

**CITY OF RHOME, TEXAS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

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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, 2017, 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, 2017, 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 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 8, 2018

**CITY OF RHOME, TEXAS**

**CITY OFFICIALS**

**September 30, 2017**

<b>MAYOR</b>	Michelle Pittman Di Credico
<b>MAYOR PRO TEM</b>	Sam Eason
<b>COUNCIL MEMBERS</b>	Kenny Crenshaw
	Colton Lorange
	Leeanne MacKowski
	Charles Pennington
<b>CITY SECRETARY</b>	Shannon Montgomery
<b>MUNICIPAL COURT JUDGE</b>	Renee Culp
<b>ATTORNEY</b>	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, 2017. 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, 2017, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,314,204 (net position), a decrease of \$62,539 over the prior period.
- Of the total Government-Wide Net Position, \$819,772 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Fund ending fund balance was \$1,314,028. The unassigned General Fund balance is \$529,942 or 41% of General Fund expenditures.
- The City's long-term debts total \$2,579,158. 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.

- 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 17 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2015
Current & Other Assets	\$ 1,404,068	\$ 727,917	\$ 347,910	\$ 346,946	\$ 1,751,978	\$ 1,074,863
Capital Assets	1,854,424	1,889,029	3,476,779	3,796,348	5,331,203	5,685,377
Total Assets	<u>3,258,492</u>	<u>2,616,946</u>	<u>3,824,689</u>	<u>4,143,294</u>	<u>7,083,181</u>	<u>6,760,240</u>
Deferred Outflows	\$ 57,843	66,520	23,366	28,919	81,209	95,439
Long-Term Liabilities	2,526,307	2,049,346	111,616	139,050	2,637,923	2,188,396
Other Liabilities	82,298	114,228	128,664	151,181	210,962	265,409
Total Liabilities	<u>2,608,605</u>	<u>2,163,574</u>	<u>240,280</u>	<u>290,231</u>	<u>2,848,885</u>	<u>2,453,805</u>
Deferred Inflows	0	16,926	1,301	8,205	1,301	25,131
Net Position:						
Invested in Capital Assets, net of Related Debt	32,159	(112,429)	3,379,886	3,665,722	3,412,045	3,553,293
Restricted	82,387	59,784	0	0	82,387	59,784
Unrestricted	593,184	555,611	226,588	208,055	819,772	763,666
Total Net Position	<u>\$ 707,730</u>	<u>\$ 502,966</u>	<u>\$ 3,606,474</u>	<u>\$ 3,873,777</u>	<u>\$ 4,314,204</u>	<u>\$ 4,376,743</u>

At September 30, 2017, the City had total assets of \$7,083,181 which included capital assets of \$5,331,203. These capital assets represent 75% of the City's total assets. The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net position (assets and deferred inflows less liabilities and deferred outflows) decreased \$62,539, a 1.43% decrease in net position during the fiscal year. Restricted net position is \$82,387 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$819,772 or 19% 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, 2017 \$660,000 of these proceeds were held in a construction bank account to be expended in fiscal year 2018. This amount is included in the \$1,404,068 governmental activities current and other assets in the statement of net position.

### 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, 2017</u>	<u>Year Ended Sept. 30, 2016</u>	<u>Year Ended Sept. 30, 2017</u>	<u>Year Ended Sept. 30, 2016</u>	<u>Year Ended Sept. 30, 2017</u>	<u>Year Ended Sept. 30, 2016</u>
Revenues:						
Program Revenues:						
Fees, Fines and Charges						
for Services	\$ 566,161	\$ 601,118	\$ 996,687	\$ 964,534	\$ 1,562,848	\$ 1,565,652
Operating Grants & Contribution	84,385	91,221	0	0	84,385	91,221
Capital Grants & Contributions	20,900	0	0	0	20,900	0
General Revenue:						
Property Taxes	604,039	672,561	--	--	604,039	672,561
Sales and Hotel/Motel Taxes	520,890	449,300	--	--	520,890	449,300
Franchise Fees	70,650	73,670	--	--	70,650	73,670
Interest Income	169	143	57	149	226	292
Transfers	(13,500)	0	13,500	0	0	0
Total Revenues	<u>1,853,694</u>	<u>1,888,013</u>	<u>1,010,244</u>	<u>964,683</u>	<u>2,863,938</u>	<u>2,852,696</u>
Expenses:						
General Government	700,418	655,478	--	--	700,418	655,478
Public Safety	759,477	636,965	--	--	759,477	636,965
Cultural & Recreation	25,566	23,980	--	--	25,566	23,980
Interest on Long-Term Debt	163,469	96,886	5,836	3,626	169,305	100,512
Water & Sewer	--	--	1,271,711	1,228,475	1,271,711	1,228,475
Total Expenses	<u>1,648,930</u>	<u>1,413,309</u>	<u>1,277,547</u>	<u>1,232,101</u>	<u>2,926,477</u>	<u>2,645,410</u>
Change in Net Position	\$ <u>204,764</u>	\$ <u>474,704</u>	\$ <u>(267,303)</u>	\$ <u>(267,418)</u>	\$ <u>(62,539)</u>	\$ <u>207,286</u>

Governmental activities revenues (before transfers) decreased \$20,819 (1.10%) when compared to 2016. This decrease is primarily due to the City temporarily closing its impound lot causing a loss of \$70,000 in revenues in 2017 compared to 2016. The City also had a decrease in property tax revenues of \$68,522 related to a reduction in the assessed value of property within the City. The decrease in impound lot fees and property tax revenues was partially offset by an increase in sales tax revenues of \$71,590.

Governmental activities expenditures increased \$235,621 from 2016 to 2017. General government expenses increased primarily due to building repairs incurred in 2017 related to roof repairs and asbestos abatement in the City Hall complex. Public safety (police and fire) expenditures increased during 2017 due to increases in police personnel costs and an increase in fire department supplies and minor equipment costs.

