

**CITY OF ROMA, TEXAS**

**AUDITED ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**Reyna & Garza, P.L.L.C.**

Certified Public Accountants

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CITY OF ROMA, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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# Reyna & Garza, PLLC

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Roma, Tx

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, component units, each major fund, and the aggregate remaining fund information of the City of Roma (the City) as of and for the year ended September 30, 2014, 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 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison information as listed on 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2015, our consideration of the City'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 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 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 the City's internal control over financial reporting and compliance.

*Reyna & Garza, PLLC*  
*Certified Public Accountants*

*August 17, 2015*

Management's Discussion and Analysis  
CITY OF ROMA, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of City of Roma, Texas (the "City"), discuss and analyze the City's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

- The City's net assets: decreased by \$892,137 as a result of this year's operations. Net assets of our business-type activities: decreased by \$637,816 or 1.7 percent, net assets of all governmental activities: decreased, by \$254,321 or nearly 2.2 percent.
- During the year, the City had expenses that were \$892,137 more than the \$ 9.3 million generated in tax and other revenues for governmental programs (before special items).
- In the City's business-type activities, revenues decreased from \$5.22 million to \$4.8 million, while expenses decreased from \$4.87 million to \$ 4.80 million (or 1.5 percent).
- Total cost of all of the City's programs decreased from \$ 11.07 million to \$ 10.18 million (or 8 percent).
- The General Fund ended the year with a fund balance of \$ 350 thousand.
- The resources available for appropriation were \$980 thousand less than budgeted for the General Fund.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 9 and 10. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 12 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements (when applicable), provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

## **Reporting the City as a Whole**

### ***The Statement of Net Assets and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including public safety, public works, culture and recreation, economic development and assistance, and general administration. Property taxes, sales taxes, franchise taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of providing services such as water, sewer, and solid waste services.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the City as a whole. Laws and/or contracts require the City to establish some funds, such as grants received under the certain programs. The City's administration establishes several other funds to help it control and manage money for particular purposes. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

· Governmental funds—Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

· Proprietary funds—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

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

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

Net assets of the City's governmental activities decreased from \$ 11.67million to \$ 11.65 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$ 1.1 million at September 30, 2014.

In 2014, net assets of our business-type activities decreased by \$ .64 million, or nearly 1.7 percent. This decrease is not considered significant in relation to the overall operations of the City.

Table I  
CITY OF ROMA, TEXAS  
NET ASSETS

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Current and other assets	1,943,496	1,240,494	3,888,414	6,561,565	5,831,910	7,802,059
Capital assets	12,004,633	10,605,365	38,431,409	37,007,237	50,436,042	47,612,602
Total assets	13,948,129	11,845,859	42,319,823	43,568,802	56,267,952	55,414,661
Long-term liabilities	2,201,300	45,984	5,163,227	5,816,648	7,364,527	5,862,632
Other liabilities	100,216	125,300	199,607	157,349	299,823	282,649
Total liabilities	2,301,516	171,284	5,362,834	5,973,997	7,664,350	6,145,281
Net Assets:						
Invested in capital assets net of related debt	9,803,333	10,480,065	30,423,122	31,190,589	40,226,455	41,670,654
Restricted	782,143	91,697	-	-	782,143	91,697
Unrestricted	1,061,137	1,102,813	6,533,867	6,404,216	7,595,004	7,507,029
Total net assets	11,646,613	11,674,575	36,956,989	37,594,805	48,603,602	49,269,380

Table II  
CITY OF ROMA, TEXAS  
CHANGES IN NET ASSETS

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Revenues:						
Program Revenues:						
Charges for Services	950,604	1,035,183	4,834,341	5,216,642	5,746,681	6,251,825
General Revenues:						
Maintenance and operations taxes	1,152,965	1,300,394	-	-	1,152,965	1,300,394
Debt Service taxes	-	-	-	-	-	-
Grants	861,319	1,782,252	-	-	861,319	1,782,252
Sales Taxes	583,639	552,420	-	-	583,639	552,420
Franchise Taxes	311,977	296,343	-	-	311,977	296,343
Investment Earnings	223	2,207	51,523	57,800	51,746	4,088
Miscellaneous	295,788	259,606	-	-	295,788	259,606
Total Revenue	4,156,515	5,228,405	4,885,864	5,274,442	9,004,115	10,502,847
Expenses:						
General Government	936,153	955,565	-	-	936,153	955,565
Public Safety	2,575,625	2,824,209	-	-	2,575,625	2,824,209
Highways and Streets	1,080,932	1,238,028	-	-	1,080,932	1,238,028
Conservation & Development	347,081	686,472	-	-	347,081	686,472
Sanitation	333,478	343,598	-	-	333,478	343,598
Culture & Recreation	18,233	68,216	-	-	18,233	68,216
Debt Interest	88,599	-	-	-	88,599	-
Utility Fund	-	-	4,796,077	4,869,607	4,796,077	4,869,607
Total Expenses	5,380,101	6,202,946	4,796,077	4,869,607	10,176,178	11,072,553
Increase in net assets before transfers and special items	(1,223,586)	(974,541)	89,787	404,835	(1,133,799)	(569,706)
Transfers	969,265	900,200	(727,603)	(657,819)	241,662	242,381
Special Items – Prior Period Adjustments	226,359	8	-	-	226,359	8
Net assets at 10/1	11,674,575	11,748,908	37,594,805	37,847,789	49,269,380	49,596,697
Net assets at 9/30	11,646,613	11,674,575	36,956,989	37,594,805	48,603,602	49,269,380

The cost of all governmental activities this year was \$ 10.18 million. However, as shown in the Statement of Activities on pages 10 and 11, the amount that our taxpayers ultimately financed for these activities through City ad-valorem property taxes was only \$ 1.15 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$ 1.13 million, which is greater than last year's total of \$.484 million. This is primarily due to the fund balance associated with the USDA loan/grant project.

Over the course of the year, the Council did not revise the City's original budget.

The City's General Fund balance of \$ 350 thousand reported on page 12 differs from the General Fund's budgetary fund balance of \$ 352 thousand reported in the General Fund budgetary comparison schedule on page 45.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2013-14 year, the City had \$ 50.4 million (net of depreciation) invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment. The most significant current year addition related to construction in progress related to the USDA loan/grant program.

### Debt

At year-end, the City had \$ 7.4 million in bonds and notes outstanding versus \$ 5.8 million last year—an increase of 27.6 percent.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014/15 budget, tax rates. One of those factors is the economy. The City's population growth during 2000–2014 averaged annual gains of 1-2 percent. More recently, unemployment has remained relatively constant at 17 percent, above State and federal rates. This compares with the State's unemployment rate of 6.4 percent and the national rate of 7.6 percent.

These indicators were taken into account when adopting the General Fund budget for 2014/15. Amounts available for appropriation in the General Fund budget are \$ 4.4 million, a marginal increase of over the final 2013/14 budget of \$ 4.3 million. The City will use its revenues to finance programs we currently offered. Budgeted expenditures are expected to remain constant

from \$4.4 million from \$4.4 million in 2014. The City has added no major new programs or initiatives to the 2014/15 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to remain constant by the close of 2014/15.

#### 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 show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's administration office, at CITY OF ROMA, P.O. Box 947, Roma, Texas 78584.

CITY OF ROMA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,392,234	\$ 454,621	\$ 1,846,855	\$ 41,643
Investments - Current	195,973	-	195,973	242,837
Receivables (net of allowance for uncollectibles)	1,022,123	421,527	1,443,650	171,461
Intergovernmental Receivable	-	(767)	(767)	-
Internal Balances	(666,834)	690,249	23,415	3
Due from Component Unit	-	3	3	-
Restricted Assets:				
Temp. Restricted Asset (specify)	-	2,322,781	2,322,781	-
Capital Assets:				
Land	693,905	194,353	888,258	-
Infrastructure, net	8,335,813	19,838	8,355,651	-
Buildings, net	441,720	(1)	441,719	-
Improvements other than Buildings, net	-	35,110,808	35,110,808	-
Machinery and Equipment, net	747,909	236,107	984,016	16,083
Construction in Progress	1,785,286	25,244	1,810,530	-
Other Assets	-	2,845,060	2,845,060	-
Total Assets	<u>13,948,129</u>	<u>42,319,823</u>	<u>56,267,952</u>	<u>472,027</u>
<b>LIABILITIES</b>				
Accounts Payable	27,782	17,542	45,324	(5,589)
Intergovernmental Payable	34,648	20,392	55,040	-
Due to Component Unit	-	23,416	23,416	-
	37,786	138,257	176,043	-
Noncurrent Liabilities				
Due Within One Year	-	609,000	609,000	-
Due in More Than One Year	2,201,300	4,554,227	6,755,527	-
Total Liabilities	<u>2,301,516</u>	<u>5,362,834</u>	<u>7,664,350</u>	<u>(5,589)</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	9,803,333	30,423,122	40,226,455	16,083
Restricted for:				
Restricted for Capital Acquisition	691,143	-	691,143	-
Restricted for Federal & State Programs	91,000	-	91,000	-
Restricted for	-	-	-	461,533
Unrestricted Net Position	1,061,137	6,533,867	7,595,004	-
Total Net Position	<u>\$ 11,646,613</u>	<u>\$ 36,956,989</u>	<u>\$ 48,603,602</u>	<u>\$ 477,616</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Expenses	Program Revenues <u>Charges for Services</u>
<b>Primary Government:</b>		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 936,153	\$ 222,646
Public Safety	2,575,625	106,734
Highways and Streets	1,080,932	621,224
Sanitation	333,478	-
Define - Culture and Recreation	18,233	-
Conservation and Development	347,081	-
Bond Interest	43,631	-
Other Debt Interest	43,286	-
Issuance Costs	1,682	-
Total Governmental Activities:	5,380,101	950,604
BUSINESS-TYPE ACTIVITIES:		
Total Business-Type Activities:	4,796,077	4,834,341
Total Business-Type Activities:	4,796,077	4,834,341
TOTAL PRIMARY GOVERNMENT:	\$ 10,176,178	\$ 5,784,945

