CITY OF RHOME, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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Financial Section

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report on Financial Statements

City Council
City of Rhome, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rhome, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhome, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of the City of Rhome, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rhome, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rhome, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
February 27, 2025

CITY OF RHOME, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2023

MAYOR	Patricia Mitchell
MAYOR PRO TEM	Michelle Tye
COUNCIL MEMBERS	Jimmy Johnson
	Randall Loftis
	Kristi King
	Kasey Shumake
CITY ADMINISTRATOR	Amanda DeGan
CITY SECRETARY	Shaina Odom
MUNICIPAL COURT JUDGE	Jim Minter
ATTORNEY	Carvan Adkins Taylor, Olson, Adkins, Sralla, Elam LLP

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Rhome, Texas 76078
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MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

As management of the City of Rhome, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. 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, 2023, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by $6,937,770 (net position), an increase of $1,118,802 over the prior period.
- Of the total Government-Wide Net Position, $3,033,690 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Funds ending fund balance was $2,316,094, an increase of $206,334 from the prior year. The unassigned General Fund balance is $1,944,088 or 75% of General Fund expenditures.
- The City's long-term debts total $3,498,819. Long-term debt borrowing is used by the City to acquire equipment and infrastructure that the City uses to provide services to its' citizens.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position and the Statement of Activities

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

The Statement of Net Position (page 13) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 14) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

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

- Governmental type activities - Most of the City's basic services are reported here, including animal control, code enforcement and inspection, fire, municipal court, parks, police, public works, and general administration. Property taxes, sales taxes, franchise fees, permit revenues, municipal court fines, storm water assessments and sanitation revenues finance most of these activities.

- Business Type Activities - The City's water and sewer system is reported here. The City charges a user fee to customers to help cover all or most of the cost of certain services it provides.

Reporting the City's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 15 and provide detailed information about the most significant funds - not the City as a whole. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements; however, the City Council may establish other funds to help it control and manage money for particular purposes. The City's fund types - *governmental and proprietary* - use different accounting approaches.

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position: The City's net position, the amount that the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, was $6,937,770 ($3,907,071 for Governmental Activities and $3,030,699 for Business-type Activities) at September 30, 2023 (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	$2,843,327	$2,656,061	$2,277,269	$2,243,299	$5,120,596	$4,899,360
Net pension asset	93,759	216,656	23,264	66,222	117,023	282,878
Capital assets, net	2,147,959	1,949,350	4,424,078	4,723,736	6,572,037	6,673,086
Total assets	5,085,045	4,822,067	6,724,611	7,033,257	11,809,656	11,855,324
Total deferred outflows of	141,351	48,298	34,782	14,860	176,133	63,158
Current and other liabilities	431,721	557,805	1,006,882	1,306,195	1,438,603	1,864,000
Long-term liabilities	833,691	1,253,924	2,706,033	2,825,590	3,539,724	4,079,514
Total liabilities	1,265,412	1,811,729	3,712,915	4,131,785	4,978,327	5,943,514
Total deferred inflows of resources	53,913	122,294	15,779	33,706	69,692	156,000
Net position						
Net investment in capital assets	1,557,452	946,010	2,075,240	2,243,274	3,632,692	3,189,284
Restricted	271,388	212,165	-	-	271,388	212,165
Unrestricted	2,078,231	1,778,167	955,459	639,352	3,033,690	2,417,519
Total net position	$3,907,071	$2,936,342	$3,030,699	$2,882,626	$6,937,770	$5,818,968

At September 30, 2023, the City had total assets of $11,809,656, which included capital assets of $6,572,037, unspent bond and loan proceeds of $413,939 (restricted to capital outlay), and unspent contribution revenue of $851,491(restricted for water system upgrades, see note 11 for additional information). These capital assets and unspent bond proceeds and contribution revenue represent 66% of the City's total assets. The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending.

The City's net position (assets and deferred inflows less liabilities and deferred outflows) increased $1,118,802, a 19% increase in net position during the fiscal year. Restricted net position is $271,388 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals $3,033,690 or 44% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of City's Operations

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

Table A-2

Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Fees, fines, & charges for services	$ 572,239	$ 489,138	$ 1,630,620	$ 1,472,924	$2,202,859	$1,962,062
Operating grants & contributions	224,079	175,275	-	-	224,079	175,275
Capital grants & contributions	-	-	271,959	-	271,959	-
General revenues:						
Property taxes	973,676	819,179	-	-	973,676	819,179
Sales taxes	1,454,792	1,443,544	-	-	1,454,792	1,443,544
Hotel/motel taxes	20,048	29,029	-	-	20,048	29,029
Franchise fees	82,284	74,622	-	-	82,284	74,622
Interest income	2,452	1,698	16,422	3,048	18,874	4,746
Contract revenues	-	289,046	-	-	-	289,046
Sale of assets	74,741	-	-	-	74,741	-
Transfers	-	(48,486)	-	48,486	-	-
Total revenues	3,404,311	3,273,045	1,919,001	1,524,458	5,323,312	4,797,503
Expenses						
General Government	1,028,213	1,050,610	-	-	1,028,213	1,050,610
Public Safety	1,343,412	1,042,081	-	-	1,343,412	1,042,081
Cultural & Recreation	28,921	28,085	-	-	28,921	28,085
Interest on long-term debt	33,036	44,046	96,328	95,794	129,364	139,840
Water & Sewer	-	-	1,674,600	1,285,520	1,674,600	1,285,520
Total expenses	2,433,582	2,164,822	1,770,928	1,381,314	4,204,510	3,546,136
Increase (decrease) in net assets	$ 970,729	$1,108,223	$ 148,073	$ 143,144	$1,118,802	$1,251,367

Governmental activities revenues (before transfers) increased $82,780 (2%) when compared to 2022. The change was driving by increases in sales tax revenues ($11,248 - 1%), property tax revenues ($154,497 - 19%), sale of assets ($74,741 - 100%), fees, fines and charges for services ($83,101 - 17%) and operating grants and contributions ($48,804 – 28%), offset by a decrease in contract revenues ($289,046 - 100%).

Governmental activities expenditures increased $268,760 (12%) from 2022 to 2023. Personnel expenditures in Public Safety increased $231,044 due to the addition of full-time staff and building maintenance increased $20,018 due to electric and roof repairs.

In fiscal year 2023, water and sewer operating revenues increased $429,655 (29%) as the average gallons of water per customer increased. Water and sewer operating expenses increased $389,614 (28%) over 2022 expenses. The increase in water and sewer expenses is primarily due to utility projects related to water lines and well repairs ($198,450 - 100%), increase in garbage service fees ($13,686 - 14%), and additional water purchases. The increase in water purchases of $77,502 (23%) is due to the additional capacity needed to supply the wholesale water supply agreement, as detailed in note 11.

