

*ANNUAL FINANCIAL REPORT*

of the

**City of Roman Forest, Texas**

**For the Year Ended  
September 30, 2019**

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# City of Roman Forest, Texas

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September 30, 2019

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## *INDEPENDENT AUDITOR'S REPORT*

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

### *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 (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

The City's 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. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 opinion.

### *Opinion*

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 as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note V.F., the City has restated beginning fund balance/net position within the general fund and governmental activities to accounting errors occurring in the prior year. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison information 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Roman Forest, Texas's basic financial statements. The combining and individual nonmajor fund financial statements 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
October 14, 2020

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# City of Roman Forest, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2019

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, 2019.

### **Financial Highlights**

- The City's total net position is \$1,794,258 at September 30, 2019.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$726,924, a decrease of \$1,190,843 from the prior year.
- As of the end of the year, the unassigned fund balance of the general fund was \$49,152 or 3.1% of total general fund expenditures.
- The City had an overall increase in net position of \$969,520.
- The City budgeted a deficit to fund balance for the general fund of \$1,071,718 for the year. The actual activity resulted in an increase in the fund balance for the general fund of \$200,741. This resulted in a positive overall variance between budget to actual of \$1,272,459.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-Wide 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* presents information on all of the City's assets, liabilities, and deferred inflows/outflows 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* 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

# City of Roman Forest, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

**September 30, 2019**

are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and code enforcement.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Roman Forest Cultural Education Facility Finance Corporation, for which the City is financially accountable. Although legally separate, the City Council functions for all practical purposes as a department of the City and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15 through 17 of this report.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City of Roman Forest. They are usually segregated for specific activities or objectives. The City of Roman Forest uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The one categories of City funds is governmental.

#### **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 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Roman Forest maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of

# **City of Roman Forest, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

**September 30, 2019**

revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds which are considered to be major funds.

The City of Roman Forest adopts an annual appropriated budget for its general, debt service, and capital projects funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

### **Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund. The RSI can be found after the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Roman Forest, assets exceeded liabilities by \$1,794,120 as of September 30, 2019, in the primary government.

One portion of the City's net position, \$1,364,444, reflects its investments in capital assets (e.g., land, city hall, city park, as well as machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of Governmental Activities as of September 30, 2019 and September 30, 2018 were \$2,753,265 and \$3,232,402, respectively. The decrease is primarily attributable to cash on hand being spent on the roadside ditch and street improvements in the current year. Capital assets of Governmental Activities as of September 30, 2019 and September 30, 2018 were \$4,756,000 and \$2,754,970, respectively. The increase of \$2,001,030, net of depreciation expense, was primarily attributable to significant roadside ditch and street paving improvements. Other liabilities of Governmental Activities as of September 30, 2019 and September 30, 2018 were \$2,021,823 and \$1,305,377. The increase of \$716,446 was primarily due to greater unpaid vendor payables for roadway improvements at the end of the current year. Long-term liabilities of Governmental Activities as of

**City of Roman Forest, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

September 30, 2019 and September 30, 2018 were \$3,693,184 and \$3,857,257, respectively. The decrease of \$164,073 is primarily due to principal payments made during the current year.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 2,753,265	\$ 3,232,402
Capital assets, net	4,756,000	2,754,970
<b>Total Assets</b>	<b>7,509,265</b>	<b>5,987,372</b>
Other liabilities	2,021,823	1,305,377
Long-term liabilities	3,693,184	3,857,257
<b>Total Liabilities</b>	<b>5,715,007</b>	<b>5,162,634</b>
Net Position:		
Net investment in capital assets	1,364,444	625,059
Restricted	141,074	70,243
Unrestricted	288,740	129,436
<b>Total Net Position</b>	<b>\$ 1,794,258</b>	<b>\$ 824,738</b>

