



**CITY OF RIO GRANDE CITY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Raul Hernandez & Company, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

5402 Holly Road, Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002



**CITY OF RIO GRANDE CITY, TEXAS**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2022**



**CITY OF RIO GRANDE CITY, TEXAS  
CITY OFFICIALS  
SEPTEMBER 30, 2022**

**Council – Manager Form of Government**

**MAYOR**

Joel Villarreal

**COUNCIL MEMBERS**

Reynaldo Ramirez, Jr., Mayor Pro-Tem  
Benjamin DeLeon  
Jose Alberto Escobedo  
Rogerio Oliverez, Jr.

**DEPUTY CITY MANAGER**

Noel Castillo

**FINANCE DIRECTOR**

Leonel Cantu

**CITY SECRETARY**

Angela M. Solis

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CITY OF RIO GRANDE CITY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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Corpus Christi, Texas 78411  
Office (361)980-0482 Fax (361)980-1002

## **INDEPENDENT AUDITORS' REPORT**

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

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

#### ***Opinions***

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Rio Grande City, Texas's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rio Grande City, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter – Change of Accounting Principle***

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City of Rio Grande City, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

The City of Rio Grande City, Texas's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rio Grande City, Texas's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rio Grande City, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

### ***Supplementary 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 statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements 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 24, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 24, 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

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, 2022. 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 \$5,886,921 for the year, which is a change of 15%. The governmental activities increase was \$4,926,907 while the business-type activities showed an increase of \$960,014.
- Last year's increase in sales tax revenues of \$460,813 was followed by an increase in sales tax revenues of \$370,175 for 2022.
- There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues increased by \$148,340, and overall revenues increased by \$4,983,682. In addition, general government expenses decreased by (\$725,577) and total governmental expenses increased by \$1,008,191. Utility operating revenues had a decrease of (\$1,681,768) and a decrease in the utility fund expenses of (\$92,846).
- The City added approximately \$2,299,600 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 \$1,762,096 was also recorded for the year.

**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.

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.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

**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.

**Government-wide net position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 26,569,718	23,385,295	12,279,955	12,015,113	38,849,673	35,400,408
Capital assets	18,182,170	17,139,157	32,079,588	32,585,097	50,261,758	49,724,254
Total assets	44,751,888	40,524,452	44,359,543	44,600,210	89,111,431	85,124,662
Deferred Outflows of Resources	408,054	376,598	752,039	780,189	1,160,093	1,156,787
Long-term liabilities	20,853,973	21,773,120	21,806,736	22,938,707	42,660,709	44,711,827
Other liabilities	1,969,834	1,976,304	716,736	893,383	2,686,570	2,869,687
Total liabilities	22,823,807	23,749,424	22,523,472	23,832,090	45,347,279	47,581,514
Deferred Inflows of Resources	829,267	571,668	195,064	115,277	1,024,331	686,945
Net position:						
Invested in capital assets, net of debt	(2,671,804)	-	10,961,217	10,372,647	8,289,413	10,372,647
Restricted	18,922,295	17,390,301	-	-	18,922,295	17,390,301
Unrestricted	5,256,376	(810,341)	11,431,829	11,060,385	16,688,205	10,250,044
Total net position	\$ 21,506,867	16,579,960	22,393,046	21,433,032	43,899,913	38,012,992



**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

The City's governmental activities showed an increase in net position of \$4,926,907. Capital assets for governmental activities increased by \$1,043,013.

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	
	2022	2021	2022	2021	2022	2021
Change in net assets						
Total revenues	\$ 14,867,441	9,883,759	6,701,490	8,383,257	21,568,931	18,267,016
Total expenses	(11,007,929)	(9,999,738)	(4,715,819)	(4,808,665)	(15,723,748)	(14,808,403)
Change before transfers	3,859,512	(115,979)	1,985,671	3,574,592	5,845,183	3,458,613
Transfers	1,025,657	56,056	(1,025,657)	(56,056)	-	-
Change in net position	4,885,169	(59,923)	960,014	3,518,536	5,845,183	3,458,613
Net position - beginning	16,579,958	16,548,315	21,433,032	17,922,714	38,012,990	34,471,029
Reclass of Beg Net Position	41,740	91,566	-	(8,218)	41,740	83,348
Net position - ending	\$ 21,506,867	16,579,958	22,393,046	21,433,032	43,899,913	38,012,990

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.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 1,220,523	1,072,183	6,130,687	5,813,493	7,351,210	6,885,676
General revenues:						
Maintenance and						
Operations Taxes	2,496,201	2,353,992	-	-	2,496,201	2,353,992
Debt Service Taxes	811,326	460,944	-	-	811,326	460,944
Grants	4,276,359	492,070	-	2,085,615	4,276,359	2,577,685
Sales tax	5,353,952	4,983,777	-	-	5,353,952	4,983,777
Investment Earnings	166,491	19,638	47,572	4,809	214,063	24,447
Miscellaneous	542,589	501,155	523,231	479,341	1,065,820	980,496
Total revenues	\$ 14,867,441	9,883,759	6,701,490	8,383,258	21,568,931	18,267,017

Last year's increase in sales tax revenues of \$460,813 was followed by an increase in sales tax revenues of \$370,175 for 2022. 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 increased by \$148,340 and Grant revenues increased by \$3,784,289, due to the American Relief Plan Grant. In addition, governmental expenses increased by \$1,008,191.

Utility revenues had an overall decrease of (\$1,681,768) for operating revenues, due in part to \$2,085,615 received in prior fiscal year from the Texas Water Development Board (TWDB) in loan forgiveness. There was also a decrease in the utility fund expenses of (\$92,846).

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2022	2021	2022	2021	2022	2021
Expenses						
General Government	\$ 2,199,292	2,924,869	-	-	2,199,292	2,924,869
Judicial	309,788	284,662	-	-	309,788	284,662
Public safety	4,727,430	3,654,283	-	-	4,727,430	3,654,283
Public works	1,266,107	734,245	-	-	1,266,107	734,245
Highways and Streets	187,491	172,950	-	-	187,491	172,950
Culture and Recreation	492,739	419,224	-	-	492,739	419,224
Libraries	345,076	333,323	-	-	345,076	333,323
Economic Development	879,804	707,140	-	-	879,804	707,140
Bond Interest	598,329	732,543	-	-	598,329	732,543
Fiscal agent fees	1,873	36,499	-	-	1,873	36,499
Utility Fund	-	-	4,715,819	4,808,665	4,715,819	4,808,665
Total expenses	\$ 11,007,929	9,999,738	4,715,819	4,808,665	15,723,748	14,808,403

In 2022, 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.

#### **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 2022-2023.

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 \$148,201 fund balance.

As discussed above, the utility fund's operations ended the year with a \$960,014 increase in net position. The utility fund has net position of \$22,393,046 at the end of the year. However, \$10,961,217 is restricted for investment in capital assets, net of related debt. Unrestricted net position of \$11,431,829 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 \$745,038. Expenditures had an overall increase of \$466,606.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

**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	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,292,630	2,292,630	346,536	346,536	2,639,166	2,639,166
Infrastructure	14,332,899	14,332,899	36,105,667	36,105,667	50,438,566	50,438,566
Buildings	3,977,733	3,607,027	1,914,682	1,914,682	5,892,415	5,521,709
Machinery and Equipment	10,137,219	9,385,256	3,466,862	3,298,593	13,604,081	12,683,849
Construction in Progress	837,033	153,716	1,975,670	1,680,597	2,812,703	1,834,313
Right-to-use lease asset, Equipment	30,273	-	-	-	30,273	-
Depreciation	(13,425,617)	(12,632,371)	(11,729,828)	(10,760,978)	(25,155,445)	(23,393,349)
Total assets	\$ 18,182,170	17,139,157	32,079,588	32,585,097	50,261,758	49,724,254

The City added approximately \$2,299,600 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 \$1,762,096 was also recorded for the year.

**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	
	2022	2021	2022	2021	2022	2021
General obligation debt	\$ 18,055,000	18,825,000	20,983,000	22,042,000	39,038,000	40,867,000
Capital leases payable	42,125	61,829	155,353	191,533	197,478	253,362
Right-to-use lease payable	20,371	-	-	-	20,371	-
Total debt	\$ 18,097,125	18,886,829	21,138,353	22,233,533	39,235,478	41,120,362

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 \$0.155551.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

**Economic Factors**

Financially the city continues to show growth and increases in revenues. Improved property valuations, the addition of sales tax generating businesses, improved sources of revenue, and tight oversight of spending have all attributed to the city's current financial position.

**Sales Tax:**

During Fiscal year 2022-2023, the projected sales tax revenue is \$5,581,011.33. This is a \$418,188.64 increase from the current fiscal year. The city is expecting this number to grow with the addition of new commercial locations arriving within city limits. Our local residents and many travelers are shopping in Rio Grande City instead of taking their business elsewhere. A larger Tractor Supply should complete construction in late Spring of 2023. Blue Wave, Take 5, Texas Regional Bank, Los Pinos Hardware Store, Dutch Bros Coffee and several other franchises have gone through our planning department for permitting. A large medical plaza lead by Doctors Hospital of Renaissance is also in the ground work phase and is projected to bring commercial interest to the west side of the city.

Fiscal Year	Revenue
12-13	\$ 3,645,826.33
13-14	\$ 3,812,936.75
14-15	\$ 4,106,015.48
15-16	\$ 3,941,358.77
16-17	\$ 3,576,157.14
17-18	\$ 3,784,620.78
18-19	\$ 4,111,302.29
19-20	\$ 4,316,062.09
20-21	\$ 4,883,956.38
21-22	\$ 5,162,822.69
22-23	\$ 5,581,011.33

**Sales Tax Revenue last 10 years**



**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022

**Property Tax:**

Our property tax revenues continue to show increases. This past year alone, a 10.22% increase was reported. This is due to the increase in valuations, property improvements, new home and apartment builds and the creation of many new subdivisions within city limits.

