

**CITY OF RHOME, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**



**CITY OF RHOME, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor’s Report.....	1	
City Officials.....	3	
Management’s Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	A-2
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	14	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Governmental Funds.....	16	A-5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,		
and Changes in Fund Balances to the Statement of Activities.....	17	A-6
Statement of Net Position – Proprietary Fund.....	18	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position – Proprietary Fund.....	19	A-8
Statement of Cash Flows – Proprietary Fund.....	20	A-9
Notes to the Financial Statements.....	21	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – General Fund.....	39	B-1
Notes to Required Supplementary Information.....	41	
Texas Municipal Retirement System Schedule of Changes in Net Pension Liability		
and Related Ratios.....	42	B-2
Texas Municipal Retirement System Schedule of Contributions.....	43	B-3
Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability		
and Related Ratios.....	44	B-4
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Comparative Schedule of Revenues, Expenses, and Changes in Net Position –		
Proprietary Fund.....	45	
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>		
Independent Auditor’s 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.....	47	
Schedule of Findings and Responses .....	49	

## Financial Section



## Independent Auditor's Report on Financial Statements

City Council  
City of Rhome, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Rhome, Texas' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4 through 11 and 39 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rhome, Texas' basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 February 24, 2022, on our consideration of the City of Rhome, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Rhome, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



MWH GROUP, P.C.

Wichita Falls, Texas  
February 24, 2022

**CITY OF RHOME, TEXAS**

**CITY OFFICIALS**

**SEPTEMBER 30, 2021**

<b>MAYOR</b>	Jo Ann Wilson
<b>MAYOR PRO TEM</b>	Josh McCabe
<b>COUNCIL MEMBERS</b>	Sam Eason
	Ashley Majors
	Elaine Priest
	Michelle Tye
<b>CITY ADMINISTRATOR</b>	Cynthia Northrop
<b>CITY SECRETARY</b>	Shannon Montgomery
<b>MUNICIPAL COURT JUDGE</b>	Jim Minter
<b>ATTORNEY</b>	Carvan Adkins Taylor, Olson, Adkins, Sralla, Elam LLP



Physical Address: 501 South Main Street

Mailing Address: PO Box 228

Rhome, Texas 76078

Telephone: 817-636-2462

[www.cityofrhome.com](http://www.cityofrhome.com) [cityadministrator@cityofrhome.com](mailto:cityadministrator@cityofrhome.com)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USING THIS ANNUAL REPORT

As management of the City of Rhome, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. The information provided here should be used in conjunction with the basic financial statements.

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

#### Financial Highlights

- At September 30, 2021, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,567,601 (net position), an increase of \$161,899 over the prior period.
- Of the total Government-Wide Net Position, \$685,558 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Fund ending fund balance was \$1,045,605, an increase of \$171,854 from the prior year. The unassigned General Fund balance is \$817,116 or 41% of General Fund expenditures.
- The City's long-term debts total \$3,921,176. Long-term debt borrowing is used by the City to acquire equipment and infrastructure that the City uses to provide services to its' citizens.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### **Reporting the City as a Whole - Government-wide Financial Statements**

##### **The Statement of Net Position and the Statement of Activities**

The government-wide financial 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 (page 12) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 13) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the 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 taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The City provides two types of activities - Governmental type activities and Business type activities.

- Governmental type activities - Most of the City's basic services are reported here, including Governmental type activities - Most of the City's basic services are reported here, including animal control, code enforcement and inspection, fire, municipal court, parks, police, public works, and general administration. Property taxes, sales taxes, franchise fees, permit revenues, municipal court fines, storm water assessments and sanitation revenues finance most of these activities
- Business Type Activities - The City charges a user fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

The Fund financial statements begin on page 14 and provide detailed information about the most significant funds - not the City as a whole. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, however, the City Council may establish other funds to help it control and manage money for particular purposes. The City's kinds of funds - *governmental and proprietary* - use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The City's governmental funds include the general fund, the debt service fund, and the capital improvement fund.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's water and sewer fund are the same as the business-type activities we report in the government-wide statements, but we provide more detail and additional information, such as cash flows, for proprietary funds.

#### **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 the financial statements begin on page 21 of this report.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

Prior audits and documentations obtained, current year financials, budgets and other documentations, inquiries of management and other personnel.

**Table A-1  
City's Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,425,117	\$ 982,987	\$ 1,254,013	\$ 2,720,895	\$ 2,679,130	\$ 3,703,882
Net pension asset	121,022	109,319	36,763	35,584	157,785	144,903
Capital assets, net	2,097,238	2,169,199	4,661,027	3,222,541	6,758,265	5,391,740
<b>Total assets</b>	<b>3,643,377</b>	<b>3,261,505</b>	<b>5,951,803</b>	<b>5,979,020</b>	<b>9,595,180</b>	<b>9,240,525</b>
Total deferred outflows of resources	48,193	46,250	13,071	9,265	61,264	55,515
Current and other liabilities	1,397,188	1,768,441	2,656,390	2,733,317	4,053,578	4,501,758
Long-term liabilities	386,310	119,265	548,330	127,323	934,640	246,588
<b>Total liabilities</b>	<b>1,783,498</b>	<b>1,887,706</b>	<b>3,204,720</b>	<b>2,860,640</b>	<b>4,988,218</b>	<b>4,748,346</b>
Total deferred inflows of resources	79,953	111,610	20,672	30,382	100,625	141,992
Net position						
Net investment in capital assets	734,702	447,365	2,933,842	2,793,220	3,668,544	3,240,585
Restricted	213,499	153,859	-	-	213,499	153,859
Unrestricted	879,918	707,215	(194,360)	304,043	685,558	1,011,258
<b>Total net position</b>	<b>\$ 1,828,119</b>	<b>\$ 1,308,439</b>	<b>\$ 2,739,482</b>	<b>\$ 3,097,263</b>	<b>\$ 4,567,601</b>	<b>\$ 4,405,702</b>

At September 30, 2021, the City had total assets of \$9,595,180, which included capital assets of \$6,758,265 and unspent bond proceeds of \$916,900 (restricted to capital improvements). These capital assets and unspent bond proceeds represent 80% of the City's total assets. The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending.

The City's net position (assets and deferred inflows less liabilities and deferred outflows) increased \$161,899, a 3.70% increase in net position during the fiscal year. Restricted net position is \$213,499 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$685,558 or 15% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

## Analysis of City's Operations

An analysis of the government-wide changes in net position is as follows:

**Table A-2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Fees, fines, and charges for services	\$ 383,963	\$ 428,551	\$ 997,699	\$ 1,024,495	\$ 1,381,662	\$ 1,453,046
Operating grants and contributions	137,357	28,928	-	-	137,357	28,928
Capital grants and contributions	61,215	-	-	-	61,215	-
General revenues:						
Property taxes	796,945	746,825	-	-	796,945	746,825
Sales taxes	1,042,833	883,211	-	-	1,042,833	883,211
Hotel/motel taxes	12,829	14,576	-	-	12,829	14,576
Franchise fees	71,448	73,035	-	-	71,448	73,035
Interest income	174	527	1,614	24,891	1,788	25,418
Transfers	(2,771)	(12,391)	2,771	12,391	-	-
<b>Total revenues</b>	<b>2,503,993</b>	<b>2,163,262</b>	<b>1,002,084</b>	<b>1,061,777</b>	<b>3,506,077</b>	<b>3,225,039</b>
<b>Expenses</b>						
General Government	969,469	894,204	-	-	969,469	894,204
Public Safety	939,509	925,305	-	-	939,509	925,305
Cultural & Recreation	28,744	35,556	-	-	28,744	35,556
Interest on Long-Term Debt	46,591	55,799	95,841	96,197	142,432	151,996
Water & Sewer	-	-	1,264,024	1,223,404	1,264,024	1,223,404
<b>Total expenses</b>	<b>1,984,313</b>	<b>1,910,864</b>	<b>1,359,865</b>	<b>1,319,601</b>	<b>3,344,178</b>	<b>3,230,465</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 519,680</b>	<b>\$ 252,398</b>	<b>\$ (357,781)</b>	<b>\$ (257,824)</b>	<b>\$ 161,899</b>	<b>\$ (5,426)</b>

Governmental activities revenues (before transfers) increased \$331,111 (15.2%) when compared to 2020. Sales tax revenues (\$159,622, 18.1%), property tax revenues (\$50,120, 6.7%) and municipal court (\$40,456, 18.3%) increased in fiscal year 2021 while permit revenues decreased \$28,071 (25.4%).

