



# **Annual Financial Report**

**For the Fiscal Year Ended  
September 30, 2024**

**CITY OF WHARTON, TEXAS**

*ANNUAL FINANCIAL REPORT*

*For the fiscal year ended September 30, 2024*

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## 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, 2024, 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, 2024 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.

### 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.

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 April 8, 2026, 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  
Victoria, Texas

April 8, 2026

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, 2024. 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, 2024, by \$43,882,210. Of this amount, \$4,564,482 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 \$19,455,538 for the fiscal year. The net expense was \$4,506,650.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$2,021,594. This represents a 12% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2024, the City's governmental funds reported combined ending fund balances of \$6,096,202, a net decrease of \$162,457 in comparison with prior year. The overall net decrease in fund balance was mainly due to the \$613,067 decrease in the Disaster Relief Fund as a result of spending unavailable grant funds under the modified accrual basis of accounting.
- At September 30, 2024, unassigned fund balance for the General Fund was \$3,785,129 or 47% of total General Fund expenditures.
- The City's investment in capital assets for governmental and business-type activities had a net increase of \$7,115,060 or 13% 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 \$3,818,234 or 8% from the prior year, due mainly to the principal payments made on the outstanding debt in fiscal year 2024 and the decrease in the net pension liability.

**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 83

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## 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 2024. 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.

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## 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 83 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 84 through 94 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 95 through 111 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 \$43,882,210 at the close of the fiscal year ended September 30, 2024.

At the end of fiscal year 2024, 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	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 13,410,484	\$ 13,303,237	\$ 8,360,295	\$ 13,449,765	\$ 21,770,779	\$ 26,753,002
Capital assets (net)	28,503,462	28,751,468	34,581,290	27,218,224	63,084,752	55,969,692
Other noncurrent assets	9,003,477	9,253,477	(9,462)	(90,644)	8,994,015	9,162,833
<b>Total assets</b>	<b>50,917,423</b>	<b>51,308,182</b>	<b>42,932,123</b>	<b>40,577,345</b>	<b>93,849,546</b>	<b>91,885,527</b>
<b>Total deferred out- flows of resources</b>	<b>829,395</b>	<b>1,320,739</b>	<b>552,979</b>	<b>911,946</b>	<b>1,382,374</b>	<b>2,232,685</b>
Long-term liabilities	27,466,691	30,256,417	15,720,802	16,749,310	43,187,493	47,005,727
Other liabilities	4,764,533	4,942,901	3,109,493	2,481,633	7,874,026	7,424,534
<b>Total liabilities</b>	<b>32,231,224</b>	<b>35,199,318</b>	<b>18,830,295</b>	<b>19,230,943</b>	<b>51,061,519</b>	<b>54,430,261</b>
<b>Total deferred in- flows of resources</b>	<b>137,211</b>	<b>72,814</b>	<b>150,980</b>	<b>158,467</b>	<b>288,191</b>	<b>231,281</b>
Net Position:						
Net investment in capital assets	18,777,581	17,472,313	19,865,048	19,185,114	38,642,629	36,657,427
Restricted	675,099	578,165	-	-	675,099	578,165
Unrestricted	(74,297)	(693,689)	4,638,779	2,914,767	4,564,482	2,221,078
<b>Total net position</b>	<b>\$ 19,378,383</b>	<b>\$ 17,356,789</b>	<b>\$ 24,503,827</b>	<b>\$ 22,099,881</b>	<b>\$ 43,882,210</b>	<b>\$ 39,456,670</b>

The largest portion of the City's net position (88%) 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 \$675,099 for debt service and for special projects related to general government, culture and recreation, municipal court, and public safety. The remaining balance of \$4,564,482 may be used to meet the government's ongoing obligations to citizens and creditors.

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

<b>City of Wharton, Texas</b>						
<b>Changes in Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 727,948	\$ 416,611	\$ 9,050,831	\$ 8,959,417	\$ 9,778,779	\$ 9,376,028
Operating grants and contributions	1,021,402	324,326	2,095,948	1,894,546	3,117,350	2,218,872
Capital grants and contributions	1,205,319	2,398,029	847,440	732,372	2,052,759	3,130,401
General revenues:						
Property taxes	2,993,945	2,592,110	-	-	2,993,945	2,592,110
Sales taxes	2,089,202	2,023,740	-	-	2,089,202	2,023,740
Franchise taxes	1,139,866	1,163,765	-	-	1,139,866	1,163,765
Other taxes	277,368	294,203	-	-	277,368	294,203
Unrestricted investment earnings	259,152	160,846	458,899	225,990	718,051	386,836
Industrial district payment	1,520,351	1,503,285	-	-	1,520,351	1,503,285
Miscellaneous	193,407	127,976	-	-	193,407	127,976
<b>Total revenues</b>	<b>11,427,960</b>	<b>11,004,891</b>	<b>12,453,118</b>	<b>11,812,325</b>	<b>23,881,078</b>	<b>22,817,216</b>
<b>EXPENSES</b>						
General government	2,787,773	1,492,143	-	-	2,787,773	1,492,143
Public safety	4,871,103	4,388,116	-	-	4,871,103	4,388,116
Public works	2,272,100	2,259,768	-	-	2,272,100	2,259,768
Cultural and recreation	285,258	223,442	-	-	285,258	223,442
Interest on long-term debt	319,165	385,618	-	-	319,165	385,618
Water and sewer	-	-	3,896,300	3,456,511	3,896,300	3,456,511
Solid waste	-	-	1,643,952	1,495,554	1,643,952	1,495,554
Emergency medical services	-	-	2,652,433	2,289,834	2,652,433	2,289,834
Civic center	-	-	364,595	312,837	364,595	312,837
Airport	-	-	362,859	381,459	362,859	381,459
<b>Total expenses</b>	<b>10,535,399</b>	<b>8,749,087</b>	<b>8,920,139</b>	<b>7,936,195</b>	<b>19,455,538</b>	<b>16,685,282</b>
Change in net position before transfers	892,561	2,255,804	3,532,979	3,876,130	4,425,540	6,131,934
Transfers	1,129,033	203,699	(1,129,033)	(203,699)	-	-
Change in net position	2,021,594	2,459,503	2,403,946	3,672,431	4,425,540	6,131,934
<b>Net position - October 1</b>	<b>17,356,789</b>	<b>14,897,286</b>	<b>22,099,881</b>	<b>18,427,450</b>	<b>39,456,670</b>	<b>33,324,736</b>
<b>Net position - September 30</b>	<b>\$ 19,378,383</b>	<b>\$ 17,356,789</b>	<b>\$ 24,503,827</b>	<b>\$ 22,099,881</b>	<b>\$ 43,882,210</b>	<b>\$ 39,456,670</b>

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

The overall increase in the City's net position is \$4,425,540, which consists of an increase of \$2,021,594 in governmental activities and an increase of \$2,403,946 in business-type activities.

Governmental Activities

Governmental activities increased the City's net position by \$2,021,594. Key elements of this net increase are as follows:

- Charges for services increased by \$311,337 or 75% from prior year, primarily due to increased activity in licenses and permits issued, as well as fines and forfeitures.
- Operating grants and contributions increased by \$697,076 or 215% from prior year, primarily due to grant funds recognized relating to Hurricane Beryl.
- Capital grants and contributions decreased by \$1,192,710 or 50% from prior year, primarily due to less grant funds recognized for the generator and flood reduction projects compared to prior year, as well as less funds received from the USACE for the flood reduction project.
- Property tax revenues increased \$401,835 or 16% from prior year due to increases in tax rates and assessed property valuations.
- General government expenses increased by \$1,295,630 or 87% from prior year, primarily due to additional expenses related to Hurricane Beryl and Hurricane Harvey infrastructure.
- Public safety expenses increased by \$482,987 or 11% from prior year, primarily due to increases in police and communications personnel expenses.
- Net transfers in from business-type activities increased \$925,334 or 454% from prior year, primarily due to a decrease in capital contributions from governmental activities to business-type activities for the generator project.

**City of Wharton, Texas**

**Expenses and Program Revenues - Governmental Activities**

Functions/Programs	Expenses	% of Total	Revenues	% of Total	Net (Expense) Revenue
General government	\$ 2,787,773	26.46%	\$ 2,555,394	86.49%	\$ (232,379)
Public safety	4,871,103	46.24%	243,950	8.26%	(4,627,153)
Public works	2,272,100	21.57%	155,325	5.25%	(2,116,775)
Cultural and recreation	285,258	2.71%	-	0.00%	(285,258)
Interest on long-term debt	319,165	3.02%	-	0.00%	(319,165)
<b>Total</b>	<b>\$ 10,535,399</b>	<b>100.00%</b>	<b>\$ 2,954,669</b>	<b>100.00%</b>	<b>\$ (7,580,730)</b>

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

Governmental Activities - (Continued)

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City of Wharton, Texas

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**Revenues by Source - Governmental Activities**

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<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 727,948	5.80%
Operating grants and contributions	1,021,402	8.13%
Capital grants and contributions	1,205,319	9.60%
Property taxes	2,993,945	23.84%
Sales taxes	2,089,202	16.64%
Franchise taxes	1,139,866	9.08%
Other taxes	277,368	2.21%
Unrestricted investment earnings	259,152	2.06%
Industrial district payment	1,520,351	12.11%
Miscellaneous	193,407	1.54%
Transfers	<u>1,129,033</u>	<u>8.99%</u>
	<u>\$12,556,993</u>	<u>100.00%</u>

Business-type Activities

Business-type activities increased the City's net position by \$2,403,946. Key elements of this net increase are as follows:

- Unrestricted investment earnings increased \$232,909 or 103% from prior year, primarily due to investing additional funds.
- Water and sewer expenses increased \$439,789 or 13% from the prior year, primarily due to increases in various categories in the water operations department, an increase in depreciation expense, and an increase in professional services in the planning department.
- Emergency medical services expenses increased \$362,599 or 16% from the prior year, primarily due to an increase in personnel expenses.
- Net transfers out to governmental activities increased \$925,334 or 454% from prior year, primarily due to a decrease in capital contributions from governmental activities to business-type activities for the generator project.

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

Business-type Activities - (Continued)

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**City of Wharton, Texas**

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**Expenses and Program Revenues - Business-type Activities**

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<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	\$ 3,896,300	43.68%	\$ 6,566,823	54.75%	\$ 2,670,523
Solid waste	1,643,952	18.43%	1,769,304	14.75%	125,352
Emergency medical services	2,652,433	29.74%	3,150,382	26.27%	497,949
Civic center	364,595	4.09%	92,597	0.77%	(271,998)
Airport	<u>362,859</u>	<u>4.06%</u>	<u>415,113</u>	<u>3.46%</u>	<u>52,254</u>
Total	<u>\$ 8,920,139</u>	<u>100.00%</u>	<u>\$ 11,994,219</u>	<u>100.00%</u>	<u>\$ 3,074,080</u>

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**City of Wharton, Texas**

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**Revenues by Source - Business-type Activities**

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<u>Description</u>	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 9,050,831	79.93%
Operating grants and contributions	2,095,948	18.51%
Capital grants and contributions	847,440	7.48%
Unrestricted investment earnings	458,899	4.05%
Transfers	<u>(1,129,033)</u>	<u>(9.97%)</u>
	<u>\$ 11,324,085</u>	<u>100.00%</u>

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## **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 2024, the City's governmental funds reported combined ending fund balances of \$6,096,202, a decrease of \$162,457 or 3% in comparison with prior year. The General Fund ended the fiscal year with an increase of \$297,569, the Debt Service Fund increased \$43,019, the Disaster Relief Fund decreased \$613,067, and the TWDB Drainage Fund decreased \$193,470.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2024, unassigned fund balance of the General Fund was \$3,785,129, while total fund balance was \$3,834,513. 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 47% of the total General Fund expenditures, while total fund balance represents 47% of that same amount.

The fund balance of the City's General Fund increased \$297,569 during the current fiscal year. The factors related to the increase included a \$241,806 increase in intergovernmental revenues due to additional funds from the Wharton Fire Department and the recognition of Coronavirus grant funds, as well as an increase of transfers in of \$368,319. There was also a \$300,776 decrease in capital outlay and a \$364,447 decrease in debt issued compared to prior year, which were offset by an increase in police department personnel expenditures. The Debt Service Fund experienced an increase in fund balance during fiscal year 2024 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 2024 primarily due to Hurricane Beryl expenditures. The TWDB Drainage Fund experienced a decrease in fund balance during fiscal year 2024 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	\$ 2,315,164
Solid waste	322,602
Emergency medical services	1,890,599
Civic center	(147,610)
Airport	258,024
	<u>\$ 4,638,779</u>

This represents an increase of \$1,724,012 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.

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## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the fiscal year 2024 General Fund original budget and fiscal year 2024 General Fund final amended budget were a decrease in revenues of \$186,130, a decrease in expenditures of \$196,928, and a decrease in other financing sources (uses) of \$10,798. A few of the differences are briefly summarized as follows:

- An increase in sales tax of \$23,208 of additional tax received.
- A decrease of \$57,336 of ad valorem tax not received.
- An increase of \$30,012 in intergovernmental due to grant income received.
- A decrease of \$120,000 in building permit revenue, primarily due to a decrease in development.
- A decrease of \$67,361 in franchise tax revenue received.
- A decrease of \$100,000 in plan review revenue, primarily due to a decrease in development.
- An increase in fines and forfeitures of \$40,000 was attributed to an increase in fines, criminal traffic fees, and the related administrative fees.
- An increase in investment income of \$40,000 due to investing additional funds.
- A decrease of \$39,000 police department, attributed to salary and related benefits due to available positions not being filled.
- A decrease of \$45,000 in code enforcement plan review fees, due to a decrease in development.
- A decrease of \$85,000 in grants for not receiving an anticipated grant.
- A decrease of \$125,000 in the street department, attributed to salary and related benefits due to available positions not being filled.
- An increase of \$80,000 in vehicle and equipment maintenance for the fire department.

