease) in deferred inflow related to OPEB	15,511	-	25,853
Increase (decrease) in deferred inflow related to pension	(178,003)	-	(281,904)
Increase (decrease) in deferred inflow related to right-to-use lease receivable	-	-	-
Total adjustments	918,340	(31,219)	77,643
Net cash provided (used) by operating activities	\$ 3,551,239	\$ 178,976	\$ (1,177,548)
Reconciliation of cash and cash equivalents			
Cash and cash equivalents - Unrestricted	\$ 8,112,820	\$ 200,136	\$ 1,935,183
Cash and cash equivalents - Restricted	143,037	-	-
Total	\$ 8,255,857	\$ 200,136	\$ 1,935,183
Noncash capital and related financing activities			
Noncash capital grants and contributions	\$ 832,347	\$ -	\$ -
Total	\$ 832,347	\$ -	\$ -

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>
\$ (223,113)	\$ (69,667)	\$ 1,295,123
87,913	131,038	953,137
(2,050)	(6,553)	(93,424)
-	21,591	21,591
-	(16,087)	(8,604)
-	-	7,084
(83,151)	-	(846,043)
2,229	2,837	302,462
919	136	9,290
(3,100)	-	(3,565)
-	-	702
(632)	197	20,760
-	-	(12,327)
74,971	-	1,242,502
-	-	41,364
(18,751)	-	(478,658)
-	(21,739)	(21,739)
<u>58,348</u>	<u>111,420</u>	<u>1,134,532</u>
<u>\$ (164,765)</u>	<u>\$ 41,753</u>	<u>\$ 2,429,655</u>
\$ 20,483	\$ 110,802	\$ 10,379,424
-	-	143,037
<u>\$ 20,483</u>	<u>\$ 110,802</u>	<u>\$ 10,522,461</u>
\$ -	\$ -	\$ 832,347
\$ -	\$ -	\$ 832,347

(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	Reclassification of Prior Period Balances.....	76
19	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, one of which have been reported as a major fund. 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, 2023.

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

F. Leases

City 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 the lease term or its useful life, as appropriate.

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, 2023, 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 2023. 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, 2023, 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	\$ 333,500	\$ 701,366	\$ (367,866)

B. Deficit Fund Equity

As of September 30, 2023, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
Disaster Relief	\$ 1,660,602
Nonmajor Governmental	
TDA Sidewalk	19,587
Hurricane Harvey Infrastructure	682,672
2013 Bond Construction	167,986
2019 Tax Notes	911,827

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, 2023, 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	\$ 13,058,073	31	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, 2023, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 19 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

Receivables at September 30, 2023, consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Emergency Medical Services</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:									
Accounts	\$ 352,093	\$ -	\$ 527,385	\$ 185,922	\$ 4,564,199	\$ 62,264	\$ 45,196	\$ 72,569	\$ 5,809,628
Ad valorem taxes	159,322	196,709	-	-	-	-	-	-	356,031
Franchise taxes	28,911	-	-	-	-	-	-	-	28,911
Fines	274,159	-	-	-	-	-	-	-	274,159
Other	9,013	-	-	-	-	-	-	-	9,013
Total gross receivables	823,498	196,709	527,385	185,922	4,564,199	62,264	45,196	72,569	6,477,742
Less: Allowances	<u>577,013</u>	<u>65,437</u>	<u>-</u>	<u>-</u>	<u>4,475,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,118,032</u>
Total net receivables	<u>\$ 246,485</u>	<u>\$ 131,272</u>	<u>\$ 527,385</u>	<u>\$ 185,922</u>	<u>\$ 88,617</u>	<u>\$ 62,264</u>	<u>\$ 45,196</u>	<u>\$ 72,569</u>	<u>\$ 1,359,710</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem receivable	\$ 89,806	\$ -	\$ 89,806
Fines	118,638	-	118,638
Other	-	96,605	96,605
Grants	101,029	1,157,922	1,258,951
Debt Service Fund			
Ad valorem receivable	131,272	-	131,272
Disaster Relief			
Grants	1,138,732	-	1,138,732
TWDB			
Grants	-	2,400,157	2,400,157
Nonmajor Governmental			
Grants	645,116	-	645,116
	<u>\$ 2,224,593</u>	<u>\$ 3,654,684</u>	<u>\$ 5,879,277</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 \$0.41761 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.09739 and \$0.32022, respectively. The resulting adjusted total tax levy was \$2,723,632 on the total adjusted taxable valuation of \$652,194,033 for the 2022 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, 2023, are summarized as follows:

	General	Debt Service	Disaster Relief	Water and Sewer	Emergency Medical Services	Airport	Nonmajor Funds	Total
Sales taxes	\$ 346,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,506
Federal and state grants	100,384	-	1,138,732	-	-	35,387	645,116	1,919,619
Property taxes	1,886	5,421	-	-	-	-	-	7,307
Other	21,036	-	-	5,850	6,678	-	-	33,564
	<u>\$ 469,812</u>	<u>\$ 5,421</u>	<u>\$ 1,138,732</u>	<u>\$ 5,850</u>	<u>\$ 6,678</u>	<u>\$ 35,387</u>	<u>\$ 645,116</u>	<u>\$ 2,306,996</u>

NOTE 6: LEASE RECEIVABLE

Lease receivables at September 30, 2023 for which the City is a lessor, are comprised of the following individual noncancelable lease agreements recorded in the Airport Fund:

Large commercial hangar lease began in November 2021 for a term of 60 months. The lessee is required to make monthly principal and interest payments of \$1,586. Future payments may be increased based on the CPI index.

As of September 30, 2023, both the right-to-use lease receivable of \$58,040 and the related deferred inflow of resources of \$57,671 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 \$21,739 in base lease revenues and \$512 in lease interest revenues. No variable payments were recorded.

During fiscal year 2023, the City also operated as lessor for various hangar rentals recorded as operating lease income in the Airport Fund which were not governed by noncancelable lease agreements.

