

CITY OF ROMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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INDEPENDENT AUDITOR'S REPORT

City Council
The City of Roma
P.O.Box 947
Roma, Texas 78584

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Roma as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's administrators. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roma, as of September 30, 2010 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of the City of Roma'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* and should be considered in assessing the results of our audit.

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

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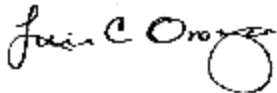
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the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the 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 also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Luis C. Orozco
Certified Public Accountant



Pharr, Texas
April 25, 2011

CITY OF ROMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of CITY OF ROMA, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2010. Please read it in conjunction with the independent auditors' report, and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The City's net assets: decreased by \$ 164,015 as a result of this year's operations; while net assets of our business-type activities: increased by \$564,524 or 1.4 percent.

During the year, the City had expenses that were \$ 720,180 more than the \$ 4,659,799 generated in tax and other revenues for governmental programs (before special items).

In the City's business-type activities, revenues decreased from \$ 7,570,496 to \$6,237,934 (or 17.60 percent) while expenses increased from \$ 3,835,561 to \$ 5,184,908 (or 26.0 percent).

Total cost of all of the City's programs was virtually unchanged with few changes in programs this year.

The General Fund ended the year with a fund balance of \$ 9,518,636.

The resources available for appropriation were \$ 278 thousand more 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. 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 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 (if 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 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' 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. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such grants provided by the U.S. Environmental Protection Agency to assist with programs such as the Colonias Wastewater Treatment Assistance Program (general revenues). 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 the public safety, public works, culture and recreational 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 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 Environmental Protection Agency- CWTAP program. 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 and changes in net assets of the City's governmental and business-type activities.

Net assets of the City's governmental activities decreased from \$ 9,682,651 to \$ 9,518,636. 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 \$766 thousand at September 30, 2009. This increase in governmental net assets was considered significant and was a result of one factor; the City's revenues exceeded the expenses by about \$ 1.43 million.

In 2010, net assets of our business-type activities increased by \$ 564,524, about 1.4 percent. This increase is relatively significant to the overall operations of the City, and it represents significant services to the community.

Table I
THE CITY OF ROMA
NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 792,627	\$ 1,117,144	\$ 3,038,821	\$ 3,531,533	\$ 3,831,448	\$ 4,648,677
Capital assets	9,008,266	9,626,966	44,124,043	43,635,239	53,132,309	53,262,205
Total assets	<u>\$ 9,800,893</u>	<u>\$ 10,744,110</u>	<u>\$ 47,162,864</u>	<u>\$ 47,166,772</u>	<u>\$ 56,963,757</u>	<u>\$ 57,910,882</u>
Long-term liabilities	106,089	321,677	7,360,360	8,004,000	7,466,449	8,325,677
Other liabilities	176,168	739,782	205,013	129,806	381,181	869,588
Total liabilities	<u>\$ 282,257</u>	<u>\$ 1,061,459</u>	<u>\$ 7,565,373</u>	<u>\$ 8,133,806</u>	<u>\$ 7,847,630</u>	<u>\$ 9,195,265</u>
Net Assets:						
Invested in capital assets, net of Special Items	\$ 8,902,177	\$ 9,114,700	\$ 8,850,949	\$ 57,765	\$ 17,753,126	\$ 9,172,465
Restricted	1,541	-	170,038	170,038	171,579	170,038
Unrestricted Net Assets	614,918	567,951	30,576,502	38,805,162	31,191,420	39,373,113
Total Net Assets	<u>\$ 9,518,636</u>	<u>\$ 9,682,651</u>	<u>\$ 39,597,489</u>	<u>\$ 39,032,965</u>	<u>\$ 49,116,125</u>	<u>\$ 48,715,616</u>

Table II
THE CITY OF ROMA
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 804,696	\$ 800,945	\$ 4,615,576	\$ 4,720,450	\$ 5,420,272	\$ 5,521,395
Operating Grants and Contribution	538,551	948,545	1,599,271	2,806,753	2,137,822	3,755,298
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Maintenance and Operations Taxes	1,560,346	909,278	-	-	1,560,346	909,278
Sales Taxes	480,183	496,879	-	-	480,183	496,879
Franchise Taxes	256,280	247,884	-	-	256,280	247,884
Investment Earnings	2,701	7,882	-	-	2,701	7,882
Misc.	1,017,042	819,561	23,087	43,293	1,040,129	862,854
Total Revenues	\$ 4,659,799	\$ 4,230,974	\$ 6,237,934	\$ 7,570,496	\$ 10,897,733	\$ 11,801,470
Expenses:						
Activities Expense	\$ 5,379,979	\$ 4,964,794	\$ 5,184,908	\$ 3,824,831	\$ 10,564,887	\$ 8,789,625
Contract G070003	-	-	-	10,122	-	10,122
Contract G20100	-	-	-	608	-	608
Total Expenses	\$ 5,379,979	\$ 4,964,794	\$ 5,184,908	\$ 3,835,561	\$ 10,564,887	\$ 8,800,355
Increase in Net Assets before						
transfers and special items	\$ (720,180)	\$ (733,820)	\$ 1,053,026	\$ 3,734,935	\$ 332,846	\$ 3,001,115
Transfers	595,517	474,954	(409,121)	(473,953)	186,396	1,001
Special Items	-	-	-	-	-	-
Increase in Net Assets	(124,663)	(258,866)	643,905	3,260,982	519,242	3,002,116
Net assets at October 1	9,682,652	11,803,346	39,032,965	35,068,462	48,715,617	46,871,808
Prior Period Adjustment	(39,353)	(1,861,828)	(79,381)	703,521	(118,734)	(1,158,307)
Net assets at September 30	\$ 9,518,636	\$ 9,682,652	\$ 39,597,489	\$ 39,032,965	\$ 49,116,125	\$ 48,715,617