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Sales Taxes
Franchise Taxes
Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment
Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (713,507)	\$ -	\$ (713,507)
(2,468,891)	-	(2,468,891)
(459,708)	-	(459,708)
(333,478)	-	(333,478)
(18,233)	-	(18,233)
(347,081)	-	(347,081)
(43,631)	-	(43,631)
(43,286)	-	(43,286)
(1,682)	-	(1,682)
<u>(4,429,497)</u>	<u>-</u>	<u>(4,429,497)</u>
-	38,264	38,264
<u>-</u>	<u>38,264</u>	<u>38,264</u>
(4,429,497)	38,264	(4,391,233)
1,152,965	-	1,152,965
583,639	-	583,639
311,977	-	311,977
861,319	-	861,319
295,788	51,523	347,311
223	-	223
969,265	(727,603)	241,662
<u>4,175,176</u>	<u>(676,080)</u>	<u>3,499,096</u>
(254,321)	(637,816)	(892,137)
11,674,575	37,594,805	49,269,380
226,359	-	226,359
<u>\$ 11,646,613</u>	<u>\$ 36,956,989</u>	<u>\$ 48,603,602</u>

CITY OF ROMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Major Special Rev.Fund-USDA Ebony Proj.	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 610,091	\$ 691,143	\$ 91,000	\$ 1,392,234
Investments - Current	195,973	-	-	195,973
Taxes Receivable	1,262,142	-	-	1,262,142
Allowance for Uncollectible Taxes (credit)	(535,244)	-	-	(535,244)
Receivables (Net)	69,369	-	-	69,369
Intergovernmental Receivables	225,856	-	-	225,856
Total Assets	<u>\$ 1,828,187</u>	<u>\$ 691,143</u>	<u>\$ 91,000</u>	<u>\$ 2,610,330</u>
<b>LIABILITIES</b>				
Wages and Salaries Payable	\$ 12,317	\$ -	\$ -	\$ 12,317
Intergovernmental Payable	34,648	-	-	34,648
Due to Other Funds	666,834	-	-	666,834
Due to Others	15,465	-	-	15,465
Other Current Liabilities	37,786	-	-	37,786
Total Liabilities	<u>767,050</u>	<u>-</u>	<u>-</u>	<u>767,050</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	710,928	-	-	710,928
Total Deferred Inflows of Resources	<u>710,928</u>	<u>-</u>	<u>-</u>	<u>710,928</u>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	-	91,000	91,000
Capital Acquisition and Contractual Obligation	-	691,143	-	691,143
Unassigned Fund Balance	350,209	-	-	350,209
Total Fund Balances	<u>350,209</u>	<u>691,143</u>	<u>91,000</u>	<u>1,132,352</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,828,187</u>	<u>\$ 691,143</u>	<u>\$ 91,000</u>	<u>\$ 2,610,330</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	1,132,352
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,552,110 and the accumulated depreciation was \$9,946,745. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		10,480,065
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		167,723
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(844,455)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		710,928
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>11,646,613</b>

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Major Special Rev.Fund-USDA Ebony Proj.	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,152,965	\$ -	\$ -	\$ 1,152,965
General Sales and Use Taxes	583,639	-	-	583,639
Franchise Tax	311,977	-	-	311,977
Licenses and Permits	43,272	-	-	43,272
Intergovernmental Revenue and Grants	117,543	-	743,776	861,319
Charges for Services	950,604	-	-	950,604
Fines	139,140	-	-	139,140
Investment Earnings	9	119	95	223
Other Revenue	100,126	200	13,050	113,376
Total Revenues	<u>3,399,275</u>	<u>319</u>	<u>756,921</u>	<u>4,156,515</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	754,206	-	61,116	815,322
Public Safety	2,147,239	-	-	2,147,239
Public Works:				
Highways and Streets	824,370	76,693	-	901,063
Sanitation	277,744	-	-	277,744
Culture and Recreation:				
Define - Culture and Recreation	11,994	-	3,706	15,700
Conservation and Development	-	-	329,594	329,594
Debt Service:				
Other Debt Principal	(39,615)	-	-	(39,615)
Bond Interest	43,631	-	-	43,631
Other Debt Interest	3,955	39,331	-	43,286
Issuance Costs	1,682	-	-	1,682
Capital Outlay:				
Capital Outlay	387,576	1,269,152	363,186	2,019,914
Total Expenditures	<u>4,412,782</u>	<u>1,385,176</u>	<u>757,602</u>	<u>6,555,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,013,507)</u>	<u>(1,384,857)</u>	<u>(681)</u>	<u>(2,399,045)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital-related Debt Issued (Regular Bonds)	-	2,076,000	-	2,076,000
Transfers In	969,265	-	-	969,265
Total Other Financing Sources (Uses)	<u>969,265</u>	<u>2,076,000</u>	<u>-</u>	<u>3,045,265</u>
Net Change in Fund Balances	(44,242)	691,143	(681)	646,220
Fund Balance - October 1 (Beginning)	391,885	-	91,697	483,582
Prior Period Adjustment	2,566	-	(16)	2,550
Fund Balance - September 30 (Ending)	<u>\$ 350,209</u>	<u>\$ 691,143</u>	<u>\$ 91,000</u>	<u>\$ 1,132,352</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	646,220
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.		(56,086)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(844,455)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		-0-
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(254,321)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business Type Activities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 454,621
Restricted Assets - Current:	
Temporarily Restricted Asset-Investments	2,322,781
Accounts Receivable-Net of Uncollectible Allowance	421,527
Due from Other Governments	(767)
Due from Other Funds	690,249
Due from Component Units	3
Total Current Assets	<u>3,888,414</u>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land Purchase and Improvements	194,353
Infrastructure	19,838
Buildings	173,544
Accumulated Depreciation - Buildings	(173,545)
Improvements other than Buildings	45,183,614
Accumulated Depreciation - Other Improvements	(10,072,806)
Machinery and Equipment	856,549
Accumulated Depreciation - Machinery & Equipment	(620,442)
Construction in Progress	25,244
Other Asset - Water Rights	2,845,060
Total Noncurrent Assets	<u>38,431,409</u>
Total Assets	<u>42,319,823</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	(985)
Wages and Salaries Payable	18,527
Intergovernmental Payable	20,392
Due to Component Unit	23,416
Other Current Liabilities	138,257
Total Current Liabilities	<u>199,607</u>
<b>NonCurrent Liabilities:</b>	
Bonds Payable - Noncurrent	5,125,862
Notes Payable - Noncurrent	37,365
Total Noncurrent Liabilities	<u>5,163,227</u>
Total Liabilities	<u>5,362,834</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	30,423,122
Unrestricted Net Position	6,533,867
Total Net Position	<u>\$ 36,956,989</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-2 (Cont'd)

	Business Type Activities
<b>OPERATING REVENUES:</b>	
Charges for Water Services	\$ 3,041,893
Charges for Gas Services	396,347
Charges for Sewage Service	1,394,221
Prop.Fund Charges for Services - Other	1,880
Investment Earnings	14,153
Other Revenue	37,370
Total Operating Revenues	4,885,864
<b>OPERATING EXPENSES:</b>	
Proprietary Fund Function - Water	
Personnel Services - Salaries and Wages	512,420
Personnel Services - Employee Benefits	207,918
Purchased Professional & Technical Services	26,892
Purchased Property Services	144,423
Other Operating Expenses	16,137
Supplies	519,598
Total Proprietary Fund Function - Water	1,427,388
Proprietary Fund Function - Gas	
Personnel Services - Salaries and Wages	97,015
Personnel Services - Employee Benefits	37,389
Purchased Professional & Technical Services	7,174
Purchased Property Services	1,634
Other Operating Expenses	2,919
Supplies	99,663
Total Proprietary Fund Function - Gas	245,794
Proprietary Fund Function - Sanitation	
Personnel Services - Salaries and Wages	364,742
Personnel Services - Employee Benefits	132,368
Purchased Professional & Technical Services	109,436
Purchased Property Services	8,970
Other Operating Expenses	114,778
Supplies	51,058
Total Proprietary Fund Function - Sanitation	781,352
Proprietary Fund Function - Sewerage	
Personnel Services - Salaries and Wages	182,524
Personnel Services - Employee Benefits	100,096
Purchased Professional & Technical Services	41,181
Purchased Property Services	88,377
Other Operating Expenses	6,899
Supplies	228,367
Total Proprietary Fund Function - Sewerage	647,444
Depreciation	1,458,575
Interest Expense	235,524
Total Operating Expenses	4,796,077
Income Before Transfers	89,787

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-2

	Business Type Activities
Non-Operating Transfer In	159,331
Transfers Out	(886,934)
Change in Net Position	(637,816)
Total Net Position -October 1 (Beginning)	37,594,805
 Total Net Position September 30 (Ending)	 \$ 36,956,989

The notes to the financial statements are an integral part of this statement.

