

CITY OF RHOME, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022



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TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditor’s Report.....	1	
City Officials.....	4	
Management’s Discussion and Analysis (Required Supplementary Information).....	5	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	13	A-1
Statement of Activities.....	14	A-2
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	15	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	16	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Governmental Funds.....	17	A-5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,		
and Changes in Fund Balances to the Statement of Activities.....	18	A-6
Statement of Net Position – Proprietary Fund.....	19	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position – Proprietary Fund.....	20	A-8
Statement of Cash Flows – Proprietary Fund.....	21	A-9
Notes to the Financial Statements.....	22	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – General Fund.....	40	B-1
Notes to Required Supplementary Information.....	42	
Texas Municipal Retirement System Schedule of Changes in Net Pension Liability		
and Related Ratios.....	43	B-2
Texas Municipal Retirement System Schedule of Contributions.....	44	B-3
Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability		
and Related Ratios.....	45	B-4
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Comparative Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	46	
 INTERNAL CONTROL AND COMPLIANCE SECTION		
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.....	48	
Schedule of Findings and Responses	50	

Financial Section



Independent Auditor's Report on Financial Statements

City Council
City of Rhome, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of and for the year ended September 30, 2022, 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.

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, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rhome, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, and Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 5 through 12 and 40 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rhome, Texas' basic financial statements. The accompanying Comparative Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Comparative Schedule of Revenues, Expenses, and Changes in Net Position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rhome, Texas' 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,

Handwritten signature in black ink that reads "MWH Group, P.C." in a cursive style.

MWH GROUP, P.C.

Wichita Falls, Texas
January 9, 2024

CITY OF RHOME, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2022

MAYOR	Patricia Mitchell
MAYOR PRO TEM	Josh McCabe
COUNCIL MEMBERS	Kathy Konegni
	Patrick Meehan
	Elaine Priest
	Michelle Tye
CITY ADMINISTRATOR	Eric Debus
CITY SECRETARY	Shaina Odom
MUNICIPAL COURT JUDGE	Jim Minter
ATTORNEY	Carvan Adkins Taylor, Olson, Adkins, Sralla, Elam LLP



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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, 2022. 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, 2022, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$5,818,968 (net position), an increase of \$1,251,367 over the prior period.
- Of the total Government-Wide Net Position, \$2,417,519 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Funds ending fund balance was \$2,109,760, an increase of \$1,064,155 from the prior year. The unassigned General Fund balance is \$1,668,055 or 83% of General Fund expenditures.
- The City's long-term debts total \$4,027,062. 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 13) 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 14) 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 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's water and sewer system is reported here. The City charges a user fee to customers to help cover all or most of the cost of certain services it provides.

Reporting the City's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 15 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 fund types - *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 and the debt service 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 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position: The City's net position, the amount that the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, was \$5,818,968 (\$2,936,342 for Governmental Activities and \$2,882,626 for Business-type Activities) at September 30, 2022 (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$2,656,061	\$1,425,117	\$2,243,299	\$1,254,013	\$4,899,360	\$2,679,130
Net pension asset	216,656	121,022	66,222	36,763	282,878	157,785
Capital assets, net	1,949,350	2,097,238	4,723,736	4,661,027	6,673,086	6,758,265
Total assets	<u>4,822,067</u>	<u>3,643,377</u>	<u>7,033,257</u>	<u>5,951,803</u>	<u>11,855,324</u>	<u>9,595,180</u>
Total deferred outflows of	48,298	48,193	14,860	13,071	63,158	61,264
Current and other liabilities	557,805	386,310	1,306,195	548,330	1,864,000	934,640
Long-term liabilities	1,253,924	1,397,188	2,825,590	2,656,390	4,079,514	4,053,578
Total liabilities	<u>1,811,729</u>	<u>1,783,498</u>	<u>4,131,785</u>	<u>3,204,720</u>	<u>5,943,514</u>	<u>4,988,218</u>
Total deferred inflows of resources	122,294	79,953	33,706	20,672	156,000	100,625
Net position						
Net investment in capital assets	946,010	734,702	2,243,274	2,933,842	3,189,284	3,668,544
Restricted	212,165	213,499	-	-	212,165	213,499
Unrestricted	1,778,167	879,918	639,352	(194,360)	2,417,519	685,558
Total net position	<u>\$2,936,342</u>	<u>\$1,828,119</u>	<u>\$2,882,626</u>	<u>\$2,739,482</u>	<u>\$5,818,968</u>	<u>\$4,567,601</u>

At September 30, 2022, the City had total assets of \$11,855,324, which included capital assets of \$6,673,086, unspent bond and loan proceeds of \$543,260 (restricted to capital outlay), and unspent contribution revenue of \$1,000,000 (restricted for water system upgrades, see note 11 for additional information). These capital assets and unspent bond proceeds and contribution revenue represent 69% 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 \$1,251,367, a 27% increase in net position during the fiscal year. Restricted net position is \$212,165 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$2,417,519 or 42% 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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Fees, fines, & charges for services	\$ 489,138	\$ 383,963	\$ 1,472,924	\$ 997,699	\$ 1,962,062	\$ 1,381,662
Operating grants & contributions	175,275	137,357	-	-	175,275	137,357
Capital grants & contributions	-	61,215	-	-	-	61,215
General revenues:						
Property taxes	819,179	796,945	-	-	819,179	796,945
Sales taxes	1,443,544	1,042,833	-	-	1,443,544	1,042,833
Hotel/motel taxes	29,029	12,829	-	-	29,029	12,829
Franchise fees	74,622	71,448	-	-	74,622	71,448
Interest income	1,698	174	3,048	1,614	4,746	1,788
Contract revenues	289,046	-	-	-	289,046	-
Transfers	(48,486)	(2,771)	48,486	2,771	-	-
Total revenues	<u>3,273,045</u>	<u>2,503,993</u>	<u>1,524,458</u>	<u>1,002,084</u>	<u>4,797,503</u>	<u>3,506,077</u>
Expenses						
General Government	1,050,610	969,469	-	-	1,050,610	969,469
Public Safety	1,042,081	939,509	-	-	1,042,081	939,509
Cultural & Recreation	28,085	28,744	-	-	28,085	28,744
Interest on long-term debt	44,046	46,591	95,794	95,841	139,840	142,432
Water & Sewer	-	-	1,285,520	1,264,024	1,285,520	1,264,024
Total expenses	<u>2,164,822</u>	<u>1,984,313</u>	<u>1,381,314</u>	<u>1,359,865</u>	<u>3,546,136</u>	<u>3,344,178</u>
Increase (decrease) in net assets	<u>\$ 1,108,223</u>	<u>\$ 519,680</u>	<u>\$ 143,144</u>	<u>\$ (357,781)</u>	<u>\$ 1,251,367</u>	<u>\$ 161,899</u>

Governmental activities revenues (before transfers) increased \$814,767 (33%) when compared to 2021. The change was driving by increases in sales tax revenues (\$400,711 - 38.4%), property tax revenues (\$22,234 - 2.8%), contract revenues (\$289,046 - 100%), and fees, fines and charges for services (\$580,400 - 42%), offset by a decrease in capital grants and contribution revenues (\$61,215 - 100%).