The cost of all governmental activities this year was \$5,379,979. However, as shown in the Statement of Activities the amount that our taxpayers ultimately financed for these activities through City taxes was only \$ 1,560,346 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 reported a combined fund balance of \$ 49,116,125, which is more than last year's total of \$ 48,715,617. No budget amendments to the City's adopted budget were done during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010-2011 budget tax rates. One of those factors is the economy. The City's population growth during 2000-2010 averaged annual gains of 2-3 percent.

These indicators were taken into account when adopting the General Fund budget for 2010-2011. Amounts available for appropriation in the General Fund budget are \$ 3.8 million, an decrease of 12 percent over the final 2009-2010 budget of \$ 4.3 million. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to decrease nearly 12 percent to \$3.8 million from \$4.3 million in 2010. The City has added major new programs or initiatives to the 2010-2011 budget.

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.

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CITY OF ROMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

EXHIBIT A-1

Data Control Codes	Primary Government			Component Unit	
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit	
ASSETS					
1010	Cash and Cash Equivalents	\$ 375,752	\$ 565,135	\$ 940,887	631,774
1030	Investments - Current	292,209	-	292,209	-
1150	Receivables (net of allowance for uncollectibles)	741,631	387,968	1,129,599	501,500
1260		-	9,028	9,028	-
1300	Internal Balances	(616,965)	553,169	(63,796)	-
	Restricted Assets:				
	Temporarily Restricted:				
1611	Temp. Restricted Asset (specify)	-	1,523,521	1,523,521	-
	Capital Assets:				
1710	Land	530,904	194,353	725,257	-
1720	Infrastructure, net	7,716,546	-	7,716,546	-
1730	Buildings, net	194,243	1,680	195,923	-
1750	Machinery and Equipment, net	566,573	295,838	862,411	-
1760	Capital Assets, net	-	40,797,112	40,797,112	-
1990	Other Assets	-	2,835,060	2,835,060	(96,607)
1000	Total Assets	<u>9,800,893</u>	<u>47,162,864</u>	<u>56,963,757</u>	<u>1,036,667</u>
LIABILITIES					
2020	Accounts Payable	10,640	110,434	121,074	-
2070	Intergovernmental Payable	30,992	-	30,992	-
2120	Matured Bonds and Interest Payable	134,536	-	134,536	-
2270		-	94,579	94,579	-
	Noncurrent Liabilities				
2502	Due in More Than One Year	106,089	7,360,360	7,466,449	329,052
2000	Total Liabilities	<u>282,257</u>	<u>7,565,373</u>	<u>7,847,630</u>	<u>329,052</u>
NET ASSETS					
3200	Invested in Capital Assets, Net of Related Debt	8,902,177	8,850,949	17,753,126	707,616
3810	Restricted for	1,541	170,038	171,579	-
3900	Unrestricted Net Assets	614,918	30,576,502	31,191,420	-
3000	Total Net Assets	<u>\$ 9,518,636</u>	<u>\$ 39,597,489</u>	<u>\$ 49,116,125</u>	<u>\$ 707,616</u>

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

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CITY OF ROMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
10 Administration	\$ 870,084	\$ 8,125	\$ 86,168
20 Public Safety	2,904,792	297,799	290,818
30 Public Works	1,217,711	11,680	123,867
32 Sanitation	342,440	462,128	32,313
50 Culture and Recreation	-	24,456	-
56 Define - Culture and Recreation	16,989	-	-
60 Conservation and Development	27,963	508	5,385
Total Governmental Activities:	5,379,979	804,696	538,551
BUSINESS-TYPE ACTIVITIES:			
701 Enterprise Fund	5,184,908	4,615,576	1,599,271
Total Business-Type Activities:	5,184,908	4,615,576	1,599,271
TOTAL PRIMARY GOVERNMENT:	\$ 10,564,887	\$ 5,420,272	\$ 2,137,822
Component Unit:			
1991 Nonmajor Component Unit	\$ 332,844	\$ 31,258	\$ -
TOTAL COMPONENT UNITS:	\$ 332,844	\$ 31,258	\$ -

Data Control Codes	General Revenues:
	Taxes:
5010	Property Taxes, Levied for General Purposes
5120	Sales Taxes
5170	Franchise Taxes
5190	Penalty and Interest
5600	Grants and Contributions Not Restricted
5700	Miscellaneous Revenue
5800	Investment Earnings
5800	Transfers In (Out)
	Total General Revenues and Transfers
	Change in Net Assets
	Net Assets--Beginning
	Prior Period Adjustment
	Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Nonmajor Component Unit
\$ (775,791)	\$ -	\$ (775,791)	\$ -
(2,316,175)	-	(2,316,175)	-
(1,082,164)	-	(1,082,164)	-
152,001	-	152,001	-
24,456	-	24,456	-
(16,989)	-	(16,989)	-
(22,070)	-	(22,070)	-
(4,036,732)	-	(4,036,732)	-
-	1,029,939	1,029,939	-
-	1,029,939	1,029,939	-
(4,036,732)	1,029,939	(3,006,793)	-
-	-	-	(301,586)
-	-	-	(301,586)
1,560,346	-	1,560,346	-
480,183	-	480,183	277,719
256,280	-	256,280	-
-	-	-	2,245
480,606	-	480,606	-
536,436	1,622,358	2,158,794	1,368
2,701	-	2,701	-
595,517	(489,121)	106,396	-
3,912,069	1,133,237	5,045,306	281,332
(124,663)	2,163,176	2,038,513	(20,254)
9,682,652	39,032,965	48,715,617	727,870
(39,353)	(79,381)	(118,734)	-
\$ 9,518,636	\$ 41,116,760	\$ 50,635,396	\$ 707,616

