

CITY OF RHOME, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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Independent Auditor's Report

To the City Council
City of Rhome, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Rhome, Texas as of and for the year ending September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of Rhome, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions, the schedule of Total OPEB Liability and related ratios and the budgetary comparison schedule for the general fund be presented to supplement the basic financial statements. Such information, although not 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. I 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rhome's basic financial statements. The comparative schedule of revenues and expenditures for the water and sewer fund are presented for additional analysis and are not a part of the basic financial statements.

The comparative schedule of revenues and expenditures for water and sewer fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the comparative schedule of revenues and expenditures for the water and sewer fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

William C. Spore, P.C.

Certified Public Accountants

Keller, Texas

January 14, 2021

CITY OF RHOME, TEXAS

CITY OFFICIALS

September 30, 2020

MAYOR	Michelle Pittman Di Credico
MAYOR PRO TEM	Elaine Priest
COUNCIL MEMBERS	Kenny Crenshaw
	Sam Eason
	Leeanne Mackowski
	Josh McCabe
CITY ADMINISTRATOR	Cynthia Northrop
CITY SECRETARY	Shannon Montgomery
MUNICIPAL COURT JUDGE	Jim Minter
ATTORNEY	Carvan Adkins Taylor, Olson, Adkins, Sralla, Elam LLP

CITY OF RHOME, TEXAS

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, 2020. 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, 2020, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,405,702 (net position), a decrease of \$5,426 over the prior period.
- Of the total Government-Wide Net Position, \$1,011,258 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Fund ending fund balance was \$873,751. The unassigned General Fund balance is \$684,226 or 42% of General Fund expenditures.
- The City's long-term debts total \$4,463,124. 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 11) 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 12) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, however, the City Council may establish other funds to help it control and manage money for particular purposes. The City's kinds of funds - *governmental and proprietary* - use different accounting approaches.

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

- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's water and sewer fund are the same as the business-type activities we report in the government-wide statements but we provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 982,987	\$ 1,024,675	\$ 2,720,895	\$ 2,921,246	\$ 3,703,882	\$ 3,945,921
Net Pension Asset	109,319	(50,493)	35,584	(13,917)	144,903	(64,410)
Capital Assets	2,169,199	1,926,725	3,222,541	3,291,267	5,391,740	5,217,992
Total Assets	<u>3,261,505</u>	<u>2,900,907</u>	<u>5,979,020</u>	<u>6,198,596</u>	<u>9,240,525</u>	<u>9,099,503</u>
Deferred Outflows	\$ 46,250	80,536	9,265	27,805	55,515	108,341
Long-Term Liabilities	1,768,441	1,828,236	2,733,317	2,739,722	4,501,758	4,567,958
Other Liabilities	119,265	76,972	127,323	122,425	246,588	199,397
Total Liabilities	<u>1,887,706</u>	<u>1,905,208</u>	<u>2,860,640</u>	<u>2,862,147</u>	<u>4,748,346</u>	<u>4,767,355</u>
Deferred Inflows	111,610	20,194	30,382	9,167	141,992	29,361
Net Position:						
Invested in Capital Assets, net of Related Debt	447,365	119,091	2,793,220	3,023,956	3,240,585	3,143,047
Restricted	153,859	126,537	0	0	153,859	126,537
Unrestricted	707,215	810,413	304,043	331,131	1,011,258	1,141,544
Total Net Position	<u>\$ 1,308,439</u>	<u>\$ 1,056,041</u>	<u>\$ 3,097,263</u>	<u>\$ 3,355,087</u>	<u>\$ 4,405,702</u>	<u>\$ 4,411,128</u>

At September 30, 2020, the City had total assets of \$9,240,525 which included capital assets of \$5,391,740 and unspent bond proceeds of \$2,293,657 (restricted to capital improvements). These capital assets and unspent bond proceeds represent 83% 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) decreased \$5,426, a .12% decrease in net position during the fiscal year. Restricted net position is \$153,859 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$1,011,258 or 23% 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:

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended Sept. 30, 2020	Year Ended Sept. 30, 2019	Year Ended Sept. 30, 2020	Year Ended Sept. 30, 2019	Year Ended Sept. 30, 2020	Year Ended Sept. 30, 2019
Revenues:						
Program Revenues:						
Fees, Fines and Charges						
for Services	\$ 428,551	\$ 365,673	\$ 1,024,495	\$ 973,883	\$ 1,453,046	\$ 1,339,556
Operating Grants & Contribution	28,928	107,789	0	100,000	28,928	207,789
Capital Grants & Contributions	0	0	0	0	0	0
General Revenue:						
Property Taxes	746,825	703,848	--	--	746,825	703,848
Sales and Hotel/Motel Taxes	897,787	810,690	--	--	897,787	810,690
Franchise Fees	73,035	74,760	--	--	73,035	74,760
Interest Income	527	731	24,891	23,886	25,418	24,617
Transfers	(12,391)	(34,468)	12,391	34,468	0	0
Total Revenues	<u>2,163,262</u>	<u>2,029,023</u>	<u>1,061,777</u>	<u>1,132,237</u>	<u>3,225,039</u>	<u>3,161,260</u>
Expenses:						
General Government	894,204	815,368	--	--	894,204	815,368
Public Safety	925,305	833,686	--	--	925,305	833,686
Cultural & Recreation	35,556	29,164	--	--	35,556	29,164
Interest on Long-Term Debt	55,799	55,725	96,197	67,008	151,996	122,733
Water & Sewer	--	--	1,223,404	1,301,248	1,223,404	1,301,248
Total Expenses	<u>1,910,864</u>	<u>1,733,943</u>	<u>1,319,601</u>	<u>1,368,256</u>	<u>3,230,465</u>	<u>3,102,199</u>
Change in Net Position	\$ <u>252,398</u>	\$ <u>295,080</u>	\$ <u>(257,824)</u>	\$ <u>(236,019)</u>	\$ <u>(5,426)</u>	\$ <u>59,061</u>

Governmental activities revenues (before transfers) increased \$112,162 (5.4%) when compared to 2019. Sales tax revenues of \$87,097 (10.7%) and property tax revenues of \$42,977 (6.1%) increased in fiscal year 2020 while municipal court revenues decreased \$50,141 (18.5%).

Governmental activities expenditures increased \$176,921 from 2019 to 2020. General government expenses increased \$78,836 primarily due to an increase in personnel costs and professional fees. Public safety (police and fire) expenditures increased during 2020 due to increases in police personnel costs and depreciation expense.