For fiscal year 2024, the General Fund's actual revenues were \$459,659 more than the final amended budget, and actual expenditures were \$43,863 less. The most significant variances between the General Fund's actual revenues and the final amended budget were a positive \$89,202 variance in sales tax, an increase of \$103,436 in intergovernmental revenue due to additional funds transferred from the fire department, and a \$129,662 increase in license and permit revenues. The most significant variances between the General Fund's actual expenditures compared to the final amended budget was a decrease of \$17,887 in the police department for unfilled positions. Also, there is a \$12,911 decrease in the finance department for salary and benefits, as well as a decrease in professional services. The City Secretary department also showed a decrease of \$15,191 due to operational expenses being less than the adjusted budget. The street department decreased by \$33,542 for unfilled positions and a reduction in infrastructure maintenance expenses. There was an increase of \$39,597 in capital assets, and an increase of \$73,108 in capital outlay for the unbudgeted right-to-use lease asset. The code enforcement department had an increase of \$19,342 as compared to the amended budget due to an increase of contracted professional services of \$40,109. 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 84, 108, and 109.

## **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, 2024, amounts to \$63,084,752 (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 13% (a 1% decrease for governmental activities and a 27% increase for business-type activities).

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

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

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 9,153,686	\$ 9,133,268	\$ 319,093	\$ 319,093	\$ 9,472,779	\$ 9,452,361
Construction in progress	7,922,421	8,154,484	7,566,680	8,101,292	15,489,101	16,255,776
Machinery and equipment	1,866,029	1,966,815	2,908,661	977,592	4,774,690	2,944,407
Land improvements	-	-	940,492	965,296	940,492	965,296
Bldgs. and improvements	2,491,699	2,324,568	5,249,228	4,643,488	7,740,927	6,968,056
Infrastructure	6,996,596	7,157,459	-	-	6,996,596	7,157,459
Water and sewer system	-	-	17,317,854	11,927,796	17,317,854	11,927,796
Right-to-Use lease assets	73,031	14,874	279,282	283,667	352,313	298,541
<b>Total</b>	<b><u>\$ 28,503,462</u></b>	<b><u>\$ 28,751,468</u></b>	<b><u>\$ 34,581,290</u></b>	<b><u>\$ 27,218,224</u></b>	<b><u>\$ 63,084,752</u></b>	<b><u>\$ 55,969,692</u></b>

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, 2024, consisted of the following:
  - Land additions of \$20,148 relating to permanent easements acquired for the flood reduction project.
  - Construction in progress of \$7,922,421 primarily includes \$6,648,010 for the flood reduction project, as well as various drainage improvement projects.
  - Machinery and equipment additions include the following: police vehicles and equipment, maintenance vehicles and equipment, and various other items.
  - Buildings and improvement additions include \$231,089 relating to the completion of the Qualified Energy Conservation Bond project.
  - Infrastructure additions include the completion of the sidewalk improvement project in the amount of \$282,138.
- The additions to the business-type activities capital assets during the fiscal year ended September 30, 2024, consisted of the following:
  - Construction in progress of \$7,566,680 includes various water and sewer projects.
  - Machinery and equipment additions include miscellaneous EMS and water and sewer vehicles and equipment, as well as the completion of the generator project in the amount of \$1,665,688.
  - Buildings and improvement additions include \$728,093 relating to the completion of the Qualified Energy Conservation Bond project.
  - Water and sewer system improvement additions include water line and water well improvements, sanitary sewer improvements, and course screens for the treatment plant.

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

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

At the end of fiscal year 2024, the City had total bonded debt outstanding of \$28,712,787 (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 \$3,651,000 in revenue bonds, \$2,970,000 in tax notes, \$5,327,996 in State Infrastructure loan, \$315,378 in financed purchase payable, \$312,428 in right-to-use leases, \$1,183,070 in net pension liability, \$291,977 in OPEB liability, and \$422,857 in compensated absences as of September 30, 2024.

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<b>City of Wharton, Texas</b>			
<b>Long-term Debt</b>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 3,283,580	\$ 846,420	\$ 4,130,000
Issuance premiums	412,917	252,188	665,105
Certificates of obligation	19,014,864	4,159,136	23,174,000
Revenue bonds	-	3,651,000	3,651,000
Qualified energy cons. bonds	208,670	535,012	743,682
Tax notes	2,970,000	-	2,970,000
State infrastructure loan	-	5,327,996	5,327,996
Financed purchase payable	315,378	-	315,378
Right-to-Use leases	71,297	241,131	312,428
Net pension liability	745,335	437,735	1,183,070
OPEB liability	183,945	108,032	291,977
Compensated absences	260,705	162,152	422,857
Total	<u>\$ 27,466,691</u>	<u>\$ 15,720,802</u>	<u>\$ 43,187,493</u>

The City's total long-term liabilities decreased by \$3,818,234 or 8% from the prior fiscal year. The key factors in this net decrease were:

- Payments made on the certificates and bonds during fiscal year 2024 totaled \$1,774,994.
- Payments made on the tax notes during fiscal year 2024 totaled \$1,200,000.
- Payments made on the State Infrastructure Loan during fiscal year 2024 totaled \$110,000.
- Net pension liability decreased by \$857,690.

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 \$14,100,000 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.

The project relating to the Qualified Energy Conservation project was completed in the current year.

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

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## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the 2024 fiscal year, the City's most important initiative was to continue to provide drainage improvements, reduce flooding in the City, and make infrastructure improvements. The City has acquired all the real estate necessary for Phase I of the FY2018 Supplemental Appropriations Act, in partnership with the U.S. Army Corps of Engineers, to implement a 100% federally funded flood-control solution for the Colorado River in the Wharton area. Phase 2 of the levee project is designed at 100%. Funding for this portion has also been granted by the U.S. Government's Cost Control Board. The City continues to work diligently to apply for all applicable outstanding grant opportunities that would benefit the City and its residents.

In addition, the City was allotted \$4,360,800 through the HGAC Method of Distribution (MOD) during fiscal year 2024. In December of 2023, the City entered into a contract with Ardurra for grant administration and engineering services.

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.
- Construction of Phase I of the Levee Project funded by the FY2018 Supplemental Appropriations Act, with the U.S. Army Corps of Engineers, is 75% complete

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.
- Utility relocations for construction of I-69 through the City, were completed in FY2025.
- Downtown Master Plan was completed in FY2025.
- Installation of generators at the Water Wells and a Wastewater Treatment Plant was completed in FY2025.

Factors affecting the 2024-2025 General Fund budget were as follows:

- Net taxable assessed value before freeze for tax year 2024 increased by \$25,772,938 or 3.6% to approximately \$738 million.
- The top ten principal taxpayers account for 22% of the total assessed valuation, as compared to 23% nine years ago.
- The City's General Fund projected ending unassigned fund balance for fiscal year 2025 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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 11,711,072	\$ 4,974,906	\$ 16,685,978	\$ 1,632,477
Receivables, net	560,595	1,113,352	1,673,947	-
Internal balances	(1,565,009)	1,565,009	-	-
Due from component unit	38,330	3,813	42,143	-
Due from other governments	2,496,112	377,574	2,873,686	165,515
Interlocal receivable - current portion	150,000	-	150,000	-
Lease receivable - current portion	-	18,818	18,818	-
Prepaid items	4,892	-	4,892	4,721
Land held for sale	-	-	-	329,524
Inventory	14,492	116,107	130,599	2,000
Restricted assets				
Cash and cash equivalents	-	190,716	190,716	-
<b>Total current assets</b>	<b>13,410,484</b>	<b>8,360,295</b>	<b>21,770,779</b>	<b>2,134,237</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	17,076,107	7,885,773	24,961,880	58,231
Buildings, infrastructure, and equipment, net	11,354,324	26,416,235	37,770,559	3,821
Right-to-Use lease assets, net	73,031	279,282	352,313	-
<b>Net capital assets</b>	<b>28,503,462</b>	<b>34,581,290</b>	<b>63,084,752</b>	<b>62,052</b>
Interlocal receivable - noncurrent portion	8,973,477	-	8,973,477	-
Lease receivable - noncurrent portion	-	20,538	20,538	-
Noncurrent internal balances	30,000	(30,000)	-	-
<b>Total noncurrent assets</b>	<b>37,506,939</b>	<b>34,571,828</b>	<b>72,078,767</b>	<b>62,052</b>
<b>Total assets</b>	<b>50,917,423</b>	<b>42,932,123</b>	<b>93,849,546</b>	<b>2,196,289</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	35,426	7,094	42,520	-
Deferred outflow related to OPEB	32,959	23,758	56,717	-
Deferred outflow related to pension	761,010	522,127	1,283,137	-
<b>Total deferred outflows of resources</b>	<b>829,395</b>	<b>552,979</b>	<b>1,382,374</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Wharton Economic Development Corporation
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,225,223	\$ 2,470,220	\$ 3,695,443	\$ 15,412
Accrued expenditures/expenses	93,925	54,595	148,520	-
Due to primary government	-	-	-	42,143
Due to other governments	37,986	10,373	48,359	-
Deposits	1,135	260,792	261,927	-
Accrued interest payable	122,852	87,661	210,513	-
Compensated absences	26,071	16,215	42,286	-
Unearned revenue	3,283,412	225,852	3,509,264	-
Current portion of long-term obligations	2,302,198	1,005,186	3,307,384	150,000
Total current liabilities	<u>7,092,802</u>	<u>4,130,894</u>	<u>11,223,696</u>	<u>207,555</u>
Noncurrent liabilities				
Compensated absences	234,634	145,937	380,571	-
OPEB liability	183,945	108,032	291,977	-
Net pension liability	745,335	437,735	1,183,070	-
Noncurrent portion of long-term obligations	23,974,508	14,007,697	37,982,205	8,973,477
Total noncurrent liabilities	<u>25,138,422</u>	<u>14,699,401</u>	<u>39,837,823</u>	<u>8,973,477</u>
<b>Total liabilities</b>	<u>32,231,224</u>	<u>18,830,295</u>	<u>51,061,519</u>	<u>9,181,032</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to right-to-use lease receivable				
	-	38,967	38,967	-
Deferred inflow related to OPEB	54,153	37,087	91,240	-
Deferred inflow related to pension	83,058	74,926	157,984	-
<b>Total deferred inflows of resources</b>	<u>137,211</u>	<u>150,980</u>	<u>288,191</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	18,777,581	19,865,048	38,642,629	62,052
Restricted for:				
Debt service	447,177	-	447,177	-
General government	45,912	-	45,912	-
Cultural and recreation	84,815	-	84,815	-
Municipal court	68,423	-	68,423	-
Public safety	28,772	-	28,772	-
Unrestricted net position	(74,297)	4,638,779	4,564,482	(7,046,795)
<b>Total net position</b>	<u>\$ 19,378,383</u>	<u>\$ 24,503,827</u>	<u>\$ 43,882,210</u>	<u>\$ (6,984,743)</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2024*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 2,787,773	\$ 713,924	\$ 976,673	\$ 864,797
Public safety	4,871,103	14,024	25,729	204,197
Public works	2,272,100	-	19,000	136,325
Cultural and recreation	285,258	-	-	-
Interest on long-term debt	319,165	-	-	-
Total governmental activities	<u>10,535,399</u>	<u>727,948</u>	<u>1,021,402</u>	<u>1,205,319</u>
Business-type activities				
Water and sewer	3,896,300	5,757,774	36,609	772,440
Solid waste	1,643,952	1,769,304	-	-
Emergency medical services	2,652,433	1,112,227	1,963,155	75,000
Civic center	364,595	92,597	-	-
Airport	362,859	318,929	96,184	-
Total business-type activities	<u>8,920,139</u>	<u>9,050,831</u>	<u>2,095,948</u>	<u>847,440</u>
Total primary government	<u>\$ 19,455,538</u>	<u>\$ 9,778,779</u>	<u>\$ 3,117,350</u>	<u>\$ 2,052,759</u>
<b>Component Unit</b>				
Wharton Economic Development Corporation	<u>\$ 591,450</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  
 Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Wharton Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (232,379)	\$ -	\$ (232,379)	\$ -
(4,627,153)	-	(4,627,153)	-
(2,116,775)	-	(2,116,775)	-
(285,258)	-	(285,258)	-
(319,165)	-	(319,165)	-
<u>(7,580,730)</u>	<u>-</u>	<u>(7,580,730)</u>	<u>-</u>
-	2,670,523	2,670,523	-
-	125,352	125,352	-
-	497,949	497,949	-
-	(271,998)	(271,998)	-
-	52,254	52,254	-
-	<u>3,074,080</u>	<u>3,074,080</u>	<u>-</u>
<u>(7,580,730)</u>	<u>3,074,080</u>	<u>(4,506,650)</u>	<u>-</u>
-	-	-	(591,450)
622,576	-	622,576	-
2,371,369	-	2,371,369	-
2,089,202	-	2,089,202	1,044,601
1,139,866	-	1,139,866	-
277,368	-	277,368	-
259,152	458,899	718,051	63,053
1,520,351	-	1,520,351	-
193,407	-	193,407	5,000
1,129,033	(1,129,033)	-	-
<u>9,602,324</u>	<u>(670,134)</u>	<u>8,932,190</u>	<u>1,112,654</u>
2,021,594	2,403,946	4,425,540	521,204
17,356,789	22,099,881	39,456,670	(7,505,947)
<u>\$ 19,378,383</u>	<u>\$ 24,503,827</u>	<u>\$ 43,882,210</u>	<u>\$ (6,984,743)</u>

