

CITY OF RHOME, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions, the schedule of Total OPEB Liability and related ratios and the budgetary comparison schedule for the general fund be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

William C. Spore, P.C.

Certified Public Accountants
Keller, Texas
March 10, 2020

CITY OF RHOME, TEXAS

CITY OFFICIALS

September 30, 2019

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

CITY OF RHOME, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

As management of the City of Rhome, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. 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, 2019, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,411,128 (net position), an increase of \$59,061 over the prior period.
- Of the total Government-Wide Net Position, \$1,141,544 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 \$938,593. The unassigned General Fund balance is \$592,497 or 39% of General Fund expenditures.
- The City's long-term debts total \$4,539,288. Long-term debt borrowing is used by the City to acquire equipment and infrastructure that the City uses to provide services to its' citizens.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position (page 11) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 12) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current & Other Assets | \$ 1,024,675 | \$ 1,056,670 | \$ 2,921,246 | \$ 361,562 | \$ 3,945,921 | \$ 1,418,232 |
| Capital Assets | 1,926,725 | 1,923,221 | 3,291,267 | 3,399,386 | 5,217,992 | 5,322,607 |
| Total Assets | <u>2,951,400</u> | <u>2,979,891</u> | <u>6,212,513</u> | <u>3,760,948</u> | <u>9,163,913</u> | <u>6,740,839</u> |
| Deferred Outflows | \$ 80,536 | 28,557 | 27,805 | 12,390 | 108,341 | 40,947 |
| Long-Term Liabilities | 1,878,729 | 2,132,496 | 2,753,639 | 53,663 | 4,632,368 | 2,186,159 |
| Other Liabilities | 76,972 | 94,006 | 122,425 | 120,248 | 199,397 | 214,254 |
| Total Liabilities | <u>1,955,701</u> | <u>2,226,502</u> | <u>2,876,064</u> | <u>173,911</u> | <u>4,831,765</u> | <u>2,400,413</u> |
| Deferred Inflows | <u>20,194</u> | <u>20,985</u> | <u>9,167</u> | <u>8,321</u> | <u>29,361</u> | <u>29,306</u> |
| Net Position: | | | | | | |
| Invested in Capital Assets, net of Related Debt | 119,091 | 450,725 | 3,023,956 | 3,345,723 | 3,143,047 | 3,796,448 |
| Restricted | 126,537 | 101,927 | 0 | 0 | 126,537 | 101,927 |
| Unrestricted | 810,413 | 208,309 | 331,131 | 245,383 | 1,141,544 | 453,692 |
| Total Net Position | <u>\$ 1,056,041</u> | <u>\$ 760,961</u> | <u>\$ 3,355,087</u> | <u>\$ 3,591,106</u> | <u>\$ 4,411,128</u> | <u>\$ 4,352,067</u> |

At September 30, 2019, the City had total assets of \$9,163,913 which included capital assets of \$5,217,992 and unspent bond proceeds of \$2,675,497 (restricted to capital improvements). These capital assets and unspent bond proceeds represent 86% of the City's total assets. The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net position (assets and deferred inflows less liabilities and deferred outflows) increased \$59,061, a 1.36% increase in net position during the fiscal year. Restricted net position is \$126,537 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$1,141,544 or 26% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of City's Operations

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Year Ended Sept. 30, 2019 | Year Ended Sept. 30, 2018 | Year Ended Sept. 30, 2019 | Year Ended Sept. 30, 2018 | Year Ended Sept. 30, 2019 | Year Ended Sept. 30, 2018 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Fees, Fines and Charges | | | | | | |
| for Services | \$ 365,673 | \$ 433,397 | \$ 973,883 | \$ 1,097,964 | \$ 1,339,556 | \$ 1,531,361 |
| Operating Grants & Contribution | 107,789 | 93,954 | 100,000 | 0 | 207,789 | 93,954 |
| Capital Grants & Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| General Revenue: | | | | | | |
| Property Taxes | 703,848 | 650,221 | -- | -- | 703,848 | 650,221 |
| Sales and Hotel/Motel Taxes | 810,690 | 644,581 | -- | -- | 810,690 | 644,581 |
| Franchise Fees | 74,760 | 73,008 | -- | -- | 74,760 | 73,008 |
| Interest Income | 731 | 701 | 23,886 | 170 | 24,617 | 871 |
| Transfers | (34,468) | (204,166) | 34,468 | 204,166 | 0 | 0 |
| Total Revenues | <u>2,029,023</u> | <u>1,691,696</u> | <u>1,132,237</u> | <u>1,302,300</u> | <u>3,161,260</u> | <u>2,993,996</u> |
| Expenses: | | | | | | |
| General Government | 815,368 | 798,014 | -- | -- | 815,368 | 798,014 |
| Public Safety | 833,686 | 728,812 | -- | -- | 833,686 | 728,812 |
| Cultural & Recreation | 29,164 | 29,078 | -- | -- | 29,164 | 29,078 |
| Interest on Long-Term Debt | 55,725 | 64,596 | 67,008 | 802 | 122,733 | 65,398 |
| Water & Sewer | -- | -- | 1,301,248 | 1,309,879 | 1,301,248 | 1,309,879 |
| Total Expenses | <u>1,733,943</u> | <u>1,620,500</u> | <u>1,368,256</u> | <u>1,310,681</u> | <u>3,102,199</u> | <u>2,931,181</u> |
| Change in Net Position | \$ <u>295,080</u> | \$ <u>71,196</u> | \$ <u>(236,019)</u> | \$ <u>(8,381)</u> | \$ <u>59,061</u> | \$ <u>62,815</u> |

Governmental activities revenues (before transfers) increased \$167,629 (8.85%) when compared to 2018. Sales tax revenues of \$166,109 (26%) and property tax revenues of \$53,627 (8%) increased in fiscal year 2019 while municipal court revenues decreased \$82,163 (23%).

Governmental activities expenditures increased \$113,443 from 2018 to 2019. General government expenses increased \$97,596 primarily due to an increase in personnel costs, engineering costs and computer software support. Public safety (police and fire) expenditures increased during 2019 due to increases in police personnel costs as the police department was short officers in the prior fiscal year.

Fiscal year 2019 water and sewer operating revenues decreased \$124,081 (11%) as there was less water and sewer usage in 2019 compared to 2018. Water and sewer 2019 expenses increased \$55,575 (4.4%) over 2018 expenses. The increase in water and sewer expenses is primarily due to the increase in interest expense related to the issuance of the 2019 general obligation bonds in the amount of \$2,620,000.

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 \$938,593 which is a decrease of \$34,523 from the prior year. Governmental Fund expenditures in 2019 included \$191,575 of capital outlay expenditures which contributed to the decrease in fund balance for the fiscal year. The components of the governmental fund balances are as follows:

| | As of September 30, | |
|--------------------------------|---------------------|------------|
| | 2,019 | 2018 |
| Non-Spendable: | | |
| Prepaid Expenses | \$ 7,024 | \$ 14,300 |
| Restricted Funds: | | |
| Security, Technology & Seizure | 52,148 | 46,610 |
| National Night Out | 1,537 | 0 |
| Hotel/Motel | 58,555 | 41,020 |
| Capital Improvments | 210,294 | 256,075 |
| Debt Service | 16,538 | 14,297 |
| Total Restricted | 339,072 | 358,002 |
| Unassigned | 592,497 | 600,814 |
| Total Fund Balance | \$ 938,593 | \$ 973,116 |

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 \$331,131 and the net position of the water and sewer fund decreased \$236,019 from the prior period.

GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2019 is as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------|---------------|---------------|-----------------|
| Revenues: | | | |
| Taxes | \$ 971,372 | \$ 1,210,187 | \$ 238,815 |
| Municipal Court Fines & Fees | 297,500 | 271,730 | (25,770) |
| Licenses & Permits | 110,000 | 56,079 | (53,921) |
| Charges for Services | 19,250 | 27,189 | 7,939 |
| Intergovernmental Revenues | 78,400 | 77,549 | (851) |
| Donations/Grants | 25,000 | 30,240 | 5,240 |
| Other Revenues | 15,300 | 42,930 | 27,630 |
| Investment Income | 100 | 184 | 84 |
| Total Revenues | \$ 1,516,922 | \$ 1,716,088 | \$ 199,166 |

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|--------------------|--------------------|------------------|
| Expenditures: | | | |
| Administration | \$ 451,261 | \$ 475,352 | \$ (24,091) |
| Municipal Court | 83,965 | 99,589 | (15,624) |
| Building Development | 151,752 | 197,861 | (46,109) |
| Parks | 16,400 | 16,269 | 131 |
| Police | 641,534 | 712,729 | (71,195) |
| Fire Department | 243,527 | 241,443 | 2,084 |
| Total Expenditures | <u>1,588,439</u> | <u>1,743,243</u> | <u>(154,804)</u> |
| Excess of Revenues Over Expenditures | | | |
| Before Transfers | \$ <u>(71,517)</u> | \$ <u>(27,155)</u> | \$ <u>44,362</u> |
| Transfers: | | | |
| Transfer from Debt Service | <u>0</u> | <u>49,372</u> | <u>49,372</u> |
| Total Transfers | \$ <u>0</u> | \$ <u>49,372</u> | \$ <u>49,372</u> |
| Excess of Revenues Over Expenditures | \$ <u>(71,517)</u> | \$ <u>22,217</u> | \$ <u>93,734</u> |

Actual fund basis revenues exceeded budgeted revenues by \$199,166 (13.1%) primarily due to actual sales tax revenues exceeding budgeted sales tax revenues by \$231,866. Permit revenues were under budget (\$25,770) as the anticipated new subdivisions in the City were not progressing as quickly as the City had anticipated.

Actual fund basis expenditures were \$154,804 (9.8%) over budgeted expenditures. This unfavorable variance was primarily due to engineering and computer software support expenditures being over budget.

PENSIONS

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

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

Due to poor investment performance during 2018 the City's net pension liability increased \$74,665 to a balance of \$64,410 as of December 31, 2018. This increase in net pension liability caused the City's matching contribution rate to increase from 7.73% to 7.79%.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2019 amounts to \$5,217,992 (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 2019 include computer equipment - \$1,157, police vehicles - \$89,835, fire department truck and equipment – \$48,083, drainage improvements - \$40,466, park fence - \$5,803 and water and sewer equipment and system improvements of \$222,844. The City's capital assets, net of accumulated depreciation, are as follows:

| CAPITAL ASSETS: | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 60,524 | \$ 60,524 | \$ 6,492 | \$ 6,492 | \$ 67,016 | \$ 67,016 |
| Construction in Progress | 6,231 | 0 | 252,914 | 201,467 | 259,145 | 201,467 |
| Buildings & Improvements | 400,046 | 442,985 | 0 | 0 | 400,046 | 442,985 |
| Equipment | 472,760 | 436,050 | 24,516 | 43,818 | 497,276 | 479,868 |
| Streets & Infrastructure | 987,164 | 983,662 | 0 | 0 | 987,164 | 983,662 |
| Waterworks & Sewer System | 0 | 0 | 3,007,345 | 3,147,609 | 3,007,345 | 3,147,609 |
| Net Capital Assets | <u>\$ 1,926,725</u> | <u>\$ 1,923,221</u> | <u>\$ 3,291,267</u> | <u>\$ 3,399,386</u> | <u>\$ 5,217,992</u> | <u>\$ 5,322,607</u> |

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

DEBT ADMINISTRATION

The City added one new long-term debt in fiscal year 2019, general obligation bonds-series 2019 for water and sewer system improvements in the amount of \$2,620,000. Outstanding long-term debts are as follows:

| LONG-TERM DEBTS: | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Capital Leases | \$ 90,959 | \$ 118,502 | \$ 0 | \$ 0 | \$ 90,959 | \$ 118,502 |
| Notes Payable | 126,675 | 146,994 | 18,779 | 53,663 | 145,454 | 200,657 |
| Bonds Payable | 1,590,000 | 1,867,000 | 2,620,000 | 0 | 4,210,000 | 1,867,000 |
| Total Long-Term Debts | <u>\$ 1,807,634</u> | <u>\$ 2,132,496</u> | <u>\$ 2,638,779</u> | <u>\$ 53,663</u> | <u>\$ 4,446,413</u> | <u>\$ 2,186,159</u> |

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2020 are \$2,376,696, a \$215,288 (10%) increase from 2019 budgeted revenues. The tax rate applied in the 2020 budget is .444139 cents per \$100 of valuation which is reduction of .032186 cents per \$100 of valuation from the rate applied in the 2019 budget.

Budgeted general fund expenditures for fiscal year 2020 are \$2,376,696 and includes salary and wages increases totaling \$95,492 and street repairs of \$100,000.

Water and sewer fund 2020 budgeted revenues are \$1,042,100, an increase of \$10,000 over the prior year budgeted revenues. Budgeted water and sewer fund expenditures are \$1,040,714 include \$270,000 for water purchases from Walnut Creek Special Utility District.

REQUEST FOR INFORMATION

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

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

For the Year Ended September 30, 2019

| | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTAL |
|---|------------------------------------|---|----------------------------|
| ASSETS | | | |
| Cash & Equivalents | \$ 203,010 | \$ 177,775 | \$ 380,785 |
| Accounts Receivable (net) | 196,338 | 144,338 | 340,676 |
| Prepaid Expenses | 22,712 | 11,071 | 33,783 |
| Interfund Balances | 40,833 | (40,833) | 0 |
| Restricted Cash & Equivalents | 561,782 | 2,628,895 | 3,190,677 |
| Capital Assets: | | | |
| Land | 60,524 | 6,492 | 67,016 |
| Buildings & Improvements | 637,751 | 0 | 637,751 |
| Equipment | 1,793,880 | 398,353 | 2,192,233 |
| Infrastructure | 1,945,158 | 0 | 1,945,158 |
| Waterworks & Sanitary Sewer System | 0 | 7,593,827 | 7,593,827 |
| Construction in Progress | 6,231 | 252,914 | 259,145 |
| Less - Accumulated Depreciation | (2,516,819) | (4,960,319) | (7,477,138) |
| Total Capital Assets, Net of Accum. Depr. | <u>1,926,725</u> | <u>3,291,267</u> | <u>5,217,992</u> |
| TOTAL ASSETS | \$ <u>2,951,400</u> | \$ <u>6,212,513</u> | \$ <u>9,163,913</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Contributions After Measurement Date | \$ 39,259 | \$ 11,927 | \$ 51,186 |
| Difference in Projected and Actual Earnings on Pension Assets | 41,277 | 15,878 | 57,155 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ <u>80,536</u> | \$ <u>27,805</u> | \$ <u>108,341</u> |
| LIABILITIES | | | |
| Accounts Payable & Accrued Liabilities | \$ 50,747 | \$ 20,202 | \$ 70,949 |
| Accrued Interest | 3,424 | 12,334 | 15,758 |
| Compensated Absences | 22,801 | 14,393 | 37,194 |
| Customer Deposits | 0 | 75,496 | 75,496 |
| Long-Term Debt-Due Within One Year | 314,575 | 4,971 | 319,546 |
| Long-Term Debt-Due in More than One Year | 1,493,059 | 2,726,683 | 4,219,742 |
| Net Pension Liability | 50,493 | 13,917 | 64,410 |
| OPEB Liability | 20,602 | 8,068 | 28,670 |
| TOTAL LIABILITIES | \$ <u>1,955,701</u> | \$ <u>2,876,064</u> | \$ <u>4,831,765</u> |
| DEFERED INFLOWS OF RESOURCES | | | |
| Difference in Expected and Actual Pension Experience | \$ 21,791 | \$ 7,389 | \$ 29,180 |
| Difference in Assumption Changes on Pension Assets | (1,597) | 1,778 | 181 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ <u>20,194</u> | \$ <u>9,167</u> | \$ <u>29,361</u> |
| NET POSITION | | | |
| Invested in Capital Assets, net of Related Debt | \$ 119,091 | \$ 3,023,956 | \$ 3,143,047 |
| Restricted for: | | | |
| Debt Service | 14,297 | 0 | 14,297 |
| Security, Technology, Seizure & NNO | 53,685 | 0 | 53,685 |
| Hotel/Motel Special Revenue | 58,555 | 0 | 58,555 |
| Unrestricted | 810,413 | 331,131 | 1,141,544 |
| TOTAL NET POSITION | \$ <u>1,056,041</u> | \$ <u>3,355,087</u> | \$ <u>4,411,128</u> |

