

CITY OF RIO GRANDE CITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF RIO GRANDE CITY
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2019

**CITY OF RIO GRANDE CITY, TEXAS
CITY OFFICIALS
SEPTEMBER 30, 2019**

Council – Manager Form of Government

MAYOR

Joel Villarreal

COUNCIL MEMBERS

Hernan R. Garza, III
Rey Ramirez
Dave “Chachi” Jones
Flor E. Flores

CITY MANAGER

Alberto Perez

FINANCE DIRECTOR

Leonel Cantu

CITY SECRETARY

Lyzette Pena

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CITY OF RIO GRANDE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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Raul Hernandez & Company, P.C.

Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Rio Grande City, Texas
Rio Grande City, Texas 78582

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rio Grande City, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Rio Grande City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Grande City, Texas as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison and schedule of the City of Rio Grande City's proportionate share of the net pension liability and schedule of City of Rio Grande City pension contributions, and schedule of the City of Rio Grande City's proportionate share of the net OPEB liability and schedule of City of Rio Grande City OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rio Grande City, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020, on our consideration of the City of Rio Grande City, Texas'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 the effectiveness of the City of Rio Grande City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rio Grande City, Texas's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

March 4, 2020

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MANAGEMENTS DISCUSSION AND ANALYSIS

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CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$2,293,592 for the year, which is a change of 8%. The governmental activities increase was \$264,759 while the business-type activities showed an increase of \$2,028,833.
- Last year's increase in sales tax revenues of \$188,275 was followed by an increase in sales tax revenues of \$356,907 for 2019.
- There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues decreased by (\$62,315), and overall revenues increased by \$61,039. In addition, general government expenses increased by \$53,389 and total governmental expenses decreased by (\$326,131). Utility operating revenues had a decrease (\$1,120,594) and a decrease in the utility fund expenses of (\$917,038).
- The City added approximately \$2,263,969 to capital assets during the year. Capital additions include purchase of new equipment, remodeling, infrastructure improvements, water and sewer system upgrades and improvements. Depreciation expense of \$1,368,237 was also recorded for the year.
- The City had \$392,990 in business-type construction in progress at the end of the prior year. The City added \$1,020,356 as construction in progress in the business-type activities. Additionally, during the current year, the City added \$97,260 as construction in progress in the governmental activities.

Overview of the Financial Statements

The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The Statement of Net position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and liabilities of the City, and the statements are presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

Activities of the City as a whole include governmental activities, and business-type activities. Governmental activities are those activities which are financed primarily through taxes and grants.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Most of the City's basic services are reported as governmental activities. Business-type activities are those activities which are intended to recover all or a significant portion of their costs through user fees and charges. Utility system operations are a common example of business-type activities. The City has no component units. Component units are legally separate organizations for which the City is financially accountable. Whenever a City is financially accountable for activities of a legally separate organization, those activities are reported in the government-wide financial statements as component unit activities.

The accrual basis of accounting used for the government-wide financial statements recognizes revenues when earned and expenses when incurred regardless of when cash is received or paid.

Fund financial statements

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for the City's governmental funds and proprietary funds, as opposed to the government-wide statements which reflect the City as a whole.

Fund financial statements are prepared using the measurement focus and basis of accounting applicable to each broad fund category. Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Proprietary fund financial statements are presented on a cost of services or "capital maintenance" measurement focus using the accrual basis of accounting. Because the proprietary fund financial statements are presented using the same measurement focus and basis of accounting as the government-wide financial statements, the totals from the proprietary fund financial statements flow directly into the business-type activities column of the government-wide financial statements. For the governmental funds, reconciliation is presented to describe the differences between the net position, and change in net position reported in the governmental fund financial statements and the net position, and change in net position reported in the governmental activities column of the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a complete understanding of the information provided in the government-wide and fund financial statements.

Condensed Financial Information

Condensed financial information is presented in the following tables in a comparative format which allows for the comparison of current and prior year information.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Government-wide net position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 7,886,522	7,787,330	4,317,967	4,002,338	12,204,489	11,789,668
Capital assets	14,629,577	14,508,313	32,351,615	31,577,147	46,981,192	46,085,460
Total assets	<u>22,516,099</u>	<u>22,295,643</u>	<u>36,669,582</u>	<u>35,579,485</u>	<u>59,185,681</u>	<u>57,875,128</u>
Deferred Outflows of Resources	<u>637,549</u>	<u>258,323</u>	<u>134,758</u>	<u>68,737</u>	<u>772,307</u>	<u>327,060</u>
Long-term liabilities	5,821,384	6,064,395	18,930,671	19,801,777	24,752,055	25,866,172
Other liabilities	2,754,911	2,108,354	1,047,466	973,124	3,802,377	3,081,478
Total liabilities	<u>8,576,295</u>	<u>8,172,749</u>	<u>19,978,137</u>	<u>20,774,901</u>	<u>28,554,432</u>	<u>28,947,650</u>
Deferred Inflows of Resources	<u>523,167</u>	<u>591,791</u>	<u>100,254</u>	<u>176,206</u>	<u>623,421</u>	<u>767,997</u>
Net position:						
Invested in capital assets, net of debt	8,808,193	8,443,441	13,420,944	11,775,370	22,229,137	20,218,811
Restricted	3,244,620	1,430,365	-	-	3,244,620	1,430,365
Assigned	455,467	1,748,020	-	-	455,467	1,748,020
Unrestricted	1,545,906	2,167,601	3,305,005	2,921,746	4,850,911	5,089,347
Total net position	<u>\$ 14,054,186</u>	<u>13,789,427</u>	<u>16,725,949</u>	<u>14,697,116</u>	<u>30,780,135</u>	<u>28,486,543</u>

The City's governmental activities showed an increase in net position of \$264,759. Capital assets for governmental activities increased by \$121,264.

More detailed information relating to the change in net position, the change in capital assets, and the change in long-term liabilities is discussed in the pages to follow.

Government-wide changes in net position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Change in net assets						
Total revenues	\$ 9,554,041	9,493,002	6,134,622	7,255,216	15,688,663	16,748,218
Total expenses	(8,813,981)	(9,140,112)	(4,268,556)	(5,185,594)	(13,082,537)	(14,325,706)
Change before transfers	740,060	352,890	1,866,066	2,069,622	2,606,126	2,422,512
Transfers	(140,938)	1,113,222	140,938	(1,113,222)	-	-
Change in net position	599,122	1,466,112	2,007,004	956,400	2,606,126	2,422,512
Net position - beginning	13,789,426	12,332,968	14,697,115	13,381,518	28,486,541	25,714,486
Reclass of Beg Net Position	(334,362)	(9,654)	21,830	359,197	(312,532)	349,544
Net position - ending	<u>\$ 14,054,186</u>	<u>13,789,426</u>	<u>16,725,949</u>	<u>14,697,115</u>	<u>30,780,135</u>	<u>28,486,542</u>

The specific changes in revenues and expenses are shown in the tables that follow, along with a discussion of the events giving rise to those changes.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 1,351,161	1,413,476	5,540,045	7,178,469	6,891,206	8,591,945
General revenues:						
Maintenance and						
Operations Taxes	2,167,222	2,100,382	-	-	2,167,222	2,100,382
Debt Service Taxes	425,098	449,068	-	-	425,098	449,068
Grants	783,562	933,873	-	-	783,562	933,873
Sales tax	4,273,450	3,916,543	-	-	4,273,450	3,916,543
Investment Earnings	103,468	66,067	63,880	36,632	167,348	102,699
Miscellaneous	450,080	613,593	530,697	40,115	980,777	653,708
Total revenues	\$ 9,554,041	9,493,002	6,134,622	7,255,216	15,688,663	16,748,218

Last year's increase in sales tax revenues of \$188,275 was followed by an increase in sales tax revenues of \$356,907 for 2019. The increase in the sales tax was due to changes in the economic conditions in the City of Rio Grande City.

There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues decreased by (\$62,315). In addition, governmental expenses decreased by (\$326,131).

Utility operating revenues had a decrease of (\$1,120,594) for operating revenues. There was a decrease in the utility fund expenses of (\$917,038).

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Expenses						
General Government	\$ 2,265,203	2,211,814	-	-	2,265,203	2,211,814
Judicial	179,023	150,013	-	-	179,023	150,013
Public safety	3,807,755	3,771,474	-	-	3,807,755	3,771,474
Public works	692,165	776,319	-	-	692,165	776,319
Highways and Streets	181,237	174,280	-	-	181,237	174,280
Culture and Recreation	336,114	361,763	-	-	336,114	361,763
Libraries	317,992	300,632	-	-	317,992	300,632
Economic Development	752,769	1,105,740	-	-	752,769	1,105,740
Bond Interest	249,522	254,401	-	-	249,522	254,401
Fiscal agent fees	32,201	33,675	-	-	32,201	33,675
Utility Fund	-	-	4,268,556	5,185,594	4,268,556	5,185,594
Total expenses	\$ 8,813,981	9,140,112	4,268,556	5,185,594	13,082,537	14,325,706

In 2019, the City's transfers consisted of moving unassigned and unrestricted funds within the General Fund, Economic Development Fund, Other Governmental Funds, and Water, Sewer and Sanitation Funds for the purposes of capital asset purchases, finance payroll, special projects and or the funding of principal and interest loan payments.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Financial Analysis of the City's Funds

The City has experienced an increase in sales tax revenue due to current economic conditions. We attribute some of this increase due to the stability of the current economic climate.

The city adopted a conservative budget for 2019-2020.

Regarding the other governmental funds, the debt service fund levied taxes sufficient to cover the governmental debt service requirements as well as a portion of the utility fund debt service (which was transferred to the utility fund) and ended the year with a \$525,491 fund balance. The debt service fund has a fund balance greater than the annual debt service requirement of the governmental debt.

As discussed above, the utility fund's operations ended the year with a \$2,028,833 increase in net position. The utility fund has net position of \$16,725,949 at the end of the year. However, \$13,420,944 is restricted for investment in capital assets, net of related debt. Unrestricted net position of \$3,305,005 represents over 3 months in terms of the utility system's annual expenses including net transfers out.

General Fund Budgetary Highlights

Over the course of the year, the City's revenues had a positive variance of \$481,208. Expenditures had an overall decrease of (\$413,133).

Capital Asset and Debt Administration

Capital assets

The following capital asset information is presented net of depreciation. More detailed information can be found on Note 6 of the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,292,630	2,292,630	346,536	339,036	2,639,166	2,631,667
Infrastructure	13,584,170	13,562,317	34,926,110	34,897,905	48,510,280	48,460,222
Buildings	3,565,040	3,525,404	1,817,454	1,690,609	5,382,494	5,216,013
Machinery and Equipment	6,182,821	5,667,145	2,772,862	2,366,222	8,955,683	8,033,367
Depreciation	(11,234,663)	(10,681,503)	(8,924,693)	(8,109,616)	(20,159,356)	(18,791,119)
Construction in Progress	239,579	142,319	1,413,346	392,990	1,652,925	535,309
Total assets	<u>\$ 14,629,577</u>	<u>14,508,313</u>	<u>32,351,615</u>	<u>31,577,147</u>	<u>46,981,192</u>	<u>46,085,460</u>

The City added approximately \$2,263,969 to capital assets during the year. Capital additions include purchase of new equipment, remodeling, infrastructure improvements, water and sewer system upgrades and improvements and construction in progress of street improvements and sewer line upgrades among others. Depreciation expense of \$1,368,237 was also recorded for the year.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Debt

More detailed information on the City's debt can be found on Note 7 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General obligation debt	\$ 5,590,000	5,960,000	18,232,000	19,018,000	23,822,000	24,978,000
Capital leases payable	231,385	104,395	698,670	783,777	930,055	888,172
Total debt	<u>\$ 5,821,385</u>	<u>6,064,395</u>	<u>18,930,670</u>	<u>19,801,777</u>	<u>24,752,055</u>	<u>25,866,172</u>

The City's general obligation bond rating is A+ as assigned by the national rating agency Standard and Poor's. There is no direct debt limitation in the City Charter or under state law. The Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The actual amount of debt the City might be able to fund with that tax rate depends on the term over which the debt is to be repaid, the interest rate on the debt, and the amount of taxes which are not collected. The City's current debt service tax rate is \$0.097.

Economic Factors

The City continues to not only build on its financial stability by growing the fund balance and ensuring City audits are completed on a timely basis, but also promoting developers on the residential and business aspect. City administration along with the EDC and Starr County Industrial Foundation staff have actively been promoting the City of Rio Grande as a place to own a home and/or business. This is evident by several factors:

1. The City went from a negative balance in 2016 to over a million dollar General Fund Balance this year.
2. The number of square footage improvements on both Commercial and Residential continue to increase (290,266 in FY 2016 to 304,435 in FY 2019).
3. The number of Residential Valuation improvements went from \$4,109,262 to \$8,920,565.
4. While the number of Commercial Valuation improvements went from \$18,386,966 to \$15,921,877, we expect this to drastically increase due to the development currently underway across Walmart. This development includes fifteen plus stores and restaurants and we are now considering two hotels instead of one.
5. Sales Tax Revenue continued to be on a positive trend for calendar year 2019 (see graph below).