CITY OF ROMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1010 Cash and Cash Equivalents	\$ 265,385	\$ 110,367	\$ 375,752
1030 Investments - Current	292,209	-	292,209
1050 Taxes Receivable	1,051,019	-	1,051,019
1051 Allowance for Uncollectible Taxes (credit)	(535,244)	-	(535,244)
1260 Intergovernmental Receivables	225,856	-	225,856
1000 Total Assets	<u>\$ 1,299,225</u>	<u>\$ 110,367</u>	<u>\$ 1,409,592</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2070 Intergovernmental Payable	\$ 30,992	\$ -	\$ 30,992
2080 Due to Other Funds	594,965	22,000	616,965
2090 Due to Others	10,640	-	10,640
2120 Bonds, Loans & Other Liabilities Payable -	47,710	86,826	134,536
2220 Deferred Revenues	499,804	-	499,804
2000 Total Liabilities	<u>1,184,111</u>	<u>108,826</u>	<u>1,292,937</u>
Fund Balances:			
Unreserved and Undesignated:			
3600 Reported in the General Fund	115,114	-	115,114
3610 Reported in the Special Revenue Fund	-	1,541	1,541
3000 Total Fund Balances	<u>115,114</u>	<u>1,541</u>	<u>116,655</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,299,225</u>	<u>\$ 110,367</u>	<u>\$ 1,409,592</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 ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Total Fund Balances - Governmental Funds	\$	116,555
<p>The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net assets.</p>		
		-0-
<p>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 \$18,444,376 and the accumulated depreciation was \$8,345,785. 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 net assets.</p>		
		9,776,914
<p>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 2010 capital outlays and debt principal payments is to increase net assets.</p>		
		215,588
<p>The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(1,090,325)
<p>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 net assets.</p>		
		499,804
Net Assets of Governmental Activities	\$	9,518,536

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, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 869,952	\$ -	\$ 869,952
5120 General Sales and Use Taxes	480,183	-	480,183
5170 Franchise Tax	256,280	-	256,280
5200 Licenses and Permits	50,783	-	50,783
5300 Intergovernmental Revenue and Grants	480,606	538,551	1,019,157
5400 Charges for Services	559,468	-	559,468
5510 Fines	194,445	-	194,445
5610 Investment Earnings	2,470	231	2,701
5700 Other Revenue	525,636	10,800	536,436
5020 Total Revenues	<u>3,419,823</u>	<u>549,582</u>	<u>3,969,405</u>
EXPENDITURES:			
Current:			
0010 Administration	804,890	-	804,890
0020 Public Safety	2,687,142	-	2,687,142
0030 Public Works	791,316	335,154	1,126,470
0032 Sanitation	316,781	-	316,781
Culture and Recreation:			
0056 Define - Culture and Recreation	10,559	5,157	15,716
0060 Conservation and Development	-	25,868	25,868
6030 Total Expenditures	<u>4,610,688</u>	<u>366,179</u>	<u>4,976,867</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,190,865)</u>	<u>183,403</u>	<u>(1,007,462)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	595,538	-	595,538
8911 Transfers Out (Use)	-	(21)	(21)
7080 Total Other Financing Sources (Uses)	<u>595,538</u>	<u>(21)</u>	<u>595,517</u>
1200 Net Change in Fund Balances	(595,327)	183,382	(411,945)
0100 Fund Balance - October 1 (Beginning)	579,014	(11,062)	567,952
1300 Prior Period Adjustment	131,427	(170,780)	(39,353)
3000 Fund Balance - September 30 (Ending)	<u>\$ 115,114</u>	<u>\$ 1,540</u>	<u>\$ 116,654</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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	(411,945)
<p>The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.</p>		
		-0-
<p>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 2010 capital outlays and debt principal payments is to increase net assets.</p>		
		687,213
<p>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 net assets.</p>		
		(1,090,325)
<p>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 net assets.</p>		
		690,393
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(124,664)</u>