**City of Roman Forest, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

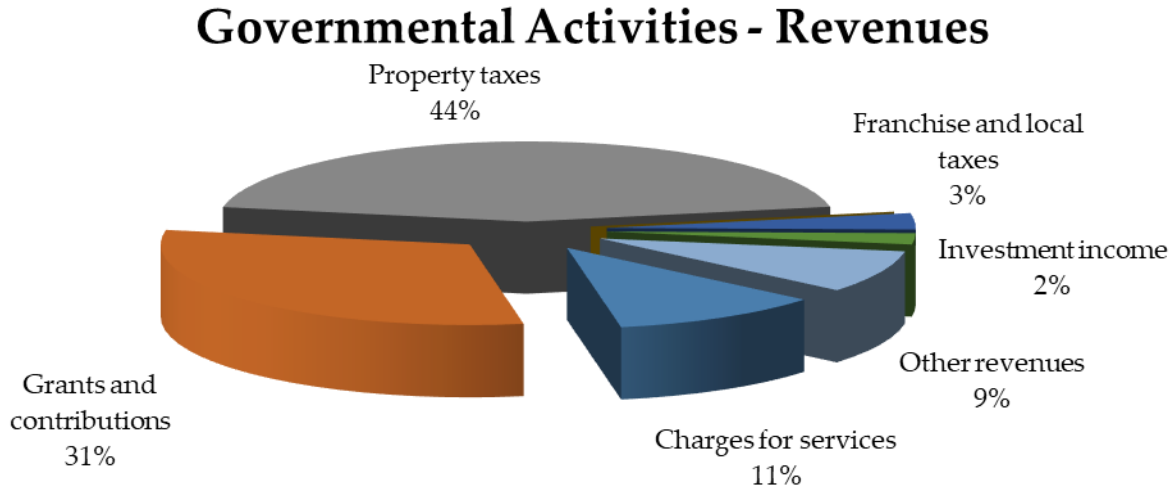
**Statement of Activities:**

The following table provides a summary of the City's changes in net position:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 234,798	\$ 209,575
Grants and contributions	649,435	212,671
General revenues:		
Property taxes	933,940	895,534
Franchise and local taxes	69,414	69,432
Investment income	47,775	48,932
Other revenues	180,742	190,844
<b>Total Revenues</b>	<b>2,116,104</b>	<b>1,626,988</b>
<b>Expenses</b>		
General government	322,497	332,446
Municipal court	75,704	87,858
Police department	490,214	406,878
Public works	105,623	141,309
Parks and recreation	47,292	59,902
Interest and fiscal charges	105,254	108,769
<b>Total Expenses</b>	<b>1,146,584</b>	<b>1,137,162</b>
<b>Change in Net Position</b>	<b>969,520</b>	<b>489,826</b>
Beginning Net Position	824,738	334,912
<b>Ending Net Position</b>	<b>\$ 1,794,258</b>	<b>\$ 824,738</b>

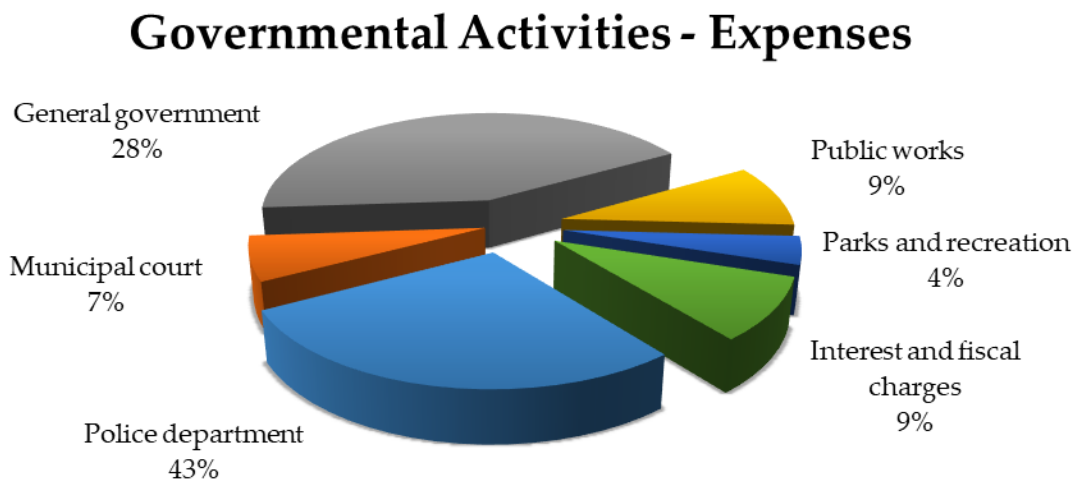
**City of Roman Forest, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



For the year ended September 30, 2019, revenues from governmental activities totaled \$2,116,104. Property tax, charges for services, and grants and contributions are the City's largest revenue sources. Grants and contributions increased \$436,764 or 205% due to nonrecurring FEMA grant revenues realized in the current year. Charges for services increased by \$25,223 or 12% primarily due to greater building inspection and permit fees in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2019, expenses for governmental activities totaled \$1,146,722. This represents an increase of \$9,560 or 1% from the prior year. The City's largest functional expense is the police department for \$490,214, which primarily consists of police salaries and department