Fiscal year 2017 water and sewer revenues increased \$32,153 (2.40%) from 2016 and water and sewer 2017 expenses increased \$43,236 (3.52%) over 2016 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 \$1,314,028 which is an increase of \$733,588 from the prior year. In August 2017 the City issued \$699,000 of tax notes. These proceeds are included in general fund revenues. Of these proceeds only \$39,000 had been expended by September 30, 2017 therefore, \$660,000 of the \$733,588 increase in fund balance during 2017 is due to the unspent portion of the tax note proceeds. These unspent proceeds will be expended during fiscal year 2018 and will result in a \$660,000 decrease in the general fund, fund balance in 2018. The components of the governmental fund balances are as follows:

	As of September 30,	
	2017	2016
Restricted Funds:		
Court Security & Technology	\$ 36,397	\$ 24,034
Hotel/Motel	22,603	0
Capital Improvments	660,000	0
Debt Service	56,970	35,750
Total Restricted	775,970	59,784
Unassigned	538,058	520,656
Total Fund Balance	\$ 1,314,028	\$ 580,440

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 \$226,588 and the net position of the water and sewer fund decreased \$267,303 from the prior period.

## GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2017 is as follows:

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 786,192	\$ 780,350	\$ (5,842)
Municipal Court Fines & Fees	450,000	472,195	22,195
Licenses & Permits	30,000	65,963	35,963
Charges for Services	71,000	2,725	(68,275)
Intergovernmental Revenues	61,900	83,135	21,235
Donations/Grants	26,550	22,150	(4,400)
Other Revenues	10,100	25,278	15,178
Investment Income	0	87	87
Proceeds form Issuance of Debt	0	700,000	700,000
Transfer to Water & Sewer	0	(13,500)	(13,500)
Transfer from Debt Service	0	83,788	83,788
Total Revenues	\$ 1,435,742	\$ 2,222,171	\$ 786,429

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Administration	\$ 388,300	\$ 486,190	\$ (97,890)
Municipal Court	215,462	224,742	(9,280)
Parks	9,625	9,265	360
Police	674,518	628,879	45,639
Fire Department	145,691	160,727	(15,036)
Total Expenditures	<u>1,433,596</u>	<u>1,509,803</u>	<u>(76,207)</u>
Excess of Revenues Over Expenditures	\$ <u>2,146</u>	\$ <u>712,368</u>	\$ <u>710,222</u>

Actual fund basis revenues were \$786,429 greater than amended budgeted revenues primarily due to the issuance of a note payable (\$40,000) and tax notes (\$660,000 net after issuance costs) and transfers for the debt service fund (\$83,788) which were not included in the budget.

Actual fund basis expenditures were \$76,207 (5.05%) greater than budgeted expenditures primarily due to capital outlay expenditures related to building improvements which were not included in the budget. These expenditures were paid from the proceeds of a note payable in the amount of \$40,000.

## 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. On a reporting basis, The City's financial statements reflect a Net Pension Liability as of September 30, 2017 of \$58,765 which is 9.64% of the City's annual covered payroll of \$609,349.

## CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2017 amounts to \$5,331,203 (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 2017 include a police vehicle for \$42,306, fire department equipment of \$29,326, building improvements of \$40,000 and the water and sewer system improvements of \$32,515. The City's capital assets, net of accumulated depreciation, are as follows:

CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)						
CAPITAL ASSETS:	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 60,524	\$ 49,224	\$ 6,492	\$ 6,492	\$ 67,016	\$ 55,716
Buildings & Improvements	342,973	319,298	0	0	342,973	319,298
Equipment	431,642	465,526	59,111	106,117	490,753	571,643
Streets & Infrastructure	1,019,285	1,054,981	3,411,176	0	4,430,461	1,054,981
Waterworks & Sewer System	0	0		3,683,739	0	3,683,739
Net Capital Assets	\$ 1,854,424	\$ 1,889,029	\$ 3,476,779	\$ 3,796,348	\$ 5,331,203	\$ 5,685,377

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 2017, a water and sewer equipment note in the amount of \$40,000. Outstanding long-term debts are as follows:

LONG-TERM DEBTS:	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Capital Leases	\$ 144,749	\$ 169,761	\$ 0	\$ 0	\$ 144,749	\$ 169,761
Notes Payable	199,516	200,230	96,893	130,626	296,409	330,856
Bonds Payable	2,138,000	1,655,000	0	0	2,138,000	1,655,000
Total Long-Term Debts	\$ 2,482,265	\$ 2,024,991	\$ 96,893	\$ 130,626	\$ 2,579,158	\$ 2,155,617

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 2018 are \$2,058,748, a \$244,588 (13.48%) increase from 2017 budgeted revenues. The tax rate applied in the 2017 budget is .5234 cents per \$100 of valuation, the same rate as applied in the 2017 budget.

Budgeted general fund expenditures for fiscal year 2017 are \$2,058,560 and includes capital additions of \$100,000 and \$90,000 for new technology and communication equipment.

Water and sewer fund 2017 budgeted revenues are \$957,00, an increase of \$30,000 over the fiscal year 2017 actual revenues. Budgeted water and sewer fund expenditures are \$956,705 include \$250,000 for water purchases from Walnut Creek Special Utility District and a contingency reserve of \$43,500.

## **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](mailto:cityofrhome@earthlink.net).

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

For the Year Ended September 30, 2017

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash & Equivalents	\$ 382,244	\$ 142,754	\$ 524,998
Accounts Receivable (net)	110,008	125,918	235,926
Prepaid Expenses	29,034	19,284	48,318
Interfund Balances	20,039	(20,039)	0
Restricted Cash & Equivalents	862,743	79,993	942,736
Capital Assets:			
Land	60,524	6,492	67,016
Buildings & Improvements	498,706	0	498,706
Equipment	1,587,876	369,380	1,957,256
Infrastructure	1,904,692	0	1,904,692
Waterworks & Sanitary Sewer System	0	7,384,893	7,384,893
Less - Accumulated Depreciation	(2,197,374)	(4,283,986)	(6,481,360)
Total Capital Assets, Net of Accum. Depr.	<u>1,854,424</u>	<u>3,476,779</u>	<u>5,331,203</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,258,492</u>	<u>3,824,689</u>	<u>7,083,181</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Contributions After Measurement Date	\$ 22,490	7,724	30,214
Difference in Projected and Actual Earnings on Pension Assets	25,818	11,859	37,677
Difference in Expected and Actual Pension Experience	1,742	(1,301)	441
Difference in Assumption Changes on Pension Assets	7,793	3,783	11,576
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 57,843</u>	<u>22,065</u>	<u>79,908</u>
<b>LIABILITIES</b>			
Accounts Payable & Accrued Liabilities	55,967	35,309	91,276
Accrued Interest	6,196	2,290	8,486
Compensated Absences	20,135	8,874	29,009
Customer Deposits	0	82,191	82,191
Long-Term Debt-Due Within One Year	349,770	33,052	382,822
Long-Term Debt-Due in More than One Year	2,132,495	63,841	2,196,336
Net Pension Liability	44,042	14,723	58,765
<b>TOTAL LIABILITIES</b>	<u>2,608,605</u>	<u>240,280</u>	<u>2,848,885</u>
<b>NET POSITION</b>			
Invested in Capital Assets, net of Related Debt	32,159	3,379,886	3,412,045
Restricted for:			
Debt Service	35,750	0	35,750
Court Security & Technology	24,034	0	24,034
Hotel/Motel Special Revenue	22,603	0	22,603
Unrestricted	593,184	226,588	819,772
<b>TOTAL NET POSITION</b>	<u>\$ 707,730</u>	<u>\$ 3,606,474</u>	<u>\$ 4,314,204</u>