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

CITY OF ROMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities - Enterprise Funds		
	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 556,911	\$ 8,224	\$ 565,135
Restricted Assets - Current:			
Temporarily Restricted Asset _____	1,523,521	-	1,523,521
Accounts Receivable-Net of Uncollectible Allowance	387,968	-	387,968
Due from Other Governments	9,028	-	9,028
Due from Other Funds	553,169	-	553,169
Total Current Assets	<u>3,030,597</u>	<u>8,224</u>	<u>3,038,821</u>
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	194,353	-	194,353
Buildings	173,544	-	173,544
Accumulated Depreciation - Buildings	(171,864)	-	(171,864)
Machinery and Equipment	756,651	-	756,651
Accumulated Depreciation - Machinery & Equipment	(460,813)	-	(460,813)
Capital Assets	45,188,581	-	45,188,581
Accumulated Depreciation - Capital Assets	(4,391,469)	-	(4,391,469)
Other Asset - Water Rights	2,835,060	-	2,835,060
Total Noncurrent Assets	<u>44,124,043</u>	<u>-</u>	<u>44,124,043</u>
Total Assets	<u>47,154,640</u>	<u>8,224</u>	<u>47,162,864</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	77,572	-	77,572
Wages and Salaries Payable	32,862	-	32,862
Other Current Liabilities	94,579	-	94,579
Total Current Liabilities	<u>205,013</u>	<u>-</u>	<u>205,013</u>
NonCurrent Liabilities:			
Bonds Payable - Noncurrent	7,360,360	-	7,360,360
Total Noncurrent Liabilities	<u>7,360,360</u>	<u>-</u>	<u>7,360,360</u>
Total Liabilities	<u>7,565,373</u>	<u>-</u>	<u>7,565,373</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	8,842,736	8,213	8,850,949
Restricted for	170,038	-	170,038
Unrestricted Net Assets	30,576,491	11	30,576,502
Total Net Assets	<u>\$ 39,589,265</u>	<u>\$ 8,224</u>	<u>\$ 39,597,489</u>

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

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CITY OF ROMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities - Enterprise Funds		
	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ 2,890,795	\$ -	\$ 2,890,795
Charges for Gas Services	440,279	-	440,279
Charges for Sewerage Service	1,185,973	-	1,185,973
Prop.Fund Charges for Services - Other	98,529	-	98,529
Investment Earnings	14,675	11	14,686
Other Revenue	8,401	-	8,401
Total Operating Revenues	<u>4,638,652</u>	<u>11</u>	<u>4,638,663</u>
OPERATING EXPENSES:			
Water			
Personnel Services - Salaries and Wages	546,700	-	546,700
Personnel Services - Employee Benefits	208,532	-	208,532
Purchased Professional & Technical Services	560	-	560
Purchased Property Services	328,793	-	328,793
Other Operating Expenses	42,626	-	42,626
Supplies	519,860	-	519,860
Total Water	<u>1,647,071</u>	<u>-</u>	<u>1,647,071</u>
Gas			
Personnel Services - Salaries and Wages	93,451	-	93,451
Personnel Services - Employee Benefits	41,291	-	41,291
Purchased Property Services	1,786	-	1,786
Other Operating Expenses	3,128	-	3,128
Supplies	101,626	-	101,626
Total Gas	<u>241,282</u>	<u>-</u>	<u>241,282</u>
Administrative			
Personnel Services - Salaries and Wages	330,017	-	330,017
Personnel Services - Employee Benefits	121,548	-	121,548
Purchased Property Services	147,927	-	147,927
Other Operating Expenses	94,599	-	94,599
Supplies	70,506	-	70,506
Total Administrative	<u>764,597</u>	<u>-</u>	<u>764,597</u>
Sanitation			
Personnel Services - Salaries and Wages	210,223	-	210,223
Personnel Services - Employee Benefits	77,007	-	77,007
Purchased Property Services	116,201	-	116,201
Other Operating Expenses	23,240	-	23,240
Supplies	264,219	-	264,219
Total Sanitation	<u>690,890</u>	<u>-</u>	<u>690,890</u>
Motor Pool			
Personnel Services - Salaries and Wages	31,548	-	31,548
Personnel Services - Employee Benefits	16,807	-	16,807
Purchased Property Services	2,645	-	2,645
Other Operating Expenses	2,012	-	2,012
Supplies	20,751	-	20,751
Total Motor Pool	<u>73,763</u>	<u>-</u>	<u>73,763</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities - Enterprise Funds		
	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Depreciation	1,417,837	-	1,417,837
Interest Expense	349,468	-	349,468
Total Operating Expenses	5,184,908	-	5,184,908
Operating Income (Loss)	(546,256)	11	(546,245)
NON-OPERATING REVENUES (EXPENSES):			
Grants (Not Capital grants)	1,599,271	-	1,599,271
Total Non-operating Revenue (Expenses)	1,599,271	-	1,599,271
Income Before Transfers	1,053,015	11	1,053,026
Non-Operating Transfer In	80,000	-	80,000
Transfers Out	(489,121)	-	(489,121)
Change in Net Assets	643,894	11	643,905
Total Net Assets - October 1 (Beginning)	38,960,177	72,788	39,032,965
Prior Period Adjustment	(14,806)	(64,575)	(79,381)
Total Net Assets - September 30 (Ending)	\$ 39,589,265	\$ 8,224	\$ 39,597,489