Governmental activities expenditures increased \$73,449 (3.85%) from 2020 to 2021. Personnel costs increased \$59,044 primarily due to hiring additional employees and legal fees increased \$35,808 primarily due to new development in the City.

Fiscal year 2021 water and sewer operating revenues decreased \$26,796 (2.6%) as water and sewer usage decreased in 2021 compared to 2020. Water and sewer 2021 operating expenses increased \$40,620 (3.3%) over 2020 expenses. The increase in water and sewer expenses is primarily due to increases in personnel costs and professional fees. Water purchases decreased \$50,509 in 2021 compared to 2020.

## GOVERNMENTAL FUND ANALYSIS

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

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$1,045,605 which is an increase of \$171,854 from the prior year. During the fiscal year the remaining Capital Improvement Fund, fund balance of \$18,312 was expended and the fund was inactive as of September 30, 2021. The components of the governmental fund balances are as follows:

**Table A-3  
Governmental Fund Balances**

	2021	2020
Non-Spendable:		
Prepaid Expenses	\$ 14,990	\$ 17,354
Restricted Funds:		
Court Restricted Funds	46,003	51,949
Police Seizure	12,076	-
National Night Out	2,535	95
Hotel/Motel	87,489	74,651
Capital Improvments	-	18,312
Debt Service	65,396	27,164
Total Restricted	213,499	172,171
Unassigned	817,116	684,226
Total Fund Balance	\$ 1,045,605	\$ 873,751

Proprietary funds - The City's proprietary fund statements (water and sewer fund) provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund at year end was a deficit of \$194,360. The City is working toward restoring this deficit net position during fiscal year 2022.

## GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2021 is provided in Table A-4 below:

**Table A-4  
General Fund Budgetary Highlights**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 1,438,167	\$ 1,547,774	\$ 109,607
Municipal court fines & fees	290,950	262,045	(28,905)
Licenses & permits	121,000	82,333	(38,667)
Charges for services	23,150	7,709	(15,441)
Intergovernmental revenues	169,952	161,859	(8,093)
Donations/grants	26,000	4,003	(21,997)
Other revenues	11,300	31,876	20,576
Developer contribution	-	32,710	32,710
Investment income	110	105	(5)
Total revenues	<u>2,080,629</u>	<u>2,130,414</u>	<u>49,785</u>
Expenditures:			
Administration	\$ 592,757	\$ 655,889	\$ (63,132)
Municipal Court	140,086	148,792	(8,706)
Building development	243,954	226,700	17,254
Parks	18,000	12,742	5,258
Police	765,882	716,031	49,851
Fire Department	245,568	210,686	34,882
Transfer to CIP Fund	-	7,640	(7,640)
Total Expenditures	<u>2,006,247</u>	<u>1,978,480</u>	<u>27,767</u>
Excess of Revenues Over Expenditures	<u>\$ 74,382</u>	<u>\$ 151,934</u>	<u>\$ 77,552</u>

Actual fund basis revenues exceeded budgeted revenues by \$49,785 (2.4%) primarily due to actual sales tax revenues exceeding budgeted sales tax revenues by \$154,833.

Actual fund basis expenditures were \$27,767 (1.4%) under budgeted expenditures. Personnel costs for all departments of the general fund were under budget by a total of \$41,383. Professional fees were \$26,103 over budget primarily due to legal fees related to proposed developments in the City.

## PENSIONS

Pensions continue to receive negative media attention as governments around the nation struggle to fund these commitments. The City is committed to providing retirement programs that are fair to both employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation.

The City currently has a net pension asset, the funds on deposit with TMRS currently exceed the actuarially calculated pension liability. Due to strong investment returns during 2020 the City's net pension asset increased \$12,882. This increase in net pension asset caused the City's matching contribution rate to decrease from 7.26% to 6.57%.

**CAPITAL ASSETS**

The City's investment in capital assets as of September 30, 2021, amounts to \$6,758,265 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, and infrastructure. Infrastructure includes streets, drainage, water, and sewer systems. Capital assets added in 2021 include audio/video equipment - \$9,712, fire department equipment - \$28,505, park playground equipment - \$3,229, street improvements - \$67,710, City Hall improvement project design costs - \$23,211 and water and sewer equipment and system improvements of \$1,759,509. The City's capital assets, net of accumulated depreciation, are as follows:

**Table A-5  
Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 60,524	\$ 60,524	\$ 6,492	\$ 6,492	\$ 67,016	\$ 67,016
Construction in Progress	215,030	191,819	2,185,278	432,372	2,400,308	624,191
Buildings, Parks & Office Equip.	691,017	717,751	-	-	691,017	717,751
Police, Fire & Public Works Equip.	142,240	240,178	16,155	20,995	158,395	261,173
Streets & Infrastructure	988,427	958,927	-	-	988,427	958,927
Waterworks & Sewer System	-	-	2,453,102	2,762,682	2,453,102	2,762,682
Totals	<u>\$2,097,238</u>	<u>\$2,169,199</u>	<u>\$ 4,661,027</u>	<u>\$ 3,222,541</u>	<u>\$ 6,758,265</u>	<u>\$ 5,391,740</u>

Additional information on the City's capital assets can be found in Note 3.

**DEBT ADMINISTRATION**

The City did not add any new long-term debts in fiscal year 2021. Outstanding long-term debts are as follows:

**Table A-6  
Long-term Liabilities Outstanding**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Capital leases	\$ -	\$ 22,420	\$ -	\$ -	\$ -	\$ 22,420
Notes payable	344,536	410,727	8,640	13,818	353,176	424,545
Bonds payable	1,018,000	1,307,000	2,550,000	2,620,000	3,568,000	3,927,000
Totals	<u>\$ 1,362,536</u>	<u>\$ 1,740,147</u>	<u>\$ 2,558,640</u>	<u>\$ 2,633,818</u>	<u>\$ 3,921,176</u>	<u>\$ 4,373,965</u>

Additional information on the City's long-term debts can be found in Note 4.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Budgeted governmental fund revenues for fiscal year 2022 are \$2,728,471, a \$189,184 (7.5%) increase from 2021 budgeted revenues. The tax rate applied in the 2021 budget is .450857 cents per \$100 of valuation which is a decrease of .026837 cents per \$100 of valuation from the rate applied in the 2021 budget.

Budgeted general fund expenditures for fiscal year 2022 are \$2,720,512 and includes salary and wages increases totaling \$50,932, street repairs of \$120,000, police taser and radio purchases of \$87,500 and fire equipment purchases of \$40,000.

Water and sewer fund 2022 budgeted revenues are \$1,588,467 an increase of \$546,367 over the prior year budgeted revenues which is based on an increase in wastewater rates effective September 1, 2021. Budgeted water and sewer fund expenditures are \$1,580,825 include an increase in salaries and wages of \$63,991, \$691,379 for water purchases from Walnut Creek Special Utility District, which is an increase of \$421,379 from the 2021 budget for water purchases.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City of Rhome. If you have questions about this report or need any additional information, contact the City Secretary, at: 817-636-2462, or by email at [citysecretary@cityofrhome.com](mailto:citysecretary@cityofrhome.com).

