

CITY OF RHOME, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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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, 2018, 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, 2018, 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

February 26, 2019

CITY OF RHOME, TEXAS

CITY OFFICIALS

September 30, 2018

MAYOR	Michelle Pittman Di Credico
MAYOR PRO TEM	Elaine Priest
COUNCIL MEMBERS	Kenny Crenshaw
	Sam Eason
	Leeanne Mackowski
	Josh McCabe
CITY ADMINISTRATOR	Joe Ashton
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, 2018. 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, 2018, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,352,067 (net position), an increase of \$62,815 over the prior period.
- Of the total Government-Wide Net Position, \$453,692 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 \$973,116. The unassigned General Fund balance is \$600,814 or 40% of General Fund expenditures.
- The City's long-term debts total \$2,186,159. 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	
	2018	2017	2018	2017	2018	2017
Current & Other Assets	\$ 1,056,670	\$ 1,404,068	\$ 361,562	\$ 347,910	\$ 1,418,232	\$ 1,751,978
Capital Assets	1,923,221	1,854,424	3,399,386	3,476,779	5,322,607	5,331,203
Total Assets	<u>2,979,891</u>	<u>3,258,492</u>	<u>3,760,948</u>	<u>3,824,689</u>	<u>6,740,839</u>	<u>7,083,181</u>
Deferred Outflows	\$ 28,557	57,843	12,390	23,366	40,947	81,209
Long-Term Liabilities	2,132,496	2,526,307	53,663	111,616	2,186,159	2,637,923
Other Liabilities	94,006	82,298	120,248	128,664	214,254	210,962
Total Liabilities	<u>2,226,502</u>	<u>2,608,605</u>	<u>173,911</u>	<u>240,280</u>	<u>2,400,413</u>	<u>2,848,885</u>
Deferred Inflows	<u>20,985</u>	<u>0</u>	<u>8,321</u>	<u>1,301</u>	<u>29,306</u>	<u>1,301</u>
Net Position:						
Invested in Capital Assets, net of Related Debt	450,725	32,159	3,345,723	3,379,886	3,796,448	3,412,045
Restricted	101,927	82,387	0	0	101,927	82,387
Unrestricted	208,309	593,184	245,383	226,588	453,692	819,772
Total Net Position	<u>\$ 760,961</u>	<u>\$ 707,730</u>	<u>\$ 3,591,106</u>	<u>\$ 3,606,474</u>	<u>\$ 4,352,067</u>	<u>\$ 4,314,204</u>

At September 30, 2018, the City had total assets of \$6,740,839 which included capital assets of \$5,322,607. These capital assets represent 79% of the City's total assets. The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net position (assets and deferred inflows less liabilities and deferred outflows) increased \$62,815, a 1.46% increase in net position during the fiscal year. Restricted net position is \$101,927 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$453,692 or 10.4% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors. In August 2017 the City issued \$699,000 of tax notes for the purpose of making City Hall renovations, purchasing automatic meter readers, purchasing storm warning

sirens and for making improvements to the City’s water and sewer systems. At September 30, 2018 \$270,375 of these proceeds was unspent and held in the capital improvement fund to be expended in fiscal year 2019.

Analysis of City’s Operations

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Year Ended Sept. 30, 2018</u>	<u>Year Ended Sept. 30, 2017</u>	<u>Year Ended Sept. 30, 2018</u>	<u>Year Ended Sept. 30, 2017</u>	<u>Year Ended Sept. 30, 2018</u>	<u>Year Ended Sept. 30, 2017</u>
Revenues:						
Program Revenues:						
Fees, Fines and Charges						
for Services	\$ 433,397	\$ 566,161	\$ 1,097,964	\$ 996,687	\$ 1,531,361	\$ 1,562,848
Operating Grants & Contribution	93,954	84,385	0	0	93,954	84,385
Capital Grants & Contributions	0	20,900	0	0	0	20,900
General Revenue:						
Property Taxes	650,221	604,039	--	--	650,221	604,039
Sales and Hotel/Motel Taxes	644,581	520,890	--	--	644,581	520,890
Franchise Fees	73,008	70,650	--	--	73,008	70,650
Interest Income	701	169	170	57	871	226
Transfers	(204,166)	(13,500)	204,166	13,500	0	0
Total Revenues	<u>1,691,696</u>	<u>1,853,694</u>	<u>1,302,300</u>	<u>1,010,244</u>	<u>2,993,996</u>	<u>2,863,938</u>
Expenses:						
General Government	798,014	700,418	--	--	798,014	700,418
Public Safety	728,812	759,477	--	--	728,812	759,477
Cultural & Recreation	29,078	25,566	--	--	29,078	25,566
Interest on Long-Term Debt	64,596	163,469	802	5,836	65,398	169,305
Water & Sewer	--	--	1,309,879	1,271,711	1,309,879	1,271,711
Total Expenses	<u>1,620,500</u>	<u>1,648,930</u>	<u>1,310,681</u>	<u>1,277,547</u>	<u>2,931,181</u>	<u>2,926,477</u>
Change in Net Position	\$ <u>71,196</u>	\$ <u>204,764</u>	\$ <u>(8,381)</u>	\$ <u>(267,303)</u>	\$ <u>62,815</u>	\$ <u>(62,539)</u>

Governmental activities revenues (before transfers) increased \$28,668 (1.54%) when compared to 2017. Sales tax revenues increased \$122,066 (24%) in fiscal year 2018 while municipal court revenues decreased \$118,302 (25%). The municipal court revenues decreased due to a change in the state laws which affected the City’s ability to place balance dues on citations on payment plans. The City also had an increase in property tax revenues of \$27,760 related to an increase in the assessed value of property within the City.

Governmental activities expenditures decreased \$28,430 from 2017 to 2018. General government expenses increased \$97,596 primarily due to an increase in personnel costs (\$35,171) as the City added a City Administrator position during 2018, an increase in legal fees (\$31,820). Public safety (police and fire) expenditures decreased during 2018 due to decreases in police personnel costs as the police department was short an officer most of the fiscal year.

Fiscal year 2018 water and sewer revenues increased \$101,277 (10.2%) from 2017 and water and sewer 2018 expenses increased \$33,134 (2.6%) over 2017 expenses.

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 \$973,116 which is a decrease of \$340,912 from the prior year. In August 2017 the City issued \$699,000 of tax notes. These proceeds are included in governmental fund revenues in fiscal year 2017. During fiscal year 2018, \$389,625 of these proceeds were expended and included in 2018 governmental fund expenditures. These expenditures account for most of the 2018 decrease in governmental fund balance. The remaining unspent proceeds will be expended in fiscal year 2019. The components of the governmental fund balances are as follows:

	As of September 30,	
	2018	2017
Non-Spendable:		
Prepaid Expenses	\$ 14,300	\$ 8,116
Restricted Funds:		
Security, Technology & Seizure	46,610	36,397
Hotel/Motel	41,020	22,603
Capital Improvments	256,075	660,000
Debt Service	14,297	56,970
Total Restricted	358,002	775,970
Unassigned	600,814	529,942
Total Fund Balance	\$ 973,116	\$ 1,314,028

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 \$245,383 and the net position of the water and sewer fund decreased \$8,381 from the prior period.

GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2018 is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 1,002,041	\$ 988,433	\$ (13,608)
Municipal Court Fines & Fees	500,000	353,893	(146,107)
Licenses & Permits	110,000	61,140	(48,860)
Charges for Services	41,500	14,875	(26,625)
Intergovernmental Revenues	59,300	72,854	13,554
Donations/Grants	22,550	21,100	(1,450)
Other Revenues	20,350	3,489	(16,861)
Investment Income	100	119	19
Total Revenues	\$ 1,755,841	\$ 1,515,903	\$ (239,938)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Administration	\$ 514,580	\$ 512,628	\$ 1,952
Municipal Court	226,259	194,361	31,898
Building Development	44,180	37,887	6,293
Parks	20,150	15,582	4,568
Police	680,830	569,133	111,697
Fire Department	173,254	175,336	(2,082)
Total Expenditures	<u>1,659,253</u>	<u>1,504,927</u>	<u>154,326</u>
Excess of Revenues Over Expenditures			
Before Transfers	\$ <u>96,588</u>	\$ <u>10,976</u>	\$ <u>(85,612)</u>
Transfers:			
Transfer from Debt Service	0	94,124	94,124
Transfer to CIP Fund	0	(660,000)	(660,000)
Transfer to Water & Sewer	0	(13,714)	(13,714)
Total Transfers	<u>\$ 0</u>	<u>\$ (579,590)</u>	<u>\$ (579,590)</u>
Excess of Revenues Over Expenditures	\$ <u>96,588</u>	\$ <u>(568,614)</u>	\$ <u>(665,202)</u>

Actual fund basis revenues were \$239,938 less than amended budgeted revenues primarily due to municipal court revenues being \$147,107 less than budgeted revenues due to the change in state laws related to how municipal courts have to handle citations being paid out using payment plans. Permit revenues were also under budget (\$48,860) as the anticipated new subdivisions in the City were not progressing as quickly as the City had anticipated.

Actual fund basis expenditures were \$154,326 (9.03%) under budgeted expenditures. This favorable variance is primarily due to police department expenditures being under budget by \$111,697 due to the police force being short officers throughout the fiscal year.

The general fund received \$660,000 in net tax note proceeds late in fiscal year 2017. These proceeds were transferred into the capital improvement fund in October 2017. This transaction is shown as a transfer out of the general fund and the transfer was 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 the City’s matching retirement contribution rate increasing from 7.03% in 2016 to 7.73% in 2017 in conjunction with strong investment earnings on the City’s plan assets; effective December 31, 2017 (the most recent plan yearend) the City now has a Net Pension Asset (plan assets exceeding pension liability) of \$10,255 compared to a net pension liability of \$58,765 at December 31, 2016.

Effective with fiscal year 2018 the City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. As required by GASB 75 the City has recorded a City-Wide Net OPEB Liability of \$31,434.

CAPITAL ASSETS

The City’s investment in capital assets as of September 30, 2018 amounts to \$5,322,607 (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 2018 include a police vehicle for \$34,152, storm warning sirens of \$50,043, building improvements of \$128,334 and water and sewer equipment and system improvements of \$267,977. The City’s capital assets, net of accumulated depreciation, are as follows:

CAPITAL ASSETS:	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 60,524	\$ 60,524	\$ 6,492	\$ 6,492	\$ 67,016	\$ 67,016
Construction in Progress	0	0	201,467	11,014	201,467	11,014
Buildings & Improvements	442,985	342,973	0	0	442,985	342,973
Equipment	436,050	431,642	43,818	59,111	479,868	490,753
Streets & Infrastructure	983,662	1,019,285	3,147,609	3,400,162	4,131,271	4,419,447
Waterworks & Sewer System	0	0			0	0
Net Capital Assets	<u>\$ 1,923,221</u>	<u>\$ 1,854,424</u>	<u>\$ 3,399,386</u>	<u>\$ 3,476,779</u>	<u>\$ 5,322,607</u>	<u>\$ 5,331,203</u>

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

DEBT ADMINISTRATION

The City added one new long-term debt in fiscal year 2018, a water and sewer vehicle note in the amount of \$25,473. Outstanding long-term debts are as follows:

LONG-TERM DEBTS:	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Capital Leases	\$ 118,502	\$ 144,749	\$ 0	\$ 0	\$ 118,502	\$ 144,749
Notes Payable	146,994	199,516	53,663	96,893	200,657	296,409
Bonds Payable	1,867,000	2,138,000	0	0	1,867,000	2,138,000
Total Long-Term Debts	<u>\$ 2,132,496</u>	<u>\$ 2,482,265</u>	<u>\$ 53,663</u>	<u>\$ 96,893</u>	<u>\$ 2,186,159</u>	<u>\$ 2,579,158</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2019 are \$2,161,408, a \$102,660 (5%) increase from 2018 budgeted revenues. The tax rate applied in the 2018 budget is .476325 cents per \$100 of valuation which is reduction of .047075 cents per \$100 of valuation from the rate applied in the 2018 budget.

Budgeted general fund expenditures for fiscal year 2018 are \$2,161,390 and include capital additions of \$100,000.

Water and sewer fund 2019 budgeted revenues are \$1,032,100, an increase of \$75,100 over the fiscal year 2018 actual revenues. Budgeted water and sewer fund expenditures are \$1,029,601 include \$252,000 for water purchases from Walnut Creek Special Utility District and bond payments of \$165,000.

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 Angie Young, City Secretary, at: 817-636-2462, or by email at cityofrhome@earthlink.net.

