

City of Roman Forest, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2017

City of Roman Forest, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2017
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Introductory Section

City of Roman Forest, Texas
Principal City Officials
September 30, 2017

Chris Parr	Mayor
Tony Garza	Council Member
Jill Carlson	Council Member
David Mullane.....	Council Member
John Ryder	Council Member
Conley Wallace.....	Council Member
Liz Mullane	City Administrator

Financial Section

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Independent Auditor's Report

To The Honorable Mayor and Members of
the City Council and Management of
City of Roman Forest, Texas
2430 Roman Forest Blvd.
Roman Forest, Texas 77357

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Roman Forest, Texas (City), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To The Honorable Mayor and Members of
the City Council and Management of
City of Roman Forest, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the City of Roman Forest, Texas as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roman Forest's basic financial statements. The Supplementary Information and Introductory Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To The Honorable Mayor and Members of
the City Council and Management of
City of Roman Forest, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 on our consideration of the City of Roman Forest's 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 City of Roman Forest's 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 Roman Forest's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
February 16, 2018

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Management's Discussion and Analysis

As management of the City of Roman Forest, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$309,603 (*net position*). Net position reflects \$152,809 that represents net investment in capital assets and \$8,144 that is restricted for grants.
- During the year, the City's expenses of \$1,122,464 exceeded revenues of \$1,089,273 by \$33,191.
- The General Fund reported a fund balance this year of \$155,553. Unassigned fund balance was \$50,838 which approximated 5% of General Fund expenditures.

Overview of 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 comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information in addition to the basic financial statements themselves.

Government-wide Financial Statements. 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 (Exhibit A-1)* presents financial information on all of the City's assets and liabilities, with the difference 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 (Exhibit A-2)* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 vacation leave).

The government-wide financial statements of the City are principally supported by taxes and charges for services (*governmental activities*). The governmental activities of the City include general government, municipal court, police department, public works, parks and recreation, grant expenses, and interest and fees on long-term debt.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has four governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, debt service fund and the capital projects fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Basic 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 basic financial statements can be found as noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary information concerning the City. Such information can be found as noted in the table of contents of this report.

Government-wide Overall Financial Analysis

Net Position. The City's net position was \$309,603 at September 30, 2017.

**Table A-1
City of Roman Forest, Texas' Net Position**

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 4,305,203	78	\$ 4,019,412	90	\$ 285,791	7
Capital assets	1,218,526	22	427,416	10	791,110	185
Total assets	5,523,729	100	4,446,828	100	1,076,901	
Long-term liabilities outstanding	4,017,549	77	4,054,516	99	(36,967)	(1)
Other liabilities	1,196,577	23	49,518	1	1,147,059	2,316
Total liabilities	5,214,126	100	4,104,034	100	1,110,092	
Net position:						
Net investment in capital assets	152,809	49	103,653	31	49,156	47
Restricted for grants	8,144	3	12,310	4	(4,166)	(34)
Restricted for debt service	-	-	102,774	29	(102,774)	(100)
Unrestricted	148,650	48	124,057	36	24,593	20
Total net position	\$ 309,603	100	\$ 342,794	100	\$ (33,191)	

The City's total current assets of \$4,305,203 or 78% are largely comprised of investments. Capital assets, \$1,218,526 or 22%, are non-liquid assets and cannot be utilized to satisfy City obligations.

Total liabilities are comprised of \$4,017,549 in long-term liabilities, which consists of certificates of obligation, notes payable and accrued compensated absences, and \$1,196,577 in other liabilities.

Approximately 49% of total net position, or \$152,809, represents net investment in capital assets and 3%, or \$8,144 represents net position restricted for grants. Unrestricted net position of \$148,650 represents resources available to fund the programs for the City's next fiscal year.

Changes in Net Position. The City's combined decrease in current year net position was \$33,191 for the fiscal year ended September 30, 2017.