CITY OF ROMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 4,885,864
Cash Payments to Employees for Services	(1,780,108)
Cash Payments for Services	(428,087)
Cash Payments for Suppliers	(898,686)
Cash Payments for Other Operating Expenses	(140,733)
Net Cash Provided by Operating Activities	1,638,250
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	(11,421)
Operating Transfer Out	(886,934)
Increase(Decrease) in Bonds Payable	(642,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(1,540,355)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	121,641
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(207,913)
Net Increase in Cash and Cash Equivalents	11,623
Cash and Cash Equivalents at Beginning of the Year:	442,998
Cash and Cash Equivalents at the End of the Year:	\$ 454,621
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income:	\$ 89,787
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,458,575
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	74,611
Decrease (increase) in Interfund Receivable	(28,130)
Decrease (increase) in Intergovernmental Recev,	1,149
Increase (decrease) in Intergovernmental Payable	14,869
Increase (decrease) in Payroll Deductions	(2,594)
Increase (decrease) in Other Liabilities	29,983
Net Cash Provided by Operating Activities	\$ 1,638,250

The notes to the financial statements are an integral part of this statement.

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CITY OF ROMA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

CITY OF ROMA (the "City") was incorporated in 1936, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a City Council-Manager form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), public works, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water, gas, sewer services and solid waste collection).

The financial statements of the city have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard –setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below:

**A. REPORTING ENTITY**

The City Council (the "Council") is elected by the public and it has the authority to make decisions, appoint city manager, city attorney, city secretary, municipal judge, and approve the budget. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." The city of Roma became a Home Rule city in May 2007.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, of whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of the above criteria, the following is a brief review of the City's only component unit addressed in defining the City's reporting entity.

**Included in the Reporting Entity**

**Roma Economic Development Corporation** - This component unit was established on October 24, 1995 for the purpose of promoting economic development within the City of Roma and the State of Texas. The Roma Economic Development Corporation works to promote and encourage employment and the public welfare of, for, and on behalf of the City. One of the purposes of the component unit is to improve existing parks, learning centers, athletic, and exhibition facilities.

Furthermore, the Roma Economic Development Corporation will make improvements to the City's transportation, infrastructure and public facilities some time in the future. This, in turn, may create new businesses and economic growth within the City of Roma, Texas.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the CITY OF ROMA nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)**

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

In the fund financial statements, governmental funds report fund balances based on the following classifications: nonspendable, restricted, committed or unassigned. Restricted fund balances are amounts legally restricted by outside parties for use by a specific purpose. Commitments of fund balance require approval of the City Council through action. The City Council delegates the responsibility to assign fund balance to the City Manager or his designee, when appropriate. Funds will be utilized in the following spending order: restricted, committed, assigned and unassigned.

On October 1, 2012, the District adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented GASB Statement No. 65 *Items Previously Reported As Assets and Liabilities* as encouraged by GASB. As a result of the adoption of these new accounting standards, a restatement of beginning net position at the government-wide level financial statements was required.

GASB Statement No. 63 provides financial guidance for reporting deferred outflows, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Deferred outflows of resources are defined as a consumption of net assets by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in a statement of financial position, being measured as the difference between (a) assets and deferred resources and (b) liabilities and deferred inflows of resources.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)**

GASB Statement No. 65 establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

**D. FUND ACCOUNTING**

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The City’s major special revenue fund is the USDA Ebony Project Fund.

The City reports the following major enterprise fund(s):

1. **The Enterprise Fund** – The enterprise fund is used to account for all financial resources derived from providing basic services such as water and sewer services.

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The City has no Debt Service Funds.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. The City has no Capital Projects Funds.
4. **Permanent Funds** – The City accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the City's programs. The City has no Permanent Funds.

Proprietary Funds:

5. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City has no internal service funds.

Fiduciary Funds:

6. **Private Purpose Trust Funds** – The City accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the City. The City has no Private Purpose Trust Funds.
7. **Agency Funds** – The City accounts for resources held for others in a custodial capacity in agency funds. The City has no Agency Funds.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
4. Capital assets, which include land, buildings, furniture and equipment [and infrastructure assets] are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives. The estimated lives range from 3 to 10 years for equipment, 10 to 25 years for improvements, and 25 years for buildings.

5. Restricted Assets-Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**E. OTHER ACCOUNTING POLICIES (continued)**

6. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.
7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. Encumbrances-The City of Roma, Texas, does not employ encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation
9. Estimates-The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent 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 the 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 ASSETS**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	693,905	-	693,905	
Buildings	835,775	(449,110)	386,665	
Furniture & Equipment	3,807,612	(2,824,899)	982,713	
Infrastructure	15,214,818	(6,672,736)	8,542,082	
Improvements other than Buildings	-	-	-	
Construction in Progress	-	-	-	
Change in Net Assets	<u>20,552,110</u>	<u>(9,946,745)</u>	<u>10,605,365</u>	<u>\$10,605,365</u>
 <u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			 <u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			-	
Capital Leases Payable			-	
Loans Payable			<u>(125,300)</u>	
Change in Net Assets				<u>\$(125,300)</u>
 Net Adjustment to Net Assets				 <u>\$10,480,065</u>

**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**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Buildings	71,423	71,423	71,423
Infrastructure	102,796	102,796	102,796
Machinery & Equipment	60,409	60,409	60,409
Construction in Progress	<u>1,785,286</u>	<u>1,785,286</u>	<u>1,785,286</u>
Total Capital Outlay	<u>2,019,914</u>	<u>2,019,914</u>	<u>2,019,914</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items related to tax revenue recognition.

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

**A. BUDGETARY DATA**

The Council adopts an "appropriated budget" for the General Fund , Enterprise Fund, Hotel Occupancy Fund, and Roma Economic Development Corporation(component unit). In accordance with Government Accounting Standards Board (GASB) Statement#34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund, and any major special revenue funds with an officially adopted budget. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit E-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, 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 Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

**A. BUDGETARY DATA(continued)**

3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Council, and are not made after fiscal year end. The City has a policy of careful budgetary control, with only one amendment being necessary during the year to convert to Generally Accepted Accounting Principles (GAAP) basis.
4. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

General Fund expenditures exceeded appropriations by the amounts noted below;

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 109,781
Culture and Recreation	4,247
Debt Service	9,653

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank 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.

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 4,365,609 and the bank balance was \$ 4,765,211 . The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City's investments at September 30, 2014, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
General Fund: Certificates of Deposit	\$ 195,973	\$ 195,973			
Enterprise Fund: Certificates of Deposit	<u>\$ 2,322,781</u>	<u>\$ 2,322,781</u>			
Totals	<u>\$ 2,518,754</u>	<u>\$ 2,518,754</u>			

The Enterprise Fund's temporary investments noted above are included in the total amount reported as restricted assets \$ 2,322,781 at September 30, 2014.

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits and Public Funds Investment Pools, collateralized by U.S. Government Securities. As of September 30, 2014, the city's investments were secured by U.S. Government Securities.

Custodial Credit Risk for Investments State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the city complies with this law, it has no custodial credit risk for deposits.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. To further limit the risk all of the City investments are collateralized by U.S. Government Securities.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires that the investments shall be monitored by using specific identification.