Governmental activities expenditures increased \$180,509 (9%) from 2021 to 2022. Contract labor increased \$66,406 primarily due to consulting activities related to accounting functions, and grant expenditures increased \$87,482 primarily due to the expenditure of American Rescue Plan Act grant funds on portable radios and software.

In fiscal year 2022, water and sewer operating revenues increased \$475,225 (42%) as the number of customers increased by 102 in 2022. Water and sewer operating expenses increased \$21,449 (2%) over 2021 expenses. The increase in water and sewer expenses is primarily due to emergency sewer line repairs (\$49,198 - 984%), increase in garbage service fees (\$19,171 - 23%), and additional water purchases. The increase in water purchases of \$41,643 (14%) is due to the additional capacity needed to supply the wholesale water supply agreement, as detailed in note 11. These increases were offset by decreased expenses for personnel (\$24,575 - 8%), professional fees for engineering services (\$23,592 - 36%) and lift station maintenance (\$35,435 - 87%) in 2022.

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 \$2,109,760 which is an increase of \$1,064,155 from the prior year. During fiscal year 2021, the remaining Capital Improvement fund balance 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**

	2022	2021
Non-spendable:		
Prepaid expenses	\$ 19,129	\$ 14,990
Restricted funds:		
Court restricted funds	58,230	46,003
Police seizure	16,185	12,076
National Night Out	3,464	2,535
Hotel/Motel	116,600	87,489
Capital outlay	210,411	-
Debt service	17,686	65,396
Total restricted	422,576	213,499
Unassigned	1,668,055	817,116
Total Fund Balance	\$ 2,109,760	\$ 1,045,605

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 City had an unrestricted net position deficit of \$194,360 at September 30, 2021. The City worked on restoring the deficit in net position in 2022, and the unrestricted net position of the water and sewer fund at September 30, 2022 was \$972,201.

GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2022 is provided in Table A-4 below:

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

	Budget	Actual	Variance
Revenues & other financing sources:			
Taxes	\$ 1,556,335	\$ 2,010,405	\$ 454,070
Municipal court fines & fees	297,350	305,288	7,938
Licenses & permits	138,000	84,683	(53,317)
Charges for services	16,650	10,204	(6,446)
Intergovernmental revenues	90,000	228,202	138,202
Donations/grants	23,500	24,592	1,092
Other revenues	7,960	11,444	3,484
Developer contribution	-	289,046	289,046
Investment income	110	749	639
Proceeds from debt issuance	-	214,618	214,618
Total revenues & other financing sources	<u>2,129,905</u>	<u>3,179,231</u>	<u>1,049,326</u>
Expenditures & other financing sources:			
Administration	548,675	733,633	(184,958)
Municipal Court	134,087	131,730	2,357
Building development	237,125	170,699	66,426
Parks	21,050	8,208	12,842
Police	862,695	756,317	106,378
Fire Department	278,921	215,556	63,365
Transfer to debt service fund	-	2,736	(2,736)
Transfer to utility fund	-	48,487	(48,487)
Total expenditures & other financing sources	<u>2,082,553</u>	<u>2,067,366</u>	<u>15,187</u>
Excess of revenues & other financing sources over expenditures & other financing sources	<u>\$ 47,352</u>	<u>\$ 151,934</u>	<u>\$ 1,064,513</u>

Actual fund basis revenues exceeded budgeted revenues by \$1,049,326 (49%) primarily due to actual sales tax revenues exceeding budgeted sales tax revenues by \$468,165. Additionally, the City received unbudgeted revenues for grants of \$125,139, unbudgeted developer contributions of \$289,046, and unbudgeted debt proceeds of \$214,618.

Actual fund basis expenditures were \$15,187 (1%) under budgeted expenditures. Personnel costs for all departments of the general fund were over budgeted by a total of \$92,645, and street repairs were over-budgeted by a total of \$43,766 as the amount of street repairs was less than anticipated. Supplies and contract services for all departments were underbudgeted by \$97,357 primarily due to contract labor related to accounting functions. Repairs and maintenance for all departments were underbudgeted by \$24,191 due to additional repairs on the Fire department apparatus.

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.

PENSIONS (CONT.D)

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 2022 the City's net pension asset increased \$125,093. This increase in net pension asset caused the City's matching contribution rate to increase from 6.42% to 6.71%.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2022, amounts to \$6,673,086 (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 2022 include mobile radios and tasers for the police department - \$48,442, computers and mobile radios for the fire department - \$36,200, computer for admin personnel - \$1,306, water and sewer equipment purchase for a backhoe and computer - \$114,021, and waterworks and sewer system improvements of \$43,633. Additionally, the City Hall improvement project was completed in 2022 and \$215,030 was removed from the construction in progress account and capitalized under buildings, parks, and office equipment. 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 60,524	\$ 60,524	\$ 6,492	\$ 6,492	\$ 67,016	\$ 67,016
Construction in progress	-	215,030	2,400,617	2,185,278	2,400,617	2,400,308
Buildings, parks & office equip.	531,810	691,017	-	-	531,810	691,017
Police, fire & public works equip.	422,415	142,240	123,759	16,155	546,174	158,395
Streets & infrastructure	934,601	988,427	-	-	934,601	988,427
Waterworks & sewer system	-	-	2,192,868	2,453,102	2,192,868	2,453,102
Totals	\$1,949,350	\$2,097,238	\$ 4,723,736	\$ 4,661,027	\$ 6,673,086	\$ 6,758,265

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

DEBT ADMINISTRATION

The City added two new long-term debts in fiscal year 2022; a finance purchase for three Chevy Tahoe's for the police department of \$214,619, and a finance purchase for three F250's and a backhoe for the water and sewer fund of \$253,353. Outstanding long-term debts are as follows:

Table A-6
Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Notes payable & finance purchases	490,751	344,536	256,581	8,640	747,332	353,176
Bonds payable	723,000	1,018,000	2,556,730	2,550,000	3,279,730	3,568,000
Totals	\$ 1,213,751	\$ 1,362,536	\$ 2,813,311	\$ 2,558,640	\$ 4,027,062	\$ 3,921,176

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 2023 are \$3,193,837, a \$465,366 (17%) increase from 2022 budgeted revenues. The tax rate applied in the 2023 budget is .437816 cents per \$100 of valuation which is a decrease of .013042 cents per \$100 of valuation from the rate applied in the 2022 budget.

Budgeted general fund expenditures for fiscal year 2023 are \$3,144,463 and includes increases in salary and wage expense for all departments totaling \$164,456, an increase in contract services totaling \$122,000, and an increase in park improvements totaling \$37,700. The fire department budgeted uniforms purchase of \$31,500 and radio and personal locker equipment purchases of \$45,000.