<b>Fiscal Year</b>	<b>Taxable Values (\$)</b>	<b>Percent Increase (%)</b>
2017-2018	473,517,230	
2018-2019	496,622,478	4.88
2019-2020	511,024,377	2.90
2020-2021	527,196,512	3.16
2021-2022	601,389,368	14.07
2022-2023	662,836,735	10.22

**Municipal Operating Budget:**

The city is reporting record number collections in sales and property taxes. When planning for the annual budget, we take a modest approach by keeping expenses at a minimum. This is done by requesting quotes, taking advantage of pricing through Buy Board and Omnia Partners, applying for grants, and creating improved sources of revenue. This past year, we implemented fire inspection fees and started a fleet program with maintenance package for our Public Utilities department. Our plans include purchasing new vehicles to keep our maintenance costs down and improved fuel efficiency. Our Boys and Girls Club is currently being rented by Advance headstart and monthly rent is collected. We started renting our softball fields to a local league. Our tower lease agreement will be negotiated late this year and is expected to bring additional revenues to the city. The monies from the American Rescue Plan Act (ARPA) are carefully being considered to maximize use. Our CO's project for the Public Safety Building has been bid out and existing properties are being looked at to improve our animal kennels and public works offices.

In closing, we are proud to report nothing but positive increases to the city's finances. Rio Grande City has become a desirable location to live and shop with no foreseeably end in sight.

**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, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

EXHIBIT A-1

	Primary Government		
	Governmental	Business -	
	Activities	Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,600,452	\$ (53,026)	\$ 4,547,426
Investments - Current	17,740,325	3,408,521	21,148,846
Taxes Receivable, Net	1,815,412	-	1,815,412
Accounts Receivable, Net	1,718,814	1,295,025	3,013,839
Due from Other Governments	112,582	-	112,582
Due from Other Funds	(82,669)	82,669	-
Due from Others	262,457	56,810	319,267
Inventories	-	8,479	8,479
Prepaid Items	7,318	-	7,318
Restricted - Cash and Cash Equivalents	207,831	7,423,496	7,631,327
Capital Assets:			
Land	2,292,630	346,536	2,639,166
Infrastructure, Net	8,611,258	26,849,580	35,460,838
Buildings, Net	3,129,266	809,731	3,938,997
Machinery and Equipment, Net	3,292,493	2,098,071	5,390,564
Right-to-Use Lease Assets, Net	19,490	-	19,490
Construction in Progress	837,033	1,975,670	2,812,703
Net Pension Asset	187,196	57,981	245,177
Total Assets	44,751,888	44,359,543	89,111,431
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	-	688,365	688,365
Deferred Resource Outflow Related to Pension/OPEB	408,054	63,674	471,728
Total Deferred Outflows of Resources	408,054	752,039	1,160,093
<b>LIABILITIES</b>			
Accounts Payable	599,327	513,220	1,112,547
Wages and Salaries Payable	382,277	74,059	456,336
Due to State	626,616	-	626,616
Accrued Interest Payable	90,918	45,613	136,531
Noncurrent Liabilities:			
Due Within One Year	1,028,485	1,187,937	2,216,422
Due in More Than One Year:			
Debt Due Within One Year	19,825,488	20,618,799	40,444,287
Net OPEB Liability	270,696	83,844	354,540
Total Liabilities	22,823,807	22,523,472	45,347,279
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Resource Inflow Related to Pension/OPEB	829,267	195,064	1,024,331
Total Deferred Inflows of Resources	829,267	195,064	1,024,331
<b>NET POSITION</b>			
Net Investment in Capital Assets and Lease Assets	(2,671,804)	10,961,217	8,289,413
Restricted:			
Restricted for Federal or State Funds	3,898,514	-	3,898,514
Restricted for Capital Projects	12,237,874	-	12,237,874
Restricted for Debt Service	148,201	-	148,201
Restricted for Other Purposes	2,637,706	-	2,637,706
Unrestricted	5,256,376	11,431,829	16,688,205
Total Net Position	\$ 21,506,867	\$ 22,393,046	\$ 43,899,913

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

CITY OF RIO GRANDE CITY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 208	\$ -	\$ 3,687,703
Mayor and Council	26,967	-	-
City Manager	61,559	-	-
Administration	1,230,692	28,995	-
City Secretary	123,807	-	-
Finance	270,379	-	-
Personnel	89,906	-	-
Planning	395,774	-	-
Judicial	309,788	298,285	-
Police	3,697,853	137,012	587,601
Fire Protection	1,029,577	9,479	-
Public Works	1,266,107	-	-
Highway and Streets	187,491	-	-
Culture, recreation and parks	492,739	13,360	-
Library	345,076	-	1,055
Economic Development and Assistance	879,804	-	-
Interest on Debt and Right-to-Use Leases	598,329	-	-
Other Debt Service	1,873	-	-
Total Governmental Activities	11,007,929	487,131	4,276,359
BUSINESS-TYPE ACTIVITIES:			
Water, Sewer & Sanitation Fund	4,715,819	6,130,687	-
Total Business-Type Activities	4,715,819	6,130,687	-
TOTAL PRIMARY GOVERNMENT	\$ 15,723,748	\$ 6,617,818	\$ 4,276,359

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Delinquent Property Taxes

AD Valorem Tax Relief Revenue

General Sales and Use Taxes

Franchise Tax

Hotel/Motel Tax

Penalty and Interest on Taxes

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
3,687,495	-	3,687,495
(26,967)	-	(26,967)
(61,559)	-	(61,559)
(1,201,697)	-	(1,201,697)
(123,807)	-	(123,807)
(270,379)	-	(270,379)
(89,906)	-	(89,906)
(395,774)	-	(395,774)
(11,503)	-	(11,503)
(2,973,240)	-	(2,973,240)
(1,020,098)	-	(1,020,098)
(1,266,107)	-	(1,266,107)
(187,491)	-	(187,491)
(479,379)	-	(479,379)
(344,021)	-	(344,021)
(879,804)	-	(879,804)
(598,329)	-	(598,329)
(1,873)	-	(1,873)
(6,244,439)	-	(6,244,439)
-	1,414,868	1,414,868
-	1,414,868	1,414,868
(6,244,439)	1,414,868	(4,829,571)
2,124,673	-	2,124,673
811,326	-	811,326
212,754	-	212,754
1,302,846	-	1,302,846
4,051,106	-	4,051,106
664,200	-	664,200
69,192	-	69,192
158,774	-	158,774
542,589	523,231	1,065,820
166,491	47,572	214,063
1,025,657	(1,025,657)	-
11,129,608	(454,854)	10,674,754
4,885,169	960,014	5,845,183
16,579,958	21,433,032	38,012,990
41,740	-	41,740
\$ 21,506,867	\$ 22,393,046	\$ 43,899,913

CITY OF RIO GRANDE CITY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Series 2020 C/O's
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ (3,558)	\$ 39,915	\$ 9,669
Investments - Current	3,403,083	-	12,418,679
Taxes Receivable	1,353,926	556,746	-
Allowance for Uncollectible Taxes (credit)	(67,696)	(27,564)	-
Accounts Receivable, Net	1,475,965	-	-
Due from Other Governments	66,804	-	-
Due from Other Funds	313,296	119,700	5,948
Due from Others	-	-	-
Prepaid Items	7,318	-	-
<b>Total Assets</b>	<b>\$ 6,549,138</b>	<b>\$ 688,797</b>	<b>\$ 12,434,296</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 107,075	\$ -	\$ 340,083
Wages and Salaries Payable	123,703	-	-
Payroll Taxes Payable	43,568	-	-
Retainage Payable	-	-	3,718
Due to Other Funds	70,988	11,414	-
Due to Others	626,616	-	-
Unearned Revenues	668,641	-	-
<b>Total Liabilities</b>	<b>1,640,591</b>	<b>11,414</b>	<b>343,801</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	1,286,230	529,182	-
<b>Total Deferred Inflows of Resources</b>	<b>1,286,230</b>	<b>529,182</b>	<b>-</b>
<b>FUND BALANCES</b>			
Prepaid Items	7,318	-	-
Federal or State Funds Grant Restriction	-	-	-
Retirement of Long-Term Debt	-	148,201	-
Other Restricted Fund Balance	-	-	-
Other Assigned Fund Balance	-	-	12,090,495
Unassigned Fund Balance	3,614,999	-	-
<b>Total Fund Balances</b>	<b>3,622,317</b>	<b>148,201</b>	<b>12,090,495</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 6,549,138</b>	<b>\$ 688,797</b>	<b>\$ 12,434,296</b>

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

American Relief Plan Fund	Other Funds	Total Governmental Funds
\$ 3,613,071	\$ 1,149,186	\$ 4,808,283
-	1,918,563	17,740,325
-	-	1,910,672
-	-	(95,260)
-	242,849	1,718,814
-	45,778	112,582
-	69,268	508,212
-	262,457	262,457
-	-	7,318
<u>\$ 3,613,071</u>	<u>\$ 3,688,101</u>	<u>\$ 26,973,403</u>
\$ 18,780	\$ 48,660	\$ 514,598
-	5,600	129,303
-	1,588	45,156
-	81,009	84,727
-	508,481	590,883
-	-	626,616
-	-	668,641
<u>18,780</u>	<u>645,338</u>	<u>2,659,924</u>
-	-	1,815,412
-	-	1,815,412
-	-	7,318
3,594,291	304,223	3,898,514
-	-	148,201
-	2,630,388	2,630,388
-	147,379	12,237,874
-	(39,227)	3,575,772
<u>3,594,291</u>	<u>3,042,763</u>	<u>22,498,067</u>
<u>\$ 3,613,071</u>	<u>\$ 3,688,101</u>	<u>\$ 26,973,403</u>