## **B. 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 located in the City 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. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the city's fiscal year. For the year ended September 30, 2014, the rate applicable to the General Fund was \$ .519030 per \$100 assessed valuation. The City did not levy a separate rate for a Debt Service Fund. The total taxable valuation for the year was \$ 159,515,270 which generated a tax levy of \$ 827,605.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds, when applicable, are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. INTERFUND BALANCES**

Interfund balances at September 30, 2014 were as follows:

Enterprise Fund-Due from;	
General Fund	<u>\$666,834</u>
Total Due From's	<u>\$666,834</u>
General Fund-Due to;	
Enterprise Fund	<u>\$666,834</u>
Total Due To's	<u>\$666,834</u>

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the City for the year ended September 30, 2014, was as follows:

	Primary Government			
	<u>Beginning</u>		<u>Retirements</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>&amp; Adjustment</u>	<u>Balance</u>
Governmental Activities:				
Land	\$ 693,903	\$ -	\$ -	\$693,903
Buildings	835,775	71,423	-	835,775
Furniture and Equipment	3,807,612	60,408	-	3,807,612
Improvements	-	-	-	-
Infrastructure	14,990,050	102,797	223,809	15,316,656
Construction in Progress	-	<u>1,785,286</u>	-	<u>1,785,286</u>
Totals at Historic Cost	<u>\$ 20,327,340</u>	<u>\$2,019,914</u>	<u>\$ 223,809</u>	<u>\$ 22,439,232</u>
Less Accumulated Depreciation:				
Total Accumulated Depreciation	<u>(9,946,745)</u>	<u>(844,455)</u>	-	<u>(10,791,200)</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,380,595</u>	<u>\$1,175,459</u>	<u>\$ -</u>	<u>\$ 11,648,032</u>
Business-type Activities:				
Land	\$ 194,353	\$ -	\$ -	194,353
Buildings and Improvements	173,545	19,837	-	193,382
Furniture and Equipment	670,845	185,704	-	856,549
Water System	43,984,044	-	(20,028)	43,964,016
Wastewater System	545,425	-	(5,574)	539,851
Gas System	648,538	31,209	-	679,747
Construction in Progress	<u>25,158</u>	<u>-</u>	<u>86</u>	<u>25,244</u>
Totals at Historic Cost	<u>\$ 46,241,908</u>	<u>\$ 236,750</u>	<u>\$(25,516)</u>	<u>46,453,141</u>
Less Accumulated Depreciation				
Total Accumulated Depreciation	<u>(9,234,672)</u>	<u>(1,458,575)</u>	<u>(173,545)</u>	<u>(10,866,792)</u>
Business-type Activities Capital Assets, Net	<u>\$ 37,007,236</u>	<u>\$ (1,221,825)</u>	<u>\$(199,061)</u>	<u>\$35,586,349</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$160,446
Public Safety	428,386
Highways and Streets	179,869
Sanitation	55,734
Other Public Works	-
Conservation & Development	17,487
Culture & Recreation	<u>2,533</u>
Total Depreciation Expense	<u>\$ 844,455</u>

**F. BONDS AND LONG-TERM NOTES PAYABLE/CAPITAL LEASES PAYABLE**

At September 30, 2014, long-term debt consisted of the following:

General Long Term Debt-Governmental Fund Types:

Note Payables: .

Note payable for the purchase of three police vehicles outstanding in the current year.

Subtotal-Notes Payable \$ 125,300

Bonds Payable:

USDA Bonds Payable Series 2013 Combination Tax and Limited Pledge Revenue  
Varying installments over 40 years; Interest at 3.25% \$ 2,076,000

Total General Long Term Debt \$ 2,201,300

Long-Term Debt-Proprietary Fund Types:

Revenue Bonds Payable:

\$1,975,000 Series 1999-B Tax & Revenue Bonds due in annual installments of  
\$194,938 through \$200,679 to 2015; interest at 4.69% to 5.69% 185,000

\$3,035,000 Series 1999-C Tax & Revenue Bonds payable in annual installments  
\$210,490 through \$232,510 to 2020; interest at 2.4% to 4.05% 1,200,000

\$2,327,000 Series 2000-A Tax & Revenue Bonds payable in annual installments  
of \$75,000 through \$80,000 to 20030; interest at 0%; final payment of \$17,000 1,207,000

\$1,150,000 Series 2003 Tax & Revenue Bonds payable in annual installments  
of \$82,362 through \$83,290 to 2024; interest at 1.0% to 4.3% 669,000

\$322,000 Series 2003-A Tax & Revenue Bonds payable in annual installments  
of \$3,145 through \$17,008 to 2043; interest at 4.5% 280,000

\$530,000 Series 2004 Tax & Revenue Bonds payable in annual installments  
of \$ 39,830 through \$ 44,462 to 2024 ; interest at 2.34 % to 5..39 % 320,000

\$1,151,000 Series 2005 Tax & Revenue Bonds payable in annual installments  
to 2026 ; interest at 3.24 % to 5.74 % 815,000

\$343,000 Series 2006 Tax & Revenue Bonds payable in annual installments to 2026 ; interest at 3.24 % to 5.74 %	243,000
\$283,000 Series 2008 Tax & Revenue Bonds payable in annual installments to 2025 ; interest at 4.21 % to 5.11 %	<u>224,000</u>
Total Revenue Bonds	\$ <u>5,143,000</u>
Total Long-Term Debt-Proprietary Fund Types	<u>\$ 5,143,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture.

### G. DEBT SERVICE REQUIREMENTS

Debt service requirements are as follows:

Year Ending	Govt. Fund Type Capital Leases	Govt. Fund Type Notes Payable	Proprietary Fund Type- Notes Payable	Proprietary Fund Type- Revenue Bonds	
	Principal	Principal	Principal	Principal	Interest
2015	\$ -	\$ 41,767	\$ 48,786	\$ 609,000	\$ 205,245
2016	-	41,767	-	434,000	182,139
2017	-	41,767	-	457,000	157,605
2018	-	-	-	430,000	142,851
2019	-	-	-	410,000	113,850
2020-2024	-	-	-	2,065,000	360,426
2024-2028	-	-	-	738,000	148,526
2029-2033	-	-	-	-	39,992
2034-2038	-	-	-	-	-
2039-2043	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 125,300</u>	<u>\$ 48,786</u>	<u>\$ 5,143,000</u>	<u>\$ 1,248,634</u>

The bond amortization for the USDA program is based on total principal of \$3,571,000, and accordingly will not agree with the total funds drawn as of September 30, 2014, which total \$ 2,076,000.

### H. SIGNIFICANT BOND RESOLUTION LEGAL REQUIREMENTS AND RESERVES:

#### 1. Combination Tax & Revenue Certificates of Obligation Series 1999-B, 1999-C

Provisions of the Combination Tax and Revenue Bonds Series 1999-B, 1999-C indicate that a special fund entitled "City of Roma Texas Combination Tax and Revenue Certificates of Obligation Debt Service Fund" be created and be established and maintained by the City at its official depository. The Debt Fund shall be kept separate and apart from all other funds and accounts of the City shall be used only for payment of the principal and interest on the Certificates.

All ad-valorem taxes levied and collected for and on account of the Certificates be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates or interest thereon are

outstanding or unpaid, the City Commission shall compute and ascertain a rate and amount of ad-valorem taxes which will be sufficient to raise and produce the amount required to provide for the payment of the interest on the Certificates as such interest comes due and to provide and maintain a sinking fund adequate to pay the principal of the Certificates as such principal matures (but never less than 2% of the original principal amount of the Certificates in any year); and such tax shall be based on the latest tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collections. Such rate and amount of ad-valorem taxes are hereby levied, and hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City for each year while any of the Certificates or interest thereon are outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal of and interest on the Certificates.

Provisions also call for the establishment and maintenance of a Repair and Replacement Fund on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund entitled "City of Roma Waterworks and Sewer System Repair and Replacement Fund" (the "Repair and Replacement Fund"). The Repair and Replacement Fund shall be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or for paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or for paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or for any other lawful purpose with the terms of the provision subject to the approval of the Development Fund Manager of the Texas Water Development Board.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

## 2. Combination Tax & Revenue(No-interest) Certificates of Obligation Series 2000A

All as valorem taxes levied and collected for and on account of the certificates, and the Parity Obligations (1999B and 1999C Certificates) be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates, or the Parity Obligations or interest thereon are Outstanding or unpaid, the City Commission, after due consideration of the balances then currently on deposit in the Debt Service Fund and amounts from Surplus Net Revenues and other legally available funds budgeted for deposit to the Debt Service Fund, shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide for the payment of the interest on the Parity Obligations as such interest comes due and to provide and maintain a sinking fund adequate to pay the principal of the Certificates, and the Parity Obligations, as such principal matures (but never less than 2% of the original principal amount thereof in any year); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. A rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City of each year while the principal of the Certificates are Outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal on the Certificates.

While the principal of any of the certificates or principal or interest on the Parity Obligation are outstanding or unpaid, the City also pledges its Surplus net Revenues of the system to payment of the certificates and the Parity Obligations. Such pledge shall be subordinate and inferior in all respects to the pledge of any or all of the Net Revenues of the System which are pledged to the payment of any obligation of City, whether authorized heretofore or hereafter and which the city designates as having pledge senior the pledge to the Certificates and the Parity Obligations, and the City reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligations and to other obligations of any kind payable in whole or in part from any or all of the Net Revenues secured by a pledge of any or all of the Net Revenues that may be prior and superior in right to or on a parity with the Certificates and the Parity Obligations. The City shall transfer and deposit of the Debt Service Fund each month 1/12<sup>th</sup> of the annual debt service of the Certificates, and the Parity Obligations until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the certificates and the Parity Obligations. The City shall not transfer any funds from the Revenue Fund to any other fund until such time as an amount

equal to the annual debt service on the Certificates and the Parity Obligations for that fiscal year has been deposited to the Debt Service Fund.

For each year the Certificates or the Parity Obligations are outstanding, and prior to the time that taxes are levied for such year, the City shall adopt, establish, and maintain an annual budget that provides for the monthly deposit of sufficient ad valorem tax revenues, Surplus Net Revenues, or other legally available funds, including gifts and government grants, into the Debt Service Fund for the repayment of the Certificates, and the Parity Obligations.