Fiscal year 2020 water and sewer operating revenues increased \$50,612 (5.2%) as water and sewer usage increased in 2020 compared to 2019. Water and sewer 2020 operating expenses increased \$24,834 (2%) over 2019 expenses. The increase in water and sewer expenses is primarily due to increases in professional fees and water purchases.

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 \$873,751 which is a decrease of \$64,842 from the prior year. Governmental Fund expenditures in 2020 included \$464,141 of capital outlay expenditures which contributed to the decrease in fund balance for the fiscal year. The components of the governmental fund balances are as follows:

	As of September 30,	
	2020	2019
Non-Spendable:		
Prepaid Expenses	\$ 17,354	\$ 7,024
Restricted Funds:		
Security, Technology & Seizure	51,949	52,148
National Night Out	95	1,537
Hotel/Motel	74,651	58,555
Capital Improvments	18,312	210,294
Debt Service	27,164	16,538
Total Restricted	172,171	339,072
Unassigned	684,226	592,497
Total Fund Balance	\$ 873,751	\$ 938,593

Proprietary funds - The City's proprietary fund statements (water and sewer fund) provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund at year end totaled \$304,043 and the net position of the water and sewer fund decreased \$257,824 from the prior period.

GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2020 is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 1,227,535	\$ 1,340,801	\$ 113,266
Municipal Court Fines & Fees	297,500	221,589	(75,911)
Licenses & Permits	112,300	110,404	(1,896)
Charges for Services	32,850	34,699	1,849
Intergovernmental Revenues	84,900	74,760	(10,140)
Donations/Grants	23,500	13,108	(10,392)
Other Revenues	2,500	2,919	419
Proceeds from the Issuance of Debt	0	294,538	294,538
Investment Income	110	165	55
Total Revenues	\$ 1,781,195	\$ 2,092,983	\$ 311,788

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Administration	\$ 514,423	\$ 548,843	\$ (34,420)
Municipal Court	99,127	105,607	(6,480)
Building Development	194,635	181,717	12,918
Parks	19,000	16,326	2,674
Police	701,388	772,372	(70,984)
Fire Department	213,119	350,504	(137,385)
Total Expenditures	<u>1,741,692</u>	<u>1,975,369</u>	<u>(233,677)</u>
Excess of Revenues Over Expenditures	\$ <u>39,503</u>	\$ <u>117,614</u>	\$ <u>78,111</u>

Actual fund basis revenues exceeded budgeted revenues by \$311,788 (17.5%) primarily due to actual sales tax revenues exceeding budgeted sales tax revenues by \$118,211. During 2020 the City borrowed \$294,538 using finance contracts for the purchase of administrative, police and fire equipment. These proceeds from the issuance of debt were not included in the 2020 budget.

Actual fund basis expenditures were \$233,677 (13.4%) over budgeted expenditures. This unfavorable variance was primarily due to capital outlay expenditures related to equipment purchased with the proceeds of the debts issued noted above. These capital outlay expenditures were not included in the budget.

PENSIONS

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

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

Due to strong investment returns during 2019 the City's net pension liability decreased \$209,313 and is now a net pension asset of \$144,903. This decrease in net pension liability caused the City's matching contribution rate to increase from 7.79% to 7.26%.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2020 amounts to \$5,391,740 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. Infrastructure includes streets, drainage, water, and sewer systems. Capital assets added in 2020 include computer equipment - \$3,997, police vehicle - \$45,943, police technology - \$73,062, fire department equipment - \$155,552, City hall improvement project design costs - \$185,587 and water and sewer equipment and system improvements of \$255,925. The City's capital assets, net of accumulated depreciation, are as follows:

CAPITAL ASSETS:	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 60,524	\$ 60,524	\$ 6,492	\$ 6,492	\$ 67,016	\$ 67,016
Construction in Progress	191,819	6,231	432,372	252,914	624,191	259,145
Buildings, Parks & Office Equip.	717,751	762,508	0	0	717,751	762,508
Police, Fire & Public Works Equip.	240,178	100,889	20,995	24,516	261,173	125,405
Streets & Infrastructure	958,927	996,573	0	0	958,927	996,573
Waterworks & Sewer System	0	0	2,762,682	3,007,345	2,762,682	3,007,345
Net Capital Assets	<u>\$ 2,169,199</u>	<u>\$ 1,926,725</u>	<u>\$ 3,222,541</u>	<u>\$ 3,291,267</u>	<u>\$ 5,391,740</u>	<u>\$ 5,217,992</u>

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 2020; a finance contract for administration and fire equipment (\$168,371) and a finance contract for police vehicles and equipment (\$126,167). Outstanding long-term debts are as follows:

LONG-TERM DEBTS:	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Capital Leases	\$ 22,420	\$ 90,959	\$ 0	\$ 0	\$ 22,420	\$ 90,959
Notes Payable	410,727	126,675	13,818	18,779	424,545	145,454
Bonds Payable	1,307,000	1,590,000	2,620,000	2,620,000	3,927,000	4,210,000
Total Long-Term Debts	<u>\$ 1,740,147</u>	<u>\$ 1,807,634</u>	<u>\$ 2,633,818</u>	<u>\$ 2,638,779</u>	<u>\$ 4,373,965</u>	<u>\$ 4,446,413</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted governmental fund revenues for fiscal year 2021 are \$2,539,288, a \$215,288 (6.8%) increase from 2020 budgeted revenues. The tax rate applied in the 2021 budget is .477694 cents per \$100 of valuation which is an increase of .03355 cents per \$100 of valuation from the rate applied in the 2020 budget.

Budgeted general fund expenditures for fiscal year 2021 are \$2,538,616 and includes salary and wages increases totaling \$25,611, street repairs of \$120,000 and police vehicle purchase of \$40,000.

Water and sewer fund 2021 budgeted revenues are \$1,120,100 an increase of \$78,000 over the prior year budgeted revenues. Budgeted water and sewer fund expenditures are \$1,119,904 include \$275,000 for water purchases from Walnut Creek Special Utility District.

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 Shannon Montgomery, City Secretary, at: 817-636-2462, or by email at citysecretary@cityofhome.com.