CITY OF RHOME, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

| | | FINES, FEES & CHARGES FOR SERVICES | | OPERATING GRANTS & DONATIONS | | CAPITAL GRANTS & DONATIONS | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL | | | |
|--|-----------|--|-----------|------------------------------------|-----------|----------------------------------|----------------------------|---------------------------------|---------------------|---------------------------|-------------------------|---------------------------|
| EXPENSES | | | | | | | | | | | | |
| FUNCTIONS/PROGRAMS | | | | | | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | | | | |
| General Government | \$ | (815,368) | \$ | 65,649 | \$ | 0 | \$ | 0 | \$ | (749,719) | -- | (749,719) |
| Public Safety | | (833,686) | | 300,024 | | 105,411 | | 0 | | (428,251) | -- | (428,251) |
| Culture & Recreation | | (29,164) | | 0 | | 2,378 | | 0 | | (26,786) | -- | (26,786) |
| Interest on Long-Term Debt | | (55,725) | | 0 | | 0 | | 0 | | (55,725) | -- | (55,725) |
| TOTAL GOVERNMENTAL ACTIVITIES | | <u>(1,733,943)</u> | | <u>365,673</u> | | <u>107,789</u> | | <u>0</u> | | <u>(1,260,481)</u> | -- | -- |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | | | | |
| Water & Sewer | | <u>(1,368,256)</u> | | <u>973,883</u> | | <u>100,000</u> | | <u>0</u> | | <u>--</u> | <u>(294,373)</u> | <u>(294,373)</u> |
| TOTAL PRIMARY GOVERNMENT | \$ | <u>(3,102,199)</u> | \$ | <u>1,339,556</u> | \$ | <u>207,789</u> | \$ | <u>0</u> | \$ | <u>(1,260,481)</u> | <u>(294,373)</u> | <u>(1,554,854)</u> |
| GENERAL REVENUE | | | | | | | | | | | | |
| Property Taxes | | | | | | | | 703,848 | -- | 703,848 | | 703,848 |
| Sales Taxes | | | | | | | | 791,866 | -- | 791,866 | | 791,866 |
| Hotel/Motel Taxes | | | | | | | | 18,824 | -- | 18,824 | | 18,824 |
| Franchise Fees | | | | | | | | 74,760 | -- | 74,760 | | 74,760 |
| Interest Income | | | | | | | | 731 | 23,886 | 24,617 | | 24,617 |
| Transfers | | | | | | | | (34,468) | 34,468 | 0 | | 0 |
| TOTAL GENERAL REVENUE | | | | | | | | <u>1,555,561</u> | <u>58,354</u> | <u>1,613,915</u> | | <u>1,613,915</u> |
| CHANGE IN NET POSITION | | | | | | | | 295,080 | (236,019) | 59,061 | | 59,061 |
| NET POSITION - BEGINNING | | | | | | | | <u>760,961</u> | <u>3,591,106</u> | <u>4,352,067</u> | | <u>4,352,067</u> |
| NET POSITION - ENDING | | | | | | | | <u>\$ 1,056,041</u> | <u>\$ 3,355,087</u> | <u>\$ 4,411,128</u> | | <u>\$ 4,411,128</u> |

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

September 30, 2019

| ASSETS | GENERAL FUND | DEBT SERVICE FUND | CIP FUND | TOTAL |
|---|-------------------------|------------------------------|---------------------|---------------------|
| Cash | \$ 513,350 | \$ 16,538 | \$ 234,904 | \$ 764,792 |
| Receivables: | | | | |
| Sales Taxes | 158,825 | 0 | 0 | 158,825 |
| Franchise Fees | 2,031 | 0 | 0 | 2,031 |
| Hotel/Motel Taxes | 5,629 | 0 | 0 | 5,629 |
| Property Taxes | 9,037 | 10,610 | 0 | 19,647 |
| Developer Escrow | 10,206 | 0 | 0 | 10,206 |
| Prepaid Expenses | 5,924 | 0 | 1,100 | 7,024 |
| Due from Other Funds | 24,610 | 0 | (24,610) | 0 |
| Due From Water & Sewer | 40,833 | 0 | 0 | 40,833 |
| TOTAL ASSETS | \$ 770,445 | \$ 27,148 | \$ 211,394 | \$ 1,008,987 |
| | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 50,736 | \$ 0 | \$ 0 | \$ 50,736 |
| Accrued Liabilities | 11 | 0 | 0 | 11 |
| TOTAL LIABILITIES | 50,747 | 0 | 0 | 50,747 |
| | | | | |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue-Property Taxes | 9,037 | 10,610 | 0 | 19,647 |
| | | | | |
| FUND BALANCE | | | | |
| Non-Spendable: | | | | |
| Prepaid Expenses | 5,924 | 0 | 1,100 | 7,024 |
| Restricted to: | | | | |
| Security, Technology & Seizure | 52,148 | 0 | 0 | 52,148 |
| National Night Out | 1,537 | 0 | 0 | 1,537 |
| Capital Improvements | 0 | 0 | 210,294 | 210,294 |
| Hotel/Motel Special Revenues | 58,555 | 0 | 0 | 58,555 |
| Debt Service | 0 | 16,538 | 0 | 16,538 |
| Unassigned | 592,497 | 0 | 0 | 592,497 |
| TOTAL FUND BALANCE | 710,661 | 16,538 | 211,394 | 938,593 |
| | | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES | \$ 770,445 | \$ 27,148 | \$ 211,394 | \$ 1,008,987 |

CITY OF RHOME, TEXAS

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

September 30, 2019

| | |
|---|----------------------------|
| Fund Balance Above | \$ 938,593 |
| 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. | 1,926,725 |
| Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet. | 19,647 |
| Unamortized Bond Insurance are not financial resources and, therefore are not reported in the Fund balance Sheet. | 15,688 |
| Net Pension Asset, Net OPEB Liability and related Deferred Inflows/Outflows of Resources are not financial resources and, therefore, are not reported in the Fund Balance Sheet | (10,753) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet. | (1,833,859) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u>1,056,041</u> |