If sufficient funds have been deposited or budgeted to be deposited in the Debt Service Fund at the time that taxes are levied for such year, to cover the debt service requirements of the Certificates, and the Parity Obligations for the ensuing fiscal year, then the amount of taxes which otherwise would have been required to be levied to cover this debt service for the fiscal year, may be reduced to the extent and by the amount then on deposit or budgeted to be deposited in the Debt Service Fund during the fiscal year.

There is hereby established an account designated as the "Debt service Reserve Fund" to be maintained by the City in strict accordance with the provisions of this section. The City may, at its sole discretion, and in conformance with the Code and the Regulations, and subject to the approving opinion of tax counsel, deposit funds from any legally available source to the Debt Service Reserve Fund. Funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund to pay principal and interest with respect to the Certificates, and the Parity Obligations to the extent funds in the Debt Service Fund are not sufficient therefore. Upon redemption of all the Certificates, and the Parity Obligations, funds on deposit in the Debt Service Reserve Fund may be used for any legal purposes.

Provisions also call for the establishment and maintenance of a Repair and Replacement Fund on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund entitled "City of Roma Waterworks and Sewer System Repair and Replacement Fund" (the "Repair and Replacement Fund"). The Repair and Replacement Fund shall be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or for paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or for paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or for any other lawful purpose with the terms of the provision subject to the approval of the Development Fund Manager of the Texas Water Development Board.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

### 3. Combination Tax & Limited Pledge Revenue Certificate of Obligations Series 2001

Provisions of the Combination Tax and Limited Pledge Revenue Certificate of Obligations Series 2001 indicate special fund entitled "City of Roma, Texas combination Tax and Limited Pledge Revenue Certificate of Obligations, Series 2001, Debt Service Fund" (the Debt Service Fund") shall be established and maintained by the City at its official depository. The Debt Service Fund shall be kept separate and apart from all other funds and accounts of the City and shall be used only for paying the interest on and principal of the Certificates. All ad valorem taxes levied and collected for and on account of the Certificates shall be deposited, as collected, to the credit of the Debt Service Fund.

A Special Fund entitled the City of Roma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001 Emergency and Reserve Fund (the "Emergency and Reserve Fund") shall be established and maintained by the City at its official depository. The Emergency and Reserve Fund shall be kept separate and apart from all other funds and accounts on the City and shall be used only for (i) emergency expenditures, or (ii) debt service payments as follows: The City Commission may draw monies from the Emergency and Reserve Fund to undertake repairs or improvements to the Facilities in the event of an emergency in which the City has insufficient other funds available to undertake the repairs and improvements.

During each year while any of the Certificates or interest thereon are Outstanding or unpaid, the City Commission shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide for the payment of the interest on the Certificates as such interest comes due and to provide and maintain a sinking fund adequate to pay the principal of the Certificates in principal matures (but never less than 2% of the original principal amount of the Certificates in any year). Such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Such rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City for each year while any of the Certificates or interest thereon are Outstanding. Such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal of and interest on the Certificates.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

#### 4. Combination Tax & Revenue Certificate of Obligations Series 2003

A Provisions of the Combination Tax and Revenue Certificate of Obligation Series 2003 indicate special fund entitled “City of Roma, Texas Combination Tax and Revenue certificates of Obligation Debt Service Fund” (the “Debt Service Fund”) has been created in connection with issuance of the City’s Series 1999B Certificates and Series 1999C Certificates and has been maintained by the City at its official depository. The Debt Service Fund shall be continued and maintained separate and apart from all other funds and accounts of the city, and shall be used solely to pay debt service of the Series 2000A Article, the Series 1999B Certificates, the Series 1999C Certificates and the Certificates (hereinafter the “Parity Obligations”).

The City certifies that currently it will have on hand available funds of the City sufficient to make the debt service payments due November 1, 2014.

All ad valorem taxes levies and collected for and on account of the certificates, and the Parity Obligations be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates, or the Parity Obligations or interest thereon are Outstanding or unpaid, the City Commission, after due consideration of the balances then currently on deposit in the Debt Service Fund and amounts from Surplus Net Revenues and other legally available funds budgeted for deposit to the Debt Service Fund, shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide and maintain a sinking fund adequate to pay the principal of the Certificates, and the Parity Obligations, as such principal matures (but never less than 2% of the original principal amount thereof in any year); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. A rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City of each year while the principal of the Certificates are Outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal on the Certificates.

While the principal of any of the Certificates or principal or interest on the Parity Obligations are outstanding or unpaid, the City also pledges its Surplus Net Revenues of the system to the payment of the Certificates and the Parity Obligations. Such pledge shall be subordinate and inferior in all respects to the pledge of any or all of the Net Revenues of the System which are pledged to the payment of any obligation of the City, whether authorized heretofore or hereafter and which the city designates as having a pledge senior to the pledge to the Certificates and the Parity Obligations, and the City reserves the right to issues, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligations and other obligations of any kind payable in whole or in part from any or all of the Net Revenues secured by a pledge of any or all of the Net Revenues that may be prior and superior in right to or on a parity with the Certificates and the Parity Obligations.

The City shall transfer and deposit of the debt service Fund each month 1/12<sup>th</sup> of the annual debt service of the Certificates, and the Parity Obligations until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the Certificates and the Parity Obligations. The City shall not transfer any funds from the Revenue Fund to any other fund until such time as an amount equal to the annual debt service on the Certificates, and the Parity Obligations for that fiscal year has been deposited to the Debt Service Fund.

For each year the Certificate or the Parity Obligations are outstanding, and prior to the time that taxes are levied for such year, the City shall adopt, establish, and maintain an annual budget that provides for the monthly deposit of sufficient ad valorem tax revenue, Surplus Net Revenues, or other legally available funds, including gifts and government grants, into the Debt Service Fund for the repayment of the certificates and the Parity Obligations.

If sufficient funds have been deposited or budgeted to be deposited in the Debt Service Fund at the time that taxes are levied for such year, to cover the debt service requirements of the Certificates, and the Parity Obligations for the ensuing fiscal year, then the amount of taxes which otherwise would have been required to be levied to cover this debt service for the fiscal year, may be reduced to the extent and by the amount then on deposit or budgeted to be deposited in the Debt Service Fund during the fiscal year.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

Provisions of the Combination Tax and Revenue Certificate of Obligation Series 2003 indicate a special fund entitled "City of Roma, Texas Combination Tax and Revenue Certificate of Obligation, Series 2003, Debt Service Fund" (the "Debt Service Fund") shall be established and maintained by the City at its official depository. The Debt Service Fund shall be kept separate and apart from all other funds and accounts of the City and shall be used only for paying the interest on and principal of the Certificate. All ad valorem taxes levied and collected and all System Net Revenues collected for and on account of the Certificate shall be deposited, as collected, to the credit of the Debt Service Fund.

The City Commission shall compute and ascertain the rate and amount of ad valorem tax, based upon the latest approved tax rolls of said city, with full allowances being made for tax delinquencies and costs of collection, which will be sufficient to raise and produce the money required to pay any sums which may be or become due during any such year on account of said "debt", in no instance to be less than two (2%) per cent of such obligation, together with all interest thereon. Said rate and amount of ad valorem tax is hereby ordered to be levied and is hereby levied against all taxable property in said city for each year which any liability exists by reason of the debt incurred, and said ad valorem tax shall be assessed and collected each such year until all of the debt incurred shall have been discharged.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

#### 6. Combination Tax & Revenue Certificate of Obligations Series 2003-A

Provisions of the Combination Tax and Revenue Certificate of Obligation Series 2003-A indicate a special fund entitled "City of Roma, Texas Combination Tax and Revenue Certificates of Obligation Debt Service Fund" (the "Debt Service Fund") has been created in connection with issuance of the City's Series 2000A Obligations, Series 1999-B and Series 1999-C Obligations and the Series 2003 Obligations and has been maintained by the City at its official depository. The Debt Service Fund shall be continued and maintained separate and apart from all other funds and accounts of the city, and shall be used solely to pay debt service of the Series 2000A Obligations, the Series 1999-B Obligations, the Series 1999-C Obligations, the series 2003 Obligations and the Certificates (hereinafter the "Parity Obligations").

The City certifies that it will have on hand available funds of the City sufficient to make the debt service payments due September 1, 2015.

All ad valorem taxes levied and collected for and on account of the Certificates, and the Parity Obligations be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates, or the Parity Obligations or interest thereon are Outstanding or unpaid, the City Commission, after due consideration of the balances then currently on deposit in the Debt Service Fund and amounts from Surplus Net Revenues and other legally available funds budgeted for deposit to the Debt Service Fund, shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide and maintain a sinking fund adequate to pay the principal of the Certificates, and the Parity Obligations, as such principal matures (but never less than 2% of the original principal amount thereof in any year); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. A rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City of each year while the principal of the Certificates are Outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal on the Certificates.

While the principal of any of the Certificates or principal or interest on the Parity Obligations are outstanding or unpaid, the City also pledges its Surplus Net Revenues of the system to the payment of the certificates and the Parity Obligations. Such pledge shall be subordinate and inferior in all respects to the pledge of any or all of the Net Revenues of the System which are pledged to the payment of any obligation of the City, whether authorized heretofore or hereafter and which the city designates as having a pledge senior to the pledge to the Certificates and the Parity Obligations, and the City reserves the right to issues, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligations and other obligations of any kind payable in whole or in part from any or all of the Net Revenues secured by a pledge of any or all of the Net Revenues that may be prior and superior in right to or on a parity with the Certificates and the Parity Obligations.