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

For the Year Ended September 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & Equivalents	\$ 307,077	\$ 147,040	\$ 454,117
Accounts Receivable (net)	153,781	132,032	285,813
Prepaid Expenses	32,603	0	32,603
Interfund Balances	5,183	(5,183)	0
Restricted Cash & Equivalents	552,344	83,100	635,444
Net Pension Asset	5,682	4,573	10,255
Capital Assets:			
Land	60,524	6,492	67,016
Buildings & Improvements	631,948	0	631,948
Equipment	1,688,957	394,853	2,083,810
Infrastructure	1,904,692	0	1,904,692
Waterworks & Sanitary Sewer System	0	7,425,930	7,425,930
Construction in Progress	0	201,467	201,467
Less - Accumulated Depreciation	(2,362,900)	(4,629,356)	(6,992,256)
Total Capital Assets, Net of Accum. Depr.	<u>1,923,221</u>	<u>3,399,386</u>	<u>5,322,607</u>
TOTAL ASSETS	\$ <u>2,979,891</u>	\$ <u>3,760,948</u>	\$ <u>6,740,839</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions After Measurement Date	\$ 28,206	\$ 11,501	\$ 39,707
Difference in Assumption Changes on Pension Assets	351	889	1,240
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>28,557</u>	\$ <u>12,390</u>	\$ <u>40,947</u>
LIABILITIES			
Accounts Payable & Accrued Liabilities	\$ 37,454	\$ 15,957	\$ 53,411
Accrued Interest	4,810	0	4,810
Compensated Absences	29,110	9,662	38,772
Customer Deposits	0	85,827	85,827
Long-Term Debt-Due Within One Year	332,862	34,930	367,792
Long-Term Debt-Due in More than One Year	1,799,634	18,733	1,818,367
Net OPEB Liability	22,632	8,802	31,434
TOTAL LIABILITIES	\$ <u>2,226,502</u>	\$ <u>173,911</u>	\$ <u>2,400,413</u>
DEFERED INFLOWS OF RESOURCES			
Difference in Projected and Actual Earnings on Pension Assets	\$ 21,872	\$ 6,688	\$ 28,560
Difference in Expected and Actual Pension Experience	(887)	1,633	746
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>20,985</u>	\$ <u>8,321</u>	\$ <u>29,306</u>
NET POSITION			
Invested in Capital Assets, net of Related Debt	\$ 450,725	\$ 3,345,723	\$ 3,796,448
Restricted for:			
Debt Service	14,297	0	14,297
Security, Technology & Seizure	46,610	0	46,610
Hotel/Motel Special Revenue	41,020	0	41,020
Unrestricted	208,309	245,383	453,692
TOTAL NET POSITION	\$ <u><u>760,961</u></u>	\$ <u><u>3,591,106</u></u>	\$ <u><u>4,352,067</u></u>

CITY OF RHOME, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (798,014)	\$ 64,629	\$ 0	\$ 0	\$ (733,385)	--	(733,385)
Public Safety	(728,812)	368,768	90,524	0	(269,520)	--	(269,520)
Culture & Recreation	(29,078)	0	3,430	0	(25,648)	--	(25,648)
Interest on Long-Term Debt	(64,596)	0	0	0	(64,596)	--	(64,596)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(1,620,500)</u>	<u>433,397</u>	<u>93,954</u>	<u>0</u>	<u>(1,093,149)</u>	--	--
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	<u>(1,310,681)</u>	<u>1,097,964</u>	<u>0</u>	<u>0</u>	<u>--</u>	<u>(212,717)</u>	<u>(212,717)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (2,931,181)</u>	<u>\$ 1,531,361</u>	<u>\$ 93,954</u>	<u>\$ 0</u>	<u>\$ (1,093,149)</u>	<u>(212,717)</u>	<u>(1,305,866)</u>
GENERAL REVENUE							
Property Taxes					650,221	--	650,221
Sales Taxes					625,963	--	625,963
Hotel/Motel Taxes					18,618	--	18,618
Franchise Fees					73,008	--	73,008
Interest Income					701	170	871
Transfers					(204,166)	204,166	0
TOTAL GENERAL REVENUE					<u>1,164,345</u>	<u>204,336</u>	<u>1,368,681</u>
CHANGE IN NET POSITION					71,196	(8,381)	62,815
NET POSITION - BEGINNING					707,730	3,606,474	4,314,204
PRIOR PERIOD ADJUSTMENT - (SEE NOTE 7)					<u>(17,965)</u>	<u>(6,987)</u>	<u>(24,952)</u>
NET POSITION - ENDING					<u>\$ 760,961</u>	<u>\$ 3,591,106</u>	<u>\$ 4,352,067</u>

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

September 30, 2018

ASSETS	GENERAL FUND	DEBT SERVICE FUND	CIP FUND	TOTAL
Cash	\$ 511,651	\$ 14,297	\$ 333,473	\$ 859,421
Receivables:				
Sales Taxes	123,071	0	0	123,071
Franchise Fees	2,094	0	0	2,094
Hotel/Motel Taxes	4,321	0	0	4,321
Fire Recovery	2,180	0	0	2,180
Property Taxes	9,505	12,610	0	22,115
Prepaid Expenses	0	0	14,300	14,300
Due from Other Funds	77,398	0	(77,398)	0
Due From Water & Sewer	5,183	0	0	5,183
TOTAL ASSETS	\$ 735,403	\$ 26,907	\$ 270,375	\$ 1,032,685
LIABILITIES				
Accounts Payable	\$ 31,814	\$ 0	\$ 0	\$ 31,814
Accrued Liabilities	5,640	0	0	5,640
TOTAL LIABILITIES	37,454	0	0	37,454
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	9,505	12,610	0	22,115
FUND BALANCE				
Non-Spendable:				
Prepaid Expenses	0	0	14,300	14,300
Restricted to:				
Security, Technology & Seizure	46,610	0	0	46,610
Capital Improvements	0	0	256,075	256,075
Hotel/Motel Special Revenues	41,020	0	0	41,020
Debt Service	0	14,297	0	14,297
Unassigned	600,814	0	0	600,814
TOTAL FUND BALANCE	688,444	14,297	270,375	973,116
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES	\$ 735,403	\$ 26,907	\$ 270,375	\$ 1,032,685

CITY OF RHOME, TEXAS

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

September 30, 2018

Fund Balance Above	\$ 973,116
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.	1,923,221
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	22,115
Unamortized Bond Insurance are not financial resources and, therefore are not reported in the Fund balance Sheet.	18,303
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	(9,378)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(2,166,416)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>760,961</u></u>

CITY OF RHOME, TEXAS

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

For the Year Ended September 30, 2018

	GENERAL FUND	DEBT SERVICE FUND	CIP FUND	TOTAL
REVENUES				
Property Taxes	\$ 270,844	\$ 370,417	\$ 0	\$ 641,261
Sales Taxes	625,963	0	0	625,963
Hotel/Motel Taxes	18,618	0	0	18,618
Franchise Fees	73,008	0	0	73,008
Permits & Fees	61,140	0	0	61,140
Municipal Court	353,893	0	0	353,893
Charges for Services	14,875	0	0	14,875
Intergovernmental	72,854	0	0	72,854
Donation Revenues	21,100	0	0	21,100
Miscellaneous Revenues	3,489	0	0	3,489
Interest Income	119	47	535	701
TOTAL REVENUES	<u>1,515,903</u>	<u>370,464</u>	<u>535</u>	<u>1,886,902</u>
EXPENDITURES				
General Government	679,863	0	61,332	741,195
Public Safety	624,320	0	0	624,320
Parks	10,673	0	0	10,673
Debt Service - Principal	78,770	271,000	0	349,770
Debt Service - Interest	15,354	48,013	0	63,367
Capital Outlay	95,947	0	138,376	234,323
TOTAL EXPENDITURES	<u>1,504,927</u>	<u>319,013</u>	<u>199,708</u>	<u>2,023,648</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>10,976</u>	<u>51,451</u>	<u>(199,173)</u>	<u>(136,746)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to General Fund from Debt Service	94,124	(94,124)	0	0
Transfers to CIP Fund	(660,000)	0	660,000	0
Transfers to Water & Sewer Fund	(13,714)	0	(190,452)	(204,166)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(579,590)</u>	<u>(94,124)</u>	<u>469,548</u>	<u>(204,166)</u>
NET CHANGE IN FUND BALANCES	(568,614)	(42,673)	270,375	(340,912)
FUND BALANCE - BEGINNING -	1,257,058	56,970	0	1,314,028
FUND BALANCE - ENDING	<u>\$ 688,444</u>	<u>\$ 14,297</u>	<u>\$ 270,375</u>	<u>\$ 973,116</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, 2018