Table A-2
City of Roman Forest, Texas' Change in Net Position

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue						
Program revenues						
Charges for services	\$ 295,909	27	\$ 271,579	32	\$ 24,330	9
Operating grants and contributions	41,979	4	37,618	4	4,361	12
Capital grants and contributions	42,779	4	-	-	42,779	100
General revenues						
Property taxes	555,224	51	502,566	56	52,658	10
Franchise taxes	65,179	6	63,183	7	1,996	3
Investment earnings	44,210	4	2,192	-	42,018	1,917
Miscellaneous	43,993	4	12,392	1	31,601	255
Total revenues	<u>1,089,273</u>	<u>100</u>	<u>889,530</u>	<u>100</u>	<u>199,743</u>	
Expenses						
General government	319,496	29	301,190	28	18,306	6
Municipal court	82,312	7	87,868	8	(5,556)	(6)
Police department	416,311	38	387,925	36	28,386	7
Public works	105,774	9	105,579	10	195	-
Parks and recreation	83,707	7	43,954	4	39,753	90
Grant expenses	215	-	1,000	-	(785)	(79)
Interest and fees	114,649	10	153,591	14	(38,942)	(25)
Total expenses	<u>1,122,464</u>	<u>100</u>	<u>1,081,107</u>	<u>100</u>	<u>41,357</u>	
Increase (decrease) in net position	(33,191)		(191,577)		158,386	
Net position - beginning	342,794		534,371		(191,577)	
Net position - ending	<u>\$ 309,603</u>		<u>\$ 342,794</u>		<u>\$ (33,191)</u>	

Governmental Activities. The City's total revenues were \$1,089,273 from all governmental activities. A significant portion, \$555,224 or 51%, of the City's revenue comes from property taxes. Charges for services revenue accounts for \$295,909 or 27% of total revenue from governmental activities. The most significant change in governmental revenues was the increase in charges for services which is primarily a result of fees related to contracted police security services and property taxes due to the increase in property value and the increase in capital grants.

The total cost of all governmental programs and services was \$1,122,464. The police department function accounted for \$416,311, or 38% of this total. The general government function accounted for \$319,496, or 29% of this total. Total expenses increased primarily from the increase in Parks and recreation resulting from the installation of the splash pad.

Financial Analysis of the City's Funds

As mentioned earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds 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, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year, the City's governmental funds reported an ending fund balance of \$3,102,883, which is a decrease of \$840,245 from last year's total of \$3,943,128. The decrease in fund balance is primarily due to the increase in capital outlay expenditures for drainage projects in the current year.

The general fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$50,838, which represented 33% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5% of total general fund expenditures.

General Fund Budgetary Highlights

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, or within restrictions imposed by grantor agencies. City Council approves the financial plan for revenues and expenditures in all funds.

Over the course of the year, the City amended its general fund budget primarily to decrease appropriations for general government and to increase appropriations in public works and debt service.

In addition, the primary differences between final budget and actual amounts are as follows:

- Intergovernmental were less than budgeted since the revenue received from FEMA was not recognized during the current year since the related projects were not completed.
- The City's capital expenditures were delayed due to weather and Hurricane Harvey.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2017, the City had invested \$1,218,526 in a broad range of capital assets. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table A-3
City of Roman Forest, Texas' Capital Assets
 (net of depreciation)

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 90,580	6	\$ 90,580	12	\$ -	-
Buildings and improvements	293,482	19	293,482	40	-	-
Machinery, equipment, and vehicles	334,957	22	315,867	44	19,090	6
Construction in Progress	833,842	53	28,610	4	805,232	2,815
Totals	1,552,861	100	728,539	100	824,322	
Total accumulated depreciation	(334,335)		(301,123)		(33,212)	
Net capital assets	\$ 1,218,526		\$ 427,416		\$ 791,110	

Major capital asset additions during the current fiscal year included the following:

- \$19,090 Public Works Equipment
- \$805,353 Construction in Progress

Long-Term Liabilities. As of year-end, the City had total long-term liabilities outstanding of \$4,017,549, which consisted of certificates of obligation, notes payable, and compensated absences.