CITY OF RHOME, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION

For the Year Ended September 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & Equivalents	\$ 226,744	\$ 169,585	\$ 396,329
Accounts Receivable (net)	230,522	137,621	368,143
Prepaid Expenses	30,426	7,806	38,232
Interfund Balances	(21,052)	21,052	0
Restricted Cash & Equivalents	516,347	2,384,831	2,901,178
Net Pension Asset	109,319	35,584	144,903
Capital Assets:			
Land	60,524	6,492	67,016
Buildings, Improvements, Parks & Office Equip.	1,004,209	0	1,004,209
Police, Fire & Public Works Equipment	1,610,114	379,356	1,989,470
Infrastructure	1,954,567	0	1,954,567
Waterworks & Sanitary Sewer System	0	7,667,792	7,667,792
Construction in Progress	191,819	432,372	624,191
Less - Accumulated Depreciation	(2,652,034)	(5,263,471)	(7,915,505)
Total Capital Assets, Net of Accum. Depr.	<u>2,169,199</u>	<u>3,222,541</u>	<u>5,391,740</u>
TOTAL ASSETS	\$ <u>3,261,505</u>	\$ <u>5,979,020</u>	\$ <u>9,240,525</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions After Measurement Date	\$ 40,085	\$ 9,689	\$ 49,774
Difference in Assumption Changes on Pension Assets	6,165	(424)	5,741
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>46,250</u>	\$ <u>9,265</u>	\$ <u>55,515</u>
LIABILITIES			
Accounts Payable & Accrued Liabilities	\$ 75,926	\$ 27,889	\$ 103,815
Accrued Interest	10,115	12,334	22,449
Compensated Absences	33,224	9,174	42,398
Customer Deposits	0	77,926	77,926
Long-Term Debt-Due Within One Year	377,610	75,187	452,797
Long-Term Debt-Due in More than One Year	1,362,536	2,647,791	4,010,327
OPEB Liability	28,295	10,339	38,634
TOTAL LIABILITIES	\$ <u>1,887,706</u>	\$ <u>2,860,640</u>	\$ <u>4,748,346</u>
DEFERED INFLOWS OF RESOURCES			
Difference in Expected and Actual Pension Experience	\$ 78,280	\$ 24,138	\$ 102,418
Difference in Projected and Actual Earnings	33,330	6,244	39,574
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>111,610</u>	\$ <u>30,382</u>	\$ <u>141,992</u>
NET POSITION			
Invested in Capital Assets, net of Related Debt	\$ 447,365	\$ 2,793,220	\$ 3,240,585
Restricted for:			
Debt Service	27,164	0	27,164
Security, Technology, Seizure & NNO	52,044	0	52,044
Hotel/Motel Special Revenue	74,651	0	74,651
Unrestricted	707,215	304,043	1,011,258
TOTAL NET POSITION	\$ <u>1,308,439</u>	\$ <u>3,097,263</u>	\$ <u>4,405,702</u>

CITY OF RHOME, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (894,204)	\$ 113,323	\$ 116	\$ 0	\$ (780,765)	--	(780,765)
Public Safety	(925,305)	315,228	28,741	0	(581,336)	--	(581,336)
Culture & Recreation	(35,556)	0	71	0	(35,485)	--	(35,485)
Interest on Long-Term Debt	(55,799)	0	0	0	(55,799)	--	(55,799)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(1,910,864)</u>	<u>428,551</u>	<u>28,928</u>	<u>0</u>	<u>(1,453,385)</u>	--	--
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	<u>(1,319,601)</u>	<u>1,024,495</u>	<u>0</u>	<u>0</u>	<u>--</u>	<u>(295,106)</u>	<u>(295,106)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (3,230,465)</u>	<u>\$ 1,453,046</u>	<u>\$ 28,928</u>	<u>\$ 0</u>	<u>\$ (1,453,385)</u>	<u>(295,106)</u>	<u>(1,748,491)</u>
GENERAL REVENUE							
Property Taxes					746,825	--	746,825
Sales Taxes					883,211	--	883,211
Hotel/Motel Taxes					14,576	--	14,576
Franchise Fees					73,035	--	73,035
Interest Income					527	24,891	25,418
Transfers					(12,391)	12,391	0
TOTAL GENERAL REVENUE					<u>1,705,783</u>	<u>37,282</u>	<u>1,743,065</u>
CHANGE IN NET POSITION					252,398	(257,824)	(5,426)
NET POSITION - BEGINNING					<u>1,056,041</u>	<u>3,355,087</u>	<u>4,411,128</u>
NET POSITION - ENDING					<u>\$ 1,308,439</u>	<u>\$ 3,097,263</u>	<u>\$ 4,405,702</u>

**CITY OF RHOME, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2020

ASSETS	GENERAL FUND	DEBT SERVICE FUND	CIP FUND	TOTAL
Cash	\$ 554,665	\$ 145,504	\$ 42,922	\$ 743,091
Receivables:				
Sales Taxes	160,382	0	0	160,382
Franchise Fees	1,990	0	0	1,990
Hotel/Motel Taxes	4,159	0	0	4,159
Property Taxes	10,210	10,028	0	20,238
Developer Escrow	43,753	0	0	43,753
Prepaid Expenses	17,354	0	0	17,354
Due from Other Funds	142,950	(118,340)	(24,610)	0
Due From Water & Sewer	(21,052)	0	0	(21,052)
TOTAL ASSETS	\$ 914,411	\$ 37,192	\$ 18,312	\$ 969,915
 LIABILITIES				
Accounts Payable	\$ 69,023	\$ 0	\$ 0	\$ 69,023
Accrued Liabilities	6,903	0	0	6,903
TOTAL LIABILITIES	75,926	0	0	75,926
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	10,210	10,028	0	20,238
 FUND BALANCE				
Non-Spendable:				
Prepaid Expenses	17,354	0	0	17,354
Restricted to:				
Security, Technology & Seizure	51,949	0	0	51,949
National Night Out	95	0	0	95
Capital Improvements	0	0	18,312	18,312
Hotel/Motel Special Revenues	74,651	0	0	74,651
Debt Service	0	27,164	0	27,164
Unassigned	684,226	0	0	684,226
TOTAL FUND BALANCE	828,275	27,164	18,312	873,751
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES	 \$ 914,411	 \$ 37,192	 \$ 18,312	 \$ 969,915

CITY OF RHOME, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**

September 30, 2020

Fund Balance Above	\$ 873,751
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet.	2,169,199
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	20,238
Unamortized Bond Insurance are not financial resources and, therefore are not reported in the Fund balance Sheet.	13,073
Net Pension Asset, Net OPEB Liability and related Deferred Inflows/Outflows of Resources are not financial resources and, therefore, are not reported in the Fund Balance Sheet	15,664
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(1,783,486)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>1,308,439</u>