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

COMMERCIAL IMPROVEMENTS

FISCAL YEAR	2015-2016	2016-2017	2017-2018	2018-2019
NUMBER OF COMMERCIAL BUILDING PERMITS	103	119	87	123
SQUARE FOOTAGE OF IMPROVEMENTS	290,266	300,466	203,011	350,844
VALUATION OF IMPROVEMENTS	\$18,386,966.00	\$26,550,017.00	\$6,192,036	\$15,723,112

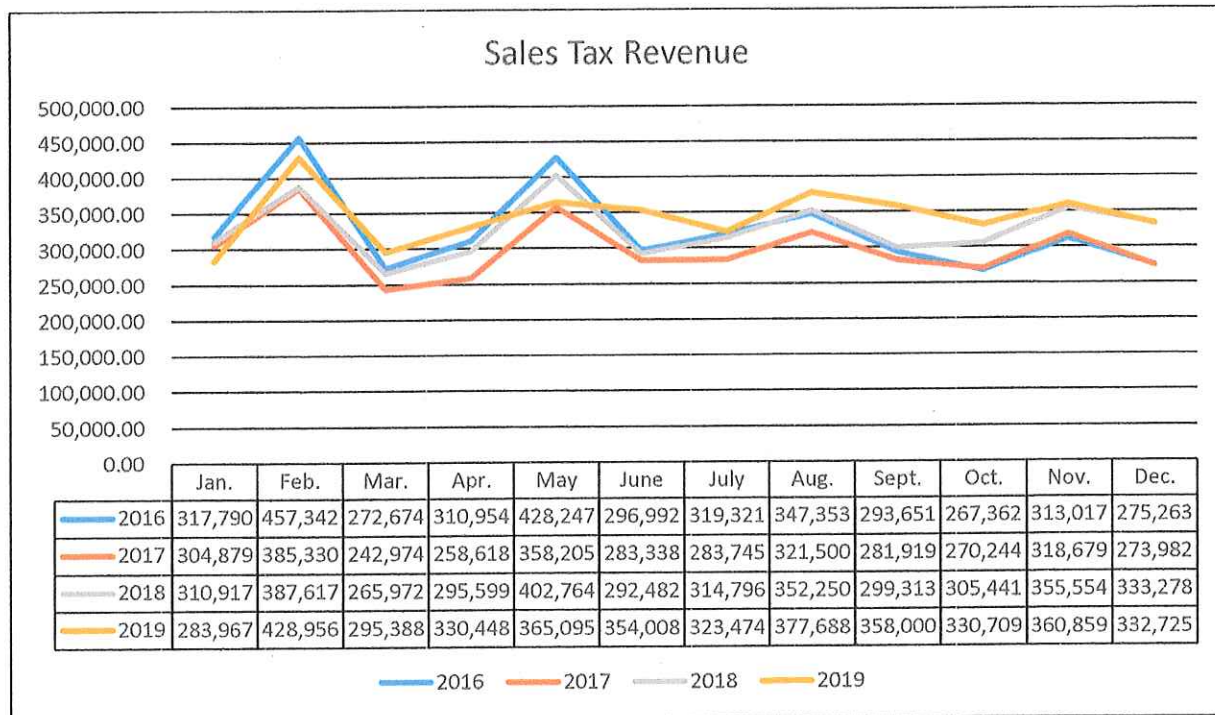
RESIDENTIAL IMPROVEMENTS

FISCAL YEAR	2015 - 2016	2016 - 2017	2017-2018	2018-2019
NUMBER OF RESIDENTIAL PERMITS	183	165	181	192
SQUARE FOOTAGE OF IMPROVEMENTS	186,368	191,393	219,539	258,934
VALUATION OF IMPROVEMENTS	\$4,109,262.00	\$4,228,460.00	\$6,181,987	\$8,385,178

VALUATION OF IMPROVEMENTS (COMMERCIAL & RESIDENTIAL)

FISCAL YEAR	2015 - 2016	2016 - 2017	2017-2018	2018-2019
TOTAL VALUATION OF COMMERCIAL & RESIDENTIAL IMPROVEMENTS	\$22,496,228.00	\$30,778,477.00	\$12,374,023	\$24,108,290

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019



Infrastructure

In order to support current and future residents and businesses, the city continues to invest on infrastructure. Following are several projects that are underway.

- The Lift Station project which was started last year is almost complete and now we are working on securing funding for doubling the capacity of the sewer plant in order to meet the city needs for the next fifteen (15) to twenty (20) years.
- Plans are underway to fix the old water plant and to bring it back on-line. Major repairs are necessary in order to accomplish this for which a plan will be developed to prioritize the endeavor.
- Plans are underway to secure funding for the development of a Thoroughfare Plan to address current and future traffic needs.
- Plans are underway to secure funding for the development of a Master Drainage Plan. As the city continues to grow we must address drainage to avoid any flooding.
- Plans are underway to secure funding to repair several residential streets as they are in need of repair.

Summary

The overall economic outlook for the City of Rio Grande City looks very positive. This is supported by the infrastructure projects currently underway to support the residential and commercial current and future needs, new development plans and efforts towards attracting new businesses that are strategically geared in diversifying commerce. In addition, Fund Balance policies and Investments policies have been developed to further support maintaining adequate constraints for positive fund balances.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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, please direct your requests to the Director of Finance, City of Rio Grande City, at 5332 E US HWY 83, Rio Grande City, Texas, 78582.

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BASIC FINANCIAL STATEMENTS

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CITY OF RIO GRANDE CITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government		
	Governmental Activities	Water, Sewer & Sanitation Fund	Total
ASSETS			
1010 Cash and Cash Equivalents	\$ 2,375,520	\$ 120,920	\$ 2,496,440
1030 Investments - Current	2,568,069	2,813,835	5,381,904
1050 Taxes Receivable, Net	1,516,356	-	1,516,356
1150 Accounts Receivable Net	1,321,145	896,897	2,218,042
1260 Due from Other Governments	247,478	-	247,478
1300 Due from Other Funds	(452,548)	452,548	-
1390 Due from Others	-	4,916	4,916
1410 Inventories	301,077	28,851	329,928
1430 Prepaid Items	9,425	-	9,425
Capital Assets:			
1710 Land	2,292,630	346,536	2,639,166
1720 Infrastructure, Net	7,081,548	27,510,455	34,592,003
1730 Buildings, Net	2,969,850	1,035,304	4,005,154
1750 Machinery & Equipment, Net	2,045,970	2,045,974	4,091,944
1780 Construction in Progress	239,579	1,413,346	1,652,925
1000 Total Assets	<u>22,516,099</u>	<u>36,669,582</u>	<u>59,185,681</u>
DEFERRED OUTFLOWS OF RESOURCES			
1997 Deferred Outflow Related to Pension Plan	608,709	125,824	734,533
1998 Deferred Resource Outflow Related to OPEB	28,840	8,934	37,774
1500 Total Deferred Outflows of Resources	<u>637,549</u>	<u>134,758</u>	<u>772,307</u>
LIABILITIES			
2010 Accounts Payable	333,849	231,077	564,926
2020 Wages and Salaries Payable	234,870	45,177	280,047
2050 Deposits Payable	-	314,005	314,005
2090 Due to State	924,106	-	924,106
2140 Accrued Interest Payable	33,394	76,638	110,032
Noncurrent Liabilities:			
2501 Debt Due Within One Year	455,327	1,239,737	1,695,064
2502 Due Within One Year	5,366,057	17,690,934	23,056,991
2580 Net Pension Liability	1,082,917	335,417	1,418,334
2585 Net OPEB Liability	145,775	45,152	190,927
2000 Total Liabilities	<u>8,576,295</u>	<u>19,978,137</u>	<u>28,554,432</u>
DEFERRED INFLOWS OF RESOURCES			
2602 Deferred Resource Inflow Related to Pension & OPEB	523,167	100,254	623,421
2500 Total Deferred Inflows of Resources	<u>523,167</u>	<u>100,254</u>	<u>623,421</u>
NET POSITION			
3200 Net Investment in Capital Assets	8,808,193	13,420,944	22,229,137
Restricted for:			
3830 Restricted for Federal or State Grant Funds	886,554	-	886,554
3840 Restricted for Debt Service	525,491	-	525,491
3850 Restricted for Other Purposes	1,832,575	-	1,832,575
3860 Restricted for Capital Projects	455,467	-	455,467
3900 Unrestricted	1,545,906	3,305,005	4,850,911
3000 Total Net Position	<u>\$ 14,054,186</u>	<u>\$ 16,725,949</u>	<u>\$ 30,780,135</u>

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

CITY OF RIO GRANDE CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
110 Mayor and Council	\$ 14,180	\$ -	\$ -
111 City Manager	165,458	-	-
120 Administration	1,293,412	269,884	-
130 City Secretary	62,195	-	-
140 Finance	166,998	-	-
150 Personnel	69,482	-	-
160 Planning	493,478	-	-
170 Judicial	179,023	258,810	-
210 Police	2,983,951	86,748	781,687
220 Fire Protection	823,804	6,070	-
300 Public Works	692,165	-	-
310 Highway and Streets	181,237	-	-
510 Culture, recreation and parks	336,114	-	-
520 Library	317,992	-	-
650 Economic Development and Assistance	752,769	-	1,875
720 Interest on Debt	249,522	-	-
790 Other Debt Service	32,201	-	-
Total Governmental Activities	8,813,981	621,512	783,562
BUSINESS-TYPE ACTIVITIES:			
701 Water, Sewer & Sanitation Fund	4,268,556	5,540,045	-
Total Business-Type Activities	4,268,556	5,540,045	-
TOTAL PRIMARY GOVERNMENT	\$ 13,082,537	\$ 6,161,557	\$ 783,562

Data Control Codes	General Revenues:
	Taxes:
5010	Property Taxes, Levied for General Purposes
5011	Property Taxes, Levied for Debt Service
5111	Delinquent Property Taxes
5112	AD Valorem Tax Relief Revenue
5120	General Sales and Use Taxes
5170	Franchise Tax
5177	Hotel/Motel Tax
5190	Penalty and Interest on Taxes
5700	Miscellaneous Revenue
5800	Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(14,180)	-	(14,180)
(165,458)	-	(165,458)
(1,023,528)	-	(1,023,528)
(62,195)	-	(62,195)
(166,998)	-	(166,998)
(69,482)	-	(69,482)
(493,478)	-	(493,478)
79,787	-	79,787
(2,115,516)	-	(2,115,516)
(817,734)	-	(817,734)
(692,165)	-	(692,165)
(181,237)	-	(181,237)
(336,114)	-	(336,114)
(317,992)	-	(317,992)
(750,894)	-	(750,894)
(249,522)	-	(249,522)
(32,201)	-	(32,201)
(7,408,907)	-	(7,408,907)
-	1,271,489	1,271,489
-	1,271,489	1,271,489
(7,408,907)	1,271,489	(6,137,418)
1,791,374	-	1,791,374
425,098	-	425,098
220,551	-	220,551
1,035,469	-	1,035,469
3,237,981	-	3,237,981
654,069	-	654,069
75,580	-	75,580
155,297	-	155,297
450,080	530,697	980,777
103,468	63,880	167,348
(140,938)	140,938	-
8,008,029	735,515	8,743,544
599,122	2,007,004	2,606,126
13,789,426	14,697,115	28,486,541
(334,362)	21,830	(312,532)
\$ 14,054,186	\$ 16,725,949	\$ 30,780,135

CITY OF RIO GRANDE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes	General Fund	Economic Development Fund	Other Funds	Total Governmental Funds
ASSETS				
1010 Cash and Cash Equivalents	\$ -	\$ 382,017	\$ 1,993,503	\$ 2,375,520
1030 Investments - Current	2,005,670	562,399	-	2,568,069
1050 Taxes Receivable	1,283,189	-	312,975	1,596,164
1051 Allowance for Uncollectible Taxes (credit)	(64,159)	-	(15,649)	(79,808)
1150 Accounts Receivable Net	1,253,005	-	68,140	1,321,145
1260 Due from Other Governments	18,148	-	229,330	247,478
1300 Due from Other Funds	624,460	174,106	679,262	1,477,828
1410 Inventories	-	-	301,077	301,077
1430 Prepaid Items	9,205	-	220	9,425
1000 Total Assets	<u>\$ 5,129,518</u>	<u>\$ 1,118,522</u>	<u>\$ 3,568,858</u>	<u>\$ 9,816,898</u>
LIABILITIES				
2010 Accounts Payable	\$ 62,456	\$ 10,500	\$ 198,871	\$ 271,827
2020 Wages and Salaries Payable	44,895	2,794	633	48,322
2022 Payroll Taxes Payable	17,468	1,185	-	18,653
2060 Retainage Payable	-	-	62,022	62,022
2080 Due to Other Funds	1,272,095	62,880	595,403	1,930,378
2090 Due to Others	923,354	-	752	924,106
2230 Unearned Revenues	470,611	-	-	470,611
2000 Total Liabilities	<u>2,790,879</u>	<u>77,359</u>	<u>857,681</u>	<u>3,725,919</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,219,029	-	297,326	1,516,355
2600 Total Deferred Inflows of Resources	<u>1,219,029</u>	<u>-</u>	<u>297,326</u>	<u>1,516,355</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	301,077	301,077
3430 Prepaid Items	9,205	-	220	9,425
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	886,554	886,554
3480 Retirement of Long-Term Debt	-	-	525,491	525,491
3490 Other Restricted Fund Balance	-	-	61,571	61,571
Committed Fund Balance:				
3510 Construction	-	-	455,467	455,467
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	1,041,163	419,339	1,460,502
3600 Unassigned Fund Balance	1,110,405	-	(235,868)	874,537
3000 Total Fund Balances	<u>1,119,610</u>	<u>1,041,163</u>	<u>2,413,851</u>	<u>4,574,624</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,129,518</u>	<u>\$ 1,118,522</u>	<u>\$ 3,568,858</u>	<u>\$ 9,816,898</u>