GOVERNMENTAL FUND ANALYSIS

Governmental Funds - The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unreserved fund balance may serve a measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of $2,316,094 which is an increase of $206,334 from the prior year. The components of the governmental fund balances are as follows:

Table A-3
Governmental Fund Balances

	2023	2022
Non-spendable:		
Prepaid expenses	$ 35,743	$ 19,129
Restricted funds:		
Court restricted funds	72,966	58,230
Police seizure	18,243	16,185
National Night Out	3,974	3,464
Hotel/Motel	136,649	116,600
Capital outlay	64,875	210,411
Debt service	39,556	17,686
Total restricted	336,263	422,576
Unassigned	1,944,088	1,668,055
Total Fund Balance	$ 2,316,094	$ 2,109,760

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 September 30, 2023 was $955,459.

GENERAL FUND BUDGETARY HIGHLIGHTS

A general fund budget - actual summary for 2023 is provided in Table A-4 below:

Table A-4
General Fund Budgetary Highlights

	Budget	Actual	Variance
Revenues & other financing sources:			
Taxes	$ 1,783,311	$ 2,060,805	$ 277,494
Municipal court fines & fees	325,500	310,728	(14,772)
Licenses & permits	108,000	112,300	4,300
Charges for services	16,650	9,872	(6,778)
Intergovernmental revenues	169,900	210,143	40,243
Donations/grants	26,000	12,034	(13,966)
Other revenues	7,860	25,141	17,281
Investment income	200	1,948	1,748
Proceeds from sale of capital assets	12,000	44,226	32,226
Total revenues & other financing sources	2,449,421	2,787,197	337,776
Expenditures & other financing sources:			
Administration	746,296	761,740	(15,444)
Municipal Court	163,452	134,911	28,541
Building development	198,750	83,598	115,152
Parks	48,000	24,994	23,006
Police	932,747	1,102,095	(169,348)
Fire Department	454,075	495,395	(41,320)
Total expenditures & other financing sources	2,543,320	2,602,733	(59,413)
Excess of revenues & other financing sources over expenditures & other financing sources	$ (93,899)	$ 184,464	$ 278,363

Actual fund basis revenues exceeded budgeted revenues by $337,776 (14%) primarily due to actual sales tax revenues exceeding budgeted sales tax revenues by $224,413. Additionally, the City received unbudgeted revenues for COVID-19 grants of $73,003, and unbudgeted police contract revenues of $38,200.

Actual fund basis expenditures were $59,413 (2%) over budgeted expenditures. Capital outlay for the Police and Fire departments exceeded budgeted appropriations by $289,572. Reversely, personnel costs for all departments of the general fund were over budgeted by a total of $30,091, and street repair costs were over-budgeted by a total of $103,956 as the amount of street repairs was less than anticipated. Parks maintenance was over budgeted by $38,280 and debt service was over budgeted by $80,379.

PENSIONS

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

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City’s pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City’s history of making those contributions provides insights regarding the City’s commitment to and the effectiveness of its funding strategy.

PENSIONS (CONT.D)

Information contained in the financial statements themselves including the Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation.

The City currently has a net pension asset, the funds on deposit with TMRS currently exceed the actuarially calculated pension liability. The City's net pension asset as of September 30, 2023, was $117,023. Additionally, the City's matching contribution rate increased from 6.71% to 6.92%.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2023, amounts to $6,572,037 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, and infrastructure. Infrastructure includes streets, drainage, water, and sewer systems. Capital assets added in 2023 include mowers for the administration department - $17,400, two new trucks, ballistic shields, and a parking lot for the police department - $177,566, two trucks, a skid unit, radios, and a parking lot for the fire department - $186,903, water and sewer equipment purchase for a submersible, carport, and colorimeter - $24,267, and SCADA improvements of $73,509 were added to construction in progress. Additionally, the wastewater treatment plant improvement project was completed in 2023 and $2,400,617 was removed from the construction in progress account and capitalized waterworks and sewer system. The City's capital assets, net of accumulated depreciation, are as follows:

Table A-5
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	$ 60,524	$ 60,524	$ 6,492	$ 6,492	$ 67,016	$ 67,016
Construction in progress	-	-	73,509	2,400,617	73,509	2,400,617
Buildings, parks & office equip.	510,270	531,810	-	-	510,270	531,810
Police, fire & public works equip.	686,981	422,415	128,504	123,759	815,485	546,174
Streets & infrastructure	890,184	934,601	-	-	890,184	934,601
Waterworks & sewer system	-	-	4,215,573	2,192,868	4,215,573	2,192,868
Totals	$2,147,959	$1,949,350	$ 4,424,078	$ 4,723,736	$ 6,572,037	$ 6,673,086

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

DEBT ADMINISTRATION

The City did not add any long-term debts in fiscal year 2023. Outstanding long-term debts are as follows:

Table A-6
Long-term Liabilities Oustanding

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Notes payable & finance purchases	379,918	490,751	219,886	256,581	599,804	747,332
Bonds payable	421,000	723,000	2,478,015	2,556,730	2,899,015	3,279,730
Totals	$ 800,918	$ 1,213,751	$ 2,697,901	$ 2,813,311	$ 3,498,819	$ 4,027,062

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted governmental fund revenues for fiscal year 2024 are $4,062,925, a $869,088 (27%) increase from 2023 budgeted revenues. The tax rate applied in the 2024 budget is .504186 cents per $100 of valuation which is an increase of .066371 cents per $100 of valuation from the rate applied in the 2023 budget.

Budgeted general fund expenditures for fiscal year 2024 are $3,953,119 a $808,656 (26%) increase from 2023 and includes increases in salary and wage expense for all departments totaling $414,640. The administration department budgeted transfers out of $468,000, of which, $450,000 is to be received by the fire department for salary increases and $18,000 is to be received by the parks department for operating expenses. Additionally, there was a $107,000 decrease in contracted services in the administration department.

Water and sewer fund 2024 budgeted revenues are $1,519,100 a decrease of $91,503 (6%) over the prior year budgeted revenues which are due to a decrease in water revenue of $50,000, a decrease in sewer revenue of $26,293, and a decrease in tap fees of $20,000. Budgeted water and sewer fund expenditures are $1,517,863 a $48,401 (3%) increase from 2023 and include an increase in salaries and wages of $34,563, and increase in emergency repairs of $20,000, and a decrease in engineering services of $7,000.