**CITY OF WHARTON, TEXAS**

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

*September 30, 2024*

	<u>General</u>	<u>Debt Service</u>	<u>Disaster Relief</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,044,526	\$ 73,762	\$ -
Receivables, net	310,592	167,413	-
Due from other funds	2,022,445	319,361	72,285
Due from component unit	38,330	-	-
Due from other governments	351,125	9,493	1,759,048
Advances to other funds	30,000	-	-
Prepaid items	4,892	-	-
Inventory	14,492	-	-
<b>Total assets</b>	<u>\$ 5,816,402</u>	<u>\$ 570,029</u>	<u>\$ 1,831,333</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 455,347	\$ -	\$ 692,570
Accrued expenditures	93,925	-	-
Due to other funds	260,547	-	1,653,384
Due to other governments	37,986	-	-
Deposits	1,135	-	-
Unearned revenue	883,255	-	-
<b>Total liabilities</b>	<u>1,732,195</u>	<u>-</u>	<u>2,345,954</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	249,694	167,413	1,759,048
<b>Total deferred inflows of resources</b>	<u>249,694</u>	<u>167,413</u>	<u>1,759,048</u>
<b>FUND BALANCES</b>			
Nonspendable	49,384	-	-
Restricted	-	402,616	-
Committed	-	-	-
Unassigned	3,785,129	-	(2,273,669)
<b>Total fund balances</b>	<u>3,834,513</u>	<u>402,616</u>	<u>(2,273,669)</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 5,816,402</u>	<u>\$ 570,029</u>	<u>\$ 1,831,333</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>
\$ 4,070,541	\$ 4,522,243	\$ 11,711,072
-	82,590	560,595
9,673	1,142,292	3,566,056
-	-	38,330
-	376,446	2,496,112
-	-	30,000
-	-	4,892
-	-	14,492
<u>\$ 4,080,214</u>	<u>\$ 6,123,571</u>	<u>\$ 18,421,549</u>
\$ 10,730	\$ 66,576	\$ 1,225,223
-	-	93,925
-	3,217,134	5,131,065
-	-	37,986
-	-	1,135
2,400,157	-	3,283,412
<u>2,410,887</u>	<u>3,283,710</u>	<u>9,772,746</u>
-	376,446	2,552,601
-	<u>376,446</u>	<u>2,552,601</u>
-	-	49,384
1,669,327	3,505,751	5,577,694
-	466,151	466,151
-	(1,508,487)	2,973
<u>1,669,327</u>	<u>2,463,415</u>	<u>6,096,202</u>
<u>\$ 4,080,214</u>	<u>\$ 6,123,571</u>	<u>\$ 18,421,549</u>

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

September 30, 2024

<b>Total governmental fund balances</b>		<b>\$ 6,096,202</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		264,132
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.		2,288,469
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 48,378,162	
Accumulated depreciation and amortization of governmental capital assets	<u>(19,874,700)</u>	28,503,462
Interlocal receivable on repayment of debt is not a current financial resource and, therefore, is not reported on the fund financial statements.		9,123,477
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	35,426	
Deferred amount on OPEB	32,959	
Deferred amount on pension	<u>761,010</u>	829,395
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	(22,507,114)	
Bond premiums	(412,917)	
Tax notes	(2,970,000)	
Financed purchase payable	(315,378)	
Right-to-use lease liability	(71,297)	
Net pension liability	(745,335)	
OPEB liability	(183,945)	
Accrued interest payable	(122,852)	
Compensated absences	<u>(260,705)</u>	(27,589,543)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on OPEB	(54,153)	
Deferred amount on pension	<u>(83,058)</u>	<u>(137,211)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>19,378,383</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the year ended September 30, 2024

	General	Debt Service	Disaster Relief
<b>REVENUES</b>			
Taxes	\$ 3,854,126	\$ 2,363,070	\$ -
Licenses and permits	379,324	-	-
Intergovernmental	478,936	-	257,969
Charges for services	37,463	-	-
Fines and forfeitures	250,187	-	-
Investment income	129,282	21,479	-
Industrial district fee	1,520,351	-	-
Miscellaneous	147,452	150,000	-
<b>Total revenues</b>	<u>6,797,121</u>	<u>2,534,549</u>	<u>257,969</u>
<b>EXPENDITURES</b>			
Current			
General government	1,347,189	-	829,782
Public safety	4,505,918	-	-
Public works	1,620,457	-	-
Cultural and recreation	111,674	-	-
Capital outlay	473,698	-	4,430
Debt service			
Principal retirement	49,069	2,261,827	36,100
Interest and fiscal charges	16,438	384,558	724
<b>Total expenditures</b>	<u>8,124,443</u>	<u>2,646,385</u>	<u>871,036</u>
Excess (deficiency) of revenues over expenditures	(1,327,322)	(111,836)	(613,067)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	3,320	-	-
Right-to-use lease issued	73,108	-	-
Transfers in	1,548,463	154,855	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>1,624,891</u>	<u>154,855</u>	<u>-</u>
Net change in fund balances	297,569	43,019	(613,067)
Fund balances at beginning of year	<u>3,536,944</u>	<u>359,597</u>	<u>(1,660,602)</u>
<b>Fund balances at end of year</b>	<u>\$ 3,834,513</u>	<u>\$ 402,616</u>	<u>\$ (2,273,669)</u>

The accompanying notes are an integral part of this statement.

TWDB Drainage	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 277,368	\$ 6,494,564
-	-	379,324
-	1,221,289	1,958,194
-	-	37,463
-	44,546	294,733
-	108,391	259,152
-	-	1,520,351
-	5,400	302,852
<u>-</u>	<u>1,656,994</u>	<u>11,246,633</u>
-	520,725	2,697,696
-	14,892	4,520,810
-	51,195	1,671,652
-	63,300	174,974
193,470	133,535	805,133
-	-	2,346,996
-	-	401,720
<u>193,470</u>	<u>783,647</u>	<u>12,618,981</u>
(193,470)	873,347	(1,372,348)
-	-	3,320
-	-	73,108
-	102,000	1,805,318
-	(671,855)	(671,855)
-	(569,855)	1,209,891
<u>(193,470)</u>	<u>303,492</u>	<u>(162,457)</u>
<u>1,862,797</u>	<u>2,159,923</u>	<u>6,258,659</u>
<u>\$ 1,669,327</u>	<u>\$ 2,463,415</u>	<u>\$ 6,096,202</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, 2024*

<b>Total net change in fund balances - governmental funds</b>		<b>\$ (162,457)</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or the term of the lease agreement as amortization expense.		
Increase in capital assets	\$ 830,930	
Depreciation and amortization expense	<u>(1,078,936)</u>	(248,006)
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Right-to-use lease		(73,108)
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	1,158,727	
Tax notes principal retirement	1,139,200	
Financed purchase payable	49,069	
Right-to-use lease principal retirement	<u>16,124</u>	2,363,120
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	43,264	
Other revenues	<u>284,744</u>	328,008
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(26,698)	
Decrease in loss on refunding	(10,250)	
Decrease in bond premium	72,741	
Decrease in accrued interest	20,064	
Net OPEB costs	(8,588)	
Net pension costs	<u>(83,232)</u>	<u>(35,963)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 2,021,594</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2024

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,453,281	\$ 193,921	\$ 2,155,880
Receivables, net	699,074	193,798	94,341
Due from other funds	1,889,495	82,568	34,478
Due from component unit	-	-	-
Due from other governments	276,309	-	5,081
Lease receivable - current portion	-	-	-
Inventory	92,310	-	-
Restricted assets			
Cash and cash equivalents	190,716	-	-
<b>Total current assets</b>	<b>5,601,185</b>	<b>470,287</b>	<b>2,289,780</b>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	7,843,430	-	-
Buildings, improvements, and equipment, net	19,844,035	-	1,130,980
Right-to-Use lease assets, net	262,854	-	7,820
<b>Net capital assets</b>	<b>27,950,319</b>	<b>-</b>	<b>1,138,800</b>
Lease receivable - noncurrent portion	-	-	-
<b>Total noncurrent assets</b>	<b>27,950,319</b>	<b>-</b>	<b>1,138,800</b>
<b>Total assets</b>	<b>33,551,504</b>	<b>470,287</b>	<b>3,428,580</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	-	-	-
Deferred outflow related to OPEB	10,119	-	13,639
Deferred outflow related to pension	129,601	-	336,447
<b>Total deferred outflows of resources</b>	<b>139,720</b>	<b>-</b>	<b>350,086</b>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 19,771	\$ 152,053	\$ 4,974,906
64,878	61,261	1,113,352
42,636	62,426	2,111,603
3,813	-	3,813
-	96,184	377,574
-	18,818	18,818
-	23,797	116,107
-	-	190,716
<u>131,098</u>	<u>414,539</u>	<u>8,906,889</u>
-	42,343	7,885,773
1,489,566	3,951,654	26,416,235
8,608	-	279,282
<u>1,498,174</u>	<u>3,993,997</u>	<u>34,581,290</u>
-	20,538	20,538
<u>1,498,174</u>	<u>4,014,535</u>	<u>34,601,828</u>
<u>1,629,272</u>	<u>4,429,074</u>	<u>43,508,717</u>
-	7,094	7,094
-	-	23,758
56,079	-	522,127
<u>56,079</u>	<u>7,094</u>	<u>552,979</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2024

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 2,063,676	\$ 136,464	\$ 236,810
Accrued expenses	17,691	848	31,616
Due to other governments	-	10,373	-
Deposits	238,917	-	-
Accrued interest payable	76,243	-	-
Due to other funds	377,665	-	4,092
Compensated absences	4,752	-	11,336
Unearned revenue	125,852	-	100,000
Current portion of long-term obligations	914,733	-	2,089
<b>Total current liabilities</b>	<u>3,819,529</u>	<u>147,685</u>	<u>385,943</u>
Noncurrent liabilities			
Advances from other funds	30,000	-	-
Compensated absences	42,771	-	102,025
OPEB liability	43,797	-	64,235
Net pension liability	153,799	-	260,275
Noncurrent portion of long-term obligations	12,991,731	-	5,603
<b>Total noncurrent liabilities</b>	<u>13,262,098</u>	<u>-</u>	<u>432,138</u>
<b>Total liabilities</b>	<u>17,081,627</u>	<u>147,685</u>	<u>818,081</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to right-to-use lease receivable	-	-	-
Deferred inflow related to OPEB	13,503	-	23,584
Deferred inflow related to pension	74,926	-	-
<b>Total deferred inflows of resources</b>	<u>88,429</u>	<u>-</u>	<u>23,584</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,206,004	-	1,046,402
Unrestricted net position	2,315,164	322,602	1,890,599
<b>Total net position</b>	<u>\$ 16,521,168</u>	<u>\$ 322,602</u>	<u>\$ 2,937,001</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 17,975	\$ 15,295	\$ 2,470,220
3,303	1,137	54,595
-	-	10,373
21,575	300	260,792
4,216	7,202	87,661
162,283	2,554	546,594
95	32	16,215
-	-	225,852
32,339	56,025	1,005,186
<u>241,786</u>	<u>82,545</u>	<u>4,677,488</u>
-	-	30,000
851	290	145,937
-	-	108,032
23,661	-	437,735
422,633	587,730	14,007,697
<u>447,145</u>	<u>588,020</u>	<u>14,729,401</u>
<u>688,931</u>	<u>670,565</u>	<u>19,406,889</u>
-	38,967	38,967
-	-	37,087
-	-	74,926
-	38,967	150,980
1,144,030	3,468,612	19,865,048
(147,610)	258,024	4,638,779
<u>\$ 996,420</u>	<u>\$ 3,726,636</u>	<u>\$ 24,503,827</u>

(concluded)