Net Change in Fund Balance - Governmental Funds \$ (340,912)

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 234,323

Depreciation expense on capital assets (165,526)

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 0

Repayment on debt principle is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net position: 349,770

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 8,960

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

Compensated absences (8,976)

Accrued Interest on long-term debts 1,386

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 2017): (5,214)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 71,196

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

September 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 147,040
Accounts Receivable less Allowance for Doubtful Accounts	132,032
Prepaid Expenses	0
TOTAL CURRENT ASSETS	<u>279,072</u>

NON-CURRENT ASSETS

Restricted Cash	83,100
Net Pension Assets	4,573
Capital Assets:	
Land	6,492
Equipment	394,853
Waterworks & Sanitary Sewer System	7,425,930
Construction in Progress	201,467
	<u>8,028,742</u>
Less Accumulated Depreciation	<u>(4,629,356)</u>
NET CAPITAL ASSETS	<u>3,399,386</u>

TOTAL ASSETS	\$ <u>3,766,131</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Contributions After Measurement Date	\$ 11,501
Difference in Assumption Changes on Pension Assets	889
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>12,390</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 8,813
Accrued Payroll Liabilities	7,144
Accrued Interest	0
Accrued Compensated Absences	9,662
Due to General Fund	5,183
Customer Deposit Liability	85,827
Current Portion of Notes Payable	34,930
TOTAL CURRENT LIABILITIES	<u>151,559</u>

NON-CURRENT LIABILITIES

Notes Payable	18,733
Net OPEB Liability	8,802
TOTAL NON-CURRENT LIABILITIES	<u>27,535</u>
TOTAL LIABILITIES	\$ <u>179,094</u>

DEFERRED INFLOWS OF RESOURCES

Difference in Expected and Actual Pension Experience	\$ 1,633
Difference in Projected and Actual Earnings on Pension Assets	6,688
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>8,321</u>

NET POSITION

Invested in Capital Assets, net of Related Debt	\$ 3,345,723
Unrestricted	245,383
TOTAL NET POSITION	\$ <u>3,591,106</u>

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

For the Year Ended September 30, 2018

REVENUES:

CHARGES FOR SERVICES:

Water, Sewer & Trash Charges	\$ 1,067,225
Tap Fees	12,500
TOTAL CHARGES FOR SERVICES	<u>1,079,725</u>

OTHER REVENUES:

Other Income	4,985
TOTAL OTHER REVENUES	<u>4,985</u>

TOTAL REVENUES	<u>1,084,710</u>
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OPERATING EXPENSES:

Depreciation	345,370
Personnel	275,591
Professional Fees	10,357
Repair & Maintenance	72,353
Supplies & Contract Services	193,030
Travel & Training	1,984
Utilities	42,098
Water Purchases	369,096

TOTAL OPERATING EXPENSES	<u>1,309,879</u>
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OPERATING LOSS	<u>(225,169)</u>
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NON-OPERATING REVENUES & (EXPENSES):

Investment Income	170
Water Tower Lease	13,254
Interest Expense	(802)
TOTAL NON-OPERATING REVENUES & (EXPENSES)	<u>12,622</u>

INCOME (LOSS) BEFORE TRANSFERS	<u>(212,547)</u>
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TRANSFERS:

Transfer from General Fund	<u>204,166</u>
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CHANGE IN NET POSITION	(8,381)
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NET POSITION - BEGINNING OF YEAR	3,606,474
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PRIOR PERIOD ADJUSTMENT (SEE NOTE 7)	(6,987)
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NET POSITION - END OF YEAR	<u>\$ 3,591,106</u>
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**CITY OF RHOME, TEXAS
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,082,232
Cash Payments to Suppliers for Goods and Services	(690,004)
Cash Payments for Employees Services	(273,270)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>118,958</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from General Fund	204,166
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	<u>204,166</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(267,977)
Repayment on Interfund Loans	(14,856)
Borrowings on long-term debt	25,473
Principal Paid on Notes Payable	(68,703)
Interest Paid on Notes Payable	(3,092)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(329,155)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	170
Tower Lease Income	13,254
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>13,424</u>
 NET INCREASE IN CASH	 7,393
 CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	 222,747
 CASH & CASH EQUIVALENTS - END OF YEAR	 \$ <u><u>230,140</u></u>
 CASH & CASH EQUIVALENTS PER STATEMENT OF NET ASSETS:	
Current Assets - Cash	\$ 147,040
Noncurrent Assets - Restricted Cash	83,100
TOTAL CASH & CASH EQUIVALENTS	\$ <u><u>230,140</u></u>

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

Operating Income (Loss)	\$ (225,169)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	345,370
(Increase) Decrease in Receivables	(6,114)
(Increase) Decrease in Prepaid Expenses	19,284
(Increase) Decrease in Deferred Outflows of Resources	(883)
(Increase) Decrease in Pension & OPEB Liability	(17,481)
Increase (Decrease) in Accounts Payable	(20,370)
Increase (Decrease) in Accrued Expenses	1,806
Increase (Decrease) in Deferred Inflows of Resources	18,879
Increase (Decrease) in Customer Deposits	3,636
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>118,958</u></u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018 was \$38,772.

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 differences between the pension plans' projected and actual earnings (3) deferred outflows of resources related to differences between the expected and actual demographics of the City's pension plan and (4) deferred outflows of resources related to differences in pension plan assumptions changes. The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences between projected and actual plan earnings will be amortized to pension expense over a total of five years, including the current fiscal year. The deferred outflows related to differences related to actuarial assumptions for demographic factors amount will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred outflows related to assumptions changes will be amortized to pension expense over a total of 2.12 years. No deferred outflows of resources affect the governmental funds financial statements in the current year.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 statements include a deferred inflow of resources 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, 2018

12. Capitalized Interest:

For proprietary fund reporting the City capitalizes construction period interest costs when incurred. There was no capitalized interest for the year ending September 30, 2018.

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, 2018 the following departments had expenditures that exceeded appropriations:

<u>Department</u>	<u>Excess of Expenditures over Budget</u>
Fire Department	\$ 2,082

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 2: DEPOSITS:

At September 30, 2018, the City's cash and cash equivalents were made up of the following:

Held at local banks	<u>\$ 1,089,561</u>
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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, 2018, 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, 2018, 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, 2018, 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, 2018, the City's bank balances (per bank) totaled \$1,363,065. Of the City's bank accounts, \$588,146 was covered by FDIC insurance. All of the remaining balances of \$774,919; 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, 2018.