REQUEST FOR INFORMATION

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

Basic Financial Statements

CITY OF RHOME, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 1,553,567	$ 678,895	$ 2,232,462
Accounts receivable, net	454,651	288,497	743,148
Prepaid expenses	40,971	6,831	47,802
Internal balances	-	-	-
Restricted cash & cash equivalents	794,138	1,303,046	2,097,184
Net pension asset	93,759	23,264	117,023
Capital assets:			
Land	60,524	6,492	67,016
Buildings, improvements, parks & office equipment	1,264,281	-	1,264,281
Police, fire & public works equipment	1,908,242	462,895	2,371,137
Infrastructure	2,012,868	-	2,012,868
Waterworks & sanitary sewer system	-	10,131,360	10,131,360
Construction in progress	-	73,509	73,509
Less: accumulated depreciation	(3,097,956)	(6,250,178)	(9,348,134)
Capital assets, net	2,147,959	4,424,078	6,572,037
Total assets	5,085,045	6,724,611	11,809,656
Deferred Outflows of Resources			
Deferred outflows of resources from pensions	138,389	33,882	172,271
Deferred outflows of resources from OPEB	2,962	900	3,862
Total deferred outflows of resources	141,351	34,782	176,133
Liabilities			
Accounts payable & accrued liabilities	124,099	31,392	155,491
Accrued interest	6,115	14,277	20,392
Unearned revenues	256,575	851,491	1,108,066
Compensated absences	44,932	7,231	52,163
Customer deposits	-	102,491	102,491
Long-term debt - due within one year	339,543	114,337	453,880
Long-term debt - due in more than one year	461,375	2,583,564	3,044,939
Total OPEB liability	32,773	8,132	40,905
Total liabilities	1,265,412	3,712,915	4,978,327
Deferred Inflows of Resources			
Deferred inflows of resources from pensions	43,225	13,127	56,352
Deferred inflows of resources from OPEB	10,688	2,652	13,340
Total deferred inflows of resources	53,913	15,779	69,692
Net Position			
Net investment in capital assets	1,557,452	2,075,240	3,632,692
Restricted for:			
Debt Service	39,556	-	39,556
Security, Technology, Seizure & NNO	95,183	-	95,183
Hotel/Motel Special Revenue	136,649	-	136,649
Unrestricted	2,078,231	955,459	3,033,690
Total net position	$ 3,907,071	$ 3,030,699	$ 6,937,770

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues: Fines, Fees, & Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ (1,028,213)	$ 180,401	$ 73,003	$ -	$ (774,809)	$ -	$ (774,809)
Public safety	(1,343,412)	390,713	151,076	-	(801,623)	-	(801,623)
Culture & recreation	(28,921)	1,125	-	-	(27,796)	-	(27,796)
Interest on long-term debt	(33,036)	-	-	-	(33,036)	-	(33,036)
Total governmental activities	(2,433,582)	572,239	224,079	-	(1,637,264)	-	(1,637,264)
Business-type activities:							
Water & sewer	(1,770,928)	1,630,620	-	271,959	-	131,651	131,651
Total primary government	$ (4,204,510)	$ 2,202,859	$ 224,079	$ 271,959	(1,637,264)	131,651	(1,505,613)
General revenues and transfers:							
Taxes:							
Property tax					973,676	-	973,676
Sales tax					1,454,792	-	1,454,792
Hotel occupancy tax					20,048	-	20,048
Franchise fees					82,284	-	82,284
Gain on sale of fixed assets					74,741	-	74,741
Investment earnings					2,452	16,422	18,874
Total general revenues and transfers					2,607,993	16,422	2,624,415
Change in net position					970,729	148,073	1,118,802
Net position, beginning					2,936,342	2,882,626	5,818,968
Net position, ending					$ 3,907,071	$ 3,030,699	$ 6,937,770

CITY OF RHOME, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Total
Assets:			
Cash	$ 2,308,149	$ 39,556	$ 2,347,705
Receivables:			
Sales taxes	291,956	-	291,956
Franchise fees	12,333	-	12,333
Other	125,133	-	125,133
Property taxes	14,897	10,332	25,229
Prepaid expenses	35,743	-	35,743
Total assets	$ 2,788,211	$ 49,888	$ 2,838,099
Liabilities:			
Accounts Payable	$ 100,569	$ -	$ 100,569
Accrued Liabilities	20,142	-	20,142
Developer Advances	3,388	-	3,388
Unearned Revenues	256,575	-	256,575
Total liabilities	380,674	-	380,674
Deferred inflows of resources:			
Unavailable revenue - property taxes	130,999	10,332	141,331
Fund balances:			
Non-Spendable:			
Prepaid expenses	35,743	-	35,743
Restricted to:			
Court restricted funds	72,966	-	72,966
Police seizure	18,243	-	18,243
National Night Out	3,974	-	3,974
Hotel/motel special revenues	136,649	-	136,649
Capital outlay	64,875	-	64,875
Debt service	-	39,556	39,556
Unassigned	1,944,088	-	1,944,088
Total fund balances	2,276,538	39,556	2,316,094
Total liabilities and fund balances	$ 2,788,211	$ 49,888	$ 2,838,099

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet (Exhibit A-3)		$ 2,316,094
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet.		
Gross capital assets	$ 5,245,915	
Less accumulated depreciation	(3,097,956)	2,147,959
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.		141,331
The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Net pension asset	93,759	
Deferred outflows of resources from pensions	138,389	
Deferred inflows of resources from pensions	(43,225)	188,923
The City's proportionate share of total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Total OPEB liability	(32,773)	
Deferred outflows of resources from OPEB	2,962	
Deferred inflows of resources from OPEB	(10,688)	(40,499)
Long-term liabilities and related balances are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet. The long-term liabilities and related balances at year-end consisted of:		
Bonds payable	(421,000)	
Notes payable	(379,918)	
Premium on bond	5,228	
Accured interest	(6,115)	
Compensated absences	(44,932)	(846,737)
Net position of governmental activities - statement of net position		$ 3,907,071