## Basic Financial Statements

**CITY OF RHOME, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 779,736	\$ 92,544	\$ 872,280
Accounts receivable, net	205,334	152,528	357,862
Prepaid expenses	25,449	9,707	35,156
Internal balances	(2,838)	2,838	-
Restricted cash & cash equivalents	417,436	996,396	1,413,832
Net pension asset	121,022	36,763	157,785
Capital assets:			
Land	60,524	6,492	67,016
Buildings, improvements, parks & office equipment	1,017,150	-	1,017,150
Police, fire & public works equipment	1,638,619	379,356	2,017,975
Infrastructure	2,022,277	-	2,022,277
Waterworks & sanitary sewer system	-	7,674,395	7,674,395
Construction in progress	215,030	2,185,278	2,400,308
Less: accumulated depreciation	(2,856,362)	(5,584,494)	(8,440,856)
Capital assets, net	<u>2,097,238</u>	<u>4,661,027</u>	<u>6,758,265</u>
Total assets	<u>3,643,377</u>	<u>5,951,803</u>	<u>9,595,180</u>
<b>Deferred Outflows of Resources</b>			
Pension contributions after measurement date	37,089	11,981	49,070
Difference in assumption changes on pension assets	11,104	1,090	12,194
Total deferred outflows of resources	<u>48,193</u>	<u>13,071</u>	<u>61,264</u>
<b>Liabilities</b>			
Accounts payable & accrued liabilities	134,932	445,096	580,028
Accrued interest	8,249	12,069	20,318
Unearned revenues - ARPA	218,870	-	218,870
Compensated absences	24,259	11,669	35,928
Customer deposits	-	79,496	79,496
Long-term debt - due within one year	363,403	80,412	443,815
Long-term debt - due in more than one year	999,133	2,563,673	3,562,806
Total OPEB liability	34,652	12,305	46,957
Total liabilities	<u>1,783,498</u>	<u>3,204,720</u>	<u>4,988,218</u>
<b>Deferred Inflows of Resources</b>			
Difference in expected and actual pension experience	48,708	15,068	63,776
Difference in projected and actual earnings	31,245	5,604	36,849
Total deferred inflows of resources	<u>79,953</u>	<u>20,672</u>	<u>100,625</u>
<b>Net Position</b>			
Net investment in capital assets	734,702	2,933,842	3,668,544
Restricted for:			
Debt Service	65,396	-	65,396
Security, Technology, Seizure & NNO	60,614	-	60,614
Hotel/Motel Special Revenue	87,489	-	87,489
Unrestricted	879,918	(194,360)	685,558
Total net position	<u>\$ 1,828,119</u>	<u>\$ 2,739,482</u>	<u>\$ 4,567,601</u>

*The accompanying notes are an integral part of this statement.*



**CITY OF RHOME, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (969,469)	\$ 107,635	\$ 348	\$ 32,710	\$ (828,776)	\$ -	\$ (828,776)
Public safety	(939,509)	276,328	137,009	28,505	(497,667)	-	(497,667)
Culture & recreation	(28,744)	-	-	-	(28,744)	-	(28,744)
Interest on long-term debt	(46,591)	-	-	-	(46,591)	-	(46,591)
Total governmental activities	<u>(1,984,313)</u>	<u>383,963</u>	<u>137,357</u>	<u>61,215</u>	<u>(1,401,778)</u>	<u>-</u>	<u>(1,401,778)</u>
Business-type activities:							
Water & sewer	<u>(1,359,865)</u>	<u>997,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,166)</u>	<u>(362,166)</u>
Total primary government	<u>\$ (3,344,178)</u>	<u>\$ 1,381,662</u>	<u>\$ 137,357</u>	<u>\$ 61,215</u>	<u>(1,401,778)</u>	<u>(362,166)</u>	<u>(1,763,944)</u>
General revenues and transfers:							
Taxes:							
					796,945	-	796,945
					1,042,833	-	1,042,833
					12,829	-	12,829
					71,448	-	71,448
					174	1,614	1,788
					(2,771)	2,771	-
					<u>1,921,458</u>	<u>4,385</u>	<u>1,925,843</u>
					519,680	(357,781)	161,899
					1,308,439	3,097,263	4,405,702
					<u>\$ 1,828,119</u>	<u>\$ 2,739,482</u>	<u>\$ 4,567,601</u>

**CITY OF RHOME, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund	CIP Fund	Total
<b>Assets:</b>				
Cash	\$ 1,107,597	\$ 89,575	\$ -	\$ 1,197,172
<b>Receivables:</b>				
Sales taxes	187,857	-	-	187,857
Franchise fees	1,670	-	-	1,670
Fire recovery	556	-	-	556
Property taxes	8,009	7,242	-	15,251
Prepaid expenses	14,990	-	-	14,990
Due from other funds	24,179	(24,179)	-	-
<b>Total assets</b>	<b>\$ 1,344,858</b>	<b>\$ 72,638</b>	<b>\$ -</b>	<b>\$ 1,417,496</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 122,159	\$ -	\$ -	\$ 122,159
Accrued Liabilities	10,512	-	-	10,512
Developer Advances	2,261	-	-	2,261
Unearned Revenues-ARPA	218,870	-	-	218,870
Due to Water & Sewer	2,838	-	-	2,838
<b>Total liabilities</b>	<b>356,640</b>	<b>-</b>	<b>-</b>	<b>356,640</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	8,009	7,242	-	15,251
<b>Fund balances:</b>				
<b>Non-Spendable:</b>				
Prepaid expenses	14,990	-	-	14,990
<b>Restricted to:</b>				
Court restricted funds	46,003	-	-	46,003
Police seizure	12,076	-	-	12,076
National Night Out	2,535	-	-	2,535
Hotel/motel special revenues	87,489	-	-	87,489
Capital improvements	-	-	-	-
Debt service	-	65,396	-	65,396
Unassigned	817,116	-	-	817,116
<b>Total fund balances</b>	<b>980,209</b>	<b>65,396</b>	<b>-</b>	<b>1,045,605</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,344,858</b>	<b>\$ 72,638</b>	<b>\$ -</b>	<b>\$ 1,417,496</b>

*The accompanying notes are an integral part of this statement.*

**CITY OF RHOME, TEXAS**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021*

Total fund balances - governmental funds balance sheet (Exhibit A-3)	\$ 1,045,605
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet.	2,097,238
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	15,251
Unamortized Bond Insurance are not financial resources and, therefore are not reported in the Fund balance Sheet.	10,459
Net Pension Asset, Net OPEB Liability and related Deferred Inflows/Outflows of Resources are not financial resources and, therefore, are not reported in the Fund Balance Sheet	54,610
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	<u>(1,395,044)</u>
Net position of governmental activities - statement of net position	<u><u>\$ 1,828,119</u></u>

*The accompanying notes are an integral part of this statement.*

## CITY OF RHOME, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	CIP Fund	Total
Revenues:				
Property taxes	\$ 420,664	\$ 381,268	\$ -	\$ 801,932
Sales taxes	1,042,833	-	-	1,042,833
Hotel/motel taxes	12,829	-	-	12,829
Franchise fees	71,448	-	-	71,448
Permits & fees	82,333	-	-	82,333
Municipal court	262,045	-	-	262,045
Charges for services	7,709	-	-	7,709
Intergovernmental	161,859	-	-	161,859
Donation revenues	4,003	-	-	4,003
Miscellaneous revenues	64,586	-	-	64,586
Interest income	105	39	30	174
Total revenues	<u>2,130,414</u>	<u>381,307</u>	<u>30</u>	<u>2,511,751</u>
Expenditures:				
General government	922,105	-	-	922,105
Public safety	849,687	-	-	849,687
Parks	9,513	-	-	9,513
Debt service - principal	66,190	311,420	-	377,610
Debt service - interest	14,189	31,655	-	45,844
Capital outlay	109,156	-	23,211	132,367
Total expenditures	<u>1,970,840</u>	<u>343,075</u>	<u>23,211</u>	<u>2,337,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159,574</u>	<u>38,232</u>	<u>(23,181)</u>	<u>174,625</u>
Other financing sources (uses):				
Interfund transfers	(7,640)	-	7,640	-
Transfers to Water & Sewer Fund	-	-	(2,771)	(2,771)
Total other financing sources	<u>(7,640)</u>	<u>-</u>	<u>4,869</u>	<u>(2,771)</u>
Excess of revenues and other financing sources over expenditures	151,934	38,232	(18,312)	171,854
Fund balance, beginning	<u>828,275</u>	<u>27,164</u>	<u>18,312</u>	<u>873,751</u>
Fund balance, ending	<u>\$ 980,209</u>	<u>\$ 65,396</u>	<u>\$ -</u>	<u>\$ 1,045,605</u>

The accompanying notes are an integral part of this statement.