**CITY OF RHOME, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2017

	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ (700,418)	\$ 91,241	\$ 173	\$ 0	\$ (609,004)	--	(609,004)
Public Safety	(759,477)	474,920	83,775	20,900	(179,882)	--	(179,882)
Culture & Recreation	(25,566)	0	437	0	(25,129)	--	(25,129)
Interest & Other Costs on Long-Term Debt	(163,469)	0	0	0	(163,469)	--	(163,469)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>(1,648,930)</u>	<u>566,161</u>	<u>84,385</u>	<u>20,900</u>	<u>(977,484)</u>	--	--
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water & Sewer	<u>(1,277,547)</u>	<u>996,687</u>	<u>0</u>	<u>0</u>	<u>--</u>	<u>(280,860)</u>	<u>(280,860)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ (2,926,477)</u>	<u>\$ 1,562,848</u>	<u>\$ 84,385</u>	<u>\$ 20,900</u>	<u>\$ (977,484)</u>	<u>(280,860)</u>	<u>(1,258,344)</u>
<b>GENERAL REVENUE</b>							
Property Taxes					604,039	--	604,039
Sales Taxes					503,897	--	503,897
Hotel/Motel Taxes					16,993	--	16,993
Franchise Fees					70,650	--	70,650
Interest Income					169	57	226
Transfers					(13,500)	13,500	0
<b>TOTAL GENERAL REVENUE</b>					<u>1,182,248</u>	<u>13,557</u>	<u>1,195,805</u>
<b>CHANGE IN NET POSITION</b>					204,764	(267,303)	(62,539)
<b>NET POSITION - BEGINNING</b>					<u>502,966</u>	<u>3,873,777</u>	<u>4,376,743</u>
<b>NET POSITION - ENDING</b>					<u>\$ 707,730</u>	<u>\$ 3,606,474</u>	<u>\$ 4,314,204</u>

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

September 30, 2017

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL</b>
Cash	\$ 1,188,017	\$ 56,970	\$ 1,244,987
Receivables:			
Sales Taxes	90,972	0	90,972
Franchise Fees	1,761	0	1,761
Hotel/Motel Taxes	4,120	0	4,120
Property Taxes	5,674	7,481	13,155
Prepaid Expenses	8,116	0	8,116
Due From Water & Sewer	20,039	0	20,039
<b>TOTAL ASSETS</b>	<b>\$ 1,318,699</b>	<b>\$ 64,451</b>	<b>\$ 1,383,150</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 39,243	\$ 0	\$ 39,243
Accrued Liabilities	16,724	0	16,724
<b>TOTAL LIABILITIES</b>	<b>55,967</b>	<b>0</b>	<b>55,967</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue-Property Taxes	5,674	7,481	13,155
<b>FUND BALANCE</b>			
Non-Spendable:			
Prepaid Expenses	8,116	0	8,116
Restricted to:			
Court Security & Technology	36,397	0	36,397
Capital Improvements	660,000	0	660,000
Hotel/Motel Special Revenues	22,603	0	22,603
Debt Service	0	56,970	56,970
Unassigned	529,942	0	529,942
<b>TOTAL FUND BALANCE</b>	<b>1,257,058</b>	<b>56,970</b>	<b>1,314,028</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES</b>	<b>\$ 1,318,699</b>	<b>\$ 64,451</b>	<b>\$ 1,383,150</b>



**CITY OF RHOME, TEXAS**

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

*September 30, 2017*

Fund Balance Above \$ 1,314,028

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. 1,854,424

Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet. 13,155

Unamortized Bond Insurance are not financial resources and, therefore are not reported in the Fund balance Sheet. 20,918

Net Pension Liability and related Deferred Inflows/Outflows of Resources are not financial resources and, therefore, are not reported in the Fund Balance Sheet 13,801

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet. (2,508,596)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 707,730

**CITY OF RHOME, TEXAS**

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

*For the Year Ended September 30, 2017*

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>			
Property Taxes	\$ 188,810	\$ 424,691	\$ 613,501
Sales Taxes	503,897	0	503,897
Hotel/Motel Taxes	16,993	0	16,993
Franchise Fees	70,650	0	70,650
Permits & Fees	65,963	0	65,963
Municipal Court	472,195	0	472,195
Charges for Services	2,725	0	2,725
Intergovernmental	83,135	0	83,135
Donation Revenues	22,150	0	22,150
Miscellaneous Revenues	25,278	0	25,278
Interest Income	87	82	169
<b>TOTAL REVENUES</b>	<u>1,451,883</u>	<u>424,773</u>	<u>1,876,656</u>
<b>EXPENDITURES</b>			
General Government	648,111	0	648,111
Public Safety	636,470	0	636,470
Parks	7,265	0	7,265
Debt Service - Principal	65,726	1,833,000	1,898,726
Debt Service - Interest & Other Costs	57,062	103,765	160,827
Capital Outlay	134,169	0	134,169
<b>TOTAL EXPENDITURES</b>	<u>1,548,803</u>	<u>1,936,765</u>	<u>3,485,568</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(96,920)</u>	<u>(1,511,992)</u>	<u>(1,608,912)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
General Obligation Refunding Bonds Issued	0	1,617,000	1,617,000
Tax Notes Issued	699,000	0	699,000
Notes Payable Issued	40,000	0	40,000
Transfers to General Fund for Debt Service	83,788	(83,788)	0
Transfers to Water & Sewer Fund	(13,500)	0	(13,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>809,288</u>	<u>1,533,212</u>	<u>2,342,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	712,368	21,220	733,588
<b>FUND BALANCE - BEGINNING -</b>	544,690	35,750	580,440
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,257,058</u>	<u>\$ 56,970</u>	<u>\$ 1,314,028</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, 2017*