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, 2010

EXHIBIT D-3

	Business-Type Activities		
	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 4,313,833	\$ -	\$ 4,313,833
Cash Received from - Other Revenues	1,518,485	11	1,518,496
Cash Payments to Employees for Services	(1,677,124)	-	(1,677,124)
Cash Payments for Suppliers	(976,962)	-	(976,962)
Cash Payments for Other Operating Expenses	(2,357,971)	-	(2,357,971)
Net Cash Provided by Operating Activities	<u>820,261</u>	<u>11</u>	<u>820,272</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	(489,121)	-	(489,121)
Grants	1,599,271	-	1,599,271
Non-Operating Transfer In	80,000	-	80,000
Net Cash Provided by Non-Capital Financing Activities	<u>1,190,150</u>	<u>-</u>	<u>1,190,150</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Increase (decrease) Short-term Loans	(42,976)	-	(42,976)
Increase (decrease) in Bonds Payable	(644,280)	-	(644,280)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(687,256)</u>	<u>-</u>	<u>(687,256)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Equipment	(1,971,216)	-	(1,971,216)
Prior Period Adjustments	(14,806)	-	(14,806)
Net Cash Provided by (Used for) Investing Activities	<u>(1,986,022)</u>	<u>-</u>	<u>(1,986,022)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(662,867)	11	(662,856)
Cash and Cash Equivalents at Beginning of the Year:	<u>2,743,299</u>	<u>8,213</u>	<u>2,751,512</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 2,080,432</u>	<u>\$ 8,224</u>	<u>\$ 2,088,656</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>			
Operating Income (Loss):	\$ (546,256)	\$ 11	\$ (546,245)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	1,417,837	-	1,417,837
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(301,743)	-	(301,743)
Decrease (increase) in Due Froms	(231,007)	-	(231,007)
Increase (decrease) in Accounts Payable	77,572	-	77,572
Increase (decrease) in Payroll Deductions	38,325	-	38,325
Increase (decrease) in Due Tos	364,893	-	364,893
Increase (decrease) in	640	-	640

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, 2010

EXHIBIT D-3

	Business-Type Activities		
	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Net Cash Provided by Operating Activities	\$ 820,261	\$ 11	\$ 820,272

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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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 is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion 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 sometime 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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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. 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).

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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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 sometimes 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 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.

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 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 a water and sewer services.

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

Governmental Funds:

1. **Special Revenue Funds** – The City account 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.

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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 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 statements 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.

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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.
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.

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

CITY OF ROMA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

Exhibit C-4 provides 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.

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.

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 F-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.
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.

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

General Fund expenditures exceeded appropriations by the amounts noted below:

Functional Category	Amount
Public Safety	\$ 754,684
Public Works	11,426

Federal Grant funds for Police Officers and Communication Tower were not included in the budget; therefore, the exceeded appropriations for Public Safety.

CITY OF ROMA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 2,582,399 and the bank balance was \$ 2,870,251. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010 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, 2010, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments 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	\$ 227,065	\$ 227,065	-	-	-
Enterprise Fund:					
Certificates of Deposit	\$ 775,663	\$ 775,663	-	-	-
Totals	\$ 1,002,728	\$ 1,002,728	-	-	-

The Enterprise Fund's temporary investments noted above are included in the total amount reported as restricted assets \$ 775,663 at September 30, 2010.

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, 2010, the city's investments were secured by U.S. Government Securities.

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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 school fiscal year. For the year ended September 30, 2010, the rate applicable to the General Fund was \$.44663 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 \$ 156,789,230.00 which generated a tax levy of \$ 699,797.37.

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, 2010 were as follows:

Interfund accounts were not reconciled properly at year-end.

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2010, was as follows:

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Governmental Activities

	Balance as of 09/30/09	Increases	Decreases	Balance as of 09/30/10
Capital Assets				
Land	425,322	105,582	-	530,904
Buildings	558,940	5,265	-	564,205
Improvements/Infrastructure	14,578,788	49,268	-	14,628,056
Furniture and Equipment	2,409,701	311,510	-	2,721,211
	17,972,751	471,625	-	18,444,376
Accumulated Depreciation				
Accumulated Depreciation	(8,345,785)	(1,090,325)	-	(9,436,110)
	(8,345,785)	(1,090,325)	-	(9,436,110)
Net Capital Assets	9,626,966	(618,700)	-	9,008,266

Business-type Activities

	Balance as of 09/30/09	Increases	Decreases	Balance as of 09/30/10
Capital Assets				
Land	194,353	-	-	194,353
Buildings	173,545	-	-	173,545
Furniture and Equipment	552,638	204,013	-	756,651
Water System	42,251,493	1,722,400	-	43,973,893
Wastewater System	534,941	-	-	534,941
Gas System	679,747	-	-	679,747
	44,386,717	1,926,413	-	46,313,130
Accumulated Depreciation				
Accumulated Depreciation	(3,606,308)	(1,417,838)	-	(5,024,146)
	(3,606,308)	(1,417,838)	-	(5,024,146)
Net Capital Assets	40,780,409	508,575	-	41,288,984

E. BONDS AND LONG-TERM NOTES PAYABLE/CAPITAL LEASES PAYABLE

At September 30, 2010, long-term debt consisted of the following:

General Long Term Debt-Governmental Fund Types:

Note Payables:

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
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H. SIGNIFICANT BOND RESOLUTION LEGAL REQUIREMENTS AND RESERVES:

1. Revenue Bonds Series 1987-B

Provisions of the bond order Series 1987 Waterworks and Sewer System Revenue Bonds state that all revenues of the system shall be kept separate and apart from all other funds and accounts of the City and that “special reserve” funds shall be created and maintained so long as any bonds or interest thereon are outstanding and unpaid. The bonds are payable from and equally and ratably secured by a lien on and pledge of the net revenues from the City’s combined Waterworks and Sanitary Sewer System. An Interest and Sinking Fund should be created, and deposited into this fund shall be amounts in equal monthly installments sufficient to pay the interest and principal scheduled to come due on the bonds on the next interest and principal date. There shall also be deposited into a Reserve Fund an amount equal to the average annual debt service requirement, calculated on a fiscal year basis. These deposits are required to be made monthly. Compliance with Bond Ordinance and Covenants The City has cash reserved into which deposits are made to cover the interest and principal scheduled to come due on bonds Series 1987-B on the following payment date. Amounts held in these accounts totaled \$ 1,418 at September 30, 2010. This amount is insufficient to meet the annual debt service obligations of the Revenue Bonds for the fiscal year ending September 30, 2010, which amounts to \$ 64,470. However, the City has schedule monthly periodic payments (transfers) subsequent to fiscal year end in the amount of \$4,885/month to cover debt service requirements as they mature.