**CITY OF RHOME, TEXAS**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 171,854

Amounts reported for governmental activities in the statement of activities (Exhibit A-2)  
are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense.

The net difference between the two is as follows:

Capital outlay during the year	132,367
Depreciation expense during the year	(204,328)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:

Repayment of long-term debt	377,610
-----------------------------	---------

Because property taxes receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenue and are deferred in the governmental funds.

Deferred revenues increased this year by:	(4,987)
---	---------

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	8,965
Accrued interest on long-term debt	1,866
Amortization of prepaid bond insurance	(2,613)

Changes in the proportionate share of net pension asset and total OPEB liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:

<u>38,946</u>
---------------

Change in net position of governmental activities - statement of activities	<u><u>\$ 519,680</u></u>
---	--------------------------

*The accompanying notes are an integral part of this statement.*

**CITY OF RHOME, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2021**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 92,544
Accounts receivable, net	152,528
Due from General Fund	2,838
Prepaid cash	9,707
Total current assets	<u>257,617</u>
Non-current assets:	
Capital assets:	
Land	6,492
Equipment	379,356
Waterworks & sanitary sewer system	7,674,395
Construction in progress	2,185,278
Less: accumulated depreciation	<u>(5,584,494)</u>
Total capital assets	<u>4,661,027</u>
Other non-current assets:	
Restricted cash	996,396
Net pension asset	36,763
Total non-current assets	<u>5,694,186</u>
Total assets	<u>5,951,803</u>

**Deferred Outflows of Resources**

Pension contributions after measurement date	11,981
Difference in assumption changes on pension assets	1,090
Total deferred outflows of resources	<u>13,071</u>

**Liabilities**

Current liabilities:	
Accounts payable	445,096
Accrued expenses	12,069
Accrued compensated absences	11,669
Customer deposits	79,496
Current maturities of long-term debt	80,412
Total current liabilities	<u>628,742</u>
Long-term liabilities:	
Notes payable - less current maturities	3,228
Bonds payable - less current maturities	2,560,445
Total OPEB liability	12,305
Total long-term liabilities	<u>2,575,978</u>
Total liabilities	<u>3,204,720</u>

**Deferred Inflows of Resources**

Difference in expected and actual pension experience	15,068
Difference in projected and actual earnings	5,604
Total deferred inflows of resources	<u>20,672</u>

**Net Position**

Net investment in capital assets	2,933,842
Unrestricted	(194,360)
Total net position	<u>\$ 2,739,482</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF RHOME, TEXAS**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION - PROPRIETARY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Operating revenues:	
Water, sewer, and trash service	\$ 979,914
Other revenues	6,735
Total operating revenues	<u>986,649</u>
Operating expenses:	
Personnel	292,697
Professional fees	64,975
Repair & maintenance	66,895
Supplies & contract services	178,552
Travel & training	1,692
Utilities	48,969
Water purchases	289,221
Depreciation	321,023
Total operating expenses	<u>1,264,024</u>
Operating loss	<u>(277,375)</u>
Non-operating revenues (expenses):	
Investment income	1,614
Water tower lease	11,050
Interest expense	(95,841)
Total non-operating revenues (expenses)	<u>(83,177)</u>
Loss before transfers	(360,552)
Transfers from General Fund	<u>2,771</u>
Change in net position	(357,781)
Net position, beginning	<u>3,097,263</u>
Net position, ending	<u>\$ 2,739,482</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF RHOME, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 973,311
Cash payments to employees for services	(607,414)
Cash payments to other suppliers for goods and services	(301,753)
Net cash provided by operating activities	<u>64,144</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers to other funds	<u>2,772</u>
Net cash used by non-capital financing activities	<u>2,772</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Collections on interfund loans	18,214
Principal and interest paid on long-term debt	(174,999)
Purchases of capital assets	(1,388,271)
Net cash used by capital and related financing activities	<u>(1,545,056)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	1,614
Tower lease income	11,050
Net cash provided by investing activities	<u>12,664</u>
Net decrease in cash and cash equivalents	(1,465,476)
Cash and cash equivalents, beginning	<u>2,554,416</u>
Cash and cash equivalents, ending	<u>\$ 1,088,940</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Operating loss	\$ (277,375)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	321,023
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(14,907)
Prepaid expenses	(1,901)
Deferred outflows of resources	(3,806)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	44,086
Accrued expenses	4,378
Customer deposits	1,570
Pension and OPEB liability	786
Deferred inflows of resources from pensions	(9,710)
Net cash provided by operating activities	<u>\$ 64,144</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Unrestricted cash and cash equivalents	\$ 92,544
Restricted cash and cash equivalents	996,396
Total cash and cash equivalents	<u>\$ 1,088,940</u>

*The accompanying notes are an integral part of this statement.*



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

The City of Rhome, Texas (the City) was incorporated in the State of Texas under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Home Rule form of government as defined by the State of Texas. The City operates under a Type A General Law form of government and provides the following services: animal control, code enforcement and inspection, fire, municipal court, parks, police, public works and general administrative services. In addition the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are discussed below:

**A. FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The City does not currently have any component units.

**B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's animal control, code enforcement, community center, fire, inspection, library, municipal court, parks, police, public works, sanitation and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts- invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, culture, recreation and public works). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants.

The net costs (by function) are normally covered by general revenue (property, sales, and franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**C. BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City.

**1. Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

*General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

*Capital Improvement Fund* - The Capital Improvement Fund is used to account for the construction funds received from the issuance of the 2017 Tax Notes. The use of the tax note proceeds is restricted to specific capital improvements referenced in the ordinance authorizing the tax notes.

**2. Proprietary Funds:**

The focus of proprietary funds' measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

*Water and Sewer Fund* - The Water and Sewer Fund is used to account for the operation of the City's water and sewer system for which a fee is charged to external customers for goods and services and the activity is (a) financed with debt secured by a pledge of the net revenues and (b) has the requirement that the cost of providing services, including capital costs, be recovered by user fees and charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result for providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of personnel and contractual services, supplies, repairs, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). The City considers property taxes, franchise fees, hotel/motel taxes and grants as available if collected within 60 days after year end. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized only when payment is due. When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

**E. FINANCIAL STATEMENT AMOUNTS**

**1. Cash and Cash Equivalents**

The City maintains separate cash and cash equivalent accounts for each fund included in the primary government and its component units. Cash equivalents consist of highly-liquid investment with original maturities of three months or less. Cash equivalents include the City's accounts held at Texpool.

**2. Taxes**

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes are recorded as receivables in the period they are levied and available. For governmental fund financial reporting, delinquent taxes estimated not to be available are treated as deferred revenues at the time the taxes are assessed.