**CITY OF WHARTON, TEXAS**

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

PROPRIETARY FUNDS

For the year ended September 30, 2024

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,757,774	\$ 1,769,304	\$ 1,112,227
<b>Total operating revenues</b>	<u>5,757,774</u>	<u>1,769,304</u>	<u>1,112,227</u>
<b>OPERATING EXPENSES</b>			
Personnel	1,181,758	53,972	1,998,206
Materials and supplies	148,469	197	133,181
Repairs and maintenance	513,272	-	155,562
Other services and charges	1,090,585	1,589,783	195,488
Depreciation and amortization	738,117	-	169,984
<b>Total operating expenses</b>	<u>3,672,201</u>	<u>1,643,952</u>	<u>2,652,421</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	2,085,573	125,352	(1,540,194)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Noncapital grants and contributions	36,609	-	1,963,155
Investment income	346,179	537	108,608
Interest and fiscal charges	(224,099)	-	(12)
<b>Total nonoperating revenues (expenses)</b>	<u>158,689</u>	<u>537</u>	<u>2,071,751</u>
Income (loss) before transfers and contributions	2,244,262	125,889	531,557
Contributions and transfers			
Capital grants and contributions	776,870	-	75,000
Transfers in	-	-	-
Transfers out	(1,250,051)	-	(98,412)
<b>Total contributions and transfers</b>	<u>(473,181)</u>	<u>-</u>	<u>(23,412)</u>
Change in net position	1,771,081	125,889	508,145
Net position at beginning of year	<u>14,750,087</u>	<u>196,713</u>	<u>2,428,856</u>
<b>Net position at end of year</b>	<u>\$ 16,521,168</u>	<u>\$ 322,602</u>	<u>\$ 2,937,001</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 92,597	\$ 318,929	\$ 9,050,831
<u>92,597</u>	<u>318,929</u>	<u>9,050,831</u>
184,050	68,782	3,486,768
10,934	8,875	301,656
25,514	67,163	761,511
41,369	68,416	2,985,641
<u>90,302</u>	<u>131,114</u>	<u>1,129,517</u>
<u>352,169</u>	<u>344,350</u>	<u>8,665,093</u>
(259,572)	(25,421)	385,738
-	96,184	2,095,948
60	3,515	458,899
<u>(12,426)</u>	<u>(18,509)</u>	<u>(255,046)</u>
<u>(12,366)</u>	<u>81,190</u>	<u>2,299,801</u>
(271,938)	55,769	2,685,539
-	-	851,870
215,000	-	215,000
<u>-</u>	<u>-</u>	<u>(1,348,463)</u>
<u>215,000</u>	<u>-</u>	<u>(281,593)</u>
(56,938)	55,769	2,403,946
<u>1,053,358</u>	<u>3,670,867</u>	<u>22,099,881</u>
<u>\$ 996,420</u>	<u>\$ 3,726,636</u>	<u>\$ 24,503,827</u>

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2024

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 5,594,374	\$ 1,762,341	\$ 1,106,503
Cash paid to suppliers for goods and services	(2,430,663)	(1,694,913)	(408,843)
Cash paid to employees for services	(1,148,181)	(53,692)	(1,998,540)
<b>Net cash provided (used) by operating activities</b>	<u>2,015,530</u>	<u>13,736</u>	<u>(1,300,880)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowing (repayments) to other funds	184,534	(20,488)	(20,718)
Borrowings from (to) component unit	-	-	-
Transfers in from other funds	-	-	-
Transfers out to other funds	(1,250,051)	-	(98,412)
Noncapital grants and contributions	27,112	-	1,964,752
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,038,405)</u>	<u>(20,488)</u>	<u>1,845,622</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(6,211,887)	-	(430,942)
Proceeds from capital grants and contributions	114,610	-	-
Proceeds from issuance of debt	151,000	-	-
Principal paid on long-term debt	(736,523)	-	(1,699)
Interest and debt costs paid	(252,364)	-	(12)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(6,935,164)</u>	<u>-</u>	<u>(432,653)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	346,179	537	108,608
<b>Net cash provided (used) by investing activities</b>	<u>346,179</u>	<u>537</u>	<u>108,608</u>
Net increase (decrease) in cash and cash equivalents	(5,611,860)	(6,215)	220,697
Cash and cash equivalents at beginning of year	8,255,857	200,136	1,935,183
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,643,997</u>	<u>\$ 193,921</u>	<u>\$ 2,155,880</u>

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ 84,583	\$ 302,844	\$ 8,850,645
(78,119)	(113,460)	(4,725,998)
(188,868)	(69,354)	(3,458,635)
<u>(182,404)</u>	<u>120,030</u>	<u>666,012</u>
21,502	4,111	168,941
(3,613)	-	(3,613)
215,000	-	215,000
-	-	(1,348,463)
-	35,387	2,027,251
<u>232,889</u>	<u>39,498</u>	<u>1,059,116</u>
(2,446)	(44,549)	(6,689,824)
-	-	114,610
-	-	151,000
(34,912)	(53,951)	(827,085)
<u>(13,899)</u>	<u>(23,292)</u>	<u>(289,567)</u>
<u>(51,257)</u>	<u>(121,792)</u>	<u>(7,540,866)</u>
60	3,515	458,899
<u>60</u>	<u>3,515</u>	<u>458,899</u>
(712)	41,251	(5,356,839)
<u>20,483</u>	<u>110,802</u>	<u>10,522,461</u>
<u>\$ 19,771</u>	<u>\$ 152,053</u>	<u>\$ 5,165,622</u>

(continued)

**CITY OF WHARTON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2024

	Business-type Activities		
	Water and Sewer	Solid Waste	Emergency Medical Services
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 2,085,573	\$ 125,352	\$ (1,540,194)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	738,117	-	169,984
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(171,689)	(7,876)	(5,724)
(Increase) decrease in lease receivable	-	-	-
(Increase) decrease in inventory	(27,901)	-	-
(Increase) decrease in deferred outflow related to OPEB	478	-	904
(Increase) decrease in deferred outflow related to pension	93,005	-	230,043
Increase (decrease) in accounts payable	(650,436)	(104,933)	75,388
Increase (decrease) in accrued expenses	4,842	284	7,055
Increase (decrease) in deposits	8,289	-	-
Increase (decrease) in due to other governments	-	913	-
Increase (decrease) in compensated absences	(314)	(4)	24,652
Increase (decrease) in OPEB liability	4,173	-	(1,805)
Increase (decrease) in net pension liability (asset)	(91,092)	-	(249,915)
Increase (decrease) in deferred inflow related to OPEB	(4,443)	-	(6,516)
Increase (decrease) in deferred inflow related to pension	26,928	-	(4,752)
Increase (decrease) in deferred inflow related to right-to-use lease receivable	-	-	-
Total adjustments	<u>(70,043)</u>	<u>(111,616)</u>	<u>239,314</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 2,015,530</u></b>	<b><u>\$ 13,736</u></b>	<b><u>\$ (1,300,880)</u></b>
<b>Reconciliation of cash and cash equivalents</b>			
Cash and cash equivalents - Unrestricted	\$ 2,453,281	\$ 193,921	\$ 2,155,880
Cash and cash equivalents - Restricted	<u>190,716</u>	<u>-</u>	<u>-</u>
Total	<b><u>\$ 2,643,997</u></b>	<b><u>\$ 193,921</u></b>	<b><u>\$ 2,155,880</u></b>
<b>Noncash capital and related financing activities</b>			
Noncash capital grants and contributions	\$ 4,430	\$ -	\$ -
Capital asset related accounts and retainage payables	1,730,965	-	92,398
Assets acquired from initiation of right-to-use lease	<u>14,828</u>	<u>-</u>	<u>8,736</u>
Total	<b><u>\$ 1,750,223</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 101,134</u></b>

The accompanying notes are an integral part of this statement.

Business-type Activities

<u>Civic Center</u>	<u>Airport</u>	<u>Total</u>
\$ (259,572)	\$ (25,421)	\$ 385,738
90,302	131,114	1,129,517
(2,614)	(16,065)	(203,968)
-	18,684	18,684
-	28,965	1,064
-	-	1,382
32,173	-	355,221
(302)	2,029	(678,254)
746	295	13,222
(5,400)	-	2,889
-	-	913
(175)	(867)	23,292
-	-	2,368
(37,562)	-	(378,569)
-	-	(10,959)
-	-	22,176
<u>-</u>	<u>(18,704)</u>	<u>(18,704)</u>
<u>77,168</u>	<u>145,451</u>	<u>280,274</u>
<u>\$ (182,404)</u>	<u>\$ 120,030</u>	<u>\$ 666,012</u>
\$ 19,771	\$ 152,053	\$ 4,974,906
<u>-</u>	<u>-</u>	<u>190,716</u>
<u>\$ 19,771</u>	<u>\$ 152,053</u>	<u>\$ 5,165,622</u>
\$ -	\$ -	\$ 4,430
-	-	1,823,363
<u>9,425</u>	<u>-</u>	<u>32,989</u>
<u>\$ 9,425</u>	<u>\$ -</u>	<u>\$ 1,860,782</u>

(concluded)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

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

Component Unit

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

The component unit column is made of the following:

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

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

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**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.

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**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.

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.

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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.

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**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.

D. Budgets and Budgetary Accounting

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

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

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

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, 2024.

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.

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

F. Leases - (Continued)

City as Lessor - (Continued)

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.

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, 2024, approximates fair value.

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

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.

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

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**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. Non-exempt employees engaged in public safety or emergency response receive 120 hours of vacation time for the first five years of employment and an additional 12 hours for each year beyond the first five years up to a maximum of 180 hours.

Vacation time is earned on the first day of the fiscal year after having worked one 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, with the exception of non-exempt employees engaged in public safety or emergency response, maximum is 180 hours.

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 up to the maximum.

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.

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**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.

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

O. Fund Balance

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 2024. 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, 2024, 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	\$ 360,993	\$ 473,698	\$ (112,705)

B. Deficit Fund Equity

As of September 30, 2024, the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Position</u>
Disaster Relief	\$ 2,273,669
Nonmajor Governmental	
TDA Sidewalk	5,500
Railroad Depot Restoration	92
Hurricane Harvey Infrastructure	427,999
2013 Bond Construction	167,965
2019 Tax Notes	906,931

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, 2024, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>	<u>Portfolio %age</u>
Public Funds Investment Pool				
TexPool	\$ 7,455,433	41	AAAm	88%
Texas CLASS	1,019,527	43	AAAm	13%
	<u>\$ 8,474,960</u>			

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**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 and Texas CLASS uses the fair value method to value portfolio assets. The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pools is the State of Texas. The investment pools transact at a net asset value of \$1.00 per share and are classified as cash and cash equivalents for reporting purposes.

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.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent.

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, 2024, and for the year then ended, the City was not exposed to any custodial credit risk.

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

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2024, 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	\$ 355,282	\$ -	\$ 699,074	\$ 193,798	\$ 5,105,994	\$ 64,878	\$ 61,188	\$ 82,590	\$ 6,562,804
Ad valorem taxes	164,970	233,792	-	-	-	-	-	-	398,762
Franchise taxes	69,698	-	-	-	-	-	-	-	69,698
Fines	280,170	-	-	-	-	-	-	-	280,170
Other	9,179	-	-	-	-	-	73	-	9,252
Total gross receivables	879,299	233,792	699,074	193,798	5,105,994	64,878	61,261	82,590	7,320,686
Less: Allowances	568,707	66,379	-	-	5,011,653	-	-	-	5,646,739
Total net receivables	<u>\$ 310,592</u>	<u>\$ 167,413</u>	<u>\$ 699,074</u>	<u>\$ 193,798</u>	<u>\$ 94,341</u>	<u>\$ 64,878</u>	<u>\$ 61,261</u>	<u>\$ 82,590</u>	<u>\$ 1,673,947</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	\$ 96,719	\$ -	\$ 96,719
Fines	135,066	-	135,066
Other	-	53,567	53,567
Grants	17,909	829,688	847,597
Debt Service Fund			
Ad valorem receivable	167,413	-	167,413
Disaster Relief			
Grants	1,759,048	-	1,759,048
TWDB			
Grants	-	2,400,157	2,400,157
Nonmajor Governmental			
Grants	376,446	-	376,446
	<u>\$ 2,552,601</u>	<u>\$ 3,283,412</u>	<u>\$ 5,836,013</u>

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

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

The City provides an exemption from property taxes of \$10,000 of the assessed value of residential homesteads for persons 65 years of age or older. An exemption from \$5,000 to \$12,000 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 \$0.45386 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.09431 and \$0.35955, respectively. The resulting adjusted total tax levy was \$3,234,334 on the total adjusted taxable valuation of \$712,628,113 for the 2023 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, 2024, are summarized as follows:

	General	Debt Service	Disaster Relief	Water and Sewer	Emergency Medical Services	Airport	Nonmajor Funds	Total
Sales taxes	\$ 326,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,720
Federal and state grants	17,235	-	1,759,048	275,572	3,330	96,184	376,446	2,527,815
Property taxes	2,739	9,493	-	-	-	-	-	12,232
Other	4,431	-	-	737	1,751	-	-	6,919
	<u>\$ 351,125</u>	<u>\$ 9,493</u>	<u>\$ 1,759,048</u>	<u>\$ 276,309</u>	<u>\$ 5,081</u>	<u>\$ 96,184</u>	<u>\$ 376,446</u>	<u>\$ 2,873,686</u>

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**NOTE 6: LEASE RECEIVABLE**

Lease receivables at September 30, 2024 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, 2024, both the right-to-use lease receivable of \$39,356 and the related deferred inflow of resources of \$38,967 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 \$18,684 in base lease revenues and \$369 in lease interest revenues. No variable payments were recorded.

During fiscal year 2024, 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.