Water and sewer fund 2023 budgeted revenues are \$1,610,603 an increase of \$22,136 over the prior year budgeted revenues which is based on an increase in wastewater rates effective September 1, 2022. Budgeted water and sewer fund expenditures are \$1,469,461 and include an increase in salaries and wages of \$27,957, grant expenses related to well improvements of \$30,000, and an increase in long-term debt payments of \$37,690. Water purchases from Walnut creek Special Utility District are \$405,000, which is a decrease of \$286,379 from the 2022 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.

Basic Financial Statements

CITY OF RHOME, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,023,980	\$ 605,367	\$ 1,629,347
Accounts receivable, net	304,490	192,694	497,184
Prepaid expenses	26,973	8,418	35,391
Restricted cash & cash equivalents	1,300,618	1,436,820	2,737,438
Net pension asset	216,656	66,222	282,878
Capital assets:			
Land	60,524	6,492	67,016
Buildings, improvements, parks & office equipment	1,233,486	-	1,233,486
Police, fire & public works equipment	1,723,262	493,377	2,216,639
Infrastructure	2,022,277	-	2,022,277
Waterworks & sanitary sewer system	-	7,718,028	7,718,028
Construction in progress	-	2,400,617	2,400,617
Less: accumulated depreciation	(3,090,199)	(5,894,778)	(8,984,977)
Capital assets, net	1,949,350	4,723,736	6,673,086
Total assets	4,822,067	7,033,257	11,855,324
Deferred Outflows of Resources			
Deferred outflows of resources from pensions	37,504	11,553	49,057
Deferred outflows of resources from OPEB	10,794	3,307	14,101
Total deferred outflows of resources	48,298	14,860	63,158
Liabilities			
Accounts payable & accrued liabilities	188,220	177,118	365,338
Accrued interest	9,756	14,966	24,722
Unearned revenues	326,742	1,000,000	1,326,742
Compensated absences	33,087	10,140	43,227
Customer deposits	-	103,971	103,971
Long-term debt - due within one year	412,834	111,695	524,529
Long-term debt - due in more than one year	800,917	2,701,616	3,502,533
Total OPEB liability	40,173	12,279	52,452
Total liabilities	1,811,729	4,131,785	5,943,514
Deferred Inflows of Resources			
Deferred inflows of resources from pensions	115,239	31,542	146,781
Deferred inflows of resources from OPEB	7,055	2,164	9,219
Total deferred inflows of resources	122,294	33,706	156,000
Net Position			
Net investment in capital assets	946,010	2,243,274	3,189,284
Restricted for:			
Debt Service	17,686	-	17,686
Security, Technology, Seizure & NNO	77,879	-	77,879
Hotel/Motel Special Revenue	116,600	-	116,600
Unrestricted	1,778,167	639,352	2,417,519
Total net position	\$ 2,936,342	\$ 2,882,626	\$ 5,818,968

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	\$ (1,050,610)	\$ 179,136	\$ 134,195	\$ -	\$ (737,279)	\$ -	\$ (737,279)
Public safety	(1,042,081)	309,377	41,080	-	(691,624)	-	(691,624)
Culture & recreation	(28,085)	625	-	-	(27,460)	-	(27,460)
Interest on long-term debt	(44,046)	-	-	-	(44,046)	-	(44,046)
Total governmental activities	<u>(2,164,822)</u>	<u>489,138</u>	<u>175,275</u>	<u>-</u>	<u>(1,500,409)</u>	<u>-</u>	<u>(1,500,409)</u>
Business-type activities:							
Water & sewer	(1,381,314)	1,472,924	-	-	-	91,610	91,610
Total primary government	<u>\$ (3,546,136)</u>	<u>\$ 1,962,062</u>	<u>\$ 175,275</u>	<u>\$ -</u>	<u>(1,500,409)</u>	<u>91,610</u>	<u>(1,408,799)</u>
General revenues and transfers:							
Taxes:							
					819,179	-	819,179
					1,443,544	-	1,443,544
					29,029	-	29,029
					74,622	-	74,622
					1,698	3,048	4,746
					289,046	-	289,046
					(48,486)	48,486	-
					<u>2,608,632</u>	<u>51,534</u>	<u>2,660,166</u>
					1,108,223	143,144	1,251,367
					1,828,119	2,739,482	4,567,601
					<u>\$ 2,936,342</u>	<u>\$ 2,882,626</u>	<u>\$ 5,818,968</u>

CITY OF RHOME, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Total
Assets:			
Cash	\$ 2,306,912	\$ 17,686	\$ 2,324,598
Receivables:			
Sales taxes	268,745	-	268,745
Franchise fees	1,851	-	1,851
Other	10,399	-	10,399
Property taxes	14,495	9,000	23,495
Prepaid expenses	19,129	-	19,129
	<u>2,621,531</u>	<u>26,686</u>	<u>2,648,217</u>
Total assets	<u>\$ 2,621,531</u>	<u>\$ 26,686</u>	<u>\$ 2,648,217</u>
Liabilities:			
Accounts Payable	\$ 159,734	\$ -	\$ 159,734
Accrued Liabilities	15,984	-	15,984
Developer Advances	12,502	-	12,502
Unearned Revenues-ARPA	326,742	-	326,742
Total liabilities	<u>514,962</u>	<u>-</u>	<u>514,962</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	14,495	9,000	23,495
	<u>14,495</u>	<u>9,000</u>	<u>23,495</u>
Fund balances:			
Non-Spendable:			
Prepaid expenses	19,129	-	19,129
Restricted to:			
Court restricted funds	58,230	-	58,230
Police seizure	16,185	-	16,185
National Night Out	3,464	-	3,464
Hotel/motel special revenues	116,600	-	116,600
Capital outlay	210,411	-	210,411
Debt service	-	17,686	17,686
Unassigned	1,668,055	-	1,668,055
	<u>2,092,074</u>	<u>17,686</u>	<u>2,109,760</u>
Total fund balances	<u>2,092,074</u>	<u>17,686</u>	<u>2,109,760</u>
Total liabilities and fund balances	<u>\$ 2,621,531</u>	<u>\$ 26,686</u>	<u>\$ 2,648,217</u>

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, 2022**

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 2,109,760

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.

Gross capital assets	\$ 5,039,549	
Less accumulated depreciation	<u>(3,090,199)</u>	1,949,350

Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.