Securities pledged by the City's depository institution at September 30, 2018 are as follows:

SECURITY	FMV
FNMA 3%, 5/01/2043	\$151,945
FNMA 2.500%, 7/01/2031	475,867
FNMA 3%, 12/01/2042	<u>185,754</u>
	\$813,566

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 3: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2018 is as follows:

CAPITAL ASSETS	BEGINNING			ENDING
GOVERNMENTAL ACTIVITIES	BALANCE	PURCHASES	RETIREMENTS	BALANCE
Capital Assets not Being Depreciated:				
Land	\$ 60,524	\$ 0	\$ 0	\$ 60,524
Capital Assets not Being Depreciated:				
Capital Assets Being Depreciated:				
Buildings, Improvements & Parks	498,706	133,242	0	631,948
Equipment	1,587,876	101,081	0	1,688,957
Streets & Infrastructure	1,904,692	0	0	1,904,692
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>3,991,274</u>	<u>234,323</u>	<u>0</u>	<u>4,225,597</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	155,733	33,230	0	188,963
Equipment	1,156,234	96,673	0	1,252,907
Streets & Drainage	885,407	35,623	0	921,030
TOTAL ACCUMULATED DEPRECIATION	<u>2,197,374</u>	<u>165,526</u>	<u>0</u>	<u>2,362,900</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 1,854,424</u>	<u>\$ 68,797</u>	<u>\$ 0</u>	<u>\$ 1,923,221</u>
CAPITAL ASSETS	BEGINNING			ENDING
BUSINESS-TYPE ACTIVITIES:	BALANCE	PURCHASES	RETIREMENTS	BALANCE
Capital Assets not Being Depreciated:				
Land	\$ 6,492	\$ 0	\$ 0	\$ 6,492
Construction in Progress	11,014	190,453	0	201,467
Total Capital Assets not Being Depreciated	<u>17,506</u>	<u>190,453</u>	<u>0</u>	<u>207,959</u>
Capital Assets not Being Depreciated:				
Capital Assets Being Depreciated:				
Equipment	369,380	25,473	0	394,853
Waterworks & Sewer System	7,373,879	52,051	0	7,425,930
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>7,743,259</u>	<u>77,524</u>	<u>0</u>	<u>7,820,783</u>
LESS ACCUMULATED DEPRECIATION				
Equipment	310,269	40,766	0	351,035
Waterworks & Sanitary Sewer System	3,973,717	304,604	0	4,278,321
TOTAL ACCUMULATED DEPRECIATION	<u>4,283,986</u>	<u>345,370</u>	<u>0</u>	<u>4,629,356</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3,476,779</u>	<u>\$ (77,393)</u>	<u>\$ 0</u>	<u>\$ 3,399,386</u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Capital Assets Continued

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	50,447
Fire		46,887
Parks		18,405
Police		49,787
TOTAL DEPRECIATION EXPENSE	\$	<u>165,526</u>

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

Water & Sewer	\$	<u>345,370</u>
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NOTE 4: LONG-TERM DEBT:

At September 30, 2018, 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	\$	111,033
Radios-Fire Department, 4.64% interest, annual payment of \$7,815, final payment due May 2019		7,469

Notes Payable & Finance Contracts:

Fire Truck, 4.132% interest, annual payments of \$15,721, final payment due May 2029		136,746
Building Improvements, 3.99% interest, monthly payments of \$1,739, final payment due March 2019		10,248

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Bonds Payable:

General Obligation Refunding Bonds, Series
2016, due in annual installments through
September 2025, bearing interest at 2.53% 1,276,000
The bond proceeds were used to fully refund the City's
Series 2007 General Obligation Refunding Bonds

Tax Notes, Series 2017, due in annual
installments through September 2024, bearing
interest at 1.74% 591,000

Total Governmental Activities \$ 2,132,496

Business-Type Activities:

Notes Payable:

Truck, 4.75% interest, monthly payments of \$621,
final payment due March 2018 \$ 30,132

Truck, 4.10% interest, monthly payments of \$473,
final payment due April 2023 23,531

Total Business-Type Activities \$ 53,663

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2018:

	<u>BEGINNING</u>		<u>NEW</u>		<u>REPAY-</u>		<u>END OF</u>		<u>CURRENT</u>
	<u>OF YEAR</u>		<u>DEBT</u>		<u>MENTS</u>		<u>YEAR</u>		<u>PORTION</u>
GOVERNMENTAL ACTIVITIES:									
Capital Leases:									
Fire Truck	\$ 130,142	\$	0	\$	19,109	\$	111,033	\$	20,074
Radios-Fire Department	14,607		0		7,138		7,469		7,469
	<u>144,749</u>		<u>0</u>		<u>26,247</u>		<u>118,502</u>		<u>27,543</u>
Notes Payable & Finance Contracts:									
Fire Truck	146,417		0		9,671		136,746		10,071
Police Cop Sync Equipment	12,429		0		12,429		0		0
Police Vehicle	10,391		0		10,391		0		0
Building improvements	30,279		0		20,031		10,248		10,248
	<u>199,516</u>		<u>0</u>		<u>52,522</u>		<u>146,994</u>		<u>20,319</u>
Bonds Payable:									
General Obligation Refunding Bonds-2016	1,439,000		0		163,000		1,276,000		173,000
Tax Notes - 2017	699,000		0		108,000		591,000		112,000
	<u>2,138,000</u>		<u>0</u>		<u>271,000</u>		<u>1,867,000</u>		<u>285,000</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>2,482,265</u>	\$	<u>0</u>	\$	<u>349,769</u>	\$	<u>2,132,496</u>	\$	<u>332,862</u>
BUSINESS-TYPE ACTIVITIES:									
Note Payable - Truck	\$ 93,219	\$	0	\$	63,087	\$	30,132	\$	30,132
Note Payable - Truck	3,674		0		3,674		0		0
Note Payable - Truck	0		25,473		1,942		23,531		4,798
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>96,893</u>	\$	<u>25,473</u>	\$	<u>68,703</u>	\$	<u>53,663</u>	\$	<u>34,930</u>

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

Governmental Activities

General Obligation Bonds

Year	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2019	\$ 165,000	\$	32,283	\$	197,283
2020	173,000		28,108		201,108
2021	177,000		23,731		200,731
2022	184,000		19,253		203,253
2023	187,000		14,598		201,598
2024-2025	390,000		14,826		404,826
Total	\$ <u>1,276,000</u>	\$	<u>132,799</u>	\$	<u>1,408,799</u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Tax Notes

Year	Principal	Interest	Total
2019	112,000	10,283	122,283
2020	110,000	8,335	118,335
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	\$ 591,000	\$ 32,590	\$ 122,283

Notes Payable

Year	Principal	Interest	Total
2019	\$ 20,318	\$ 5,800	\$ 26,118
2020	10,487	5,263	15,750
2021	10,920	4,831	15,751
2022	11,371	4,379	15,750
2023	11,841	3,910	15,751
2024-2028	66,960	11,792	78,752
2029	15,097	654	15,751
Total	\$ 146,994	\$ 36,629	\$ 183,623