CITY OF RHOME, TEXAS

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

For the Year Ended September 30, 2019

| | GENERAL FUND | DEBT SERVICE FUND | CIP FUND | TOTAL |
|--|-------------------------|------------------------------|---------------------|-------------------|
| REVENUES | | | | |
| Property Taxes | \$ 324,737 | \$ 381,579 | \$ 0 | \$ 706,316 |
| Sales Taxes | 791,866 | 0 | 0 | 791,866 |
| Hotel/Motel Taxes | 18,824 | 0 | 0 | 18,824 |
| Franchise Fees | 74,760 | 0 | 0 | 74,760 |
| Permits & Fees | 56,079 | 0 | 0 | 56,079 |
| Municipal Court | 271,730 | 0 | 0 | 271,730 |
| Charges for Services | 27,189 | 0 | 0 | 27,189 |
| Intergovernmental | 77,549 | 0 | 0 | 77,549 |
| Donation Revenues | 30,240 | 0 | 0 | 30,240 |
| Miscellaneous Revenues | 42,930 | 0 | 0 | 42,930 |
| Interest Income | 184 | 20 | 527 | 731 |
| TOTAL REVENUES | <u>1,716,088</u> | <u>381,599</u> | <u>527</u> | <u>2,098,214</u> |
| EXPENDITURES | | | | |
| General Government | 731,179 | 0 | 18,809 | 749,988 |
| Public Safety | 766,882 | 0 | 0 | 766,882 |
| Parks | 10,466 | 0 | 0 | 10,466 |
| Debt Service - Principal | 37,614 | 287,248 | 0 | 324,862 |
| Debt Service - Interest | 11,758 | 42,738 | 0 | 54,496 |
| Capital Outlay | 185,344 | 0 | 6,231 | 191,575 |
| TOTAL EXPENDITURES | <u>1,743,243</u> | <u>329,986</u> | <u>25,040</u> | <u>2,098,269</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>(27,155)</u> | <u>51,613</u> | <u>(24,513)</u> | <u>(55)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to General Fund from Debt Service | 49,372 | (49,372) | 0 | 0 |
| Transfers to CIP Fund | 0 | 0 | 0 | 0 |
| Transfers to Water & Sewer Fund | 0 | 0 | (34,468) | (34,468) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>49,372</u> | <u>(49,372)</u> | <u>(34,468)</u> | <u>(34,468)</u> |
| NET CHANGE IN FUND BALANCES | 22,217 | 2,241 | (58,981) | (34,523) |
| FUND BALANCE - BEGINNING - | 688,444 | 14,297 | 270,375 | 973,116 |
| FUND BALANCE - ENDING | <u>\$ 710,661</u> | <u>\$ 16,538</u> | <u>\$ 211,394</u> | <u>\$ 938,593</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, 2019

| | |
|--|--------------------------|
| Net Change in Fund Balance - Governmental Funds | \$ (34,523) |
| 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 | 191,575 |
| Depreciation expense on capital assets | (155,816) |
| Issuing new long-term debt is a revenue source in the governmental funds, but new long-term debt increases long-term liabilities in the statement of net position | 0 |
| Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position: | 324,862 |
| 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 | (2,468) |
| Cost of Assets Sold | (32,255) |
| 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 | 6,309 |
| Accrued Interest on long-term debts | 1,386 |
| Amortization of Prepaid Bond Insurance | (2,615) |
| Governmental funds report pension expense as it paid into the retirement plan during the fiscal year. However, in the statement of activities pension expense reflects the change in net pension asset during the plan fiscal year (calendar year 2018): | (1,375) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u>295,080</u> |

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

September 30, 2019

ASSETS

CURRENT ASSETS

| | | |
|--|----|---------|
| Cash | \$ | 177,775 |
| Accounts Receivable less Allowance for Doubtful Accounts | | 144,338 |
| Prepaid Expenses | | 11,071 |

| | | |
|-----------------------------|--|----------------|
| TOTAL CURRENT ASSETS | | <u>333,184</u> |
|-----------------------------|--|----------------|

NON-CURRENT ASSETS

| | | |
|------------------------------------|--|-----------|
| Restricted Cash | | 2,628,895 |
| Capital Assets: | | |
| Land | | 6,492 |
| Equipment | | 398,353 |
| Waterworks & Sanitary Sewer System | | 7,593,827 |
| Construction in Progress | | 252,914 |

8,251,586

| | | |
|-------------------------------|--|--------------------|
| Less Accumulated Depreciation | | <u>(4,960,319)</u> |
|-------------------------------|--|--------------------|

| | | |
|---------------------------|--|------------------|
| NET CAPITAL ASSETS | | <u>3,291,267</u> |
|---------------------------|--|------------------|

| | | |
|---------------------|----|------------------|
| TOTAL ASSETS | \$ | <u>6,253,346</u> |
|---------------------|----|------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|---|----|--------|
| Pension Contributions After Measurement Date | \$ | 11,927 |
| Difference in Projected and Actual Earnings on Pension Assets | | 15,878 |

| | | |
|---|----|---------------|
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ | <u>27,805</u> |
|---|----|---------------|

LIABILITIES

CURRENT LIABILITIES

| | | |
|----------------------------------|----|--------|
| Accounts Payable | \$ | 20,202 |
| Accrued Interest | | 12,334 |
| Accrued Compensated Absences | | 14,393 |
| Due to General Fund | | 40,833 |
| Customer Deposit Liability | | 75,496 |
| Current Portion of Notes Payable | | 4,971 |

| | | |
|----------------------------------|--|----------------|
| TOTAL CURRENT LIABILITIES | | <u>168,229</u> |
|----------------------------------|--|----------------|

NON-CURRENT LIABILITIES

| | | |
|---------------------------------|--|-----------|
| General Obligation Bond Payable | | 2,712,875 |
| Notes Payable | | 13,808 |
| Net Pension Liability | | 13,917 |
| OPEB Liability | | 8,068 |

| | | |
|--------------------------------------|--|------------------|
| TOTAL NON-CURRENT LIABILITIES | | <u>2,748,668</u> |
|--------------------------------------|--|------------------|

| | | |
|--------------------------|----|------------------|
| TOTAL LIABILITIES | \$ | <u>2,916,897</u> |
|--------------------------|----|------------------|

DEFERRED INFLOWS OF RESOURCES

| | | |
|--|----|-------|
| Difference in Expected and Actual Pension Experience | \$ | 7,389 |
| Difference in Assumption Changes on Pension Assets | | 1,778 |

| | | |
|--|----|--------------|
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ | <u>9,167</u> |
|--|----|--------------|

NET POSITION

| | | |
|---|----|-----------|
| Invested in Capital Assets, net of Related Debt | \$ | 3,023,956 |
| Unrestricted | | 331,131 |

| | | |
|---------------------------|----|------------------|
| TOTAL NET POSITION | \$ | <u>3,355,087</u> |
|---------------------------|----|------------------|

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

For the Year Ended September 30, 2019

REVENUES:

CHARGES FOR SERVICES:

| | |
|-----------------------------------|----------------|
| Water, Sewer & Trash Charges | \$ 949,834 |
| Tap Fees | 8,000 |
| TOTAL CHARGES FOR SERVICES | <u>957,834</u> |

OTHER REVENUES:

| | |
|-----------------------------|--------------|
| Other Income | 5,753 |
| TOTAL OTHER REVENUES | <u>5,753</u> |

| | |
|-----------------------|----------------|
| TOTAL REVENUES | <u>963,587</u> |
|-----------------------|----------------|

OPERATING EXPENSES:

| | |
|------------------------------|---------|
| Depreciation | 330,963 |
| Personnel | 275,441 |
| Repair & Maintenance | 63,400 |
| Supplies & Contract Services | 191,217 |
| Travel & Training | 717 |
| Utilities | 38,724 |
| Water Purchases | 298,108 |

| | |
|---------------------------------|------------------|
| TOTAL OPERATING EXPENSES | <u>1,198,570</u> |
|---------------------------------|------------------|

| | |
|-----------------------|------------------|
| OPERATING LOSS | <u>(234,983)</u> |
|-----------------------|------------------|

NON-OPERATING REVENUES & (EXPENSES):

| | |
|--|-----------------|
| Investment Income | 23,886 |
| Water Tower Lease | 10,296 |
| Developer Contribution | 100,000 |
| Debt Issue Costs | (102,678) |
| Interest Expense | (67,008) |
| TOTAL NON-OPERATING REVENUES & (EXPENSES) | <u>(35,504)</u> |

| | |
|---------------------------------------|------------------|
| INCOME (LOSS) BEFORE TRANSFERS | <u>(270,487)</u> |
|---------------------------------------|------------------|

TRANSFERS:

| | |
|----------------------------|---------------|
| Transfer from General Fund | <u>34,468</u> |
|----------------------------|---------------|

| | |
|-------------------------------|-----------|
| CHANGE IN NET POSITION | (236,019) |
|-------------------------------|-----------|

| | |
|---|-----------|
| NET POSITION - BEGINNING OF YEAR | 3,591,106 |
|---|-----------|

| | |
|-----------------------------------|---------------------|
| NET POSITION - END OF YEAR | <u>\$ 3,355,087</u> |
|-----------------------------------|---------------------|