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**NOTE 7: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 9,133,268	\$ 20,418	\$ -	\$ 9,153,686
Construction in progress	<u>8,154,484</u>	<u>283,864</u>	<u>515,927</u>	<u>7,922,421</u>
Total capital assets not being depreciated	<u>17,287,752</u>	<u>304,282</u>	<u>515,927</u>	<u>17,076,107</u>
Capital assets, being depreciated				
Machinery and equipment	8,590,632	339,456	197,971	8,732,117
Buildings and improvements	5,204,550	317,873	-	5,522,423
Infrastructure	<u>16,647,387</u>	<u>312,138</u>	<u>-</u>	<u>16,959,525</u>
Total capital assets being depreciated	<u>30,442,569</u>	<u>969,467</u>	<u>197,971</u>	<u>31,214,065</u>
Capital assets, being amortized				
Right to use lease - machinery and equipment	<u>45,738</u>	<u>73,108</u>	<u>30,856</u>	<u>87,990</u>
Total capital assets, being amortized	<u>45,738</u>	<u>73,108</u>	<u>30,856</u>	<u>87,990</u>
Total capital assets, being depreciated and amortized	<u>30,488,307</u>	<u>1,042,575</u>	<u>228,827</u>	<u>31,302,055</u>
Less accumulated depreciation and amortization for				
Capital assets, being depreciated				
Machinery and equipment	6,623,817	440,242	197,971	6,866,088
Buildings and improvements	2,879,982	150,742	-	3,030,724
Infrastructure	<u>9,489,928</u>	<u>473,001</u>	<u>-</u>	<u>9,962,929</u>
Capital assets, being amortized				
Right to use lease - machinery and equipment	<u>30,864</u>	<u>14,951</u>	<u>30,856</u>	<u>14,959</u>
Total accumulated depreciation and amortization	<u>19,024,591</u>	<u>1,078,936</u>	<u>228,827</u>	<u>19,874,700</u>
Total capital assets being depreciated and amortized, net	<u>11,463,716</u>	<u>(36,361)</u>	<u>-</u>	<u>11,427,355</u>
Governmental activities capital assets, net	<u>\$ 28,751,468</u>	<u>\$ 267,921</u>	<u>\$ 515,927</u>	<u>\$ 28,503,462</u>

**NOTE 7: CAPITAL ASSETS - (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 319,093	\$ -	\$ -	\$ 319,093
Construction in progress	8,101,292	7,600,714	8,135,326	7,566,680
Total capital assets not being depreciated	<u>8,420,385</u>	<u>7,600,714</u>	<u>8,135,326</u>	<u>7,885,773</u>
Capital assets, being depreciated				
Machinery and equipment	4,854,410	2,251,394	-	7,105,804
Land improvements	1,240,180	-	-	1,240,180
Buildings and improvements	7,473,873	782,237	-	8,256,110
Water and sewer system	25,854,289	5,958,211	-	31,812,500
Total capital assets being depreciated	<u>39,422,752</u>	<u>8,991,842</u>	<u>-</u>	<u>48,414,594</u>
Capital assets, being amortized				
Right to use lease - machinery and equipment	332,107	32,989	13,837	351,259
Total capital assets, being amortized	<u>332,107</u>	<u>32,989</u>	<u>13,837</u>	<u>351,259</u>
Total capital assets, being depreciated and amortized	<u>39,754,859</u>	<u>9,024,831</u>	<u>13,837</u>	<u>48,765,853</u>
Less accumulated depreciation and amortization for				
Machinery and equipment	3,876,818	320,325	-	4,197,143
Land improvements	274,884	24,804	-	299,688
Buildings and improvements	2,830,385	176,497	-	3,006,882
Water and sewer system	13,926,493	568,153	-	14,494,646
Capital assets, being amortized				
Right to use lease - machinery and equipment	48,440	37,374	13,837	71,977
Total accumulated depreciation and amortization	<u>20,957,020</u>	<u>1,127,153</u>	<u>13,837</u>	<u>22,070,336</u>
Total capital assets being depreciated and amortized, net	<u>18,797,839</u>	<u>7,897,678</u>	<u>-</u>	<u>26,695,517</u>
Business-type activities capital assets, net	<u>\$ 27,218,224</u>	<u>\$ 15,498,392</u>	<u>\$ 8,135,326</u>	<u>\$ 34,581,290</u>

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

**Governmental activities**

General government	\$ 98,755
Public safety	290,890
Public works	639,193
Cultural and recreation	50,098

Total depreciation and amortization expense - governmental activities \$ 1,078,936

**Business-type activities**

Water and sewer	\$ 738,117
Emergency medical services	169,984
Civic center	90,303
Airport	128,749

Total depreciation and amortization expense - business-type activities \$ 1,127,153

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**NOTE 7: CAPITAL ASSETS - (Continued)**

At September 30, 2024, 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 939 plans in the defined benefit cash-balance plan administered by the TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual report) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

Benefits Provided

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

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

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 2024 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, 2023 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	97
Active employees	97
	<u>248</u>

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**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. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 4.94% and 5.78% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$359,023, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 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.

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**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 as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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 2024 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%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	<u>10.00%</u>	11.60%
<b>Total</b>	<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.

	<b>Increase (Decrease)</b>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2022</b>	\$ 21,385,493	\$ 19,344,733	\$ 2,040,760
Changes for the year:			
Service cost	572,308	-	572,308
Interest	1,429,464	-	1,429,464
Changes of benefit terms	-	-	-
Difference between expected and actual experience	181,277	-	181,277
Change of assumptions	(218,441)	-	(218,441)
Contributions - Employer	-	298,858	(298,858)
Contributions - Employee	-	302,488	(302,488)
Net investment income	-	2,235,294	(2,235,294)
Benefit payments, including refunds of employee contributions	(988,813)	(988,813)	-
Administrative expense	-	(14,244)	14,244
Other changes	-	(98)	98
Net changes	<u>975,795</u>	<u>1,833,485</u>	<u>(857,690)</u>
<b>Balance at 12/31/2023</b>	<u>\$ 22,361,288</u>	<u>\$ 21,178,218</u>	<u>\$ 1,183,070</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:	\$4,077,809	\$1,183,070	\$(1,202,019)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2024 the City recognized pension expense of \$441,087.

At September 30, 2024, 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	\$ 473,631	\$ 2,494
Changes in actuarial assumptions	-	155,490
Difference between projected and actual investment earnings	525,785	-
Contributions subsequent to the measurement date	283,721	-
Total	\$ 1,283,137	\$ 157,984

\$283,721 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, 2024 (i.e. recognized in the City's financial statements for the year ending September 30, 2025). 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
2024	\$ 349,152
2025	276,537
2026	401,645
2027	(185,902)
2028	-
Thereafter	-
Total	\$ 841,432

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**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 823 participating cities on December 31, 2023.

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, 2023 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>97</u>
Total	<u>154</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)
2020	0.23%	0.03%
2021	0.24%	0.10%
2022	0.24%	0.10%
2023	0.39%	0.15%
2024	0.35%	0.16%

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**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, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Inflation	2.5%
Salary increases	3.6% to 11.85% including inflation
Discount rate	3.77%*
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 MP-2021 (with immediate convergence) 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, 2023.

**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:

<b>Balance at 12/31/22</b>	\$ 264,159
Changes for the year:	
Service cost	7,260
Interest	10,662
Change of benefit terms	-
Difference between expected and actual experience	3,882
Change of assumptions	15,089
Benefit payments	(9,075)
Net changes	<u>27,818</u>
<b>Balance at 12/31/23</b>	<u>\$ 291,977</u>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1.0% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1.0% Increase in Discount Rate (4.77%)
City's Total OPEB Liability:	\$346,965	\$291,977	\$249,153

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$11,525.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,223	\$ 5,755
Changes in actuarial assumptions	44,640	85,485
Contributions subsequent to the measurement date	7,854	-
Total	\$ 56,717	\$ 91,240

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

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

\$7,854 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, 2025. 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
2024	\$ (5,408)
2025	(8,467)
2026	(19,243)
2027	(11,015)
2028	1,756
Thereafter	-
Total	\$ (42,377)

**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, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 19,597,278	\$ -	\$ 582,414	\$ 19,014,864	\$ 590,106
General obligation bonds	3,831,835	-	548,255	3,283,580	572,130
Qualified energy cons. bonds	236,728	-	28,058	208,670	28,483
Plus deferred amounts:					
Issuance premiums	485,658	-	72,741	412,917	-
Total bonds and certificates payable	24,151,499	-	1,231,468	22,920,031	1,190,719
Tax notes	4,109,200	-	1,139,200	2,970,000	1,045,000
Financed purchase payable	364,447	-	49,069	315,378	48,147
Right-to-Use leases	14,313	73,108	16,124	71,297	18,332
Net pension liability	1,224,456	-	479,121	745,335	-
OPEB liability	158,495	25,450	-	183,945	-
Compensated absences	234,007	240,145	213,447	260,705	26,071
Total governmental activity long-term liabilities	<u>\$ 30,256,417</u>	<u>\$ 338,703</u>	<u>\$ 3,128,429</u>	<u>\$ 27,466,691</u>	<u>\$ 2,328,269</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 4,478,722	\$ -	\$ 319,586	\$ 4,159,136	\$ 331,894
General obligation bonds	983,165	-	136,745	846,420	142,870
Revenue bonds	3,588,000	151,000	88,000	3,651,000	90,000
Qualified energy cons. bonds	606,948	-	71,936	535,012	73,026
Plus deferred amounts:					
Issuance premiums	284,691	-	32,503	252,188	-
Total bonds and certificates payable	9,941,526	151,000	648,770	9,443,756	637,790
Tax notes	60,800	-	60,800	-	-
State Infrastructure loan	5,437,996	-	110,000	5,327,996	325,000
Right-to-Use leases	248,160	32,989	40,018	241,131	42,396
Net pension liability	816,304	-	378,569	437,735	-
OPEB liability	105,664	2,368	-	108,032	-
Compensated absences	138,860	167,980	144,688	162,152	16,215
Total business-type activity long-term liabilities	<u>\$ 16,749,310</u>	<u>\$ 354,337</u>	<u>\$ 1,382,845</u>	<u>\$ 15,720,802</u>	<u>\$ 1,021,401</u>

**NOTE 11: LONG-TERM DEBT - (Continued)**

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

The City has defeased certain outstanding bonds and certificates by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old bonds and certificates. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2024, \$4,395,000 of bonds and certificates outstanding was considered defeased.

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

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

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, 2024 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>	
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	497,070	30,298	132,930	8,102	668,400
2030	512,850	15,386	137,150	4,115	669,501
	<u>\$ 3,283,580</u>	<u>\$ 423,800</u>	<u>\$ 846,420</u>	<u>\$ 111,401</u>	<u>\$ 4,665,201</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>	
2025	\$ 590,106	\$ 95,275	\$ 331,894	\$ 151,037	\$ 1,168,312
2026	599,748	86,994	347,252	137,844	1,171,838
2027	595,545	337,494	359,560	123,711	1,416,310
2028	744,681	328,839	374,674	109,073	1,557,267
2029	763,927	311,870	390,032	93,819	1,559,648
2030-2034	3,853,113	1,302,701	1,806,724	247,960	7,210,498
2035-2039	3,297,312	966,386	549,000	51,614	4,864,312
2040-2044	3,171,994	704,577	-	-	3,876,571
2045-2049	3,422,486	455,221	-	-	3,877,707
2050-2052	1,975,952	138,808	-	-	2,114,760
	<u>\$ 19,014,864</u>	<u>\$ 4,728,165</u>	<u>\$ 4,159,136</u>	<u>\$ 915,058</u>	<u>\$ 28,817,223</u>

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**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 2024, WEDC paid a total of \$150,000 to the City relating to the interlocal commitment. The remaining amount of \$9,123,477 is reported as an interlocal receivable on the government-wide financial statements at September 30, 2024.

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

<u>Year</u>	<u>Principal and Interest</u>
2025	\$ 150,000
2026	150,000
2027	273,705
2028	343,565
2029	344,649
2030-2034	1,724,189
2035-2039	1,722,349
2040-2044	1,720,785
2045-2049	1,723,353
2050-2052	970,882
	<u>\$ 9,123,477</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, 2024, the City has redeemed \$3,911,000 of the bonds available.

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

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

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

<u>Year</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2025	\$ 90,000	\$ 63,893	\$ 153,893
2026	91,000	62,318	153,318
2027	93,000	60,725	153,725
2028	95,000	59,259	154,259
2029	96,000	57,435	153,435
2030-2034	507,000	261,471	768,471
2035-2039	553,000	215,478	768,478
2040-2044	602,000	165,539	767,539
2045-2049	657,000	110,812	767,812
2050-2054	716,000	51,268	902,596
2055-2059	151,000	2,643	153,643
	<u>\$ 3,651,000</u>	<u>\$ 1,110,841</u>	<u>\$ 4,897,169</u>

**NOTE 11: LONG-TERM DEBT - (Continued)**

E. Qualified Energy Conservation Bonds

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

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

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 28,483	\$ 3,162	\$ 73,026	\$ 8,106	\$ 112,777
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	4,735	112,777
2029	30,248	1,397	77,553	3,579	112,777
2030-2031	61,876	1,413	158,648	3,614	225,551
	<u>\$ 208,670</u>	<u>\$ 12,845</u>	<u>\$ 535,012</u>	<u>\$ 32,909</u>	<u>\$ 789,436</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 2019	04/19 - 09/26	2.32%	\$ 1,555,000
Series 2021	10/20 - 09/27	2.89%	5,105,000
			<u>\$ 6,660,000</u>

**NOTE 11: LONG-TERM DEBT - (Continued)**

F. Tax Notes - (Continued)

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

Year	Governmental Activities		Total
	Principal	Interest	
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>\$ 2,970,000</u>	<u>\$ 159,317</u>	<u>\$ 3,129,317</u>

G. State Infrastructure Loan

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

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

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

Year	Business-type Activities		Total
	Principal	Interest	
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	302,000	26,520	328,520
2030-2034	1,537,000	102,914	1,639,914
2035-2039	1,588,000	52,338	1,640,338
2040-2041	652,996	6,370	659,366
	<u>\$ 5,327,996</u>	<u>\$ 295,016</u>	<u>\$ 5,623,012</u>

**NOTE 11: LONG-TERM DEBT - (Continued)**

H. Financed Purchases

The City has entered into a financed purchase agreement (direct borrowing) to purchase a 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	
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>\$ 315,378</u>	<u>\$ 52,945</u>	<u>\$ 368,323</u>

I. Right-to-Use Leases

Right-to-Use leases payable at September 30, 2024, are comprised of the following leases:

- 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.
- On April 25, 2024, the City entered into a 50 month and 60 month lease for the use of copiers. An initial lease liability was recorded in the amount of \$106,097, of which \$73,108 related to governmental activities and \$32,989 related to business-type activities. The City is required to make monthly fixed payments of \$1,982.