23,495

The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Net pension asset	216,656	
Deferred outflows of resources from pensions	37,504	
Deferred inflows of resources from pensions	<u>(115,239)</u>	138,921

The City's proportionate share of total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Total OPEB liability	(40,173)	
Deferred outflows of resources from OPEB	10,794	
Deferred inflows of resources from OPEB	<u>(7,055)</u>	(36,434)

Long-term liabilities and related balances are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet. The long-term liabilities and related balances at year-end consisted of:

Bonds payable	(723,000)	
Notes payable	(490,751)	
Premium on bond	7,844	
Accrued interest	(9,756)	
Compensated absences	<u>(33,087)</u>	<u>(1,248,750)</u>

Net position of governmental activities - statement of net position \$ 2,936,342

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, 2022**

	General Fund	Debt Service Fund	Total
Revenues:			
Property taxes	\$ 463,210	\$ 347,724	\$ 810,934
Sales taxes	1,443,544	-	1,443,544
Hotel/motel taxes	29,029	-	29,029
Franchise fees	74,622	-	74,622
Permits & fees	84,683	-	84,683
Municipal court	305,288	-	305,288
Charges for services	10,204	-	10,204
Intergovernmental	228,202	-	228,202
Donation revenues	24,592	-	24,592
Contract revenues	289,046	-	289,046
Miscellaneous revenues	11,444	-	11,444
Interest income	749	950	1,699
Total revenues	<u>2,964,613</u>	<u>348,674</u>	<u>3,313,287</u>
Expenditures:			
General government	993,061	-	993,061
Public safety	924,717	-	924,717
Parks	8,208	-	8,208
Debt service - principal	-	363,403	363,403
Debt service - interest	4,208	35,717	39,925
Capital outlay	85,949	-	85,949
Total expenditures	<u>2,016,143</u>	<u>399,120</u>	<u>2,415,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>948,470</u>	<u>(50,446)</u>	<u>898,024</u>
Other financing sources (uses):			
Interfund transfers	(51,223)	2,736	(48,487)
Proceeds from issuance of debt	214,618	-	214,618
Total other financing sources	<u>163,395</u>	<u>2,736</u>	<u>166,131</u>
Excess of revenues and other financing sources over expenditures	1,111,865	(47,710)	1,064,155
Fund balance, beginning	<u>980,209</u>	<u>65,396</u>	<u>1,045,605</u>
Fund balance, ending	<u>\$ 2,092,074</u>	<u>\$ 17,686</u>	<u>\$ 2,109,760</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, 2022*

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 1,064,155

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	85,949	
Depreciation expense during the year	<u>(233,837)</u>	(147,888)

The issuance of long-term debt (e.g., bonds, notes) 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:

Issuance of long-term debt	(214,619)	
Repayment of long-term debt	<u>363,404</u>	148,785

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: 8,244

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	(8,828)	
Accrued interest on long-term debt	(1,507)	
Amortization of prepaid bond insurance	<u>(2,615)</u>	(12,950)

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: 47,877

Change in net position of governmental activities - statement of activities \$ 1,108,223

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

Assets

Current assets:	
Cash and cash equivalents	\$ 605,367
Accounts receivable, net	192,694
Prepaid cash	8,418
Total current assets	<u>806,479</u>
Non-current assets:	
Capital assets:	
Land	6,492
Equipment	493,377
Waterworks & sanitary sewer system	7,718,028
Construction in progress	2,400,617
Less: accumulated depreciation	<u>(5,894,778)</u>
Total capital assets	<u>4,723,736</u>
Other non-current assets:	
Restricted cash	1,436,820
Net pension asset	66,222
Total non-current assets	<u>6,226,778</u>
Total assets	<u>7,033,257</u>

Deferred Outflows of Resources

Deferred outflows of resources from pensions	11,553
Deferred outflows of resources from OPEB	3,307
Total deferred outflows of resources	<u>14,860</u>

Liabilities

Current liabilities:	
Accounts payable	177,118
Accrued expenses	14,966
Accrued compensated absences	10,140
Unearned revenue	1,000,000
Customer deposits	103,971
Current maturities of long-term debt	111,695
Total current liabilities	<u>1,417,890</u>
Long-term liabilities:	
Long-term debt - less current maturities	2,701,616
Total OPEB liability	12,279
Total long-term liabilities	<u>2,713,895</u>
Total liabilities	<u>4,131,785</u>

Deferred Inflows of Resources

Deferred inflows of resources from pensions	31,542
Deferred inflows of resources from OPEB	2,164
Total deferred inflows of resources	<u>33,706</u>

Net Position

Net investment in capital assets	2,243,274
Unrestricted	639,352
Total net position	<u>\$ 2,882,626</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, 2022**

Operating revenues:	
Water, sewer, and trash service	\$ 1,447,884
Other revenues	14,340
Total operating revenues	<u>1,462,224</u>
Operating expenses:	
Personnel	268,123
Professional fees	41,384
Repair & maintenance	86,622
Supplies & contract services	193,444
Travel & training	2,000
Utilities	52,799
Water purchases	330,864
Depreciation	310,284
Total operating expenses	<u>1,285,520</u>
Operating loss	<u>176,704</u>
Non-operating revenues (expenses):	
Investment income	3,048
Water tower lease	10,700
Interest expense	(95,794)
Total non-operating revenues (expenses)	<u>(82,046)</u>
Loss before transfers	94,658
Transfers from General Fund	<u>48,486</u>
Change in net position	143,144
Net position, beginning	<u>2,739,482</u>
Net position, ending	<u>\$ 2,882,626</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, 2022

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,446,533
Cash payments to employees for services	(284,995)
Cash payments to other suppliers for goods and services	(973,802)
Net cash provided by operating activities	<u>187,736</u>
Cash Flows from Non-capital Financing Activities:	
Reservation fees	-
Transfers to other funds	48,486
Net cash used by non-capital financing activities	<u>48,486</u>
Cash Flows from Capital and Related Financing Activities:	
Collections on interfund loans	2,838
Proceeds from issuance of debt	253,352
Principal and interest paid on long-term debt	(179,920)
Purchases of capital assets	(372,993)
Developer contributions	1,000,000
Net cash used by capital and related financing activities	<u>703,277</u>
Cash Flows from Investing Activities:	
Interest on investments	3,048
Tower lease income	10,700
Net cash provided by investing activities	<u>13,748</u>
Net decrease in cash and cash equivalents	953,247
Cash and cash equivalents, beginning	1,088,940
Cash and cash equivalents, ending	<u>\$ 2,042,187</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ 176,704
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	310,284
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(40,166)
Prepaid expenses	1,289
Deferred outflows of resources	(1,789)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(267,978)
Accrued expenses	2,897
Compensated absences	(1,529)
Customer deposits	24,475
Pension and OPEB liability	(29,485)
Deferred inflows of resources from pensions	13,034
Net cash provided by operating activities	<u>\$ 187,736</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Unrestricted cash and cash equivalents	\$ 605,367
Restricted cash and cash equivalents	1,436,820
Total cash and cash equivalents	<u>\$ 2,042,187</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 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.

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 principal 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, 2022, was \$43,227.

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).

9. Deferred Inflows of Resources (Cont.d)

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, therefor, the City expenses construction period interest costs as they are incurred.

CITY OF RHOME, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

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 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, 2022, the following departments had expenditures that exceeded appropriations:

Department	Excess of Expenditures over Budget
Administration	\$ 184,958

NOTE 2: DEPOSITS

At September 30, 2022, the City's cash and cash equivalents were made up of the following:

Held at local banks	\$ 4,033,937
Held at Logic	<u>332,849</u>
	<u>\$ 4,366,786</u>

Cash and cash equivalents include the City's investments in Texpool, a Texas Local Government Investment Pool. These investment pool funds are readily available and are recorded at cost.