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Total
Revenues:			
Property taxes	$ 503,681	$ 468,261	$ 971,942
Sales taxes	1,454,792	-	1,454,792
Hotel/motel taxes	20,048	-	20,048
Franchise fees	82,284	-	82,284
Permits & fees	112,300	-	112,300
Municipal court	310,728	-	310,728
Charges for services	9,872	-	9,872
Intergovernmental	171,943	-	171,943
Donation revenues	12,034	-	12,034
Contract revenues	-	-	-
Miscellaneous revenues	63,341	-	63,341
Interest income	1,948	505	2,453
Total revenues	2,742,971	468,766	3,211,737
Expenditures:			
General government	966,854	-	966,854
Public safety	1,193,918	-	1,193,918
Parks	7,594	-	7,594
Debt service - principal	-	412,833	412,833
Debt service - interest	-	34,063	34,063
Capital outlay	434,367	-	434,367
Total expenditures	2,602,733	446,896	3,049,629
Excess (deficiency) of revenues over (under) expenditures	140,238	21,870	162,108
Other financing sources (uses):			
Proceeds from sales of capital assets	44,226	-	44,226
Total other financing sources	44,226	-	44,226
Excess of revenues and other financing sources over expenditures	184,464	21,870	206,334
Fund balance, beginning	2,092,074	17,686	2,109,760
Fund balance, ending	$ 2,276,538	$ 39,556	$ 2,316,094

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds (Exhibit A-5)		$ 206,334
Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	434,367	
Depreciation expense during the year	(235,758)	198,609
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:		
Issuance of long-term debt	-	
Repayment of long-term debt	412,833	412,833
Because property taxes receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenuse and are deferred in the governmental funds. Deferred revenues increased this year by:		117,836
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	(11,845)	
Accrued interest on long-term debt	3,641	
Amortization of prepaid bond insurance	(2,616)	(10,820)
Changes in the proportionate share of net pension asset and total OPEB liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:		45,937
Change in net position of governmental activities - statement of activities		$ 970,729

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2023

Assets		
Current assets:		
Cash and cash equivalents	$	678,895
Accounts receivable, net		288,497
Prepaid cash		6,831
Total current assets		974,223
Non-current assets:		
Capital assets:		
Land		6,492
Equipment		462,895
Waterworks & sanitary sewer system		10,131,360
Construction in progress		73,509
Less: accumulated depreciation		(6,250,178)
Total capital assets		4,424,078
Other non-current assets:		
Restricted cash		1,303,046
Net pension asset		23,264
Total non-current assets		5,750,388
Total assets		6,724,611
Deferred Outflows of Resources		
Deferred outflows of resources from pensions		33,882
Deferred outflows of resources from OPEB		900
Total deferred outflows of resources		34,782
Liabilities		
Current liabilities:		
Accounts payable		31,392
Accrued expenses		14,277
Accrued compensated absences		7,231
Unearned revenue		851,491
Customer deposits		102,491
Current maturities of long-term debt		114,337
Total current liabilities		1,121,219
Long-term liabilities:		
Long-term debt - less current maturities		2,583,564
Total OPEB liability		8,132
Total long-term liabilities		2,591,696
Total liabilities		3,712,915
Deferred Inflows of Resources		
Deferred inflows of resources from pensions		13,127
Deferred inflows of resources from OPEB		2,652
Total deferred inflows of resources		15,779
Net Position		
Net investment in capital assets		2,075,240
Unrestricted		955,459
Total net position	$	3,030,699

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

Operating revenues:	
Water, sewer, and trash service	$ 1,587,853
Other revenues	30,367
Total operating revenues	1,618,220
Operating expenses:	
Personnel	297,115
Professional fees	1,318
Repair & maintenance	277,539
Supplies & contract services	219,635
Travel & training	2,333
Utilities	54,605
Water purchases	408,366
Depreciation	413,688
Total operating expenses	1,674,599
Operating loss	(56,379)
Non-operating revenues (expenses):	
Investment income	16,422
Water tower lease	12,400
Developer contributions	223,509
Grant revenue	48,450
Interest expense	(96,329)
Total non-operating revenues (expenses)	204,452
Change in net position	148,073
Net position, beginning	2,882,626
Net position, ending	$ 3,030,699

The accompanying notes are an integral part of this statement.

CITY OF RHOME, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers	$ 1,520,937
Cash payments to employees for services	(299,751)
Cash payments to other suppliers for goods and services	(1,107,935)
Net cash provided by operating activities	113,251
Cash Flows from Capital and Related Financing Activities:	
Principal and interest paid on long-term debt	(211,739)
Purchases of capital assets	(114,030)
Developer contributions	75,000
Grant revenue	48,450
Net cash used by capital and related financing activities	(202,319)
Cash Flows from Investing Activities:	
Interest on investments	16,422
Tower lease income	12,400
Net cash provided by investing activities	28,822
Net decrease in cash and cash equivalents	(60,246)
Cash and cash equivalents, beginning	2,042,187
Cash and cash equivalents, ending	$ 1,981,941
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	$ (56,379)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	413,688
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(95,803)
Prepaid expenses	1,587
Deferred outflows of resources	(19,922)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(145,726)
Accrued expenses	(689)
Compensated absences	(2,909)
Customer deposits	(1,480)
Pension and OPEB liability	38,811
Deferred inflows of resources from pensions	(17,927)
Net cash provided by operating activities	$ 113,251
Reconciliation of cash and cash equivalents to the statement of net position:	
Unrestricted cash and cash equivalents	$ 678,895
Restricted cash and cash equivalents	1,303,046
Total cash and cash equivalents	$ 1,981,941

The accompanying notes are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS

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

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

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

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

The City does not allocate indirect costs.

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

C. BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

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

The following fund types are used by the City:

1. Governmental Funds:

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

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

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

2. Proprietary Funds:

The focus of proprietary funds' measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the operation of the City's water and sewer system for which a fee is charged to external customers for goods and services and the activity is (a) financed with debt secured by a pledge of the net revenues and (b) has the requirement that the cost of providing services, including capital costs, be recovered by user fees and charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result for providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of personnel and contractual services, supplies, repairs, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported ad non-operating revenues and expenses.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.

Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). The City considers property taxes, franchise fees, hotel/motel taxes and grants as available if collected within 60 days after year end. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized only when payment is due. When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents

The City maintains separate cash and cash equivalent accounts for each fund included in the primary government and its component units. Cash equivalents consist of highly-liquid investment with original maturities of three months or less. Cash equivalents include the City’s accounts held at Texpool.

2. Taxes

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes are recorded as receivables in the period they are levied and available. For governmental fund financial reporting, delinquent taxes estimated not to be available are treated as deferred revenues at the time the taxes are assessed.

3. Prepaid Expenses

Prepaid expenses represent payments made by the City in the current year to provide services occurring in the subsequent year.

4. Interfund Receivable and Payables

Any residual balances outstanding between the governmental funds and business type funds are reported in the government-wide statement of net position as “interfund receivables”.