CITY OF RHOME, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	CIP FUND	TOTAL
REVENUES				
Property Taxes	\$ 369,979	\$ 376,255	\$ 0	\$ 746,234
Sales Taxes	883,211	0	0	883,211
Hotel/Motel Taxes	14,576	0	0	14,576
Franchise Fees	73,035	0	0	73,035
Permits & Fees	110,404	0	0	110,404
Municipal Court	221,589	0	0	221,589
Charges for Services	34,699	0	0	34,699
Intergovernmental	74,760	0	0	74,760
Donation Revenues	13,108	0	0	13,108
Miscellaneous Revenues	2,919	0	0	2,919
Interest Income	165	11	351	527
TOTAL REVENUES	<u>1,798,445</u>	<u>376,266</u>	<u>351</u>	<u>2,175,062</u>
EXPENDITURES				
General Government	831,686	0	1,100	832,786
Public Safety	800,280	0	0	800,280
Parks	16,326	0	0	16,326
Debt Service - Principal	47,451	314,574	0	362,025
Debt Service - Interest	588	45,905	0	46,493
Capital Outlay	279,038	0	185,103	464,141
TOTAL EXPENDITURES	<u>1,975,369</u>	<u>360,479</u>	<u>186,203</u>	<u>2,522,051</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(176,924)</u>	<u>15,787</u>	<u>(185,852)</u>	<u>(346,989)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Debt	294,538	0	0	294,538
Transfers to Water & Sewer Fund	0	(5,161)	(7,230)	(12,391)
TOTAL OTHER FINANCING SOURCES (USES)	<u>294,538</u>	<u>(5,161)</u>	<u>(7,230)</u>	<u>282,147</u>
NET CHANGE IN FUND BALANCES	117,614	10,626	(193,082)	(64,842)
FUND BALANCE - BEGINNING -	710,661	16,538	211,394	938,593
FUND BALANCE - ENDING	<u>\$ 828,275</u>	<u>\$ 27,164</u>	<u>\$ 18,312</u>	<u>\$ 873,751</u>

CITY OF RHOME, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Net Change in Fund Balance - Governmental Funds	\$ (64,842)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives as depreciation expense:	
Capital assets recorded in the current period	464,141
Depreciation expense on capital assets	(221,667)
Issuing new long-term debt is a revenue source in the governmental funds, but new long-term debt increases long-term liabilities in the statement of net position	(294,538)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	362,025
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues - Property Taxes	591
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	(10,423)
Accrued Interest on long-term debts	(6,691)
Amortization of Prepaid Bond Insurance	(2,615)
Governmental funds report pension expense as it paid into the retirement plan during the fiscal year. However, in the statement of activities pension expense reflects the change in net pension asset during the plan fiscal year (calendar year 2019):	26,417
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>252,398</u>

CITY OF RHOME, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 169,585
Accounts Receivable less Allowance for Doubtful Accounts	137,621
Due from General Fund	21,052
Prepaid Expenses	7,806
TOTAL CURRENT ASSETS	<u>336,064</u>

NON-CURRENT ASSETS

Restricted Cash	2,384,831
Net Pension Asset	35,584
Capital Assets:	
Land	6,492
Equipment	379,356
Waterworks & Sanitary Sewer System	7,667,792
Construction in Progress	432,372
	<u>8,486,012</u>
Less Accumulated Depreciation	<u>(5,263,471)</u>
NET CAPITAL ASSETS	<u>3,222,541</u>

TOTAL ASSETS **\$ 5,979,020**

DEFERRED OUTFLOWS OF RESOURCES

Pension Contributions After Measurement Date	\$ 9,689
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,689</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 25,828
Accrued Expenses	14,395
Accrued Compensated Absences	9,174
Customer Deposit Liability	77,926
Current Portion of Notes Payable	75,187
TOTAL CURRENT LIABILITIES	<u>202,510</u>

NON-CURRENT LIABILITIES

General Obligation Bond Payable	2,639,160
Notes Payable	8,631
OPEB Liability	10,339
TOTAL NON-CURRENT LIABILITIES	<u>2,658,130</u>
TOTAL LIABILITIES	<u>\$ 2,860,640</u>

DEFERRED INFLOWS OF RESOURCES

Difference in Expected and Actual Pension Experience	\$ 24,138
Difference in Assumption Changes	424
Difference in Projected and Actual Earnings	6,244
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 30,806</u>

NET POSITION

Invested in Capital Assets, net of Related Debt	\$ 2,793,220
Unrestricted	304,043
TOTAL NET POSITION	<u>\$ 3,097,263</u>

CITY OF RHOME, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETAREY FUND

For the Year Ended September 30, 2020

REVENUES:

CHARGES FOR SERVICES:

Water, Sewer & Trash Charges	\$ 1,002,726
Tap Fees	8,396
TOTAL CHARGES FOR SERVICES	<u>1,011,122</u>

OTHER REVENUES:

Other Income	1,773
TOTAL OTHER REVENUES	<u>1,773</u>

TOTAL REVENUES	<u>1,012,895</u>
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OPERATING EXPENSES:

Depreciation	324,651
Personnel	247,179
Professional Fees	28,000
Repair & Maintenance	48,026
Supplies & Contract Services	198,456
Travel & Training	361
Utilities	37,001
Water Purchases	339,730

TOTAL OPERATING EXPENSES	<u>1,223,404</u>
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OPERATING LOSS	<u>(210,509)</u>
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NON-OPERATING REVENUES & (EXPENSES):

Investment Income	24,891
Water Tower Lease	11,600
Interest Expense	(96,197)
TOTAL NON-OPERATING REVENUES & (EXPENSES)	<u>(59,706)</u>

INCOME (LOSS) BEFORE TRANSFERS	<u>(270,215)</u>
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TRANSFERS:

Transfer from General Fund	<u>12,391</u>
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CHANGE IN NET POSITION	(257,824)
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NET POSITION - BEGINNING OF YEAR	3,355,087
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NET POSITION - END OF YEAR	<u>\$ 3,097,263</u>
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**CITY OF RHOME, TEXAS
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,022,042
Cash Payments to Suppliers for Goods and Services	(642,683)
Cash Payments for Employees Services	(257,812)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>121,547</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from General Fund	12,391
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	<u>12,391</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(255,925)
Borrowings on Interfund Loans	(61,885)
Borrowings on long-term debt	0
Principal Paid on Notes Payable	(4,961)
Interest Paid on Notes Payable	(99,912)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(422,683)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	24,891
Tower Lease Income	11,600
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>36,491</u>
 NET INCREASE IN CASH	 (252,254)
 CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>2,806,670</u>
CASH & CASH EQUIVALENTS - END OF YEAR	\$ <u>2,554,416</u>
 CASH & CASH EQUIVALENTS PER STATEMENT OF NET ASSETS:	
Current Assets - Cash	\$ 169,585
Noncurrent Assets - Restricted Cash	2,384,831
TOTAL CASH & CASH EQUIVALENTS	\$ <u>2,554,416</u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$ (210,509)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	324,651
(Increase) Decrease in Receivables	6,717
(Increase) Decrease in Prepaid Expenses	3,265
(Increase) Decrease in Deferred Outflows of Resources	2,238
Increase (Decrease) in Accounts Payable	5,626
Increase (Decrease) in Accrued Expenses	(3,158)
Increase (Decrease) in Pension & OPEB Liability	(47,230)
Increase (Decrease) in Deferred Inflows of Resources	37,517
Increase (Decrease) in Customer Deposits	2,430
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>121,547</u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

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

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

A. FINANCIAL REPORTING ENTITY

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

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

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

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

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

The City does not allocate indirect costs.