NOTE 7: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2023, 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	\$ 8,548,518	\$ 584,750	\$ -	\$ 9,133,268
Construction in progress	<u>7,405,232</u>	<u>821,605</u>	<u>72,353</u>	<u>8,154,484</u>
Total capital assets not being depreciated	<u>15,953,750</u>	<u>1,406,355</u>	<u>72,353</u>	<u>17,287,752</u>
Capital assets, being depreciated				
Machinery and equipment	8,029,141	561,491	-	8,590,632
Buildings and improvements	5,204,550	-	-	5,204,550
Infrastructure	<u>16,305,034</u>	<u>342,353</u>	-	<u>16,647,387</u>
Total capital assets being depreciated	<u>29,538,725</u>	<u>903,844</u>	-	<u>30,442,569</u>
Right-to-Use lease assets, being amortized				
Machinery and equipment	<u>45,738</u>	-	-	<u>45,738</u>
Total right-to-use lease assets being amortized	<u>45,738</u>	-	-	<u>45,738</u>
Less accumulated depreciation and amortization for				
Capital assets, being depreciated				
Machinery and equipment	6,200,248	423,569	-	6,623,817
Buildings and improvements	2,742,502	137,480	-	2,879,982
Infrastructure	<u>9,030,313</u>	<u>459,615</u>	-	<u>9,489,928</u>
Right-to-Use lease assets, being amortized				
Machinery and equipment	<u>15,279</u>	<u>15,585</u>	-	<u>30,864</u>
Total accumulated depreciation and amortization	<u>17,988,342</u>	<u>1,036,249</u>	-	<u>19,024,591</u>
Total capital assets being depreciated, net	<u>11,596,121</u>	<u>(132,405)</u>	-	<u>11,463,716</u>
Governmental activities capital assets, net	<u>\$ 27,549,871</u>	<u>\$ 1,273,950</u>	<u>\$ 72,353</u>	<u>\$ 28,751,468</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	6,255,434	1,845,858	-	8,101,292
Total capital assets not being depreciated	6,574,527	1,845,858	-	8,420,385
Capital assets, being depreciated				
Machinery and equipment	4,639,844	214,566	-	4,854,410
Land improvements	1,240,180	-	-	1,240,180
Buildings and improvements	7,420,955	52,918	-	7,473,873
Water and sewer system	25,625,916	228,373	-	25,854,289
Total capital assets being depreciated	38,926,895	495,857	-	39,422,752
Right-to-Use lease assets, being amortized				
Machinery and equipment	332,107	-	-	332,107
Total right-to-use lease assets being amortized	332,107	-	-	332,107
Less accumulated depreciation and amortization for				
Machinery and equipment	3,694,649	182,169	-	3,876,818
Land improvements	250,080	24,804	-	274,884
Buildings and improvements	2,663,929	166,456	-	2,830,385
Water and sewer system	13,386,631	539,862	-	13,926,493
Right-to-Use lease assets, being amortized				
Machinery and equipment	10,959	37,481	-	48,440
Total accumulated depreciation and amortization	20,006,248	950,772	-	20,957,020
Total capital assets being depreciated, net	19,252,754	(454,915)	-	18,797,839
Business-type activities capital assets, net	\$ 25,827,281	\$ 1,390,943	\$ -	\$ 27,218,224

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

Governmental activities

General government	\$ 75,855
Public safety	307,856
Public works	602,965
Cultural and recreation	49,573
Total depreciation and amortization expense - governmental activities	\$ 1,036,249

Business-type activities

Water and sewer	\$ 627,031
Emergency medical services	107,155
Civic center	87,913
Airport	128,673
Total depreciation and amortization expense - business-type activities	\$ 950,772

At September 30, 2023, 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 919 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.tmr.com.

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

Benefits Provided

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

At retirement, the 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 2023 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% repeating transfers
COLA (for retirees)	70.0% of CPI repeating
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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	88
Active employees	<u>93</u>
	<u>235</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 5.06% and 4.94% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$293,387, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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 2023 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%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	<u>10.00%</u>	11.80%
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 12/31/2021	\$ 19,721,711	\$ 21,096,545	\$ (1,374,834)
Changes for the year:			
Service cost	533,582	-	533,582
Interest	1,320,219	-	1,320,219
Changes of benefit terms	-	-	-
Difference between expected and actual experience	669,390	-	669,390
Change of assumptions	-	-	-
Contributions - Employer	-	319,686	(319,686)
Contributions - Employee	-	324,244	(324,244)
Net investment income	-	(1,538,907)	1,538,907
Benefit payments, including refunds of employee contributions	(859,409)	(859,409)	-
Administrative expense	-	(13,326)	13,326
Other changes	-	15,900	(15,900)
Net changes	<u>1,663,782</u>	<u>(1,751,812)</u>	<u>3,415,594</u>
Balance at 12/31/2022	<u>\$ 21,385,493</u>	<u>\$ 19,344,733</u>	<u>\$ 2,040,760</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:	\$4,898,799	\$2,040,760	\$(302,748)

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, 2023 the City recognized pension expense of \$582,514.

At September 30, 2023, 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	\$ 569,363	\$ 52,155
Changes in actuarial assumptions	-	595
Difference between projected and actual investment earnings	1,324,735	-
Contributions subsequent to the measurement date	223,556	-
Total	\$ 2,117,654	\$ 52,750

\$223,556 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, 2023 (i.e. recognized in the City's financial statements for the year ending September 30, 2024). 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
2023	\$ 229,843
2024	545,767
2025	473,152
2026	592,586
2027	-
Thereafter	-
Total	\$ 1,841,348

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 800 participating cities on December 31, 2022.

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, 2022 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>93</u>
Total	<u>148</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)
2019	0.22%	0.04%
2020	0.23%	0.03%
2021	0.24%	0.10%
2022	0.24%	0.10%
2023	0.39%	0.15%

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, 2022 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	4.05%*
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, 2022.

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 12/31/21	\$ 380,618
Changes for the year:	
Service cost	15,054
Interest	7,091
Change of benefit terms	-
Difference between expected and actual experience	(2,112)
Change of assumptions	(130,917)
Benefit payments	(5,575)
Net changes	(116,459)
Balance at 12/31/22	\$ 264,159

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1.0% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1.0% Increase in Discount Rate (5.05%)
City's Total OPEB Liability:	\$314,156	\$264,159	\$225,359

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$13,772.

At September 30, 2023, 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	\$ 1,814	\$ 9,506
Changes in actuarial assumptions	51,298	111,354
Contributions subsequent to the measurement date	6,785	-
Total	\$ 59,897	\$ 120,860

NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)**

\$6,785 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, 2024. 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
2023	\$ (9,841)
2024	(8,852)
2025	(11,911)
2026	(22,687)
2027	(14,457)
Thereafter	-
Total	\$ (67,748)

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, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 20,172,000	\$ -	\$ 574,722	\$ 19,597,278	\$ 582,414
General obligation bonds	4,352,065	-	520,230	3,831,835	548,255
Qualified energy cons. bonds	264,367	-	27,639	236,728	28,058
Plus deferred amounts:					
Issuance premiums	551,455	-	65,797	485,658	-
Total bonds and certificates payable	25,339,887	-	1,188,388	24,151,499	1,158,727
Tax notes	5,220,000	-	1,110,800	4,109,200	1,139,200
Financed purchase payable	-	364,447	-	364,447	49,069
Right-to-Use leases	30,041	-	15,728	14,313	8,308
Net pension liability (asset)	(948,636)	2,173,092	-	1,224,456	-
OPEB liability	262,627	-	104,132	158,495	-
Compensated absences	261,362	229,927	257,282	234,007	23,401
Total governmental activity long-term liabilities	\$ 30,165,281	\$ 2,767,466	\$ 2,676,330	\$ 30,256,417	\$ 2,378,705
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 4,786,000	\$ -	\$ 307,278	\$ 4,478,722	\$ 319,586
General obligation bonds	1,112,935	-	129,770	983,165	136,745
Revenue bonds	3,675,000	-	87,000	3,588,000	88,000
Qualified energy cons. bonds	677,810	-	70,862	606,948	71,936
Plus deferred amounts:					
Issuance premiums	317,169	-	32,478	284,691	-
Total bonds and certificates payable	10,568,914	-	627,388	9,941,526	616,267
Tax notes	120,000	-	59,200	60,800	60,800
State Infrastructure loan	5,547,996	-	110,000	5,437,996	110,000
Right-to-Use leases	326,393	-	78,233	248,160	36,378
Net pension liability (asset)	(426,198)	1,242,502	-	816,304	-
OPEB liability	117,991	-	12,327	105,664	-
Compensated absences	118,100	136,342	115,582	138,860	13,890
Total business-type activity long-term liabilities	\$ 16,373,196	\$ 1,378,844	\$ 1,002,730	\$ 16,749,310	\$ 837,335

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, 2023, \$5,135,000 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 19 for discussions relative to the interlocal commitment of the City's component unit.