5. Transfers Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

6. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are included in the applicable governmental or business-type activities column in the government-wide statement of net assets and in the fund financial statements for the proprietary funds. Capital assets purchased or acquired with an original cost of $1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Costs incurred for repair and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings & Improvements	15-40 years
Equipment	3-10 years
Water & Sewer System	20-40 years
Infrastructure	10-40 years

7. Compensated Absences

The City accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations. The total liability for compensated absences at September 30, 2023, was $52,163.

8. Deferred Outflows of Resources

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

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

9. Deferred Inflows of Resources

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s).

9. Deferred Inflows of Resources (Cont'd.)

Deferred Inflows of resources reported in this year's financial statement include (1) deferred inflows of resources related to differences between the plans' expected and actual pension experience and (2) deferred inflows of resources related to differences in expected and actual pension investment earnings. The deferred inflows related to differences between the plans expected and actual experience will be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. Deferred inflows related to differences in expected and actual pension investment earnings will be amortized to expense over a five-year period.

For revenues that are not considered available the City will not recognize the related revenues until they are available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

10. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.

b. Restricted net position - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

11. Bad Debts

Bad debts in the proprietary fund are considered immaterial; therefore, the City uses the direct write-off method to record bad debts. The City anticipates collecting nearly 100% of delinquent property taxes; therefore, no allowance for uncollectable property taxes is included in the government-wide statement of net position.

12. Capitalized Interest

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

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, 2023, the following departments had expenditures that exceeded appropriations:

Department	Excess of Expenditures over Budget
Administration	$ 15,444
Police	169,348
Fire	41,230

NOTE 2: DEPOSITS

At September 30, 2023, the City's cash and cash equivalents were made up of the following:

Held at local banks	$ 3,980,583
Held at Logic	349,063
	$ 4,329,646

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

Deposit and Investment Risk Disclosures:

(1) Interest rate risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment. As of September 30, 2023, 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, 2023, all the City's investments were with Texpool, which were rated *AAAm* by Standard & Poor's.

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. As of September 30, 2023, the City had, as allowed by its investment policy, 100% of its investments with Texpool.

Deposit and Investment Risk Disclosures (Cont. d):

(4) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties. At September 30, 2023, the City's bank balances (per bank) totaled $4,258,442. Of the bank balances, $972,192 was covered by FDIC insurance and the remaining $3,286,250 was secured by collateral held by the pledging Bank's agent in the name of the City. As such, the City's was not exposed to custodial credit risk at September 30, 2023.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

Governmental activities	Beginning Balance	Purchases	Retirements/ Transfers	Ending Balance
Capital Assets not being depreciated:				
Land	$ 60,524	$ -	$ -	$ 60,524
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	60,524	-	-	60,524
Capital Assets Being Depreciated:				
Buildings, Improvements, Office Equip. & Parks	1,233,486	30,795	-	1,264,281
Police & Fire Equipment	1,723,262	403,572	(218,592)	1,908,242
Streets & Infrastructure	2,022,277	-	(9,409)	2,012,868
Total capital assets being depreciated	4,979,025	434,367	(228,001)	5,185,391
Less accumulated deprecation for:				
Buildings, Improvements, Office Equip. & Parks	(701,676)	(52,335)	-	(754,011)
Police & Fire Equipment	(1,300,847)	(139,006)	218,592	(1,221,261)
Streets & Drainage	(1,087,676)	(44,417)	9,409	(1,122,684)
Total accumulated depreciation	(3,090,199)	(235,758)	228,001	(3,097,956)
Total capital assets being depreciated, net	1,888,826	198,609	-	2,087,435
Total capital assets, net	$ 1,949,350	$ 198,609	$ -	$ 2,147,959

Depreciation expense was charged to Governmental activities as follows:

Administration	$ 31,008
Fire	87,833
Parks	21,327
Police	51,173
Streets	44,417
Total depreciation expense	$ 235,758

NOTE 3: CAPITAL ASSETS (CONT.D)

Business-type activities	Beginning Balance	Purchases	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 6,492	$ -	$ -	$ 6,492
Construction in Progress	2,400,617	73,509	(2,400,617)	73,509
Total capital assets not being depreciated	2,407,109	73,509	(2,400,617)	80,001
Capital Assets Being Depreciated:				
Equipment	493,377	27,806	(58,288)	462,895
Waterworks & Sewer System	7,718,028	12,715	2,400,617	10,131,360
Total capital assets being depreciated	8,211,405	40,521	2,342,329	10,594,255
Less accumulated deprecation for:				
Equipment	(369,618)	(23,061)	58,288	(334,391)
Waterworks & Sanitary Sewer System	(5,525,160)	(390,627)	-	(5,915,787)
Total accumulated depreciation	(5,894,778)	(413,688)	58,288	(6,250,178)
Total capital assets being depreciated, net	2,316,627	(373,167)	2,400,617	4,344,077
Total capital assets, net	$ 4,723,736	$ (299,658)	$ -	$ 4,424,078

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

Water & Sewer	$ 413,688

NOTE 4: LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2023:

Governmental Activities:	Beginning	New Debt	Repayments	Ending	Current Portion
Notes Payable & Finance Purchases:					
Fire truck	$ 93,897	$ -	$ 11,841	$ 82,056	$ 12,330
Admin/Fire equipment	104,332	-	33,638	70,694	34,765
Police vehicles - 2020	77,903	-	25,211	52,692	25,961
Police vehicles - 2022	214,619	-	40,143	174,476	41,487
Total	490,751	-	110,833	379,918	114,543
Bonds Payable:					
G.O. Refunding Bonds - 2016	577,000	-	187,000	390,000	194,000
Tax Notes - 2017	146,000	-	115,000	31,000	31,000
Total	723,000	-	302,000	421,000	225,000
Total Governmental Activities	$ 1,213,751	$ -	$ 412,833	$ 800,918	$ 339,543

Business-Type Activities	Beginning	New Debt	Repayments	Ending	Current Portion
Notes Payable & Finance Purchases:					
Note payable - truck	$ 3,228	$ -	$ 3,228	$ -	$ -
Public Works backhoe & vehicles	253,353	-	33,467	219,886	34,337
Total	256,581	-	36,695	219,886	34,337
Bonds Payable and Premiums					
General Obligation Bond-2019	2,475,000	-	75,000	2,400,000	80,000
Bond issuance premiums	81,730	-	3,715	78,015	-
Total	2,556,730	-	78,715	2,478,015	80,000
Total Business-Type Activities	$ 2,813,311	$ -	$ 115,410	$ 2,697,901	$ 114,337

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

At September 30, 2023, the City's long-term debts consisted of the following:

Governmental Activities:		
Notes Payable & Finance Contracts:		
Fire Truck, 4.132% interest, annual payments of $15,721, final payment due May 2029	$	82,056
Admin & Fire Equipment, 3.35%, annual payments of $37,133, final payment due November 2024		70,694
2020 Police vehicles, 2.97% interest, annual payments of $27,526, final payment due April 2025		52,692
2022 Police vehicles, 3.35% interest, annual payments of $47,332, final payment due July 2027		174,476
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		390,000
Tax Notes, Series 2017, due in annual installments through September 2024, bearing interest at 1.74%		31,000
Total Governmental Activities	$	800,918
Business-Type Activities:		
Notes Payable & Finance Contracts:		
Backhoe & vehicles, 2.6% interest, annual payments of $40,054, final payment due April 2029		219,886
Bonds Payable:		
General Obligation Improvement Bonds, Series 2019, due in annual installments through August 2044 bearing interest at 3% to 4%. The bond proceeds will be used to improve and extend the City's water and sewer system.		2,400,000
Total Business-Type Activities	$	2,619,886

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

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

Governmental activities:

General Obligation Bonds

Year	Principal	Interest	Total
2024	$ 194,000	$ 9,867	$ 203,867
2025	196,000	4,959	200,959
Total	$ 390,000	$ 14,826	$ 404,826

Tax Notes

Year	Principal	Interest	Total
2024	$ 31,000	$ 539	$ 31,539
Total	$ 31,000	$ 539	$ 31,539

Notes payable & Financed purchases

Year	Principal	Interest	Total
2024	114,543	13,168	$ 127,711
2025	118,377	9,334	127,711
2026	57,684	5,369	63,053
2027	59,721	3,332	63,053
2028	14,498	1,223	15,721
2029-2033	15,095	624	15,719
Total	$ 379,918	$ 33,050	$ 412,968

Business-type activities:

General Obligation Bonds

Year	Principal	Interest	Total
2024	$ 80,000	$ 91,526	$ 171,526
2025	80,000	89,126	169,126
2026	85,000	86,726	171,726
2027	85,000	84,176	169,176
2028	90,000	81,626	171,626
2029-2033	490,000	352,330	842,330
2034-2038	600,000	246,130	846,130
2039-2043	725,000	116,505	841,505
2044-2048	165,000	6,188	171,188
Total	$ 2,400,000	$ 1,154,333	$ 3,554,333

Notes payable & Financed purchases

Year	Principal	Interest	Total
2024	$ 34,337	$ 5,717	$ 40,054
2025	35,230	4,824	40,054
2026	36,146	3,908	40,054
2027	37,085	2,969	40,054
2028	38,050	2,004	40,054
2029-2033	39,038	1,015	40,053
Total	$ 219,886	$ 20,437	$ 240,323

NOTE 5: RETIREMENT PLAN

A. Plan Description

The City participates as one of 919 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 2022	Plan Year 2021
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Requirement eligibility (age/service)	60/5, 0/20	60/5, 0/20

At the December 31, 2022, valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	19
Active employees	18
	55

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.

The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.92% and 6.71% for the calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023, were $81,902 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, 2022, 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, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general Employee table used for females. Mortality tables for healthy retirees, and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Asset:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balance at December 31, 2021	$ 1,385,928	$ 1,668,806	$ (282,878)
Service Cost	147,539	-	147,539
Interest	95,266	-	95,266
Differences between expected and actual experience	(59,059)	-	(59,059)
Changes in assumptions	-	-	-
Contributions - employer	-	68,228	(68,228)
Contributions - employee	-	71,177	(71,177)
Net investment income	-	(121,717)	121,717
Benefit Payments, including refunds of employee contributions	(96,708)	(96,708)	-
Administrative expense	-	(1,054)	1,054
Other	-	1,257	(1,257)
Net Changes	87,038	(78,817)	165,855
Balance at December 31, 2022	$ 1,472,966	$ 1,589,989	$ (117,023)

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

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

The following presents the net pension (asset) liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension (asset) 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)	$ 105,041	$ (117,023)	$ (298,180)

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2023, the City recognized pension expense of $34,115. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2023, 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	$ 109,629	$ -	$ 109,629
Differences in assumptions	-	(76)	(76)
Differences between expected and actual economic experience	-	(56,276)	(56,276)
To be recognized in the future	109,629	(56,352)	$ 53,277
Contributions subsequent to the measurement date	62,642	-	
Total	$ 172,271	$ (56,352)	

The $62,642 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, 2024. 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,	
2023	$ (21,120)
2024	4,123
2025	23,404
2026	46,870
2027	-
	$ 53,277

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 SDBF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPED plan (i.e., no assets are accumulated).

The member city contributes to the SDBF 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 SDBF 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, 2022, valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	5
Active employees	18
	32

B. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2022, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	4.05%
Retiree's share of benefit costs	$ 0

Actuarial Assumptions (Cont.d):

Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	2019 Municipal Retirees of Texas Morality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in Total OPEB Liability:

Balance at December 31, 2021	$	52,452
Changes for the year		
Service Cost		5,999
Interest on total OPEB liability		1,015
Differences between expected and actual results		9,699
Changes in assumptions or other inputs		(27,650)
Benefit Payments *		(610)
Net Changes		(11,547)
Balance at December 31, 2022	$	40,905

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

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 4.05%, 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 3.05% or 1-percentage-point higher 5.05% than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	$ 51,040	$ 40,905	$ 33,418

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

For the year ended September 30, 2023, the City recognized OPEB expense of $5,808.

At September 30, 2023, 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	$ 1,326	$ -	$ 1,326
Differences in assumptions	-	(13,340)	(13,340)
To be recognized in the future	1,326	(13,340)	$ (12,014)
Contributions subsequent to the measurement date	2,536	-	
Total	$ 3,862	$ (13,340)	

The $2,536 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, 2023. 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,	
2023	$ (2,591)
2024	(1,899)
2025	(1,767)
2026	(3,018)
2027	(2,739)
Thereafter	0
	$ (12,014)

NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund receivables, payables or transfers at September 30, 2023.

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 $408,366.

NOTE 10: WHOLESALE WATER SUPPLY AGREEMENT AND COST SHARING AGREEMENT

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

Upon the agreement's effective date, the City required the Districts to pay a capacity reservation fee of $1,000,000. This fee, paid to secure the 683 LUEs and any additional water from Walnut Creek SUD, is earmarked for projects to enhance and upgrade the water system. The fee was allocated between the Districts, with District No. 1 contributing $571,000 and District No. 2 contributing $429,000. The City received these funds in December 2021. In the City's financial statements, this amount has been recorded as unearned revenue, reflecting its intended use for future water system enhancements. During fiscal year 2023, $148,509 as revenue on the Statement of Activities under Business-type capital grants and contributions. The remaining balance of $851,491 is recorded as unearned revenue in Business-type activities on the Statement of Net Position.