Net Change in Fund Balance - Governmental Funds \$ 733,588

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 134,169

Depreciation expense on capital assets (168,774)

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 (2,356,000)

Repayment on debt principle is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the statement of net position: 1,898,726

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 (9,462)

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 (13,402)

Accrued Interest on long-term debts (27)

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 2016): (11,439)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 204,764**

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

September 30, 2017

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 142,754
Accounts Receivable less Allowance for Doubtful Accounts	125,918
Prepaid Expenses	19,284
<b>TOTAL CURRENT ASSETS</b>	<u>287,956</u>

**NON-CURRENT ASSETS**

Restricted Cash	<u>79,993</u>
Capital Assets:	
Land	6,492
Equipment	369,380
Waterworks & Sanitary Sewer System	<u>7,384,893</u>
	7,760,765
Less Accumulated Depreciation	<u>(4,283,986)</u>
<b>NET CAPITAL ASSETS</b>	<u>3,476,779</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>3,844,728</u></b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension Contributions After Measurement Date	\$ 7,724
Difference in Projected and Actual Earnings on Pension Assets	11,859
Difference in Assumption Changes on Pension Assets	3,783
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ <u>23,366</u></b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$ 29,183
Accrued Payroll Liabilities	6,126
Accrued Interest	2,290
Accrued Compensated Absences	8,874
Due to General Fund	20,039
Customer Deposit Liability	82,191
Current Portion of Notes Payable	<u>33,052</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>181,755</u>

**NON-CURRENT LIABILITIES**

Notes Payable	63,841
Pension Liability	<u>14,723</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>78,564</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>260,319</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Difference in Expected and Actual Pension Experience	<u>\$ 1,301</u>
--	-----------------

**NET POSITION**

Invested in Capital Assets, net of Related Debt	\$ 3,379,886
Unrestricted	<u>226,588</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>3,606,474</u></b>

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

For the Year Ended September 30, 2017

**REVENUES:**

**CHARGES FOR SERVICES:**

Water, Sewer & Trash Charges	\$ 975,189
Tap Fees	19,650
<b>TOTAL CHARGES FOR SERVICES</b>	<u>994,839</u>

**OTHER REVENUES:**

Other Income	1,074
<b>TOTAL OTHER REVENUES</b>	<u>1,074</u>

<b>TOTAL REVENUES</b>	<u>995,913</u>
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**OPERATING EXPENSES:**

Depreciation	352,084
Personnel	231,383
Professional Fees	15,423
Repair & Maintenance	159,461
Supplies & Contract Services	176,039
Travel & Training	557
Utilities	48,100
Water Purchases	288,664

<b>TOTAL OPERATING EXPENSES</b>	<u>1,271,711</u>
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<b>OPERATING LOSS</b>	<u>(275,798)</u>
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**NON-OPERATING REVENUES & (EXPENSES):**

Investment Income	57
Water Tower Lease	774
Interest Expense	(5,836)
<b>TOTAL NON-OPERATING REVENUES &amp; (EXPENSES)</b>	<u>(5,005)</u>

<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(280,803)</u>
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**TRANSFERS:**

Transfer from General Fund	<u>13,500</u>
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<b>CHANGE IN NET POSITION</b>	(267,303)
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<b>NET POSITION - BEGINNING OF YEAR</b>	3,873,777
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<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,606,474</u>
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**CITY OF RHOME, TEXAS  
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 994,951
Cash Payments to Suppliers for Goods and Services	(736,272)
Cash Payments for Employees Services	(225,277)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>33,402</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers from General Fund	13,500
<b>NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>13,500</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of Capital Assets	(32,515)
Borrowings on Interfund Loans	9,723
Principal Paid on Notes Payable	(33,733)
Interest Paid on Notes Payable	(6,621)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(63,146)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	57
Tower Lease Income	774
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<u>831</u>
 <b>NET INCREASE IN CASH</b>	 (15,413)
 <b>CASH &amp; CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 238,160
 <b>CASH &amp; CASH EQUIVALENTS - END OF YEAR</b>	 \$ <u><u>222,747</u></u>
 <b>CASH &amp; CASH EQUIVALENTS PER STATEMENT OF NET ASSETS:</b>	
Current Assets - Cash	\$ 142,754
Noncurrent Assets - Restricted Cash	79,993
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<u>\$ 222,747</u>

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

Operating Income (Loss)	\$ (275,798)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	352,084
(Increase) Decrease in Receivables	(7,392)
(Increase) Decrease in Prepaid Expenses	(18,708)
(Increase) Decrease in Deferred Outflows of Resources	5,553
(Increase) Decrease in Pension Liability	6,239
Increase (Decrease) in Accounts Payable	(29,320)
Increase (Decrease) in Accrued Expenses	1,218
Increase (Decrease) in Deferred Inflows of Resources	(6,904)
Increase (Decrease) in Customer Deposits	6,430
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 33,402</u>

# CITY OF RHOME, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

### **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, 2017**

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 Town. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.



# CITY OF RHOME, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

### 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, 2017**

**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, 2017**

**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, 2017 was \$29,009.

**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, 2017**

**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, 2017**

**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, 2017.

**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, 2017 the following departments had expenditures that exceeded appropriations:

<u>Department</u>		<u>Excess of Expenditures over Budget</u>
Administration	\$	97,890
Municipal Court		9,280
Fire Department		15,036

**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 2: DEPOSITS:**

At September 30, 2017, the City's cash and cash equivalents were made up of the following:

Held at local banks	<u>\$ 1,467,734</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, 2017, 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, 2017, 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, 2017, 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, 2017, the City's bank balances (per bank) totaled \$1,613,926. Of the City's bank accounts, \$599,477 was covered by FDIC insurance. Of the remaining balances of \$1,014,449; \$996,338 was secured by collateral held by the pledging Bank's agent in the name of the City. The City was exposed to custodial credit risk at September 30, 2017 in the amount of \$18,111.