Table A-4
City of Roman Forest, Texas' Long-term Liabilities Outstanding

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Certificates of obligation (net)	\$ 3,977,342	99	\$ 3,993,644	99	(16,302)	-
Note payable	27,228	1	46,716	1	(19,488)	(42)
Compensated absences	12,979	-	14,156	-	(1,177)	(8)
Total long-term liabilities	\$ 4,017,549	100	\$ 4,054,516	100	\$ (36,967)	

More detailed information about the City's long-term liabilities can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budget

- A maintenance and operations tax rate of \$.495 and a debt service tax rate of \$.244, a total rate of \$.739, were adopted for 2017-2018, as increase of .244 from previous year.
- The unemployment rate for Montgomery County, according to Texas Workforce statistics, is 4.1%, which is a decrease from prior fiscal year rate of 5.4%. The state unemployment rate is 4.0%, a decrease from last year's rate of 4.9%.
- These indicators were taken into account when adopting the general fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$50,838.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator.

Basic Financial Statements

City of Roman Forest, Texas

Statement of Net Position

September 30, 2017

Exhibit A-1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 85,437
Investments	4,143,925
Receivables	
Property taxes	33,872
Allowance for uncollectible property taxes	(700)
Other	42,669
Capital assets	
Land and improvements	90,580
Buildings and improvements	293,482
Machinery, equipment, and vehicles	334,957
Construction in progress	833,842
Accumulated depreciation	(334,335)
Total assets	<u>5,523,729</u>
LIABILITIES	
Accounts payable	208,818
Interest payable	27,429
Accrued liabilities	9,502
Unearned revenue	950,828
Noncurrent liabilities	
Due within one year	158,290
Due in more than one year	3,859,259
Total liabilities	<u>5,214,126</u>
NET POSITION	
Net investment in capital assets	152,809
Restricted for grants	8,144
Unrestricted	148,650
TOTAL NET POSITION	<u>\$ 309,603</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Roman Forest, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2017

Exhibit A-2

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities					
General government	\$ 319,496	\$ -	\$ -	\$ -	\$ (319,496)
Municipal court	82,312	48,235	-	-	(34,077)
Police department	416,311	149,060	5,910	-	(261,341)
Public works	105,774	65,840	-	42,779	2,845
Parks and recreation	83,707	32,774	36,069	-	(14,864)
Grant expenses	215	-	-	-	(215)
Interest and fees	114,649	-	-	-	(114,649)
Total governmental activities	<u>1,122,464</u>	<u>295,909</u>	<u>41,979</u>	<u>42,779</u>	<u>(741,797)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,122,464</u>	<u>\$ 295,909</u>	<u>\$ 41,979</u>	<u>\$ 42,779</u>	<u>\$ (741,797)</u>
General revenues					
Property taxes					555,224
Franchise taxes					65,179
Investments earnings					44,210
Miscellaneous					43,993
Total general revenues					<u>708,606</u>
Change in net position					(33,191)
Net position - beginning					<u>342,794</u>
NET POSITION - ENDING					<u>\$ 309,603</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Roman Forest, Texas
 Balance Sheet - Governmental Funds
 September 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 56,164	\$ -
Investments	1,021,606	333
Receivables		
Property taxes	33,872	-
Allowance for uncollectible property taxes	(700)	-
Due from other funds	183,133	-
Other	42,669	-
TOTAL ASSETS	<u>\$ 1,336,744</u>	<u>\$ 333</u>
LIABILITIES		
Accounts payable	\$ 207,689	\$ -
Accrued liabilities	9,502	-
Due to other funds	-	-
Unearned revenue	930,828	-
Total liabilities	<u>1,148,019</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	33,172	-
Total deferred inflows of resources	<u>33,172</u>	<u>-</u>
FUND BALANCE		
Restricted for grant	-	-
Restricted for debt	-	333
Restricted for construction	-	-
Assigned - other	104,715	-
Unassigned	50,838	-
Total fund balance	<u>155,553</u>	<u>333</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,336,744</u>	<u>\$ 333</u>