The estimated amount of OPEB benefit payments that are due within one year is reported as \$0 as the amount was determined to be insignificant to the City's September 30, 2023 financial statements. Therefore, the entire OPEB liability is reported as a noncurrent liability on the Statement of Net Position.

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>	
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	473,400	53,968	126,600	14,432	668,400
2029-2030	1,009,920	45,683	270,080	12,217	1,337,900
	<u>\$ 3,831,835</u>	<u>\$ 585,004</u>	<u>\$ 983,165</u>	<u>\$ 153,071</u>	<u>\$ 5,553,075</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>	
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	744,681	328,839	374,674	109,074	1,557,268
2029-2033	3,990,317	1,389,538	2,096,106	322,003	7,797,964
2034-2038	3,244,347	1,020,160	533,750	67,767	4,866,024
2039-2043	3,198,076	754,190	115,900	3,622	4,071,788
2044-2048	3,370,667	506,896	-	-	3,877,563
2049-2052	2,681,377	208,777	-	-	2,890,154
	<u>\$ 19,597,278</u>	<u>\$ 4,831,296</u>	<u>\$ 4,478,722</u>	<u>\$ 1,078,509</u>	<u>\$ 29,985,805</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 2023, WEDC paid a total of \$150,000 to the City relating to the interlocal commitment. The remaining amount of \$9,273,477 is reported as an interlocal receivable on the government-wide financial statements at September 30, 2023.

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

<u>Year</u>	<u>Principal and Interest</u>
2024	\$ 150,000
2025	150,000
2026	150,000
2027	273,705
2028	343,565
2029-2033	1,724,957
2034-2038	1,722,465
2039-2043	1,720,425
2044-2048	1,722,781
2049-2052	1,315,579
	<u>\$ 9,273,477</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, 2023, 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%	<u>\$ 4,872,000</u>
			<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>	
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	95,000	56,610	151,610
2029-2033	498,000	256,966	754,966
2034-2038	544,000	211,779	755,779
2039-2043	591,000	162,582	753,582
2044-2048	646,000	108,969	754,969
2049-2053	704,000	50,372	754,372
2054	148,000	2,590	150,590
	<u>\$ 3,588,000</u>	<u>\$ 1,091,838</u>	<u>\$ 4,679,838</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 (QECB), 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.

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

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
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	29,797	1,849	76,396	4,736	112,778
2029-2031	92,124	2,812	236,201	7,193	338,330
	<u>\$ 236,728</u>	<u>\$ 16,434</u>	<u>\$ 606,948</u>	<u>\$ 42,104</u>	<u>\$ 902,214</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:

<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>	
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>\$ 4,109,200</u>	<u>\$ 273,049</u>	<u>\$ 60,800</u>	<u>\$ 1,271</u>	<u>\$ 4,444,320</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:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
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:

<u>Year</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	300,000	28,470	328,470
2029-2033	1,528,000	112,846	1,640,846
2034-2038	1,577,000	62,588	1,639,588
2039-2041	974,996	12,707	987,703
	<u>\$ 5,437,996</u>	<u>\$ 295,015</u>	<u>\$ 5,733,011</u>

NOTE 11: LONG-TERM DEBT - (Continued)**H. Financed Purchases**

The City has entered into a financed purchase agreement (direct borrowing) to purchase a street sweeper for the City's public works 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 street sweeper. The original amount of the liability, entered into in fiscal year 2023, was \$364,447. The liability is payable in annual installments ranging from \$65,507 to \$171,802 and bears interest at a rate of 5.5%.

\$ 364,447

\$ 364,447

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

Year	Governmental Activities		Total
	Principal	Interest	
2024	\$ 49,069	\$ 16,438	\$ 65,507
2025	48,147	17,360	65,507
2026	50,798	14,709	65,507
2027	53,594	11,913	65,507
2028	162,839	8,963	171,802
	<u>\$ 364,447</u>	<u>\$ 69,383</u>	<u>\$ 433,830</u>

I. Right-to-Use Leases

Right-to-Use leases payable at September 30, 2023, are comprised of the following leases:

- On October 1, 2021, 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.
- On April 12, 2022, the City entered into a six year lease for the use of a vector truck. An initial lease liability was recorded in the amount of \$318,270 relating to business-type activities. The City is required to make annual fixed payments of \$43,478 for five years, with an optional sixth payment of \$145,248 to purchase the vector truck.

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	
2024	\$ 8,308	\$ 60	\$ 36,378	\$ 9,695	\$ 54,441
2025	2,992	35	35,326	8,353	46,706
2026	3,013	13	36,719	6,959	46,704
2027	-	-	139,737	5,511	145,248
	<u>\$ 14,313</u>	<u>\$ 108</u>	<u>\$ 248,160</u>	<u>\$ 30,518</u>	<u>\$ 293,099</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, 2023, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Disaster Relief	\$ 1,297,780
	Water and Sewer	107,302
	Emergency Medical Services	5,381
	Civic Center	62,456
	Airport	36
	Nonmajor Governmental	575,000
		<u>2,047,955</u>
Debt Service	Disaster Relief	182,805
	Civic Center	78,325
		<u>261,130</u>
Disaster Relief	Water and Sewer	40,735
	Nonmajor Governmental	31,550
		<u>72,285</u>
Nonmajor Governmental	General	99,557
	Disaster Relief	34,945
	Water and Sewer	257,756
	Nonmajor Governmental	858,201
		<u>1,250,459</u>
Water and Sewer	Nonmajor Governmental	<u>2,202,157</u>
		<u>2,202,157</u>
Solid Waste	General	61,198
	Disaster Relief	882
		<u>62,080</u>
Emergency Medical Services	General	7,616
	Disaster Relief	7,433
		<u>15,049</u>
Civic Center	Disaster Relief	4,781
	Nonmajor Governmental	37,855
		<u>42,636</u>
Airport	General	1,592
	Disaster Relief	15,139
	Nonmajor Governmental	47,288
		<u>64,019</u>
		<u>\$ 6,017,770</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>\$ 130,000</u>

The amount payable to the General Fund relates to working capital loans made to the Water and Sewer Fund. \$130,000 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>	
General	\$ -	\$ -	\$ 32,748	\$ -	\$ 32,748
Nonmajor Governmental	-	698,680	211,350	3,700	913,730
Water and Sewer	1,081,732	-	-	100,000	1,181,732
Emergency Medical Services	98,412	-	-	-	98,412
	<u>\$ 1,180,144</u>	<u>\$ 698,680</u>	<u>\$ 244,098</u>	<u>\$ 103,700</u>	<u>\$ 2,226,622</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, 2023, 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, 2023, 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	\$ 181,099
Energy savings project	503,706
Road construction projects	125,352
Generator project	146,273
Drainage improvements	279,028
Water well and water plant system project	285,123
Total	<u>\$ 1,520,581</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, 2023:

	<u>Governmental Fund Balances</u>				<u>Total</u>
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Prepaid items	\$ 14,273	\$ -	\$ -	\$ -	\$ 14,273
Inventory	16,691	-	-	-	16,691
Long-term interfund advances	130,000	-	-	-	130,000
Unassigned	-	-	-	3,375,980	3,375,980
Debt Service					
Long-term debt	-	359,597	-	-	359,597
Disaster Relief					
Unassigned	-	-	-	(1,660,602)	(1,660,602)
TWDB Drainage					
Various capital projects	-	1,862,797	-	-	1,862,797
Nonmajor Governmental					
Various capital projects	-	3,334,699	377,084	-	3,711,783
Arts and tourism	-	85,492	-	-	85,492
Development	-	33,384	-	-	33,384
Emergency services	-	12,528	-	-	12,528
Municipal court security and technology	-	82,590	-	-	82,590
Law enforcement	-	15,821	-	-	15,821
Fire department	-	397	-	-	397
Unassigned	-	-	-	(1,782,072)	(1,782,072)
	<u>\$ 160,964</u>	<u>\$ 5,787,305</u>	<u>\$ 377,084</u>	<u>\$ (66,694)</u>	<u>\$ 6,258,659</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, 2023, tax rebate expenditures were not incurred.

NOTE 16: SUBSEQUENT EVENTS

On November 15, 2022, the City signed a Development Agreement with Wharton.55, LLC to develop 225 single-family residential properties. The following items were created for this development: Public Improvement District, Tax Increment Reinvestment Zone, Reimbursement Agreement, Service Assessment Plan, Assessment Ordinance, and PID Bonds, which to date the bonds have not been issued.

On March 11, 2024, an Advanced Funding Agreement with the Texas Department of Transportation was signed for the Community Connectivity and Accessibility Transportation Alternatives Project for 3.5 miles of 5-foot-wide sidewalks within the City of Wharton. The total cost of the project is estimated at \$5,115,033, of which \$988,552 is the City's portion to be paid with Transportation Development Credits in full.

NOTE 17: IMPLEMENTATION OF NEW STANDARD

During fiscal year 2023, the City adopted GASB Statement No. 96 (GASB 96), Subscription-Based Information Technology Agreements (SBITA). The objective of this Statement was to establish standards for recognizing and measuring right to use subscription assets and liabilities related to contracts conveying control of the right to use another party's (a SBITA vendor's) information technology software. As of September 30, 2023, the City did not have any items required to be recorded as right to use subscription assets or liabilities as a result of implementing GASB 96.

NOTE 18: RECLASSIFICATION OF PRIOR PERIOD BALANCES

It was determined that the vector truck lease agreement, recorded as a finance purchase in fiscal year 2022 in the Water and Sewer Fund, should have been recorded as a right-to-use lease under GASB 87 reporting standards. Prior period asset and liability balances have been restated to reflect this change in classification. The impact of the reclassification of both the asset and liability did not have an effect on beginning net position in fiscal year 2023 for the Water and Sewer Fund or the Business-type Activities.

NOTE 19: 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. By September of each year, the Board of Directors, with approval by the City, adopts an annual fiscal year 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 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 modified accrual basis of accounting. 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, 2023, the final budget anticipated \$841,733 more in expenditures than revenues. WEDC did not over-expend any budgeted expenditures.

NOTE 19: 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: (a) obligations of the United States and its agencies, (b) direct obligations of the State of Texas or its agencies, (c) repurchase agreements and revenue repurchase agreements as defined by the Public Funds Investment Act, (d) No-load Securities Exchange Commission registered money markets funds, (e) Constant Dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act, (f) certificates of deposits, and (g) other instruments and obligations authorized by statute.

Inventory and Prepaid Items

WEDC's inventory, which consists 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 reported in the government-wide statement of net position. WEDC defines capital assets as assets with an estimated useful life in excess of one year, regardless of cost. 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.

Real estate held for sale is not subject to depreciation. Depreciation has been charged against the other assets using the 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, 2023.

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 19: 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, prepaid items, and land held for sale. 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.

Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires WEDC 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.

C. Deposits and Investments

As of September 30, 2023, 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	\$ 380,820	24	AAAm	61%
Certificates of Deposit	240,000	207	N/A	39%
	<u>\$ 620,820</u>			

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. The 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 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, 2023, WEDC has certificates of deposit valued using quoted prices for similar assets in active markets (Level 2 inputs).

NOTE 19: 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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2023, was \$173,253. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

NOTE 19: 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, 2023, 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, 2023, 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	\$ 98,834	\$ -	\$ -	\$ 98,834
Total capital assets not being depreciated	98,834	-	-	98,834
Capital assets, being depreciated				
Leasehold improvements	11,020	-	-	11,020
Furniture and fixtures	43,251	1,073	-	44,324
Total capital assets being depreciated	54,271	1,073	-	55,344
Less accumulated depreciation for				
Leasehold improvements	9,531	136	-	9,667
Furniture and fixtures	41,531	914	-	42,445
Total accumulated depreciation	51,062	1,050	-	52,112
Total capital assets being depreciated, net	3,209	23	-	3,232
Governmental activities capital assets, net	\$ 102,043	\$ 23	\$ -	\$ 102,066

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

Depreciation expense of \$1,050 was charged to the general government function/program.

NOTE 19: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Long-term Debt

Long-term liability activity for the year ended September 30, 2023 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	<u>\$ 9,423,477</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 9,273,477</u>	<u>\$ 150,000</u>
	<u>\$ 9,423,477</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 9,273,477</u>	<u>\$ 150,000</u>

WEDC entered into an interlocal agreement with the City of Wharton 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 2023, WEDC paid \$150,000 to the City relating to the interlocal commitment. The remaining payable of \$9,273,477 is reported as a long-term obligation on the government-wide financial statements as of September 30, 2023.

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

	<u>Principal and Interest</u>
2024	\$ 150,000
2025	150,000
2026	150,000
2027	273,705
2028	343,565
2029-2033	1,724,957
2034-2038	1,722,465
2039-2043	1,720,425
2044-2048	1,722,781
2049-2052	1,315,577
	<u>\$ 9,273,477</u>

NOTE 19: 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 and other expenses each month from City funds, and WEDC generally reimburses the City the following month. At September 30, 2023, WEDC owed the City \$16,925 for wages and benefits previously paid by the City.

I. Commitments

As of September 30, 2023, WEDC had approved but not yet paid a total of \$390,376 for business restoration grants and other various construction projects. Of this amount, WEDC has committed to paying \$30,000 in sales tax rebates and \$360,376 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 \$3,649. 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, 2023, WEDC paid \$50,000 to the Chamber for operations, and \$61,351 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.

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. Details of the funding arrangements can be found in the City of Wharton, Texas annual comprehensive financial report. The employees of WEDC are treated as employees of the City for retirement plan purposes.

NOTE 19: 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. The conveyance of the land is reflected as a reduction in land held for sale as of September 30, 2023 in the amount of \$298,635, with a corresponding expenditure in business retention and expansion in the fund financial statements.

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.