The City shall transfer and deposit of the Debt Service Fund each month 1/12<sup>th</sup> of the annual debt service of the Certificates, and the Parity Obligations until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the Certificates and the Parity Obligations. The City shall not transfer any funds from the Revenue Fund to any other fund until such time as an amount equal to the annual debt service on the Certificates, and the Parity Obligations for that fiscal year has been deposited to the Debt Service Fund.

For each year the Certificate or the Parity Obligations are outstanding, and prior to the time that taxes are levied for such year, the City shall adopt, establish, and maintain an annual budget that provides for the monthly deposit of sufficient ad valorem tax revenue, Surplus Net Revenues, or other legally available funds, including gifts and government grants, into the Debt Service Fund for the repayment of the certificates and the Parity Obligations.

If sufficient funds have been deposited or budgeted to be deposited in the Debt Service Fund at the time that taxes are levied for such year, to cover the debt service requirements of the Certificates, and the Parity Obligations for the ensuing fiscal year, then the amount of taxes which otherwise would have been required to be levied to cover this debt service for the fiscal year, may be reduced to the extent and by the amount then on deposit or budgeted to be deposited in the Debt Service Fund during the fiscal year.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

#### 7. Combination Tax & Revenue Certificate of Obligations Series 2004

Provisions of the Combination Tax and Revenue Certificate of Obligation Series 2004 indicate a special fund entitled “City of Roma, Texas Combination Tax and Revenue Certificates of Obligation Debt Service Fund” (the “Debt Service Fund”) has been created in connection with issuance of the City’s Series 1999B Certificates and Series 1999C Certificates and has been maintained by the City at its official depository for the payment of the Parity Obligations. The Debt Service Fund shall be continued and maintained separate

and apart from all other funds and accounts of the city, and shall be used solely to pay debt service of the Certificate and the Parity Obligations.

The City certifies that currently will have on hand available funds of the City sufficient to make the debt service payments due May 1, 2015.

All ad valorem taxes levies and collected for and on account of the Certificates, and the Parity Obligations be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates, or the Parity Obligations or interest thereon are Outstanding or unpaid, the City Commission, after due consideration of the balances then currently on deposit in the Debt Service Fund and amounts from Surplus Net Revenues and other legally available funds budgeted for deposit to the Debt Service Fund, shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide and maintain a sinking fund adequate to pay the principal of the Certificates, and the Parity Obligations, as such principal matures (but never less than 2% of the original principal amount thereof in any year); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. A rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City of each year while the principal of the Certificates are Outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal on the Certificates.

While the principal of any of the Certificates or principal or interest on the Parity Obligations are outstanding or unpaid, the City also pledges its Surplus Net Revenues of the system to the payment of the certificates and the Parity Obligations. Such pledge shall be subordinate and inferior in all respects to the pledge of any or all of the Net Revenues of the System which are pledged to the payment of any obligation of the City, whether authorized heretofore or hereafter and which the city designates as having a pledge senior to the pledge to the Certificates and the Parity Obligations, and the City reserves the right to issues, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligations and other obligations of any kind payable in whole or in part form any or all of the Net Revenues secured by a pledge of any or all of the Net Revenues that may be prior and superior in right to or on a parity with the Certificates and the Parity Obligations.

The City shall transfer and deposit of the debt service Fund each month 1/12<sup>th</sup> of the annual debt service of the Certificates, and the Parity Obligations until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the Certificates and the Parity Obligations. The City shall not transfer any funds from the Revenue Fund to any other fund until such time as an amount equal to the annual debt service on the Certificates, and the Parity Obligations for that fiscal year has been deposited to the Debt Service Fund.

For each year the Certificate or the Parity Obligations are outstanding, and prior to the time that taxes are levied for such year, the City shall adopt, establish, and maintain an annual budget that provides for the monthly deposit of sufficient ad valorem tax revenue, Surplus Net Revenues, or other legally available funds, including gifts and government grants, into the Debt Service Fund for the repayment of the Certificates and the Parity Obligations.

If sufficient funds have been deposited or budgeted to be deposited in the Debt Service Fund at the time that taxes are levied for such year, to cover the debt service requirements of the Certificates, and the Parity Obligations for the ensuing fiscal year, then the amount of taxes which otherwise would have been required to be levied to cover this debt service for the fiscal year, may be reduced to the extent and by the amount then on deposit or budgeted to be deposited in the Debt Service Fund during the fiscal year.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

8. Combination Tax & Revenue Certificate of Obligations Series 2005

Provisions of the Combination Tax and Revenue Certificate of Obligation Series 2005 indicate a special fund entitled "City of Roma, Texas Combination Tax and Revenue Certificates of Obligation Debt Service Fund" (the "Debt Service Fund") has been created in connection with issuance of the City's Series 1999B Certificates and Series 1999C Certificates and has been maintained by the City at its official depository for the payment of the Parity Obligations for the deposit of Net Revenues. The Debt Service Fund shall be continued and maintained separate and apart from all other funds and accounts of the city, and shall be used solely to pay debt service of the Certificate and the Parity Obligations.

The City certifies that currently will have on hand available funds of the City sufficient to make the debt service payments due March 1, 2015.

All ad valorem taxes levies and collected for and on account of the Certificates, and the Parity Obligations be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates, or the Parity Obligations or interest thereon are Outstanding or unpaid, the City Commission, after due consideration of the balances then currently on deposit in the Debt Service Fund and amounts from Surplus Net Revenues and other legally available funds budgeted for deposit to the Debt Service Fund, shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide and maintain a sinking fund adequate to pay the principal of the Certificates, and the Parity Obligations, as such principal matures (but never less than 2% of the original principal amount thereof in any year); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. A rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City of each year while the principal of the Certificates are Outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal on the Certificates.

While the principal of any of the Certificates or principal or interest on the Parity Obligations are outstanding or unpaid, the City also pledges its Surplus Net Revenues of the system to the payment of the Certificates and the Parity Obligations. Such pledge shall be subordinate and inferior in all respects to the pledge of any or all of the Net Revenues of the System which are pledged to the payment of any obligation of the City, whether authorized heretofore or hereafter and which the city designates as having a pledge senior to the pledge to the Certificates and the Parity Obligations, and the City reserves the right to issues, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligations and other obligations of any kind payable in whole or in part form any or all of the Net Revenues secured by a pledge of any or all of the Net Revenues that may be prior and superior in right to or on a parity with the Certificates and the Parity Obligations.

The City shall transfer and deposit of the Debt Service Fund each month 1/12<sup>th</sup> of the annual debt service of the certificates, and the Parity Obligations until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the Certificates and the Parity Obligations. The City shall not transfer any funds from the Revenue Fund to any other fund until such time as an amount equal to the annual debt service on the Certificates, and the Parity Obligations for that fiscal year has been deposited to the Debt Service Fund.

For each year the Certificate or the Parity Obligations are outstanding, and prior to the time that taxes are levied for such year, the City shall adopt, establish, and maintain an annual budget that provides for the monthly deposit of sufficient ad valorem tax revenue, Surplus Net Revenues, or other legally available funds, including gifts and government grants, into the Debt Service Fund for the repayment of the certificates and the Parity Obligations.

If sufficient funds have been deposited or budgeted to be deposited in the Debt Service Fund at the time that taxes are levied for such year, to cover the debt service requirements of the Certificates, and the Parity Obligations for the ensuing fiscal year, then the amount of taxes which otherwise would have been required

to be levied to cover this debt service for the fiscal year, may be reduced to the extent and by the amount then on deposit or budgeted to be deposited in the Debt Service Fund during the fiscal year.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

9. Combination Tax & Revenue Certificate of Obligations Series 2008

Provisions of the Combination Tax and Revenue Certificate of Obligation Series 2008 a special fund entitled "City of Roma, Texas Combination Tax and Revenue Certificates of Obligation, Series 2008 Debt Service Fund" (the "Debt Service Fund") is created and shall be established and maintained by the City at its official depository. The Debt Service Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used solely to pay debt service of the Certificate.

The City certifies that funds of the City are available sufficient to make the debt service payment due February 1, 2015.

All ad valorem taxes levies and collected for and on account of the Certificates, be deposited, as collected, to the credit of the Debt Service Fund. During each year while any of the Certificates, or interest thereon are Outstanding or unpaid, the City Commission, after due consideration of the balances then currently on deposit in the Debt Service Fund and amounts from Surplus Net Revenues and other legally available funds budgeted for deposit to the Debt Service Fund, shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the amount required to provide and maintain a sinking fund adequate to pay the principal of the Certificates, as such principal matures (but never less than 2% of the original principal amount thereof in any year); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. A rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City of each year while the principal of the Certificates is Outstanding; such tax shall be assessed and collected each such year, and the proceeds of such tax shall be appropriated and applied to the payment of principal on the Certificates.