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

CITY OF RIO GRANDE CITY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$ 4,574,624
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	15,812,737
Property taxes receivables unavailable to pay for current period expenditures are deferred in the funds.	1,516,355
Payables for bonds principal which are not due in the current period are not reported in the funds.	(5,590,000)
Payables for capital leases principal which are not due in the current period are not reported in the funds.	(231,385)
Payables for bond interest which are not due in the current period are not reported in the funds.	(33,394)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$1,082,917), a deferred resource inflow in the amount of (\$513,588), and a deferred resource outflow in the amount of \$608,709. This resulted in an increase/(decrease) in net position by (\$987,796).	(987,796)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of (\$145,775) and a deferred resource outflow in the amount of (\$9,579). This resulted in an increase/(decrease) in net position by (\$126,514).	(126,514)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(880,441)
Net Position of Governmental Activities	\$ 14,054,186

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

CITY OF RIO GRANDE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT C-3

Data Control Codes	General Fund	Economic Development Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 1,742,882	\$ -	\$ 425,098	\$ 2,167,980
5111 Delinquent Property Taxes	175,826	-	44,725	220,551
5112 AD Valorem Tax Relief Revenue	1,035,469	-	-	1,035,469
5120 General Sales and Use Taxes	2,202,542	1,035,439	-	3,237,981
5170 Franchise Tax	636,503	-	17,566	654,069
5177 Hotel/Motel Tax	-	-	75,580	75,580
5190 Penalty and Interest on Taxes	126,310	-	28,987	155,297
5200 Licenses and Permits	160,692	-	-	160,692
5300 Intergovernmental Revenue and Grants	89,867	-	693,695	783,562
5400 Charges for Services	115,262	-	-	115,262
5510 Fines	245,694	-	13,116	258,810
5520 Forfeits	-	-	86,748	86,748
5610 Investment Earnings	40,590	16,915	45,963	103,468
5700 Other Revenue	111,452	27,310	85,478	224,240
5020 Total Revenues	<u>6,683,089</u>	<u>1,079,664</u>	<u>1,516,956</u>	<u>9,279,709</u>
EXPENDITURES:				
Current:				
General Government:				
0110 Mayor and Council	14,180	-	-	14,180
0111 City Manager	165,458	-	-	165,458
0120 Administration	1,192,117	-	83,616	1,275,733
0130 City Secretary	62,064	-	-	62,064
0140 Finance	165,652	-	-	165,652
0150 Personnel	69,444	-	-	69,444
0160 Planning	493,422	-	-	493,422
0170 Judicial	167,644	-	-	167,644
Public Safety:				
0210 Police	2,163,903	-	914,970	3,078,873
0220 Fire Protection	818,812	-	-	818,812
0300 Public Works	763,505	-	-	763,505
0310 Highway and Streets	181,237	-	-	181,237
Culture and Recreation:				
0510 Culture, recreation and parks	311,749	-	-	311,749
0520 Library	297,204	-	-	297,204
Conservation and Development:				
0650 Economic Development and Assistance	-	664,238	130,571	794,809
Debt Service:				
0710 Principal on Debt	50,612	-	419,674	470,286
0720 Interest on Debt	3,316	-	244,319	247,635
0790 Other Debt Service	-	-	32,202	32,202
6030 Total Expenditures	<u>6,920,319</u>	<u>664,238</u>	<u>1,825,352</u>	<u>9,409,909</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(237,230)</u>	<u>415,426</u>	<u>(308,396)</u>	<u>(130,200)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	16,590	-	-	16,590
7913 Proceeds from Capital Leases	98,711	-	128,564	227,275
7915 Transfers In	945,417	-	156,002	1,101,419
8911 Transfers Out (Use)	(10,000)	(225,000)	(1,007,356)	(1,242,356)
7080 Total Other Financing Sources (Uses)	<u>1,050,718</u>	<u>(225,000)</u>	<u>(722,790)</u>	<u>102,928</u>
1200 Net Change in Fund Balances	813,488	190,426	(1,031,186)	(27,272)
0100 Fund Balance - October 1 (Beginning)	506,595	970,485	3,459,178	4,936,258
1300 Prior Period Adjustment	(200,473)	(119,748)	(14,141)	(334,362)
3000 Fund Balance - September 30 (Ending)	<u>\$ 1,119,610</u>	<u>\$ 1,041,163</u>	<u>\$ 2,413,851</u>	<u>\$ 4,574,624</u>

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

CITY OF RIO GRANDE CITY
 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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ (27,272)
Capital outlays are not reported as expenses in the Statement of Activities	674,424
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	212,869
Repayment of bond principal is an expenditure in the funds but is not an expense in the Statement of Activities.	365,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the Statement of Activities.	50,612
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$204,782. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$216,863). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$45,465. The result of these changes is to increase/(decrease) the change in net position by \$33,384.	33,384
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$4,078. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$4,300). The City's reported TMRS net OPEB expense had to be recorded. The net pension expense increased/(decreased) the change in net position by (\$8,078). The result of these changes is to increase/(decrease) the change in net position by (\$8,300).	(8,300)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(553,160)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.	(148,435)
Change in Net Position of Governmental Activities	\$ 599,122

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

CITY OF RIO GRANDE CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business Type Activities
	Water, Sewer & Sanitation Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 120,920
Investments - Current	2,813,835
Accounts Receivable - Net	896,897
Due from Other Funds	551,259
Due from Others	4,916
Inventories	28,851
Total Current Assets	<u>4,416,678</u>
Noncurrent Assets:	
Capital Assets:	
Land	346,536
Infrastructure, Net	27,510,455
Buildings, Net	1,035,304
Machinery & Equipment, Net	2,045,974
Construction in Progress	1,413,346
Total Noncurrent Assets	<u>32,351,615</u>
Total Assets	<u>36,768,293</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	125,824
Deferred Resource Outflow Related to OPEB	8,934
Total Deferred Outflows of Resources	<u>134,758</u>

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

CITY OF RIOGRANDE CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business Type Activities
	Water, Sewer & Sanitation Fund
LIABILITIES	
Current Liabilities:	
Accounts Payable	231,077
Wages and Salaries Payable	14,171
Compensated Absences Payable	31,006
Deposits Payable	314,005
Due to Other Funds	98,711
Accrued Interest Payable	76,638
Total Current Liabilities	<u>765,608</u>
Noncurrent Liabilities:	
Due Within One Year	1,239,737
Due in More Than One Year	17,690,934
Net Pension Liability	335,417
Net OPEB Liability	45,152
Total Noncurrent Liabilities	<u>19,311,240</u>
Total Liabilities	<u>20,076,848</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	97,287
Deferred Resource Inflow Related to OPEB	2,967
Total Deferred Inflows of Resources	<u>100,254</u>
NET POSITION	
Net Investment in Capital Assets	13,420,944
Unrestricted	3,305,005
Total Net Position	<u>\$ 16,725,949</u>

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

CITY OF RIO GRANDE CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT D-2

	Business-Type Activities Water, Sewer & Sanitation Fund
OPERATING REVENUES:	
Water Sales	\$ 3,523,619
Sewer Charges	1,842,091
Other Services	174,335
Other Revenue	499,104
Total Operating Revenues	<u>6,039,149</u>
OPERATING EXPENSES:	
Administration	
Personnel Services - Salaries and Wages	195,094
Purchased Professional & Technical Services	106,780
Other Operating Costs	316,046
Total Administration	<u>617,920</u>
Billings and Collections	
Personnel Services - Salaries and Wages	162,259
Purchased Professional & Technical Services	76,373
Other Operating Costs	164,542
Total Billings and Collections	<u>403,174</u>
Water System	
Personnel Services - Salaries and Wages	199,233
Purchased Professional & Technical Services	21,944
Other Operating Costs	411,678
Total Water System	<u>632,855</u>
Water Plant #1	
Personnel Services - Salaries and Wages	207,240
Purchased Professional & Technical Services	27,717
Other Operating Costs	225,957
Total Water Plant #1	<u>460,914</u>
Water Distribution	
Personnel Services - Salaries and Wages	301,183
Purchased Professional & Technical Services	9,100
Other Operating Costs	256,387
Total Water Distribution	<u>566,670</u>
Sewer System	
Personnel Services - Salaries and Wages	75,798
Purchased Professional & Technical Services	73,965
Other Operating Costs	112,179
Total Sewer System	<u>261,942</u>
Sewer Collection	
Personnel Services - Salaries and Wages	44,779
Purchased Professional & Technical Services	21,546
Other Operating Costs	15,147
Total Sewer Collection	<u>81,472</u>
Depreciation	<u>815,077</u>
Total Operating Expenses	<u>3,840,024</u>

CITY OF RIO GRANDE CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Water, Sewer & Sanitation Fund
Operating Income	2,199,125
NONOPERATING REVENUES (EXPENSES):	
Gain in Sale of Property	31,593
Investment Earnings	63,880
Interest Expense - Non-Operating	(428,532)
Total NonOperating Revenue (Expenses)	(333,059)
Income Before Transfers	1,866,066
Nonoperating Transfers In	1,007,356
Transfers Out (Use)	(866,418)
Change in Net Position	2,007,004
Total Net Position - October 1 (Beginning)	14,697,115
Prior Period Adjustment	21,830
Total Net Position - September 30 (Ending)	\$ 16,725,949

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

CITY OF RIO GRANDE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Water, Sewer & Sanitation Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 6,039,149
Cash Payments to Employees for Services	(1,120,661)
Cash Payments for Other Operating Expenses	(2,227,150)
Net Cash Provided by Operating Activities	<u>2,691,338</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	1,007,356
Operating Transfer Out	(866,418)
Net Cash Provided by Non-Capital Financing Activities	<u>140,938</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and construction of Capital Assets	(1,589,544)
Principal and Interest Paid on Capital Debt	(1,299,638)
Proceeds from Sale of Assets	31,593
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,857,589)</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(344,267)
Interest and Dividends on Investments	63,880
Net Cash Provided by (Used for) Investing	<u>(280,387)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(305,700)
Cash and Cash Equivalents at the Beginning of the Year	404,790
Prior Period Adjustment	21,830
Cash and Cash Equivalents at the End of the Year	<u>\$ 120,920</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income	\$ 2,199,125
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	815,077
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	103,106
Decrease (Increase) in Inventories	(12,973)
Decrease (Increase) in Intefund Receivables	422,838
Increase (Decrease) in Outflows	(66,021)
Increase (Decrease) in Accounts Payable	74,342
Increase (Decrease) in Interfund Payables	(768,203)
Increase (Decrease) in Inflows	(75,953)
Net Cash Provided by Operating Activities	<u>\$ 2,691,338</u>

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the City of Rio Grande City, Texas (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 and financial reporting principles.

The citizens of the City voted on May 1, 1993 to incorporate the City of Rio Grande City, Texas. The City operates under a Mayor – City Council form of government and provides the following services as authorized by its charter: public improvements, utilities (water and sewer), code enforcement, judicial and election functions, and general administrative services.

On May 18, 1998, a court order was issued ordering the Starr County Water Control and Improvement District No. 2 to relinquish all property, assets, and all control of the (former) Water District to the control of the City. This action was effective as of May 15, 1998, at which time the (former) Water District was assimilated into the operations of the City as the Public Utilities Department, an Enterprise Fund.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant policies.

A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole presenting all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and changes in net position of the City. These statements are prepared using the accrual basis of accounting. Separate rows and columns are used in the government-wide statements to distinguish between governmental activities and business-type activities, with a total column for the primary government.