**City of Roman Forest, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2019**

maintenance and supplies. Police department expenses increased by \$83,336 or 20% primarily due to an increase in salaries and public safety supply purchases in the current year. Municipal court expenses decreased by \$12,154 or 14% due primarily to reduced salaries and technology related expenses in the current year. Public works expenses decreased by \$35,686 or 25% primarily due to a reduction in salaries. Parks and recreation expenses decreased by \$12,610 or 21% primarily as a result of reduced pool maintenance expenses in the current year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of 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 as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$326,981. Of this, \$110,623 is assigned for various city capital projects and \$38,404 is restricted for park improvements. The City also has \$113,337 committed for emergency reserve. The unassigned fund balance totaled \$49,152 as of yearend. The fund experienced an increase of \$200,741, which is a result of current year revenues exceeding expenditures.

As of September 30, 2019, the debt service fund reflected a fund balance of \$91,987, an increase of \$51,979 from the prior year. The fund balance increased due to property tax revenues exceeding debt service expenses. Funding for the debt service fund is primarily received from property tax revenues collected in the subsequent calendar year. The majority of the September 30, 2019 available funds will be used to service debt payments owed before all the property taxes are collected in the following year.

As of September 30, 2019, the capital projects fund reflected a fund balance of \$297,273, a decrease of \$1,441,911 from the prior year. This decrease is due to significant capital outlay expenses exceeding investment income.

There was a decrease in governmental fund balance of \$1,190,843 from the prior year. The decrease was primarily related to significant capital outlay expenses in the current year, resulting in a large fund balance decrease in the capital projects fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive budget variance of \$1,272,459 in the general fund. This was primarily the result of positive expenditure variances totaling \$1,213,284. All actual expenditures were less than budgeted, with the exception of the building and code enforcement department.

**City of Roman Forest, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2019**

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$4,756,000 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the current year include the following:

- Roadside ditch improvements totaling \$168,620.
- Street paving improvements of \$1,723,163.
- New police department vehicles and equipment totaling \$184,663.

More detailed information about the City's capital assets is presented in note IV. C. to the financial statements.

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds (excluding premium) and notes payable outstanding of \$3,385,000. During the year, principal payments totaling \$131,970 were made. More detailed information about the City's long-term liabilities is presented in note IV. D. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Roman Forest and improving services provided to their public citizens. The City is considering a potential reduction in revenues in the upcoming year as a result of the COVID-19 pandemic.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Roman Forest's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, 2430 Roman Forest Blvd, Roman Forest, Texas 77357.

## ***FINANCIAL STATEMENTS***

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# City of Roman Forest, Texas

## STATEMENT OF NET POSITION

September 30, 2019

	Primary Government
	Governmental
	Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,829,560
Restricted cash	845,170
Receivables, net	63,070
Prepays	15,465
<b>Total Current Assets</b>	<b>2,753,265</b>
Capital assets:	
Non-depreciable	2,911,132
Net depreciable capital assets	1,844,868
	4,756,000
<b>Total Assets</b>	<b>7,509,265</b>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	1,138,171
Customer deposits	11,064
Accrued interest payable	25,703
Unearned revenue	832,535
Compensated absences	14,350
Debt due within one year	125,000
	2,146,823
Noncurrent liabilities:	
Debt due in more than one year	3,568,184
	3,568,184
<b>Total Liabilities</b>	<b>5,715,007</b>
<u>Net Position</u>	
Net investment in capital assets	1,364,444
Restricted for:	
Police training	10,683
Park improvements	38,404
Debt service	91,987
Unrestricted	288,740
<b>Total Net Position</b>	<b>\$ 1,794,258</b>

See Notes to Financial Statements.