While the principal of any of the Certificates or principal or interest on the Parity Obligations are outstanding or unpaid, the City also pledges its Surplus Net Revenues of the system to the payment of the Certificates and the Parity Obligations. Such pledge shall be subordinate and inferior in all respects to the pledge of any or all of the Net Revenues of the System which are pledged to the payment of any obligation of the City, whether authorized heretofore or hereafter and which the city designates as having a pledge senior to the pledge to the Certificates and the Parity Obligations, and the City reserves the right to issues, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligations and other obligations of any kind payable in whole or in part form any or all of the Net Revenues secured by a pledge of any or all of the Net Revenues that may be prior and superior in right to or on a parity with the Certificates and the Parity Obligations.

The City shall transfer and deposit of the Debt Service Fund equal monthly payments until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the Certificates. The City shall not transfer any funds from the Revenue Fund to any other fund until such time as an amount equal to the annual debt service, and the funding of reserve funds and other requirement, on the Prior Lien Revenue Obligations, Junior Lien Revenue Obligations, Certificates, and the Parity Obligations for that fiscal year has been deposited to the Debt Service Fund.

For each year the Certificates are outstanding, and prior to the time that taxes are levied for such year, the City shall adopt, establish, and maintain an annual budget that provides for the monthly deposit of sufficient ad valorem tax revenue, Surplus Net Revenues, or other legally available funds, including gifts and government grants, into the Debt Service Fund for the repayment of the certificates.

If sufficient funds have been deposited or budgeted to be deposited in the Debt Service Fund at the time that taxes are levied for such year, to cover the debt service requirements of the Certificates for the ensuing fiscal year, then the amount of taxes which otherwise would have been required to be levied to cover this debt service for the fiscal year, may be reduced to the extent and by the amount then on deposit or budgeted to be deposited in the Debt Service Fund during the fiscal year.

Since issuance of the Certificates, the City has made all payments of maturing principal and interest, and has materially complied with above-noted provisions.

**I. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS’ website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2012
Employee Deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

*Contributions*

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

1. Annual Required Contribution (ARC)	\$ 359,998
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost (APC)	359,998
5. Contributions Made	(348,327)
6. Increase (decrease) in net pension obligation	-
7. Net Pension Obligation/(Asset), beginning of year	-
8. Net Pension Obligation/(Asset), end of year	\$ -

**Three Year Trend Information**

Fiscal Year Funding September 30,	Actual Contribution Made	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	338,550	\$ -	100%	\$ -
2011	342,100	-	100%	-
2012	348,327	-	100%	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/11	12/31/12	12/31/13 Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.9 years; Closed Period	24.9 years; Closed Period	19.0years; Closed Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions: Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/13	\$ 7,646,077	\$ 9,805,543	78.0 %	\$ 2,159,466	\$ 3,217,154	67.1%

Actual valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short – term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/11	5,995,354	7,739,390	77.5	1,744,036	3,142,332	55.5
12/31/12	6,812,580	8,360,245	81.5	1,547,665	3,163,746	48.9
12/31/13	7,646,077	9,805,543	78.0	2,159,466	3,217,154	67.1

**J. OTHER POST EMPLOYMENT BENEFITS – TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS**

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

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

Your city offers supplemental death to:      Plan Year 2013    Plan Year 2014  
Active employees (yes or no)                      Yes                      Yes  
Retirees (yes or no)                                  Yes                      Yes

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

The city's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$2,015, \$2,045 and \$2,456, respectively, which equaled the required contributions each year.

**K. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended September 30, 2014, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities:</b>				
Bonds and Other Payable:				
General Obligation Bonds	\$ -	\$ 2,076,000	\$ -	\$ 2,076,000
Notes Payable		-	-	-
Capital Leases Payable	<u>125,300</u>	<u>-</u>	<u>-</u>	<u>125,300</u>
Total Bonds and Other Payable	<u>\$125,300</u>	<u>\$2,076,000</u>	<u>\$ -</u>	<u>2,201,300</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 125,300</u>	<u>\$2,076,000</u>	<u>\$ -</u>	<u>2,201,300</u>
<b>Business-type Activities:</b>				
Bonds and Notes Payable:				
Revenue Bonds Payable	\$ 5,767,862	\$ -	\$ 624,862	\$5,143,000
Notes Payable	<u>48,768</u>		<u>11,403</u>	<u>37,365</u>
Total Bonds and Other Payable	<u>\$ 5,816,648</u>	<u>\$ -</u>	<u>\$636,265</u>	<u>\$ 5,180,383</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 5,816,648</u>	<u>\$ -</u>	<u>\$636,265</u>	<u>\$ 5,180,383</u>

**L. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u>
Deferred Revenue	\$710,928	\$ -	\$ 710,928
Total Deferred Revenue	<u>\$710,928</u>	<u>\$ -</u>	<u>\$ 710,928</u>

Net uncollected tax receivables in the General fund constitute the total amount reflected as deferred revenues at year-end.

**M. COMMITMENTS AND CONTINGENCIES**

The City is the defendant on several litigation cases. The City's management has represents that in the event of an unfavorable outcome, the insurance carrier will cover the City.

Federal and State Funds -The City has received federal and state funds as grants and other financial assistance. These funds must be spent only as allowed by the grant and other federal or state requirements. Also, the City must follow various laws and regulations when they receive these funds. If the City does not abide by these laws and regulations or does not spend the monies, as allowed under the grant agreements, the City may be required to return the grant monies, or portion thereof, to the granting agencies. The contingent liability, if any, that may be due to the federal and state agencies, cannot be readily determined.

**N. RESTRICTED ASSETS**

Restricted assets of the Enterprise Fund at September 30, 2014 represent certain resources set aside for the repayment of revenue bonds under the terms of outstanding bond covenants. Related earnings have been reserved for the excess of restricted assets over related liabilities. Restricted assets of the Enterprise Fund as of September 30, 2014 were \$ 2,322,781.

**O. PRIOR PERIOD ADJUSTMENTS**

In the government wide financial statements, the City recognized a prior period adjustment for \$226,359, relating to omitted fixed assets. The overall impact is to increase net assets.

**P. SUBSEQUENT EVENTS**

The City has considered all subsequent events through the date of this report, August 15, 2015.

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CITY OF ROMA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,178,345	\$ 1,178,345	\$ 1,152,965	\$ (25,380)
General Sales and Use Taxes	588,011	588,011	583,639	(4,372)
Franchise Tax	352,080	352,080	311,977	(40,103)
Licenses and Permits	36,230	36,230	43,272	7,042
Intergovernmental Revenue and Grants	168,369	168,369	117,543	(50,826)
Charges for Services	981,614	981,614	950,604	(31,010)
Fines	140,067	140,067	139,140	(927)
Investment Earnings	754	754	9	(745)
Other Revenue	53,783	53,783	100,126	46,343
Total Revenues	<u>3,499,253</u>	<u>3,499,253</u>	<u>3,399,275</u>	<u>(99,978)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	644,425	644,425	754,206	(109,781)
Public Safety	2,254,721	2,254,721	2,147,239	107,482
Public Works:				
Highways and Streets	1,174,683	1,174,683	824,370	350,313
Sanitation	294,994	294,994	277,744	17,250
Culture and Recreation:				
Define - Culture and Recreation	7,747	7,747	11,994	(4,247)
Debt Service:				
Other Debt Principal	-	-	(39,615)	39,615
Bond Interest	-	-	43,631	(43,631)
Other Debt Interest	-	-	3,955	(3,955)
Issuance Costs	-	-	1,682	(1,682)
Capital Outlay:				
Capital Outlay	-	-	387,576	(387,576)
Total Expenditures	<u>4,376,570</u>	<u>4,376,570</u>	<u>4,412,782</u>	<u>(36,212)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(877,317)</u>	<u>(877,317)</u>	<u>(1,013,507)</u>	<u>(136,190)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	880,540	880,540	969,265	88,725
Total Other Financing Sources (Uses)	<u>880,540</u>	<u>880,540</u>	<u>969,265</u>	<u>88,725</u>
Net Change	3,223	3,223	(44,242)	(47,465)
Fund Balance - October 1 (Beginning)	391,885	391,885	391,885	-
Prior Period Adjustment	-	-	2,566	2,566
Fund Balance - September 30 (Ending)	<u>\$ 395,108</u>	<u>\$ 395,108</u>	<u>\$ 350,209</u>	<u>\$ (44,899)</u>

CITY OF ROMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	202 Grant CDBG #713419	204 Grant FHA Bus Terminal	205 Hotel Occupancy Fund	206 Grant Trans TX #07-S20008
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 129	\$ 10	\$ 88,333	\$ 1,664
Total Assets	<u>\$ 129</u>	<u>\$ 10</u>	<u>\$ 88,333</u>	<u>\$ 1,664</u>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	129	10	88,333	1,664
Total Fund Balances	<u>129</u>	<u>10</u>	<u>88,333</u>	<u>1,664</u>
Total Liabilities and Fund Balances	<u>\$ 129</u>	<u>\$ 10</u>	<u>\$ 88,333</u>	<u>\$ 1,664</u>

The notes to the financial statements are an integral part of this statement.