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

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

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

The following fund types are used by the City.

1. Governmental Funds:

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

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

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

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

1. 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.

2. 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). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized only when payment is due.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

3. Revenue Recognition:

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.

4. Restricted Resources:

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 investment 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 investment 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.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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, 2020 was \$42,398.

8. Deferred Outflows of Resources:

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

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

9. Deferred Inflows of resources:

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

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, 2020 the following departments had expenditures that exceeded appropriations:

<u>Department</u>		<u>Excess of Expenditures over Budget</u>
Administration	\$	34,420
Municipal Court		6,480
Police		70,984
Fire		137,385

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 2: DEPOSITS:

At September 30, 2020, the City's cash and cash equivalents were made up of the following:

Held at local banks	\$ 1,004,493
Held at TexStar	1,144,365
Held at Logic	<u>1,148,649</u>
	<u>3,297,507</u>

Deposit and Investment Risk Disclosures:

(1) Interest rate risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment. As of September 30, 2020, 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, 2020, the City did not have any investments and, therefore, was not subject to credit risk.

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. As of September 30, 2020, the City did not have any investments and, therefore, was not subject to concentration of risk.

(4) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties. At September 30, 2020, the City's bank balances (per bank) totaled \$1,292,669. Of the City's bank accounts, \$631,753 was covered by FDIC insurance. All of the remaining balances of \$660,916; was secured by collateral held by the pledging Bank's agent in the name of the City. The City was not exposed to custodial credit risk at September 30, 2020.

Securities pledged by the City's depository institution at September 30, 2020 are as follows:

SECURITY	FMV
FNMA 3%, 5/01/2043	\$152,800
FNMA 2.500%, 7/01/2031	478,205
FNMA 3%, 12/01/2042	<u>191,161</u>
	<u>\$822,166</u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 3: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2020 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	PURCHASES	RETIREMENTS/ TRANSFERS	ENDING BALANCE
Capital Assets not Being Depreciated:				
Capital Assets not Being Depreciated:				
Land	\$ 60,524	\$ 0	\$ 0	\$ 60,524
Construction in Progress	6,231	185,588	0	191,819
Total Capital Assets not Being Depreciated	<u>66,755</u>	<u>185,588</u>	<u>0</u>	<u>252,343</u>
Capital Assets Being Depreciated:				
Buildings, Improvements, Office Equip & Parks	1,000,213	3,996	0	1,004,209
Police & Fire Equipment	1,422,009	274,557	(86,452)	1,610,114
Streets & Infrastructure	1,954,567	0	0	1,954,567
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>4,376,789</u>	<u>278,553</u>	<u>(86,452)</u>	<u>4,568,890</u>
LESS ACCUMULATED DEPRECIATION				
Buildings, Improvements, Office Equip & Parks	237,705	48,753	0	286,458
Police & Fire Equipment	1,321,120	135,268	(86,452)	1,369,936
Streets & Drainage	957,994	37,646	0	995,640
TOTAL ACCUMULATED DEPRECIATION	<u>2,516,819</u>	<u>221,667</u>	<u>(86,452)</u>	<u>2,652,034</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 1,926,725</u>	<u>\$ 242,474</u>	<u>\$ 0</u>	<u>\$ 2,169,199</u>

CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	PURCHASES	RETIREMENTS/ TRANSFERS	ENDING BALANCE
Capital Assets not Being Depreciated:				
Capital Assets not Being Depreciated:				
Land	\$ 6,492	\$ 0	\$ 0	\$ 6,492
Construction in Progress	252,914	179,458	0	432,372
Total Capital Assets not Being Depreciated	<u>259,406</u>	<u>179,458</u>	<u>0</u>	<u>438,864</u>
Capital Assets not Being Depreciated:				
Capital Assets Being Depreciated:				
Equipment	398,353	2,502	(21,499)	379,356
Waterworks & Sewer System	7,593,827	73,965	0	7,667,792
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>7,992,180</u>	<u>76,467</u>	<u>(21,499)</u>	<u>8,047,148</u>
LESS ACCUMULATED DEPRECIATION				
Equipment	373,837	6,023	(21,499)	358,361
Waterworks & Sanitary Sewer System	4,586,482	318,628	0	4,905,110
TOTAL ACCUMULATED DEPRECIATION	<u>4,960,319</u>	<u>324,651</u>	<u>(21,499)</u>	<u>5,263,471</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3,291,267</u>	<u>\$ (68,726)</u>	<u>\$ 0</u>	<u>\$ 3,222,541</u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Capital Assets Continued

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	67,169
Fire		60,259
Parks		19,230
Police		75,009
TOTAL DEPRECIATION EXPENSE	\$	<u>221,667</u>

DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES AS FOLLOWS:

Water & Sewer	\$	<u>324,651</u>
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NOTE 4: LONG-TERM DEBT:

At September 30, 2020, the City's long-term debts consisted of the following;

Governmental Activities:

Capital Leases:

Fire truck, 4% interest, annual payments of \$25,681, final payment due August 2023	\$	22,420
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Notes Payable & Finance Contracts:

Fire Truck, 4.132% interest, annual payments of \$15,721, final payment due May 2029		116,189
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Admin & Fire Equipment, 3.35%, annual payments of \$37,133, final payment due November 2024		168,371
---	--	---------

Police vehicles, 2.97% interest, annual payments of \$27,526, final payment due April 2025		126,167
--	--	---------

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		938,000
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CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Tax Notes, Series 2017, due in annual installments through September 2024, bearing interest at 1.74%	369,000
Total Governmental Activities	\$ 1,740,147

Business-Type Activities:

Notes Payable:

Truck, 4.10% interest, monthly payments of \$473, final payment due April 2023	\$ 13,818
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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.	2,620,000
Total Business-Type Activities	\$ 2,633,818

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2020:

	BEGINNING OF YEAR	NEW DEBT	REPAY- MENTS	END OF YEAR	CURRENT PORTION
GOVERNMENTAL ACTIVITIES:					
Capital Leases:					
Fire Truck	\$ 90,959	\$ 0	\$ 68,539	\$ 22,420	\$ 22,420
	90,959	0	68,539	22,420	22,420
Notes Payable & Finance Contracts:					
Fire Truck	126,675	0	10,486	116,189	10,920
Admin/Fire Equipment	0	168,371	0	168,371	31,492
Police Vehicle	0	126,167	0	126,167	23,778
	126,675	294,538	10,486	410,727	66,190
Bonds Payable:					
General Obligation Refunding Bonds-2016	1,111,000	0	173,000	938,000	177,000
Tax Notes - 2017	479,000	0	110,000	369,000	112,000
	1,590,000	0	283,000	1,307,000	289,000
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,807,634	\$ 294,538	\$ 362,025	\$ 1,740,147	\$ 377,610
BUSINESS-TYPE ACTIVITIES:					
Note Payable - Truck	18,779	0	4,961	13,818	5,187
General Obligation Bond-2019	2,620,000	0	0	2,620,000	70,000
Add deferred amounts-issuance premiums	92,875	0	3,715	89,160	0
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 2,731,654	\$ 0	\$ 8,676	\$ 2,722,978	\$ 75,187

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

Governmental Activities

General Obligation Bonds

Year	Principal	Interest	Total
2021	\$ 177,000	\$ 23,731	\$ 200,731
2022	184,000	19,253	203,253
2023	187,000	14,598	201,598
2024	194,000	9,867	203,867
2025	196,000	4,959	200,959
Total	\$ 938,000	\$ 72,408	\$ 1,010,408

Tax Notes

Year	Principal	Interest	Total
2021	\$ 112,000	\$ 6,421	\$ 118,421
2022	111,000	4,472	115,472
2023	115,000	2,540	117,540
2024	31,000	539	31,539
Total	\$ 369,000	\$ 13,972	\$ 118,421

Notes Payable

Year	Principal	Interest	Total
2021	\$ 66,190	\$ 14,219	\$ 80,409
2022	68,404	12,005	80,409
2023	70,691	9,718	80,409
2024	73,056	7,353	80,409
2025	75,500	4,909	80,409
2026-2029	56,886	6,116	63,002
Total	\$ 410,727	\$ 54,320	\$ 465,047

Capital Leases

Year	Principal	Interest	Total
2021	\$ 22,420	\$ 897	\$ 23,317
Total	\$ 22,420	\$ 897	\$ 23,317

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Business-Type Activities

General Obligation Bonds

Year	Principal	Interest	Total
2021	\$ 70,000	\$ 98,126	\$ 168,126
2022	75,000	96,026	171,026
2023	75,000	93,776	168,776
2024	80,000	91,526	171,526
2025	80,000	89,126	169,126
2026-2030	445,000	404,980	849,980
2031-2035	530,000	312,330	842,330
2036-2040	650,000	197,130	847,130
2041-2044	615,000	59,241	674,241
Total	\$ 2,620,000	\$ 1,442,261	\$ 4,062,261

Notes Payable

Year	Principal	Interest	Total
2021	\$ 5,207	\$ 466	\$ 5,673
2022	5,424	248	5,672
2023	3,187	41	3,228
Total	\$ 13,818	\$ 755	\$ 14,573

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 5: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 888 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 2019	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
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

At the December 31, 2019 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>17</u>
	45

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost 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 7.26% and 7.79% for the calendar years 2020 and 2019 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$63,976 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, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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).

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	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balance at December 31, 2018	\$ 1,177,683	\$ 1,113,273	\$ 64,410
Service Cost	119,811	0	119,811
Interest	78,907	0	78,907
Differences between expected and actual experience	(108,144)	0	(108,144)
Changes in assumptions	(3,948)	0	(3,948)
Contributions - employer		65,133	(65,133)
Contributions - employee		59,991	(59,991)
Net investment income		171,817	(171,817)
Benefit Payments, including refunds of employee contributions	(137,185)	(137,185)	0
Administrative expense	0	(973)	973
Other	0	(29)	29
Net Changes	<u>(50,559)</u>	<u>158,754</u>	<u>(209,313)</u>
Balance at December 31, 2019	\$ <u>1,127,124</u>	\$ <u>1,272,027</u>	\$ <u>(144,903)</u>

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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)	\$ 34,307	\$ (144,903)	\$ (289,470)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2020 the City recognized pension expense of \$26,015. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2020, 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	\$ 0	\$ (39,574)	\$ (39,574)
Differences in assumptions	0	(2,980)	(2,980)
Differences between expected and actual economic experience	0	(95,955)	(95,955)
To be recognized in the future	0	(138,509)	\$ (138,509)
Contributions subsequent to the measurement date	49,568	0	
Total	\$ 49,568	\$ (138,509)	

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

The \$49,568 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, 2020. 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,		
2020	\$	(49,119)
2021		(42,472)
2022		(25,386)
2023		(21,532)
2024		0
Thereafter		0
	\$	<u>(138,509)</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, 2019 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	6
Active employees	<u>17</u>
	28

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

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B: Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2019, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
Retiree's share of benefit costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	2019 Municipal Retirees of Texas Morality Tables, the rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality Tables with a 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, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Changes in Total OPEB Liability:

Balance at December 31, 2018	\$	28,670
Changes for the year		
Service Cost		2,914
Interest ON Total OPEB Liability		1,113
Differences between expected and actual results		(4,299)
Changes in assumptions or other inputs		10,493
Benefit Payments *		(257)
Net Changes		9,964
Balance at December 31, 2019	\$	38,634

* 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 retirees

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease (1.75%)	Current (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ <u>51,054</u>	\$ <u>38,634</u>	\$ <u>29,900</u>

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

For the year ended September 30, 2020 the City recognized OPEB expense of \$4,334.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 0	\$ (6,461)	\$ (6,461)
Differences in assumptions	8,721	0	8,721
To be recognized in the future	8,721	(6,461)	\$ <u>2,260</u>
 Contributions subsequent to the measurement date	 206	 0	
 Total	\$ 8,927	\$ (6,461)	

The \$206 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, 2020. 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,	
2020	\$ 308
2021	308
2022	308
2023	(60)
2024	632
Thereafter	764
	\$ 2,260

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.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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 \$339,730.