# City of Roman Forest, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 322,497	\$ 111,619	\$ 427,736
Municipal court	75,704	123,179	217,090
Police department	490,214	-	-
Public works	105,623	-	4,609
Parks and recreation	47,292	-	-
Interest and fiscal charges	105,254	-	-
<b>Total Governmental Activities</b>	<u>1,146,584</u>	<u>234,798</u>	<u>649,435</u>
<b>Total Primary Government</b>	<u>\$ 1,146,584</u>	<u>\$ 234,798</u>	<u>\$ 649,435</u>

### General Revenues:

Taxes

Property taxes

Franchise and local taxes

Investment income

Other revenues

**Total General Revenues**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental</b>			
<b>Activities</b>		<b>Total</b>	
\$	216,858	\$	216,858
	264,565		264,565
	(490,214)		(490,214)
	(101,014)		(101,014)
	(47,292)		(47,292)
	(105,254)		(105,254)
	(262,351)		(262,351)
	(262,351)		(262,351)
	933,940		933,940
	69,414		69,414
	47,775		47,775
	180,742		180,742
	1,231,871		1,231,871
	969,520		969,520
	824,738		824,738
\$	1,794,258	\$	1,794,258

# City of Roman Forest, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	General	Debt Service	Capital Projects
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 383,582	\$ 91,987	\$ 1,343,308
Restricted cash	845,170	-	-
Receivables, net	55,675	7,395	-
Prepays	15,465	-	-
Due from other funds	1,046,035	-	-
<b>Total Assets</b>	<b>\$ 2,345,927</b>	<b>\$ 99,382</b>	<b>\$ 1,343,308</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 1,138,171	\$ -	\$ -
Deposits	11,064	-	-
Unearned revenue	832,535	-	-
Due to other funds	-	-	1,046,035
<b>Total Liabilities</b>	<b>1,981,770</b>	<b>-</b>	<b>1,046,035</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	37,176	7,395	-
<b>Total Deferred Inflows of Resources</b>	<b>37,176</b>	<b>7,395</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Nonspendable:			
Prepaid items	15,465	-	-
Restricted for:			
Police training	-	-	-
Park improvements	38,404	-	-
Debt service	-	91,987	-
Capital projects	-	-	297,273
Committed for:			
Emergency reserve	113,337	-	-
Assigned for:			
Capital projects	110,623	-	-
Unassigned reported in:			
General fund	49,152	-	-
<b>Total Fund Balances</b>	<b>326,981</b>	<b>91,987</b>	<b>297,273</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,345,927</b>	<b>\$ 2,081,152</b>	<b>\$ 2,279,043</b>

See Notes to Financial Statements.



<b>Nonmajor Police Training and Seizure</b>	<b>Total Governmental Funds</b>
\$ 10,683	\$ 1,829,560
-	845,170
-	63,070
-	15,465
-	1,046,035
<u>\$ 10,683</u>	<u>\$ 3,799,300</u>

\$ -	\$ 1,138,171
-	11,064
-	832,535
-	1,046,035
<u>-</u>	<u>3,027,805</u>

-	44,571
<u>-</u>	<u>44,571</u>

-	15,465
10,683	10,683
-	38,404
-	91,987
-	297,273
-	113,337
-	110,623
-	49,152
<u>10,683</u>	<u>726,924</u>
<u>\$ 1,992,453</u>	<u>\$ 2,753,265</u>

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# City of Roman Forest, Texas

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

September 30, 2019

<b>Fund Balances - Total Governmental Funds</b>	\$	726,924
<b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		2,911,132
Capital assets - net depreciable		1,844,868
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property taxes		44,571
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(25,703)
Bond premium		(308,184)
Compensated absences		(14,350)
Non-current liabilities due in one year		(125,000)
Non-current liabilities due in more than one year		(3,260,000)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,794,258</u></b>

See Notes to Financial Statements.

# City of Roman Forest, Texas

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

For the Year Ended September 30, 2019

	General	Debt Service	Capital Projects
<b><u>Revenues</u></b>			
Property tax	\$ 627,169	\$ 298,052	\$ -
Franchise and local taxes	69,414	-	-
License and permits	111,619	-	-
Contributions and donations	217,090	-	4,609
Fines and forfeitures	123,179	-	-
Investment income	3,969	2,514	41,288
Intergovernmental revenue	427,736	-	-
Other revenue	174,765	-	-
<b>Total Revenues</b>	<b>1,754,941</b>	<b>300,566</b>	<b>45,897</b>
<b><u>Expenditures</u></b>			
Current:			
General government	317,752	499	-
Police department	563,955	-	-
Municipal court	75,704	-	-
Parks and recreation	42,212	-	-
Building and code enforcement	33,493	-	-
Public works	72,772	-	1,487,808
Capital outlay	457,243	-	-
Debt Service:			
Principal	6,970	125,000	-
Interest and fiscal charges	136	123,088	-
<b>Total Expenditures</b>	<b>1,570,237</b>	<b>248,587</b>	<b>1,487,808</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>184,704</b>	<b>51,979</b>	<b>(1,441,911)</b>
<b><u>Other Financing (Uses)</u></b>			
Insurance recovery proceeds	16,037	-	-
<b>Total Other Financing (Uses)</b>	<b>16,037</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>200,741</b>	<b>51,979</b>	<b>(1,441,911)</b>
Beginning fund balances	126,240	40,008	1,739,184
<b>Ending Fund Balances</b>	<b>\$ 326,981</b>	<b>\$ 91,987</b>	<b>\$ 297,273</b>