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CITY OF RIO GRANDE CITY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 22,498,067</b>
The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net position.	-0-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(4,929,712)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase (decrease) net position.	2,777,394
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 \$187,196, a deferred resource inflow in the amount of (\$806,005) and a deferred resource outflow in the amount of \$323,468. This resulted in an increase/(decrease) in net position by (\$295,372)	(295,341)
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 (\$270,696), a deferred resource inflow in the amount of (\$23,262), and a deferred resource outflow in the amount of \$84,586. This resulted in an increase/(decrease) in net position by (\$209,372).	(209,372)
The 2022, depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(810,096)
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.	2,475,927
<b>Net Position of Governmental Activities</b>	<b>\$ 21,506,867</b>

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

CITY OF RIO GRANDE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Series 2020 C/O's
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,995,667	\$ 811,326	\$ -
Delinquent Property Taxes	170,898	41,856	-
AD Valorem Tax Relief Revenue	1,302,846	-	-
General Sales and Use Taxes	2,748,260	-	-
Franchise Tax	645,859	-	-
Hotel/Motel Tax	-	-	-
Penalty and Interest on Taxes	102,191	56,583	-
Licenses and Permits	224,178	-	-
Intergovernmental Revenue and Grants	117,951	-	-
Charges for Services	54,442	-	-
Fines	287,160	-	-
Forfeits	-	-	-
Investment Earnings	24,241	1,852	106,320
Other Revenue	192,827	-	26
Total Revenues	7,866,520	911,617	106,346
<b>EXPENDITURES:</b>			
Current:			
General Government	-	-	1,793,798
Mayor and Council	26,967	-	-
City Manager	61,559	-	-
Administration	1,348,793	-	-
City Secretary	121,893	-	-
Finance	270,089	-	-
Personnel	88,719	-	-
Planning	395,498	-	-
Judicial	293,023	-	-
Police	2,783,749	-	-
Fire Protection	1,031,890	-	-
Public Works	1,188,655	-	-
Highway and Streets	187,491	-	-
Culture, recreation and parks	459,494	-	-
Library	320,165	-	-
Economic Development and Assistance	-	-	-
Debt Service:			
Principal on Debt and Right-to-Use Leases	23,992	769,999	-
Interest on Debt and Right-to-Use Leases	3,204	749,811	-
Other Debt Service	-	1,873	-
Total Expenditures	8,605,181	1,521,683	1,793,798
Excess (Deficiency) of Revenues Over (Under)	(738,661)	(610,066)	(1,687,452)
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	1,145	-	-
Proceeds from Right-to-Use Leases	16,648	-	-
Transfers In	1,595,000	1,417,164	-
Transfers Out (Use)	(39,001)	(556,250)	(73,284)
Total Other Financing Sources (Uses)	1,573,792	860,914	(73,284)
Net Change in Fund Balances	835,131	250,848	(1,760,736)
Fund Balance - October 1 (Beginning)	2,726,811	(102,647)	13,851,231
Prior Period Adjustment	60,375	-	-
Fund Balance - September 30 (Ending)	\$ 3,622,317	\$ 148,201	\$ 12,090,495

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



American Relief Plan Fund	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,806,993
-	-	212,754
-	-	1,302,846
-	1,302,846	4,051,106
-	18,341	664,200
-	69,191	69,191
-	-	158,774
-	-	224,178
3,602,728	555,680	4,276,359
-	-	54,442
-	11,125	298,285
-	134,406	134,406
11,570	22,508	166,491
60	52,170	245,083
<u>3,614,358</u>	<u>2,166,267</u>	<u>14,665,108</u>
-	-	1,793,798
-	-	26,967
-	-	61,559
20,037	38,365	1,407,195
-	-	121,893
-	-	270,089
-	-	88,719
-	-	395,498
-	-	293,023
-	495,564	3,279,313
-	-	1,031,890
-	-	1,188,655
-	-	187,491
-	-	459,494
-	-	320,165
-	783,971	783,971
-	2,006	795,997
-	270	753,285
-	-	1,873
<u>20,037</u>	<u>1,320,176</u>	<u>13,260,875</u>
<u>3,594,321</u>	<u>846,091</u>	<u>1,404,233</u>
-	-	1,145
-	13,625	30,273
-	39,001	3,051,165
-	(1,356,973)	(2,025,508)
-	(1,304,347)	1,057,075
3,594,321	(458,256)	2,461,308
(30)	3,519,554	19,994,919
-	(18,535)	41,840
<u>\$ 3,594,291</u>	<u>\$ 3,042,763</u>	<u>\$ 22,498,067</u>

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CITY OF RIO GRANDE CITY, TEXAS  
 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, 2022

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 2,461,308</b>
The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.	-0-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase (decrease) the change in net position.	2,773,788
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 12/31/21 caused the change in the ending net position to increase in the amount of \$226,498. 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 (\$223,500). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$295,158. The result of these changes is to increase/(decrease) the change in net position by \$298,156.	298,156
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 12/31/21 caused the change in the ending net position to increase in the amount of \$3,927. 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 (\$3,853). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by (\$34,828). The result of these changes is to increase/(decrease) the change in net position by (\$34,754).	(34,754)
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.	(806,390)
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.	193,061
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 4,885,169</b>

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

CITY OF RIOGRANDE CITY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2022

EXHIBIT D-1 (Cont'd)

	Business Type Activities
	Water, Sewer & Sanitation
	Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ (53,026)
Investments - Current	3,408,521
Restricted Assets - Current:	
Cash and Cash Equivalents	7,423,496
Accounts Receivable, Net	1,295,025
Due from Other Funds	553,196
Due from Others	56,810
Inventories	8,479
Total Current Assets	<u>12,692,501</u>
Noncurrent Assets:	
Capital Assets:	
Land	346,536
Infrastructure, Net	26,849,580
Buildings, Net	809,731
Machinery and Equipment, Net	2,098,071
Construction in Progress	1,975,670
Net Pension Asset	<u>57,981</u>
Total Noncurrent Assets	<u>32,137,569</u>
Total Assets	<u>44,830,070</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge for Refunding	688,365
Deferred Outflow Related to Pension Plan	37,474
Deferred Resource Outflow Related to OPEB	<u>26,200</u>
Total Deferred Outflows of Resources	<u>752,039</u>

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

CITY OF RIOGRANDE CITY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2022

EXHIBIT D-1

	Business Type Activities Water, Sewer & Sanitation Fund
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	62,472
Wages and Salaries Payable	34,827
Compensated Absences Payable	39,232
Deposits Payable	325,658
Due to Other Funds	470,527
Due to Others	125,090
Accrued Interest Payable	45,613
Total Current Liabilities	<u>1,103,419</u>
Noncurrent Liabilities:	
Debt Due Within One Year	1,187,937
Due in More Than One Year	20,618,799
Net OPEB Liability	83,844
Total Noncurrent Liabilities	<u>21,890,580</u>
Total Liabilities	<u>22,993,999</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	187,859
Deferred Resource Inflow Related to OPEB	7,205
Total Deferred Inflows of Resources	<u>195,064</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets and Lease Assets	10,961,217
Unrestricted	11,431,829
Total Net Position	<u>\$ 22,393,046</u>

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

CITY OF RIO GRANDE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-2 (Cont'd)

	Business-Type Activities Water, Sewer & Sanitation Fund
OPERATING REVENUES:	
Water Sales	\$ 4,012,064
Sewer Charges	1,963,173
Other Services	155,450
Other Revenue	523,231
Total Operating Revenues	<u>6,653,918</u>
OPERATING EXPENSES:	
Administration	
Personnel Services - Salaries and Wages	183,670
Purchased Professional & Technical Services	21,000
Other Operating Costs	161,179
Total Administration	<u>365,849</u>
Billings and Collections	
Personnel Services - Salaries and Wages	164,749
Purchased Professional & Technical Services	12,775
Other Operating Costs	229,340
Total Billings and Collections	<u>406,864</u>
Water System	
Personnel Services - Salaries and Wages	355,124
Purchased Professional & Technical Services	22,776
Other Operating Costs	631,457
Total Water System	<u>1,009,357</u>
Water Plant #1	
Other Operating Costs	14,736
Water Distribution	
Personnel Services - Salaries and Wages	370,749
Purchased Professional & Technical Services	211,263
Other Operating Costs	297,926
Total Water Distribution	<u>879,938</u>
Sewer System	
Personnel Services - Salaries and Wages	94,869
Purchased Professional & Technical Services	207,964
Other Operating Costs	152,363
Total Sewer System	<u>455,196</u>
Sewer Collection	
Personnel Services - Salaries and Wages	98,523
Purchased Professional & Technical Services	7,120
Other Operating Costs	160,042
Total Sewer Collection	<u>265,685</u>
Depreciation	968,850
Total Operating Expenses	<u>4,366,475</u>
Operating Income	<u>2,287,443</u>
NONOPERATING REVENUES (EXPENSES):	