In addition, WEDC sold an additional 1.342 acres of the land held for sale to the Texas Department of Transportation for a gain of \$30,498, recorded as miscellaneous income in the fund financial statements.

L. Implementation of New Standard

During fiscal year 2023, WEDC adopted GASB Statement No. 96 (GASB 96), Subscription-Based Information Technology Agreements (SBITA). The objective of this Statement was to establish standards for recognizing and measuring right to use subscription assets and liabilities related to contracts conveying control of the right to use another party's (a SBITA vendor's) information technology software. As of September 30, 2023, WEDC did not have any items required to be recorded as right to use subscription assets or liabilities as a result of implementing GASB 96.

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 increase net investment in capital assets by \$28,231.

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, 2023**With comparative totals for the year ended September 30, 2022*

	2023			Variance	2022
	Original Budget	Final Budget	Actual	Positive (Negative)	Actual
REVENUES					
Taxes	\$ 3,665,809	\$ 3,896,050	\$ 3,953,979	\$ 57,929	\$ 3,569,882
Licenses and permits	482,107	333,041	220,428	(112,613)	543,480
Intergovernmental	364,705	338,250	237,130	(101,120)	267,041
Charges for services	13,750	9,125	23,229	14,104	24,632
Fines and forfeitures	236,834	157,350	156,863	(487)	223,547
Investment income	10,000	100,000	106,999	6,999	8,597
Industrial district fee	1,679,581	1,679,581	1,503,285	(176,296)	1,678,320
Miscellaneous	16,500	41,500	61,440	19,940	12,472
Total revenues	6,469,286	6,554,897	6,263,353	(291,544)	6,327,971
EXPENDITURES					
Current					
General government	1,323,475	1,389,115	1,283,396	105,719	1,209,747
Public safety	4,410,624	4,243,946	3,968,904	275,042	3,758,893
Public works	1,644,956	1,626,395	1,571,048	55,347	1,377,495
Cultural and recreation	86,875	119,650	109,940	9,710	81,311
Capital outlay	203,500	333,500	701,366	(367,866)	480,313
Total expenditures	7,669,430	7,712,606	7,634,654	77,952	6,907,759
Excess (deficiency) of revenues over expenditures	(1,200,144)	(1,157,709)	(1,371,301)	(213,592)	(579,788)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	20,000	10,313	-	(10,313)	12,272
Debt issued	-	-	364,447	364,447	-
Right-to-Use lease issued	-	-	-	-	45,738
Transfers in	1,180,144	1,180,144	1,180,144	-	992,929
Transfers out	(74,498)	(32,748)	(32,748)	-	-
Total other financing sources (uses)	1,125,646	1,157,709	1,511,843	354,134	1,050,939
Net change in fund balance	(74,498)	-	140,542	140,542	471,151
Fund balance at beginning of year	3,396,402	3,396,402	3,396,402	-	2,925,251
Fund balance at end of year	\$ 3,321,904	\$ 3,396,402	\$ 3,536,944	\$ 140,542	\$ 3,396,402

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

CITY OF WHARTON, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS****TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION***Last ten years*

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

NOTE: Information for the prior year was not readily available. The City will compile the respective information over the next year 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	2022
\$ 530,477	\$ 530,197	\$ 528,073	\$ 562,158	\$ 547,544	\$ 533,582
1,026,605	1,087,522	1,142,292	1,202,021	1,250,973	1,320,219
-	-	-	-	-	-
(117,320)	(250,455)	(148,826)	(168,768)	164,593	669,390
-	-	(10,902)	-	-	-
(525,617)	(548,659)	(560,931)	(724,675)	(1,001,118)	(859,409)
914,145	818,605	949,706	870,736	961,992	1,663,782
15,206,527	16,120,672	16,939,277	17,888,983	18,759,719	19,721,711
<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>	<u>\$ 21,385,493</u>
\$ 335,008	\$ 333,407	\$ 317,492	\$ 331,708	\$ 304,946	\$ 319,686
271,482	271,062	269,976	290,972	283,408	324,244
1,917,689	(474,041)	2,380,744	1,350,644	2,481,442	(1,538,907)
(525,617)	(548,659)	(560,931)	(724,675)	(1,001,118)	(859,409)
(9,945)	(9,167)	(13,458)	(8,743)	(11,484)	(13,326)
(502)	(480)	(405)	(341)	79	15,900
1,988,115	(427,878)	2,393,418	1,239,565	2,057,273	(1,751,812)
13,846,053	15,834,167	15,406,289	17,799,707	19,039,272	21,096,545
<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>	<u>\$ 19,344,733</u>
\$ 286,504	\$ 1,532,988	\$ 89,276	\$ (279,553)	\$ (1,374,834)	\$ 2,040,760
98.22%	90.95%	99.50%	101.49%	106.97%	90.46%
\$ 5,429,650	\$ 5,421,238	\$ 5,399,517	\$ 5,819,444	\$ 5,668,153	\$ 5,575,569
5.28%	28.28%	1.65%	-4.80%	-24.26%	36.60%

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

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

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

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

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 329,837	\$ 321,961	\$ 340,877	\$ 309,962	\$ 288,429	\$ 293,387
(341,254)	(333,697)	(354,367)	(323,444)	(301,895)	(314,348)
\$ (11,417)	\$ (11,736)	\$ (13,490)	\$ (13,482)	\$ (13,466)	\$ (20,961)
\$ 5,358,388	\$ 5,404,745	\$ 5,931,798	\$ 5,676,696	\$ 5,610,687	\$ 5,905,482
6.37%	6.17%	5.97%	5.70%	5.38%	5.32%

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

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

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

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

Measurement Year		
2020	2021	2022
\$ 12,803	\$ 15,304	\$ 15,054
8,172	7,263	7,091
-	-	-
(773)	(6,275)	(2,112)
48,274	11,644	(130,917)
<u>(1,746)</u>	<u>(5,668)</u>	<u>(5,575)</u>
66,730	22,268	(116,459)
<u>291,620</u>	<u>358,350</u>	<u>380,618</u>
<u>\$ 358,350</u>	<u>\$ 380,618</u>	<u>\$ 264,159</u>
\$ 5,819,444	\$ 5,668,153	\$ 5,575,569
6.16%	6.72%	4.74%

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	(1,608)	(2,008)	(1,933)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 5,358,388	\$ 5,404,745	\$ 5,931,798
Contributions as a percentage of covered payroll	0.0300%	0.0372%	0.0326%

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

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

Fiscal Year		
2021	2022	2023
\$ 4,680	\$ 5,611	\$ 8,168
<u>(4,680)</u>	<u>(5,611)</u>	<u>(8,168)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,676,696	\$ 5,610,687	\$ 5,905,482
0.0824%	0.1000%	0.1383%

CITY OF WHARTON, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2023

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, 2023, 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	\$ 333,500	\$ 701,366	\$ (367,866)

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	23 years (longest amortization ladder)
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, 2023

NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)

Other Information

Adopted buy-back provision.

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 4.05% from 1.84%.