The Notes to the Financial Statements are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Nonmajor Police Training and Seizure Fund</u>	<u>Governmental Funds</u>
\$ -	\$ 29,273	\$ 85,437
3,121,986	-	4,143,925
-	-	33,872
-	-	(700)
-	-	183,133
-	-	42,669
<u>\$ 3,121,986</u>	<u>\$ 29,273</u>	<u>\$ 4,488,336</u>
\$ -	\$ 1,129	\$ 208,818
-	-	9,502
183,133	-	183,133
-	20,000	950,828
<u>183,133</u>	<u>21,129</u>	<u>1,352,281</u>
-	-	33,172
-	-	33,172
-	8,144	8,144
-	-	333
2,938,853	-	2,938,853
-	-	104,715
-	-	50,838
<u>2,938,853</u>	<u>8,144</u>	<u>3,102,883</u>
<u>\$ 3,121,986</u>	<u>\$ 29,273</u>	<u>\$ 4,488,336</u>

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City of Roman Forest, Texas

Exhibit A-4

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2017

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS (EXHIBIT A-3) **\$ 3,102,883**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$1,552,861 and the accumulated depreciation is \$334,335. 1,218,526

Property taxes receivable are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 33,172

Long-term liabilities, including certificates of obligations, notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

Certificates of obligation	\$ (3,635,000)	
Premium on debt issued	(342,342)	
Notes payable	(27,228)	
Accrued Interest on debt	(27,429)	
Compensated absences	(12,979)	(4,044,978)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) **\$ 309,603**

City of Roman Forest, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Fiscal Year Ended September 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Taxes		
Property taxes, including penalty and interest	\$ 555,601	\$ -
Other taxes - franchise taxes	65,179	-
Municipal court fines	131,422	-
License and permits	65,840	-
Intergovernmental	72,829	-
Contributions and donations	6,019	-
Charges for services	94,407	-
Investment earnings	7,118	535
Miscellaneous	41,759	-
Total revenues	<u>1,040,174</u>	<u>535</u>
EXPENDITURES		
Current		
General government	314,779	-
Municipal court	82,382	-
Police department	379,492	-
Public works	102,043	-
Parks and recreation	80,319	-
Grant expenses	215	-
Capital outlay	9,899	-
Debt Service		
Principal	19,488	-
Interest and fees	1,890	108,415
Total expenditures	<u>990,507</u>	<u>108,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,667</u>	<u>(107,880)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(122)	-
Total other financing sources (uses)	<u>(122)</u>	<u>-</u>
Net change in fund balance	49,545	(107,880)
Fund balance - beginning	106,008	108,213
FUND BALANCE - ENDING	<u><u>\$ 155,553</u></u>	<u><u>\$ 333</u></u>

The Notes to the Financial Statements are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Nonmajor Police Training and Seizure Fund</u>	<u>Governmental Funds</u>
\$ -	\$ -	\$ 555,601
-	-	65,179
-	-	131,422
-	-	65,840
-	-	72,829
-	12,384	18,403
-	-	94,407
36,557	-	44,210
-	-	41,759
<u>36,557</u>	<u>12,384</u>	<u>1,089,650</u>
-	-	314,779
-	-	82,382
-	16,550	396,042
-	-	102,043
-	-	80,319
-	-	215
814,423	-	824,322
-	-	19,488
-	-	110,305
<u>814,423</u>	<u>16,550</u>	<u>1,929,895</u>
<u>(777,866)</u>	<u>(4,166)</u>	<u>(840,245)</u>
122	-	122
-	-	(122)
<u>122</u>	<u>-</u>	<u>-</u>
(777,744)	(4,166)	(840,245)
3,716,597	12,310	3,943,128
<u>\$ 2,938,853</u>	<u>\$ 8,144</u>	<u>\$ 3,102,883</u>

City of Roman Forest, Texas

Exhibit A-6

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2017

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS (EXHIBIT A-5) **\$ (840,245)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 824,322	
Depreciation expense	<u>(33,212)</u>	791,110

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (377)

Repayment of principal related to notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 19,488

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The increase (decrease) in these items are reported in the statement of activities consists of the following:

Accrued interest on certificates of obligation decreased	\$ (21,190)	
Accrued interest on notes payable increased	544	
Amortization of premium	<u>16,302</u>	(4,344)

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

Compensated absences liability (increased) decreased	<u>1,177</u>
--	--------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT A-2) **\$ (33,191)**

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The City of Roman Forest (City) is a municipal corporation governed by an elected mayor and five-member governing council (council). The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements.