B. SCOPE OF REPORTING ENTITY

The City has used the criteria detailed in GASB statement No. 14, *"The Financial Reporting Entity"* and GASB Statement No. 61, *The Financial Reporting Entity; Omnibus an amendment of GASB Statements No. 14 and No. 34* to determine whether or not certain entities should be included in the accompanying financial statements. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Based on these criteria, the City has no Discretely Presented Component Units.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds and proprietary funds. The City has no fiduciary funds. The governmental and proprietary fund financial statements place an emphasis on major funds. Those funds which are determined to be major funds are presented in separate columns, with all nonmajor governmental funds being aggregated and displayed in a single column. Interfund

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

receivable and payable balances and transfers between funds have been eliminated in the fund financial statements.

The City has reported the following major governmental funds:

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

Economic Development Corporation Fund – The fund is a special revenue fund to account for the ½ cent sales and use tax for economic and industrial development. Since the sales and use tax is approved specifically for such expenditures, the EDC fund is considered a Special Revenue Fund.

The City has reported the following major proprietary funds:

Utility Fund - The Utility Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the funds.

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

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.

Water Projects Fund – This fund is a capital projects fund. It is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Capital Projects Fund – This fund is a capital projects fund. It is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

2013 Wastewater Projects Fund – This fund is a capital projects fund. It is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Debt Service Fund – 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.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to whether a particular type of transaction will be recorded in the financial statements. The economic resources measurement focus recognizes all resources and obligations and the changes in them. The current financial resources measurement focus recognizes only current resources and obligations and transactions affecting current resources and obligations. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide financial statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of account. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange like transactions are recognized in accordance with the requirements specific to the class of nonexchange transactions. For the government-wide financial statements prepared on the accrual basis, property tax revenues are recognized in the period for which the taxes are levied.

Fund financial statements – government funds

The fund financial statements for the government funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus affects the accounting and reporting treatment of capital assets and long-term liabilities. The capital assets and long-term liabilities of the governmental activities are not recorded on the balance sheet of the fund financial statements of the governmental funds. Transactions for the purchase of assets, the issuance of debt, and the payment of debt principal are reflected in the governmental funds, but they are reported on the statement of revenues, expenditures, and changes in fund balances as capital outlay and debt service principal expenditures and proceeds from debt.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All revenues of the City are considered susceptible to accrual except for revenue from delinquent property taxes receivable, revenue from fines and revenue from fines.

While the City expects all taxes on real property to ultimately be collectible, the bulk of delinquent property taxes receivable at the end of the year are not anticipated to be collected soon enough thereafter to be used to pay liabilities of current period. Therefore, revenue from delinquent property taxes receivable is not recognized in the fund financial statements until they are considered available when collected during the current period of within 60 days of the end of the current fiscal period.

Fines receivable but not past due at the end of the fiscal year may be subsequently reduced when the offender attends a defensive driving course, provides proof of insurance, has the offense dismissed by the municipal court, or serves jail time. Current fines receivable thus do not meet the measurability criterion required to be susceptible to accrual. A significant portion of past due fines receivable is not anticipated to be collected enough to meet the criterion that the revenue be considered available.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Fund financial statements – proprietary funds

The fund financial statements for the proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting and are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net position and cash flows. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

E. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City's accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year's budget. There are no significant encumbrances outstanding at September 30, 2019.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for purposes of the statements of cash flows represent demand accounts and petty cash. Certificates of deposit, U.S. government debt securities, money market funds, and investments in local government investment pools are recorded as investments and are not treated as cash or cash equivalents.

G. INVESTMENTS

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (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 bonds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

H. PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

I. RECEIVABLES

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Within the governmental fund financial statements, long-term advances and long-term receivables are reflected as unspendable fund balance indicating they do not constitute available expendable resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles is management's best estimate of the amount of credit losses based on account delinquencies and historical write-off expense.

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled has been included in the financial statements and has been accrued in the proprietary funds to record the estimated amount of revenues earned but not billed as of the end of the fiscal year. The estimate is based on the pro rata number of days in the billing cycle before and after the fiscal year end.

J. INVENTORY

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

K. INTER-FUND RECEIVABLE AND PAYABLES

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

L. TRANSACTIONS BETWEEN FUNDS

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

M. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Lives</u>
Machinery and equipment	3-15 years
Vehicles	2-15 years
Improvements	20 years
Infrastructure	30 years
Buildings	50 years

N. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave may be accumulated at the rate of 80 hours for each continuous year of employment for full-time employees with between 1 and 5 years of service. Employees with between 5 and 10 years of service, 120 hours accumulate each year. For employees with more than 10 years of service, 160 hours accumulate each year. Limits on the accumulation of vacation leave are 240 hours for all full-time employees, and 168 hours for fire department personnel. The City allows employees to accumulate sick leave without limit. Employees are not paid for accumulated sick leave, therefore, no liability is accrued. In proprietary fund types, accumulated unpaid compensated absences are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred. The liability in the governmental fund types is recorded only in the Government-wide Financial Statements. The amount expected to be paid from current resources is not considered to be significant. Applicable liabilities in the governmental wide net assets and in the proprietary fund have been established to reflect these liabilities.

O. LONG-TERM DEBT

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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. Gains or losses on proprietary fund refunding and on the government-wide financial statements are reported as deferred inflows or outflows and are amortized over the term of the lesser of the new bonds or the refunded bonds using the effective interest method. Bond issuance costs are recognized as expenditures/expenses when incurred.

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. Bond issuance costs are shown as debt service expenditures.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

P. FUND EQUITY

In the government-wide financial statements and proprietary funds financial statements, net position is classified in the following categories:

Net assets invested in capital assets

This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted

The restricted component of net position represents restricted assets reduced by liabilities related to those assets. This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted

This category is the "residual" component of net position. It consists of net position that does not meet the definition of "restricted" or "net invested in capital assets."

In the governmental fund financial statements, fund balances are classified in the following categories:

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories and prepaid items, long-term advances, long-term receivable, and nonfinancial assets held for resale.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints that are imposed by the highest level of decision making authority, City Council. City Council is required to take formal action by ordinance or resolution to establish, modify, or rescind a fund balance commitment. Committed funds incorporate contractual obligations constraints to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council action. The residual fund balance that is not Restricted or Committed in governmental funds except the General Fund is assigned.

The *unassigned* fund balance represents the spendable net resources that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Q. SPENDING PRIORITIZATION IS USING AVAILABLE RESOURCES

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

The City has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong at the 25% general fund policy level. The General Fund will need to re-build with future revenues.

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The Council may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

R. PROGRAM REVENUES AND INDIRECT EXPENSES

The government-wide statement of activities is presented in a format that identifies the net cost of the City's individual functions. The expense of each function is reduced by the functions program revenues. Program revenues are revenues which derive directly from the program itself and include charges for services, program-specific operating grants and contributions, and program specific capital grants and contributions. Some governmental functions such as administration and finance are in essence indirect expenses of other functions. Governments are not required to allocate those indirect expenses to other functions, but if they do, indirect expenses should be presented in a separate column from direct expenses. The City has chosen not to allocate those indirect expenses.

S. OPERATING AND NONOPERATING REVENUES AND EXPENSES

The City's policy in distinguishing proprietary fund operating and nonoperating revenues and expenses follows the guidance for distinguishing types of cash flows. Transactions for capital and related financing activities, noncapital financing activities, or investing activities are normally not treated as operating revenues or expenses.

T. ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principle requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables which may not be collectible, inventory obsolescence, service lines and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amount from contingencies such as litigation.

U. NET PENSION LIABILITY

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

W. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has two items that qualify for reporting in this category, one is related to the City's net pension liability and the other is related to the City's net OPEB liability and both are reported on the government-wide statements of net position. This deferred outflow includes City contributions to the retirement systems contributed subsequent to the measurement date of the net pension liability and net OPEB liability, as of September 30, 2019, the City's deferred outflows totaled \$772,307.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualify for reporting in this category, one of which are reported on the government wide statements of net position and the other reported on the balance sheet at the governmental fund level.

Government-wide statements

One is the deferred inflow related to the net position liability and net OPEB liability and is the difference between expected and actual economic experiences and changes in actual earnings. This is amortized over subsequent accounting periods as determined by the actuary. As of September 30, 2019, the City's deferred inflow totaled \$623,421.

Governmental fund level

This deferred inflow is property taxes received prior to the applicable budget year. As of September 30, 2019, the City's deferred inflowed totaled \$1,516,355.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and debt service fund. The other special revenue funds do not have appropriated budgets since other means control the use of these resources and sometimes span a period of more than one fiscal year.

The appropriated budgets are prepared by fund and function. Any revisions that alter the total appropriations of any fund must be approved by City Council. All budget amounts presented reflect the original budget and the final amended budget, which has been adjusted for legally authorized revisions or appropriations to the original budgets during the fiscal year. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

- a. 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.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Council. 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.
- d. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

During the year ended September 30, 2019, expenditures exceeded appropriations as follows:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Mayor and Council	\$ (4,030)
Personnel	(3,666)
Planning	(89,971)
Highway and Streets	(3,637)
Library	(13,948)
Debt Service	(53,928)

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENT

At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,496,440 and the bank balance was \$2,622,448. The City's cash deposits at September 30, 2019 and during the period ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

A. Investments

As of September 30, 2019, the City the following investments:

<u>Governmental Activities</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard & Poor's Rating</u>
General Fund			
TexPool	\$ 75,131	36	AAAm
Logic Money Market	1,930,539	49	AAAm
<u>Total General Fund</u>	<u>2,005,670</u>		
Special Revenues Funds:			
Logic Money Market	562,399	49	AAAm
<u>Total Special Revenue Fund</u>	<u>562,399</u>		
<u>Total Governmental Activities</u>	<u>\$ 2,568,069</u>		

<u>Business-type Activities</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard & Poor's Rating</u>
TexPool	\$ 165,291	36	AAAm
Logic Money Market	2,638,136	49	AAAm
Bank of New York Money Market	10,408		
<u>Total Business-type Activities</u>	<u>\$ 2,813,835</u>		

The City was in compliance with the Investment Act.

The TexPool and Logic Investments are considered investments on the government-wide statement of net position and the governmental and proprietary fund-level statements.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both persons who do not have a business relationship with TexPool and participants in TexPool.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

LOGIC was organized on May 6, 1994 to conform to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. This Act permits the creation of investment pools to which a majority of political subdivisions (local governments) in Texas may delegate, by contract, the authority to make investments purchased with local investment funds and to hold legal title as custodian of the investment securities.

The City of Rio Grande City and JP Morgan Chase Bank had a custody agreement to hold cash and securities for the City of Rio Grande City. In 2006, JP Morgan Chase and Bank of New York Co. did a business-swap agreement where Bank of New York Co. received JP Morgan Chase's corporate trust business. This swap transferred the money market mutual fund from JP Morgan Chase to Bank of New York Co. During the same year, Bank of New York and Mellon Financial Corporation merged, transferring the City's agreement to Bank of New York Mellon. The City's cash and securities in the Bank of New York Mellon are deposited in a money market mutual fund.

As of September 30, 2019, all of the City's external investment pools meet the criteria described in GASB Statement No. 79 and measures all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

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.

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, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2019, the City's investments were secured by U.S. Government Securities.

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.

Custodial Credit Risk: 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 risk for deposits.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 4 RECEIVABLES

Primary Government

Receivables at year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Enterprise Fund	Nonmajor Governmental Funds	Total
Receivables				
Taxes	\$ 1,283,189	\$ -	\$ 312,975	\$ 1,596,164
Accounts	-	1,187,672	-	1,187,672
Other Receivables	1,253,005	27,077	68,140	1,348,222
Due from other governments	18,148	-	229,330	247,478
Gross Receivables	2,554,342	1,214,749	610,445	4,379,536
Less: Allowance for uncollectible-taxes	(64,159)	-	(15,649)	(79,808)
Less: Allowance for uncollectible-accounts	-	(317,852)	-	(317,852)
Net Total Receivables	\$ 2,490,183	\$ 896,897	\$ 594,796	\$ 3,981,876

Revenues of the Water, Sewer and Sanitation Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are \$317,852.

Property Taxes

Property taxes are levied on October 1 bases on assessed value of property as of January 1, for all real and personal property located in the City in conformity with Subtitle I, Texas Property Tax Code. Assessed values are an approximation of market values. 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 fiscal year. The adjusted assessed value for the roll as of January 1, 2018, upon which the 2018 levy was based, was \$511,024,377.

For the year ended September 30, 2019, property tax rates were \$.400 and \$.097 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Delinquent Taxes Receivable

Allowances for uncollectible tax receivables within the General Fund 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.