Capital Leases

Year	Principal	Interest	Total
2019	\$ 27,543	\$ 5,953	\$ 33,496
2020	21,088	4,593	25,681
2021	22,153	3,528	25,681
2022	23,271	2,410	25,681
2023	24,447	1,234	25,681
Total	\$ 118,502	\$ 17,718	\$ 136,220

Business-Type Activities

Notes Payable

Year	Principal	Interest	Total
2019	\$ 34,930	\$ 2,094	\$ 37,024
2020	4,998	675	5,673
2021	5,207	466	5,673
2022	5,424	248	5,672
2023	3,104	41	3,145
Total	\$ 53,663	\$ 3,524	\$ 57,187

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 5: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 883 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 2017	Plan Year 2018
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, 2018

At the December 31, 2017 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>14</u>
	42

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 7.73% and 7.03% for the calendar years 2018 and 2017 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$50,696 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, 2017, 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, 2017 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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism, lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017 valuation were developed primarily from the actuarial investigation of experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post retirement mortality assumption for healthy annuitants and annuity purchase rates (APRs) were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2016	\$ 993,189	\$ 934,424	\$ 58,765
Service Cost	91,818	0	91,818
Differences between expected and actual experience	(14,560)	0	(14,560)
Changes in assumptions	0	0	0
Contributions - employer		41,944	(41,944)
Contributions - employee		44,152	(44,152)
Net investment income		129,343	(129,343)
Benefit Payments, including refunds of employee contributions	(49,880)	(49,880)	0
Administrative expense	0	(671)	671
Other	0	(34)	34
Net Changes	<u>95,834</u>	<u>164,854</u>	<u>(69,020)</u>
Balance at December 31, 2017	\$ <u>1,089,023</u>	\$ <u>1,099,278</u>	\$ <u>(10,255)</u>

The net pension asset 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, 2018

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	\$ <u>148,400</u>	\$ <u>(10,255)</u>	\$ <u>(138,929)</u>

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2018 the City recognized pension expense of \$52,474. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2018, 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	\$ (28,560)	\$ (28,560)
Differences in assumptions	1,239	0	1,239
Differences between expected and actual economic experience	<u>0</u>	<u>(3,324)</u>	<u>(3,324)</u>
To be recognized in the future	1,239	(31,884)	\$ <u>(30,645)</u>
Contributions subsequent to the measurement date	39,553	0	
Total	\$ <u>40,792</u>	\$ <u>(31,884)</u>	

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

\$39,553 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, 2019. 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,			
2018	\$	1,541	
2019		(4,323)	
2020		(14,610)	
2021		(13,253)	
2022		0	
Thereafter		0	
	\$	<u>(30,645)</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, 2017 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>14</u>
	23

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

B: Total OPEB Liability

The City’s Total OPEB Liability was measured as of December 31, 2017, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.31%
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 10#% with a e year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor

The discount rate was based on the Fidelity Index’s “20-year Municipal GO AA index” rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Changes in Total OPEB Liability:

Balance at December 31, 2016	\$	24,952
Changes for the year		
Service Cost		2,620
Interest ON Total OPEB Liability		989
Differences between expected and actual results		0
Changes in assumptions or other inputs		3,069
Benefit Payments *		(196)
Net Changes		6,482
Balance at December 31, 2017	\$	31,434

* 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 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.31%)	Current (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ <u>39,725</u>	\$ <u>31,434</u>	\$ <u>25,429</u>

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

For the year ended September 30, 2018 the City recognized OPEB expense of \$4,100.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

At September 30, 2018, 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	\$ 0	\$ 0
Differences in assumptions	<u>2,578</u>	<u>0</u>	<u>2,578</u>
To be recognized in the future	2,578	0	<u>\$ 2,578</u>
Contributions subsequent to the measurement date	154	0	
Total	<u>\$ 2,732</u>	<u>\$ 0</u>	

The \$154 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, 2019. 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,	
2018	\$ 491
2019	491
2020	491
2021	491
2022	491
Thereafter	<u>123</u>
	<u>\$ 2,578</u>

NOTE 7: ADOPTION OF GASB 75:

The City has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* effective with these financial statements. In accordance with this statement, the City has restated its September 30, 2017 government-wide unrestricted net positions to reflect the amount of net OPEB liability as of September 30, 2016. The amount of the required restatements is as follows:

	Increase in Total OPEB <u>Liability</u>	Decrease in Unrestricted <u>Net Position</u>
Governmental Activities	\$17,965	\$17,965
Business-Type Activities	\$ 6,897	\$ 6,987

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 8: RISK MANAGEMENT

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

NOTE 9: ECONOMIC DEPENDENCY:

The City is dependent upon the Walnut Creek Special Utility to provide water for the City. The cost water purchased for the current fiscal year was \$369,096.

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, 88, *Certain Disclosures Related to Debt*. This statement is effective for fiscal years beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2019.
- Statement No. 90, *Majority Equity Interests*. This statement will not affect the City.

New pronouncements not yet in effect as of September 30, 2018, 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 2019, as required.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES (INFLOWS):				
TAX REVENUES:				
Property Taxes	\$ 445,041	\$ 445,041	\$ 270,844	\$ (174,197)
Sales Taxes	480,000	480,000	625,963	145,963
Hotel/Motel Taxes	0	0	18,618	18,618
Franchise Fees	77,000	77,000	73,008	(3,992)
TOTAL TAX REVENUES	1,002,041	1,002,041	988,433	(13,608)
Municipal Court Fines & Fees	500,000	500,000	353,893	(146,107)
LICENSE & PERMITS:				
Permits	110,000	110,000	61,140	(48,860)
TOTAL LICENSES & PERMITS	110,000	110,000	61,140	(48,860)
CHARGES FOR SERVICES:				
Fire Revenues	16,500	16,500	12,310	(4,190)
Impound Fees & Auction Sales	25,000	25,000	2,565	(22,435)
TOTAL CHARGES FOR SERVICES	41,500	41,500	14,875	(26,625)
INTERGOVERNMENTAL REVENUES				
Tarrant County Fire Contract	7,500	7,500	7,500	0
Wise County Fire Contract	50,400	50,400	50,400	0
Fire Department Grants	400	400	6,426	6,026
Police Grants	1,000	1,000	8,528	7,528
TOTAL INTERGOVERNMENTAL	59,300	59,300	72,854	13,554
DONATIONS/FUND RAISERS				
Parks	550	550	3,430	2,880
Police	0	0	598	598
Fire	22,000	22,000	17,072	(4,928)
TOTAL DONATIONS/GRANTS	22,550	22,550	21,100	(1,450)
OTHER REVENUES:				
Miscellaneous	20,350	20,350	3,489	(16,861)
TOTAL OTHER REVENUES	20,350	20,350	3,489	(16,861)
INVESTMENT INCOME	100	100	119	19
TRANSFERS				
Transfer from Debt Service Fund	0	0	94,124	94,124
Transfer to CIP Fund	0	0	(660,000)	(660,000)
Transfer to Water & Sewer Fund	0	0	(13,714)	(13,714)
TOTAL TRANSFERS	0	0	(579,590)	(579,590)
TOTAL RESOURCES	\$ 1,755,841	\$ 1,755,841	\$ 936,313	\$ (819,528)