Roman Forest Cultural Education Facility Finance Corporation was created by the City Council of the City in December 2001 as a non-profit corporation. The Corporation's Board of Directors and Officers are comprised of the members of the City Council. The Corporation's state purpose is to provide for the acquisition, construction and equipping of educational facilities along with the related financing of such purposes. The Roman Forest Cultural Education Facility Finance Corporation does not issue separate financial statements. The component unit, for which the City is considered to be financially accountable, is included within the reporting entity as a blended component unit.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's fund. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. The major individual governmental fund is reported in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term certificates of obligation for the governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the City's major capital assets, other than those financed by proprietary funds.

The City reports the following nonmajor governmental fund:

The *police training and seizure fund* is used to account for funds received by law enforcement from forfeitures and/or seizures. Chapter 59 of the Criminal Code of Procedure governs expenditure of these funds.

City of Roman Forest, Texas

Notes to the Financial Statements

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt is recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Franchise and similar taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the government.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition (including restricted cash).

2. Deposits and Investments

Investments for the City, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of Roman Forest, Texas

Notes to the Financial Statements

4. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, machinery, equipment, and vehicles, and construction in progress are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and machinery, equipment, and vehicles of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and improvements	20-50
Machinery, equipment, and vehicles	5-15

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not currently have any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Roman Forest, Texas

Notes to the Financial Statements

7. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council (Council) is the highest level of decision-making authority for the City that can, by Council action or adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by council action or the ordinance remains in place until a similar action is taken (council action or the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Council has by resolution authorized the City's Mayor or the Mayor's designee to assign fund balance. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the Montgomery Central Appraisal District as of July 31 of each year. Prior to October 1 of each year, the City sets its tax rate thus creating the tax levy. The taxes are levied and payable October 1 on property values assessed as of January 1. Taxes may be paid without penalty before February 1 of the following year and create a tax lien as of July 1 of each year. The tax assessor/collector for Montgomery County bills and collects the property taxes for the City. City property tax receivables are recorded when levied. The current tax rate to finance general governmental services for the fiscal year ended September 30, 2017 was \$0.4945 per \$100, for the general fund.

City of Roman Forest, Texas
Notes to the Financial Statements

3. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, the result of employee terminations.

4. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. 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 be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council, and are not made after fiscal year end. All budget appropriations lapse at year-end.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

	Encumbrances included in:
	<u>Restricted</u>
	<u>Fund Balance</u>
Capital Projects Fund	\$ 1,546,512
Total encumbrances	<u><u>\$ 1,546,512</u></u>

City of Roman Forest, Texas
Notes to the Financial Statements

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The City's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and City policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has a stated maturity of 270 days or fewer from the date of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code.

The City's measurements of investments are presented in the table below. The City's investment balances, weighted average maturity, and credit risk of such investments are as follows:

	September 30, 2017	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost				
TexPool - Prime	\$ 4,143,925	100%	0.37	AAAm
Total value	\$ 4,143,925	100%		
Portfolio weighted average maturity			0.37	

Investment Pools are measured at amortized cost. Such investments are not required to be reported by levels in the table above.

City of Roman Forest, Texas

Notes to the Financial Statements

The TexPool - Prime investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

Interest rate risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the City reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio and by holding securities to maturity.

Credit risk

For fiscal year 2017, the City invested in TexPool. TexPool is duly chartered and administered by the State Comptroller's Office. The credit rating for investments is noted in the table above.

Concentration of credit risk

The City's investment policy does not limit an investment in any one issuer.