Current and delinquent property taxes are collected by the Rio Grande City Consolidated Independent School District Tax Office which is operated independently of the City of Rio Grande City.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Primary Government

Interfund receivable and payable balances at September 30, 2019 were as follows:
Governmental Funds - Receivable Fund

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Economic Development Corporation	\$ 62,755
General Fund	Debt Service Fund	75,879
General Fund	Other Governmental Funds	398,860
General Fund	Enterprise Fund	86,966
Economic Development Corporation	General Fund	173,656
Economic Development Corporation	Other Governmental Funds	450
Debt Service Fund	General Fund	589,336
Other Governmental Funds	General Fund	47,169
Other Governmental Funds	Other Governmental Funds	31,013
Other Governmental Funds	Enterprise Fund	11,745
		<u>\$ 1,477,828</u>

Proprietary Funds - Receivable Fund

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water, Sewer and Sanitation Fund	General Fund	\$ 461,934
Water, Sewer and Sanitation Fund	Other Governmental Funds	89,325
		<u>\$ 551,259</u>

The outstanding balances between funds result mainly from time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts due are scheduled to be repaid within one year.

Transfers to and from other funds during the year ended September 30, 2019, consisted of the following:

<u>Transfer Out:</u>	<u>Transfer In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Fund</u>	
General Fund	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000
Economic Development Corporation Fund	225,000	-	-	-	225,000
Debt Service Fund	-	-	-	-	-
Other Governmental Funds	-	-	-	1,007,356	1,007,356
Enterprise Fund	720,417	146,002	-	-	866,418
Total	<u>\$ 945,417</u>	<u>\$ 146,002</u>	<u>\$ 10,000</u>	<u>\$ 1,007,356</u>	<u>\$ 2,108,774</u>

Transfers are used primarily to 1) move unassigned and unrestricted fund revenues to other funds to finance variance special projects, to finance payroll, and the purchase of capital assets.
Transfers out of the Enterprise Fund to the General Fund are for operations.

CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The Enterprise Fund made transfers to the Debt Service Fund (nonmajor governmental fund) in order to provide funds for principal and interest loan payments. At year-end, the debt service fund had a balance greater than the annual debt service requirement of the governmental debt.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance October 1, 2018	Additions	Deletions	Ending Balance September 30, 2019
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 2,292,630	\$ -	\$ -	\$ 2,292,630
Construction in Progress	142,319	97,260	-	239,579
Total Capital assets, not being depreciated	<u>2,434,949</u>	<u>97,260</u>	<u>-</u>	<u>2,532,209</u>
Capital Asset being depreciated:				
Buildings	3,525,404	39,636	-	3,565,040
Infrastructure	13,562,317	21,853	-	13,584,170
Machinery and Equipment	5,667,145	515,675	-	6,182,821
Total capital assets, being depreciated	<u>22,754,867</u>	<u>577,165</u>	<u>-</u>	<u>23,332,031</u>
Less accumulated depreciation for:				
Buildings	(516,815)	(78,375)	-	(595,190)
Infrastructure	(6,290,715)	(211,908)	-	(6,502,622)
Machinery and Equipment	(3,873,973)	(262,877)	-	(4,136,850)
Total accumulated depreciation	<u>(10,681,503)</u>	<u>(553,160)</u>	<u>-</u>	<u>(11,234,663)</u>
Total capital assets being depreciated, net	12,073,364	24,004	-	12,097,368
Governmental activities capital assets, net	<u>\$ 14,508,313</u>	<u>\$ 121,264</u>	<u>\$ -</u>	<u>\$ 14,629,577</u>
	Beginning Balance October 1, 2018	Additions	Deletions	Ending Balance September 30, 2019
Business-type Activities				
Capital Assets, not being depreciated				
Land	339,036	7,500	-	346,536
Construction in Progress	392,990	1,020,356	-	1,413,346
Total capital assets, not being depreciated	<u>732,026</u>	<u>1,027,856</u>	<u>-</u>	<u>1,759,882</u>
Capital Assets, being depreciated				
Buildings	1,690,609	126,845	-	1,817,454
Infrastructure	34,897,905	28,205	-	34,926,110
Machinery and Equipment	2,366,222	616,523	(209,883)	2,772,862
Total capital assets, being depreciated	<u>38,954,737</u>	<u>771,572</u>	<u>(209,883)</u>	<u>39,516,426</u>
Less accumulated depreciation for:				
Buildings	(680,906)	(101,244)	-	(782,150)
Infrastructure	(6,867,010)	(548,645)	209,883	(7,205,772)
Machinery and Equipment	(561,700)	(375,071)	-	(936,771)
Total accumulated depreciation	<u>(8,109,616)</u>	<u>(1,024,960)</u>	<u>209,883</u>	<u>(8,924,693)</u>
Total capital assets, being depreciated, net	30,845,121	(253,387)	-	30,591,733
Business-type activities capital assets, net	<u>\$ 31,577,147</u>	<u>\$ 774,468</u>	<u>\$ -</u>	<u>\$ 32,351,615</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Administration	\$ 77,087
Judicial	10,360
Public Safety	290,660
Public Works	54,386
Economic Development and Assistance	54,311
Culture, Recreation and Parks	46,719
Library	19,638
Total Depreciation Expense - Governmental Activities	<u>\$ 553,160</u>

As further discussed in Note 13, at September 30, 2019, the City had remaining construction and improvement commitments amounting to \$1,073,699.

NOTE 7 LONG-TERM DEBT

Primary Government

Bond Obligations in Governmental Funds

The government issues combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. Combination tax and revenue bonds have been issued for governmental activities. The original amount of outstanding combination tax and revenue bonds allocated to primary government issued in prior years was \$8,430,000.

These are direct obligations issued with a pledge of the City's general taxing power to the payment of its debt obligations. General obligations bonds and certificates of obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year the bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year.

Certain revenue and combination tax and revenue bonds are being repaid by revenues of the enterprise funds and are therefore presented in Business-Type Activities.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Governmental bond obligations currently outstanding are as follows:

Governmental Activities

\$6,500,000, 2010 Combination Tax & Limited Pledge Revenue Certificates of Obligation due in annual installments ranging from \$190,000 to \$510,000 from March 15, 2011 through 2030; interest estimated at 5.34%	\$4,100,000
\$1,930,000, 2013 Combination Tax & Revenue Certificates of Obligation due in annual installments ranging from \$40,000 to \$145,000 from February 15, 2014 through 2033; interest estimated at .67% to 5.29%	<u>1,490,000</u>
Total Bonds Obligations	5,590,000
Less: Current Portion of Bonds Obligations	<u>(385,000)</u>
Bonds Obligations, Net of Current Portion	\$5,205,000

Debt service requirements to maturity for Bonds Obligations Payables are as follows:

<u>Year Ending September 30</u>	Governmental Activities	
	<u>Prinicpal</u>	<u>Interest</u>
2020	\$ 385,000	\$ 224,685
2021	395,000	211,054
2022	415,000	195,061
2023	430,000	178,185
2024	450,000	160,425
2025-2029	2,530,000	503,540
2030-2034	985,000	66,952
Total	<u>\$ 5,590,000</u>	<u>\$ 1,539,902</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for Business-Type Activities. The original amount of outstanding revenue bonds issued in prior years allocated to Business-Type Activities was \$24,596,000.

Revenue bonds outstanding at September 30, 2019 are as follows:

Business-Type Activities

Revenue Bonds Payable:

\$2,885,000, 2007 A Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$140,000 to \$145,000 from February 15, 2011 through 2030; interest at 0.0%	\$ 1,595,000
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\$12,200,000, 2007 B Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$100,000 to \$430,000 from February 15, 2011 through 2040; interest at 0.0%	8,935,000
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\$8,700,000, 2007 C Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$145,000 to \$545,000 from February 15, 2011 through 2040; interest 2.5% to 5.25%	7,180,000
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\$811,000, 1996 A Waterworks and Sewer System Revenue Serial Bonds due in annual installments ranging from \$8,000 to \$46,000 from July 10, 2012 through 2035; interest at 5.125%	522,000
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Revenue Bonds Payable	18,232,000
Less: Current Portion of Revenue Bonds Payable	(792,000)

Revenue Bonds Payable, Net of Current Portion	\$17,440,000
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Debt service requirements to maturity for Revenue Bonds Payable in Business-Type Activities are as

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 792,000	\$ 382,818
2021	803,000	372,854
2022	814,000	362,191
2023	825,000	350,779
2024	837,000	338,774
2025-2029	4,410,000	1,482,247
2030-2034	4,270,000	1,037,888
2035-2039	4,506,000	462,816
2040-2044	975,000	14,306
Total	<u>\$ 18,232,000</u>	<u>\$ 4,804,673</u>

There are a number of limitations and restrictions contained in the revenue bond indenture. Management has indicated that the City is in compliance with most of the significant limitations and restrictions at September 30, 2019.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Capital Lease Obligations

Governmental Activities

Capital lease obligations payable at September 30, 2019, are as follows:

\$54,831, capital lease payable to Schertz Bank & Trust dated December 15, 2013 through December 15, 2020, payable in 84 monthly installments of \$747 including interest at 3.920% secured by (1) Crack Filler Machine.	\$ 10,212
\$286,986, capital lease payable to Kansas State Bank dated December 20, 2013 through December 20, 2019, payable in 7 annual installments of \$44,959 including interest at 3.190% secured by (2) Dump Trucks and (1) Backhoe	43,570
\$99,711, capital lease payable to Kansas State Bank dated February 15, 2019 through February 15, 2024, payable in 5 annual installments of \$22,504 including interest at 4.53% secured by (1) John Deere Backhoe Loader	98,711
\$128,564 capital lease payable to Kansas State Bank dated December 21, 2018 through June 15, 2023, payable in 5 annual installments of \$28,957 including interest at 4.919% secured by (4) Dodge Chargers PPV's	<u>78,892</u>
Capital Leases	231,385
Less: Current Portion of Capital Leases	<u>(70,327)</u>
Capital Leases, Net of Current Portion	\$ 161,058

Debt service requirements to maturity for Capital Leases are as follows:

<u>Year Ending September 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 70,327	\$ 6,106
2021	45,368	7,589
2022	45,980	5,482
2023	48,181	3,281
2024	21,529	975
Thereafter	-	-
Total	<u>\$ 231,385</u>	<u>\$ 23,433</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Business-Type Activities:

Capital Leases:

\$209,883 Capital lease payable to Schertz Bank dated April 3, 2013 through April 3, 2019, payable in 84 monthly installments of \$2,739 including interest at 2.69%, secured by a sewer cleaning truck. \$ 16,304

\$1,282,125 Capital lease payable to Southside Bank dated February 17, 2016, through October 15, 2019, payable in 4 yearly installments of \$346,164 including interest at 3.641%, secured by automated water meter system. 334,002

\$154,620 Capital lease payable to Kansas State Bank dated August 1, 2016, through August 1, 2020, payable in 4 yearly installments of \$41,140 including interest at 2.511%, secured by a freightliner truck. 40,121

\$308,244 Capital lease payable to Kansas State Bank dated May 24, 2019, through May 24, 2024, payable in 5 yearly installments of \$68,560 including interest at 3.780%, secured by a vactor truck. 308,244

Capital Leases 698,671
Less: Current Portion of Capital Leases (447,737)

Capital Leases, Net of Current Portion \$ 250,934

Debt service requirements to maturity for Capital Leases in Business Type Activities are as follows:

<u>Year Ending September 30</u>	Business-Type Activities	
	<u>Prinicpal</u>	<u>Interest</u>
2020	\$ 447,737	\$ 24,561
2021	59,401	9,159
2022	61,570	6,991
2023	63,817	4,744
2024	66,146	2,414
Thereafter	-	-
Total	<u>\$ 698,671</u>	<u>\$ 47,869</u>

CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Changes in Long-Term Liabilities

Long-term activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Leases Payable					
Combination Tax & Limited Revenue Bonds	\$ 4,395,000	\$ -	\$ 295,000	\$ 4,100,000	\$ 305,000
Combination Tax & Revenue Bond	1,565,000	-	75,000	1,490,000	80,000
Capital Leases	104,395	227,275	100,285	231,385	70,327
Total bonds and leases payable	<u>6,064,395</u>	<u>227,275</u>	<u>470,285</u>	<u>5,821,385</u>	<u>455,327</u>
Other long-term liabilities					
Accumulated compensated absences	149,073	167,893	149,073	167,893	-
Net pension liability	673,459	409,458	-	1,082,917	-
Net OPEB liability	132,467	13,308	-	145,775	-
Total other long-term liabilities	<u>954,999</u>	<u>590,659</u>	<u>149,073</u>	<u>1,396,585</u>	<u>-</u>
Total Governmental Activities	<u>\$ 7,019,394</u>	<u>\$ 817,934</u>	<u>\$ 619,358</u>	<u>\$ 7,217,970</u>	<u>\$ 455,327</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Revenue Bonds	\$ 19,018,000	\$ -	\$ 786,000	\$ 18,232,000	\$ 792,000
Capital Leases	783,777	308,244	393,350	698,670	447,737
Total bonds and leases payable	<u>19,801,777</u>	<u>308,244</u>	<u>1,179,350</u>	<u>18,930,670</u>	<u>1,239,737</u>
Other long-term liabilities					
Accumulated compensated absences	27,115	31,006	27,115	31,006	-
Net pension liability	208,593	126,824	-	335,417	-
Net OPEB liability	41,029	4,123	-	45,152	-
Total other long-term liabilities	<u>276,737</u>	<u>161,953</u>	<u>27,115</u>	<u>411,575</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 20,078,514</u>	<u>\$ 470,197</u>	<u>\$ 1,206,465</u>	<u>\$ 19,342,245</u>	<u>\$ 1,239,737</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 8 DUE TO STATE

The Texas Comptroller of Public Accounts notified the City of Rio Grande City in February 2016 of a claim for refund of sales taxes paid in prior years by a local business. The claim was based on the location of transaction involving personal property on which sales taxes were paid being outside of the City of Rio Grande City. The City of Rio Grande City and the Texas Comptroller of Public Accounts agreed on a repayment of the claim totaling \$1,220,289 and the City paid \$131,604 in the year ended September 30, 2019.