CITY OF RIO GRANDE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-2

	Business-Type Activities Water, Sewer & Sanitation Fund
Investment Earnings	47,572
Interest Expense - Non-Operating	(349,344)
Total Non-Operating Revenue (Expenses)	<u>(301,772)</u>
Income Before Transfers	1,985,671
Nonoperating Transfers In	924,607
Transfers Out (Use)	<u>(1,950,264)</u>
Change in Net Position	960,014
Total Net Position - October 1 (Beginning)	<u>21,433,032</u>
 Total Net Position - September 30 (Ending)	 <u><u>\$ 22,393,046</u></u>

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

CITY OF RIOGRANDE CITY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-3

	Business-Type Activities
	Water, Sewer & Sanitation Fund
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from User Charges	\$ 6,653,918
Cash Payments to Employees for Services	(1,349,268)
Cash Payments for Other Operating Expenses	(2,362,134)
Net Cash Provided by Operating Activities	<u>2,942,516</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>	
Operating Transfer In	924,607
Operating Transfer Out	(1,950,264)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(1,025,657)</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Acquisition of Capital Assets	(463,341)
Principal Paid on Capital Debt	(1,094,080)
Interest Paid on Capital Debt	(349,344)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,906,765)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Purchase of Investment Securities	(116,173)
Interest and Dividends on Investments	47,572
Net Cash Provided by (Used for) Investing Activities	<u>(68,601)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(58,507)
Cash and Cash Equivalents at Beginning of Year	<u>7,428,977</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,370,470</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 2,287,443
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	968,850
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(196,949)
Decrease (Increase) in Inventories	5,093
Decrease (Increase) in Interfund Receivables	(328,774)
Decrease (Increase) in Net Pension Asset	(57,981)
Decrease (Increase) in Pension/OPEB Outflows	(9,742)
Increase (Decrease) in Accounts Payables	(208,089)
Increase (Decrease) in Pension/OPEB Liability	(93,648)
Increase (Decrease) in Interfund Payables	496,526
Increase (Decrease) in Pension/OPEB Inflows	79,787
Net Cash Provided by Operating Activities	<u>\$ 2,942,516</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, 2022**

**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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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 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.

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.

Series 2020 C/O's 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.

American Relief Plan Fund - The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

The City 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):

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.

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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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.

**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 accounting. 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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 the 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.

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, 2022.

**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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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.

**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, 2022**

**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, 2022**

**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 spend 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, 2022**

**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 expenses 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, 2022**

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, 2022, the City's deferred outflows totaled \$471,728.

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, 2022, the City's deferred inflow totaled \$1,024,331.

**Governmental fund level**

This deferred inflow is property taxes received prior to the applicable budget year. As of September 30, 2022, the City's deferred inflowed totaled \$1,815,412.

**Business-Type Activities**

Deferred Outflows for Business-Type Activities is further discussed in Note 9.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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, 2022, expenditures exceeded appropriations as follows:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Mayor and Council	\$ (9,343)
Administration	(169,429)
City Secretary	(17,203)
Judicial	(13,067)
Police	(213,896)
Fire Protection	(64,210)
Public Works	(111,244)
Highway and Streets	(7,050)

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 3      DEPOSITS AND INVESTMENT**

At September 30, 2022 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,178,753 and the bank balance was \$12,608,285. The City's cash deposits at September 30, 2022 and during the period ended September 30, 2022, 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, 2022, the City the following investments:

	Amortized Cost	Weighted Average Maturity (Days)	Standard & Poor's Rating
<u>Governmental Activities</u>			
General Fund			
TexPool	\$ 503,571	24	AAAm
Logic Money Market	2,899,512	35	AAAm
<u>Total General Fund</u>	<u>3,403,083</u>		
Special Revenues Funds:			
Logic Money Market	1,918,563	35	AAAm
<u>Total Special Revenue Fund</u>	<u>1,918,563</u>		
Capital Project Funds:			
Logic Money Market	12,418,679	35	AAAm
<u>Total Special Revenue Fund</u>	<u>12,418,679</u>		
<u>Total Governmental Activities</u>	<u>\$ 17,740,325</u>		

	Amortized Cost	Weighted Average Maturity (Days)	Standard & Poor's Rating
<u>Business-type Activities</u>			
TexPool	\$ 503,571	24	AAAm
Logic Money Market	2,904,920	35	AAAm
Bank of New York Money Market	31		
<u>Total Business-type Activities</u>	<u>\$ 3,408,521</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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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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.

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, 2022, 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, 2022, 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, 2022**

**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	Debt Service Fund	Enterprise Fund	Nonmajor Governmental Funds	Total
<b>Receivables</b>					
Taxes	\$ 1,353,926	\$ 556,746	\$ -	\$ -	\$ 1,910,672
Accounts	-	-	1,600,613	-	1,600,613
Other Receivables	1,475,965	-	-	242,849	1,718,814
Due from other govts.	66,804	-	-	45,778	112,582
<b>Gross Receivables</b>	<b>2,896,695</b>	<b>556,746</b>	<b>1,600,613</b>	<b>288,627</b>	<b>5,342,681</b>
Less: Allowance for uncollectible-taxes	(67,696)	(27,564)	-	-	(95,260)
Less: Allowance for uncollectible-accounts	-	-	(305,588)	-	(305,588)
<b>Net Total Receivables</b>	<b>\$ 2,828,999</b>	<b>\$ 529,182</b>	<b>\$ 1,295,025</b>	<b>\$ 288,627</b>	<b>\$ 4,941,833</b>

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 \$305,588.

***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, 2021, upon which the 2021 levy was based, was \$597,344,615.

For the year ended September 30, 2022, property tax rates were \$.382028 and \$.155551 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, 2022**

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

***Primary Government***

Interfund receivable and payable balances at September 30, 2022 were as follows:

Governmental Funds - Receivable Fund

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 307,830
General Fund	Debt Service Fund	5,466
General Fund	Enterprise Fund	0
Debt Service Fund	Other Governmental Funds	119,700
Capital Projects Fund	Debt Service Fund	5,948
Other Governmental Funds	General Fund	69,268
		<u>\$ 508,212</u>

Proprietary Funds - Receivable Fund

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water, Sewer and Sanitation Fund	Water, Sewer and Sanitation Fund	\$ 470,527
Water, Sewer and Sanitation Fund	Other Governmental Funds	76,900
Water, Sewer and Sanitation Fund	General Fund	5,770
		<u>\$ 553,196</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, 2022, 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	\$ -	\$ -	\$ 39,001	\$ -	\$ 39,001
Capital Projects Fund	-	-	-	243,129	243,129
Debt Service Fund	-	-	-	556,250	556,250
Other Governmental Funds	825,000	236,900	-	125,228	1,187,128
Enterprise Fund	770,000	1,180,264	-	-	1,950,264
<b>Total</b>	<u>\$ 1,595,000</u>	<u>\$ 1,417,164</u>	<u>\$ 39,001</u>	<u>\$ 924,607</u>	<u>\$ 3,975,772</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.

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 less than the annual debt service requirement of the governmental debt.

**CITY OF RIO GRANDE CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance October 1, 2021	Additions	Adjustments/ Deletions	Ending Balance September 30, 2022
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 2,292,630	\$ -	\$ -	\$ 2,292,630
Construction in Progress	153,716	683,317	-	837,033
Total Capital assets, not being depreciated	<u>2,446,346</u>	<u>683,317</u>	<u>-</u>	<u>3,129,663</u>
Capital Asset being depreciated:				
Buildings	3,607,028	370,705	-	3,977,733
Infrastructure	14,332,899	-	-	14,332,899
Machinery and Equipment	9,385,256	768,813	(16,850)	10,137,219
Right-to-use lease assets, Equipment	-	30,273	-	30,273
Total capital assets, being depreciated	<u>27,325,182</u>	<u>1,169,791</u>	<u>(16,850)</u>	<u>28,478,124</u>
Less accumulated depreciation for:				
Buildings	(739,139)	(92,328)	-	(831,467)
Infrastructure	(7,044,252)	(271,731)	-	(7,315,983)
Machinery and Equipment	(4,848,980)	(435,255)	16,850	(5,267,385)
Right-to-use lease assets, Equipment	-	(7,077)	(3,706)	(10,783)
Total accumulated depreciation	<u>(12,632,371)</u>	<u>(806,390)</u>	<u>13,144</u>	<u>(13,425,617)</u>
Total capital assets being depreciated, net	14,692,812	363,401	(3,706)	15,052,507
Governmental activities capital assets, net	<u>\$ 17,139,158</u>	<u>\$ 1,046,718</u>	<u>\$ (3,706)</u>	<u>\$ 18,182,170</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
Administration	\$ 113,186
Judicial	14,970
Public Safety	420,002
Public Works	78,587
Economic Development and Assistance	114,726
Culture, Recreation and Parks	33,986
Library	30,933
Total Depreciation Expense - Governmental Activities	<u>\$ 806,390</u>

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 6 CAPITAL ASSETS (Continued)**

	Beginning Balance October 1, 2021	Additions	Deletions	Ending Balance September 30, 2022
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 346,536	\$ -	\$ -	\$ 346,536
Construction in Progress	1,680,597	295,073	-	1,975,670
Total capital assets, not being depreciated	<u>2,027,133</u>	<u>295,073</u>	<u>-</u>	<u>2,322,206</u>
Capital Assets, being depreciated				
Buildings	1,914,682	-	-	1,914,682
Infrastructure	36,105,667	-	-	36,105,667
Machinery and Equipment	3,298,593	168,269	-	3,466,862
Total capital assets, being depreciated	<u>41,318,942</u>	<u>168,269</u>	<u>-</u>	<u>41,487,211</u>
Less accumulated depreciation for:				
Buildings	(997,351)	(107,600)	-	(1,104,951)
Infrastructure	(8,412,998)	(633,206)	-	(9,046,204)
Machinery and Equipment	(1,350,630)	(228,044)	-	(1,578,673)
Total accumulated depreciation	<u>(10,760,978)</u>	<u>(968,850)</u>	<u>-</u>	<u>(11,729,828)</u>
Total capital assets, being depreciated, net	30,557,964	(800,581)	-	29,757,383
Business-type activities capital assets, net	<u>\$ 32,585,097</u>	<u>\$ (505,509)</u>	<u>\$ -</u>	<u>\$ 32,079,588</u>

Depreciation expense was charged to business-type activities as follows:

Business-Type Activities:

Water, Sewer & Sanitation

Total Depreciation Expense - Business-Type Activities

\$ 968,850

\$ 968,850

As further discussed in Note 13, at September 30, 2022, the City had remaining construction and improvement commitments amounting to \$2,656,953.