NOTE 10: NEW ACCOUNTING PRINCIPLES:

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

- *Statement no. 92, Omnibus 2020.* This statement is effective for fiscal years beginning after June 15, 2020. This statement will not affect the City.
- *Statement no. 93, Replacement of Interbank Offered Rates.* This statement is effective for fiscal years beginning after December 31, 2021. This statement will not affect the City.
- *Statement no. 94, Public Private and Public Public Private Partnerships and Available Payment Arrangements.* This statement is effective for fiscal years beginning after June 15, 2022. This statement will not affect the City.
- *Statement no. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement is effective immediately. This statement will not affect the City.
- *Statement no. 96, Subscription-based Information Technology Arrangements.* This statement is effective June 15, 2022. This statement will not affect the City.

New pronouncements not yet in effect as of September 30, 2020, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2021, as required.

NOTE 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2020 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES (INFLOWS):				
TAX REVENUES:				
Property Taxes	\$ 367,535	\$ 367,535	\$ 369,979	\$ 2,444
Sales Taxes	765,000	765,000	883,211	118,211
Hotel/Motel Taxes	18,000	18,000	14,576	(3,424)
Franchise Fees	77,000	77,000	73,035	(3,965)
TOTAL TAX REVENUES	1,227,535	1,227,535	1,340,801	113,266
Municipal Court Fines & Fees	297,500	297,500	221,589	(75,911)
LICENSE & PERMITS:				
Permits	61,300	112,300	110,404	(1,896)
TOTAL LICENSES & PERMITS	61,300	112,300	110,404	(1,896)
CHARGES FOR SERVICES:				
Fire Revenues	16,650	16,650	10,289	(6,361)
Impound Fees & Auction Sales	10,000	16,200	24,410	8,210
TOTAL CHARGES FOR SERVICES	26,650	32,850	34,699	1,849
INTERGOVERNMENTAL REVENUES				
Tarrant County Fire Contract	8,000	8,000	8,000	0
Wise County Fire Contract	50,400	50,400	50,940	540
Fire Department Grants	25,000	25,000	15,050	(9,950)
Police Grants	1,500	1,500	770	(730)
TOTAL INTERGOVERNMENTAL	84,900	84,900	74,760	(10,140)
DONATIONS/FUND RAISERS				
Parks	0	0	71	71
Police	500	500	0	(500)
City Beautification	0	0	116	116
Fire	23,000	23,000	12,921	(10,079)
TOTAL DONATIONS/GRANTS	23,500	23,500	13,108	(10,392)
OTHER REVENUES:				
Proceeds from Issuance of Debt	0	0	294,538	294,538
Miscellaneous	2,500	2,500	2,919	419
TOTAL OTHER REVENUES	2,500	2,500	297,457	294,957
INVESTMENT INCOME	110	110	165	55
TOTAL RESOURCES	\$ 1,723,995	\$ 1,781,195	\$ 2,092,983	\$ 311,788
CHARGES TO APPROPRIATIONS:				

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
ADMINISTRATION				
Personnel	\$ 259,603	\$ 254,228	\$ 247,389	\$ 6,839
Professional Fees	118,000	125,287	149,999	(24,712)
Supplies & Contract Services	82,720	85,322	100,928	(15,606)
Insurance	6,600	6,600	6,400	200
Repair & Maintenance	5,000	1,386	1,389	(3)
Training	1,500	1,300	929	371
Utilities	44,000	40,300	37,328	2,972
Capital Outlay	0	0	4,481	(4,481)
TOTAL ADMINISTRATION	517,423	514,423	548,843	(34,420)
MUNICIPAL COURT				
Personnel	61,759	61,442	59,390	2,052
Professional Fees	25,924	17,900	15,797	2,103
Supplies & Contract Services	7,694	19,035	30,420	(11,385)
Training	750	750	0	750
TOTAL MUNICIPAL COURT	96,127	99,127	105,607	(6,480)
BUILDING & DEVELOPMENT				
Personnel	0	0	0	0
Professional Fees	90,000	140,000	128,998	11,002
Supplies & Contract Services	6,400	7,360	9,351	(1,991)
Street Repairs	100,000	47,235	43,328	3,907
Training	0	40	40	0
TOTAL BUILDING & DEVELOPMENT	196,400	194,635	181,717	12,918
PARKS:				
Professional Fees	11,000	10,915	10,806	109
Supplies & Contract Services	0	0	109	(109)
Park Maintenance	7,000	6,531	3,793	2,738
Utilities	1,000	1,554	1,618	(64)
TOTAL PARKS	19,000	19,000	16,326	2,674
POLICE:				
Personnel	599,938	591,505	543,195	48,310
Supplies & Contract Services	27,500	30,800	37,071	(6,271)
Insurance	21,750	23,940	23,940	0
Repair & Maintenance	3,000	5,000	3,607	1,393
Training	3,500	3,500	3,160	340
Vehicle Expense	29,000	33,043	31,822	1,221
Utilities	10,500	10,500	10,572	(72)
Capital Outlay	0	3,100	119,005	(115,905)
TOTAL POLICE	695,188	701,388	772,372	(70,984)

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
FIRE DEPARTMENT				
Personnel	37,069	36,961	37,293	(332)
Supplies & Contract Services	32,000	29,600	57,665	(28,065)
Insurance	11,200	13,420	13,420	0
Repair & Maintenance	25,000	26,200	26,264	(64)
Training	1,500	1,500	1,462	38
Vehicle Expense	4,500	4,500	4,126	374
Utilities	7,850	7,195	6,683	512
Debt Service	50,000	49,743	48,039	1,704
Capital Outlay	44,000	44,000	155,552	(111,552)
TOTAL FIRE DEPARTMENT	213,119	213,119	350,504	(137,385)
TOTAL EXPENDITURES	1,737,257	1,741,692	1,975,369	(233,677)
EXCESS OF CURRENT RESOURCES OVER (UNDER) APPROPRIATIONS	(13,262)	39,503	117,614	\$ 78,111
BUDGETARY FUND BALANCE:				
BEGINNING OF YEAR	710,661	710,661	710,661	
END OF YEAR	\$ 697,399	\$ 750,164	\$ 828,275	