The City has agreed to make monthly payments each year as follows:

Year	Payment Amount
2020	\$ 143,568
2021	143,568
2022	143,568
2023	143,568
2025	143,568
2025	143,568
2026	23,889
Total	<u>\$ 885,297</u>

NOTE 9 FUND DEFICITS

At September 30, 2019, Special Revenue Funds – Forfeiture Fund had a deficit fund balance of (\$28,478), the Boys & Girls Club Fund had a deficit fund balance of (\$207,390).

NOTE 10 HEALTH CARE COVERAGE

During the year ended September 30, 2019, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$349 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Article 3.51-5, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the insurer (Texas Municipal League Employee Benefits Pool) are available for the year ended December 31, 2018, and have been filed with the Texas State Board of Insurance, Austin, Texas and are public record.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 11 PENSION PLAN

A. Plan Description

The City of Rio Grande City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan Provisions:

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

	Plan Year 2018	Plan Year 2019
Employee Deposit Rate	6.00%	6.00%
Matching Ratio (City to Employee)	1.5 to 1	1.5 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating	70% of CPI Repeating

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	103
Active employees	142
Total	<u>266</u>

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Rio Grande City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Rio Grande City were 7.06% and 7.03% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$356,241 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall Payroll Growth 3.0% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2017	\$ 9,723,161	\$ 8,841,111	\$ 882,050
Changes for the year:			
Service cost	618,174	-	618,174
Interest	665,152	-	665,152
Change of benefit terms	-	-	-
Difference between expected and actual experience	(329,079)	-	(329,079)
Changes of assumptions	-	-	-
Contributions - employer	-	372,064	(372,064)
Contributions - employee	-	316,399	(316,399)
Net investment income	-	(265,113)	265,113
Benefit payments, including refunds of employee contributions	(356,293)	(356,293)	-
Administrative expense	-	(5,118)	5,118
Other changes	-	(269)	269
Net changes	597,954	61,670	536,284
Balance at 12/31/2018	\$ 10,321,115	\$ 8,902,781	\$ 1,418,334

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 3,299,844	\$ 1,418,334	\$ (71,782)

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$298,751.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 610,875
Changes in actuarial assumptions	9,322	-
Difference between projected and actual investment earnings (net of current year amortization)	456,999	-
Contributions subsequent to the measurement date	268,212	-
Total	<u>\$ 734,533</u>	<u>\$ 610,875</u>

\$268,212 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2020	\$ (90,123)
2021	(80,144)
2022	(35,299)
2023	99,896
2024	(38,884)
Thereafter	-

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	17
Active employees	142
Total	<u>171</u>

Contributions

Employees for the City of Rio Grande City were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.14% and 0.14% in calendar year 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$7,087 and were equal to the required contributions.

Net Pension Liability

The City's Net OPEB Liability was measured as of December 31, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.50% to 10.5% per year - including inflation
Discount rate*	3.71%
Retiree's share of benefit related costs	\$0

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.*

Administrative Expenses - All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates – service retirees - RP2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates – disabled retirees – RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

Total OPEB Liability:

	Increase (Decrease)
	Total OPEB Liability
Balance at 12/31/2017	\$ 158,630
Changes for the year:	
Service cost	17,391
Interest	5,530
Change of benefit terms	-
Difference between expected and actual experience	24,211
Changes of assumptions	(14,308)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments,	-
including refunds of employee contributions	(527)
Administrative expense	-
Other changes	-
Net changes	32,297
Balance at 12/31/2018	\$ 190,927

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	\$ 229,584	\$ 190,927	\$ 161,660

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2019, the City recognized OPEB expense in the amount of \$25,972.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 21,229	\$ -
Changes in actuarial assumptions	11,204	12,546
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	5,341	-
Total	<u>\$ 37,774</u>	<u>\$ 12,546</u>

\$5,341 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:		
2020	\$	3,051
2021		3,051
2022		3,051
2023		3,051
2024		3,051
Thereafter		4,632

NOTE 13 CONSTRUCTION AND IMPROVEMENT COMMITMENTS

Construction and Improvement Commitments

At September 30, 2019, the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Infrastructure Improvements Project	\$ 104,658	Department of Commerce - Economic Development Administration
Wastewater System Lift Improvements	676,142	2013 CO Construction Fund
Port of Entry Access Road Project	272,954	Economic Development Fund
North Fairgrounds Water Line Project	3,186	Public Utilities Fund
Lift Station Rehabilitation Project	7,800	Public Utilities Fund
VFW 10" Force Main Sewer Line	8,959	Public Utilities Fund
Total	<u><u>\$ 1,073,699</u></u>	

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims from these risks have not exceeded coverage in any of the past three fiscal years.

Concentrations of Credit Risk

Proprietary fund accounts receivable are concentrated within the geographic service area of the utility system, which is within the City. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service. The net amount of proprietary fund accounts receivable at year end after deducting the allowance for doubtful accounts and after including estimated amounts for service provided but not yet billed at year end was \$317,852. Utility customer deposits held at year end totaled \$314,005.

NOTE 15 CONTINGENCIES

Litigation

The City is involved in various lawsuits concerning several issues. City's management and legal counsel estimate the potential of losses due to claims as minimal. In addition, the City's legal counsel is unable to reasonably predict the outcome in favor of or against the City at this time for all the outstanding cases, and is not able to estimate a range of potential loss for all cases.

Federal and State Assisted Grants Programs

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.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINACIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 16 PRIOR PERIOD ADJUSTMENTS

During the year 2019 the following prior period adjustments were made to clear outstanding items, a prior period adjustment of (\$200,473) was made to the General Fund which decreased the ending net position and fund balance. An adjustment of (\$119,748) was made to the Economic Development Fund, which decreased the ending fund balance and net position. An adjustment of (\$324) was made to the Hotel Occupancy Fund, an adjustment of (\$13,809) was made to the Park Fee Fund, and adjustment of (\$302) was made to the Debt Service Fund which decreased the ending net position and fund balance. An adjustment of \$26 was made to the Forfeiture Fund, and adjustment of \$71 was made to the SRF Airport Fund, and an adjustment of \$197 was made to the PEG Fee Fund which increased the ending net position and fund balance. An adjustment of \$21,830 was also made to the Enterprise Fund which increased the ending fund balance and net position.

NOTE 17 FUND BALANCE RESTRICTED OR COMMITTED TO OTHER PURPOSES

Some fund balance restrictions and commitments have been grouped together under the heading of other or various purposes. Those amounts are detailed below:

Nonspendable Fund Balance:	
Inventories	\$ 301,077
Prepaid Items	9,425
Restricted Fund Balance:	
Federal of State Funds Grant Restriction	886,554
Retirement of Long-Term Debt	525,491
Other Restricted Fund Balance	61,571
Committed	
Construction	455,467
Assigned	1,460,502
Unassigned	874,537
Total Fund Balance	<u><u>\$ 4,574,624</u></u>

NOTE 18 EVALUATION OF SUBSEQUENT EVENTS

The Council has evaluated subsequent events through March 4, 2020 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF RIO GRANDE CITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 1,688,576	\$ 1,688,576	\$ 1,742,882	\$ 54,306
5111 Delinquent Property Taxes	168,693	168,693	175,826	7,133
5112 AD Valorem Tax Relief Revenue	954,050	954,050	1,035,469	81,419
5120 General Sales and Use Taxes	1,908,099	1,908,099	2,202,542	294,443
5170 Franchise Tax	560,984	560,984	636,503	75,519
5190 Penalty and Interest on Taxes	111,559	111,559	126,310	14,751
5200 Licenses and Permits	137,335	137,335	160,692	23,357
5300 Intergovernmental Revenue and Grants	268,275	268,275	89,867	(178,408)
5400 Charges for Services	172,030	172,030	115,262	(56,768)
5510 Fines	203,980	203,980	245,694	41,714
5610 Investment Earnings	4,800	4,800	40,590	35,790
5700 Other Revenue	23,500	23,500	111,452	87,952
5020 Total Revenues	6,201,881	6,201,881	6,683,089	481,208
EXPENDITURES:				
Current:				
0110 Mayor and Council	10,150	10,150	14,180	(4,030)
0111 City Manager	263,580	263,580	165,458	98,122
0120 Administration	1,221,333	1,221,333	1,192,117	29,216
0130 City Secretary	63,750	63,750	62,064	1,686
0140 Finance	176,844	176,844	165,652	11,192
0150 Personnel	65,778	65,778	69,444	(3,666)
0160 Planning	403,451	403,451	493,422	(89,971)
0170 Judicial	180,025	180,025	167,644	12,381
0210 Police	2,338,434	2,338,434	2,163,903	174,531
0220 Fire Protection	865,194	865,194	818,812	46,382
0300 Public Works	807,222	807,222	763,505	43,717
0310 Highway and Streets	177,600	177,600	181,237	(3,637)
0510 Culture, recreation and parks	476,835	476,835	311,749	165,086
0520 Library	283,256	283,256	297,204	(13,948)
Debt Service:				
0710 Principal on Debt	-	-	50,612	(50,612)
0720 Interest on Debt	-	-	3,316	(3,316)
6030 Total Expenditures	7,333,452	7,333,452	6,920,319	413,133
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,131,571)	(1,131,571)	(237,230)	894,341
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	16,590	16,590
7913 Proceeds from Capital Leases	-	-	98,711	98,711
7915 Transfers In	1,182,000	1,182,000	945,417	(236,583)
8911 Transfers Out (Use)	(25,000)	(25,000)	(10,000)	15,000
7080 Total Other Financing Sources (Uses)	1,157,000	1,157,000	1,050,718	(106,282)
1200 Net Change in Fund Balances	25,429	25,429	813,488	788,059
0100 Fund Balance - October 1 (Beginning)	506,655	506,655	506,595	(60)
1300 Prior Period Adjustment	-	-	(200,473)	(200,473)
3000 Fund Balance - September 30 (Ending)	\$ 532,084	\$ 532,084	\$ 1,119,610	\$ 587,526

CITY OF RIOGRANDE CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 618,174	\$ 614,800
Interest (on the Total Pension Liability)	665,152	608,326
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(329,079)	(93,791)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(356,293)	(222,015)
Net Change in Total Pension Liability	\$ 597,954	\$ 907,320
Total Pension Liability - Beginning	9,723,161	8,815,841
Total Pension Liability - Ending	\$ 10,321,115	\$ 9,723,161
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 372,064	\$ 379,671
Contributions - Employee	316,399	316,635
Net Investment Income	(265,113)	1,019,516
Benefit Payments, Including Refunds of Employee Contributions	(356,293)	(222,015)
Administrative Expense	(5,118)	(5,281)
Other	(267)	(268)
Net Change in Plan Fiduciary Net Position	\$ 61,672	\$ 1,488,258
Plan Fiduciary Net Position - Beginning	8,841,111	7,352,851
Plan Fiduciary Net Position - Ending	\$ 8,902,783	\$ 8,841,109
C. Net Pension Liability	\$ 1,418,332	\$ 882,052
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.26%	90.93%
E. Covered Payroll	\$ 5,270,022	\$ 5,277,254
F. Net Pension Liability as a Percentage of Covered Payroll	26.91%	16.71%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only five years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	564,952	\$ 544,128	\$ 492,276
	556,171	526,651	513,277
	-	-	-
	(166,728)	(209,742)	(660,921)
	-	27,426	-
	(191,301)	(174,484)	(184,520)
\$	763,094	\$ 713,979	\$ 160,112
	8,052,747	7,338,768	7,178,656
\$	8,815,841	\$ 8,052,747	\$ 7,338,768
\$	359,708	\$ 390,073	\$ 359,165
	291,714	286,383	261,514
	436,680	8,788	299,025
	(191,301)	(174,484)	(184,520)
	(4,932)	(5,353)	(3,120)
	(266)	(264)	(257)
\$	891,603	\$ 505,143	\$ 731,807
	6,461,248	5,956,105	5,224,298
\$	7,352,851	\$ 6,461,248	\$ 5,956,105
\$	1,462,990	\$ 1,591,499	\$ 1,382,663
	83.40%	80.24%	81.16%
\$	4,861,895	\$ 4,773,052	\$ 4,358,940
	30.09%	33.34%	31.72%

CITY OF RIOGRANDE CITY
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2019

	2019	2018	2017
Actuarially Determined Contribution	\$ 356,241	\$ 373,087	\$ 359,708
Contributions in Relation to the Actuarially Determined Contributions	(356,241)	(373,087)	(359,708)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,062,113	\$ 5,261,713	\$ 4,861,895
Contributions as a Percentage of Covered Payroll	7.04%	7.09%	7.40%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2016</u>		<u>2015</u>	
\$	390,073	\$	359,165
	(390,073)		(359,165)
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
\$	4,773,052	\$	4,358,940
	8.17%		8.24%

**CITY OF RIO GRANDE CITY
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF RIO GRANDE CITY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability		
Service Cost	\$ 17,391	\$ 15,304
Interest on the Total OPEB Liability	5,530	4,967
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	24,211	-
Changes of Assumptions	(14,308)	14,866
Benefit Payments*	(527)	14,338
Net Change in Total OPEB Liability	32,297	49,475
Total OPEB Liability - Beginning	158,630	124,021
Total OPEB Liability - Ending	\$ 190,927	\$ 173,496
Covered Payroll	\$ 5,270,022	\$ 5,277,254
Total OPEB Liability as a Percentage of Covered Payroll	3.62%	3.29%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF RIO GRANDE CITY
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

The budget is prepared in accordance with financial policies approved by the City Budget Officer and the City Council following a public hearing. The Budget Officer is required by policy to present City Council with a balanced budget that contains a no-tax increase assumption as a starting point for budget discussions. The amounts budgeted in a fiscal year for expenditures in various funds may not exceed the balance in those funds as the first day of the fiscal year plus any anticipated revenue for the fiscal year as estimated by the City's management.