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2017, City's deposits were exposed to custodial credit risk because the deposits were \$7,863 above the FDIC insurance amount of \$250,000.

Custodial credit risk – investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial risk due to the investments are insured or registered, or securities are held by the City or its agent in the City's name.

B. Receivables

Tax revenues of the General Fund are reported net of uncollectible amounts. There was no change in uncollectible amounts in the current fiscal year.

Approximately 80% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

City of Roman Forest, Texas
Notes to the Financial Statements

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

Due to and from other funds at September 30, 2017 consisted of the following:

Funds	Interfund Receivable	Interfund Payable
General Fund	\$ 183,133	\$ -
Capital Projects Fund	-	183,133
Total	\$ 183,133	\$ 183,133

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from expenditures that are paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more funds.

2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the City’s transfers for the fiscal year ended September 30, 2017.

Transfer Out	Transfer In	Amount
General Fund	Capital Projects Fund	\$ 122
Total		\$ 122

City of Roman Forest, Texas
Notes to the Financial Statements

D. Capital Assets

Capital asset activity for the period ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and improvements	\$ 90,580	\$ -	\$ -	\$ 90,580
Construction in progress	28,610	805,232	-	833,842
Total capital assets, not being depreciated	<u>119,190</u>	<u>805,232</u>	<u>-</u>	<u>924,422</u>
Capital assets, being depreciated				
Buildings and improvements	293,482	-	-	293,482
Machinery, equipment, and vehicles	315,867	19,090	-	334,957
Total capital assets, being depreciated	<u>609,349</u>	<u>19,090</u>	<u>-</u>	<u>628,439</u>
Less accumulated depreciation for				
Buildings and improvements	(92,288)	(8,719)	-	(101,007)
Machinery, equipment, and vehicles	(208,835)	(24,493)	-	(233,328)
Total accumulated depreciation	<u>(301,123)</u>	<u>(33,212)</u>	<u>-</u>	<u>(334,335)</u>
Total capital assets, being depreciated, net	<u>308,226</u>	<u>(14,122)</u>	<u>-</u>	<u>294,104</u>
Governmental activities capital assets, net	<u>\$ 427,416</u>	<u>\$ 791,110</u>	<u>\$ -</u>	<u>\$ 1,218,526</u>

Depreciation was charged to governmental activities functions as follows:

General administration	\$ 4,920
Parks and recreation	3,423
Police department	21,005
Public works	3,864
	<u>\$ 33,212</u>

E. Long-term Liabilities

The City's long-term liabilities consist of certificates of obligation, notes payable, and compensated absences. Requirements for the notes payable principal and interest payments and compensated absences are accounted for in the general fund. Requirements for the certificate of obligation principal and interest payments are accounted for in the debt service fund.

City of Roman Forest, Texas
Notes to the Financial Statements

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Certificates of obligation	\$ 3,635,000	\$ -	\$ -	\$ 3,635,000	\$ 125,000
Deferred amounts:					
For Issuance premiums	358,644	-	(16,302)	342,342	-
Total certificate of obligation, net	3,993,644	-	(16,302)	3,977,342	125,000
Notes payable	46,716	-	(19,488)	27,228	20,311
Compensated absences	14,156	23,703	(24,880)	12,979	12,979
Total governmental activities	\$ 4,054,516	\$ 23,703	\$ (60,670)	\$ 4,017,549	\$ 158,290

Certificates of Obligation

The City has certificates of obligation to pay contractual obligations to be incurred for road and street repairs, drainage upgrades, park improvements, and professional services related to those projects. Principal and interest payments on the City's debt are secured by ad valorem property taxes levied on all taxable property within the city limits. These certificates of obligation are issued as 22 year serial and term certificates.