**CITY OF RHOME, TEXAS
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2019

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash Received from Customers | \$ 940,950 |
| Cash Payments to Suppliers for Goods and Services | (591,848) |
| Cash Payments for Employees Services | (274,667) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>74,435</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Transfers from General Fund | 34,468 |
| NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES | <u>34,468</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition of Capital Assets | (222,844) |
| Developer Contributions | 100,000 |
| Borrowings on Interfund Loans | 35,650 |
| Borrowings on long-term debt | 2,610,197 |
| Principal Paid on Notes Payable | (34,884) |
| Interest Paid on Notes Payable | (54,674) |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>2,433,445</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest on Investments | 23,886 |
| Tower Lease Income | 10,296 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | <u>34,182</u> |
| NET INCREASE IN CASH | 2,576,530 |
| CASH & CASH EQUIVALENTS - BEGINNING OF YEAR | <u>230,140</u> |
| CASH & CASH EQUIVALENTS - END OF YEAR | <u>\$ 2,806,670</u> |
| CASH & CASH EQUIVALENTS PER STATEMENT OF NET ASSETS: | |
| Current Assets - Cash | \$ 177,775 |
| Noncurrent Assets - Restricted Cash | 2,628,895 |
| TOTAL CASH & CASH EQUIVALENTS | <u>\$ 2,806,670</u> |

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

| | |
|---|------------------|
| Operating Income (Loss) | \$ (234,983) |
| Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 330,963 |
| (Increase) Decrease in Receivables | (12,306) |
| (Increase) Decrease in Prepaid Expenses | (11,071) |
| (Increase) Decrease in Deferred Outflows of Resources | (22,992) |
| Increase (Decrease) in Accounts Payable | 11,389 |
| Increase (Decrease) in Accrued Expenses | (2,413) |
| Increase (Decrease) in Pension & OPEB Liability | 17,756 |
| Increase (Decrease) in Deferred Inflows of Resources | 8,423 |
| Increase (Decrease) in Customer Deposits | (10,331) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 74,435</u> |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019

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

The City does not allocate indirect costs.

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

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

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

The following fund types are used by the City.

1. Governmental Funds:

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

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

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

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 principal 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, 2019

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, 2019

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, 2019 was \$38,772.

8. Deferred Outflows of Resources:

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) 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 end and (2) differences between the plans' projected and actual earnings on pension assets.

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.

No deferred outflows of resources affect the governmental funds financial statements in the current year.

9. Deferred Inflows of resources:

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements include (1) a deferred inflow of resources for revenues that are not considered available (2) the difference between expected and actual pension experience and (3) differences in assumption changes on pension assets.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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. Deferred inflows related differences between expected and actual pension experience will be amortized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred inflows related to differences between actuarial assumptions for demographic factors will be amortized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

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, 2019

12. Capitalized Interest:

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

F: BUDGETS AND BUDGETARY ACCOUNTING:

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

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2019 the following departments had expenditures that exceeded appropriations:

| <u>Department</u> | | <u>Excess of Expenditures over Budget</u> |
|----------------------|----|---|
| Administration | \$ | 24,091 |
| Municipal Court | | 15,624 |
| Building Development | | 46,109 |
| Police | | 71,195 |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2: DEPOSITS:

At September 30, 2019, the City's cash and cash equivalents were made up of the following:

| | |
|---------------------|------------------|
| Held at local banks | \$ 1,130,869 |
| Held at TexStar | 1,219,981 |
| Held at Logic | <u>1,220,612</u> |
| | <u>3,571,462</u> |

Deposit and Investment Risk Disclosures:

(1) Interest rate risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment. As of September 30, 2019, 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, 2019, 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, 2019, 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, 2019, the City's bank balances (per bank) totaled \$1,092,585. Of the City's bank accounts, \$500,000 was covered by FDIC insurance. All of the remaining balances of \$592,585; was secured by collateral held by the pledging Bank's agent in the name of the City. The City was not exposed to custodial credit risk at September 30, 2019.

Securities pledged by the City's depository institution at September 30, 2019 are as follows:

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 3: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2019 is as follows:

| CAPITAL ASSETS GOVERNMENTAL ACTIVITIES | BEGINNING BALANCE | PURCHASES | RETIREMENTS | ENDING BALANCE |
|---|------------------------------|------------------|--------------------|---------------------------|
| Capital Assets not Being Depreciated: | | | | |
| Capital Assets not Being Depreciated: | | | | |
| Land | \$ 60,524 | \$ 0 | \$ 0 | \$ 60,524 |
| Construction in Progress | 0 | 6,231 | 0 | 6,231 |
| Total Capital Assets not Being Depreciated | <u>60,524</u> | <u>6,231</u> | <u>0</u> | <u>66,755</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings, Improvements & Parks | 631,948 | 5,803 | 0 | 637,751 |
| Equipment | 1,688,957 | 139,075 | (34,152) | 1,793,880 |
| Streets & Infrastructure | 1,904,692 | 40,466 | 0 | 1,945,158 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | <u>4,225,597</u> | <u>185,344</u> | <u>(34,152)</u> | <u>4,376,789</u> |
| LESS ACCUMULATED DEPRECIATION | | | | |
| Buildings & Improvements | 188,963 | 48,742 | 0 | 237,705 |
| Equipment | 1,252,907 | 70,110 | (1,897) | 1,321,120 |
| Streets & Drainage | 921,030 | 36,964 | 0 | 957,994 |
| TOTAL ACCUMULATED DEPRECIATION | <u>2,362,900</u> | <u>155,816</u> | <u>(1,897)</u> | <u>2,516,819</u> |
| TOTAL CAPITAL ASSETS, NET | <u>\$ 1,923,221</u> | <u>\$ 35,759</u> | <u>\$ (32,255)</u> | <u>\$ 1,926,725</u> |

| CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES: | BEGINNING BALANCE | PURCHASES | RETIREMENTS | ENDING BALANCE |
|---|------------------------------|---------------------|--------------------|---------------------------|
| Capital Assets not Being Depreciated: | | | | |
| Capital Assets not Being Depreciated: | | | | |
| Land | \$ 6,492 | \$ 0 | \$ 0 | \$ 6,492 |
| Construction in Progress | 201,467 | 188,329 | (136,882) | 252,914 |
| Total Capital Assets not Being Depreciated | <u>207,959</u> | <u>188,329</u> | <u>(136,882)</u> | <u>259,406</u> |
| Capital Assets not Being Depreciated: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Equipment | 394,853 | 3,500 | 0 | 398,353 |
| Waterworks & Sewer System | 7,425,930 | 31,015 | 136,882 | 7,593,827 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | <u>7,820,783</u> | <u>34,515</u> | <u>136,882</u> | <u>7,992,180</u> |
| LESS ACCUMULATED DEPRECIATION | | | | |
| Equipment | 351,035 | 22,802 | 0 | 373,837 |
| Waterworks & Sanitary Sewer System | 4,278,321 | 308,161 | 0 | 4,586,482 |
| TOTAL ACCUMULATED DEPRECIATION | <u>4,629,356</u> | <u>330,963</u> | <u>0</u> | <u>4,960,319</u> |
| TOTAL CAPITAL ASSETS, NET | <u>\$ 3,399,386</u> | <u>\$ (108,119)</u> | <u>\$ 0</u> | <u>\$ 3,291,267</u> |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Capital Assets Continued

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

| | | |
|-----------------------------------|-----------|-----------------------|
| Administration | \$ | 67,008 |
| Fire | | 46,966 |
| Parks | | 18,698 |
| Police | | <u>23,144</u> |
| TOTAL DEPRECIATION EXPENSE | \$ | <u>155,816</u> |

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

| | | |
|---------------|----|----------------|
| Water & Sewer | \$ | <u>330,963</u> |
|---------------|----|----------------|

NOTE 4: LONG-TERM DEBT:

At September 30, 2019, 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 | \$ | 90,959 |
|---|----|--------|