2. 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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
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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 & Revenue (No-interest) Certificates of Obligation Series 2000A

All ad 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 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 issue, 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 to the Debt Service Fund each month 1/12th 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.

CITY OF ROMA
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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.

4. 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.

5. 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, 2010.

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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 1/12th 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.

6. Combination Tax & Revenue Certificate of Obligations Series 2003

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

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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.

7. 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, 2010.

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 1/12th 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

CITY OF ROMA
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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 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, 2010.

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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

and the Parity Obligations. The City shall transfer and deposit of the debt service Fund each month 1/12th 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 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, 2010.

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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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 1/12th 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.

10. 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, 2010.

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

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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 1/12th 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.

DEFINED BENEFIT PENSION PLAN

Plan Description

The city provides pension benefits for all of its full-time employees, except for firefighters in the Roma Fire Department, through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest and the City financed Monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer financed monetary credits with interest were used to purchase an annuity. Members can retire at age 60 and above with 5 years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

The contribution rate for the employees is 5%, and the City matching ratio is currently 1.5 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level of percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 821 municipalities has an annual, actuarial valuation performed. All assumptions for the December 31, 2005 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas, 78714-9153.

The City of Roma	
Schedule of Actuarial Liabilities and Funding Progress	
Actuarial Valuation Date December 31, 2009	
Actuarial Value of Assets	\$ 4,324,170
Actuarial Accrued Liability	\$ 6,383,969
Percentage Funded	67.7%
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,059,799
Annual covered payroll	\$ 3,047,914
UAAL as Percentage of Covered Payroll	67.6%
Net Pension Obligation as of beginning of Period	\$ -
Annual Pension Cost:	\$ 156,244
Annual Required Contribution (ARC)	-
Less: Contributions Made	170,788.00
NPO at the end of the period	\$ -

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2010, was as follows:

CITY OF ROMA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Bonds and Other Payable:				
General Obligation Bonds	\$ -	\$ -	-	\$ -
Notes Payable	84,810	-	(53,354)	31,456
Capital Leases Payable	236,867	-	(13,346)	223,521
Total Bonds and Other Payable	321,677	-	(66,700)	254,977
Total Governmental Activities Long-term Liabilities	<u>\$ 321,677</u>	<u>\$ -</u>	<u>\$ (66,700)</u>	<u>\$ 254,977</u>
Business-type Activities:				
Bonds and Notes Payable:				
Revenue Bonds Payable	\$ 7,873,000	-	(512,000)	\$ 7,361,000
Capital Leases Payable	-	-	-	-
Total Bonds and Other Payable	7,873,000	-	(512,000)	7,361,000
Total Business-type Activities Long-term Liabilities	<u>\$ 7,873,000</u>	<u>-</u>	<u>(512,000)</u>	<u>\$ 7,361,000</u>

K. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

Property Taxes	\$499,804

**L. SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES-COMPONENT UNIT
ROMA ECONOMIC DEVELOPMENT CORPORATION**

For the Year ended September 30, 2010

Revenues:		
Sales Tax Revenues	\$ 277,719	
Rental Income	1,368	
Other Revenue	31,258	
Interest Revenue	2,245	
	<u> </u>	
Total Revenue		<u>\$ 312,591</u>
Expenses:		
Economic Development	311,470	
Interest	3,612	
Total Expense	<u> </u>	315,082
Other Sources/Uses:		
Transfer Out	17,763	
	<u> </u>	<u>17,763</u>
Revenues - Net of Expenses And Transfers Out		<u>\$ (20,255)</u>
Beginning Equity		<u>772870</u>
Ending Equity		<u>\$ 752,615</u>

CITY OF ROMA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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, 2010 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, 2010, were comprised of the following:

Enterprise Fund

City of Roma-Cash Reserve-1987 Bonds	\$ 1,426.80
City of Roma-Cash Reserve-1999B Bonds	40,414.36
City of Roma-Cash Reserve-1999C Bonds	5,090.14
City of Roma-Cash Reserve-2000 Bonds	3,310.63
City of Roma-Cash Reserve-2003 Bonds	28,086.57
City of Roma-Cash Reserve-2004 Bonds	6,829.90
City of Roma-Cash Reserve-2005 Bonds	11,565.30
City of Roma-Cash Reserve-2006 Bonds	3,893.25
City of Roma-Cash Reserve-Certificate of Oblig. Debt Res. 2008	35,300.01
City of Roma-Cash Reserve-Repair & Replacement	335,951.18
City of Roma-Cash Reserve- M&O Reserves	378,695.82
City of Roma-Cash Reserve-Water Rights Escrows	207,955.49
City of Roma-Cash Debt Service Fund	406,550.99
Other Reserves	59,675.00
Total Restricted Assets	\$ 1,524,745.44

O. PRIOR PERIOD ADJUSTMENTS:

General Fund	Adjustment for due to's and From	\$131,427
Special Revenue Funds	Adjust beginning Fund Balance	\$(170,780)
Enterprise Funds	Fixed Assets Adjustment	\$(35,980)