**3. Prepaid Expenses**

Prepaid expenses represent payments made by the City in the current year to provide services occurring in the subsequent year.

**4. Interfund Receivable and Payables**

Any residual balances outstanding between the governmental funds and business type funds are reported in the government-wide statement of net position as “interfund receivables”.

**5. Transfers Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**6. Capital Assets**

Capital assets, which include land, buildings, equipment and infrastructure assets, are included in the applicable governmental or business-type activities column in the government-wide statement of net assets and in the fund financial statements for the proprietary funds. Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Costs incurred for repair and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings & Improvements	15-40 years
Equipment	3-10 years
Water & Sewer System	20-40 years
Infrastructure	10-40 years

**7. Compensated Absences**

The City accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations. The total liability for compensated absences at September 30, 2021, was \$35,928.

**8. Deferred Outflows of Resources**

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year’s financial statement include (1) a deferred outflow of resources for contributions made to the City’s retirement plan between the measurement date of the net pension liabilities from the plan and the end of the City’s fiscal year (2) deferred outflows of resources related to changes in pension plan assumptions.

The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to assumptions changes will be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan . No deferred outflows of resources affect the governmental funds financial statements in the current year

**9. Deferred Inflows of Resources**

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred Inflows of resources reported in this year’s financial statement include (1) deferred inflows of resources related to differences between the plans’ expected and actual pension experience and (2) deferred inflows of resources related to differences in expected and actual pension investment earnings.

The deferred inflows related to differences between the plans expected and actual experience will be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. Deferred inflows related to differences in expected and actual pension investment earnings will be amortized to expense over a five-year period.

For revenues that are not considered available the City will not recognize the related revenues until they are available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

## **10. Equity Classifications**

### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net position - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

## **11. Bad Debts**

Bad debts in the proprietary fund are considered immaterial; therefore, the City uses the direct write-off method to record bad debts. The City anticipates collecting nearly 100% of delinquent property taxes; therefore, no allowance for uncollectable property taxes is included in the government-wide statement of net position.

## **12. Capitalized Interest**

For proprietary fund reporting the City elected to implement GASB 89 effective with fiscal year 2019, therefore, the City expenses construction period interest costs as they are incurred.

## **F: BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget

**CITY OF RHOME, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through the passage of an ordinance.
4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2021, the following departments had expenditures that exceeded appropriations:

Department	Excess of Expenditures over Budget
Administration	\$ 63,132
Municipal Court	8,706

**NOTE 2: DEPOSITS**

At September 30, 2021, the City's cash and cash equivalents were made up of the following:

Held at local banks	\$ 1,373,284
Held at Logic	<u>912,828</u>
	<u>\$ 2,286,112</u>

Deposit and Investment Risk Disclosures:

(1) Interest rate risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment. As of September 30, 2021, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

(2) Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. As of September 30, 2021, the City did not have any investments and, therefore, was not subject to credit risk.

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. As of September 30, 2021, the City did not have any investments and, therefore, was not subject to concentration of risk.

(4) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties. At September 30, 2021, the City's bank balances (per bank) totaled \$1,480,715. All of the City's bank accounts were covered by FDIC insurance.

**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

	Beginning Balance	Purchases	Retirements/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital Assets not being depreciated:				
Land	\$ 60,524	\$ -	\$ -	\$ 60,524
Construction in Progress	191,819	23,211	-	215,030
Total capital assets not being depreciated	<u>252,343</u>	<u>23,211</u>	<u>-</u>	<u>275,554</u>
Capital Assets Being Depreciated:				
Buildings, Improvements, Office Equip. & Parks	1,004,209	12,941	-	1,017,150
Police & Fire Equipment	1,610,114	28,505	-	1,638,619
Streets & Infrastructure	1,954,567	67,710	-	2,022,277
Total capital assets being depreciated	<u>4,568,890</u>	<u>109,156</u>	<u>-</u>	<u>4,678,046</u>
Less accumulated depreciation for:				
Buildings, Improvements, Office Equip. & Parks	286,458	39,675	-	326,133
Police & Fire Equipment	1,369,936	126,443	-	1,496,379
Streets & Drainage	995,640	38,210	-	1,033,850
Total accumulated depreciation	<u>2,652,034</u>	<u>204,328</u>	<u>-</u>	<u>2,856,362</u>
Total capital assets being depreciated, net	<u>1,916,856</u>	<u>(95,172)</u>	<u>-</u>	<u>1,821,684</u>
Total capital assets, net	<u>\$ 2,169,199</u>	<u>\$ (71,961)</u>	<u>\$ -</u>	<u>\$2,097,238</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 6,492	\$ -	\$ -	\$ 6,492
Construction in Progress	432,372	1,752,906	-	2,185,278
Total capital assets not being depreciated	<u>438,864</u>	<u>1,752,906</u>	<u>-</u>	<u>2,191,770</u>
Capital Assets Being Depreciated:				
Equipment	379,356	-	-	379,356
Waterworks & Sewer System	7,667,792	6,603	-	7,674,395
Total capital assets being depreciated	<u>8,047,148</u>	<u>6,603</u>	<u>-</u>	<u>8,053,751</u>
Less accumulated depreciation for:				
Equipment	358,361	4,840	-	363,201
Waterworks & Sanitary Sewer System	4,905,110	316,183	-	5,221,293
Total accumulated depreciation	<u>5,263,471</u>	<u>321,023</u>	<u>-</u>	<u>5,584,494</u>
Total capital assets being depreciated, net	<u>2,783,677</u>	<u>(314,420)</u>	<u>-</u>	<u>2,469,257</u>
Total capital assets, net	<u>\$ 3,222,541</u>	<u>\$ 1,438,486</u>	<u>\$ -</u>	<u>\$4,661,027</u>

Depreciation expense was charged to Governmental Activities as follows:

Administration	\$ 58,655
Fire	74,562
Parks	19,231
Police	51,880
Total depreciation expense	<u>\$ 204,328</u>

Depreciation expense was charged to Business-Type Activities as follows:

Water & Sewer	<u>\$ 321,023</u>
---------------	-------------------

**CITY OF RHOME, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2021

**NOTE 4: LONG-TERM DEBT**

At September 30, 2021, the City's long-term debts consisted of the following.

**Governmental Activities:**

Notes Payable & Finance Contracts:

Fire Truck, 4.132% interest, annual payments of \$15,721, final payment due May 2029	\$ 105,269
Admin & Fire Equipment, 3.35%, annual payments of \$37,133, final payment due November 2024	136,879
Police vehicles, 2.97% interest, annual payments of \$27,526, final payment due April 2025	102,388

Bonds Payable:

General Obligation Refunding Bonds, Series 2016, due in annual installments through September 2025, bearing interest at 2.53%. The bond proceeds were used to fully refund the City's Series 2007 General Obligation Refunding Bonds	761,000
Tax Notes, Series 2017, due in annual installments through September 2024, bearing interest at 1.74%	<u>257,000</u>
Total Governmental Activities	<u>\$ 1,362,536</u>

**Business-Type Activities:**

Notes Payable:

Truck, 4.10% interest, monthly payments of \$473, final payment due April 2023	\$ 8,640
General Obligation Improvement Bonds, Series 2019, due in annual installments through August 2044 bearing interest at 3% to 4%. The bond proceeds will be used to improve and extend the City's water and sewer system.	<u>2,550,000</u>
Total Business-Type Activities	<u>\$ 2,558,640</u>