The following is a summary of changes in the certificates of obligation for the fiscal year:

Series	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation 2016	2.00-4.00%	2038	\$ 3,635,000	\$ 3,635,000	\$ -	\$ -	\$ 3,635,000
Totals				\$ 3,635,000	\$ -	\$ -	\$ 3,635,000

City of Roman Forest, Texas
Notes to the Financial Statements

Debt service requirements for the certificates of obligation at September 30, 2017 are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 125,000	\$ 125,588	\$ 250,588
2019	125,000	123,088	248,088
2020	125,000	120,588	245,588
2021	130,000	117,388	247,388
2022	135,000	113,413	248,413
2023	140,000	109,288	249,288
2024	145,000	105,013	250,013
2025	150,000	99,838	249,838
2026	155,000	93,738	248,738
2027	160,000	87,438	247,438
2028	165,000	80,938	245,938
2029	175,000	74,138	249,138
2030	180,000	67,038	247,038
2031	190,000	59,638	249,638
2032	195,000	51,938	246,938
2033	205,000	43,938	248,938
2034	210,000	35,638	245,638
2035	220,000	28,413	248,413
2036	225,000	22,294	247,294
2037	235,000	14,500	249,500
2038	245,000	4,900	249,900
Totals	\$ 3,635,000	\$ 1,578,753	\$ 5,213,753

Note Payable

The City issued notes payable to provide funds for the purchase of vehicles. The notes payable are secured by the respective vehicles purchased.

The following is a summary of changes in the notes payable for the fiscal year:

Description	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance
2010 Chevy Tahoe	3.982%	10/2018	26,000	\$ 19,876	\$ -	\$ (6,337)	\$ 13,539
2016 Ford Explorer	3.982%	3/2018	40,274	26,840	-	(13,151)	13,689
Totals				\$ 46,716	\$ -	\$ (19,488)	\$ 27,228

Debt service requirements for the note payable at September 30, 2017 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 20,311	\$ 1,083	\$ 21,394
2019	6,917	274	7,191
Totals	\$ 27,228	\$ 1,357	\$ 28,585

City of Roman Forest, Texas

Notes to the Financial Statements

F. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the City purchased workers' compensation and property and liability insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

G. Fund Balance

Other assigned fund balance includes the following assignments of funds:

Governmental Funds:	
Special Events Committee	\$ 2,041
City Projects Volunteer Group	9
Police department overtime donations	7,923
Pavillion repairs and maintenance	2,542
Columns repair project	200
Building deposits	12,000
Contingency funds	80,000
Total Other Assigned Fund Balance	\$ 104,715

H. Commitments

The City has an outstanding commitment of \$30,000 due in 6 annual installment payments of \$5,000 to East Montgomery County Improvement District for the installation of a splashpad on City property. Title of splashpad remains in East Montgomery County Improvement District name and is cancelable within 30 days given notice.

The City has outstanding contractual commitments in the amount of \$1,546,512 for various drainage projects throughout the City. The commitment for construction is being financed by general obligations secured by tax revenues and local funds.

I. Conduit Debt Obligations

From time to time the City, through its blended component unit, has issued Revenue Bonds and various loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds and loans are secured by the appropriate property financed. Upon repayment of the related debt issued, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the City or its Component Unit, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the related debt is not reported as a liability in the accompanying financial statements.

As of September 30, 2017, there have been twenty conduit debt issuances through the component unit. The original issue amount payable for the one issue of debt during the fiscal year ending September 30, 2017 was \$4.65 million. The aggregate principal amount payable for the nineteen series of bonds outstanding issued prior to October 01, 2016, could not be determined; however, their original issue amounts totaled \$114.42 million.