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	
2025	\$ 18,332	\$ 225	\$ 42,396	\$ 8,546	\$ 69,499
2026	17,227	156	43,437	7,114	67,934
2027	14,260	96	146,494	5,627	166,477
2028	14,307	49	6,151	18	20,525
2029	7,171	7	2,653	2	9,833
	<u>\$ 71,297</u>	<u>\$ 533</u>	<u>\$ 241,131</u>	<u>\$ 21,307</u>	<u>\$ 334,268</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, 2024, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Disaster Relief	\$ 1,370,575
	Water and Sewer	79,174
	Emergency Medical Services	4,092
	Civic Center	62,551
	Airport	2,554
	Nonmajor Governmental	503,499
		<u>2,022,445</u>
Debt Service	Disaster Relief	219,629
	Civic Center	99,732
		<u>319,361</u>
Disaster Relief	Water and Sewer	40,735
	Nonmajor Governmental	31,550
		<u>72,285</u>
TWDB Drainage	General	9,673
Nonmajor Governmental	General	40,339
	Disaster Relief	34,946
	Water and Sewer	257,756
	Nonmajor Governmental	809,251
		<u>1,142,292</u>
Water and Sewer	General	101,804
	Nonmajor Governmental	1,787,691
		<u>1,889,495</u>
Solid Waste	General	81,686
	Disaster Relief	882
		<u>82,568</u>
Emergency Medical Services	General	27,045
	Disaster Relief	7,433
		<u>34,478</u>
Civic Center	Disaster Relief	4,781
	Nonmajor Governmental	37,855
		<u>42,636</u>
Airport	Disaster Relief	15,138
	Nonmajor Governmental	47,288
		<u>62,426</u>
		<u>\$ 5,677,659</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	\$ 30,000

The amount payable to the General Fund relates to working capital loans made to the Water and Sewer Fund. \$30,000 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>	
Nonmajor Governmental	\$ 300,000	\$ 154,855	\$ 215,000	\$ 2,000	\$ 671,855
Water and Sewer	1,150,051	-	-	100,000	1,250,051
Emergency Medical Services	98,412	-	-	-	98,412
	<u>\$ 1,548,463</u>	<u>\$ 154,855</u>	<u>\$ 215,000</u>	<u>\$ 102,000</u>	<u>\$ 2,020,318</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, 2024, 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, 2024, 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	\$ 211,292
Road construction projects	1,135,909
Downtown master plan	5,493
Drainage improvements	95,829
Water well and water plant system project	<u>562,282</u>
Total	<u>\$ 2,010,805</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, 2024:

	<u>Governmental Fund Balances</u>				<u>Total</u>
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Prepaid items	\$ 4,892	\$ -	\$ -	\$ -	\$ 4,892
Inventory	14,492	-	-	-	14,492
Long-term interfund advances	30,000	-	-	-	30,000
Unassigned	-	-	-	3,785,129	3,785,129
Debt Service					
Long-term debt	-	402,616	-	-	402,616
Disaster Relief					
Unassigned	-	-	-	(2,273,669)	(2,273,669)
TWDB Drainage					
Various capital projects	-	1,669,327	-	-	1,669,327
Nonmajor Governmental					
Various capital projects	-	3,277,829	466,151	-	3,743,980
Arts and tourism	-	84,815	-	-	84,815
Development	-	33,384	-	-	33,384
Emergency services	-	12,528	-	-	12,528
Municipal court security and technology	-	68,423	-	-	68,423
Law enforcement	-	28,374	-	-	28,374
Fire department	-	398	-	-	398
Unassigned	-	-	-	(1,508,487)	(1,508,487)
	<u>\$ 49,384</u>	<u>\$ 5,577,694</u>	<u>\$ 466,151</u>	<u>\$ 2,973</u>	<u>\$ 6,096,202</u>

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**NOTE 15: SUBSEQUENT EVENTS**

On October 23, 2023, the Wharton City Council authorized and created the Wharton Public Improvement District No. 2 to provide Authorized Improvements for the development of the property within the District. On June 23, 2025, the Wharton City Council, through Ordinance 2025-14, approved and authorized the issuance and sale of the City of Wharton, Texas, Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project).

**NOTE 16: IMPLEMENTATION OF NEW STANDARD**

GASB Statement No. 100 (GASB 100), *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62* - was adopted for the fiscal year ended September 30, 2024. The primary objective of GASB 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. As of September 30, 2024, the City's financial statements were not affected by the implementation of GASB 100.

**NOTE 17: SIGNIFICANT FORTHCOMING STANDARDS**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet in the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2024, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of the Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION**

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

A. Organization

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

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

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

B. Summary of Significant Accounting Policies

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

Budgets and Budgetary Accounting

The Board of Directors submits an annual budget to the City for approval in accordance with the Texas Municipal Budget Act. 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, 2024, the final budget anticipated \$792,881 more in expenditures than revenues. WEDC did not over-expend any budgeted expenditures.

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**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

Deposits and Investments

WEDC's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

WEDC has adopted a written investment policy regarding the investments of its funds as defined in the Public Investment Act (Chapter 2256.001 Texas Government Code). The investments of WEDC are in compliance with the Board of Directors investment policy and the Public Funds Investment Act. WEDC is authorized to invest in obligations and instruments as follows: (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, 2024.

Long-term Obligations

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

**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

Fund Equity

Fund balances of WEDC classified as nonspendable are balances that are not in spendable form, such as inventories, 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, 2024, 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	\$ 663,081	31	AAAm	43%
TexPool Prime	<u>881,075</u>	39	N/A	57%
	<u>\$ 1,544,156</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.

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**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

C. Deposits and Investments - (Continued)

Interest Rate Risk

In accordance with WEDC's investment policy, WEDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to six months or less.

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, 2024, 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, 2024, WEDC had deposits in five financial institutions and the deposits were either FDIC or NCUA insured at each institution up to \$250,000. At September 30, 2024, 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, 2024, 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, 2024, was \$163,360. The City collects the sales tax from the State of Texas and then pays WEDC's portion monthly when collected.

**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

E. Capital Assets

WEDC's capital asset activity for the year ended September 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Real estate held for development	\$ 98,834	\$ -	\$ 40,603	\$ 58,231
Total capital assets not being depreciated	<u>98,834</u>	<u>-</u>	<u>40,603</u>	<u>58,231</u>
Capital assets, being depreciated				
Leasehold improvements	11,020	-	-	11,020
Furniture and fixtures	<u>44,324</u>	<u>1,199</u>	<u>-</u>	<u>45,523</u>
Total capital assets being depreciated	<u>55,344</u>	<u>1,199</u>	<u>-</u>	<u>56,543</u>
Less accumulated depreciation for				
Leasehold improvements	9,667	136	-	9,803
Furniture and fixtures	<u>42,445</u>	<u>474</u>	<u>-</u>	<u>42,919</u>
Total accumulated depreciation	<u>52,112</u>	<u>610</u>	<u>-</u>	<u>52,722</u>
Total capital assets being depreciated, net	<u>3,232</u>	<u>589</u>	<u>-</u>	<u>3,821</u>
Governmental activities capital assets, net	<u>\$ 102,066</u>	<u>\$ 589</u>	<u>\$ 40,603</u>	<u>\$ 62,052</u>

Depreciation expense of \$610 was charged to the general government function/program.

During the fiscal year, WEDC sold property with an original cost of \$40,603 for \$5,000 for the purpose of future retail development. If a certificate of occupancy for a retail or commercial space is not obtained by the purchaser by December 31, 2025, WEDC will reassume title of the property.

**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

F. Long-term Debt

Long-term liability activity for the year ended September 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Interlocal commitment	\$ 9,273,477	\$ -	\$ 150,000	\$ 9,123,477	\$ 150,000
	<u>\$ 9,273,477</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 9,123,477</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 2024, WEDC paid \$150,000 to the City relating to the interlocal commitment. The remaining payable of \$9,123,477 is reported as a long-term obligation on the government-wide financial statements as of September 30, 2024.

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

	<u>Principal and Interest</u>
2025	\$ 150,000
2026	150,000
2027	273,705
2028	343,565
2029	344,649
2030-2034	1,724,189
2035-2039	1,722,349
2040-2044	1,720,785
2045-2049	1,723,353
2050-2052	<u>970,880</u>
	<u>\$ 9,123,477</u>

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**NOTE 18: WHARTON ECONOMIC DEVELOPMENT CORPORATION - (Continued)**

G. 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, 2024, WEDC owed the City \$42,143 for various items, primarily wages and benefits previously paid by the City.

H. Commitments

As of September 30, 2024, WEDC had approved but not yet paid a total of \$584,486 for business restoration grants and other various construction projects. Of this amount, WEDC has committed to pay \$395,596 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.

I. 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.

**Required Supplementary Information**

**CITY OF WHARTON, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2024

With comparative totals for the year ended September 30, 2023

	2024			Variance Positive (Negative)	2023
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 3,908,489	\$ 3,781,000	\$ 3,854,126	\$ 73,126	\$ 3,953,979
Licenses and permits	478,162	249,662	379,324	129,662	220,428
Intergovernmental	345,488	375,500	478,936	103,436	237,130
Charges for services	14,250	9,750	37,463	27,713	23,229
Fines and forfeitures	180,050	220,050	250,187	30,137	156,863
Investment income	60,000	100,000	129,282	29,282	106,999
Industrial district fee	1,520,653	1,510,000	1,520,351	10,351	1,503,285
Miscellaneous	16,500	91,500	147,452	55,952	61,440
<b>Total revenues</b>	<u>6,523,592</u>	<u>6,337,462</u>	<u>6,797,121</u>	<u>459,659</u>	<u>6,263,353</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,356,498	1,401,279	1,347,189	54,090	1,283,396
Public safety	4,727,446	4,548,189	4,505,918	42,271	3,968,904
Public works	1,770,060	1,669,778	1,620,457	49,321	1,571,048
Cultural and recreation	108,230	122,560	111,674	10,886	109,940
Capital outlay	337,000	360,993	473,698	(112,705)	701,366
Debt service	66,000	65,507	65,507	-	-
<b>Total expenditures</b>	<u>8,365,234</u>	<u>8,168,306</u>	<u>8,124,443</u>	<u>43,863</u>	<u>7,634,654</u>
Excess (deficiency) of revenues over expenditures	(1,841,642)	(1,830,844)	(1,327,322)	503,522	(1,371,301)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	20,000	3,000	3,320	320	-
Debt issued	-	-	-	-	364,447
Right-to-Use lease issued	-	-	73,108	73,108	-
Transfers in	1,548,463	1,548,463	1,548,463	-	1,180,144
Transfers out	(29,403)	(23,201)	-	23,201	(32,748)
<b>Total other financing sources (uses)</b>	<u>1,539,060</u>	<u>1,528,262</u>	<u>1,624,891</u>	<u>96,629</u>	<u>1,511,843</u>
Net change in fund balance	(302,582)	(302,582)	297,569	600,151	140,542
Fund balance at beginning of year	3,536,944	3,536,944	3,536,944	-	3,396,402
<b>Fund balance at end of year</b>	<u>\$ 3,234,362</u>	<u>\$ 3,234,362</u>	<u>\$ 3,834,513</u>	<u>\$ 600,151</u>	<u>\$ 3,536,944</u>

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

**CITY OF WHARTON, TEXAS**

*SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

*TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION*

*Last ten years*

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

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

Measurement Year						
2017	2018	2019	2020	2021	2022	2023
\$ 530,477	\$ 530,197	\$ 528,073	\$ 562,158	\$ 547,544	\$ 533,582	\$ 572,308
1,026,605	1,087,522	1,142,292	1,202,021	1,250,973	1,320,219	1,429,464
-	-	-	-	-	-	-
(117,320)	(250,455)	(148,826)	(168,768)	164,593	669,390	181,277
-	-	(10,902)	-	-	-	(218,441)
<u>(525,617)</u>	<u>(548,659)</u>	<u>(560,931)</u>	<u>(724,675)</u>	<u>(1,001,118)</u>	<u>(859,409)</u>	<u>(988,813)</u>
914,145	818,605	949,706	870,736	961,992	1,663,782	975,795
<u>15,206,527</u>	<u>16,120,672</u>	<u>16,939,277</u>	<u>17,888,983</u>	<u>18,759,719</u>	<u>19,721,711</u>	<u>21,385,493</u>
<u>\$ 16,120,672</u>	<u>\$ 16,939,277</u>	<u>\$ 17,888,983</u>	<u>\$ 18,759,719</u>	<u>\$ 19,721,711</u>	<u>\$ 21,385,493</u>	<u>\$ 22,361,288</u>
\$ 335,008	\$ 333,407	\$ 317,492	\$ 331,708	\$ 304,946	\$ 319,686	\$ 298,858
271,482	271,062	269,976	290,972	283,408	324,244	302,488
1,917,689	(474,041)	2,380,744	1,350,644	2,481,442	(1,538,907)	2,235,294
(525,617)	(548,659)	(560,931)	(724,675)	(1,001,118)	(859,409)	(988,813)
(9,945)	(9,167)	(13,458)	(8,743)	(11,484)	(13,326)	(14,244)
<u>(502)</u>	<u>(480)</u>	<u>(405)</u>	<u>(341)</u>	<u>79</u>	<u>15,900</u>	<u>(98)</u>
1,988,115	(427,878)	2,393,418	1,239,565	2,057,273	(1,751,812)	1,833,485
<u>13,846,053</u>	<u>15,834,167</u>	<u>15,406,289</u>	<u>17,799,707</u>	<u>19,039,272</u>	<u>21,096,545</u>	<u>19,344,733</u>
<u>\$ 15,834,168</u>	<u>\$ 15,406,289</u>	<u>\$ 17,799,707</u>	<u>\$ 19,039,272</u>	<u>\$ 21,096,545</u>	<u>\$ 19,344,733</u>	<u>\$ 21,178,218</u>
\$ 286,504	\$ 1,532,988	\$ 89,276	\$ (279,553)	\$ (1,374,834)	\$ 2,040,760	\$ 1,183,070
98.22%	90.95%	99.50%	101.49%	106.97%	90.46%	94.71%
\$ 5,429,650	\$ 5,421,238	\$ 5,399,517	\$ 5,819,444	\$ 5,668,153	\$ 5,575,569	\$ 6,049,764
5.28%	28.28%	1.65%	-4.80%	-24.26%	36.60%	19.56%