Notes Payable & Finance Contracts:

| | | |
|--|--|---------|
| Fire Truck, 4.132% interest, annual payments of \$15,721, final payment due May 2029 | | 126,675 |
|--|--|---------|

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 | | 1,111,000 |
|--|--|-----------|

| | | |
|--|--|---------|
| Tax Notes, Series 2017, due in annual installments through September 2024, bearing interest at 1.74% | | 479,000 |
|--|--|---------|

| | | |
|-------------------------------|----|------------------|
| Total Governmental Activities | \$ | <u>1,807,634</u> |
|-------------------------------|----|------------------|

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Notes Payable:

Truck, 4.10% interest, monthly payments of \$473,
final payment due April 2023 \$ 18,779

General Obligation Improvement Bonds, Series 2019,
due in annual installments through August 2044
bearing interest at 3% to 4%.
The bond proceeds will be used to improve and extend
the City's water and sewer system. 2,620,000

Total Business-Type Activities \$ 2,638,779

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2019:

| | <u>BEGINNING OF YEAR</u> | <u>NEW DEBT</u> | <u>REPAY- MENTS</u> | <u>END OF YEAR</u> | <u>CURRENT PORTION</u> |
|--|------------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital Leases: | | | | | |
| Fire Truck | \$ 111,033 | \$ 0 | \$ 20,074 | \$ 90,959 | \$ 21,088 |
| Radios-Fire Department | 7,469 | 0 | 7,469 | 0 | 0 |
| | <u>118,502</u> | <u>0</u> | <u>27,543</u> | <u>90,959</u> | <u>21,088</u> |
| Notes Payable & Finance Contracts: | | | | | |
| Fire Truck | 136,746 | 0 | 10,071 | 126,675 | 10,487 |
| Police Cop Sync Equipment | 0 | 0 | 0 | 0 | 0 |
| Police Vehicle | 0 | 0 | 0 | 0 | 0 |
| Building improvements | 10,248 | 0 | 10,248 | 0 | 0 |
| | <u>146,994</u> | <u>0</u> | <u>20,319</u> | <u>126,675</u> | <u>10,487</u> |
| Bonds Payable: | | | | | |
| General Obligation Refunding Bonds- 2016 | 1,276,000 | 0 | 165,000 | 1,111,000 | 173,000 |
| Tax Notes - 2017 | 591,000 | 0 | 112,000 | 479,000 | 110,000 |
| | <u>1,867,000</u> | <u>0</u> | <u>277,000</u> | <u>1,590,000</u> | <u>283,000</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ <u>2,132,496</u> | \$ <u>0</u> | \$ <u>324,862</u> | \$ <u>1,807,634</u> | \$ <u>314,575</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Note Payable - Truck | \$ 30,132 | \$ 0 | \$ 30,132 | \$ 0 | \$ 0 |
| Note Payable - Truck | 23,531 | 0 | 4,752 | 18,779 | 4,971 |
| General Obligation Bond-2019 Less deferred amounts-issuance premiums | 0 | 2,620,000 | 0 | 2,620,000 | 0 |
| | <u>0</u> | <u>92,875</u> | <u>0</u> | <u>92,875</u> | <u>0</u> |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$ <u>53,663</u> | \$ <u>2,712,875</u> | \$ <u>34,884</u> | \$ <u>2,638,779</u> | \$ <u>4,971</u> |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

Governmental Activities

General Obligation Bonds

| Year | Principal | Interest | Total |
|--------------|---------------------|-------------------|---------------------|
| 2020 | \$ 173,000 | \$ 28,108 | \$ 201,108 |
| 2021 | 177,000 | 23,731 | 200,731 |
| 2022 | 184,000 | 19,253 | 203,253 |
| 2023 | 187,000 | 14,598 | 201,598 |
| 2024 | 194,000 | 9,867 | 203,867 |
| 2025 | 196,000 | 4,959 | 200,959 |
| Total | \$ 1,111,000 | \$ 100,516 | \$ 1,211,516 |

Tax Notes

| Year | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2020 | 110,000 | 8,335 | 118,335 |
| 2021 | 112,000 | 6,421 | 118,421 |
| 2022 | 111,000 | 4,472 | 115,472 |
| 2023 | 115,000 | 2,540 | 117,540 |
| 2024 | 31,000 | 539 | 31,539 |
| Total | \$ 479,000 | \$ 22,307 | \$ 118,335 |

Notes Payable

| Year | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2020 | \$ 10,487 | \$ 5,263 | \$ 15,750 |
| 2021 | 10,920 | 4,831 | 15,751 |
| 2022 | 11,371 | 4,379 | 15,750 |
| 2023 | 11,841 | 3,910 | 15,751 |
| 2024 | 12,330 | 3,420 | 15,750 |
| 2025-2029 | 69,726 | 9,027 | 78,753 |
| Total | \$ 126,675 | \$ 30,830 | \$ 157,505 |

Capital Leases

| Year | Principal | Interest | Total |
|--------------|------------------|------------------|-------------------|
| 2020 | \$ 21,088 | \$ 4,593 | \$ 25,681 |
| 2021 | 22,153 | 3,528 | 25,681 |
| 2022 | 23,271 | 2,410 | 25,681 |
| 2023 | 24,447 | 1,234 | 25,681 |
| Total | \$ 90,959 | \$ 11,765 | \$ 102,724 |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Business-Type Activities

General Obligation Bonds

| Year | Principal | Interest | Total |
|--------------|---------------------|---------------------|---------------------|
| 2020 | \$ 0 | \$ 98,126 | \$ 98,126 |
| 2021 | 70,000 | 98,126 | 168,126 |
| 2022 | 75,000 | 96,026 | 171,026 |
| 2023 | 75,000 | 93,776 | 168,776 |
| 2024 | 80,000 | 91,526 | 171,526 |
| 2025-2029 | 430,000 | 419,680 | 849,680 |
| 2030-2034 | 510,000 | 332,730 | 842,730 |
| 2035-2039 | 625,000 | 222,130 | 847,130 |
| 2040-2044 | 755,000 | 88,267 | 843,267 |
| Total | \$ 2,620,000 | \$ 1,540,387 | \$ 4,160,387 |

Notes Payable

| Year | Principal | Interest | Total |
|--------------|------------------|-----------------|------------------|
| 2020 | \$ 4,998 | \$ 675 | \$ 5,673 |
| 2021 | 5,207 | 466 | 5,673 |
| 2022 | 5,424 | 248 | 5,672 |
| 2023 | 3,150 | 41 | 3,191 |
| Total | \$ 18,779 | \$ 1,430 | \$ 20,209 |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 887 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at www.TMRS.com.

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

B. Benefits provided

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

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

The City has adopted the following plan provisions:

| | Plan Year 2018 | Plan Year 2019 |
|---|-------------------|-------------------|
| 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, 2019

At the December 31, 2018 valuation and measurement date, the following number of employees covered by the benefit terms was:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 10 |
| Inactive employees entitled to but not yet receiving benefits | 20 |
| Active employees | <u>17</u> |
| | 47 |

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.79% and 7.73% for the calendar years 2019 and 2018 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$65,490 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, 2018, 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, 2018 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, 2019

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, 2018 valuation were developed primarily from the actuarial investigation of experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post retirement mortality assumption for healthy annuitants and annuity purchase rates (APRs) were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.35% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 3.90% |
| Real Return | 10.0% | 3.80% |
| Real Estate | 10.0% | 4.50% |
| Absolute Return | 10.0% | 3.75% |
| Private Equity | 5.0% | 7.50% |
| Total | 100.0% | |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2017 | \$ 1,089,023 | \$ 1,099,278 | \$ (10,255) |
| Service Cost | 101,902 | 0 | 101,902 |
| Interest | 75,022 | 0 | 75,022 |
| Differences between expected and actual experience | (31,198) | 0 | (31,198) |
| Changes in assumptions | 0 | 0 | 0 |
| Contributions - employer | | 54,295 | (54,295) |
| Contributions - employee | | 50,340 | (50,340) |
| Net investment income | | (32,904) | 32,904 |
| Benefit Payments, including refunds of employee contributions | (57,066) | (57,066) | 0 |
| Administrative expense | 0 | (636) | 636 |
| Other | 0 | (34) | 34 |
| Net Changes | <u>88,660</u> | <u>13,995</u> | <u>74,665</u> |
| Balance at December 31, 2018 | \$ <u>1,177,683</u> | \$ <u>1,113,273</u> | \$ <u>64,410</u> |