**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2021:

	<u>Beginning</u>	<u>New Debt</u>	<u>Repayments</u>	<u>End</u>	<u>Current Portion</u>
Governmental Activities:					
Capital Leases:					
Fire Truck	\$ 22,420	\$ -	\$ 22,420	\$ -	\$ -
Notes Payable & Finance Contracts:					
Fire Truck	116,189	-	10,920	105,269	11,371
Admin/Fire Equipment	168,371	-	31,492	136,879	32,547
Police Vehicle	126,166	-	23,778	102,388	24,485
Total	<u>410,726</u>	<u>-</u>	<u>66,190</u>	<u>344,536</u>	<u>68,403</u>
Bonds Payable:					
G.O. Refunding Bonds - 2016	938,000	-	177,000	761,000	184,000
Tax Notes - 2017	369,000	-	112,000	257,000	111,000
Total	<u>1,307,000</u>	<u>-</u>	<u>289,000</u>	<u>1,018,000</u>	<u>295,000</u>
Total Governmental Activities	<u>\$ 1,740,146</u>	<u>\$ -</u>	<u>\$ 377,610</u>	<u>\$ 1,362,536</u>	<u>\$ 363,403</u>
Business-Type Activities					
Notes Payable					
Note Payable - Truck	\$ 13,818	\$ -	\$ 5,178	\$ 8,640	\$ 5,412
Bonds Payable and Premiums					
General Obligation Bond-2019	2,620,000	-	70,000	2,550,000	75,000
Bond issuance premiums	89,160	-	3,715	85,445	-
Total	<u>2,709,160</u>	<u>-</u>	<u>73,715</u>	<u>2,635,445</u>	<u>75,000</u>
Total Business-Type Activities	<u>\$ 2,722,978</u>	<u>\$ -</u>	<u>\$ 78,893</u>	<u>\$ 2,644,085</u>	<u>\$ 80,412</u>

**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

Annual debt service requirements to maturity for the long-term debts are as follows:

**Governmental Activities**

General Obligation Bonds

Year	Principal	Interest	Total
2022	\$ 184,000	\$ 19,253	\$ 203,253
2023	187,000	14,598	201,598
2024	194,000	9,867	203,867
2025	196,000	4,959	200,959
Total	<u>\$ 761,000</u>	<u>\$ 48,677</u>	<u>\$ 809,677</u>

Tax Notes

Year	Principal	Interest	Total
2022	\$ 111,000	\$ 4,472	\$ 115,472
2023	115,000	2,540	117,540
2024	31,000	539	31,539
Total	<u>\$ 257,000</u>	<u>\$ 7,551</u>	<u>\$ 264,551</u>

Notes Payable

Year	Principal	Interest	Total
2022	\$ 68,404	\$ 12,005	\$ 80,409
2023	70,691	9,718	80,409
2024	73,056	7,353	80,409
2025	75,499	4,910	80,409
2026	13,370	2,380	15,750
2027-2029	43,516	3,736	47,252
Total	<u>\$ 344,536</u>	<u>\$ 40,102</u>	<u>\$ 384,638</u>

**Business-Type Activities**

General Obligation Bonds

Year	Principal	Interest	Total
2022	\$ 75,000	\$ 96,026	\$ 171,026
2023	75,000	93,776	168,776
2024	80,000	91,526	171,526
2025	80,000	89,126	169,126
2026	85,000	86,726	171,726
2027-2031	460,000	388,880	848,880
2032-2036	550,000	291,130	841,130
2037-2041	675,000	171,130	846,130
2042-2044	470,000	35,815	505,815
Total	<u>\$ 2,550,000</u>	<u>\$ 1,344,135</u>	<u>\$ 3,894,135</u>

Notes Payable

Year	Principal	Interest	Total
2022	\$ 5,424	\$ 248	\$ 5,672
2023	3,186	41	3,227
Total	<u>\$ 8,610</u>	<u>\$ 289</u>	<u>\$ 8,899</u>

**CITY OF RHOME, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**NOTE 5: RETIREMENT PLAN**

A. Plan Description

The City participates as one of 895 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at [www.TMRS.com](http://www.TMRS.com).

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has adopted the following plan provisions:

	Plan Year 2020	Plan Year 2021
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

At the December 31, 2020, valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>18</u>
	<u>49</u>

C. 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

**CITY OF RHOME, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2021*

of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.57% and 7.26% for the calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021, were \$63,282 and were equal to the required contributions.

**D. Net Pension Liability or Assets**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date. The City currently has a net pension asset.

***Actuarial Assumptions:***

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
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 tables 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% 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.

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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).

**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The target allocation and best estimates of arithmetic real rates of return for each major asset class 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 Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

***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.

***Changes in Net Pension Asset:***

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension Asset</u> (a) - (b)
Balance at December 31, 2019	\$ 1,127,124	\$ 1,272,027	\$ (144,903)
Service Cost	125,277	-	125,277
Interest	78,581	-	78,581
Differences between expected and actual experience	6,205	-	6,205
Changes in assumptions	-	-	-
Contributions - employer	-	64,146	(64,146)
Contributions - employee	-	63,044	(63,044)
Net investment income	-	96,404	(96,404)
Benefit Payments, including refunds of employee contributions	(51,186)	(51,186)	-
Administrative expense	-	(625)	625
Other	-	(24)	24
Net Changes	<u>158,877</u>	<u>171,759</u>	<u>(12,882)</u>
Balance at December 31, 2020	<u>\$ 1,286,001</u>	<u>\$ 1,443,786</u>	<u>\$ (157,785)</u>

The net pension liability is allocated to the governmental funds and the business-type funds based on actual wages paid during the fiscal year.

**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

***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% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	\$ 43,141	\$ (157,785)	\$ (320,303)

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

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

For the year ended September 30, 2021, the City recognized pension expense of \$6,085. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between projected and actual investment earnings	\$ -	\$ (36,848)	\$ (36,848)
Differences in assumptions	-	(2,012)	(2,012)
Differences between expected and actual economic experience	-	(54,388)	(54,388)
To be recognized in the future	-	(93,248)	\$ (93,248)
Contributions subsequent to the measurement date	48,622	-	
Total	\$ 48,622	\$ (93,248)	

**CITY OF RHOME, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

The \$48,622 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 year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2021	\$ 42,951
2022	25,866
2023	22,321
2024	2,110
2025	-
Thereafter	-
	<u>\$ 93,248</u>

**NOTE 6: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

A. Benefit Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SBDF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employer’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 SBDF is considered to be an unfunded OPED plan (i.e., no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. 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 retiree term life insurance during employee’s entire careers.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

At the December 31, 2020, valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>18</u>
	<u>28</u>

**CITY OF RHOME, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

B. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2020, and the Total OPEB Liability was determined by actuarial valuation as of that date.

**Actuarial Assumptions:**

The Total OPEB Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.00%
Retiree's share of benefit costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	2019 Municipal Retirees of Texas Morality Tables, The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality Tables with a 3 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 young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.



**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Changes in Total OPEB Liability:**

Balance at December 31, 2019	\$ 38,634
Changes for the year	
Service Cost	4,053
Interest ON Total OPEB Liability	1,114
Differences between expected and actual results	(5,034)
Changes in assumptions or other inputs	8,460
Benefit Payments *	(270)
Net Changes	<u>8,323</u>
Balance at December 31, 2020	<u>\$ 46,957</u>

**Sensitivity of the OPEB liability to changes in the discount rate:**

The following presents the Total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	<u>\$ 62,474</u>	<u>\$ 46,957</u>	<u>\$ 36,180</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$6,034.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ -	\$ (9,387)	\$ (9,387)
Differences in assumptions	14,206	-	14,206
To be recognized in the future	<u>14,206</u>	<u>(9,387)</u>	<u>\$ 4,819</u>
Contributions subsequent to the measurement date	448	-	
Total	<u>\$ 14,654</u>	<u>\$ (9,387)</u>	

The \$448 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CITY OF RHOME, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

Year Ending December 31,	
2021	\$ 867
2022	867
2023	499
2024	1,191
2025	1,323
Thereafter	72
	<u>\$ 4,819</u>

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (“TMLIRP”) which is a public entity insurance risk pool. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

**NOTE 9: ECONOMIC DEPENDENCY**

The City is dependent upon the Walnut Creek Special Utility to provide water for the City. The cost water purchased for the current fiscal year was \$289,221.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

Construction Commitments – The City has active construction projects as of September 30, 2021. Total accumulated commitments for ongoing capital projects are composed of the following:

Sewer	<u>\$ 128,656</u>
-------	-------------------

**NOTE 11: NEW ACCOUNTING PRINCIPLES**

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Rhome.