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

	Fiscal Year		
	2016	2017	2018
Actuarially Determined Contribution	\$ 298,670	\$ 327,765	\$ 329,837
Contribution in relation to the actuarially determined contribution	<u>(308,435)</u>	<u>(339,250)</u>	<u>(341,254)</u>
Contribution deficiency (excess)	<u>\$ (9,765)</u>	<u>\$ (11,485)</u>	<u>\$ (11,417)</u>
Covered employee payroll	\$ 4,817,630	\$ 5,339,237	\$ 5,358,388
Contributions as a percentage of covered employee payroll	6.40%	6.35%	6.37%

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					
2019	2020	2021	2022	2023	2024
\$ 321,961	\$ 340,877	\$ 309,962	\$ 288,429	\$ 293,387	\$ 359,023
<u>(333,697)</u>	<u>(354,367)</u>	<u>(323,444)</u>	<u>(301,895)</u>	<u>(314,348)</u>	<u>(382,148)</u>
<u>\$ (11,736)</u>	<u>\$ (13,490)</u>	<u>\$ (13,482)</u>	<u>\$ (13,466)</u>	<u>\$ (20,961)</u>	<u>\$ (23,125)</u>
\$ 5,404,745	\$ 5,931,798	\$ 5,676,696	\$ 5,610,687	\$ 5,905,482	\$ 6,432,992
6.17%	5.97%	5.70%	5.38%	5.32%	5.94%

**CITY OF WHARTON, TEXAS**

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

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

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

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

Measurement Year

2020	2021	2022	2023
\$ 12,803	\$ 15,304	\$ 15,054	\$ 7,260
8,172	7,263	7,091	10,662
-	-	-	-
(773)	(6,275)	(2,112)	3,882
48,274	11,644	(130,917)	15,089
<u>(1,746)</u>	<u>(5,668)</u>	<u>(5,575)</u>	<u>(9,075)</u>
66,730	22,268	(116,459)	27,818
<u>291,620</u>	<u>358,350</u>	<u>380,618</u>	<u>264,159</u>
<u>\$ 358,350</u>	<u>\$ 380,618</u>	<u>\$ 264,159</u>	<u>\$ 291,977</u>
\$ 5,819,444	\$ 5,668,153	\$ 5,575,569	\$ 6,049,764
6.16%	6.72%	4.74%	4.83%

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

	Fiscal Year		
	2018	2019	2020
Actuarially Determined Contribution	\$ 1,608	\$ 2,008	\$ 1,933
Contribution in relation to the actuarially determined contribution	<u>(1,608)</u>	<u>(2,008)</u>	<u>(1,933)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,358,388	\$ 5,931,798	\$ 5,676,696
Contributions as a percentage of covered payroll	0.0300%	0.0339%	0.0341%

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

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

Fiscal Year			
2021	2022	2023	2024
\$ 4,680	\$ 5,611	\$ 8,168	\$ 10,140
<u>(4,680)</u>	<u>(5,611)</u>	<u>(8,168)</u>	<u>(10,140)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,676,696	\$ 5,610,687	\$ 5,905,482	\$ 6,432,992
0.0824%	0.1000%	0.1383%	0.1576%

**CITY OF WHARTON, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2024

**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, 2024, 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	\$ 360,993	\$ 473,698	\$ (112,705)

**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	22 years (longest amortization ladder)
Asset Valuation Method	10 year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% of the General Employee tables used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

**CITY OF WHARTON, TEXAS**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*

*September 30, 2024*

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**NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)**

Other Information

There were no benefit changes during the year.

**NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB**

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

There were no changes in plan provisions during the year.

Changes in Assumptions

- Discount rate decreased to 3.77% from 4.05%.

**Combining and Individual Fund Statements and Schedules**

**CITY OF WHARTON, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
 September 30, 2024

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 296,434	\$ 4,225,809	\$ 4,522,243
Receivables, net	82,590	-	82,590
Due from other funds	74,786	1,067,506	1,142,292
Due from other governments	376,446	-	376,446
<b>Total assets</b>	<u>\$ 830,256</u>	<u>\$ 5,293,315</u>	<u>\$ 6,123,571</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 34,076	\$ 32,500	\$ 66,576
Due to other funds	625,403	2,591,731	3,217,134
<b>Total liabilities</b>	<u>659,479</u>	<u>2,624,231</u>	<u>3,283,710</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	376,446	-	376,446
<b>Total deferred inflows of resources</b>	<u>376,446</u>	<u>-</u>	<u>376,446</u>
<b>FUND BALANCES</b>			
Restricted			
General government	45,912	-	45,912
Cultural and recreation	84,815	-	84,815
Municipal court	68,423	-	68,423
Public safety	28,772	-	28,772
Various capital projects	-	3,277,829	3,277,829
Committed			
Various capital projects	-	466,151	466,151
Unassigned	(433,591)	(1,074,896)	(1,508,487)
<b>Total fund balances</b>	<u>(205,669)</u>	<u>2,669,084</u>	<u>2,463,415</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 830,256</u>	<u>\$ 5,293,315</u>	<u>\$ 6,123,571</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, 2024

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 277,368	\$ -	\$ 277,368
Intergovernmental	843,781	377,508	1,221,289
Fines and forfeitures	44,546	-	44,546
Investment income	3,978	104,413	108,391
Miscellaneous	5,400	-	5,400
<b>Total revenues</b>	<u>1,175,073</u>	<u>481,921</u>	<u>1,656,994</u>
<b>EXPENDITURES</b>			
Current			
General government	520,725	-	520,725
Public safety	14,892	-	14,892
Public works	-	51,195	51,195
Cultural and recreation	63,300	-	63,300
Capital outlay	94,778	38,757	133,535
<b>Total expenditures</b>	<u>693,695</u>	<u>89,952</u>	<u>783,647</u>
Excess (deficiency) of revenues over expenditures	481,378	391,969	873,347
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,000	100,000	102,000
Transfers out	(217,000)	(454,855)	(671,855)
<b>Total other financing sources (uses)</b>	<u>(215,000)</u>	<u>(354,855)</u>	<u>(569,855)</u>
Net change in fund balances	266,378	37,114	303,492
Fund balances at beginning of year	(472,047)	2,631,970	2,159,923
<b>Fund balances at end of year</b>	<u>\$ (205,669)</u>	<u>\$ 2,669,084</u>	<u>\$ 2,463,415</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, 2024

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	TDA Sidewalk
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,597	\$ 10,733	\$ 28,374	\$ -
Receivables, net				
Accounts	82,590	-	-	-
Due from other funds	-	1,619	-	5,500
Due from other governments	-	-	-	5,500
<b>Total assets</b>	<b>\$ 85,187</b>	<b>\$ 12,352</b>	<b>\$ 28,374</b>	<b>\$ 11,000</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 372	\$ -	\$ -	\$ 5,500
Due to other funds	-	-	-	5,500
<b>Total liabilities</b>	<b>372</b>	<b>-</b>	<b>-</b>	<b>11,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	-	-	5,500
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,500</b>
<b>FUND BALANCES</b>				
Restricted				
General government	-	-	-	-
Cultural and recreation	84,815	-	-	-
Municipal court	-	12,352	-	-
Public safety	-	-	28,374	-
Unassigned	-	-	-	(5,500)
<b>Total fund balances</b>	<b>84,815</b>	<b>12,352</b>	<b>28,374</b>	<b>(5,500)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 85,187</b>	<b>\$ 12,352</b>	<b>\$ 28,374</b>	<b>\$ 11,000</b>

<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>
\$ 398	\$ 68,717	\$ 503	\$ -	\$ 185,112	\$ -	\$ 296,434
-	-	-	-	-	-	82,590
-	886	-	33,397	-	33,384	74,786
-	-	-	-	370,946	-	376,446
<u>\$ 398</u>	<u>\$ 69,603</u>	<u>\$ 503</u>	<u>\$ 33,397</u>	<u>\$ 556,058</u>	<u>\$ 33,384</u>	<u>\$ 830,256</u>
\$ -	\$ 13,532	\$ 595	\$ 14,077	\$ -	\$ -	\$ 34,076
-	-	-	6,792	613,111	-	625,403
-	13,532	595	20,869	613,111	-	659,479
-	-	-	-	370,946	-	376,446
-	-	-	-	370,946	-	376,446
-	-	-	12,528	-	33,384	45,912
-	-	-	-	-	-	84,815
-	56,071	-	-	-	-	68,423
398	-	-	-	-	-	28,772
-	-	(92)	-	(427,999)	-	(433,591)
398	56,071	(92)	12,528	(427,999)	33,384	(205,669)
<u>\$ 398</u>	<u>\$ 69,603</u>	<u>\$ 503</u>	<u>\$ 33,397</u>	<u>\$ 556,058</u>	<u>\$ 33,384</u>	<u>\$ 830,256</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, 2024*

	Hotel/Motel Tax	Municipal Court Technology	Narcotics Control	TDA Sidewalk
<b>REVENUES</b>				
Taxes	\$ 277,368	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	27,487
Fines and forfeitures	-	14,657	21,879	-
Investment income	61	139	266	-
Miscellaneous	-	-	5,300	-
<b>Total revenues</b>	<u>277,429</u>	<u>14,796</u>	<u>27,445</u>	<u>27,487</u>
<b>EXPENDITURES</b>				
Current				
General government	-	14,226	-	-
Public safety	-	-	14,892	-
Cultural and recreation	60,280	-	-	-
Capital Outlay	-	-	-	13,400
<b>Total expenditures</b>	<u>60,280</u>	<u>14,226</u>	<u>14,892</u>	<u>13,400</u>
Excess (deficiency) of revenues over expenditures	217,149	570	12,553	14,087
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(217,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(217,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	149	570	12,553	14,087
Fund balances at beginning of year	84,666	11,782	15,821	(19,587)
<b>Fund balances at end of year</b>	<u>\$ 84,815</u>	<u>\$ 12,352</u>	<u>\$ 28,374</u>	<u>\$ (5,500)</u>

Fire Department Special	Municipal Court Building Security	Railroad Depot Restoration	Special Funding	Hurricane Harvey Infrastructure	Housing Grant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,368
-	-	-	-	816,294	-	843,781
-	8,010	-	-	-	-	44,546
1	3,418	2	-	91	-	3,978
-	-	100	-	-	-	5,400
<u>1</u>	<u>11,428</u>	<u>102</u>	<u>-</u>	<u>816,385</u>	<u>-</u>	<u>1,175,073</u>
-	26,165	-	-	480,334	-	520,725
-	-	-	-	-	-	14,892
-	-	3,020	-	-	-	63,300
-	-	-	-	81,378	-	94,778
<u>-</u>	<u>26,165</u>	<u>3,020</u>	<u>-</u>	<u>561,712</u>	<u>-</u>	<u>693,695</u>
1	(14,737)	(2,918)	-	254,673	-	481,378
-	-	2,000	-	-	-	2,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(217,000)</u>
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(215,000)</u>
1	(14,737)	(918)	-	254,673	-	266,378
<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>\$ 398</u>	<u>\$ 56,071</u>	<u>\$ (92)</u>	<u>\$ 12,528</u>	<u>\$ (427,999)</u>	<u>\$ 33,384</u>	<u>\$ (205,669)</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, 2024