Combining and Individual Fund Statements and Schedules

CITY OF WHARTON, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2023

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 129,135	\$ 4,760,745	\$ 4,889,880
Receivables, net	72,569	-	72,569
Due from other funds	132,953	1,117,506	1,250,459
Due from other governments	645,116	-	645,116
Total assets	<u>\$ 979,773</u>	<u>\$ 5,878,251</u>	<u>\$ 6,858,024</u>
LIABILITIES			
Accounts payable	\$ 116,350	\$ 184,584	\$ 300,934
Due to other funds	690,354	3,061,697	3,752,051
Total liabilities	<u>806,704</u>	<u>3,246,281</u>	<u>4,052,985</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	645,116	-	645,116
Total deferred inflows of resources	<u>645,116</u>	<u>-</u>	<u>645,116</u>
FUND BALANCES			
Restricted			
General government	45,912	-	45,912
Cultural and recreation	85,492	-	85,492
Municipal court	82,590	-	82,590
Public safety	16,218	-	16,218
Various capital projects	-	3,334,699	3,334,699
Committed			
Various capital projects	-	377,084	377,084
Unassigned	(702,259)	(1,079,813)	(1,782,072)
Total fund balances	<u>(472,047)</u>	<u>2,631,970</u>	<u>2,159,923</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 979,773</u>	<u>\$ 5,878,251</u>	<u>\$ 6,858,024</u>

CITY OF WHARTON, TEXAS**ALL NONMAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES***For the year ended September 30, 2023*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 294,203	\$ -	\$ 294,203
Intergovernmental	410,355	892,367	1,302,722
Fines and forfeitures	14,612	-	14,612
Investment income	3,057	49,121	52,178
Miscellaneous	250	26,187	26,437
Total revenues	<u>722,477</u>	<u>967,675</u>	<u>1,690,152</u>
EXPENDITURES			
Current			
General government	83,022	-	83,022
Public safety	12,064	-	12,064
Public works	-	54,981	54,981
Cultural and recreation	63,929	-	63,929
Capital outlay	662,978	195,254	858,232
Total expenditures	<u>821,993</u>	<u>250,235</u>	<u>1,072,228</u>
Excess (deficiency) of revenues over expenditures	(99,516)	717,440	617,924
OTHER FINANCING SOURCES (USES)			
Transfers in	3,700	100,000	103,700
Transfers out	(215,050)	(698,680)	(913,730)
Total other financing sources (uses)	<u>(211,350)</u>	<u>(598,680)</u>	<u>(810,030)</u>
Net change in fund balances	(310,866)	118,760	(192,106)
Fund balances at beginning of year	<u>(161,181)</u>	<u>2,513,210</u>	<u>2,352,029</u>
Fund balances at end of year	<u>\$ (472,047)</u>	<u>\$ 2,631,970</u>	<u>\$ 2,159,923</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, 2023**

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	TDA Sidewalk
ASSETS				
Current assets				
Cash and cash equivalents	\$ 12,305	\$ 10,940	\$ 15,821	\$ -
Receivables, net				
Accounts	72,569	-	-	-
Due from other funds	-	842	-	4,813
Due from other governments	-	-	-	19,588
Total assets	\$ 84,874	\$ 11,782	\$ 15,821	\$ 24,401
LIABILITIES				
Accounts payable	\$ 208	\$ -	\$ -	\$ 24,400
Due to other funds	-	-	-	-
Total liabilities	208	-	-	24,400
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	19,588
Total deferred inflows of resources	-	-	-	19,588
FUND BALANCES				
Restricted				
General government	-	-	-	-
Cultural and recreation	84,666	-	-	-
Municipal court	-	11,782	-	-
Public safety	-	-	15,821	-
Unassigned	-	-	-	(19,587)
Total fund balances	84,666	11,782	15,821	(19,587)
Total liabilities and fund balances	\$ 84,874	\$ 11,782	\$ 15,821	\$ 24,401

<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>
\$ 397	\$ 70,350	\$ 1,527	\$ -	\$ 17,795	\$ -	\$ 129,135
-	-	-	-	-	-	72,569
-	458	-	93,456	-	33,384	132,953
-	-	-	-	625,528	-	645,116
<u>\$ 397</u>	<u>\$ 70,808</u>	<u>\$ 1,527</u>	<u>\$ 93,456</u>	<u>\$ 643,323</u>	<u>\$ 33,384</u>	<u>\$ 979,773</u>
\$ -	\$ -	\$ 701	\$ 80,928	\$ 10,113	\$ -	\$ 116,350
-	-	-	-	690,354	-	690,354
-	-	701	80,928	700,467	-	806,704
-	-	-	-	625,528	-	645,116
-	-	-	-	625,528	-	645,116
-	-	-	12,528	-	33,384	45,912
-	-	826	-	-	-	85,492
-	70,808	-	-	-	-	82,590
397	-	-	-	-	-	16,218
-	-	-	-	(682,672)	-	(702,259)
<u>397</u>	<u>70,808</u>	<u>826</u>	<u>12,528</u>	<u>(682,672)</u>	<u>33,384</u>	<u>(472,047)</u>
<u>\$ 397</u>	<u>\$ 70,808</u>	<u>\$ 1,527</u>	<u>\$ 93,456</u>	<u>\$ 643,323</u>	<u>\$ 33,384</u>	<u>\$ 979,773</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, 2023*

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	TDA Sidewalk
REVENUES				
Taxes	\$ 294,203	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	32,163
Fines and forfeitures	-	8,349	1,690	-
Investment income	41	71	218	-
Miscellaneous	-	-	-	-
Total revenues	<u>294,244</u>	<u>8,420</u>	<u>1,908</u>	<u>32,163</u>
EXPENDITURES				
Current				
General government	-	6,705	-	-
Public safety	-	-	12,064	-
Cultural and recreation	59,756	-	-	-
Capital Outlay	-	-	-	50,100
Total expenditures	<u>59,756</u>	<u>6,705</u>	<u>12,064</u>	<u>50,100</u>
Excess (deficiency) of revenues over expenditures	234,488	1,715	(10,156)	(17,937)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(215,050)	-	-	-
Total other financing sources (uses)	<u>(215,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19,438	1,715	(10,156)	(17,937)
Fund balances at beginning of year	<u>65,228</u>	<u>10,067</u>	<u>25,977</u>	<u>(1,650)</u>
Fund balances at end of year	<u>\$ 84,666</u>	<u>\$ 11,782</u>	<u>\$ 15,821</u>	<u>\$ (19,587)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,203
-	-	-	86,664	-	291,528	410,355
-	4,573	-	-	-	-	14,612
1	2,703	2	-	21	-	3,057
-	-	250	-	-	-	250
<u>1</u>	<u>7,276</u>	<u>252</u>	<u>86,664</u>	<u>21</u>	<u>291,528</u>	<u>722,477</u>
-	-	-	14,076	-	62,241	83,022
-	-	-	-	-	-	12,064
-	-	4,173	-	-	-	63,929
-	-	-	-	612,878	-	662,978
-	-	4,173	14,076	612,878	62,241	821,993
1	7,276	(3,921)	72,588	(612,857)	229,287	(99,516)
-	-	3,700	-	-	-	3,700
-	-	-	-	-	-	(215,050)
-	-	3,700	-	-	-	(211,350)
1	7,276	(221)	72,588	(612,857)	229,287	(310,866)
<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>
<u>\$ 397</u>	<u>\$ 70,808</u>	<u>\$ 826</u>	<u>\$ 12,528</u>	<u>\$ (682,672)</u>	<u>\$ 33,384</u>	<u>\$ (472,047)</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 TWDB Drainage Fund is reported as a major fund.