See Notes to Financial Statements.

<b>Nonmajor Police Training and Seizure</b>	<b>Total Governmental Funds</b>
\$ -	\$ 925,221
-	69,414
-	111,619
-	221,699
-	123,179
4	47,775
-	427,736
-	174,765
<u>4</u>	<u>2,101,408</u>
-	318,251
-	563,955
-	75,704
1,656	43,868
-	33,493
-	1,560,580
-	457,243
-	131,970
-	123,224
<u>1,656</u>	<u>3,308,288</u>
(1,652)	(1,206,880)
-	16,037
<u>-</u>	<u>16,037</u>
(1,652)	(1,190,843)
12,335	1,917,767
<u>\$ 10,683</u>	<u>\$ 726,924</u>

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# City of Roman Forest, Texas

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

### For the Year Ended September 30, 2019

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

Net changes in fund balances - total governmental funds	\$ (1,190,843)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,089,046
Depreciation expense	(77,956)
Adjustment for disposal of capital assets	(10,060)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property and franchise taxes	8,719
------------------------------	-------

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

Compensated absences	674
Accrued interest	891

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of premium	17,079
Principal payments	131,970
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 969,520</b>

See Notes to Financial Statements.

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# City of Roman Forest, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019

### I. 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 and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### B. Reporting Entity

The City of Roman Forest (the "City") is a municipal corporation governed by an elected mayor and five-member governing council (council). The City provides: police; municipal court; building and code enforcement; public works; and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Roman Forest Cultural Education Facility Finance Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**Discretely Presented Component Unit**

**Roman Forest Cultural Education Facility Finance Corporation**

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 stated purpose is to provide for the acquisition, construction and equipping of educational facilities along with the related financing of such purposes.

This Corporation has had no economic activity since inception, and has approved conduit debt issuances by outside organizations. The City and the Corporation have no obligations related to the conduit debt issuances.

**C. Basis of Presentation Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following governmental funds:

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

# **City of Roman Forest, Texas**

## **NOTES TO FINANCIAL STATEMENTS, Continued**

### **September 30, 2019**

#### **General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, police, municipal court, public works, parks and recreation, and building and code enforcement departments. The general fund is considered a major fund for reporting purposes.

#### **Debt Service 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 debt service fund is considered a major fund for reporting purposes.

#### **Capital Projects Fund**

The capital projects fund accounts for the acquisition and construction of the government's major capital assets, other than those financed by proprietary funds. The capital projects fund is considered a major fund for reporting purposes.

#### **Police Training and Seizure 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.

#### **D. 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.

# City of Roman Forest, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, 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 are considered to be measurable and available only when cash is received by the government.

### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

#### **1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code.

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**2. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

**4. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

# City of Roman Forest, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

### 5. Capital Assets

Capital assets, which include property, plant, equipment, and land assets (e.g., roads, city hall, city park, and similar items) are reported in the applicable governmental or business-type activities columns 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 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Machinery, equipment, and vehicles	5 to 15 years
Buildings and improvements	20 to 50 years

### 6. 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. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. An example which arises only under a modified accrual basis of accounting, relates to the accounting for uncollected property taxes. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2019**

resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumptions used within the pension actuarial valuation model.

**7. Net Position Flow Assumption**

Sometimes the government 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**8. Fund Balance Flow Assumptions**

Sometimes the government 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.

**9. 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 government 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 government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (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 government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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.

**10. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

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.

**11. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund.



**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**12. Estimates**

The preparation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, and capital projects fund.