Required Supplementary Information

City of Roman Forest, Texas

Exhibit A-7

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes, including penalty and interest	\$ 549,866	\$ 549,866	\$ 555,601	\$ 5,735
Other taxes - franchise taxes	63,600	63,600	65,179	1,579
Municipal court fines	167,950	167,950	131,422	(36,528)
License and permits	44,400	44,400	65,840	21,440
Intergovernmental	-	960,258	72,829	(887,429)
Contributions and donations	-	-	6,019	6,019
Charges for services	83,460	83,460	94,407	10,947
Investment earnings	1,000	1,000	7,118	6,118
Miscellaneous	3,000	36,053	41,759	5,706
Total revenues	<u>913,276</u>	<u>1,906,587</u>	<u>1,040,174</u>	<u>(866,413)</u>
EXPENDITURES				
Current				
General government	279,301	299,655	314,779	(15,124)
Municipal court	87,470	92,210	82,382	9,828
Police department	369,986	377,909	379,492	(1,583)
Public works	108,140	141,040	102,043	38,997
Parks and recreation	47,000	99,357	80,319	19,038
Grant expenditures	-	931,043	215	930,828
Capital outlay	-	3,740,673	9,899	3,730,774
Debt service				
Principal	19,773	19,773	19,488	285
Interest and fees	1,606	109,770	1,890	107,880
Total expenditures	<u>913,276</u>	<u>5,811,430</u>	<u>990,507</u>	<u>4,820,923</u>
Excess (deficiency) of revenues over (under) expenditures	-	(3,904,843)	49,667	3,954,510
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(122)	(122)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(122)</u>	<u>(122)</u>
Net change in fund balance	-	(3,904,843)	49,545	3,954,388
Fund balance - beginning	106,008	106,008	106,008	-
FUND BALANCE - ENDING	<u>\$ 106,008</u>	<u>\$ (3,798,835)</u>	<u>\$ 155,553</u>	<u>\$ 3,954,388</u>

The Notes to the Required Supplementary Information are an integral part of this schedule.

City of Roman Forest, Texas

Notes to Required Supplementary Information

Note 1. Budget

A. Budgetary Information

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. 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 be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council, and are not made after fiscal year end. All budget appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2017, the following expenditures exceeded its appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Government	\$ 299,655	\$ 314,779	\$ (15,124)
Police Department	377,909	379,492	(1,583)

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Supplementary Information

City of Roman Forest, Texas
 Schedule of Taxes Receivable
 For the Fiscal Year Ended September 30, 2017

Schedule B-1

<u>Tax Year</u>	<u>Balance 9/30/2016</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Balance 9/30/2017</u>
2016	\$ -	\$ 553,011	\$ 543,340	\$ (3,238)	\$ 6,433
2015	6,987	-	3,056	576	4,507
2014	4,519	-	1,095	181	3,605
2013	2,949	-	996	180	2,133
2012	3,214	-	843	(13)	2,358
2011	2,514	-	286	(12)	2,216
2010	3,128	-	92	(18)	3,018
2009	2,045	-	96	(20)	1,929
2008	1,773	-	96	(21)	1,656
2007 & Prior	7,120	-	792	(311)	6,017
Totals	<u>\$ 34,249</u>	<u>\$ 553,011</u>	<u>\$ 550,692</u>	<u>\$ (2,696)</u>	<u>\$ 33,872</u>

Less allowance for uncollectible accounts (700)
 Net taxes receivable \$ 33,172

ASSESSED VALUATION SUMMARY

<u>Tax Year</u>	<u>Certified Property Valuations</u>	<u>Tax Rate Per \$100 Valuation</u>
2016	111,832,356	.4945
2015	101,435,187	.4945
2014	92,039,427	.4819
2013	83,498,651	.4819
2012	81,368,334	.4819

Overall Compliance and Internal Control

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Independent Auditor's 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*

To The Honorable Mayor and Members of
the City Council and Management of
City of Roman Forest, Texas
2430 Roman Forest Blvd.
Roman Forest, Texas 77357

We have audited, 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, the financial statements of the governmental activities, each major fund, and the remaining fund information of City of Roman Forest, Texas (City) as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To The Honorable Mayor and Members of
the City Council and Management of
City of Roman Forest, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
February 16, 2018

City of Roman Forest, Texas
Schedule of Findings And Responses
For Year Ended September 30, 2017

Section 1 – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal Control over Financial Reporting: | |
| a. Material Weaknesses identified? | No |
| b. Significant Deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the Financial Statements noted? | No |

Section 2 – Financial Statement Findings

1. Findings Related to Internal Control Over Financial Reporting

None reported

2. Findings Related to Compliance with Laws and Regulations

None reported