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, 2022, 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, 2022, all the City's investments were with Texpool, which were rated *AAAm* by Standard & Poor's.

(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, 2022, the City had, as allowed by its investment policy, 100% of its investments with Texpool.

CITY OF RHOME, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Deposit and Investment Risk Disclosures (Cont. d):

(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, 2022, the City's bank balances (per bank) totaled \$4,464,994. Of the bank balances, \$2,000,000 was covered by FDIC insurance and the remaining \$2,464,994 was secured by collateral held by the pledging Bank's agent in the name of the City. As such, the City's was not exposed to custodial credit risk at September 30, 2022.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022, is as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being depreciated:				
Land	\$ 60,524	\$ -	\$ -	\$ 60,524
Construction in Progress	215,030	-	(215,030)	-
Total capital assets not being depreciated	<u>275,554</u>	<u>-</u>	<u>(215,030)</u>	<u>60,524</u>
Capital Assets Being Depreciated:				
Buildings, Improvements, Office Equip. & Parks	1,017,150	1,306	215,030	1,233,486
Police & Fire Equipment	1,638,619	84,643	-	1,723,262
Streets & Infrastructure	2,022,277	-	-	2,022,277
Total capital assets being depreciated	<u>4,678,046</u>	<u>85,949</u>	<u>215,030</u>	<u>4,979,025</u>
Less accumulated depreciation for:				
Buildings, Improvements, Office Equip. & Parks	326,133	54,914	320,629	701,676
Police & Fire Equipment	1,496,379	134,506	(330,038)	1,300,847
Streets & Drainage	1,033,850	44,417	9,409	1,087,676
Total accumulated depreciation	<u>2,856,362</u>	<u>233,837</u>	<u>-</u>	<u>3,090,199</u>
Total capital assets being depreciated, net	<u>1,821,684</u>	<u>(147,888)</u>	<u>215,030</u>	<u>1,888,826</u>
Total capital assets, net	<u>\$ 2,097,238</u>	<u>\$ (147,888)</u>	<u>\$ -</u>	<u>\$ 1,949,350</u>

Depreciation expense was charged to Governmental activities as follows:

Administration	\$ 35,037
Fire	75,165
Parks	19,877
Police	59,341
Streets	44,417
Total depreciation expense	<u>\$ 233,837</u>

CITY OF RHOME, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3: CAPITAL ASSETS (CONT.D)

	Beginning Balance	Purchases	Retirements/ Transfers	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 6,492	\$ -	\$ -	\$ 6,492
Construction in Progress	2,185,278	215,339	-	2,400,617
Total capital assets not being depreciated	<u>2,191,770</u>	<u>215,339</u>	<u>-</u>	<u>2,407,109</u>
Capital Assets Being Depreciated:				
Equipment	379,356	114,021	-	493,377
Waterworks & Sewer System	7,674,395	43,633	-	7,718,028
Total capital assets being depreciated	<u>8,053,751</u>	<u>157,654</u>	<u>-</u>	<u>8,211,405</u>
Less accumulated depreciation for:				
Equipment	363,201	6,417	-	369,618
Waterworks & Sanitary Sewer System	5,221,293	303,867	-	5,525,160
Total accumulated depreciation	<u>5,584,494</u>	<u>310,284</u>	<u>-</u>	<u>5,894,778</u>
Total capital assets being depreciated, net	<u>2,469,257</u>	<u>(152,630)</u>	<u>-</u>	<u>2,316,627</u>
Total capital assets, net	<u>\$ 4,661,027</u>	<u>\$ 62,709</u>	<u>\$ -</u>	<u>\$ 4,723,736</u>

Depreciation expense was charged to Business-type activities as follows:

Water & Sewer	<u>\$ 310,284</u>
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NOTE 4: LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2022:

	Beginning	New Debt	Repayments	Ending	Current Portion
Governmental Activities:					
Notes Payable & Finance Purchases:					
Fire truck	\$ 105,269	\$ -	\$ 11,372	\$ 93,897	\$ 11,841
Admin/Fire equipment	136,879	-	32,547	104,332	33,638
Police vehicles - 2020	102,388	-	24,485	77,903	25,212
Police vehicles - 2022	-	214,619	-	214,619	40,143
Total	<u>344,536</u>	<u>214,619</u>	<u>68,404</u>	<u>490,751</u>	<u>110,834</u>
Bonds Payable:					
G.O. Refunding Bonds - 2016	761,000	-	184,000	577,000	187,000
Tax Notes - 2017	257,000	-	111,000	146,000	115,000
Total	<u>1,018,000</u>	<u>-</u>	<u>295,000</u>	<u>723,000</u>	<u>302,000</u>
Total Governmental Activities	<u>\$ 1,362,536</u>	<u>\$ 214,619</u>	<u>\$ 363,404</u>	<u>\$ 1,213,751</u>	<u>\$ 412,834</u>
Business-Type Activities					
Notes Payable & Finance Purchases:					
Note payable - truck	\$ 8,640	\$ -	\$ 5,412	\$ 3,228	\$ 3,228
Public Works backhoe & vehicles	-	253,353	-	253,353	33,467
Total	<u>8,640</u>	<u>253,353</u>	<u>5,412</u>	<u>256,581</u>	<u>36,695</u>
Bonds Payable and Premiums					
General Obligation Bond-2019	2,550,000	-	75,000	2,475,000	75,000
Bond issuance premiums	85,445	-	3,715	81,730	-
Total	<u>2,635,445</u>	<u>-</u>	<u>78,715</u>	<u>2,556,730</u>	<u>75,000</u>
Total Business-Type Activities	<u>\$ 2,644,085</u>	<u>\$ 253,353</u>	<u>\$ 84,127</u>	<u>\$ 2,813,311</u>	<u>\$ 111,695</u>

CITY OF RHOME, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 4: LONG-TERM DEBT (CONT.D)

At September 30, 2022, 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	\$ 93,897
Admin & Fire Equipment, 3.35%, annual payments of \$37,133, final payment due November 2024	104,332
2020 Police vehicles, 2.97% interest, annual payments of \$27,526, final payment due April 2025	77,903
2022 Police vehicles, 3.35% interest, annual payments of \$47,332, final payment due July 2027	214,619

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	577,000
Tax Notes, Series 2017, due in annual installments through September 2024, bearing interest at 1.74%	<u>146,000</u>
Total Governmental Activities	<u>\$ 1,213,751</u>

Business-Type Activities:

Notes Payable & Finance Contracts:

Truck, 4.10% interest, monthly payments of \$473, final payment due April 2023	\$ 3,228
Backhoe & vehicles, 2.6% interest, annual payments of \$40,054, final payment due April 2029	253,353

Bonds Payable:

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>2,475,000</u>
Total Business-Type Activities	<u>\$ 2,731,581</u>

CITY OF RHOME, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 4: LONG-TERM DEBT (CONT.D)

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

Governmental activities:

General Obligation Bonds			
Year	Principal	Interest	Total
2023	\$ 187,000	\$ 14,598	\$ 201,598
2024	194,000	9,867	203,867
2025	196,000	4,959	200,959
Total	<u>\$ 577,000</u>	<u>\$ 29,424</u>	<u>\$ 606,424</u>

Tax Notes			
Year	Principal	Interest	Total
2023	\$ 115,000	\$ 2,540	\$ 117,540
2024	31,000	539	31,539
Total	<u>\$ 146,000</u>	<u>\$ 3,079</u>	<u>\$ 149,079</u>

Notes payable & Financed purchases			
Year	Principal	Interest	Total
2023	\$ 110,834	\$ 16,879	\$ 127,713
2024	114,543	13,168	127,711
2025	118,377	9,334	127,711
2026	57,684	5,369	63,053
2027	59,721	3,332	63,053
2028-2032	29,592	1,847	31,439
Total	<u>\$ 490,751</u>	<u>\$ 49,929</u>	<u>\$ 540,680</u>

Business-type activities:

General Obligation Bonds			
Year	Principal	Interest	Total
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	85,000	84,176	169,176
2028-2032	475,000	371,330	846,330
2033-2037	575,000	269,130	844,130
2038-2042	700,000	144,130	844,130
2043-2047	320,000	18,189	338,189
Total	<u>\$ 2,475,000</u>	<u>\$ 1,248,109</u>	<u>\$ 3,723,109</u>

Notes payable & Financed purchases			
Year	Principal	Interest	Total
2023	\$ 36,695	\$ 6,632	\$ 43,327
2024	34,337	5,717	40,054
2025	35,230	4,824	40,054
2026	36,146	3,908	40,054
2027	37,085	2,969	40,054
2028-2032	77,088	3,019	80,107
Total	<u>\$ 256,581</u>	<u>\$ 27,069</u>	<u>\$ 283,650</u>

NOTE 5: RETIREMENT PLAN

A. Plan Description

The City participates as one of 901 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.

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 2021	Plan Year 2020
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Requirement eligibility (age/service)	60/5, 0/20	60/5, 0/20

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

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>18</u>
	<u>50</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.

C. Contributions (Cont.d)

The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.71% and 6.42% for the calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022, were \$63,805 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, 2021, 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, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% 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, 2022

D. Net Pension Liability or Assets (Cont.d)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balance at December 31, 2020	\$ 1,286,001	\$ 1,443,786	\$ (157,785)
Service Cost	138,582	-	138,582
Interest	88,332	-	88,332
Differences between expected and actual experience	(33,656)	-	(33,656)
Changes in assumptions	-	-	-
Contributions - employer	-	62,787	(62,787)
Contributions - employee	-	68,460	(68,460)
Net investment income	-	187,968	(187,968)
Benefit Payments, including refunds of employee contributions	(93,331)	(93,331)	-
Administrative expense	-	(871)	871
Other	-	7	(7)
Net Changes	99,927	225,020	(125,093)
Balance at December 31, 2021	\$ 1,385,928	\$ 1,668,806	\$ (282,878)

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, 2022

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)	<u>\$ (76,512)</u>	<u>\$ (282,878)</u>	<u>\$ (451,213)</u>

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.

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

For the year ended September 30, 2022, the City recognized pension income of \$8,863. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2022, 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	\$ -	\$ (95,984)	\$ (95,984)
Differences in assumptions	-	(1,044)	(1,044)
Differences between expected and actual economic experience	-	(49,663)	(49,663)
To be recognized in the future	<u>-</u>	<u>(146,691)</u>	<u>\$ (146,691)</u>
Contributions subsequent to the measurement date	48,967	-	
Total	<u>\$ 48,967</u>	<u>\$ (146,691)</u>	

The \$48,967 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, 2022. 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,	
2022	\$ (53,641)
2023	(50,096)
2024	(24,853)
2025	(18,101)
2026	-
	<u>\$ (146,691)</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 SBDF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SBDF 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 SBDF 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, 2021, 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>

B. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2021, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	1.84%
Retiree's share of benefit costs	\$ 0

CITY OF RHOME, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Actuarial Assumptions (Cont.d):

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 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for 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, 2021.

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

Changes in Total OPEB Liability:

Balance at December 31, 2020	\$	46,957
Changes for the year		
Service Cost		5,379
Interest on total OPEB liability		987
Differences between expected and actual results		(2,322)
Changes in assumptions or other inputs		2,038
Benefit Payments *		(587)
Net Changes		<u>5,495</u>
Balance at December 31, 2021	\$	<u>52,452</u>

* Due to SDBF being considered an unfunded OPEB plan under GASB No. 75, benefit payments are treated as being equal to employer's yearly contribution for retire

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

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	<u>\$ 67,960</u>	<u>\$ 52,452</u>	<u>\$ 41,355</u>

CITY OF RHOME, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$8,066.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ -	\$ (9,219)	\$ (9,219)
Differences in assumptions	12,934	-	12,934
To be recognized in the future	<u>12,934</u>	<u>(9,219)</u>	<u>\$ 3,715</u>
Contributions subsequent to the measurement date	1,167	-	
Total	<u>\$ 14,101</u>	<u>\$ (9,219)</u>	

The \$1,167 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2022	\$ 820
2023	452
2024	1,144
2025	1,276
2026	25
Thereafter	(2)
	<u>\$ 3,715</u>

NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables, payables, and transfers at September 30, 2022.

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ (75,402)	\$ 24,179	\$ (51,223)
Debt Service Fund	(24,179)	26,915	2,736
Water and Sewer	-	48,487	48,487
Total	<u>\$ (99,581)</u>	<u>\$ 99,581</u>	<u>\$ -</u>

The Debt Service Fund transferred funds to the General fund to cover debt service payments. The General Fund transferred funds to the Water and Sewer fund for the emergency replacement of a damaged sewer line.

CITY OF RHOME, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 \$330,864.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Construction Commitments – The City has active construction projects as of September 30, 2022. Total accumulated commitments for ongoing capital projects are composed of the following:

Sewer	<u>\$ 85,036</u>
-------	------------------

NOTE 11: WHOLESALE WATER SUPPLY AGREEMENT AND COST SHARING AGREEMENT

The City of Rhome, Texas, entered into a Wholesale Water Supply Agreement effective December 10, 2021, with Rolling V Ranch Water Control and Improvement Districts No. 1 and No. 2 (the "Districts"). The agreement sets forth the terms under which the City will supply 409 gallons per minute of water capacity, enough to serve a maximum of 683 Living Unit Equivalents (LUEs), to the Districts. The agreement allows for an increase in the number of LUEs if the City acquires additional water capacity from Walnut Creek Special Utility District.