CITY OF ROMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 819,499	\$ 819,499	\$ 869,952	\$ 50,453
5120	General Sales and Use Taxes	486,961	486,961	480,183	(6,778)
5170	Franchise Tax	225,000	225,000	256,280	31,280
5200	Licenses and Permits	24,000	24,000	50,783	26,783
5300	Intergovernmental Revenue and Grants	204,987	204,987	480,606	275,619
5400	Charges for Services	725,012	725,012	559,468	(165,544)
5510	Fines	225,000	225,000	194,445	(30,555)
5610	Investment Earnings	9,799	9,799	2,470	(7,329)
5700	Other Revenue	780,000	780,000	525,636	(254,364)
5020	Total Revenues	3,500,258	3,500,258	3,419,823	(80,435)
EXPENDITURES:					
Current:					
0010	Administration	577,116	577,116	804,890	(227,774)
0020	Public Safety	2,008,176	2,008,176	2,687,142	(678,966)
0030	Public Works	933,741	933,741	791,316	142,425
0032	Sanitation	420,345	420,345	316,781	103,564
Culture and Recreation:					
0056	Define - Culture and Recreation	50,000	50,000	10,559	39,441
6030	Total Expenditures	3,989,378	3,989,378	4,610,688	(621,310)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(489,120)	(489,120)	(1,190,865)	(701,745)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	609,221	609,221	595,538	(13,683)
7080	Total Other Financing Sources (Uses)	609,221	609,221	595,538	(13,683)
1200	Net Change	120,101	120,101	(595,327)	(715,428)
0100	Fund Balance - October 1 (Beginning)	579,014	579,014	579,014	-
1300	Prior Period Adjustment	102,343	102,343	102,343	-
3000	Fund Balance - September 30 (Ending)	\$ 801,458	\$ 801,458	\$ 86,030	\$ (715,428)

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CITY OF ROMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

Data Control Codes	200 Home Contract 100057	201 TCDP 724679	202 TWDB Grant G20100	203 Visitor's Complex
ASSETS				
1010 Cash and Cash Equivalents	\$ 200	\$ -	\$ -	\$ -
1000 Total Assets	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2080 Due to Other Funds	\$ -	\$ 22,000	\$ -	\$ -
2120 Bonds, Loans & Other Liabilities Payable - Current	-	-	-	86,826
2000 Total Liabilities	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>86,826</u>
Fund Balances:				
Unreserved and Undesignated:				
3610 Reported in the Special Revenue Fund	200	(22,000)	-	(86,826)
3000 Total Fund Balances	<u>200</u>	<u>(22,000)</u>	<u>-</u>	<u>(86,826)</u>
4000 Total Liabilities and Fund Balances	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

204 Hotel Occupancy	205 TCDP 726551	206 Home Contract 1000791	208 Home Contract 1001085	209 TCDP 729027	Total Nonmajor Governmental Funds
\$ 103,612	\$ -	\$ -	\$ 6,354	\$ 201	\$ 110,367
<u>\$ 103,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,354</u>	<u>\$ 201</u>	<u>\$ 110,367</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,000
-	-	-	-	-	86,826
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,826</u>
103,612	-	-	6,354	201	1,541
<u>103,612</u>	<u>-</u>	<u>-</u>	<u>6,354</u>	<u>201</u>	<u>1,541</u>
<u>\$ 103,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,354</u>	<u>\$ 201</u>	<u>\$ 110,367</u>

CITY OF ROMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Data Control Codes	200 Home Contract 100057	201 TCDP 724679	202 TWDB Grant G20100	203 Visitor's Complex
REVENUES:				
5300 Intergovernmental Revenue and Grants	\$ 200	\$ -	\$ -	\$ -
5610 Investment Earnings	-	-	-	88
5700 Other Revenue	-	-	-	-
5020 Total Revenues	<u>200</u>	<u>-</u>	<u>-</u>	<u>88</u>
EXPENDITURES:				
Current:				
0030 Public Works	-	-	-	-
Culture and Recreation:				
0056 Define - Culture and Recreation	-	-	-	-
0060 Conservation and Development	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>200</u>	<u>-</u>	<u>-</u>	<u>88</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	(21)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21)</u>
1200 Net Change in Fund Balance	200	-	-	67
0100 Fund Balance - October 1 (Beginning)	(200)	(22,000)	-	(86,893)
1300 Prior Period Adjustment	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 200</u>	<u>\$ (22,000)</u>	<u>\$ -</u>	<u>\$ (86,826)</u>

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

204 Hotel Occupancy	205 TCDP 726551	206 Home Contract 1000791	208 Home Contract 1001085	209 TCDP 729027	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 24,305	\$ 341,204	\$ 172,842	\$ 538,551
137	-	2	3	1	231
10,800	-	-	-	-	10,800
<u>10,937</u>	<u>-</u>	<u>24,307</u>	<u>341,207</u>	<u>172,843</u>	<u>549,582</u>
-	-	-	335,154	-	335,154
5,157	-	-	-	-	5,157
-	-	25,868	-	-	25,868
<u>5,157</u>	<u>-</u>	<u>25,868</u>	<u>335,154</u>	<u>-</u>	<u>366,179</u>
<u>5,780</u>	<u>-</u>	<u>(1,561)</u>	<u>6,053</u>	<u>172,843</u>	<u>183,403</u>
-	-	-	-	-	(21)
-	-	-	-	-	(21)
5,780	-	(1,561)	6,053	172,843	183,382
97,831	-	-	-	200	(11,062)
-	-	1,561	301	(172,842)	(170,780)
<u>\$ 103,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,354</u>	<u>\$ 201</u>	<u>\$ 1,540</u>