NOTE 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2023, through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF RHOME, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Tax revenues:				
Property taxes	$ 457,932	$ 457,932	$ 503,681	$ 45,749
Sales taxes	1,230,379	1,230,379	1,454,792	224,413
Hotel/motel taxes	18,000	18,000	20,048	2,048
Franchise fees	77,000	77,000	82,284	5,284
Total tax revenues	1,783,311	1,783,311	2,060,805	277,494
Fines and fees				
Municipal court	325,500	325,500	310,728	(14,772)
Licenses & permits				
Permits	108,000	108,000	112,300	4,300
Charges for services:				
Fire revenues	16,650	16,650	9,872	(6,778)
Intergovernmental revenues				
Covid-19 grants	-	-	73,003	73,003
Tarrant County Fire contract	8,000	8,000	8,500	500
Wise County Fire contract	52,000	52,000	67,499	15,499
Aurora Police contract	-	-	38,200	38,200
Fire development funding grant	80,000	80,000	-	(80,000)
Fire Department grants	29,000	29,000	3,922	(25,078)
Police grants	900	900	19,019	18,119
Total intergovernmental revenues	169,900	169,900	210,143	40,243
Donations and fundraisers				
National Night Out	3,000	3,000	2,724	(276)
City beautification	-	-	29	29
Fire	23,000	23,000	9,281	(13,719)
Total donations and fundraisers	26,000	26,000	12,034	(13,966)
Other revenues				
Police seizure revenues	-	-	2,058	2,058
Interest income	200	200	1,948	1,748
Miscellaneous	7,860	7,860	23,083	15,223
Total other revenues	8,060	8,060	27,089	19,029
Total revenues	2,437,421	2,437,421	2,742,971	305,550
Expenditures				
Administration				
Personnel	323,972	323,972	313,886	10,086
Professional fees	146,500	146,500	147,517	(1,017)
Supplies & contract services	221,066	221,066	241,840	(20,774)
Insurance	7,209	7,209	7,741	(532)
Repair & maintenance	1,600	1,600	3,836	(2,236)
Training	4,000	4,000	3,786	214
Utilities	38,600	38,600	30,843	7,757
Debt Service	3,349	3,349	-	3,349
Capital Outlay	-	-	12,291	(12,291)
Total administration	746,296	746,296	761,740	(15,444)

CITY OF RHOME, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Municipal court				
Personnel	72,152	72,152	69,088	3,064
Professional fees	10,000	10,000	17,040	(7,040)
Supplies & contract services	79,300	79,300	47,422	31,878
Training	2,000	2,000	1,361	639
Total municipal court	163,452	163,452	134,911	28,541
Building & development				
Professional fees	72,000	72,000	53,934	18,066
Supplies & contract services	6,750	6,750	12,516	(5,766)
Street repairs	120,000	120,000	16,044	103,956
Capital Outlay	-	-	1,104	(1,104)
Total building & development	198,750	198,750	83,598	115,152
Parks				
Supplies & contract services	2,000	2,000	-	2,000
Park maintenance	40,700	40,700	2,420	38,280
Utilities	5,300	5,300	5,174	126
Capital Outlay	-	-	17,400	(17,400)
Total parks	48,000	48,000	24,994	23,006
Police				
Personnel	727,657	727,657	731,439	(3,782)
Supplies & contract services	29,700	29,700	41,059	(11,359)
Insurance	27,913	27,913	29,435	(1,522)
Repair & maintenance	13,500	13,500	24,844	(11,344)
Training	4,000	4,000	3,508	492
Vehicle expense	36,000	36,000	56,086	(20,086)
Utilities	12,650	12,650	10,955	1,695
Debt service	27,328	27,328	-	27,328
Capital outlay	54,000	54,000	204,769	(150,769)
Total police	932,747	932,747	1,102,095	(169,348)
Fire department				
Personnel	180,941	180,941	160,217	20,724
Supplies & contract services	106,160	106,160	57,370	48,790
Insurance	15,311	15,311	21,120	(5,809)
Repair & maintenance	21,000	21,000	36,329	(15,329)
Training	4,253	4,253	2,279	1,974
Vehicle expense	8,400	8,400	10,838	(2,438)
Utilities	8,308	8,308	8,439	(131)
Debt service	49,702	49,702	-	49,702
Capital outlay	60,000	60,000	198,803	(138,803)
Total fire department	454,075	454,075	495,395	(41,320)
Excess of revenues over expenditures	(105,899)	(105,899)	140,238	246,137
Other financing sources (uses)				
Proceeds from sale of capital assets	12,000	12,000	44,226	32,226
Total other financing sources	12,000	12,000	44,226	32,226
Excess of revenues over expenditures	$ (93,899)	$ (93,899)	$ 184,464	$ 278,363
Fund balance, beginning			2,092,074	
Fund balance, ending			$ 2,276,538	

Budget and Budgetary Accounting

The City Council adopts an annual budget for the general and utility funds. The general fund budget is legally adopted on a modified accrual basis. The budget for the utility fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

Budget Amendments

The budget was not amended during the year ended September 30, 2023.