Upon the agreement's effective date, the City required the Districts to pay a capacity reservation fee of \$1,000,000. This fee, paid to secure the 683 LUEs and any additional water from Walnut Creek SUD, is earmarked for projects to enhance and upgrade the water system. The fee was allocated between the Districts, with District No. 1 contributing \$571,000 and District No. 2 contributing \$429,000. The City received these funds in December 2021. In the City's financial statements, this amount has been recorded as unearned revenue, reflecting its intended use for future water system enhancements.

On August 15, 2022, Districts No. 1 and 2 approved the assignment of the Water Supply Agreement to District No. 3, which is intended to serve as the Master District for the entire development. The master district agreement was in the process of being drafted on September 30, 2022. This transition will include the provision of wastewater treatment services by District No. 3, with costs allocated to the Districts based on connection counts.

NOTE 12: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2022, 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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tax revenues:				
Property taxes	\$ 485,956	\$ 485,956	\$ 463,210	\$ (22,746)
Sales taxes	975,379	975,379	1,443,544	468,165
Hotel/motel taxes	18,000	18,000	29,029	11,029
Franchise fees	77,000	77,000	74,622	(2,378)
Total tax revenues	<u>1,556,335</u>	<u>1,556,335</u>	<u>2,010,405</u>	<u>454,070</u>
Fines and fees				
Municipal court	297,350	297,350	305,288	7,938
Licenses & permits				
Permits	138,000	138,000	84,683	(53,317)
Charges for services:				
Fire revenues	16,650	16,650	10,204	(6,446)
Intergovernmental revenues				
Covid-19 grants	-	-	125,139	125,139
Tarrant County Fire contract	8,000	8,000	8,000	-
Wise County Fire contract	52,000	52,000	69,519	17,519
Fire Department grants	28,500	28,500	25,031	(3,469)
Police grants	1,500	1,500	513	(987)
Total intergovernmental revenues	<u>90,000</u>	<u>90,000</u>	<u>228,202</u>	<u>138,202</u>
Donations and fundraisers				
National Night Out	-	-	4,490	4,490
City beautification	-	-	735	735
Police	500	500	-	(500)
Fire	23,000	23,000	19,367	(3,633)
Total donations and fundraisers	<u>23,500</u>	<u>23,500</u>	<u>24,592</u>	<u>1,092</u>
Other revenues				
Police seizure revenues	-	-	4,089	4,089
Developer contribution	-	-	289,046	289,046
Interest income	110	110	749	639
Miscellaneous	7,960	7,960	7,355	(605)
Total other revenues	<u>8,070</u>	<u>8,070</u>	<u>301,239</u>	<u>293,169</u>
Total revenues	<u>2,129,905</u>	<u>2,129,905</u>	<u>2,964,613</u>	<u>834,708</u>
Expenditures				
Administration				
Personnel	278,241	267,241	266,002	1,239
Professional fees	133,807	134,807	159,746	(24,939)
Supplies & contract services	88,103	98,103	217,757	(119,654)
Insurance	6,675	6,675	7,021	(346)
Repair & maintenance	2,000	2,000	1,709	291
Training	4,000	4,000	2,152	1,848
Utilities	32,500	32,500	36,245	(3,745)
Debt Service	3,349	3,349	4,208	(859)
Capital Outlay	-	-	38,793	(38,793)
Total administration	<u>548,675</u>	<u>548,675</u>	<u>733,633</u>	<u>(184,958)</u>

CITY OF RHOME, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal court				
Personnel	67,037	67,037	64,213	2,824
Professional fees	12,000	12,000	10,139	1,861
Supplies & contract services	53,850	53,850	55,988	(2,138)
Training	1,200	1,200	1,390	(190)
Total municipal court	<u>134,087</u>	<u>134,087</u>	<u>131,730</u>	<u>2,357</u>
Building & development				
Personnel	19,175	19,175	9,139	10,036
Professional fees	80,000	80,000	74,852	5,148
Supplies & contract services	17,950	17,950	10,474	7,476
Street repairs	120,000	120,000	76,234	43,766
Total building & development	<u>237,125</u>	<u>237,125</u>	<u>170,699</u>	<u>66,426</u>
Parks				
Supplies & contract services	2,000	2,000	34	1,966
Park maintenance	13,000	13,000	2,133	10,867
Utilities	6,050	6,050	6,041	9
Total parks	<u>21,050</u>	<u>21,050</u>	<u>8,208</u>	<u>12,842</u>
Police				
Personnel	652,535	652,535	583,255	69,280
Supplies & contract services	25,092	32,691	39,669	(6,978)
Insurance	22,240	27,289	23,887	3,402
Repair & maintenance	2,500	2,500	4,488	(1,988)
Training	4,000	4,000	3,545	455
Vehicle expense	29,000	29,000	44,716	(15,716)
Utilities	12,500	12,500	12,214	286
Debt service	27,328	27,328	-	27,328
Capital outlay	87,500	74,852	44,543	30,309
Total police	<u>862,695</u>	<u>862,695</u>	<u>756,317</u>	<u>106,378</u>
Fire department				
Personnel	41,180	41,180	31,914	9,266
Supplies & contract services	119,360	119,360	97,389	21,971
Insurance	12,329	12,329	18,506	(6,177)
Repair & maintenance	21,500	21,500	43,994	(22,494)
Training	2,500	2,500	647	1,853
Vehicle expense	5,850	5,850	11,405	(5,555)
Utilities	6,500	6,500	9,088	(2,588)
Debt service	49,702	49,702	-	49,702
Capital outlay	20,000	20,000	2,613	17,387
Total fire department	<u>278,921</u>	<u>278,921</u>	<u>215,556</u>	<u>63,365</u>
Excess of revenues over expenditures	<u>47,352</u>	<u>47,352</u>	<u>948,470</u>	<u>901,118</u>
Other financing sources (uses)				
Transfers to debt service fund	-	-	(2,736)	(2,736)
Transfers to utility fund	-	-	(48,487)	(48,487)
Proceeds from issuance of debt	-	-	214,618	214,618
Total other financing sources	<u>-</u>	<u>-</u>	<u>163,395</u>	<u>163,395</u>
Excess of revenues over expenditures	<u>\$ 47,352</u>	<u>\$ 47,352</u>	<u>\$ 1,111,865</u>	<u>\$ 1,064,513</u>
Fund balance, beginning			<u>980,209</u>	
Fund balance, ending			<u>\$ 2,092,074</u>	

CITY OF RHOME, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 once during the year ended September 30, 2022.