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:				
ADMINISTRATION				
Personnel:				
Salaries & Wages	\$ 90,261	\$ 103,095	\$ 109,586	\$ (6,491)
Payroll Taxes	7,319	10,293	7,299	2,994
Retirement	6,345	8,289	7,832	457
Health Insurance	23,074	20,170	21,774	(1,604)
Total Personnel	126,999	141,847	146,491	(4,644)
Professional Fees				
Accounting & Audit Fees	12,000	12,000	12,000	0
Engineer Services	10,000	14,000	12,282	1,718
Property Tax Services	9,000	17,250	17,232	18
Legal Fees	45,000	101,478	104,357	(2,879)
Total Professional Fees	76,000	144,728	145,871	(1,143)
Supplies & Contract Services:				
Advertising, Banquets & Awards	2,000	1,845	1,842	3
Animal Control	1,000	1,000	725	275
Contract Labor	3,000	2,775	2,770	5
Dues, Subscriptions & Equipment Rental	22,000	16,525	17,898	(1,373)
Office Supplies	5,600	7,390	5,279	2,111
Postage	1,000	775	833	(58)
Technology & Software	90,000	72,155	29,306	42,849
Bank Fees	4,000	9,120	11,070	(1,950)
Insurance-Property & Liability	5,000	5,790	5,786	4
Public Notices	2,000	5,930	5,927	3
Election	4,500	2,230	2,227	3
Total Supplies & Contract Services	140,100	125,535	83,663	41,872
Repair & Maintenance:				
Streets	30,000	30,000	19,704	10,296
Building	15,000	7,639	7,399	240
Total Repair & Maintenance	45,000	37,639	27,103	10,536
Utilities:				
Telephone	14,000	16,975	17,208	(233)
Gas & Electric	22,000	26,705	27,008	(303)
Total Utilities	36,000	43,680	44,216	(536)
Travel & Training:				
Education	1,000	275	271	4
Debt Service:				
Note Payable Building Improvements	0	20,876	20,876	0

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Capital Outlay:				
Building Improvements	100,000	0	40,000	(40,000)
Equipment	0	0	4,137	(4,137)
Total Capital Outlay	100,000	0	44,137	(44,137)
TOTAL ADMINISTRATION	525,099	514,580	512,628	1,952
MUNICIPAL COURT				
Personnel:				
Salaries & Wages	38,730	39,231	39,724	(493)
Payroll Taxes	3,170	3,170	2,659	511
Retirement	2,722	2,722	2,887	(165)
Health Insurance	11,537	11,537	9,229	2,308
Total Personnel	56,159	56,660	54,499	2,161
Supplies & Contract Services:				
Judge Services	12,600	8,825	8,825	0
Dues & Memberships	1,500	1,500	1,070	430
Office Supplies	1,700	1,815	1,847	(32)
Prosecutor	0	10,000	10,649	(649)
Postage	1,300	2,300	2,474	(174)
State Court Fees	150,000	142,084	111,925	30,159
Training	500	575	572	3
Computer Software & IT Expense	2,500	2,500	2,500	0
Total Supplies & Contract Services	170,100	169,599	139,862	29,737
TOTAL MUNICIPAL COURT	226,259	226,259	194,361	31,898
BUILDING & DEVELOPMENT				
Contract Services:				
Personnel	59,481	0	0	0
Contract Labor	12,480	12,780	12,780	0
Inspection Services	25,000	25,000	24,624	376
Supplies & Postage	6,700	6,400	483	5,917
TOTAL BUILDING & DEVELOPMENT	103,661	44,180	37,887	6,293
PARKS:				
Contract Services:				
Supplies & Maintenance	20,150	20,150	10,673	9,477
Total Contract Services	20,150	20,150	10,673	9,477
Capital Outlay:				
Park Improvements	0	0	4,909	(4,909)
TOTAL PARKS	20,150	20,150	15,582	4,568

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
POLICE:				
Personnel:				
Salaries & Wages	380,385	380,385	318,984	61,401
Payroll Taxes	30,613	30,613	24,171	6,442
Retirement	26,800	26,800	23,151	3,649
Health Insurance	80,758	80,758	54,944	25,814
Total Personnel	518,556	518,556	421,250	97,306
Supplies & Contract Services:				
Dues & Memberships	2,000	2,900	2,877	23
Contract Labor	0	1,500	1,100	400
Supplies & Minor Equipment	1,500	1,500	2,841	(1,341)
Office Supplies	2,500	2,500	2,271	229
Postage	300	375	385	(10)
Impound Lot	10,000	4,000	1,868	2,132
Insurance-Property & Liability	20,631	16,500	16,412	88
Vehicle Expenses	28,000	35,580	35,575	5
Uniforms	6,000	6,000	3,742	2,258
Total Supplies & Contract Services	70,931	70,855	67,071	3,784
Repair & Maintenance:				
Building & Equipment	3,000	5,500	3,094	2,406
Utilities:				
Telephone	7,400	7,400	7,562	(162)
Gas & Electric	1,500	3,076	3,079	(3)
Total Utilities	8,900	10,476	10,641	(165)
Travel & Training:				
Training	3,500	3,500	1,549	1,951
Debt Service:				
Note Payments	23,973	23,943	23,876	67
Capital Outlay:				
Equipment	52,000	48,000	41,652	6,348
TOTAL POLICE	680,860	680,830	569,133	111,697

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
FIRE DEPARTMENT				
Personnel:				
Salaries & Wages	21,667	20,159	21,025	(866)
Payroll Taxes	1,864	1,750	1,615	135
Retirement	1,828	1,550	1,537	13
Health Insurance	0		0	0
Total Personnel	25,359	23,459	24,177	(718)
Contract Services:				
Contract Labor	13,000	13,070	9,965	3,105
Supplies & Minor Equipment	12,975	12,005	28,968	(16,963)
Fire Safety Program	1,000	1,000	967	33
IT Expenses	3,000	3,000	847	2,153
Vehicle Expenses	3,000	6,085	6,081	4
Dues & Subscriptions	4,650	5,085	5,190	(105)
Volunteer Insurance	3,750	3,475	3,475	0
Property & Liability Insurance	8,250	10,630	10,630	0
Uniforms	1,000	1,000	990	10
Total Contract Services	50,625	55,350	67,113	(11,763)
Repair & Maintenance:				
Equipment Maintenance	20,000	19,250	20,230	(980)
Training:				
Training	3,000	1,000	991	9
Utilities:				
Telephone	3,380	3,835	3,883	(48)
Gas & Electric	4,500	4,305	4,321	(16)
Total Utilities	7,880	8,140	8,204	(64)
Debt Service:				
Note Payments	49,390	49,390	49,372	18
Capital Outlay:				
Equipment	17,000	16,665	5,249	11,416
TOTAL FIRE DEPARTMENT	173,254	173,254	175,336	(2,082)
TOTAL EXPENDITURES	1,729,283	1,659,253	1,504,927	154,326
EXCESS OF CURRENT RESOURCES OVER (UNDER) APPROPRIATIONS	26,558	96,588	(568,614)	\$ (665,202)
BUDGETARY FUND BALANCE:				
BEGINNING OF YEAR	1,257,058	1,257,058	1,257,058	
END OF YEAR	\$ 1,283,616	\$ 1,353,646	\$ 688,444	