**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  
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On November 31, 2019, the City issued \$10,975,000 of Limited Tax Refunding Bonds, Series 2019 with interest rates of 4.00%, with a maturity date of February 15, 2030. The intent of this refunding is to affect a net present value savings of \$670,000 on the refunded issue. The proceeds were used to refund the outstanding Combination Tax & Revenue Certificates of Obligation, Series 2007C and Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2010 which had interest rates ranging from 4.00% - 5.25%.

Governmental bond obligations currently outstanding are as follows:

Governmental Activities

\$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%	\$ 1,245,000
\$2,925,000, Series 2019 Limited Tax Refunding Bonds of Obligation due in annual installments ranging from \$60,000 to \$340,000 from February 15, 2020 through 2030; interest 4.00% to 5.00%	2,380,000
\$15,205,000, Series 2020 Combination Tax & Limited Pledge Revenue C/O's due in annual installments ranging from \$340,000 to \$1,010,000 from February 15, 2021 through 2040; interest 4.00%	<u>14,430,000</u>
Total Bonds Obligations	18,055,000
Less: Current Portion of Bonds Obligations	<u>(850,000)</u>
Bonds Obligations, Net of Current Portion	<u>\$17,205,000</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 850,000	\$ 716,185
2024	910,000	680,825
2025	985,000	642,574
2026	1,025,000	601,841
2027	1,070,000	559,226
2028-2032	5,385,000	2,111,716
2033-2037	4,800,000	1,090,135
2038-2042	3,030,000	180,400
<b>Total</b>	<u>\$ 18,055,000</u>	<u>\$ 6,582,902</u>

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

*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 bonds issued in prior years allocated to Business-Type Activities was \$24,596,000.

Bonds outstanding at September 30, 2022 are as follows:

Business-Type Activities

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% \$ 1,160,000

\$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% 7,660,000

\$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% 453,000

\$7,380,000, Series 2019 Limited Tax Refunding Bonds of Obligation due in annual installments ranging from \$340,000 to \$435,000 from February 15, 2020 through 2040; interest 4.00% to 5.00% 6,475,000

\$5,410,000, Series 2020A Combination Tax & Revenue Certificates of Obligation due in annual installments ranging from \$170,000 to \$220,000 from February 15, 2022 through 2050; interest 0.0% to 1.54% 5,235,000

*\*City of Rio Grande City additionally received \$2,085,615 from Texas Water Development Board in loan forgiveness\**

Bonds Payable 20,983,000

Less: Current Portion of Bonds Payable (1,075,000)

Bonds Payable, Net of Current Portion \$19,908,000

Debt service requirements to maturity for Bonds Payable in Business-Type Activities are as follows:

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,075,000	\$ 325,158
2024	1,082,000	311,506
2025	1,098,000	297,166
2026	1,109,000	282,358
2027	1,131,000	266,872
2028-2032	5,411,000	1,079,419
2033-2037	4,928,000	660,029
2038-2042	5,149,000	339,651
<b>Total</b>	<u>\$ 20,983,000</u>	<u>\$ 3,562,159</u>

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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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, 2022.

*Capital Lease Obligations*

Governmental Activities

Capital lease obligations payable at September 30, 2022, are as follows:

\$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 \$ 42,125

Capital Leases	42,125
Less: Current Portion of Capital Leases	<u>(20,596)</u>

Capital Leases, Net of Current Portion	<u>\$ 21,529</u>
--	------------------

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

<u>Year Ending September 30</u>	<b>Governmental Activities</b>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 20,596	\$ 1,908
2024	21,529	975
2025	-	-
2026	-	-
2027	-	-
Thereafter	-	-
<b>Total</b>	<u>\$ 42,125</u>	<u>\$ 2,883</u>

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**Business-Type Activities:**

**Capital Leases:**

\$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. \$ 129,964

\$39,228 Capital lease payable to First Western Equipment Finance dated April 6, 2022 through May 25, 2024, payable in 3 yearly installments of \$13,838 including interest at 5.950%, secured by a Trimble R12i. 25,389

Capital Leases 155,353  
Less: Current Portion of Capital Leases (76,145)

Capital Leases, Net of Current Portion \$ 79,208

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

<u>Year Ending September 30</u>	<b>Business-Type Activities</b>	
	<b><u>Prinicpal</u></b>	<b><u>Interest</u></b>
2023	\$ 76,145	\$ 6,254
2024	79,208	3,192
2025	-	-
2026	-	-
2027	-	-
Thereafter	-	-
<b>Total</b>	<b><u>\$ 155,353</u></b>	<b><u>\$ 9,446</u></b>

**CITY OF RIO GRANDE CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

***Changes in Long-Term Liabilities***

Long-term activity for the year ended September 30, 2022, was as follows:

	Beginning Balance October 1, 2021	Additions	Reductions	Ending Balance September 30, 2022	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable					
Combination Tax & Limited Revenue Bonds	\$ 14,865,000	\$ -	\$ 435,000	\$ 14,430,000	\$ 505,000
Refunding Bonds	2,630,000	-	250,000	2,380,000	255,000
Combination Tax & Revenue Bond	1,330,000	-	85,000	1,245,000	90,000
Capital Leases	61,829	-	19,704	42,125	20,596
Premium on Refunding	2,886,289	-	149,816	2,736,473	149,816
Total bonds and leases payable	<u>21,773,118</u>	<u>-</u>	<u>939,520</u>	<u>20,833,599</u>	<u>1,020,412</u>
Other long-term liabilities					
Accumulated compensated absences	199,693	207,818	199,693	207,818	-
Net pension liability	344,209	-	344,209	-	-
Net OPEB liability	228,835	41,861	-	270,696	-
Total other long-term liabilities	<u>772,737</u>	<u>249,679</u>	<u>543,902</u>	<u>478,514</u>	<u>-</u>
Total Governmental Activities	<u>\$ 22,545,855</u>	<u>\$ 249,679</u>	<u>\$ 1,483,422</u>	<u>\$ 21,312,113</u>	<u>\$ 1,020,412</u>
<b>Business-Type Activities</b>					
General Obligation Debt	\$ 15,277,000	\$ -	\$ 769,000	\$ 14,508,000	\$ 770,000
Refunding Bonds	6,765,000	-	290,000	6,475,000	305,000
Premium on Refunding	705,174	-	36,792	668,383	36,792
Capital Leases	191,533	39,228	75,408	155,353	76,145
Total bonds and leases payable	<u>22,938,707</u>	<u>39,228</u>	<u>1,171,200</u>	<u>21,806,735</u>	<u>1,187,937</u>
Other long-term liabilities					
Accumulated compensated absences	35,879	39,232	35,879	39,232	-
Net pension liability	106,614	-	106,614	-	-
Net OPEB liability	70,878	12,966	-	83,844	-
Total other long-term liabilities	<u>213,371</u>	<u>52,198</u>	<u>142,493</u>	<u>123,076</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 23,152,079</u>	<u>\$ 91,426</u>	<u>\$ 1,313,693</u>	<u>\$ 21,929,811</u>	<u>\$ 1,187,937</u>

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**Right-To-Use Lease Liabilities Payable**

The City leases photocopy machines with agreements having a 3 and 5-year term. Average payments of \$641 are made monthly which consist of principal and imputed annual interest ranging of 3.25%. No assets were pledged as collateral for these leases.

A summary of Right-To-Use Lease arrangements for the year ended September 30, 2022, is as follows:

	Interest Rate Payable	Original Lease Liability	Current Year Interest	Beginning Balance 10/01/21	Increases	Adjustments/ Decreases	Ending Balance 09/30/22	Amounts Due Within One Year
RICOH LEASE December 2019	3.25%	\$ 3,718	\$ 67	\$ -	\$ 3,718	\$ (2,071)	\$ 1,647	\$ 778
RICOH LEASE November 2020	3.25%	7,666	137	-	7,666	(4,864)	2,803	2,660
RICOH LEASE September 2021	3.25%	8,981	267	-	8,981	(1,713)	7,268	1,770
RICOH LEASE February 2022	3.25%	9,907	203	-	9,907	(1,253)	8,654	1,931
		<b>Total</b>	<b>\$ 674</b>	<b>\$ -</b>	<b>\$ 30,273</b>	<b>\$ (9,902)</b>	<b>\$ 20,371</b>	<b>\$ 7,139</b>

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows:

<b>Year Ending September 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 7,139	\$ 556
2024	4,769	441
2025	4,015	217
2026	3,909	505
2027	538	9
Thereafter	-	-
<b>Total</b>	<b>\$ 20,371</b>	<b>\$ 1,728</b>

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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 \$145,568 in the year ended September 30, 2022.