Securities pledged by the City's depository institution at September 30, 2017 are as follows:

SECURITY	FMV
FNMA FNMS 3%, 6/01/43	\$996,338

**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 3: CAPITAL ASSETS:**

Capital asset activity for the fiscal year ended September 30, 2017 is as follows:

<b>CAPITAL ASSETS GOVERNMENTAL ACTIVITIES</b>	<b>BEGINNING BALANCE</b>	<b>PURCHASES</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>
Capital Assets not Being Depreciated:				
Land	\$ 49,224	\$ 11,300	\$ 0	\$ 60,524
Capital Assets not Being Depreciated:				
Capital Assets Being Depreciated:				
Buildings, Improvements & Parks	445,268	53,438	0	498,706
Equipment	1,518,445	69,431	0	1,587,876
Streets & Infrastructure	1,904,692	0	0	1,904,692
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>3,868,405</u>	<u>122,869</u>	<u>0</u>	<u>3,991,274</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Buildings & Improvements	125,970	29,763	0	155,733
Equipment	1,052,919	103,315	0	1,156,234
Streets & Drainage	849,711	35,696	0	885,407
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>2,028,600</u>	<u>168,774</u>	<u>0</u>	<u>2,197,374</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 1,889,029</u>	<u>\$ (34,605)</u>	<u>\$ 0</u>	<u>\$ 1,854,424</u>

<b>CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:</b>	<b>BEGINNING BALANCE</b>	<b>PURCHASES</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>
Capital Assets not Being Depreciated:				
Land	\$ 6,492	\$ 0	\$ 0	\$ 6,492
Capital Assets not Being Depreciated:				
Capital Assets Being Depreciated:				
Equipment	369,380		0	369,380
Waterworks & Sewer System	7,352,378	32,515	0	7,384,893
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>7,721,758</u>	<u>32,515</u>	<u>0</u>	<u>7,754,273</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Equipment	263,263	47,006	0	310,269
Waterworks & Sanitary Sewer System	3,668,639	305,078	0	3,973,717
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>3,931,902</u>	<u>352,084</u>	<u>0</u>	<u>4,283,986</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 3,796,348</u>	<u>\$ (319,569)</u>	<u>\$ 0</u>	<u>\$ 3,476,779</u>

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

Capital Assets Continued

**DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:**

Administration	\$	46,964
Fire		57,107
Parks		18,301
Police		46,402
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$</b>	<b>168,774</b>

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

Water & Sewer	\$	352,084
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**DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:**

Administration	\$	59,476
Fire		58,226
Parks		13,888
Police		40,982
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$</b>	<b>172,572</b>

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

Water & Sewer	\$	351,294
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**NOTE 4: LONG-TERM DEBT:**

At September 30, 2017, 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	\$	148,333
Radios-Fire Department, 4.64% interest, annual payment of \$7,815, final payment due May 2019		21,428

Notes Payable & Finance Contracts:

Fire Truck, 4.132% interest, annual payments of \$15,721, final payment due May 2029		155,704
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**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

Police COP SYNC equipment, 5% interest, annual payments of \$13,051, final payment due August 2018	24,267
Police Vehicle, 5.29% interest, annual payments of \$10,940, final payment due November 2017	20,259
Building Improvements, 3.99% interest, monthly payments of \$1,739, final payment due March 2019	30,279

Bonds Payable:

General Obligation Refunding Bonds, Series 2016, due in annual installments through September 2025, bearing interest at 2.53% The bond proceeds were used to fully refund the City's Series 2007 General Obligation Refunding Bonds	1,439,000
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Tax Notes, Series 2017, due in annual installments through September 2024, bearing interest at 1.74%	699,000
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Total Governmental Activities	\$ <u>2,482,265</u>
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**Business-Type Activities:**

Notes Payable:

Truck, 4.75% interest, monthly payments of \$621, final payment due March 2018	\$ 10,767
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Truck, 3.85% interest, annual payments of \$32,903, final payment due October 2019	119,859
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Total Business-Type Activities	\$ <u>130,626</u>
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**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2017:

	<b>BEGINNING OF YEAR</b>	<b>NEW DEBT</b>	<b>REPAY- MENTS</b>	<b>END OF YEAR</b>	<b>CURRENT PORTION</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital Leases:					
Fire Truck	\$ 148,333	\$ 0	\$ 18,191	\$ 130,142	\$ 19,109
Radios-Fire Department	21,428	0	6,821	14,607	7,138
	<u>169,761</u>	<u>0</u>	<u>25,012</u>	<u>144,749</u>	<u>26,247</u>
Notes Payable & Finance Contracts:					
Fire Truck	155,704	0	9,287	146,417	9,671
Police Cop Sync Equipment	24,267	0	11,838	12,429	12,429
Police Vehicle	20,259	0	9,868	10,391	10,391
Building improvements	0	40,000	9,721	30,279	20,032
	<u>200,230</u>	<u>40,000</u>	<u>40,714</u>	<u>199,516</u>	<u>52,523</u>
Bonds Payable:					
General Obligation Refunding Bonds-2007	1,545,000	0	1,545,000	0	0
Tax Notes - 2010	110,000	0	110,000	0	
General Obligation Refunding Bonds-2016	0	1,617,000	178,000	1,439,000	163,000
Tax Notes - 2017	0	699,000	0	699,000	108,000
	<u>1,655,000</u>	<u>2,316,000</u>	<u>1,833,000</u>	<u>2,138,000</u>	<u>271,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	\$ <u>2,024,991</u>	\$ <u>2,356,000</u>	\$ <u>1,898,726</u>	\$ <u>2,482,265</u>	\$ <u>349,770</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Note Payable - Truck	\$ 119,859	\$ 0	\$ 26,640	\$ 93,219	\$ 29,378
Note Payable - Truck	10,767	0	7,093	3,674	3,674
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	\$ <u>130,626</u>	\$ <u>0</u>	\$ <u>33,733</u>	\$ <u>96,893</u>	\$ <u>33,052</u>

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

**Governmental Activities**

**General Obligation Bonds**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 163,000	\$ 36,407	\$ 199,407
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
2023-2025	577,000	29,424	606,424
<b>Total</b>	\$ <u>1,439,000</u>	\$ <u>169,206</u>	\$ <u>1,608,206</u>

**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**Tax Notes**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	108,000	11,994	119,994
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
2023-2024	146,000	3,079	149,079
<b>Total</b>	<b>\$ 699,000</b>	<b>\$ 44,584</b>	<b>\$ 119,994</b>