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

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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) | \$ 240,201 | \$ 64,410 | \$ (77,926) |

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2019 the City recognized pension expense of \$66,651. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2019, 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 | \$ 57,155 | \$ 0 | \$ 57,155 |
| Differences in assumptions | 0 | 0 | 0 |
| Differences between expected and actual economic experience | 0 | (25,733) | (25,733) |
| To be recognized in the future | <u>57,155</u> | <u>(25,733)</u> | <u>\$ 31,422</u> |
| Contributions subsequent to the measurement date | 50,989 | 0 | |
| Total | <u>\$ 108,144</u> | <u>\$ (25,733)</u> | |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

The \$50,989 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|--------------------------|----|---------------|
| Year Ending December 31, | | |
| 2019 | \$ | 7,976 |
| 2020 | | (2,311) |
| 2021 | | 4,336 |
| 2022 | | 21,421 |
| 2023 | | 0 |
| Thereafter | | 0 |
| | \$ | <u>31,422</u> |

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

A: Benefit Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SBDF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employer’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SBDF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SBDF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SBDF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee’s entire careers.

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

At the December 31, 2018 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 6 |
| Inactive employees entitled to but not yet receiving benefits | 5 |
| Active employees | <u>17</u> |
| | 28 |

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

B: Total OPEB Liability

The City’s Total OPEB Liability was measured as of December 31, 2018, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------------|---|
| Inflation | 2.50% |
| Salary Increases | 3.5% to 10.5% including inflation |
| Discount Rate | 3.71% |
| Retiree's share of benefit costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68. |
| Mortality Rates-service retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |
| Mortality Rates-disabled retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 10#% with a e year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor |

The discount rate was based on the Fidelity Index’s “20-year Municipal GO AA index” rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Changes in Total OPEB Liability:

| | | |
|---|----|---------|
| Balance at December 31, 2017 | \$ | 31,434 |
| Changes for the year | | |
| Service Cost | | 3,164 |
| Interest ON Total OPEB Liability | | 1,089 |
| Differences between expected and actual results | | (4,103) |
| Changes in assumptions or other inputs | | (2,698) |
| Benefit Payments * | | (216) |
| Net Changes | | (2,764) |
| Balance at December 31, 2018 | \$ | 28,670 |

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

| | 1% Decrease (2.71%) | Current (3.71%) | 1% Increase (4.71%) |
|----------------------|------------------------|--------------------|------------------------|
| Total OPEB Liability | \$ <u>36,384</u> | \$ <u>28,670</u> | \$ <u>23,102</u> |

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

For the year ended September 30, 2019 the City recognized OPEB expense of \$3,656.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following Sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net |
|--|--------------------------------------|-------------------------------------|--------------------------|
| Differences between expected and actual experience | \$ 0 | \$ (3,447) | \$ (3,447) |
| Differences in assumptions | <u>0</u> | <u>(179)</u> | <u>(179)</u> |
| To be recognized in the future | 0 | (3,626) | <u><u>\$ (3,626)</u></u> |
| Contributions subsequent to the measurement date | 197 | 0 | |
| Total | <u>\$ 197</u> | <u>\$ (3,626)</u> | |

The \$197 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | |
|--------------------------|-------------------|
| 2019 | \$ (597) |
| 2020 | (597) |
| 2021 | (597) |
| 2022 | (597) |
| 2023 | (965) |
| Thereafter | <u>(273)</u> |
| | <u>\$ (3,626)</u> |

NOTE 8: RISK MANAGEMENT

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

NOTE 9: ECONOMIC DEPENDENCY:

The City is dependent upon the Walnut Creek Special Utility to provide water for the City. The cost water purchased for the current fiscal year was \$298,108.

CITY OF RHOME, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10: NEW ACCOUNTING PRINCIPLES:

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

- Statement no, 91, Conduit Debt Obligation. This statement is effective for fiscal years beginning after December 15, 2020. This statement will not affect the City.

New pronouncements not yet in effect as of September 30, 2019, 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 2020, as required.

NOTE 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2019 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

| RESOURCES (INFLOWS): | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE) |
|-------------------------------------|---------------------|---------------------|---------------------|---|
| TAX REVENUES: | | | | |
| Property Taxes | \$ 695,458 | \$ 320,372 | \$ 324,737 | \$ 4,365 |
| Sales Taxes | 560,000 | 560,000 | 791,866 | 231,866 |
| Hotel/Motel Taxes | 14,000 | 14,000 | 18,824 | 4,824 |
| Franchise Fees | 77,000 | 77,000 | 74,760 | (2,240) |
| TOTAL TAX REVENUES | 1,346,458 | 971,372 | 1,210,187 | 238,815 |
| Municipal Court Fines & Fees | 297,500 | 297,500 | 271,730 | (25,770) |
| LICENSE & PERMITS: | | | | |
| Permits | 110,000 | 110,000 | 56,079 | (53,921) |
| TOTAL LICENSES & PERMITS | 110,000 | 110,000 | 56,079 | (53,921) |
| CHARGES FOR SERVICES: | | | | |
| Fire Revenues | 16,650 | 16,650 | 9,214 | (7,436) |
| Impound Fees & Auction Sales | 2,600 | 2,600 | 17,975 | 15,375 |
| TOTAL CHARGES FOR SERVICES | 19,250 | 19,250 | 27,189 | 7,939 |
| INTERGOVERNMENTAL REVENUES | | | | |
| Tarrant County Fire Contract | 7,500 | 7,500 | 8,000 | 500 |
| Wise County Fire Contract | 50,400 | 50,400 | 50,400 | 0 |
| Fire Department Grants | 19,000 | 19,000 | 18,125 | (875) |
| Police Grants | 1,500 | 1,500 | 1,024 | (476) |
| TOTAL INTERGOVERNMENTAL | 78,400 | 78,400 | 77,549 | (851) |
| DONATIONS/FUND RAISERS | | | | |
| Parks | 2,500 | 2,500 | 2,378 | (122) |
| Police | 500 | 500 | 278 | (222) |
| National Night Out | 0 | 0 | 5,226 | 5,226 |
| Fire | 22,000 | 22,000 | 22,358 | 358 |
| TOTAL DONATIONS/GRANTS | 25,000 | 25,000 | 30,240 | 5,240 |
| OTHER REVENUES: | | | | |
| Sale of Assets | 0 | 0 | 33,360 | 33,360 |
| Miscellaneous | 15,300 | 15,300 | 9,570 | (5,730) |
| TOTAL OTHER REVENUES | 15,300 | 15,300 | 42,930 | 27,630 |
| INVESTMENT INCOME | 100 | 100 | 184 | 84 |
| TRANSFERS | | | | |
| Transfer from Debt Service Fund | 0 | 0 | 49,372 | 49,372 |
| TOTAL TRANSFERS | 0 | 0 | 49,372 | 49,372 |
| TOTAL RESOURCES | \$ 1,892,008 | \$ 1,516,922 | \$ 1,765,460 | \$ 248,538 |