The following are the funds which have legally adopted annual budgets prepared on a basis consistent with GAAP for the General Fund, Economic Development Corporation Fund and Debt Service Fund.

The budget law of the State of Texas provides that the amounts budgeted for current expenditures from the various funds of the City shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the City's management. In addition, law provides that the City Council may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund but no such transfer shall increase the total budget.

Each year, all departments submit to the Budget Officer requests for appropriation. These requests are reviewed, compiled and presented to the City Council for approval. The City Council conducts departmental budget reviews, adjusts budget request to final form and conducts a public hearing in the City Administrative Building. A copy of the proposed budget must be filed with the City Secretary. Copies must be available to the public. The City Council must provide for the public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to October 1st of the current fiscal year.

The City controls appropriations at the category level (i.e., salaries/allowances, operations and property) for each department/project within the General Fund and some of the Special Revenue Funds. Grants are budgeted in total and not at the category level. All Debt Service Fund expenditures for principal and interest of long-term debt are considered to be in the operations category. Certain appropriation transfers may be made between categories or departments only with the approval of the City Council. Other transfers (e.g. court costs) may be authorized by the City Manager. Transfers that were made during fiscal year 2018 did not increase the City's overall budget. Unencumbered funds lapse at fiscal year end. The original budgets presented in the report are the approved budgets before amendments and transfers. The final budgets presented in this report reflect the budgets as amended for all appropriation transfers processed during the fiscal year. The legal level of budgetary control (the level on which expenditures may not exceed appropriations) is on an object class basis. More comprehensive accounting of activity on the budgetary basis is provided in a separate report, which available for public inspection in the City's administration building.

CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue resources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Hotel Occupancy Tax Fund is used to account for a tax levied on hotels within the City. The tax revenues can be expended for tourism and related programs promoting the City.

Forfeiture Fund accounts for monies obtained through forfeited "contraband" provisions pursuant to Chapter 59 of the Texas Code of Criminal Procedure. The City's share of adjudicated forfeitures are to be used solely for law enforcement purposes as provided by Article 59.06 of the Code.

The High Intensity Drug Trafficking Area (HIDTA) Task Force Fund is used to account for revenues and expenditures of Police Department activities in conjunction with other drug task force agencies.

Treasury Forfeiture Fund is the receipt account for proceeds from non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security agencies.

Criminal Justice Division (CJD) Task Force Grant Fund is used to account for grant revenues and expenditures received for the ARRA-Edward Byrne Justice Assistance Grant by the CJD programs.

Border Security Grants is used to account for grant revenues and expenditures received for border security.

Department of Homeland Security (DHS) Stonegarden Fund is used to account for grant revenues and expenditures received for efforts to secure the United States' borders along routes of ingress from international borders.

SRF Airport Fund is used to account for revenues and expenses of the City's airport operations.

Public Education and Governmental (PEG) Fee Revenue Fund is used to account for revenues and expenditures of funds received under Chapter 66.006 of the Utilities Code concerning the 1% fee charged as part of franchise fees collected from cable companies. These fees are used to support capital costs for the City's public access channel.

Boys and Girls Club Fund is used to account for revenues and expenditures which may be used for the operations of the club.

Texas Department of Agriculture (TDA) Contract NO. 7215419 is used to account for revenues and expenditures of funds received by the TDA for the construction or improvement of the Sanitary Sewer Project.

Municipal Court Security Fund accounts for the receipt and use of fines which may only be used for municipal court security.

Municipal Court Technology Fund accounts for the receipt and use of fines which may only be used for municipal technology.

Park Fee Fund accounts for the receipt and use of fees which may only be used for municipal park improvements.

Economic Development Administration (EDA) Contract NO. 08-79-05074 is used to account for revenue and expenditures of funds received by the EDA for the construction or improvement of the City's infrastructure.

CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

The *Capital Projects Fund* accounts for the acquisition and construction of the City's major capital facilities and infrastructure improvements, other than those financed by proprietary funds.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Debt Service Fund*, also known as the Interest and Sinking Fund, was established by ordinance authorizing the issuance of General Obligation Bonds. The fund provides for payment of bond principal, interest, paying agent fees, and a debt service reserve as a sinking fund each year. An ad valorem tax rate and tax levy is required to be computed and levied, which will be sufficient to produce the money required to pay the principal and interest as it comes due to provide the interest and sinking fund reserve.

CITY OF RIO GRANDE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes		201 Hotel Occupancy Tax Fund	203 Forfeiture Fund	204 HIDTA Task Force Fund	209 Treasury Forfeiture Fund
ASSETS					
1010	Cash and Cash Equivalents	\$ 292,116	\$ 16,999	\$ 754	\$ 100,685
1050	Taxes Receivable	-	-	-	-
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1150	Accounts Receivable Net	63,734	-	-	-
1260	Due from Other Governments	-	-	60,441	-
1300	Due from Other Funds	-	31,830	-	-
1410	Inventories	-	-	-	-
1430	Prepaid Items	-	-	220	-
1000	Total Assets	<u>\$ 355,850</u>	<u>\$ 48,829</u>	<u>\$ 61,415</u>	<u>\$ 100,685</u>
LIABILITIES					
2010	Accounts Payable	\$ -	\$ -	\$ 220	\$ -
2020	Wages and Salaries Payable	556	-	-	-
2060	Retainage Payable	-	-	-	-
2080	Due to Other Funds	22,432	77,285	60,465	19,948
2090	Due to Others	-	22	-	-
2000	Total Liabilities	<u>22,988</u>	<u>77,307</u>	<u>60,685</u>	<u>19,948</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories/Prepaid Items	-	-	220	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	510	80,737
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	332,862	-	-	-
3600	Unassigned Fund Balance	-	(28,478)	-	-
3000	Total Fund Balances	<u>332,862</u>	<u>(28,478)</u>	<u>730</u>	<u>80,737</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 355,850</u>	<u>\$ 48,829</u>	<u>\$ 61,415</u>	<u>\$ 100,685</u>

EXHIBITH-1 (Cont'd)

210 Police Training Fund	211 Border Security Grants Fund	212 DHS Stonegarden Fund	214 SRF Airport Fund	216 PEG Fee Fund	219 Boys & Girls Club Fund	220 TDA Contract NO 7215419	221 Mun Court Security Fund
\$ 11,190	\$ 7,678	\$ 15,607	\$ 5,320	\$ 19,781	\$ 22,327	\$ 7,045	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,406	-	-	-
-	-	168,889	-	-	-	-	-
-	-	-	-	-	-	-	17,184
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 11,190</u>	<u>\$ 7,678</u>	<u>\$ 184,496</u>	<u>\$ 5,320</u>	<u>\$ 24,187</u>	<u>\$ 22,327</u>	<u>\$ 7,045</u>	<u>\$ 17,184</u>
\$ -	\$ -	\$ 168,001	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	77	-	-
-	-	-	-	-	-	-	-
-	317	10,153	-	-	228,910	7,045	-
-	-	-	-	-	730	-	-
<u>-</u>	<u>317</u>	<u>178,154</u>	<u>-</u>	<u>-</u>	<u>229,717</u>	<u>7,045</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,190	7,361	6,342	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	24,187	-	-	17,184
-	-	-	-	-	-	-	-
-	-	-	5,320	-	-	-	-
-	-	-	-	-	(207,390)	-	-
<u>11,190</u>	<u>7,361</u>	<u>6,342</u>	<u>5,320</u>	<u>24,187</u>	<u>(207,390)</u>	<u>-</u>	<u>17,184</u>
<u>\$ 11,190</u>	<u>\$ 7,678</u>	<u>\$ 184,496</u>	<u>\$ 5,320</u>	<u>\$ 24,187</u>	<u>\$ 22,327</u>	<u>\$ 7,045</u>	<u>\$ 17,184</u>

CITY OF RIO GRANDE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes	222 Mun Court Technology Fund	223 Park Fee Fund	307 EDA Grant NO 087905074	Total Nonmajor Special Revenue Funds
ASSETS				
1010 Cash and Cash Equivalents	\$ -	\$ 72,320	\$ 783,672	\$ 1,355,494
1050 Taxes Receivable	-	-	-	-
1051 Allowance for Uncollectible Taxes (credit)	-	-	-	-
1150 Accounts Receivable Net	-	-	-	68,140
1260 Due from Other Governments	-	-	-	229,330
1300 Due from Other Funds	20,200	8,967	-	78,181
1410 Inventories	-	-	-	-
1430 Prepaid Items	-	-	-	220
1000 Total Assets	<u>\$ 20,200</u>	<u>\$ 81,287</u>	<u>\$ 783,672</u>	<u>\$ 1,731,365</u>
LIABILITIES				
2010 Accounts Payable	\$ -	\$ -	\$ 3,258	\$ 171,479
2020 Wages and Salaries Payable	-	-	-	633
2060 Retainage Payable	-	-	-	-
2080 Due to Other Funds	-	130	-	426,685
2090 Due to Others	-	-	-	752
2000 Total Liabilities	<u>-</u>	<u>130</u>	<u>3,258</u>	<u>599,549</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3110 Inventories/Prepaid Items	-	-	-	220
Restricted Fund Balance:				
3250 Federal or State Funds Grant Restriction	-	-	780,414	886,554
3280 Retirement of Long-Term Debt	-	-	-	-
3290 Other Restricted Fund Balance	20,200	-	-	61,571
Committed Fund Balance:				
3410 Construction	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	81,157	-	419,339
3600 Unassigned Fund Balance	-	-	-	(235,868)
3000 Total Fund Balances	<u>20,200</u>	<u>81,157</u>	<u>780,414</u>	<u>1,131,816</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,200</u>	<u>\$ 81,287</u>	<u>\$ 783,672</u>	<u>\$ 1,731,365</u>

EXHIBIT H-1

500 Debt Service Fund	601 Water Plant Project Fund	605 2013 Wastewater Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 101,360	\$ -	\$ 536,649	\$ 536,649	\$ 1,993,503
312,975	-	-	-	312,975
(15,649)	-	-	-	(15,649)
-	-	-	-	68,140
-	-	-	-	229,330
589,336	11,745	-	11,745	679,262
-	-	301,077	301,077	301,077
-	-	-	-	220
<u>\$ 988,022</u>	<u>\$ 11,745</u>	<u>\$ 837,726</u>	<u>\$ 849,471</u>	<u>\$ 3,568,858</u>
\$ -	\$ -	\$ 27,392	\$ 27,392	\$ 198,871
-	-	-	-	633
-	-	62,022	62,022	62,022
165,205	3,513	-	3,513	595,403
-	-	-	-	752
<u>165,205</u>	<u>3,513</u>	<u>89,414</u>	<u>92,927</u>	<u>857,681</u>
297,326	-	-	-	297,326
<u>297,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,326</u>
-	-	301,077	301,077	301,297
-	-	-	-	886,554
525,491	-	-	-	525,491
-	-	-	-	61,571
-	8,232	447,235	455,467	455,467
-	-	-	-	419,339
-	-	-	-	(235,868)
<u>525,491</u>	<u>8,232</u>	<u>748,312</u>	<u>756,544</u>	<u>2,413,851</u>
<u>\$ 988,022</u>	<u>\$ 11,745</u>	<u>\$ 837,726</u>	<u>\$ 849,471</u>	<u>\$ 3,568,858</u>