**Notes Payable**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 52,522	\$ 8,096	\$ 60,618
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
2023-2027	64,303	14,450	78,753
2028-2029	29,595	1,906	31,501
<b>Total</b>	<b>\$ 199,516</b>	<b>\$ 44,725</b>	<b>\$ 244,241</b>

**Capital Leases**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 26,246	\$ 7,250	\$ 33,496
2019	27,544	5,952	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
<b>Total</b>	<b>\$ 144,749</b>	<b>\$ 24,967</b>	<b>\$ 169,716</b>

**Business-Type Activities**

**Notes Payable**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 33,052	\$ 3,577	\$ 36,629
2019	30,509	2,394	32,903
2020	33,332	1,219	34,551
<b>Total</b>	<b>\$ 96,893</b>	<b>\$ 7,190</b>	<b>\$ 104,083</b>

**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 5: RETIREMENT PLAN:**

A. Plan Description

The City participates as one of 872 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at [www.TMRS.com](http://www.TMRS.com).

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

B. Benefits provided

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

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

The City has adopted the following plan provisions:

	Plan Year 2016	Plan Year 2017
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, 2017**

At the December 31, 2016 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	20
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 6.04% and 5.05% for the calendar years 2017 and 2016 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$38,798 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, 2015, 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, 2015 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, 2017

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, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

***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, 2015	\$ 866,919	\$ 834,080	\$ 32,839
Service Cost	83,298		83,298
Interest	60,103		60,103
Differences between expected and actual experience	19,175		19,175
Changes in assumptions	0		0
Contributions - employer		33,740	(33,740)
Contributions - employee		47,316	(47,316)
Net investment income		56,265	(56,265)
Benefit Payments, including refunds of employee contributions	(36,306)	(36,306)	0
Administrative expense		(637)	637
Other		(34)	34
Net Changes	<u>126,270</u>	<u>100,344</u>	<u>25,926</u>
Balance at December 31, 2016	\$ <u>993,189</u>	\$ <u>934,424</u>	\$ <u>58,765</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, 2017**

***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>204,585</u>	\$ <u>58,765</u>	\$ <u>(59,010)</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](http://www.tmrs.com).

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

For the year ended September 30, 2017 the City recognized pension expense of \$47,863. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2017, 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	\$ 37,677	\$ 0	\$ 37,677
Differences in assumptions	11,576	0	11,576
Differences between expected and actual economic experience	<u>441</u>	<u>0</u>	<u>441</u>
To be recognized in the future	49,694	0	\$ <u>49,694</u>
Contributions subsequent to the measurement date	30,214	0	
Total	\$ <u>79,908</u>	\$ <u>0</u>	



**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

\$30,214 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Supplemental Death Benefits Plan**

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post employment benefit,” or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefits payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire career. Contribution rates for the last four plan years (Retiree-only portion of the rate) are as follows:

Plan Year	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2017	0.18%	0.18%	100%
2016	0.14%	0.14%	100%
2015	0.13%	0.13%	100%
2014	0.20%	0.20%	100%

**CITY OF RHOME, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 6: 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 7: 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 \$288,664.

**NOTE 8: 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. 81, *Irrevocable Split-Interest Agreements*. This statement will not affect the City.
- Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No.73*. The effect of this statement will be recognized in the fiscal year 2018.
- Statement No. 83, *Certain Asset Retirement Obligations*. This statement will not affect the City.
- Statement No. 84, *Fiduciary Activities*. This statement will not affect the City.
- Statement No. 85, *Omnibus 2017*. The effect of this statement will be recognized in the fiscal year 2018.
- Statement No. 86, *Certain Debt Extinguishment Issues*. This statement will not affect the City.
- Statement No. 87, *Leases*. The effect of this statement will be recognized in the fiscal year 2021, with earlier application allowed.

New pronouncements not yet in effect as of September 30, 2017, 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 2017, as required.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF RHOME, TEXAS

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

September 30, 2017

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

# CITY OF RHOME, TEXAS

## SCHEDULE OF PENSION CONTRIBUTIONS

**September 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 38,798	\$ 29,384	\$ 25,493
Contributions in relation to the actuarially determined contribution	38,798	29,384	25,493
Contribution deficiency (excess)	0	0	0
Covered employee payroll	642,108	591,004	579,095
Contributions as a percentage of covered employee payroll	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	19 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, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2017

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<b>RESOURCES (INFLOWS):</b>				
<b>TAX REVENUES:</b>				
Property Taxes	\$ 259,192	\$ 259,192	\$ 188,810	\$ (70,382)
Sales Taxes	450,000	450,000	503,897	53,897
Hotel/Motel Taxes	0	0	16,993	16,993
Franchise Fees	77,000	77,000	70,650	(6,350)
<b>TOTAL TAX REVENUES</b>	<b>786,192</b>	<b>786,192</b>	<b>780,350</b>	<b>(5,842)</b>
Municipal Court Fines & Fees	450,000	450,000	472,195	22,195
<b>LICENSE &amp; PERMITS:</b>				
Permits	30,000	30,000	65,963	35,963
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>30,000</b>	<b>30,000</b>	<b>65,963</b>	<b>35,963</b>
<b>CHARGES FOR SERVICES:</b>				
Fire Revenues	16,000	16,000	2,555	(13,445)
Impound Fees & Auction Sales	55,000	55,000	170	(54,830)
<b>TOTAL CHARGES FOR SERVICES</b>	<b>71,000</b>	<b>71,000</b>	<b>2,725</b>	<b>(68,275)</b>
<b>INTERGOVERNMENTAL REVENUES</b>				
Tarrant County Fire Contract	7,500	7,500	7,500	0
Wise County Fire Contract	50,400	50,400	46,200	(4,200)
Fire Department Grants	4,000	4,000	28,398	24,398
Police Grants	0	0	1,037	1,037
<b>TOTAL INTERGOVERNMENTAL</b>	<b>61,900</b>	<b>61,900</b>	<b>83,135</b>	<b>21,235</b>
<b>DONATIONS/FUND RAISERS</b>				
Parks	6,550	6,550	437	(6,113)
Police	0	0	1,339	1,339
Fire	20,000	20,000	20,201	201
Other	0	0	173	173
<b>TOTAL DONATIONS/GRANTS</b>	<b>26,550</b>	<b>26,550</b>	<b>22,150</b>	<b>(4,400)</b>
<b>OTHER REVENUES:</b>				
Miscellaneous	10,100	10,100	25,278	15,178
<b>TOTAL OTHER REVENUES</b>	<b>10,100</b>	<b>10,100</b>	<b>25,278</b>	<b>15,178</b>
<b>INVESTMENT INCOME</b>	<b>0</b>	<b>0</b>	<b>87</b>	<b>87</b>
<b>PROCEEDS FROM ISSUING DEBT:</b>				
Series 2017 Tax Notes	0	0	699,000	699,000
Less Debt Issue Costs	0	0	(39,000)	(39,000)
Note Payable - Building Improvements	0	0	40,000	40,000
<b>NET PROCEEDS FROM ISSUING DEBT</b>	<b>0</b>	<b>0</b>	<b>700,000</b>	<b>700,000</b>