CITY OF RHOME, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY						
Service Cost	\$ 119,811	101,902	91,818	83,298	78,251	72,103
Interest (on the Total Pension Liability)	78,907	75,022	68,456	60,103	53,980	52,201
Changes in benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	(108,144)	(31,198)	(14,560)	19,175	(3,946)	(44,091)
Change of assumptions	(3,948)	0	0	0	32,250	0
Benefit payments, including refunds of employee contributions	(137,185)	(57,066)	(49,880)	(36,306)	(51,273)	(64,472)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>(50,559)</u>	<u>88,660</u>	<u>95,834</u>	<u>126,270</u>	<u>109,262</u>	<u>15,741</u>
TOTAL PENSION LIABILITY - BEGINNING	<u>1,177,683</u>	<u>1,089,023</u>	<u>993,189</u>	<u>866,919</u>	<u>757,657</u>	<u>741,916</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 1,127,124</u>	<u>1,177,683</u>	<u>1,089,023</u>	<u>993,189</u>	<u>866,919</u>	<u>757,657</u>
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 65,133	54,295	41,944	33,740	25,693	18,899
Contributions - Employee	59,991	50,340	44,152	47,316	40,756	38,408
Net investment income	171,817	(32,904)	129,343	56,265	1,207	44,713
Benefit payments, including refunds of employee contributions	(137,185)	(57,066)	(49,880)	(36,306)	(51,273)	(64,472)
Administrative expense	(973)	(636)	(671)	(637)	(736)	(467)
Other	(29)	(34)	(34)	(34)	(36)	(38)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>158,754</u>	<u>13,995</u>	<u>164,854</u>	<u>100,344</u>	<u>15,611</u>	<u>37,043</u>
PLAN NET FIDUCIARY POSITION - BEGINNING	<u>1,113,273</u>	<u>1,099,278</u>	<u>934,424</u>	<u>834,080</u>	<u>818,469</u>	<u>781,426</u>
PLAN NET FIDUCIARY POSITION - ENDING (b)	<u>\$ 1,272,027</u>	<u>1,113,273</u>	<u>1,099,278</u>	<u>934,424</u>	<u>834,080</u>	<u>818,469</u>
NET PENSION (ASSET) LIABILITY (a) - (b)	<u>\$ (144,903)</u>	<u>64,410</u>	<u>(10,255)</u>	<u>58,765</u>	<u>32,839</u>	<u>(60,812)</u>

CITY OF RHOME, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	112.86%	94.53%	100.94%	94.08%	96.21%	108.03%
Covered employee payroll	\$ 857,021	719,138	654,905	609,349	582,224	548,684
Net Pension (Asset) Liability as a percentage of covered payroll	-16.91%	8.96%	-1.57%	9.64%	5.64%	-11.08%

CITY OF RHOME, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 63,976	65,490	50,495	\$ 38,798	\$ 29,384	\$ 25,493
Contributions in relation to the actuarially determined contribution	63,976	65,490	50,495	38,798	29,384	25,493
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 884,698	863,061	669,985	\$ 642,108	\$ 591,004	\$ 579,095
Contributions as a percentage of covered employee payroll	7.23%	7.59%	7.54%	6.04%	4.97%	4.40%

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; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5%, 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 Generational 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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Total OPEB Liability Beginning of Year	\$ 28,670	31,434	24,952
Changes for the year			
Service Cost	2,914	3,164	2,620
Interest on Total OPEB Liability	1,113	1,089	989
Changes in benefit terms	0	0	0
Difference between expected and actual experience	(4,299)	(4,103)	0
Change of assumptions or other inputs	10,493	(2,698)	3,069
Benefit payments	(257)	(216)	(196)
NET CHANGE IN OPEB LIABILITY	<u>9,964</u>	<u>(2,764)</u>	<u>6,482</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 38,634</u>	<u>28,670</u>	<u>31,434</u>
Covered employee payroll	\$ 857,021	719,138	654,905
OPEB Liability as a percentage of covered payroll	4.51%	3.99%	4.80%

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF RHOME, TEXAS
WATER & SEWER COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Years Ended September 30, 2020 & 2019

	<u>2020</u>	<u>2019</u>
REVENUES:		
CHARGES FOR SERVICES:		
Water, Sewer & Trash Charges	\$ 1,002,726	\$ 949,834
Tap Fees	8,396	8,000
TOTAL CHARGES FOR SERVICES	1,011,122	957,834
OTHER REVENUES:		
Other Income	1,773	5,753
TOTAL OTHER REVENUES	1,773	5,753
TOTAL REVENUES	1,012,895	963,587
OPERATING EXPENSES:		
Personnel:		
Salaries & Wages	195,292	198,833
Payroll Taxes	15,295	14,799
Pension Expense	7,187	18,825
Health Insurance	29,405	42,984
Total Personnel	247,179	275,441
Professional Fees:		
Engineering	28,000	0
Total Professional Fees	28,000	0
Supplies & Contract Services:		
Dues & Memberships	4,140	3,686
Contract Labor	10,465	3,810
Office Supplies	3,139	2,335
Postage	5,063	3,967
AMR Cell Fee	6,419	0
License & Permits	4,057	4,111
Testing	14,143	23,223
Bank Fees	16,447	13,459
Trash Collection	100,381	95,645
Insurance-Property & Liability	24,762	28,173
Vehicle Expenses	6,770	10,502
Uniforms	2,670	2,306
Total Supplies & Contract Services	198,456	191,217
Repair & Maintenance:		
Supplies	12,561	52,251
Equipment Repairs	993	4,734
System Maintenance	34,472	6,415
Total Repair & Maintenance	48,026	63,400

CITY OF RHOME, TEXAS
WATER & SEWER COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Years Ended September 30, 2020 & 2019

	<u>2020</u>	<u>2019</u>
Utilities:		
Telephone	3,388	2,090
Gas & Electric	33,613	36,634
Total Utilities	37,001	38,724
Travel & Training:		
Training	361	717
Water Purchases	339,730	298,108
Depreciation	324,651	330,963
TOTAL OPERATING EXPENSES	1,223,404	1,198,570
OPERATING LOSS	(210,509)	(234,983)
NON-OPERATING REVENUES & (EXPENSES):		
Investment Income	24,891	23,886
Water Tower Lease	11,600	10,296
Developer Contribution	0	100,000
Debt Issue Costs	0	(102,678)
Interest Expense	(96,197)	(67,008)
TOTAL NON-OPERATING REVENUES & (EXPENSES)	(59,706)	(35,504)
INCOME (LOSS) BEFORE TRANSFERS	(270,215)	(270,487)
TRANSFERS:		
Transfer from General Fund	12,391	34,468
CHANGE IN NET POSITION	(257,824)	(236,019)
NET POSITION - BEGINNING OF YEAR	3,355,087	3,591,106
NET POSITION - END OF YEAR	\$ 3,097,263	\$ 3,355,087

WILLIAM C. SPORE, P.C.
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To the City Council
City of Rhome

In planning and performing my audit of the financial statements of the governmental activities, the business-type activities and each major fund of the City of Rhome as of and for the year ending September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, I considered the City of Rhome' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A materiel 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.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

This communication is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, PC
Certified Public Accountants

January 14, 2021