CITY OF ROMA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2010

	712	713	Total
	TWDB Contract G070003	TWDB Contract G20100	Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,224	\$ -	\$ 8,224
Total Assets	<u>8,224</u>	<u>-</u>	<u>8,224</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	8,213	-	8,213
Unrestricted Net Assets	11	-	11
Total Net Assets	<u>\$ 8,224</u>	<u>\$ -</u>	<u>\$ 8,224</u>

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

CITY OF ROMA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	712 TWDB Contract G070003	713 TWDB Contract G20100	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Investment Earnings	\$ 11	\$ -	\$ 11
Total Operating Revenues	<u>11</u>	<u>-</u>	<u>11</u>
Operating Income	11	-	11
Total Net Assets - October 1 (Beginning)	72,788	-	72,788
Prior Period Adjustment	<u>(64,575)</u>	<u>-</u>	<u>(64,575)</u>
Total Net Assets - September 30 (Ending)	<u>\$ 8,224</u>	<u>\$ -</u>	<u>\$ 8,224</u>

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

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

City Council
P O Box 947
Roma, Texas 78584-0947

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented 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, 2010, which collectively comprise the City of Roma basic financial statements and have issued our report thereon dated April 25, 2011.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Roma's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Roma's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Roma's financial statements are free of 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.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

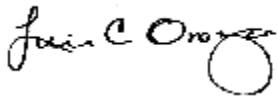
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The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The City of Roma's response to the findings identified in our audit are described in the accompanying schedule of findings and responses.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Luis C. Orozco
Certified Public Accountant

Pharr, Texas
April 25, 2011

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council
City of Roma
P O Box 947
Roma, TX 78584-0947

Member of the Council:

Compliance

We have audited the compliance of City of Roma, Texas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. City of Roma, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Roma, Texas's management. Our responsibility is to express an opinion on City of Roma, Texas's compliance based on our audit.

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, Texas'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. Our audit does not provide a legal determination of City of Roma, Texas's compliance with those requirements.

In our opinion, City of Roma, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The administration of City of Roma, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Roma, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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, Texas'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

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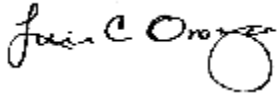
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type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Luis C. Orozco
Certified Public Accountant

Pharr, TX
April 25, 2011

CITY OF ROMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

2008-01 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:

Significant audit adjustments were necessary in order for the financial statements to be in accordance with generally accepted accounting principles. This included audit adjustments from the prior year. Additionally, interfund accounts were not reconciled.

Effect:

Financial statements prepared on a monthly basis and at year-end were not closed-out properly due to the omitted transactions or erroneous information.

Recommendation:

The City should review its internal controls relating to financial statement accounting and reporting to insure that timely financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes. Additionally, all interfund accounts should be reconciled on a timely basis. The finance director position needs to be covered as soon as possible.

Current Year Status:

The city has contracted a part-time accountant to reconcile all accounts and make appropriate accounting adjustments on a timely manner. Furthermore, the city recently hired a full time accountant that will be properly trained under the contract accountant.

2008-02 Capital Assets – General Fund & Enterprise Fund

Criteria:

A City's capital assets typically represents the entity's most significant assets and have a significant impact on financial statements.

Condition:

A physical inventory of the City's capital assets has not been performed recently. Additionally, subsidiary records for capital assets were not reconciled to the general ledger on a timely basis. Also, depreciation expense records were incomplete.

Effect:

The City's perpetual records for accounting for capital assets may not accurately reflect capital assets on hand during the year and at year-end unless a periodic physical inventory is conducted, and records are updated accordingly.

Recommendation:

The City should conduct a physical inventory of capital assets as soon as possible, and perpetual records should be updated to reflect the results of the physical inventory. Additionally, depreciation records should also be updated in order to allow for annual calculation.

Current Year Status:

The City hired RCI Technologies, Inc., to conduct a physical inventory for the city's capital assets.

CITY OF ROMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of CITY OF ROMA was an Unqualified opinion.
- b. There are no reportable conditions in internal control that were disclosed by the audit of the financial statements and there were no material weaknesses.
- c. No instances of noncompliance material to the general purpose financial statements of CITY OF ROMA.
- d. The report on compliance for the major federal award program for CITY OF ROMA expresses an unqualified opinion on all major federal programs.
- e. The program tested as major program:
 - 1) C.W.T.A.P. (CFDA #66.xxxx)
- f. The threshold used for distinguishing between Type A and B programs was #300,000.
- g. CITY OF ROMA qualified as a low-risk auditee within the context of OMB Circular A-133.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

Refer to Schedule of Prior Year Findings.

CITY OF ROMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

DESCRIPTION	FEDERAL CFDA Number	Grant Number	EXPENDITURES/ DISBURSEMENTS
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through Office of Rural Affairs			
Community Development Block Grants	14.228	726551	\$ 196,773
Passed through Texas Department of Rural Affairs			
Home Investment Partnership Program	14.239	1000791	335,154
Subtotal-Passed through Texas Dept. of Rural Affairs			\$ 335,154
 TOTAL U.S DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			 <u>531,927</u>
<u>ENVIRONMENT PROTECTION AGENCY</u>			
Passed through Texas Water Development Board			
EDAP	66.XXX	G070003	-
CWTAP	66.XXX	VARIOUS	99,870
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			\$ 99,870
 TOTAL FEDERAL AWARDS			 <u>\$ 631,797</u>

CITY OF ROMA
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

- 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 balances 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.