**CITY OF RHOME, TEXAS  
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2017

	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</b>
<b>TRANSFERS</b>				
Transfer from Debt Service Fund	0	0	83,788	83,788
Transfer to Water & Sewer Fund	0	0	(13,500)	(13,500)
<b>TOTAL TRANSFERS</b>	<b>0</b>	<b>0</b>	<b>70,288</b>	<b>70,288</b>
<b>TOTAL RESOURCES</b>	<b>\$ 1,435,742</b>	<b>\$ 1,435,742</b>	<b>\$ 2,222,171</b>	<b>\$ 786,429</b>
 <b>CHARGES TO APPROPRIATIONS:</b>				
<b>ADMINISTRATION</b>				
Personnel:				
Salaries & Wages	\$ 86,224	\$ 86,224	\$ 84,920	\$ 1,304
Payroll Taxes	7,755	7,755	8,221	(466)
Retirement	4,674	4,674	5,129	(455)
Health Insurance	17,396	17,396	13,050	4,346
<b>Total Personnel</b>	<b>116,049</b>	<b>116,049</b>	<b>111,320</b>	<b>4,729</b>
Professional Fees				
Accounting & Audit Fees	12,000	12,000	12,000	0
Engineer Services	10,000	10,000	17,530	(7,530)
Property Tax Services	8,000	12,500	14,523	(2,023)
Legal Fees	40,000	46,750	72,537	(25,787)
<b>Total Professional Fees</b>	<b>70,000</b>	<b>81,250</b>	<b>116,590</b>	<b>(35,340)</b>
Supplies & Contract Services:				
Advertising, Banquets & Awards	2,000	2,000	1,996	4
Animal Control	1,000	1,000	763	237
Contract Labor	12,500	7,250	7,138	112
Dues, Subscriptions & Equipment Rental	8,000	8,000	21,606	(13,606)
Inspection Services	22,000	22,000	23,919	(1,919)
Office Supplies	7,200	7,200	6,575	625
Postage	1,000	1,000	844	156
Technology & Software	4,000	2,500	2,718	(218)
Bank Fees	5,000	5,000	5,580	(580)
Insurance-Property & Liability	5,051	5,051	8,403	(3,352)
Library	0	0	600	(600)
Public Notices	1,000	1,000	2,081	(1,081)
Election	4,500	0	0	0
<b>Total Supplies &amp; Contract Services</b>	<b>73,251</b>	<b>62,001</b>	<b>82,223</b>	<b>(20,222)</b>
Repair & Maintenance:				
Streets	40,000	26,000	3,004	22,996
Building	52,000	66,000	68,395	(2,395)
<b>Total Repair &amp; Maintenance</b>	<b>92,000</b>	<b>92,000</b>	<b>71,399</b>	<b>20,601</b>

**CITY OF RHOME, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2017

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Utilities:				
Telephone	14,000	13,000	14,106	(1,106)
Gas & Electric	22,000	23,000	26,636	(3,636)
Total Utilities	36,000	36,000	40,742	(4,742)
Travel & Training:				
Education	1,000	1,000	1,095	(95)
Debt Service:				
Note Payable Building Improvements	0	0	10,525	(10,525)
Capital Outlay:				
Building Improvements	0	0	40,996	(40,996)
Easements	0	0	11,300	(11,300)
Total Capital Outlay	0	0	52,296	(52,296)
<b>TOTAL ADMINISTRATION</b>	<b>388,300</b>	<b>388,300</b>	<b>486,190</b>	<b>(97,890)</b>
<b>MUNICIPAL COURT</b>				
Personnel:				
Salaries & Wages	38,640	38,640	38,207	433
Payroll Taxes	3,476	3,476	2,950	526
Retirement	2,048	2,048	2,307	(259)
Health Insurance	8,698	8,698	10,187	(1,489)
Total Personnel	52,862	52,862	53,651	(789)
Supplies & Contract Services:				
Judge Services	12,600	7,500	8,100	(600)
Dues & Memberships	3,000	1,800	2,337	(537)
Office Supplies	1,100	1,500	1,614	(114)
Prosecutor	0	6,620	8,606	(1,986)
Postage	1,400	1,180	1,392	(212)
Building Security	6,000	6,000	849	5,151
State Court Fees	135,000	135,000	144,401	(9,401)
Training	500	500	300	200
Computer Software & IT Expense	3,000	2,500	3,492	(992)
Total Supplies & Contract Services	162,600	162,600	171,091	(8,491)
<b>TOTAL MUNICIPAL COURT</b>	<b>215,462</b>	<b>215,462</b>	<b>224,742</b>	<b>(9,280)</b>
<b>PARKS:</b>				
Contract Services:				
Supplies & Maintenance	7,625	7,625	7,265	360
Total Contract Services	7,625	7,625	7,265	360
Capital Outlay:				
Park Improvements	2,000	2,000	2,000	0
<b>TOTAL PARKS</b>	<b>9,625</b>	<b>9,625</b>	<b>9,265</b>	<b>360</b>