- *Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* This statement is effective for fiscal years beginning after June 15, 2021. This statement will not affect the City.
- *Statement No. 98, The Annual Comprehensive Financial Report.* This statement is effective for fiscal years beginning after December 15, 2021, This statement will not affect the City.

New pronouncements not yet in effect as of September 30, 2021, are not expected to have any significant impact on the City’s financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2021, as required.

**NOTE 12: SUBSEQUENT EVENTS:**

The City has evaluated all events and transactions that occurred after September 30, 2021, through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

## Required Supplementary Information

*Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.*

**CITY OF RHOME, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tax revenues:				
Property taxes	\$ 380,399	\$ 455,167	\$ 420,664	\$ (34,503)
Sales taxes	888,000	888,000	1,042,833	154,833
Hotel/motel taxes	18,000	18,000	12,829	(5,171)
Franchise fees	77,000	77,000	71,448	(5,552)
Total tax revenues	<u>1,363,399</u>	<u>1,438,167</u>	<u>1,547,774</u>	<u>109,607</u>
Fines and fees				
Municipal court	290,950	290,950	262,045	(28,905)
Licenses & permits				
Permits	121,000	121,000	82,333	(38,667)
Charges for services:				
Fire revenues	16,650	16,650	2,308	(14,342)
Impound fees & auction sales	6,500	6,500	5,401	(1,099)
Total charges for services	<u>23,150</u>	<u>23,150</u>	<u>7,709</u>	<u>(15,441)</u>
Intergovernmental revenues				
Covid-19 grants	-	85,052	94,764	9,712
Tarrant County Fire Contract	8,000	8,000	8,000	-
Wise County Fire Contract	50,400	50,400	50,940	540
Fire Department grants	25,000	25,000	8,155	(16,845)
Police grants	1,500	1,500	-	(1,500)
Total intergovernmental revenues	<u>84,900</u>	<u>169,952</u>	<u>161,859</u>	<u>(8,093)</u>
Donations and fundraisers				
National Night Out	3,000	3,000	3,200	200
City Beautification	-	-	348	348
Fire	23,000	23,000	455	(22,545)
Total donations and fundraisers	<u>26,000</u>	<u>26,000</u>	<u>4,003</u>	<u>(21,997)</u>
Other revenues				
Police seizure revenues	-	-	11,975	11,975
Credit card convenience fees	7,000	7,000	7,078	78
Developer contribution	-	-	32,710	32,710
Interest income	110	110	105	(5)
Miscellaneous	4,300	4,300	12,823	8,523
Total other revenues	<u>11,410</u>	<u>11,410</u>	<u>64,691</u>	<u>53,281</u>
Total revenues	<u>1,920,919</u>	<u>2,080,739</u>	<u>2,130,414</u>	<u>49,780</u>
Expenditures				
Administration				
Personnel	263,955	263,955	261,485	2,470
Professional Fees	124,807	124,807	184,325	(59,518)
Supplies & Contract Services	71,735	126,787	122,131	4,656
Insurance	6,359	6,359	6,941	(582)
Repair & Maintenance	2,000	2,000	2,648	(648)
Training	4,000	4,000	3,371	629
Utilities	31,500	31,500	33,422	(1,922)
Debt Service	3,349	3,349	3,349	-
Capital Outlay	-	30,000	38,217	(8,217)
Total administration	<u>507,705</u>	<u>592,757</u>	<u>655,889</u>	<u>(63,132)</u>

**CITY OF RHOME, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal court				
Personnel	63,136	63,136	60,647	2,489
Professional Fees	10,000	10,000	14,224	(4,224)
Supplies & Contract Services	65,750	65,750	73,421	(7,671)
Training	1,200	1,200	500	700
Total municipal court	<u>140,086</u>	<u>140,086</u>	<u>148,792</u>	<u>(8,706)</u>
Building & development				
Personnel	18,229	18,229	16,511	1,718
Professional Fees	95,000	95,000	57,361	37,639
Supplies & Contract Services	10,725	10,725	12,270	(1,545)
Street Repairs	120,000	120,000	72,848	47,152
Capital Outlay	-	-	67,710	(67,710)
Total building & development	<u>243,954</u>	<u>243,954</u>	<u>226,700</u>	<u>17,254</u>
Parks				
Supplies & Contract Services	10,000	10,000	1,521	8,479
Park Maintenance	7,000	7,000	6,095	905
Utilities	1,000	1,000	1,897	(897)
Capital Outlay	-	-	3,229	(3,229)
Total parks	<u>18,000</u>	<u>18,000</u>	<u>12,742</u>	<u>5,258</u>
Police				
Personnel	603,879	603,879	569,469	34,410
Supplies & Contract Services	27,900	44,020	27,857	16,163
Insurance	21,475	21,475	21,601	(126)
Repair & Maintenance	2,500	7,380	4,844	2,536
Training	3,500	10,500	9,234	1,266
Vehicle Expense	29,000	41,000	44,310	(3,310)
Utilities	10,300	10,300	11,388	(1,088)
Debt Service	27,328	27,328	27,328	-
Capital Outlay	40,000	-	-	-
Total police	<u>765,882</u>	<u>765,882</u>	<u>716,031</u>	<u>49,851</u>
Fire department				
Personnel	38,495	38,495	38,199	296
Supplies & Contract Services	88,330	87,054	74,532	12,522
Insurance	11,359	11,635	14,737	(3,102)
Repair & Maintenance	21,000	21,000	16,667	4,333
Training	1,500	1,500	1,553	(53)
Vehicle Expense	3,500	4,500	6,817	(2,317)
Utilities	6,000	6,000	8,479	(2,479)
Debt Service	75,384	75,384	49,702	25,682
Total fire department	<u>245,568</u>	<u>245,568</u>	<u>210,686</u>	<u>34,882</u>
Transfers				
Transfers from CIP fund	-	-	7,640	(7,640)
Total expenditures	<u>1,921,195</u>	<u>2,006,247</u>	<u>1,978,480</u>	<u>27,767</u>
Excess of expenditures over revenues	<u>\$ (276)</u>	<u>\$ 74,492</u>	151,934	<u>\$ 77,442</u>
Fund balance, beginning			<u>828,275</u>	
Fund balance, ending			<u>\$ 980,209</u>	

## **CITY OF RHOME, TEXAS**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **Budget and Budgetary Accounting**

The City Council adopts an annual budget for the general and utility funds. The general fund budget is legally adopted on a modified accrual basis. The budget for the utility fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

#### **Budget Amendments**

The budget was amended twice during the year ended September 30, 2021.