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

Year	Payment Amount
2023	\$ 143,568
2024	143,568
2025	143,568
2026	143,529
2027	-
Total	<u>\$ 574,233</u>

**NOTE 9 DEFERRED OUTFLOWS – BUSINESS-TYPE ACTIVITIES**

In the Statement of Net Position (Exhibit D-1), the City reports cumulative charges on refunding as net deferred outflows in the amount of \$688,365.

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Charge on Refunding	\$ 726,257	\$ -	\$ 37,892	\$ 688,365
Total	<u>\$ 726,257</u>	<u>\$ -</u>	<u>\$ 37,892</u>	<u>\$ 688,365</u>

**NOTE 10 HEALTH CARE COVERAGE**

During the year ended September 30, 2022, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$433 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, 2021, 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, 2021, 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 11      PENSION PLAN**

**A.      Plan Description**

The City of Rio Grande City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member's contributions 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 2021	Plan Year 2022
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

***Employees covered by benefit terms***

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	127
Active employees	155
<b>Total</b>	<b>316</b>



**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**C. Contributions**

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 city's contribution rate is based on the liabilities created from the benefit plan option selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Rio Grande City were required to contribute 6.00% of their annual compensation during the fiscal year. The contribution rates for the City of Rio Grande City were 6.96% and 6.92% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$409,922 and were equal to the required contributions.

**D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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. The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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 member 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 members. 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.

***Changes in the Net Pension Liability:***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2020	\$ 12,255,049	\$ 11,804,225	\$ 450,824
Changes for the year:			
Service cost	699,770	-	699,770
Interest	837,158	-	837,158
Change of benefit terms	-	-	-
Difference between expected and actual experience	57,223	-	57,223
Changes of assumptions	-	-	-
Contributions - employer	-	405,867	(405,867)
Contributions - employee	-	349,885	(349,885)
Net investment income	-	1,541,471	(1,541,471)
Benefit payments, including refunds of employee contributions	(405,176)	(405,176)	-
Administrative expense	-	(7,120)	7,120
Other changes	-	49	(49)
Net changes	1,188,975	1,884,976	(696,001)
Balance at 12/31/2021	\$ 13,444,024	\$ 13,689,201	\$ (245,177)

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

***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	\$ 2,158,901	\$ (245,177)	\$ (2,146,222)

***Pension Plan Fiduciary Net Position:***

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

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

For the year ended September 30, 2022, the City recognized pension expense of \$19,288.

At September 30, 2022, 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)	\$ 45,022	\$ 205,574
Changes in actuarial assumptions	19,268	-
Difference between projected and actual investment earnings (net of current year amortization)	-	788,290
Contributions subsequent to the measurement date	292,726	-
Total	<u>\$ 357,016</u>	<u>\$ 993,864</u>

\$296,652 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, 2022. 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:

2023	\$ (242,846)
2024	(380,155)
2025	(166,054)
2026	(140,519)
2027	-
Thereafter	-

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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.

**Employees covered by benefit terms**

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	30
Active employees	155
Total	<u>208</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 0.12% and 0.12% in calendar year 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$7,097 and were equal to the required contributions.

**Net Pension Liability**

The City's Net OPEB Liability was measured as of December 31, 2021, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Actuarial assumptions:**

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.50% to 11.50% per year - including inflation
Discount rate*	2.00%
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, 2020.*

**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 – 2019 Municipal Retirees of Texas Mortality Tables.** The rates are projected on a fully generational basis with scale UMP.

**Mortality rates – disabled retirees – 2019 Municipal Retirees of Texas Mortality Tables** with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 2.00%. 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.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Total OPEB Liability:**

	<u>Increase (Decrease)</u> Total OPEB Liability
Balance at 12/31/2020	\$ 299,713
Changes for the year:	
Service cost	26,825
Interest	6,239
Change of benefit terms	-
Difference between expected and actual experience	10,133
Changes of assumptions	13,963
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments,	-
including refunds of employee contributions	(2,333)
Administrative expense	-
Other changes	-
Net changes	<u>54,827</u>
Balance at 12/31/2021	<u>\$ 354,540</u>

**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 2.00%, 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 (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	\$ 460,626	\$ 354,540	\$ 278,123

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

For the year ended September 30, 2022, the City recognized OPEB expense in the amount of \$47,951.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

At September 30, 2022, 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)	\$ 24,428	\$ 23,207
Changes in actuarial assumptions	81,214	7,260
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	5,144	-
Total	<u>\$ 110,786</u>	<u>\$ 30,467</u>

\$5,144 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, 2022. 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:		
2023	\$	14,885
2024		14,885
2025		14,885
2026		13,272
2027		11,589
Thereafter		5,659

**NOTE 13 CONSTRUCTION AND IMPROVEMENT COMMITMENTS**

*Construction and Improvement Commitments*

At September 30, 2022 the City had the following significant remaining contractual commitments for construction and improvement projects:

<u>Project</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Wastewater System Lift Improvements	\$ 340,429	2013 CO Construction Fund
Port of Entry Access Road Project	254,254	Economic Development Fund
Wastewater Treatment Plant Rehab & Expansion	2,050,125	Texas Water Development Board
North Fairgrounds Water Line Project	3,186	Public Utilities Fund
VFW 10" Force Main Sewer Line	8,959	Public Utilities Fund
<b>Total</b>	<u><u>\$ 2,656,953</u></u>	

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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 2022, 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. The 2020 COVID-19 (Coronavirus) pandemic continues to disrupt businesses in America and the entire World. The City is striving to be highly attuned and is maintaining a heightened state of readiness for the principal risks and increased uncertainties ahead. Given the potential for rapid spreading of the virus, management will be evaluating the current and potential effects on its operations and financial reporting.

***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 \$1,295,025. Utility customer deposits held at year end totaled \$325,658.

**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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 16      PRIOR PERIOD ADJUSTMENTS**

During the year 2022 the following prior period adjustments were made to clear outstanding items, a prior period adjustment of \$60,375 was made to the General Fund which increased the ending net position and fund balance. An adjustment of (\$18,535) was made to the DHS Stonegarden Fund which decreased the ending fund balance and net position. Additionally, an adjustment of (\$3,606) was made to the government-wide financial statements to adjust the liability and depreciation of the right-to-use lease assets for the fiscal year in accordance with GASB 87 which decreased ending net position and fund balance.

**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:	
Prepaid Items	\$      7,318
Restricted Fund Balance:	
Federal of State Funds Grant Restriction	3,898,514
Capital Projects	12,237,874
Retirement of Long-Term Debt	148,201
Other Restricted Fund Balance	2,630,388
Unassigned	<u>3,575,772</u>
Total Fund Balance	<u><u>\$ 22,498,067</u></u>

**NOTE 18      FUND DEFICITS**

At September 30, 2022, the following Special Revenue funds had deficit fund balances: SRF Airport Fund had a deficit fund balance of (\$6,032), General Sanchez Statue Fund had a deficit fund balance of (\$232), TWDB-SPRP NO 73874 had a deficit fund balance of (\$32,963).

**NOTE 19      GASB 87**

The City implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "longterm" lease provided in GASB 87 and must meet the capitalization level set by the Council. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as an other financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements.

**CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

The right-to-use lease asset capitalization level is determined by the City Council. The term of the lease must be the noncancelable period during which the City has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made.

**NOTE 20      EVALUATION OF SUBSEQUENT EVENTS**

The Council has evaluated subsequent events through March 24, 2023 the date which the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF RIOGRANDE CITY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,952,854	\$ 1,952,854	\$ 1,995,667	\$ 42,813
Delinquent Property Taxes	174,500	174,500	170,898	(3,602)
AD Valorem Tax Relief Revenue	1,228,221	1,228,221	1,302,846	74,625
General Sales and Use Taxes	2,456,442	2,456,442	2,748,260	291,818
Franchise Tax	580,452	580,452	645,859	65,407
Penalty and Interest on Taxes	108,813	108,813	102,191	(6,622)
Licenses and Permits	186,650	186,650	224,178	37,528
Intergovernmental Revenue and Grants	-	-	117,951	117,951
Charges for Services	56,009	56,009	54,442	(1,567)
Fines	281,177	281,177	287,160	5,983
Investment Earnings	25,000	25,000	24,241	(759)
Other Revenue	71,364	71,364	192,827	121,463
Total Revenues	7,121,482	7,121,482	7,866,520	745,038
EXPENDITURES:				
Current:				
Mayor and Council	17,624	17,624	26,967	(9,343)
City Manager	179,028	179,028	61,559	117,469
Administration	1,179,364	1,179,364	1,348,793	(169,429)
City Secretary	104,690	104,690	121,893	(17,203)
Finance	272,335	272,335	270,089	2,246
Personnel	91,336	91,336	88,719	2,617
Planning	405,569	405,569	395,498	10,071
Judicial	279,956	279,956	293,023	(13,067)
Police	2,569,853	2,569,853	2,783,749	(213,896)
Fire Protection	967,680	967,680	1,031,890	(64,210)
Public Works	1,077,411	1,077,411	1,188,655	(111,244)
Highway and Streets	180,441	180,441	187,491	(7,050)
Culture, recreation and parks	464,991	464,991	459,494	5,497
Library	321,101	321,101	320,165	936
Debt Service:				
Principal on Debt and Right-to-Use Leases	23,992	23,992	23,992	-
Interest on Debt and Right-to-Use Leases	3,204	3,204	3,204	-
Total Expenditures	8,138,575	8,138,575	8,605,181	(466,606)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,017,093)	(1,017,093)	(738,661)	278,432
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	1,145	1,145
Proceeds from Right-to-Use Leases	-	-	16,648	16,648
Transfers In	1,081,239	1,081,239	1,595,000	513,761
Transfers Out (Use)	(64,107)	(64,107)	(39,001)	25,106
Total Other Financing Sources (Uses)	1,017,132	1,017,132	1,573,792	556,660
Net Change in Fund Balances	39	39	835,131	835,092
Fund Balance - October 1 (Beginning)	2,726,811	2,726,811	2,726,811	-
Prior Period Adjustment	-	-	60,375	60,375
Fund Balance - September 30 (Ending)	\$ 2,726,850	\$ 2,726,850	\$ 3,622,317	\$ 895,467