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE) |
|---|--------------------|-------------------|----------------|---|
| CHARGES TO APPROPRIATIONS: | | | | |
| ADMINISTRATION | | | | |
| Personnel | \$ 222,661 | \$ 222,518 | \$ 217,616 | \$ 4,902 |
| Professional Fees | 97,000 | 124,953 | 99,032 | 25,921 |
| Contract Services | 54,600 | 41,605 | 100,456 | (58,851) |
| Insurance | 6,000 | 6,000 | 6,545 | (545) |
| Repair & Maintenance | 30,000 | 15,000 | 4,268 | 10,732 |
| Training | 1,000 | 955 | 953 | 2 |
| Utilities | 40,000 | 39,030 | 45,325 | (6,295) |
| Capital Outlay | 0 | 1,200 | 1,157 | 43 |
| TOTAL ADMINISTRATION | 451,261 | 451,261 | 475,352 | (24,091) |
| MUNICIPAL COURT | | | | |
| Personnel | 56,415 | 56,415 | 55,835 | 580 |
| Professional Fees | 9,000 | 9,000 | 15,798 | (6,798) |
| Contract Services | 18,050 | 18,050 | 27,390 | (9,340) |
| Training | 500 | 500 | 566 | (66) |
| TOTAL MUNICIPAL COURT | 83,965 | 83,965 | 99,589 | (15,624) |
| BUILDING & DEVELOPMENT | | | | |
| Personnel | 14,202 | 0 | 0 | 0 |
| Professional Fees | 70,500 | 62,952 | 108,432 | (45,480) |
| Contract Services | 6,800 | 28,800 | 29,536 | (736) |
| Street Repairs | 60,000 | 20,000 | 19,288 | 712 |
| Training | 250 | 0 | 139 | (139) |
| Capital Outlay | 0 | 40,000 | 40,466 | (466) |
| TOTAL BUILDING & DEVELOPMENT | 151,752 | 151,752 | 197,861 | (46,109) |
| PARKS: | | | | |
| Contract Services | 5,300 | 6,685 | 6,460 | 225 |
| Park Maintenance | 10,500 | 3,055 | 3,281 | (226) |
| Utilities | 600 | 660 | 725 | (65) |
| Capital Outlay | 0 | 6,000 | 5,803 | 197 |
| TOTAL PARKS | 16,400 | 16,400 | 16,269 | 131 |
| POLICE: | | | | |
| Personnel | 515,133 | 514,847 | 518,566 | (3,719) |
| Contract Services | 21,050 | 23,840 | 32,764 | (8,924) |
| Insurance | 14,651 | 14,651 | 21,196 | (6,545) |
| Repair & Maintenance | 1,500 | 515 | 511 | 4 |
| Training | 3,500 | 2,475 | 2,470 | 5 |
| Vehicle Expense | 26,000 | 26,921 | 36,052 | (9,131) |
| Utilities | 9,700 | 9,700 | 11,335 | (1,635) |
| Capital Outlay | 50,000 | 48,585 | 89,835 | (41,250) |
| TOTAL POLICE | 641,534 | 641,534 | 712,729 | (71,195) |

CITY OF RHOME, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE) |
|--|--------------------|-------------------|-------------------|---|
| FIRE DEPARTMENT | | | | |
| Personnel | 31,325 | 31,325 | 34,655 | (3,330) |
| Contract Services | 68,500 | 68,735 | 64,888 | 3,847 |
| Insurance | 10,630 | 11,095 | 11,092 | 3 |
| Repair & Maintenance | 20,000 | 20,000 | 20,355 | (355) |
| Training | 1,500 | 1,500 | 1,496 | 4 |
| Vehicle Expense | 4,500 | 4,500 | 4,469 | 31 |
| Utilities | 7,700 | 7,000 | 7,033 | (33) |
| Debt Service | 49,372 | 49,372 | 49,372 | 0 |
| Capital Outlay | 50,000 | 50,000 | 48,083 | 1,917 |
| TOTAL FIRE DEPARTMENT | 243,527 | 243,527 | 241,443 | 2,084 |
| TOTAL EXPENDITURES | 1,588,439 | 1,588,439 | 1,743,243 | (154,804) |
| EXCESS OF CURRENT RESOURCES OVER (UNDER) APPROPRIATIONS | 303,569 | (71,517) | 22,217 | \$ 93,734 |
| BUDGETARY FUND BALANCE: | | | | |
| BEGINNING OF YEAR | 688,444 | 688,444 | 688,444 | |
| END OF YEAR | \$ 992,013 | \$ 616,927 | \$ 710,661 | |

CITY OF RHOME, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2019

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CITY OF RHOME, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2019

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

CITY OF RHOME, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2018

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

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 14 Years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.5% to 10.5%, including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014 |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB |

Other Information:

Notes There were no benefit changes during the year

CITY OF RHOME

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2019

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

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

OTHER SUPPLEMENTARY INFORMATION

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

For the Years Ended September 30, 2019 & 2018

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|----------------|------------------|
| REVENUES: | | |
| CHARGES FOR SERVICES: | | |
| Water, Sewer & Trash Charges | \$ 949,834 | \$ 1,067,225 |
| Tap Fees | 8,000 | 12,500 |
| TOTAL CHARGES FOR SERVICES | 957,834 | 1,079,725 |
| OTHER REVENUES: | | |
| Other Income | 5,753 | 4,985 |
| TOTAL OTHER REVENUES | 5,753 | 4,985 |
| TOTAL REVENUES | 963,587 | 1,084,710 |
| OPERATING EXPENSES: | | |
| Personnel: | | |
| Salaries & Wages | 198,833 | 204,324 |
| Payroll Taxes | 14,799 | 15,924 |
| Pension Expense | 18,825 | 15,803 |
| Health Insurance | 42,984 | 39,540 |
| Total Personnel | 275,441 | 275,591 |
| Professional Fees: | | |
| Engineering | 0 | 10,357 |
| Total Professional Fees | 0 | 10,357 |
| Supplies & Contract Services: | | |
| Dues & Memberships | 3,686 | 8,880 |
| Contract Labor | 3,810 | 4,296 |
| Office Supplies | 2,335 | 2,148 |
| Postage | 3,967 | 3,616 |
| Public Notices | 0 | 35 |
| License & Permits | 4,111 | 3,946 |
| Testing | 23,223 | 26,433 |
| Bank Fees | 13,459 | 10,425 |
| Trash Collection | 95,645 | 91,644 |
| Insurance-Property & Liability | 28,173 | 26,111 |
| Vehicle Expenses | 10,502 | 12,979 |
| Uniforms | 2,306 | 2,517 |
| Total Supplies & Contract Services | 191,217 | 193,030 |
| Repair & Maintenance: | | |
| Supplies | 52,251 | 37,457 |
| Equipment Repairs | 4,734 | 27,688 |
| System Maintenance | 6,415 | 7,208 |
| Total Repair & Maintenance | 63,400 | 72,353 |

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

For the Years Ended September 30, 2019 & 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Utilities: | | |
| Telephone | 2,090 | 3,947 |
| Gas & Electric | 36,634 | 38,151 |
| Total Utilities | 38,724 | 42,098 |
| Travel & Training: | | |
| Training | 717 | 1,984 |
| Water Purchases | 298,108 | 369,096 |
| Depreciation | 330,963 | 345,370 |
| TOTAL OPERATING EXPENSES | 1,198,570 | 1,309,879 |
| OPERATING LOSS | (234,983) | (225,169) |
| NON-OPERATING REVENUES & (EXPENSES): | | |
| Investment Income | 23,886 | 170 |
| Water Tower Lease | 10,296 | 13,254 |
| Developer Contribution | 100,000 | 0 |
| Debt Issue Costs | (102,678) | 0 |
| Interest Expense | (67,008) | (802) |
| TOTAL NON-OPERATING REVENUES & (EXPENSES) | (35,504) | 12,622 |
| INCOME (LOSS) BEFORE TRANSFERS | (270,487) | (212,547) |
| TRANSFERS: | | |
| Transfer from General Fund | 34,468 | 204,166 |
| CHANGE IN NET POSITION | (236,019) | (8,381) |
| NET POSITION - BEGINNING OF YEAR | 3,591,106 | 3,599,487 |
| NET POSITION - END OF YEAR | \$ 3,355,087 | \$ 3,591,106 |

WILLIAM C. SPORE, P.C.
Certified Public Accountants
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Keller, TX 76248
817-421-66114

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, 2019, 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

March 10, 2020