CITY OF RHOME, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2018

Plan Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 91,818	\$ 83,298	\$ 78,251	\$ 72,103
Interest (on the Total Pension Liability)	68,456	60,103	53,980	52,201
Changes in benefit terms	0	0	0	0
Difference between expected and actual experience	(14,560)	19,175	(3,946)	(44,091)
Change of assumptions	0	0	32,250	0
Benefit payments, including refunds of employee contributions	<u>(49,880)</u>	<u>(36,306)</u>	<u>(51,273)</u>	<u>(64,472)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	<u>95,834</u>	<u>126,270</u>	<u>109,262</u>	<u>15,741</u>
TOTAL PENSION LIABILITY - BEGINNING	<u>993,189</u>	<u>866,919</u>	<u>757,657</u>	<u>741,916</u>
TOTAL PENSION LIABILITY - ENDING (a)	\$ <u><u>1,089,023</u></u>	\$ <u><u>993,189</u></u>	\$ <u><u>866,919</u></u>	\$ <u><u>757,657</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 41,944	\$ 33,740	\$ 25,693	\$ 18,899
Contributions - Employee	44,152	47,316	40,756	38,408
Net investment income	129,343	56,265	1,207	44,713
Benefit payments, including refunds of employee contributions	(49,880)	(36,306)	(51,273)	(64,472)
Administrative expense	(671)	(637)	(736)	(467)
Other	<u>(34)</u>	<u>(34)</u>	<u>(36)</u>	<u>(38)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>164,854</u>	<u>100,344</u>	<u>15,611</u>	<u>37,043</u>
PLAN NET FIDUCIARY POSITION - BEGINNING	<u>934,424</u>	<u>834,080</u>	<u>818,469</u>	<u>781,426</u>
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ <u><u>1,099,278</u></u>	\$ <u><u>934,424</u></u>	\$ <u><u>834,080</u></u>	\$ <u><u>818,469</u></u>
NET PENSION (ASSET) LIABILITY (a) - (b)	\$ <u><u>(10,255)</u></u>	\$ <u><u>58,765</u></u>	\$ <u><u>32,839</u></u>	\$ <u><u>(60,812)</u></u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	100.94%	94.08%	96.21%	108.03%
Covered employee payroll	\$ 654,905	\$ 609,349	\$ 582,224	\$ 548,684
Net Pension (Asset) Liability as a percentage of covered payroll	-1.57%	9.64%	5.64%	-11.08%

CITY OF RHOME, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 50,495	\$ 38,798	\$ 29,384	\$ 25,493
Contributions in relation to the actuarially determined contribution	50,495	38,798	29,384	25,493
Contribution deficiency (excess)	0	0	0	0
Covered employee payroll	669,985	642,108	591,004	579,095
Contributions as a percentage of covered employee payroll	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	18 Years
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 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

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, 2018

Plan Year	<u>2017</u>
TOTAL OPEB LIABILITY	
Total OPEB Liability Beginning of Year	\$ 24,952
Changes for the year	
Service Cost	2,620
Interest on Total OPEB Liability	989
Changes in benefit terms	0
Difference between expected and actual experience	0
Change of assumptions or other inputs	3,069
Benefit payments	<u>(196)</u>
NET CHANGE IN OPEB LIABILITY	<u>6,482</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u><u>\$ 31,434</u></u>
Covered employee payroll	\$ 654,905
OPEB Liability as a percentage of covered payroll	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, 2018 & 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
CHARGES FOR SERVICES:		
Water, Sewer & Trash Charges	\$ 1,067,225	\$ 975,189
Tap Fees	12,500	19,650
TOTAL CHARGES FOR SERVICES	1,079,725	994,839
OTHER REVENUES:		
Other Income	4,985	1,074
TOTAL OTHER REVENUES	4,985	1,074
TOTAL REVENUES	1,084,710	995,913
OPERATING EXPENSES:		
Personnel:		
Salaries & Wages	204,324	176,333
Payroll Taxes	15,924	12,968
Pension Expense	15,803	14,884
Health Insurance	39,540	27,198
Total Personnel	275,591	231,383
Professional Fees:		
Engineering	10,357	7,830
Legal Fees	0	7,593
Total Professional Fees	10,357	15,423
Supplies & Contract Services:		
Dues & Memberships	8,880	5,253
Contract Labor	4,296	3,650
Office Supplies	2,148	169
Postage	3,616	4,783
Public Notices	35	2,705
License & Permits	3,946	6,961
Testing	26,433	22,124
Bank Fees	10,425	9,821
Trash Collection	91,644	88,239
Insurance-Property & Liability	26,111	22,128
Vehicle Expenses	12,979	7,653
Uniforms	2,517	2,553
Total Supplies & Contract Services	193,030	176,039
Repair & Maintenance:		
Supplies	37,457	23,309
Equipment Repairs	27,688	0
System Maintenance	7,208	136,152
Total Repair & Maintenance	72,353	159,461

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

For the Years Ended September 30, 2018 & 2017

	<u>2018</u>	<u>2017</u>
Utilities:		
Telephone	3,947	4,720
Gas & Electric	38,151	43,380
Total Utilities	42,098	48,100
Travel & Training:		
Training	1,984	557
Water Purchases	369,096	288,664
Depreciation	345,370	352,084
TOTAL OPERATING EXPENSES	1,309,879	1,271,711
OPERATING LOSS	(225,169)	(275,798)
NON-OPERATING REVENUES & (EXPENSES):		
Investment Income	170	57
Water Tower Lease	13,254	774
Interest Expense	(802)	(5,836)
TOTAL NON-OPERATING REVENUES & (EXPENSES)	12,622	(5,005)
INCOME (LOSS) BEFORE TRANSFERS	(212,547)	(280,803)
TRANSFERS:		
Transfer from General Fund	204,166	13,500
CHANGE IN NET POSITION	(8,381)	(267,303)
NET POSITION - BEGINNING OF YEAR	3,606,474	3,873,777
PRIOR PERIOD ADJUSTMENT - (SEE NOTE 7)	(6,987)	0
NET POSITION - END OF YEAR	\$ 3,591,106	\$ 3,606,474

WILLIAM C. SPORE, P.C.
Certified Public Accountants
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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, 2018, 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

February 26, 2019