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).

2020 Tax Notes Fund - 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.

FM 1301 Project Fund - 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

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

September 30, 2023

	<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	\$ 377,084	\$ 188,675	\$ 8,185	\$ 142,884
Due from other funds	-	257,756	-	-
Total assets	<u>\$ 377,084</u>	<u>\$ 446,431</u>	<u>\$ 8,185</u>	<u>\$ 142,884</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	176,171	-
Total liabilities	<u>-</u>	<u>-</u>	<u>176,171</u>	<u>-</u>
FUND BALANCES				
Restricted				
Various capital projects	-	446,431	-	142,884
Committed				
Various capital projects	377,084	-	-	-
Unassigned	-	-	(167,986)	-
Total fund balances	<u>377,084</u>	<u>446,431</u>	<u>(167,986)</u>	<u>142,884</u>
Total liabilities and fund balances	<u>\$ 377,084</u>	<u>\$ 446,431</u>	<u>\$ 8,185</u>	<u>\$ 142,884</u>

Qualified Energy Cons. Bonds	2017 Tax Notes	2019 Bond Construction	2019 Tax Notes	2020 Tax Notes	FM 1301 Project	Total
\$ 815,101	\$ 325,221	\$ 1,415,803	\$ 52,268	\$ 1,199,474	\$ 236,050	\$ 4,760,745
-	-	28,153	-	831,597	-	1,117,506
<u>\$ 815,101</u>	<u>\$ 325,221</u>	<u>\$ 1,443,956</u>	<u>\$ 52,268</u>	<u>\$ 2,031,071</u>	<u>\$ 236,050</u>	<u>\$ 5,878,251</u>
\$ 83,741	\$ -	\$ 19,900	\$ -	\$ 65,378	\$ 15,565	\$ 184,584
639,971	241,132	1,040,328	964,095	-	-	3,061,697
<u>723,712</u>	<u>241,132</u>	<u>1,060,228</u>	<u>964,095</u>	<u>65,378</u>	<u>15,565</u>	<u>3,246,281</u>
91,389	84,089	383,728	-	1,965,693	220,485	3,334,699
-	-	-	-	-	-	377,084
-	-	-	(911,827)	-	-	(1,079,813)
<u>91,389</u>	<u>84,089</u>	<u>383,728</u>	<u>(911,827)</u>	<u>1,965,693</u>	<u>220,485</u>	<u>2,631,970</u>
<u>\$ 815,101</u>	<u>\$ 325,221</u>	<u>\$ 1,443,956</u>	<u>\$ 52,268</u>	<u>\$ 2,031,071</u>	<u>\$ 236,050</u>	<u>\$ 5,878,251</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, 2023*

	<u>Capital Improvement</u>	<u>2011 Bond Construction</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>
REVENUES				
Intergovernmental	\$ 9,650	\$ -	\$ -	\$ -
Investment income	802	695	21	356
Miscellaneous	-	-	-	-
Total revenues	<u>10,452</u>	<u>695</u>	<u>21</u>	<u>356</u>
EXPENDITURES				
Current				
Public works	16,950	-	-	-
Capital outlay	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>46,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(36,498)	695	21	356
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	-	-	-
Transfers out	<u>-</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	63,502	695	21	356
Fund balances at beginning of year	<u>313,582</u>	<u>445,736</u>	<u>(168,007)</u>	<u>142,528</u>
Fund balances at end of year	<u>\$ 377,084</u>	<u>\$ 446,431</u>	<u>\$ (167,986)</u>	<u>\$ 142,884</u>

<u>Qualified Energy Cons. Bonds</u>	<u>2017 Tax Notes</u>	<u>2019 Bond Construction</u>	<u>2019 Tax Notes</u>	<u>2020 Tax Notes</u>	<u>FM 1301 Project</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 882,717	\$ -	\$ 892,367
2,035	812	40,979	158	2,698	565	49,121
-	-	-	-	1,187	25,000	26,187
<u>2,035</u>	<u>812</u>	<u>40,979</u>	<u>158</u>	<u>886,602</u>	<u>25,565</u>	<u>967,675</u>
-	-	-	-	670	37,361	54,981
-	-	19,900	-	145,354	-	195,254
-	-	19,900	-	146,024	37,361	250,235
2,035	812	21,079	158	740,578	(11,796)	717,440
-	-	-	-	-	-	100,000
-	-	-	-	(698,680)	-	(698,680)
-	-	-	-	(698,680)	-	(598,680)
2,035	812	21,079	158	41,898	(11,796)	118,760
<u>89,354</u>	<u>83,277</u>	<u>362,649</u>	<u>(911,985)</u>	<u>1,923,795</u>	<u>232,281</u>	<u>2,513,210</u>
<u>\$ 91,389</u>	<u>\$ 84,089</u>	<u>\$ 383,728</u>	<u>\$ (911,827)</u>	<u>\$ 1,965,693</u>	<u>\$ 220,485</u>	<u>\$ 2,631,970</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, 2023**With comparative totals for the year ended September 30, 2022*

	2023		Variance	2022
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 756,000	\$ 766,474	\$ 10,474	\$ 581,205
Sales	2,000,000	2,023,740	23,740	1,833,798
Franchise	1,140,050	1,163,765	23,715	1,154,879
Licenses and permits	333,041	220,428	(112,613)	543,480
Intergovernmental	338,250	237,130	(101,120)	267,041
Charges for services	9,125	23,229	14,104	24,632
Fines and forfeitures	157,350	156,863	(487)	223,547
Investment income	100,000	106,999	6,999	8,597
Industrial district fee	1,679,581	1,503,285	(176,296)	1,678,320
Miscellaneous	41,500	61,440	19,940	12,472
Total revenues	6,554,897	6,263,353	(291,544)	6,327,971
EXPENDITURES				
Current				
General government				
Mayor and council	19,375	16,661	2,714	15,947
City manager	278,204	272,933	5,271	269,474
City secretary	244,793	234,220	10,573	181,358
Legal and professional	76,000	75,581	419	59,126
Finance	367,474	360,649	6,825	312,012
Municipal court	180,395	172,910	7,485	164,944
Central services	116,075	105,083	10,992	104,108
Grants	106,799	45,359	61,440	102,778
Total general government	1,389,115	1,283,396	105,719	1,209,747
Public safety				
Police	2,390,403	2,310,856	79,547	2,279,453
Fire	471,235	440,931	30,304	444,990
Code enforcement	437,185	321,279	115,906	323,139
Emergency management	135,193	129,001	6,192	73,192
Animal control	80,317	73,354	6,963	67,545
Communications	595,513	567,751	27,762	556,550
Grants	134,100	125,732	8,368	14,024
Total public safety	4,243,946	3,968,904	275,042	3,758,893
Public works				
Streets and drainage	1,143,056	1,118,292	24,764	1,000,553
Garage	190,386	176,300	14,086	153,193
Facilities maintenance	292,953	276,456	16,497	223,749
Total public works	1,626,395	1,571,048	55,347	1,377,495