213 Grant Home #1001430	214 Grant CDBG #711409	215 Grant Home #1001613	216 Grant GLO-12-283- 000-5631	217 Grant GLO-12-603- 000-6956	218 Grant Home #1001858	Total Nonmajor Governmental Funds
\$ 137	\$ 143	\$ 134	\$ 186	\$ 133	\$ 131	\$ 91,000
<u>\$ 137</u>	<u>\$ 143</u>	<u>\$ 134</u>	<u>\$ 186</u>	<u>\$ 133</u>	<u>\$ 131</u>	<u>\$ 91,000</u>
137	143	134	186	133	131	91,000
<u>137</u>	<u>143</u>	<u>134</u>	<u>186</u>	<u>133</u>	<u>131</u>	<u>91,000</u>
<u>\$ 137</u>	<u>\$ 143</u>	<u>\$ 134</u>	<u>\$ 186</u>	<u>\$ 133</u>	<u>\$ 131</u>	<u>\$ 91,000</u>

CITY OF ROMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	202 Grant CDBG #713419	204 Grant FHA Bus Terminal	205 Hotel Occupancy Fund	206 Grant Trans TX #07-S20008
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ 19,580	\$ -	\$ -	\$ 31,492
Investment Earnings	-	-	89	2
Other Revenue	11,610	-	1,203	225
Total Revenues	<u>31,190</u>	<u>-</u>	<u>1,292</u>	<u>31,719</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	31,061	-	-	30,055
Culture and Recreation:				
Define - Culture and Recreation	-	-	3,706	-
Conservation and Development	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>31,061</u>	<u>-</u>	<u>3,706</u>	<u>30,055</u>
Net Change in Fund Balance	129	-	(2,414)	1,664
Fund Balance - October 1 (Beginning)	-	-	90,747	225
Prior Period Adjustment	-	10	-	(225)
Fund Balance - September 30 (Ending)	<u>\$ 129</u>	<u>\$ 10</u>	<u>\$ 88,333</u>	<u>\$ 1,664</u>

The notes to the financial statements are an integral part of this statement.

213 Grant Home #1001430	214 Grant CDBG #711409	215 Grant Home #1001613	216 Grant GLO-12-283- 000-5631	217 Grant GLO-12-603- 000-6956	218 Grant Home #1001858	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 16,472	\$ 381,152	\$ -	\$ 295,080	\$ 743,776
-	-	-	2	-	2	95
-	-	6	-	-	6	13,050
-	-	16,478	381,154	-	295,088	756,921
-	-	-	-	-	-	61,116
-	-	-	-	-	-	3,706
-	-	16,472	17,966	-	295,156	329,594
-	-	-	363,186	-	-	363,186
-	-	16,472	381,152	-	295,156	757,602
-	-	6	2	-	(68)	(681)
137	143	128	184	133	-	91,697
-	-	-	-	-	199	(16)
<u>\$ 137</u>	<u>\$ 143</u>	<u>\$ 134</u>	<u>\$ 186</u>	<u>\$ 133</u>	<u>\$ 131</u>	<u>\$ 91,000</u>

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# **Reyna & Garza, PLLC**

**Certified Public Accountants**

2111 Jackson Creek Ave.

Edinburg, TX 78539

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING  
STANDARDS***

Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Roma, Tx

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, Component units, each major fund, and the aggregate remaining fund information of the City of Roma, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Roma's basic financial statements, and have issued our report thereon dated August 17, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Roma'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 City of Roma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Roma's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiencies as item #2014-1 through #2014-3.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Roma'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*.

**Response to Findings**

City of Roma's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Roma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Reyna & Garza, PLLC*  
*Certified Public Accountants*

August 17, 2015

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# Reyna & Garza, PLLC

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Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council  
City of Roma, Tx

**Report on Compliance for Each Major Federal Program**

We have audited City of Roma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Roma's major federal programs for the year ended September 30, 2014. City of Roma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Roma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Roma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Roma's compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Roma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

## **Report on Internal Control Over Compliance**

Management of City of Roma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Roma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Roma's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Reyna & Garza, PLLC*  
*Certified Public Accountants*

*August 17, 2015*

CITY OF ROMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Fiscal Year Ending September 30, 2014

1) **SUMMARY OF AUDIT RESULTS**

- a) The auditor's report expresses an unmodified opinion on General Purpose Financial Statements.
- b) Significant deficiencies disclosed during the audit of the general purpose financial statements were items#2014-1 through #2014-3. Of these, none were considered a material weaknesses.
- c) No instance(s) of noncompliance material to the general-purpose financial statements of City of Roma, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

**Federal Major Programs Audit:**

- a) The report on compliance for the major Federal award programs for City of Roma expresses an unmodified opinion on all major Federal programs.
- b) No significant deficiencies or material weaknesses disclosed during the audit of the major federal programs.
- c) No findings under Section 510(a) of OMB Circular A-133 disclosed during the audit of the major federal programs.
- d) The programs tested as major Federal programs included:
  - 1) USDA Loan/Grant Program
- e) The threshold used for distinguishing between Type A and B programs was \$300,000.
- f) City of Roma did not qualify as a low-risk auditee within the context of OMB Circular A-133.

2) **FINDINGS – FINANCIAL STATEMENT AUDIT**

**2014-01: Year-End Closing of Financial Statements**

**Criteria:**

Controls relative to timely and proper close-out of financial statements at year-end should be in place, in order to provide management and other third-party stakeholders with the necessary financial information to make appropriate decisions.

**Condition:**

Financial statements prepared on a monthly basis and at year-end were not closed-out properly to ensure all general ledger accounts were reconciled timely.

**Effect:**

Financial statements prepared on a monthly basis and at year-end were not closed-out properly to ensure all general ledger accounts reconciled.

**Recommendation:**

The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes.

**Management Response**

The City Accountant, Julio Alanis, will ensure that financial statements are prepared in accordance with GAAP, and on a timely basis. All audit adjustments will be posted promptly at year-end. He can be reached at 956-849-1411. Implementation period is immediately.

**2014-02: Utility/Tax Collections Segregation of Duties**

**Criteria:**

Defined internal controls strengthen the operations related to significant processes and/or operations.

**Condition:**

We noted that there is still a lack of segregation of duties related to the utility/tax collection process. Internal controls are not well defined or consistently implemented.

**Effect:**

A lack of well defined and/or implemented controls weakens the process and may provide for an opportunity of fraud.

**Recommendation:**

The City should review its internal controls relating to segregation of duties as recommended by the auditors.

**Management Response**

The City Accountant, Julio Alanis, will review internal controls relating to segregation of duties as recommended by the auditors . He can be reached at 956-849-1411. Implementation period is immediately.

**2014-03: Staff Training Accounting Department**

**Criteria:**

In order to monitor all department financial activities and the books of record, accounting staff must be technically well versed in fund accounting and financial management.

**Condition:**

We noted that the books of record required significant audit adjustments at year-end, and also that the processes for monitoring were not fully implemented.

**Effect:**

A lack of well defined and/or implemented controls weakens the process and may provide for an opportunity of fraud.

**Management Response**

The City Accountant, Julio Alanis, will review and better define/implement stronger controls as recommended by the auditor. All audit adjustments will be posted promptly at year-end. He can be reached at 956-849-1411. Implementation period is immediately.

3) **FINDING AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS AUDIT.**

None

CITY OF ROMA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Fiscal Year Ending September 30, 2014

1. **Finding:**

Financial statements were not closed out properly on a monthly basis or at year-end to ensure all general ledger accounts were reconciled properly.

**Current Status:**

Refer to current year findings.

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CITY OF ROMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2014

G-1

DESCRIPTION	FEDERAL CFDA NUMBER	GRANTOR NUMBER	EXPENDITURES/ DISBURSEMENTS
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<u>Passed through the Texas Department of Agriculture- Office of Rural Affairs :</u>			
Community Development Block Grant	14.228	713419	31,061
Subtotal-Passed through Texas Department of Agriculture			<u>31,061</u>
<u>Passed through the General Land Office:</u>			
Community Development Block Grant	14.228	GLO-12-283-000-5631	381,152
Subtotal-Passed through General Land Office			<u>381,152</u>
<u>Passed through the Texas Department of Housing &amp; Comm. Affairs-</u>			
Home Investment Partnership Program	14.239	1001613	16,472
Home Investment Partnership Program	14.239	1001858	295,156
Subtotal-Passed through Texas Department of Housing & Comm. Affairs			<u>311,628</u>
<b>Total-Department of Housing &amp; Urban Development</b>			<b><u>723,841</u></b>
 <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<u>Passed through the Texas Department of Health Services- Transform Texas</u>			
	93.531	07-S20008	30,055
<b>Total-U.S. Department of Health and Human Services</b>			<b><u>30,055</u></b>
 <b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
WATER & WASTE DISPOSAL SYSTEMS FOR RURAL COMM-ARRA	10.760		1,385,176
TOTAL - UNITED STATES DEPARTMENT OF AGRICULTURE			<u>1,385,176</u>
 TOTAL FEDERAL AWARDS			 <b><u>\$ 2,139,072</u></b>

CITY OF ROMA, TEXAS  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2014

- The City uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund because it is restricted for specific purposes.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. Nearly all Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Usually Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When Federal grant funds are received before related expenditures are made, they are recorded as deferred revenues.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.