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CITY OF RIO GRANDE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 935,467	\$ 935,467	\$ 811,326	\$ (124,141)
Delinquent Property Taxes	42,074	42,074	41,856	(218)
Penalty and Interest on Taxes	42,013	42,013	56,583	14,570
Investment Earnings	2,370	2,370	1,852	(518)
Total Revenues	1,021,924	1,021,924	911,617	(110,307)
EXPENDITURES:				
Debt Service:				
Principal on Debt and Right-to-Use Leases	1,045,000	1,045,000	769,999	275,001
Interest on Debt and Right-to-Use Leases	1,113,186	1,113,186	749,811	363,375
Other Debt Service	38,525	38,525	1,873	36,652
Total Expenditures	2,196,711	2,196,711	1,521,683	675,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,174,787)	(1,174,787)	(610,066)	564,721
OTHER FINANCING SOURCES (USES):				
Transfers In	1,194,953	1,194,953	1,417,164	222,211
Transfers Out (Use)	-	-	(556,250)	(556,250)
Total Other Financing Sources (Uses)	1,194,953	1,194,953	860,914	(334,039)
Change in Fund Balance	20,166	20,166	250,848	230,682
Fund Balance - October 1 (Beginning)	(102,647)	(102,647)	(102,647)	-
Fund Balance - September 30 (Ending)	\$ (82,481)	\$ (82,481)	\$ 148,201	\$ 230,682

CITY OF RIO GRANDE CITY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
<b>A. Total Pension Liability</b>			
Service Cost	\$ 699,770	\$ 653,540	\$ 599,060
Interest (on the Total Pension Liability)	837,158	766,570	704,162
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	57,223	(67,999)	(139,767)
Changes of Assumptions	-	-	49,376
Benefit Payments, Including Refunds of Employee Contributions	(405,176)	(253,774)	(377,234)
Net Change in Total Pension Liability	\$ 1,188,975	\$ 1,098,337	\$ 835,597
Total Pension Liability - Beginning	12,255,049	11,156,712	10,321,115
Total Pension Liability - Ending	\$ 13,444,024	\$ 12,255,049	\$ 11,156,712
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 405,867	\$ 374,186	\$ 357,201
Contributions - Employee	349,885	328,659	304,865
Net Investment Income	1,541,471	802,574	1,378,366
Benefit Payments, Including Refunds of Employee Contributions	(405,176)	(253,774)	(377,234)
Administrative Expense	(7,120)	(5,186)	(7,777)
Other	49	(202)	(234)
Net Change in Plan Fiduciary Net Position	\$ 1,884,976	\$ 1,246,257	\$ 1,655,187
Plan Fiduciary Net Position - Beginning	11,804,225	10,557,969	8,902,782
Plan Fiduciary Net Position - Ending	\$ 13,689,201	\$ 11,804,226	\$ 10,557,969
<b>C. Net Pension Liability (Asset)</b>	<b>\$ (245,177)</b>	<b>\$ 450,823</b>	<b>\$ 598,743</b>
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>101.82%</b>	<b>96.32%</b>	<b>94.63%</b>
<b>E. Covered Payroll</b>	<b>\$ 5,831,418</b>	<b>\$ 5,478,126</b>	<b>\$ 5,081,086</b>
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>(4.20%)</b>	<b>8.23%</b>	<b>11.78%</b>

Note: GASB Codification, Vol. 2, P20.146 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.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.



FY 2019 Plan Year 2018		FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	618,174	\$	614,800	\$	564,952	\$	544,128	\$	492,276
	665,152		608,326		556,171		526,651		513,277
	-		-		-		-		-
	(329,079)		(93,791)		(166,728)		(209,742)		(660,921)
	-		-		-		27,426		-
	(356,293)		(222,015)		(191,301)		(174,484)		(184,520)
\$	597,954	\$	907,320	\$	763,094	\$	713,979	\$	160,112
	9,723,161		8,815,841		8,052,747		7,338,768		7,178,656
\$	10,321,115	\$	9,723,161	\$	8,815,841	\$	8,052,747	\$	7,338,768
\$	372,064	\$	379,671	\$	359,708	\$	390,073	\$	359,165
	316,399		316,635		291,714		286,383		261,514
	(265,113)		1,019,516		436,680		8,788		299,025
	(356,293)		(222,015)		(191,301)		(174,484)		(184,520)
	(5,118)		(5,281)		(4,932)		(5,353)		(3,120)
	(267)		(268)		(266)		(264)		(257)
\$	61,672	\$	1,488,258	\$	891,603	\$	505,143	\$	731,807
	8,841,111		7,352,851		6,461,248		5,956,105		5,224,298
\$	8,902,783	\$	8,841,109	\$	7,352,851	\$	6,461,248	\$	5,956,105
\$	1,418,332	\$	882,052	\$	1,462,990	\$	1,591,499	\$	1,382,663
	86.26%		90.93%		83.40%		80.24%		81.16%
\$	5,270,022	\$	5,277,254	\$	4,861,895	\$	4,773,052	\$	4,358,940
	26.91%		16.71%		30.09%		33.34%		31.72%

CITY OF RIO GRANDE CITY, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2022

	2022	2021	2020
Actuarially Determined Contribution	\$ 409,922	\$ 382,573	\$ 373,297
Contributions in Relation to the Actuarially Determined Contributions	(409,922)	(382,573)	(373,297)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,914,325	\$ 5,521,313	\$ 5,428,479
Contributions as a Percentage of Covered Payroll	6.93%	6.93%	6.88%

Note: GASB Codification, Vol. 2, P20.146 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.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

2019	2018	2017	2016	2015
\$ 356,241	\$ 373,087	\$ 359,708	\$ 390,073	\$ 359,165
(356,241)	(373,087)	(359,708)	(390,073)	(359,165)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,062,113	\$ 5,261,713	\$ 4,861,895	\$ 4,773,052	\$ 4,358,940
7.04%	7.09%	7.40%	8.17%	8.24%

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CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**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	14 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:** There were no benefit changes during the year.

CITY OF RIO GRANDE CITY, TEXAS  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
<b>Total OPEB Liability</b>			
Service Cost	\$ 26,825	\$ 19,721	\$ 14,735
Interest on the Total OPEB Liability	6,239	6,337	7,347
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	10,133	4,749	(38,177)
Changes of Assumptions	13,963	48,605	46,525
Benefit Payments*	(2,333)	(548)	(508)
Net Change in Total OPEB Liability	54,827	78,864	29,922
Total OPEB Liability - Beginning	299,713	220,849	190,927
Total OPEB Liability - Ending	\$ 354,540	\$ 299,713	\$ 220,849
<b>Covered Payroll</b>	\$ 5,831,418	\$ 5,478,126	\$ 5,081,086
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	6.08%	5.47%	4.35%

\*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.

FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
\$	17,391	\$	15,304
	5,530		4,967
	-		-
	24,211		-
	(14,308)		14,866
	(527)		14,338
	32,297		49,475
	158,630		124,021
\$	190,927	\$	173,496
\$	5,270,022	\$	5,277,254
	3.62%		3.29%

CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**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	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**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 1<sup>st</sup> 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.

*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.

*Municipal Jury Fund* accounts for the receipt and use of fines which may only be used to fund juror reimbursements and otherwise finance jury services.

*Local Truancy Prevention and Diversion Fund* accounts for the receipt and use of fines which may only be used for expenses relating to the position of juvenile case manager.

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

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

*General Sanchez Statue Fund* is used to account for revenue and expenditures of funds received for General Sanchez Statue.

*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.

*Texas Water Development Board (TWDB) Project NO. 73874* – is used to account for revenue and expenditures of funds received by TWDB for the construction or improvement of the City's infrastructure.

*American Relief Plan* – is used to account for revenue and expenditures of grant funds received.