CITY OF RHOME, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 DECEMBER 31, 2021

EXHIBIT B-2

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Pension Liability								
Service cost	\$ 72,103	\$ 78,251	\$ 83,298	\$ 91,818	\$ 101,902	\$ 119,811	\$ 125,277	\$ 138,582
Interest (on the Total Pension Liability)	52,201	53,980	60,103	68,456	75,022	78,907	78,581	88,332
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(44,091)	(3,946)	19,175	(14,560)	(31,198)	(108,144)	6,205	(33,656)
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)	(93,331)
Net Change in Total Pension Liability	15,741	109,262	126,270	95,834	88,660	(50,559)	158,877	99,927
Total Pension Liability - Beginning	741,916	757,657	866,919	993,189	1,089,023	1,177,683	1,127,124	1,286,001
Total Pension Liability - Ending (a)	<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>	<u>\$ 1,385,928</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 18,899	\$ 25,693	\$ 33,740	\$ 41,944	\$ 54,295	\$ 65,133	\$ 64,146	\$ 62,787
Contributions - Employee	38,408	40,756	47,316	44,152	50,340	59,991	63,044	68,460
Net investment income	44,713	1,207	56,265	129,343	(32,904)	171,817	96,404	187,968
Benefit payments, including refunds of employee contributions	(64,472)	(51,273)	(36,306)	(49,880)	(57,066)	(137,185)	(51,186)	(93,331)
Administrative expenses	(467)	(736)	(637)	(671)	(636)	(973)	(625)	(871)
Other	(38)	(36)	(34)	(34)	(34)	(29)	(24)	7
Net Change in Plan Fiduciary Net Position	37,043	15,611	100,344	164,854	13,995	158,754	171,759	225,020
Plan Fiduciary Net Position - Beginning	781,426	818,469	834,080	934,424	1,099,278	1,113,273	1,272,027	1,443,786
Plan Fiduciary Net Position - Ending (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>	<u>\$ 1,668,806</u>
Net Pension (Asset) Liability - Ending (a) - (b)	\$ (60,812)	\$ 32,839	\$ 58,765	\$ (10,255)	\$ 64,410	\$ (144,903)	\$ (157,785)	\$ (282,878)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.03%	96.21%	94.08%	100.94%	94.53%	112.86%	112.27%	120.41%
Covered Employee Payroll	548,684	582,224	609,349	654,905	719,138	857,021	900,625	977,994
Net Pension Liability as a Percentage of Covered Employee Payroll	-11.08%	5.64%	9.64%	-1.57%	8.96%	-16.91%	-17.52%	-28.92%

CITY OF RHOME, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2022

	2015	2016	2017	2018	2019	2020	2021
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	25,493	29,384	38,798	50,495	65,490	63,976	63,282
Contribution excess (deficiency)	-	-	-	-	-	-	-
Covered employee payroll	\$ 579,095	\$ 591,004	\$ 642,108	\$ 669,985	\$ 863,061	\$ 884,698	\$ 970,090
Contributions as a percentage of covered employee payroll	4.40%	4.97%	6.04%	7.54%	7.59%	7.23%	6.52%

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
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability				
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)
Net Change in Total OPEB Liability	6,482	(2,764)	9,964	8,323
Total OPEB Liability - Beginning	<u>24,952</u>	<u>31,434</u>	<u>28,670</u>	<u>38,634</u>
Total OPEB Liability - Ending (a)	<u>\$ 31,434</u>	<u>\$ 28,670</u>	<u>\$ 38,634</u>	<u>\$ 46,957</u>
Covered Employee Payroll	654,905	719,138	857,021	900,625
Total OPEB Liability as a Percentage of Covered Employee Payroll	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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for services		
Water, sewer, and trash service	\$ 1,447,884	\$ 979,914
Other revenues	14,340	6,735
Total operating revenues	<u>1,462,224</u>	<u>986,649</u>
Operating expenses:		
Personnel		
Salaries & wages	223,257	239,198
Payroll taxes	16,133	18,281
Pension expense	(2,948)	3,058
Health insurance	31,681	32,160
Total personnel	<u>268,123</u>	<u>292,697</u>
Professional fees		
Engineering	<u>41,384</u>	<u>64,975</u>
Repair & maintenance		
Supplies	13,054	9,955
Equipment repairs	19,370	5,058
System maintenance	54,198	51,882
Total repair & maintenance	<u>86,622</u>	<u>66,895</u>
Supplies & contract services		
Dues & memberships	1,010	2,021
Contract labor	4,079	183
Office supplies	2,725	2,648
Postage	3,946	4,697
AMR cell fee	1,954	11,342
License & permits	4,074	4,207
Groundwater production fees	10,342	5,961
Testing	19,734	20,165
Bank fees	5,909	3,968
Trash collection	101,177	82,006
Insurance - property & liability	25,232	26,069
Vehicle expenses	10,779	12,258
Uniforms	2,483	3,027
Total supplies & contract services	<u>193,444</u>	<u>178,552</u>
Travel & training		
Training	<u>2,000</u>	<u>1,692</u>
Utilities		
Telephone	5,438	4,340
Gas & electric	47,361	44,629
Total utilities	<u>52,799</u>	<u>48,969</u>

CITY OF RHOME, TEXAS**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021****EXHIBIT C-1**

	2022	2021
Water purchases	<u>330,864</u>	<u>289,221</u>
Depreciation	<u>310,284</u>	<u>321,023</u>
Total operating expenses	<u>1,285,520</u>	<u>1,264,024</u>
Operating income (loss)	<u>176,704</u>	<u>(277,375)</u>
Non-operating revenues (expenses):		
Investment income	3,048	1,614
Water tower lease	10,700	11,050
Interest expense	(95,794)	(95,841)
Total non-operating revenues (expenses)	<u>(82,046)</u>	<u>(83,177)</u>
Income (loss) before transfers	94,658	(360,552)
Transfers from General Fund	<u>48,486</u>	<u>2,771</u>
Change in net position	143,144	(357,781)
Net position, beginning	<u>2,739,482</u>	<u>3,097,263</u>
Net position, ending	<u>\$ 2,882,626</u>	<u>\$ 2,739,482</u>

Internal Control and Compliance



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, each major fund, and the aggregate remaining fund information of City of Rhome, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Rhome, Texas's basic financial statements and have issued our report thereon dated January 9, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rhome, Texas's 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 financial statements. 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*.

City of Rhome, Texas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Rhome, Texas's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Rhome, Texas's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "MWH Group, P.C." in a cursive, slightly slanted font.

MWH GROUP, P.C.

January 9, 2024

**CITY OF RHOME, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

A. Summary of Auditor's Results - Financial Statements

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

B. Financial Statement Findings

Finding 2022-1: Material Weakness over Financial Reporting – Revenue Recognition for Developer Contributions

Condition and Criteria: The City received a developer contribution in the current year that is restricted for future improvements. This contribution was not properly reported as unearned revenue in accordance with generally accepted accounting principles.

Cause: The City does not routinely receive such contributions, and the required adjustment was inadvertently missed during the year-end close process.

Effect: A material audit adjustment was required for the financial statement amounts to be in accordance with GAAP.

Recommendations: We recommend that the City analyze unusual transactions during the year to determine if they are properly recorded in the general ledger.

Response: The City is aware of the proper recording for such contributions and has modified the year-end close process to ensure all unusual items are reviewed and adjusted, as necessary.