The appropriated budget is prepared by fund, function, and department. The legal level of control is the account level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

# City of Roman Forest, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2019

For the year ended September 30, 2019, expenditures exceeded appropriations at the legal level of control as follows:

**Building and Code Enforcement**

01-64020	Review and Inspection Services	\$ 19,236
01-64021	Building and Refunds/Cancelled Jobs	2,257

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

As of September 30, 2019, the primary government had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)	Credit Rating
External investment pools	\$ 2,623,838	0.08	AAAm
Total carrying value	\$ 2,623,838		
Portfolio weighted average maturity		0.08	

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2019, the City’s investment in TexPool was rated AAAm by Standard & Poor’s.

*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. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

# City of Roman Forest, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2019

*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's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

#### **B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes, net	\$ 37,926	\$ 7,545	\$ 45,471
Other	18,499	-	18,499
Allowance	(750)	(150)	(900)
	<u>\$ 55,675</u>	<u>\$ 7,395</u>	<u>\$ 63,070</u>

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 118,720	\$ -	\$ (10,060)	\$ 108,660
Construction in progress	2,108,407	1,105,108	(411,043)	2,802,472
Total capital assets not being depreciated	<u>2,227,127</u>	<u>1,105,108</u>	<u>(421,103)</u>	<u>2,911,132</u>
Capital assets, being depreciated:				
Buildings and improvements	499,477	799,275	411,043	1,709,795
Machinery, vehicles, and equipment	404,397	184,663	(63,255)	525,805
Total capital assets being depreciated	<u>903,874</u>	<u>983,938</u>	<u>347,788</u>	<u>2,235,600</u>
Less accumulated depreciation				
Buildings and improvements	116,592	35,272	-	151,864
Machinery, vehicles, and equipment	259,439	42,684	(63,255)	238,868
Total accumulated depreciation	<u>376,031</u>	<u>77,956</u>	<u>(63,255)</u>	<u>390,732</u>
Net capital assets being depreciated	<u>527,843</u>	<u>905,982</u>	<u>411,043</u>	<u>1,844,868</u>
<b>Total Capital Assets</b>	<u><u>\$ 2,754,970</u></u>	<u><u>\$ 2,011,090</u></u>	<u><u>\$ (10,060)</u></u>	<u><u>\$ 4,756,000</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 4,920
Police department	9,655
Public works	59,957
Parks and recreation	3,424
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 77,956</u></u>

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
Certificate of Obligation	\$ 3,510,000	\$ -	\$ (125,000)	\$ 3,385,000	\$ 125,000
Premium	325,263	-	(17,079)	308,184	-
Note payable	6,970	-	(6,970)	-	-
<b>Total Governmental Activities</b>	<u>\$ 3,842,233</u>	<u>\$ -</u>	<u>\$ (149,049)</u>	<u>\$ 3,693,184</u>	<u>\$ 125,000</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 3,568,184</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Original Balance</u>	<u>Current Balance</u>
<b>Governmental Activities:</b>			
2016 Tax and Revenue Certificate of Obligation	2.00 - 4.00%	\$ 3,635,000	\$ 3,385,000
<b>Total Governmental Activities</b>		<u>\$ 3,635,000</u>	<u>\$ 3,385,000</u>

# City of Roman Forest, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2019

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities	
	2016 C.O. Bonds	
	Principal	Interest
2020	\$ 125,000	\$ 120,588
2021	130,000	117,388
2022	135,000	113,413
2023	140,000	109,288
2024	145,000	105,013
2025	150,000	99,838
2026	155,000	93,738
2027	160,000	87,438
2028	165,000	80,938
2029 & After	2,080,000	402,431
<b>Total</b>	<b>\$ 3,385,000</b>	<b>\$ 1,330,073</b>

2016 tax and revenue certificates of obligation bonds issued January 15, 2017, due in annual installments through July 15, 2038, bearing interest ranging from 2.0% to 4.0% payable January 15 and July 15.

#### E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund to liquidate governmental activities compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 15,024	\$ -	\$ (674)	\$ 14,350	\$ 14,350
<b>Total Governmental Activities</b>	<b>\$ 15,024</b>	<b>\$ -</b>	<b>\$ (674)</b>	<b>\$ 14,350</b>	<b>\$ 14,350</b>
<b>Long-term Liabilities Due in More than One Year</b>				<b>\$ -</b>	

#### F. Unearned Revenue

The City received FEMA and other grants funds for various construction projects impacted by Hurricane Harvey and other matters that have not been completed as of yearend. When the project is completed the grant revenue will be recognized by the City. Total unearned grant revenue as of September 30, 2019 was \$832,535.