CITY OF RHOME, TEXAS **EXHIBIT B-2**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability									
Service cost	$ 72,103	$ 78,251	$ 83,298	$ 91,818	$ 101,902	$ 119,811	$ 125,277	$ 138,582	$ 147,539
Interest (on the Total Pension Liability)	52,201	53,980	60,103	68,456	75,022	78,907	78,581	88,332	95,266
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(44,091)	(3,946)	19,175	(14,560)	(31,198)	(108,144)	6,205	(33,656)	(59,059)
Change of assumptions	-	32,250	-	-	-	(3,948)	-	-	-
Benefit payments, including refunds of employee contributions	(64,472)	(51,273)	(36,306)	(49,880)	(57,066)	(137,185)	(51,186)	(93,331)	(96,708)
Net Change in Total Pension Liability	15,741	109,262	126,270	95,834	88,660	(50,559)	158,877	99,927	87,038
Total Pension Liability - Beginning	741,916	757,657	866,919	993,189	1,089,023	1,177,683	1,127,124	1,286,001	1,385,928
Total Pension Liability - Ending (a)	$ 757,657	$ 866,919	$ 993,189	$ 1,089,023	$ 1,177,683	$ 1,127,124	$ 1,286,001	$ 1,385,928	$ 1,472,966
Plan Fiduciary Net Position									
Contributions - Employer	$ 18,899	$ 25,693	$ 33,740	$ 41,944	$ 54,295	$ 65,133	$ 64,146	$ 62,787	$ 68,228
Contributions - Employee	38,408	40,756	47,316	44,152	50,340	59,991	63,044	68,460	71,177
Net investment income	44,713	1,207	56,265	129,343	(32,904)	171,817	96,404	187,968	(121,717)
Benefit payments, including refunds of employee contributions	(64,472)	(51,273)	(36,306)	(49,880)	(57,066)	(137,185)	(51,186)	(93,331)	(96,708)
Administrative expenses	(467)	(736)	(637)	(671)	(636)	(973)	(625)	(871)	(1,054)
Other	(38)	(36)	(34)	(34)	(34)	(29)	(24)	7	1,257
Net Change in Plan Fiduciary Net Position	37,043	15,611	100,344	164,854	13,995	158,754	171,759	225,020	(78,817)
Plan Fiduciary Net Position - Beginning	781,426	818,469	834,080	934,424	1,099,278	1,113,273	1,272,027	1,443,786	1,668,806
Plan Fiduciary Net Position - Ending (b)	$ 818,469	$ 834,080	$ 934,424	$ 1,099,278	$ 1,113,273	$ 1,272,027	$ 1,443,786	$ 1,668,806	$ 1,589,989
Net Pension (Asset) Liability - Ending (a) - (b)	$ (60,812)	$ 32,839	$ 58,765	$ (10,255)	$ 64,410	$ (144,903)	$ (157,785)	$ (282,878)	$ (117,023)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.03%	96.21%	94.08%	100.94%	94.53%	112.86%	112.27%	120.41%	107.94%
Covered Employee Payroll	548,684	582,224	609,349	654,905	719,138	857,021	900,625	977,994	1,016,809
Net Pension Liability as a Percentage of Covered Employee Payroll	-11.08%	5.64%	9.64%	-1.57%	8.96%	-16.91%	-17.52%	-28.92%	-11.51%

CITY OF RHOME, TEXAS **EXHIBIT B-3**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	$ 25,493	$ 29,384	$ 38,798	$ 50,495	$ 65,490	$ 63,976	$ 63,282	$ 63,805	$ 81,902
Contribution in relation to the actuarially determined contribution	25,493	29,384	38,798	50,495	65,490	63,976	63,282	63,805	81,902
Contribution excess (deficiency)	-	-	-	-	-	-	-	-	-
Covered employee payroll	$ 579,095	$ 591,004	$ 642,108	$ 669,985	$ 863,061	$ 884,698	$ 970,090	$ 960,253	$ 1,193,103
Contributions as a percentage of covered employee payroll	4.40%	4.97%	6.04%	7.54%	7.59%	7.23%	6.52%	6.64%	6.86%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.

CITY OF RHOME, TEXAS **EXHIBIT B-4**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022

	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	$ 2,620	$ 3,164	$ 2,914	$ 4,053	$ 5,379	$ 5,999
Interest	989	1,089	1,113	1,114	987	1,015
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experienc	-	(4,103)	(4,299)	(5,034)	(2,322)	9,699
Changes of assumptions	3,069	(2,698)	10,493	8,460	2,038	(27,650)
Benefit payments	(196)	(216)	(257)	(270)	(587)	(610)
Net Change in Total OPEB Liability	6,482	(2,764)	9,964	8,323	5,495	(11,547)
Total OPEB Liability - Beginning	24,952	31,434	28,670	38,634	46,957	52,452
Total OPEB Liability - Ending (a)	$ 31,434	$ 28,670	$ 38,634	$ 46,957	$ 52,452	$ 40,905
Covered Employee Payroll	654,905	719,138	857,021	900,625	977,994	1,016,809
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.80%	3.99%	4.51%	5.21%	5.36%	4.02%

NOTES TO SCHEDULE:

Changes of assumptions:

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

CITY OF RHOME, TEXAS **EXHIBIT C-1**

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Operating revenues:		
Charges for services		
Water, sewer, and trash service	$ 1,587,853	$ 1,447,884
Other revenues	30,367	14,340
Total operating revenues	1,618,220	1,462,224
Operating expenses:		
Personnel		
Salaries & wages	236,877	223,257
Payroll taxes	17,440	16,133
Pension expense	17,836	(2,948)
Health insurance	24,962	31,681
Total personnel	297,115	268,123
Professional fees		
Engineering	1,318	41,384
Repair & maintenance		
Supplies	19,688	13,054
Equipment repairs	222,962	19,370
System maintenance	34,889	54,198
Total repair & maintenance	277,539	86,622
Supplies & contract services		
Dues & memberships	350	1,010
Contract labor	3,914	4,079
Office supplies	10,435	2,725
Postage	3,245	3,946
AMR cell fee	5,889	1,954
License & permits	3,963	4,074
Groundwater production fees	7,060	10,342
Testing	20,414	19,734
Bank fees	875	5,909
Trash collection	114,863	101,177
Insurance - property & liability	28,323	25,232
Vehicle expenses	16,027	10,779
Uniforms	4,277	2,483
Total supplies & contract services	219,635	193,444
Travel & training		
Training	2,333	2,000
Utilities		
Telephone	4,517	5,438
Gas & electric	50,088	47,361
Total utilities	54,605	52,799

CITY OF RHOME, TEXAS **EXHIBIT C-1**

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Water purchases	408,366	330,864
Depreciation	413,688	310,284
Total operating expenses	1,674,599	1,285,520
Operating income (loss)	(56,379)	176,704
Non-operating revenues (expenses):		
Investment income	16,422	3,048
Water tower lease	12,400	10,700
Developer contributions	223,509	
Grant revenue	48,450	
Interest expense	(96,329)	(95,794)
Total non-operating revenues (expenses)	204,452	(82,046)
Income (loss) before transfers	148,073	94,658
Transfers from General Fund	-	48,486
Change in net position	148,073	143,144
Net position, beginning	2,882,626	2,739,482
Net position, ending	$ 3,030,699	$ 2,882,626

Internal Control and Compliance

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

City Council
City of Rhome, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities , each major fund, and the aggregate remaining fund information of City of Rhome, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Rhome, Texas's basic financial statements and have issued our report thereon dated February 27, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rhome, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MWH GROUP, P.C. 624 Indiana P.O. Box 97000 Wichita Falls, TX 76307 (940) 723-1471 Fax (940) 723-2251 www.mwhpc.com

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

February 27, 2025

CITY OF RHOME, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness identified?	____ Yes	__X__ No	
Significant deficiency identified that is not considered to be material weaknesses?	_____ Yes	__X__ No	None reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No	

B. Financial Statement Findings

None reported.