CITY OF RIOGRANDE CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	201 Hotel Occupancy Tax Fund	203 Forfeiture Fund	204 HIDTA Task Force Fund	209 Treasury Forfeiture Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5111 Delinquent Property Taxes	-	-	-	-
5170 Franchise Tax	-	-	-	-
5177 Hotel/Motel Tax	75,580	-	-	-
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	244,827	-
5510 Fines	-	-	-	-
5520 Forfeits	-	86,748	-	-
5610 Investment Earnings	6,196	741	-	1,687
5700 Other Revenue	-	42,283	-	-
5020 Total Revenues	<u>81,776</u>	<u>129,772</u>	<u>244,827</u>	<u>1,687</u>
EXPENDITURES:				
Current:				
General Government:				
0120 Administration	-	-	-	-
Public Safety:				
0210 Police	-	212,441	244,827	2,617
Conservation and Development:				
0650 Economic Development and Assistance	126,524	-	-	-
Debt Service:				
0710 Principal on Debt	-	49,673	-	-
0720 Interest on Debt	-	8,242	-	-
0790 Other Debt Service	-	-	-	-
6030 Total Expenditures	<u>126,524</u>	<u>270,356</u>	<u>244,827</u>	<u>2,617</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(44,748)</u>	<u>(140,584)</u>	<u>-</u>	<u>(930)</u>
OTHER FINANCING SOURCES (USES):				
7913 Proceeds from Capital Leases	-	128,564	-	-
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>128,564</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(44,748)	(12,020)	-	(930)
0100 Fund Balance - October 1 (Beginning)	377,934	(16,484)	730	81,667
1300 Prior Period Adjustment	(324)	26	-	-
3000 Fund Balance - September 30 (Ending)	<u>\$ 332,862</u>	<u>\$ (28,478)</u>	<u>\$ 730</u>	<u>\$ 80,737</u>

210 Police Training Fund	211 Border Security Grants Fund	212 DHS Stonegarden Fund	214 SRF Airport Fund	216 PEG Fee Fund	219 Boys & Girls Club Fund	220 TDA Contract NO 7215419	221 Mun Court Security Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	17,566	-	-	-
-	-	-	-	-	-	-	-
2,281	100,000	344,712	-	-	1,875	-	-
-	-	-	-	-	-	-	5,623
-	-	-	-	-	-	-	-
181	134	-	143	265	29	123	-
-	-	-	-	-	14,942	115	-
<u>2,462</u>	<u>100,134</u>	<u>344,712</u>	<u>143</u>	<u>17,831</u>	<u>16,846</u>	<u>238</u>	<u>5,623</u>
-	-	-	4,826	-	77,970	-	-
991	100,125	344,712	-	7,798	-	-	1,459
-	-	-	-	-	-	125	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>991</u>	<u>100,125</u>	<u>344,712</u>	<u>4,826</u>	<u>7,798</u>	<u>77,970</u>	<u>125</u>	<u>1,459</u>
<u>1,471</u>	<u>9</u>	<u>-</u>	<u>(4,683)</u>	<u>10,033</u>	<u>(61,124)</u>	<u>113</u>	<u>4,164</u>
-	-	-	-	-	-	-	-
-	-	-	10,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	10,000	-	-	-	-
1,471	9	-	5,317	10,033	(61,124)	113	4,164
9,719	7,352	6,342	(68)	13,957	(146,266)	(113)	13,020
-	-	-	71	197	-	-	-
<u>\$ 11,190</u>	<u>\$ 7,361</u>	<u>\$ 6,342</u>	<u>\$ 5,320</u>	<u>\$ 24,187</u>	<u>\$ (207,390)</u>	<u>\$ -</u>	<u>\$ 17,184</u>

CITY OF RIO GRANDE CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	222 Mun Court Technology Fund	223 Park Fee Fund	307 EDA Grant NO 087905074	Total Nonmajor Special Revenue Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5111 Delinquent Property Taxes	-	-	-	-
5170 Franchise Tax	-	-	-	17,566
5177 Hotel/Motel Tax	-	-	-	75,580
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	693,695
5510 Fines	7,493	-	-	13,116
5520 Forfeits	-	-	-	86,748
5610 Investment Earnings	-	1,204	13,540	24,243
5700 Other Revenue	-	28,138	-	85,478
5020 Total Revenues	<u>7,493</u>	<u>29,342</u>	<u>13,540</u>	<u>996,426</u>
EXPENDITURES:				
Current:				
General Government:				
0120 Administration	-	167	-	82,963
Public Safety:				
0210 Police	-	-	-	914,970
Conservation and Development:				
0650 Economic Development and Assistance	-	-	3,922	130,571
Debt Service:				
0710 Principal on Debt	-	-	-	49,673
0720 Interest on Debt	-	-	-	8,242
0790 Other Debt Service	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>167</u>	<u>3,922</u>	<u>1,186,419</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,493</u>	<u>29,175</u>	<u>9,618</u>	<u>(189,993)</u>
OTHER FINANCING SOURCES (USES):				
7913 Proceeds from Capital Leases	-	-	-	128,564
7915 Transfers In	-	-	-	10,000
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,564</u>
1200 Net Change in Fund Balance	7,493	29,175	9,618	(51,429)
0100 Fund Balance - October 1 (Beginning)	12,707	65,791	770,796	1,197,084
1300 Prior Period Adjustment	-	(13,809)	-	(13,839)
3000 Fund Balance - September 30 (Ending)	<u>\$ 20,200</u>	<u>\$ 81,157</u>	<u>\$ 780,414</u>	<u>\$ 1,131,816</u>

500 Debt Service Fund	601 Water Plant Project Fund	605 2013 Wastewater Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 425,098	\$ -	\$ -	\$ -	\$ 425,098
44,725	-	-	-	44,725
-	-	-	-	17,566
-	-	-	-	75,580
28,987	-	-	-	28,987
-	-	-	-	693,695
-	-	-	-	13,116
-	-	-	-	86,748
5,187	-	16,533	16,533	45,963
-	-	-	-	85,478
503,997	-	16,533	16,533	1,516,956
-	-	653	653	83,616
-	-	-	-	914,970
-	-	-	-	130,571
370,001	-	-	-	419,674
236,077	-	-	-	244,319
32,202	-	-	-	32,202
638,280	-	653	653	1,825,352
(134,283)	-	15,880	15,880	(308,396)
-	-	-	-	128,564
146,002	-	-	-	156,002
-	-	(1,007,356)	(1,007,356)	(1,007,356)
146,002	-	(1,007,356)	(1,007,356)	(722,790)
11,719	-	(991,476)	(991,476)	(1,031,186)
514,074	8,232	1,739,788	1,748,020	3,459,178
(302)	-	-	-	(14,141)
\$ 525,491	\$ 8,232	\$ 748,312	\$ 756,544	\$ 2,413,851

CITY OF RIOGRANDE CITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5120 General Sales and Use Taxes	\$ 925,428	\$ 925,428	\$ 1,035,439	\$ 110,011
5610 Investment Earnings	10,200	10,200	16,915	6,715
5700 Other Revenue	10,000	10,000	27,310	17,310
5020 Total Revenues	945,628	945,628	1,079,664	134,036
EXPENDITURES:				
0600 Conservation and Development	1,297,841	1,297,841	664,238	633,603
6030 Total Expenditures	1,297,841	1,297,841	664,238	633,603
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(352,213)	(352,213)	415,426	767,639
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(225,000)	(225,000)	(225,000)	-
7080 Total Other Financing Sources (Uses)	(225,000)	(225,000)	(225,000)	-
1200 Change in Fund Balance	(577,213)	(577,213)	190,426	767,639
0100 Fund Balance - October 1 (Beginning)	970,485	970,485	970,485	-
1300 Prior Period Adjustment	-	-	(119,748)	(119,748)
3000 Fund Balance - September 30 (Ending)	\$ 393,272	\$ 393,272	\$ 1,041,163	\$ 647,891

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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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
City of Rio Grande City, Texas
5332 E US HWY 83
Rio Grande City, Texas 78582

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rio Grande City, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Rio Grande City, Texas's basic financial statements, and have issued our report thereon dated March 4, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

March 4, 2020

**CITY OF RIO GRANDE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards - N/A

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? - N/A X Yes No

**CITY OF RIO GRANDE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

B. Financial Statement Findings
NONE

C. Federal Award Findings and Questioned Costs
NONE

**CITY OF RIO GRANDE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding No. 2018-001

Criteria: All transaction types occurring in the course of business should be timely and coded properly in the general ledger. Preparation of year-end adjusting journal entries, reconciliations, reviews and other general ledger tests for reasonableness and agreement to underlying journals, and third parties should be performed in readiness for the monthly reports to the City Council, and preparation of the City's annual financial statements.

Condition: The general ledger required significant adjustments and reclassifications to both the current and prior period balances. Preparation of the year-end adjusting journal entries, schedules, and reconciliation of several significant areas were not complete. Finding is a repeat from prior fiscal year.

Cause: Due to the turnover of key individuals there was a lack of familiarity with required procedures.

Effect: Management assessments and financial decisions, and internal and external financial reporting may be inaccurate because of an improperly maintained general ledger.

Context: During the course of the audit, there were various general ledger accounts that required adjustments.

Recommendation(s): The City should review their procedures for proper coding and timely recording of transactions at the end of each month and at year-end.

Management Response: Finance director has the experience and knowledge to keep the finance department up to date. The hiring of a new independent Auditor has helped bring the city current with its' audit reports and will allow the finance department to concentrate on current financials and not have to work with past years financials. Duties have been segregated within the finance department to make sure all reconciliations, journal entries and year end reconciliation schedules are made on a timely manner.

Status: The City has implemented procedures to correct these issues.

**CITY OF RIO GRANDE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding No. 2018-002

Criteria: The City must have proper controls in place to effectively administer and monitor grant activity to provide accurate financial preparation in accordance with accounting standards generally accepted in the United States of America applicable to state and local governments (GAAP).

Condition: In conducting the audit, year-end accruals related to grants were not recorded. In addition, reconciliation of grant activity was not performed during the year. Finding is a repeat from prior fiscal year.

Cause: Lack of communication between departments and coordination during the year and at year-end for audit.

Effect: Account balances were misstated.

Context: Accounts receivable, revenue and expenditures related to the grants were not reconciled at year-end.

Recommendation: Departments and finance should review amounts received and expended on a regular basis, reconciled at year-end, and adjusted as deemed necessary.

Management Response: All grants submitted for reimbursement go through the finance director to ensure proper reconciliation to general ledger. With audit reports now being up to date the finance department will be the one approving all grants submitted for reimbursements. This will ensure that all ledger accounts reconcile with end of year reconciliation schedules.

Status: The City has implemented procedures to correct these issues.

**CITY OF RIO GRANDE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding No. 2018-003

Criteria: The City is required to maintain policies and procedures to track an asset's cost, depreciation and the disposal of assets.

Condition: The City has not prepared written policies for accounting of fixed asset additions and deletions. During the audit, we noted that the procedures to accurately account for current year additions and deletions were not adequate. While the City did hire a fixed asset management company to inventory the City's fixed assets, we had to perform an extended analysis of the detail ledgers searching for many fixed asset additions which management inadvertently omitted. The fixed asset records were updated to account for these additions during the audit. A similar finding was issued in the prior year's audit report.

Cause: Management did not exercise due care in accurately accounting for fixed asset additions and deletions during the fiscal year.

Effect: Some capital assets may not be accurately identified and recorded.

Context: While the City did hire a fixed asset management company to inventory the fixed assets, it is management's responsibility to accurately track current year additions and deletions.

Recommendation: The City should develop fixed asset accounting policies and enhance its procedures to accurately track current year fixed asset additions and deletions. Management should coordinate with the fixed asset management company to ensure that all current year additions and deletions have been recorded on the City's fixed asset records.

Management Response: The City is continuing to develop a fixed asset policy. Also, the city has hired personnel that will be responsible to follow these procedures and ensure that all additions and deletions of assets are properly maintained and up to date.

Status: The City has implemented procedures to correct these issues.

**CITY OF RIO GRANDE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding No. 2018-004

Criteria: Bonds compliance requires that fiscal records are kept on a GAAP basis; must be audited by an independent CPA and must file audit reports within 120 days with the City Council. The Fiscal Records and audit reports available for public inspection and provide a copy of the audit report to any bondholder or any member. Any material event must also be submitted.

Condition: No audited report was submitted within the required 120 days. Finding is a repeat from prior fiscal year.

Cause: Turnover of key personnel in the City.

Effect: Violation of the Bond Compliance Requirements.

Context: The City did not submit the audit report on a timely manner.

Recommendation: The City should submit the audit report on a timely manner.

Management Response: The City's new independent auditor has brought the city up to date with the latest audit report. The new finance director helped bring the city current with their audit reports and will continue to work with auditors to make sure that all future reports are completed within the 120-day period.

Status: The City has implemented procedures to correct these issues.

**CITY OF RIO GRANDE CTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

N/A

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