(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, 2023

With comparative totals for the year ended September 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (continued)				
Cultural and recreation				
Recreation	\$ 37,500	\$ 34,758	\$ 2,742	\$ 24,275
Community pool	82,150	75,182	6,968	57,036
Total cultural and recreation	119,650	109,940	9,710	81,311
Capital outlay				
Capital assets	333,500	701,366	(367,866)	434,575
Right-to-Use lease assets	-	-	-	45,738
Total capital outlay	333,500	701,366	(367,866)	480,313
Total expenditures	7,712,606	7,634,654	77,952	6,907,759
Excess (deficiency) of revenues over expenditures	(1,157,709)	(1,371,301)	(213,592)	(579,788)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,313	-	(10,313)	12,272
Debt issued	-	364,447	364,447	-
Right-to-Use lease issued	-	-	-	45,738
Transfers in	1,180,144	1,180,144	-	992,929
Transfers out	(32,748)	(32,748)	-	-
Total other financing sources (uses)	1,157,709	1,511,843	354,134	1,050,939
Net change in fund balance	\$ -	140,542	\$ 140,542	471,151
Fund balance at beginning of year		3,396,402		2,925,251
Fund balance at end of year		<u>\$ 3,536,944</u>		<u>\$ 3,396,402</u>

(concluded)

DEBT SERVICE FUND

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

CITY OF WHARTON, TEXAS**MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL***For the year ended September 30, 2023**With comparative totals for the year ended September 30, 2022*

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 1,822,623	\$ 1,851,442	\$ 28,819	\$ 1,826,083
Investment income	2,000	1,669	(331)	1,209
Miscellaneous income	150,000	150,000	-	150,000
Total revenues	<u>1,974,623</u>	<u>2,003,111</u>	<u>28,488</u>	<u>1,977,292</u>
EXPENDITURES				
Debt service				
Principal retirement	2,225,392	2,198,241	27,151	2,114,251
Interest and fiscal charges	447,911	444,987	2,924	491,040
Total expenditures	<u>2,673,303</u>	<u>2,643,228</u>	<u>30,075</u>	<u>2,605,291</u>
Excess (deficiency) of revenues over expenditures	(698,680)	(640,117)	58,563	(627,999)
OTHER FINANCING SOURCES (USES)				
Transfers in	698,680	698,680	-	465,000
Total other financing sources (uses)	<u>698,680</u>	<u>698,680</u>	<u>-</u>	<u>465,000</u>
Net change in fund balance	-	58,563	58,563	(162,999)
Fund balance at beginning of year	301,034	301,034	-	464,033
Fund balance at end of year	<u>\$ 301,034</u>	<u>\$ 359,597</u>	<u>\$ 58,563</u>	<u>\$ 301,034</u>

SINGLE AUDIT SECTION



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

STEPHEN W. VAN MANEN, CPA
DENNIS C. CIAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAER, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 14, 2025. 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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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, L.L.P.
Certified Public Accountants

March 14, 2025



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

STEPHEN W. VAN MANEN, CPA
DENNIS C. CICAL, 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, 2023. 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, 2023.

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.

Harrison, Waldrop & Uherek, LLP

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

March 14, 2025

CITY OF WHARTON, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2023*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>Other Award Number</u>
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	20-065-005-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	M2313WHRT
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 Treasury		
<i>Passed Through the Office of the Governor</i>		
<i>Criminal Justice Division</i>		
VC-Coronavirus State Fiscal Recovery Funds	21.027	3247405
<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			
\$ 15,559	\$ -	\$ 15,559	\$ -		
50,100	-	50,100	-		
65,659	-	65,659	-		
62,241	-	62,241	-		
612,878	-	612,878	-		
675,119	-	675,119	-		
740,778	-	740,778	-		
35,387	-	35,387	-		
83	-	83	-	Highway Safety Cluster	
35,470	-	35,470	-		
253,331	-	253,331	-		4
253,331	-	253,331	-		
40,455	-	40,455	-		
481,380	-	481,380	-		
521,835	-	521,835	-		

(continued)

CITY OF WHARTON, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2023*

<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>		
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			
\$ 624,260	\$ -	\$ 624,260	\$ -		
14,077	-	14,077	-		
638,337	-	638,337	-		
638,337	-	638,337	-		
<u>\$ 2,189,751</u>	<u>\$ -</u>	<u>\$ 2,189,751</u>	<u>\$ -</u>		

(concluded)

CITY OF WHARTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2023

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, 2023 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, 2023.

Water and Waste Disposal Systems for Rural Communities - ALN 10.760 - \$253,331

CITY OF WHARTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2023

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>
21.027	Coronavirus State and Local Fiscal Recovery Funds
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II - Financial Statement Findings

Finding 2023-001: General Ledger Account Reconciliations

Type of Finding: Significant Deficiency

Condition: Various general ledger accounts were not completely reconciled on a timely basis for the financial statement audit.

Criteria: Controls should be in place to ensure the general ledger accurately reflects all of the transactions of the City at the proper amounts, in the proper funds and in the proper period.

Cause: The City did not have proper controls in place to ensure ongoing work assigned was being accomplished appropriately and efficiently.

Effect: Material adjustments were needed to the City's general ledger accounts to accurately reflect the activity for the year in compliance with GAAP.

Repeat Finding from Prior Year: No.

Recommendation: The City should place into effect controls that will ensure ongoing work assigned to City staff is being accomplished appropriately and efficiently. Specifically, general ledger accounts should be properly reconciled on a regular basis. All differences should be researched, documented, and resolved in a timely manner.

Views of Responsible Officials: Refer to Corrective Action Plan.

Finding 2023-002: Federal Audit Clearinghouse (FAC) Submission

Type of Finding: Significant Deficiency

Condition: The City did not submit the required Single Audit package to the FAC in the required time period.

Criteria: The delay was a result of Finding 2023-001 in which controls should be in place to ensure accurate and efficient account reconciliations are performed.

Cause: The City did not have proper controls in place to ensure account reconciliations were performed appropriately and efficiently.

Effect: The effect of the late FAC submission could cause a delay in the award and funding of future grant programs.

Repeat Finding from Prior Year: No.

Recommendation: In future years all FAC submissions should be completed within the required time period.

Views of Responsible Officials: Refer to Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

None noted



City of Wharton

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

Corrective Action Plan

For the year ended September 30, 2023

Financial Statement Findings

2023-001

The City's Corrective Action Plan to address the condition is to establish clear responsibilities for reconciliation within the finance department, develop and document processes and procedures and implement a monthly reconciliation schedule for critical general ledger accounts. The reconciliations will be signed at the end of each month by the Finance Director. In addition, finance personnel will be provided with the proper education and training to ensure accurate accounting procedures are being followed.

The Finance Director, Joan Andel, will be responsible for ensuring that the Corrective Action Plan is implemented. The anticipated completion date is September 30, 2025.

2023-002

The City's Corrective Action Plan to address the condition is to remedy the finding 2023-001 and as a result of accurate and efficient account reconciliations, future FAC submissions will be completed within the required time period.

The Finance Director, Joan Andel, will be responsible for ensuring that the Corrective Action Plan is implemented. The anticipated completion date is September 30, 2025.

CITY OF WHARTON, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2023

None were reported.