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**G. Interfund Transactions**

The compositions of interfund due to/from balances as of the year ended September 30, 2019 were as follows:

<u>Payable fund</u>	<u>Receivable fund</u>
	<u>General</u>
Capital projects	\$ 1,046,035

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted by the City:

	<u>Restricted</u>
Police training	\$ 10,683
Park improvements	38,404
Debt service	91,987
Capital projects	297,273
<b>Total</b>	<u>\$ 438,347</u>

The following is a list of fund balances committed by the City:

	<u>Committed</u>
Emergency reserve	\$ 113,337
<b>Total</b>	<u>\$ 113,337</u>

The following is a list of fund balances assigned by the City:

	<u>Assigned</u>
Capital projects	\$ 110,623
<b>Total</b>	<u>\$ 110,623</u>

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for

**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**C. Commitments**

The City has an outstanding commitment of \$25,000 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 \$244,787 for various drainage and road projects throughout the City. The commitment for construction is being financed by general obligations secured by tax revenues and local funds.

**D. 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, 2019, there have been twenty-one conduit debt issuances through the component unit. There were no issuances during the year ended September 30, 2019. The aggregate original principal amount issued for these debt issuances as of September 30, 2019 was \$122,935,290.



**City of Roman Forest, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**E. Related Party Transactions**

George Mullane, current member of the City Council (position #3) is married to Liz Mullane, the current City Administrator. Liz Mullane's salary for the year ended September 30, 2019 was \$66,800. Given this relationship, George Mullane signed a statement to address any conflict of interest concerns.

**F. Restatement**

The City restated beginning fund balance and beginning net position due to accounting errors occurring in the general fund in the prior year over grants, and an understatement of accrued interest at the government wide level. The City restated beginning fund balance/net position as follows:

	<b>Governmental Activities</b>	<b>General Fund</b>
Prior year ending net position/ fund balance, as reported	\$ 844,671	\$ 132,950
Additional accrued interest	(13,223)	-
Corrections to unearned grant revenue	(6,710)	(6,710)
Restated beginning net position/fund balance	<u>\$ 824,738</u>	<u>\$ 126,240</u>

**G. Subsequent Events**

There were no material subsequent events through October 14, 2020, the date the financial statements were available to be issued.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

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# City of Roman Forest, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Property tax	\$ 627,000	\$ 627,000	\$ 627,169	\$ 169
Franchise and local taxes	65,100	65,100	69,414	4,314
License and permits	70,500	70,500	111,619	41,119
Contributions and donations	-	218,626	217,090	(1,536)
Intergovernmental revenue	-	450,574	427,736	(22,838)
Fines and forfeitures	121,650	121,650	123,179	1,529
Investment income	1,000	1,000	3,969	2,969
Other revenue	147,000	147,000	174,765	27,765
<b>Total Revenues</b>	<b>1,032,250</b>	<b>1,701,450</b>	<b>1,754,941</b>	<b>53,491</b>
<b><u>Expenditures</u></b>				
Current:				
General government	328,494	348,275	317,752	30,523
Police department	441,302	578,703	563,955	14,748
Municipal court	79,635	79,635	75,704	3,931
Parks and recreation	39,500	89,943	42,212	47,731
Building and code enforcement	12,000	12,000	33,493	(21,493) *
Public works	79,744	89,001	72,772	16,229
Capital outlay	1,145,853	1,557,358	457,243	1,100,115
Debt service:				
Principal	40,975	28,006	6,970	21,036
Interest	600	600	136	464
<b>Total Expenditures</b>	<b>2,168,103</b>	<b>2,783,521</b>	<b>1,570,237</b>	<b>1,213,284</b>
<b>Revenues Over (Under)</b>	<b>(1,135,853)</b>	<b>(1,082,071)</b>	<b>184,704</b>	<b>1,266,775</b>
<b><u>Other Financing Sources</u></b>				
Insurance recovery proceeds	-	10,353	16,037	5,684
<b>Total Other Financing Sources</b>	<b>-</b>	<b>10,353</b>	<b>16,037</b>	<b>5,684</b>
<b>Net Change in Fund Balance</b>	<b>(1,135,853)</b>	<b>\$ (1,071,718)</b>	<b>200,741</b>	<b>\$ 1,272,459</b>
Beginning fund balance			126,240	
<b>Ending Fund Balance</b>			<b>\$ 326,981</b>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at the legal level on control.

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