	<u>Capital Improvement</u>	<u>2011 Bond Construction</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 466,151	\$ 189,416	\$ 8,206	\$ 143,242
Due from other funds	-	257,756	-	-
<b>Total assets</b>	<u>\$ 466,151</u>	<u>\$ 447,172</u>	<u>\$ 8,206</u>	<u>\$ 143,242</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	176,171	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>176,171</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted				
Various capital projects	-	447,172	-	143,242
Committed				
Various capital projects	466,151	-	-	-
Unassigned	-	-	(167,965)	-
<b>Total fund balances</b>	<u>466,151</u>	<u>447,172</u>	<u>(167,965)</u>	<u>143,242</u>
<b>Total liabilities and fund balances</b>	<u>\$ 466,151</u>	<u>\$ 447,172</u>	<u>\$ 8,206</u>	<u>\$ 143,242</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>
\$ 313,222	\$ 326,036	\$ 1,453,693	\$ 7,164	\$ 1,112,603	\$ 206,076	\$ 4,225,809
<u>-</u>	<u>-</u>	<u>28,153</u>	<u>-</u>	<u>781,597</u>	<u>-</u>	<u>1,067,506</u>
<u>\$ 313,222</u>	<u>\$ 326,036</u>	<u>\$ 1,481,846</u>	<u>\$ 7,164</u>	<u>\$ 1,894,200</u>	<u>\$ 206,076</u>	<u>\$ 5,293,315</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,500	\$ 32,500
<u>220,005</u>	<u>241,132</u>	<u>1,040,328</u>	<u>914,095</u>	<u>-</u>	<u>-</u>	<u>2,591,731</u>
<u>220,005</u>	<u>241,132</u>	<u>1,040,328</u>	<u>914,095</u>	<u>-</u>	<u>32,500</u>	<u>2,624,231</u>
93,217	84,904	441,518	-	1,894,200	173,576	3,277,829
-	-	-	-	-	-	466,151
<u>-</u>	<u>-</u>	<u>-</u>	<u>(906,931)</u>	<u>-</u>	<u>-</u>	<u>(1,074,896)</u>
<u>93,217</u>	<u>84,904</u>	<u>441,518</u>	<u>(906,931)</u>	<u>1,894,200</u>	<u>173,576</u>	<u>2,669,084</u>
<u>\$ 313,222</u>	<u>\$ 326,036</u>	<u>\$ 1,481,846</u>	<u>\$ 7,164</u>	<u>\$ 1,894,200</u>	<u>\$ 206,076</u>	<u>\$ 5,293,315</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, 2024

	<u>Capital Improvement</u>	<u>2011 Bond Construction</u>	<u>2013 Bond Construction</u>	<u>2015 Bond Construction</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	<u>1,090</u>	<u>741</u>	<u>21</u>	<u>358</u>
<b>Total revenues</b>	<u>1,090</u>	<u>741</u>	<u>21</u>	<u>358</u>
<b>EXPENDITURES</b>				
Current				
Public works	-	-	-	-
Capital outlay	<u>12,023</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>12,023</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(10,933)	741	21	358
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	89,067	741	21	358
Fund balances at beginning of year	<u>377,084</u>	<u>446,431</u>	<u>(167,986)</u>	<u>142,884</u>
<b>Fund balances at end of year</b>	<u>\$ 466,151</u>	<u>\$ 447,172</u>	<u>\$ (167,965)</u>	<u>\$ 143,242</u>

Qualified Energy Cons. Bonds	2017 Tax Notes	2019 Bond Construction	2019 Tax Notes	2020 Tax Notes	FM 1301 Project	Total
\$ -	\$ -	\$ -	\$ 16,590	\$ 360,918	\$ -	\$ 377,508
<u>1,828</u>	<u>815</u>	<u>68,490</u>	<u>181</u>	<u>30,355</u>	<u>534</u>	<u>104,413</u>
<u>1,828</u>	<u>815</u>	<u>68,490</u>	<u>16,771</u>	<u>391,273</u>	<u>534</u>	<u>481,921</u>
-	-	-	-	3,752	47,443	51,195
<u>-</u>	<u>-</u>	<u>10,700</u>	<u>11,875</u>	<u>4,159</u>	<u>-</u>	<u>38,757</u>
<u>-</u>	<u>-</u>	<u>10,700</u>	<u>11,875</u>	<u>7,911</u>	<u>47,443</u>	<u>89,952</u>
1,828	815	57,790	4,896	383,362	(46,909)	391,969
-	-	-	-	-	-	100,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(454,855)</u>	<u>-</u>	<u>(454,855)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(454,855)</u>	<u>-</u>	<u>(354,855)</u>
1,828	815	57,790	4,896	(71,493)	(46,909)	37,114
<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>\$ 93,217</u>	<u>\$ 84,904</u>	<u>\$ 441,518</u>	<u>\$ (906,931)</u>	<u>\$ 1,894,200</u>	<u>\$ 173,576</u>	<u>\$ 2,669,084</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, 2024

With comparative totals for the year ended September 30, 2023

	2024		Variance Positive (Negative)	2023
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 620,000	\$ 625,058	\$ 5,058	\$ 766,474
Sales	2,000,000	2,089,202	89,202	2,023,740
Franchise	1,161,000	1,139,866	(21,134)	1,163,765
Licenses and permits	249,662	379,324	129,662	220,428
Intergovernmental	375,500	478,936	103,436	237,130
Charges for services	9,750	37,463	27,713	23,229
Fines and forfeitures	220,050	250,187	30,137	156,863
Investment income	100,000	129,282	29,282	106,999
Industrial district fee	1,510,000	1,520,351	10,351	1,503,285
Miscellaneous	91,500	147,452	55,952	61,440
<b>Total revenues</b>	<b>6,337,462</b>	<b>6,797,121</b>	<b>459,659</b>	<b>6,263,353</b>
<b>EXPENDITURES</b>				
Current				
General government				
Mayor and council	19,225	17,159	2,066	16,661
City manager	284,712	276,602	8,110	272,933
City secretary	273,862	258,671	15,191	234,220
Legal and professional	74,000	73,993	7	75,581
Finance	390,384	377,473	12,911	360,649
Municipal court	189,196	186,373	2,823	172,910
Central services	154,900	145,551	9,349	105,083
Grants	15,000	11,367	3,633	45,359
Total general government	1,401,279	1,347,189	54,090	1,283,396
Public safety				
Police	2,744,245	2,726,358	17,887	2,310,856
Fire	475,026	437,322	37,704	440,931
Code enforcement	379,035	398,377	(19,342)	321,279
Emergency management	141,756	140,097	1,659	129,001
Animal control	84,593	83,160	1,433	73,354
Communications	696,534	693,964	2,570	567,751
Grants	27,000	26,640	360	125,732
Total public safety	4,548,189	4,505,918	42,271	3,968,904
Public works				
Streets and drainage	1,166,082	1,132,540	33,542	1,118,292
Garage	198,375	188,553	9,822	176,300
Facilities maintenance	305,321	299,364	5,957	276,456
Total public works	1,669,778	1,620,457	49,321	1,571,048

(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, 2024

With comparative totals for the year ended September 30, 2023

	2024		Variance Positive (Negative)	2023
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
<b>Current - (continued)</b>				
<b>Cultural and recreation</b>				
Recreation	\$ 49,950	\$ 47,360	\$ 2,590	\$ 34,758
Community pool	72,610	64,314	8,296	75,182
Total cultural and recreation	122,560	111,674	10,886	109,940
<b>Capital outlay</b>				
Capital assets	360,993	400,590	(39,597)	701,366
Right-to-Use lease assets	-	73,108	(73,108)	-
Total capital outlay	360,993	473,698	(112,705)	701,366
<b>Debt service</b>				
Principal retirement	49,069	49,069	-	-
Interest and fiscal charges	16,438	16,438	-	-
Total debt service	65,507	65,507	-	-
<b>Total expenditures</b>	<b>8,168,306</b>	<b>8,124,443</b>	<b>43,863</b>	<b>7,634,654</b>
Excess (deficiency) of revenues over expenditures	(1,830,844)	(1,327,322)	503,522	(1,371,301)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	3,000	3,320	320	-
Debt issued	-	-	-	364,447
Right-to-Use lease issued	-	73,108	73,108	-
Transfers in	1,548,463	1,548,463	-	1,180,144
Transfers out	(23,201)	-	23,201	(32,748)
<b>Total other financing sources (uses)</b>	<b>1,528,262</b>	<b>1,624,891</b>	<b>96,629</b>	<b>1,511,843</b>
Net change in fund balance	\$ (302,582)	297,569	\$ 600,151	140,542
Fund balance at beginning of year		3,536,944		3,396,402
<b>Fund balance at end of year</b>		<b>\$ 3,834,513</b>		<b>\$ 3,536,944</b>

(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, 2024

With comparative totals for the year ended September 30, 2023

	2024		Variance Positive (Negative)	2023
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,369,732	\$ 2,363,070	\$ (6,662)	\$ 1,851,442
Investment income	10,000	21,479	11,479	1,669
Miscellaneous income	150,000	150,000	-	150,000
<b>Total revenues</b>	<u>2,529,732</u>	<u>2,534,549</u>	<u>4,817</u>	<u>2,003,111</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	2,297,927	2,261,827	36,100	2,198,241
Interest and fiscal charges	386,660	384,558	2,102	444,987
<b>Total expenditures</b>	<u>2,684,587</u>	<u>2,646,385</u>	<u>38,202</u>	<u>2,643,228</u>
Excess (deficiency) of revenues over expenditures	(154,855)	(111,836)	43,019	(640,117)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	154,855	154,855	-	698,680
<b>Total other financing sources (uses)</b>	<u>154,855</u>	<u>154,855</u>	<u>-</u>	<u>698,680</u>
Net change in fund balance	-	43,019	43,019	58,563
Fund balance at beginning of year	359,597	359,597	-	301,034
<b>Fund balance at end of year</b>	<u>\$ 359,597</u>	<u>\$ 402,616</u>	<u>\$ 43,019</u>	<u>\$ 359,597</u>

**SINGLE AUDIT SECTION**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 8, 2026. 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 item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Purpose of this Report

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

*Harrison, Waldrop & Uherek, LLP*

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

April 8, 2026



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Wharton, Texas (the "City")'s 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, 2024. 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, 2024.

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.

### 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  
Victoria, Texas

April 8, 2026

**CITY OF WHARTON, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended September 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Other Award Number
<b>FEDERAL EXPENDITURES</b>		
<b>U. S. Department of Housing and Urban Development</b>		
<i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i>		
Community Development Block Grant	14.228	7220499
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	24-065-132-E990
Community Development Block Grant	14.228	20-065-081-C234
Community Development Block Grant	14.228	20-066-005-C034
<i>Total passed through the Texas General Land Office</i>		
Total U.S. Department of Housing and Urban Development		
<b>U. S. Department of Transportation</b>		
<i>Passed Through the Texas Department of Transportation</i>		
Airport Improvement Program	20.106	M2413WHRT
State and Community Highway Safety	20.600	N/A
Total U.S. Department of Transportation		
<b>U. S. Department of Agriculture</b>		
Water and Waste Disposal Systems for Rural Communities	10.760	N/A
Total U.S. Department of Agriculture		
<b>U. S. Department of Treasury</b>		
<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		
<b>TOTAL FEDERAL EXPENDITURES</b>		

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				
\$ 260,962	\$ -	\$ 260,962	\$ -			
13,400	-	13,400	-			
<u>274,362</u>	<u>-</u>	<u>274,362</u>	<u>-</u>			
14,011	-	14,011	-			
29,495	-	29,495	-			
<u>532,217</u>	<u>-</u>	<u>532,217</u>	<u>-</u>			
<u>575,723</u>	<u>-</u>	<u>575,723</u>	<u>-</u>			
<u>850,085</u>	<u>-</u>	<u>850,085</u>	<u>-</u>			
96,184	-	96,184	-			
1,175	-	1,175	-		Highway Safety Cluster	
<u>97,359</u>	<u>-</u>	<u>97,359</u>	<u>-</u>			
<u>552,304</u>	<u>-</u>	<u>552,304</u>	<u>-</u>			4
<u>552,304</u>	<u>-</u>	<u>552,304</u>	<u>-</u>			
<u>643,758</u>	<u>-</u>	<u>643,758</u>	<u>-</u>			
<u>643,758</u>	<u>-</u>	<u>643,758</u>	<u>-</u>			
<u>\$ 2,143,506</u>	<u>\$ -</u>	<u>\$ 2,143,506</u>	<u>\$ -</u>			

**CITY OF WHARTON, TEXAS**

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

*For the year ended September 30, 2024*

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**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, 2024 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, 2024.

Water and Waste Disposal Systems for Rural Communities - ALN 10.760 - \$552,304

**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

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## Section II - Financial Statement Findings

### Finding 2024-001: 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:** Controls should be in place to ensure the required Single Audit package is submitted within the required time period.

**Cause:** The City was in the process of implementing proper controls to ensure account reconciliations were performed appropriately and efficiently, which stemmed from a finding identified in the prior year. While improvements were made, the timing did not allow for a timely resolution for the current period.

**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:** Yes.

**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

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## ***Corrective Action Plan***

For the year ended September 30, 2024

### **Financial Statement Findings**

**2024-001**

The City's Corrective Action Plan to address the deficiency related to the untimely submission of the required Single Audit package to the Federal Audit Clearinghouse (FAC) is to continue to strengthen the processes and procedures already established for timely and efficient account reconciliations within the Finance Department.

As a result of these ongoing efforts, future FAC submissions will be completed within the required timeframe.

The Finance Director, London Davis, will be responsible for overseeing and ensuring the implementation of this Corrective Action Plan. The anticipated completion date is September 30, 2026.

**Finding 2023-001 General Ledger Account Reconciliations**

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

**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.

**Current Status:** The City has implemented processes for monthly reconciliations and created a schedule depicting critical general ledger accounts. In addition, the monthly reconciliation checklist for FY2026 has been updated to include additional accounts, which will help with timely reconciliations to include grants, capital outlay, and capital assets. A grant checklist has been instituted to assist with all future grants, along with maintaining a worksheet detailing request amounts, reimbursement amounts received, and associated general ledger funds.

The Finance Director has received certifications on the following courses: Government Accounting, Closing the Books, and Audit State and Local Government. The manuals from these courses are located on the City server and are being used as reference material for accounting personnel.

Through the implementation of these items, future financial reporting should be able to be submitted more timely, there will be fewer reconciliation items, and more efficient single audit compliance reporting.

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

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

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

**Current Status:** Through the implementation of the items described above, the City should be able to obtain timely submission to the FAC by FY2026.