**CITY OF RHOME, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2017

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<b>POLICE:</b>				
Personnel:				
Salaries & Wages	355,570	355,570	353,887	1,683
Payroll Taxes	30,197	30,197	36,903	(6,706)
Retirement	18,555	18,555	21,366	(2,811)
Health Insurance	60,886	60,886	60,945	(59)
Total Personnel	465,208	465,208	473,101	(7,893)
Supplies & Contract Services:				
Dues & Memberships	2,000	2,000	1,230	770
Supplies & Minor Equipment	8,000	8,000	1,409	6,591
Office Supplies	2,000	2,000	2,496	(496)
Postage	300	300	306	(6)
Impound Lot	22,000	22,000	143	21,857
Insurance-Property & Liability	20,631	20,631	18,494	2,137
Vehicle Expenses	28,000	33,000	37,296	(4,296)
Uniforms	6,000	6,000	2,261	3,739
Total Supplies & Contract Services	88,931	93,931	63,635	30,296
Repair & Maintenance:				
Equipment	5,000	0	3,072	(3,072)
Utilities:				
Telephone	7,400	7,400	8,132	(732)
Gas & Electric	4,000	4,000	3,350	650
Total Utilities	11,400	11,400	11,482	(82)
Travel & Training:				
Training	4,500	4,500	3,151	1,349
Debt Service:				
Note Payments	49,479	49,479	23,891	25,588
Capital Outlay:				
Equipment	50,000	50,000	50,547	(547)
<b>TOTAL POLICE</b>	<b>674,518</b>	<b>674,518</b>	<b>628,879</b>	<b>45,639</b>

**CITY OF RHOME, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2017

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<b>FIRE DEPARTMENT</b>				
Contract Services:				
Contract Labor	12,000	2,554	2,914	(360)
Supplies & Minor Equipment	51,871	35,065	23,514	11,551
Fire Safety Program	850	900	1,790	(890)
Vehicle Expenses	4,000	4,000	3,660	340
Dues & Subscriptions	3,300	5,400	7,789	(2,389)
Volunteer Insurance	4,000	4,000	3,670	330
Property & Liability Insurance	9,300	10,500	10,645	(145)
Uniforms	2,000	2,000	5,128	(3,128)
Total Contract Services	87,321	64,419	59,110	5,309
Repair & Maintenance:				
Equipment Maintenance	21,500	15,000	13,504	1,496
Training:				
Training	1,200	1,200	1,703	(503)
Utilities:				
Telephone	3,700	3,000	2,954	46
Gas & Electric	5,000	4,500	4,759	(259)
Total Utilities	8,700	7,500	7,713	(213)
Debt Service:				
Note Payments	7,970	49,372	49,372	0
Capital Outlay:				
Equipment	19,000	8,200	29,325	(21,125)
<b>TOTAL FIRE DEPARTMENT</b>	<b>145,691</b>	<b>145,691</b>	<b>160,727</b>	<b>(15,036)</b>
<b>TOTAL EXPENDITURES</b>	<b>1,433,596</b>	<b>1,433,596</b>	<b>1,509,803</b>	<b>(76,207)</b>
<b>EXCESS OF CURRENT RESOURCES OVER (UNDER) APPROPRIATIONS</b>	2,146	2,146	712,368	\$ 710,222
<b>BUDGETARY FUND BALANCE: BEGINNING OF YEAR</b>	544,690	544,690	544,690	
<b>END OF YEAR</b>	\$ 546,836	\$ 546,836	\$ 1,257,058	

## **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, 2017 & 2016

	<u>2017</u>	<u>2016</u>
<b>REVENUES:</b>		
<b>CHARGES FOR SERVICES:</b>		
Water, Sewer & Trash Charges	\$ 975,189	\$ 911,693
Tap Fees	19,650	43,150
<b>TOTAL CHARGES FOR SERVICES</b>	<b>994,839</b>	<b>954,843</b>
<b>OTHER REVENUES:</b>		
Other Income	1,074	2,301
<b>TOTAL OTHER REVENUES</b>	<b>1,074</b>	<b>2,301</b>
<b>TOTAL REVENUES</b>	<b>995,913</b>	<b>957,144</b>
<b>OPERATING EXPENSES:</b>		
Personnel:		
Salaries & Wages	176,333	169,695
Payroll Taxes	12,968	13,210
Retirement	14,884	14,359
Health Insurance	27,198	28,549
Prior Years TMRS	0	2,284
Total Personnel	<b>231,383</b>	<b>228,097</b>
Professional Fees:		
Engineering	7,830	26,148
Legal Fees	7,593	0
Total Professional Fees	<b>15,423</b>	<b>26,148</b>
Supplies & Contract Services:		
Dues & Memberships	5,253	1,894
Contract Labor	3,650	4,454
Computer & IT Services	0	2,199
Office Supplies	169	1,153
Postage	4,783	4,091
Public Notices	2,705	4,508
License & Permits	6,961	5,050
Testing	22,124	21,832
Bank Fees	9,821	6,502
Trash Collection	88,239	83,966
Insurance-Property & Liability	22,128	18,163
Vehicle Expenses	7,653	6,015
Uniforms	2,553	1,369
Total Supplies & Contract Services	<b>176,039</b>	<b>161,196</b>
Repair & Maintenance:		
Supplies	23,309	32,012
System Maintenance	136,152	80,291
Total Repair & Maintenance	<b>159,461</b>	<b>112,303</b>

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

For the Years Ended September 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
Utilities:		
Telephone	4,720	3,794
Gas & Electric	43,380	52,055
Total Utilities	48,100	55,849
Travel & Training:		
Training	557	0
Water Purchases	288,664	293,588
Depreciation	352,084	351,294
<b>TOTAL OPERATING EXPENSES</b>	<b>1,271,711</b>	<b>1,228,475</b>
<b>OPERATING LOSS</b>	<b>(275,798)</b>	<b>(271,331)</b>
<b>NON-OPERATING REVENUES &amp; (EXPENSES):</b>		
Investment Income	57	149
Water Tower Lease	774	7,390
Interest Expense	(5,836)	(3,626)
<b>TOTAL NON-OPERATING REVENUES &amp; (EXPENSES)</b>	<b>(5,005)</b>	<b>3,913</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(280,803)</b>	<b>(267,418)</b>
<b>TRANSFERS:</b>		
Transfer from General Fund	13,500	0
<b>CHANGE IN NET POSITION</b>	<b>(267,303)</b>	<b>(267,418)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>3,873,777</b>	<b>4,141,195</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 3,606,474</b>	<b>\$ 3,873,777</b>

**WILLIAM C. SPORE, P.C.**  
**Certified Public Accountants**  
**200 N. Rufe Snow Dr., Ste 116**  
**Keller, TX 76248**  
**817-421-66114**

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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, 2017, 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 8, 2018