**CITY OF RHOME, TEXAS**

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2020

**EXHIBIT B-2**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total Pension Liability</b>							
Service cost	\$ 72,103	\$ 78,251	\$ 83,298	\$ 91,818	\$ 101,902	\$ 119,811	\$ 125,277
Interest (on the Total Pension Liability)	52,201	53,980	60,103	68,456	75,022	78,907	78,581
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(44,091)	(3,946)	19,175	(14,560)	(31,198)	(108,144)	6,205
Change of assumptions	-	32,250	-	-	-	(3,948)	-
Benefit payments, including refunds of employee contributions	(64,472)	(51,273)	(36,306)	(49,880)	(57,066)	(137,185)	(51,186)
<b>Net Change in Total Pension Liability</b>	15,741	109,262	126,270	95,834	88,660	(50,559)	158,877
<b>Total Pension Liability - Beginning</b>	741,916	757,657	866,919	993,189	1,089,023	1,177,683	1,127,124
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 757,657</u>	<u>\$ 866,919</u>	<u>\$ 993,189</u>	<u>\$ 1,089,023</u>	<u>\$ 1,177,683</u>	<u>\$ 1,127,124</u>	<u>\$ 1,286,001</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 18,899	\$ 25,693	\$ 33,740	\$ 41,944	\$ 54,295	\$ 65,133	\$ 64,146
Contributions - Employee	38,408	40,756	47,316	44,152	50,340	59,991	63,044
Net investment income	44,713	1,207	56,265	129,343	(32,904)	171,817	96,404
Benefit payments, including refunds of employee contributions	(64,472)	(51,273)	(36,306)	(49,880)	(57,066)	(137,185)	(51,186)
Administrative expenses	(467)	(736)	(637)	(671)	(636)	(973)	(625)
Other	(38)	(36)	(34)	(34)	(34)	(29)	(24)
<b>Net Change in Plan Fiduciary Net Position</b>	37,043	15,611	100,344	164,854	13,995	158,754	171,759
<b>Plan Fiduciary Net Position - Beginning</b>	781,426	818,469	834,080	934,424	1,099,278	1,113,273	1,272,027
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 818,469</u>	<u>\$ 834,080</u>	<u>\$ 934,424</u>	<u>\$ 1,099,278</u>	<u>\$ 1,113,273</u>	<u>\$ 1,272,027</u>	<u>\$ 1,443,786</u>
<b>Net Pension (Asset) Liability - Ending (a) - (b)</b>	\$ (60,812)	\$ 32,839	\$ 58,765	\$ (10,255)	\$ 64,410	\$ (144,903)	\$ (157,785)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	108.03%	96.21%	94.08%	100.94%	94.53%	112.86%	112.27%
<b>Covered Employee Payroll</b>	548,684	582,224	609,349	654,905	719,138	857,021	900,625
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	-11.08%	5.64%	9.64%	-1.57%	8.96%	-16.91%	-17.52%

**CITY OF RHOME, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**  
**SEPTEMBER 30, 2021**

**EXHIBIT B-3**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 25,493	\$ 29,384	\$ 38,798	\$ 50,495	\$ 65,490	\$ 63,976	\$ 63,282
Contribution in relation to the actuarially determined contribution	<u>25,493</u>	<u>29,384</u>	<u>38,798</u>	<u>50,495</u>	<u>65,490</u>	<u>63,976</u>	<u>63,282</u>
Contribution excess (deficiency)	-	-	-	-	-	-	-
Covered employee payroll	\$ 579,095	\$ 591,004	\$ 642,108	\$ 669,985	\$ 863,061	\$ 884,698	\$ 962,215
Contributions as a percentage of covered employee payroll	4.40%	4.97%	6.04%	7.54%	7.59%	7.23%	6.58%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes

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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

There were no benefit changes during the year.



**CITY OF RHOME, TEXAS**

**EXHIBIT B-4**

*TEXAS MUNICIPAL RETIREMENT SYSTEM*

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS*

*DECEMBER 31, 2020*

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 2,620	\$ 3,164	\$ 2,914	\$ 4,053
Interest	989	1,089	1,113	1,114
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(4,103)	(4,299)	(5,034)
Changes of assumptions	3,069	(2,698)	10,493	8,460
Benefit payments	(196)	(216)	(257)	(270)
<b>Net Change in Total OPEB Liability</b>	6,482	(2,764)	9,964	8,323
<b>Total OPEB Liability - Beginning</b>	<u>24,952</u>	<u>31,434</u>	<u>28,670</u>	<u>38,634</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 31,434</u>	<u>\$ 28,670</u>	<u>\$ 38,634</u>	<u>\$ 46,957</u>
<b>Covered Employee Payroll</b>	654,905	719,138	857,021	900,625
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	4.80%	3.99%	4.51%	5.21%

**NOTES TO SCHEDULE:**

*Changes of assumptions:*

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

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

## Other Supplementary Information

*This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.*

**CITY OF RHOME, TEXAS****EXHIBIT C-1****COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUND  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Charges for services		
Water, sewer, and trash service	\$ 979,914	\$ 1,002,726
Tap fees	-	8,396
Total charges for services	<u>979,914</u>	<u>1,011,122</u>
Other revenues		
Other income	<u>6,735</u>	<u>1,773</u>
Total operating revenues	<u>986,649</u>	<u>1,012,895</u>
Operating expenses:		
Personnel		
Salaries & wages	239,198	195,292
Payroll taxes	18,281	15,295
Pension expense	3,058	7,187
Health insurance	32,160	29,405
Total personnel	<u>292,697</u>	<u>247,179</u>
Professional fees		
Engineering	<u>64,975</u>	<u>28,000</u>
Repair & maintenance		
Supplies	9,955	12,561
Equipment repairs	5,058	993
System maintenance	51,882	34,472
Total repair & maintenance	<u>66,895</u>	<u>48,026</u>
Supplies & contract services		
Dues & memberships	2,021	4,140
Contract labor	183	10,465
Office supplies	2,648	3,139
Postage	4,697	5,063
AMR cell fee	11,342	6,419
License & permits	4,207	4,057
Groundwater production fees	5,961	-
Testing	20,165	14,143
Bank fees	3,968	16,447
Trash collection	82,006	100,381
Insurance- property & liability	26,069	24,762
Vehicle expenses	12,258	6,770
Uniforms	3,027	2,670
Total supplies & contract services	<u>178,552</u>	<u>198,456</u>
Travel & training		
Training	<u>1,692</u>	<u>361</u>

**CITY OF RHOME, TEXAS****COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Utilities		
Telephone	4,340	3,388
Gas & electric	44,629	33,613
Total utilities	<u>48,969</u>	<u>37,001</u>
Water purchases	289,221	339,730
Depreciation	<u>321,023</u>	<u>324,651</u>
Total operating expenses	<u>1,264,024</u>	<u>1,223,404</u>
Operating loss	<u>(277,375)</u>	<u>(210,509)</u>
Non-operating revenues (expenses):		
Investment income	1,614	24,891
Water tower lease	11,050	11,600
Interest expense	(95,841)	(96,197)
Total non-operating revenues (expenses)	<u>(83,177)</u>	<u>(59,706)</u>
Loss before transfers	(360,552)	(270,215)
Transfers from General Fund	<u>2,771</u>	<u>12,391</u>
Change in net position	(357,781)	(257,824)
Net position, beginning	<u>3,097,263</u>	<u>3,355,087</u>
Net position, ending	<u>\$ 2,739,482</u>	<u>\$ 3,097,263</u>

## Internal Control and Compliance



**MWH GROUP**  
CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

**Independent Auditors' Report**

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

City Council  
City of Rhome, Texas

We have audited, in accordance with the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Rhome, Texas' basic financial statements and have issued our report thereon dated February 24, 2022.

**Internal Control over Financial Reporting**

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

In planning and performing our audit of the financial statements, we considered the City of Rhome, Texas' 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 of Rhome, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rhome, Texas' internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Rhome, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 of Rhome, Texas' 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 of Rhome, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*MWH Group, P.C.*

MWH GROUP, P.C.

February 24, 2022

**CITY OF RHOME, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	_____ Yes <u>  X  </u> No
Significant deficiency identified that is not considered to be material weaknesses?	_____ Yes <u>  X  </u> No
Noncompliance material to financial statements noted?	_____ Yes <u>  X  </u> No

B. Financial Statement Findings

None reported.