**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, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	Hotel Occupancy Tax Fund	Economic Development Corporation	Forfeiture Fund	HIDTA Task Force Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 322,141	\$ (8,984)	\$ 220,200	\$ 16,808
Investments - Current	-	1,918,563	-	-
Accounts Receivable, Net	18,980	219,435	-	-
Due from Other Governments	-	-	-	17,182
Due from Other Funds	-	-	1,280	464
Due from Others	-	-	-	-
Total Assets	<u>\$ 341,121</u>	<u>\$ 2,129,014</u>	<u>\$ 221,480</u>	<u>\$ 34,454</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 100	\$ 14,970	\$ 125	\$ -
Wages and Salaries Payable	615	4,985	-	-
Payroll Taxes Payable	-	1,588	-	-
Retainage Payable	-	-	-	-
Due to Other Funds	3,258	124,994	-	32,741
Total Liabilities	<u>3,973</u>	<u>146,537</u>	<u>125</u>	<u>32,741</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	221,355	1,713
Other Restricted Fund Balance	337,148	1,982,477	-	-
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>337,148</u>	<u>1,982,477</u>	<u>221,355</u>	<u>1,713</u>
Total Liabilities and Fund Balances	<u>\$ 341,121</u>	<u>\$ 2,129,014</u>	<u>\$ 221,480</u>	<u>\$ 34,454</u>

Treasury Forfeiture Fund	Police Training Fund	Border Security Grants Fund	DHS Stonegarden Fund	SRF Airport Fund	PEG Fee Fund	Boys & Girls Club Fund	Mun Court Security Fund
\$ 20,414	\$ 13,703	\$ 7,091	\$ 5,860	\$ 318	\$ 65,849	\$ 21,272	\$ 1
-	-	-	-	-	-	-	-
-	-	-	-	-	4,434	-	-
-	-	-	28,596	-	-	-	-
-	-	80	-	-	-	-	35,738
-	-	-	-	-	-	-	-
<u>\$ 20,414</u>	<u>\$ 13,703</u>	<u>\$ 7,171</u>	<u>\$ 34,456</u>	<u>\$ 318</u>	<u>\$ 70,283</u>	<u>\$ 21,272</u>	<u>\$ 35,739</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,300	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	28,993	4,050	-	-	4,486
-	-	-	28,993	6,350	-	-	4,486
20,414	13,703	7,171	5,463	-	-	-	-
-	-	-	-	-	70,283	21,272	31,253
-	-	-	-	-	-	-	-
-	-	-	-	(6,032)	-	-	-
<u>20,414</u>	<u>13,703</u>	<u>7,171</u>	<u>5,463</u>	<u>(6,032)</u>	<u>70,283</u>	<u>21,272</u>	<u>31,253</u>
<u>\$ 20,414</u>	<u>\$ 13,703</u>	<u>\$ 7,171</u>	<u>\$ 34,456</u>	<u>\$ 318</u>	<u>\$ 70,283</u>	<u>\$ 21,272</u>	<u>\$ 35,739</u>

CITY OF RIOGRANDE CITY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	Mun Court Technology Fund	Mun Court Jury Fund	Mun Court Truancy Prev Fund	Park Fee Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 156,249
Investments - Current	-	-	-	-
Accounts Receivable, Net	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Other Funds	15,075	264	13,127	3,240
Due from Others	-	-	-	-
<b>Total Assets</b>	<b>\$ 15,075</b>	<b>\$ 264</b>	<b>\$ 13,127</b>	<b>\$ 159,489</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Payroll Taxes Payable	-	-	-	-
Retainage Payable	-	-	-	-
Due to Other Funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	-
Other Restricted Fund Balance	15,075	264	13,127	159,489
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
Unassigned Fund Balance	-	-	-	-
<b>Total Fund Balances</b>	<b>15,075</b>	<b>264</b>	<b>13,127</b>	<b>159,489</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,075</b>	<b>\$ 264</b>	<b>\$ 13,127</b>	<b>\$ 159,489</b>



General Sanchez Statue Fund	EDA Grant 0879050 Fund	TWDB-SPRP NO 73874 Fund	Total Nonmajor Special Revenue Funds	Wastewater Project Fund	Total Nonmajor Governmental Funds
\$ 4,768	\$ 6	\$ 75,102	\$ 920,798	\$ 228,388	\$ 1,149,186
-	-	-	1,918,563	-	1,918,563
-	-	-	242,849	-	242,849
-	-	-	45,778	-	45,778
-	-	-	69,268	-	69,268
-	262,457	-	262,457	-	262,457
<u>\$ 4,768</u>	<u>\$ 262,463</u>	<u>\$ 75,102</u>	<u>\$ 3,459,713</u>	<u>\$ 228,388</u>	<u>\$ 3,688,101</u>
\$ -	\$ -	\$ 31,165	\$ 48,660	\$ -	\$ 48,660
-	-	-	5,600	-	5,600
-	-	-	1,588	-	1,588
-	-	-	-	81,009	81,009
5,000	228,059	76,900	508,481	-	508,481
<u>5,000</u>	<u>228,059</u>	<u>108,065</u>	<u>564,329</u>	<u>81,009</u>	<u>645,338</u>
-	34,404	-	304,223	-	304,223
-	-	-	2,630,388	-	2,630,388
-	-	-	-	147,379	147,379
(232)	-	(32,963)	(39,227)	-	(39,227)
<u>(232)</u>	<u>34,404</u>	<u>(32,963)</u>	<u>2,895,384</u>	<u>147,379</u>	<u>3,042,763</u>
<u>\$ 4,768</u>	<u>\$ 262,463</u>	<u>\$ 75,102</u>	<u>\$ 3,459,713</u>	<u>\$ 228,388</u>	<u>\$ 3,688,101</u>

CITY OF RIO GRANDE CITY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Hotel Occupancy Tax Fund	Economic Development Corporation	Forfeiture Fund	HIDTA Task Force Fund
<b>REVENUES:</b>				
Taxes:				
General Sales and Use Taxes	\$ -	\$ 1,302,846	\$ -	\$ -
Franchise Tax	-	-	-	-
Hotel/Motel Tax	69,191	-	-	-
Intergovernmental Revenue and Grants	-	-	-	72,922
Fines	-	-	-	-
Forfeits	-	-	133,059	-
Investment Earnings	2,248	16,748	928	-
Other Revenue	-	9,367	1,675	-
Total Revenues	<u>71,439</u>	<u>1,328,961</u>	<u>135,662</u>	<u>72,922</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Administration	-	-	-	-
Police	-	-	17,802	73,763
Economic Development and Assistance	54,760	729,091	-	-
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	2,006	-	-
Interest on Debt and Right-to-Use Leases	-	270	-	-
Total Expenditures	<u>54,760</u>	<u>731,367</u>	<u>17,802</u>	<u>73,763</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,679</u>	<u>597,594</u>	<u>117,860</u>	<u>(841)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Right-to-Use Leases	-	13,625	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	(1,069,088)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,055,463)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	16,679	(457,869)	117,860	(841)
Fund Balance - October 1 (Beginning)	320,469	2,440,346	103,495	2,554
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 337,148</u>	<u>\$ 1,982,477</u>	<u>\$ 221,355</u>	<u>\$ 1,713</u>

Treasury Forfeiture Fund	Police Training Fund	Border Security Grants Fund	DHS Stonegarden Fund	SRF Airport Fund	PEG Fee Fund	Boys & Girls Club Fund	Mun Court Security Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	18,341	-	-
-	-	-	-	-	-	-	-
-	-	104,998	292,785	-	-	-	-
-	-	-	-	-	-	-	5,813
1,347	-	-	-	-	-	-	-
128	87	-	-	27	381	25	-
-	-	-	-	-	-	-	-
<u>1,475</u>	<u>87</u>	<u>104,998</u>	<u>292,785</u>	<u>27</u>	<u>18,722</u>	<u>25</u>	<u>5,813</u>
-	-	-	-	37,722	-	-	-
556	280	104,998	292,785	-	895	-	4,485
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>556</u>	<u>280</u>	<u>104,998</u>	<u>292,785</u>	<u>37,722</u>	<u>895</u>	<u>-</u>	<u>4,485</u>
919	(193)	-	-	(37,695)	17,827	25	1,328
-	-	-	-	-	-	-	-
-	-	-	-	39,000	-	1	-
-	-	-	-	-	-	-	-
-	-	-	-	39,000	-	1	-
919	(193)	-	-	1,305	17,827	26	1,328
19,495	13,896	7,171	23,998	(7,337)	52,456	21,246	29,925
-	-	-	(18,535)	-	-	-	-
<u>\$ 20,414</u>	<u>\$ 13,703</u>	<u>\$ 7,171</u>	<u>\$ 5,463</u>	<u>\$ (6,032)</u>	<u>\$ 70,283</u>	<u>\$ 21,272</u>	<u>\$ 31,253</u>

CITY OF RIO GRANDE CITY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Mun Court Technology Fund	Mun Court Jury Fund	Mun Court Truancy Prev Fund	Park Fee Fund
<b>REVENUES:</b>				
Taxes:				
General Sales and Use Taxes	\$ -	\$ -	\$ -	\$ -
Franchise Tax	-	-	-	-
Hotel/Motel Tax	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Fines	5,312	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	-	-	919
Other Revenue	-	97	4,813	36,158
Total Revenues	<u>5,312</u>	<u>97</u>	<u>4,813</u>	<u>37,077</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Administration	-	-	-	216
Police	-	-	-	-
Economic Development and Assistance	-	-	-	-
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	-	-	-
Interest on Debt and Right-to-Use Leases	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>216</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,312</u>	<u>97</u>	<u>4,813</u>	<u>36,861</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Right-to-Use Leases	-	-	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	5,312	97	4,813	36,861
Fund Balance - October 1 (Beginning)	9,763	167	8,314	122,628
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 15,075</u>	<u>\$ 264</u>	<u>\$ 13,127</u>	<u>\$ 159,489</u>

General Sanchez Statue Fund	EDA Grant 0879050 Fund	TWDB-SPRP NO 73874 Fund	Total Nonmajor Special Revenue Funds	Wastewater Project Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,302,846	\$ -	\$ 1,302,846
-	-	-	18,341	-	18,341
-	-	-	69,191	-	69,191
-	-	84,975	555,680	-	555,680
-	-	-	11,125	-	11,125
-	-	-	134,406	-	134,406
30	-	214	21,735	773	22,508
-	-	60	52,170	-	52,170
30	-	85,249	2,165,494	773	2,166,267
124	-	132	38,194	171	38,365
-	-	-	495,564	-	495,564
-	120	-	783,971	-	783,971
-	-	-	2,006	-	2,006
-	-	-	270	-	270
124	120	132	1,320,005	171	1,320,176
(94)	(120)	85,117	845,489	602	846,091
-	-	-	13,625	-	13,625
-	-	-	39,001	-	39,001
-	-	(118,040)	(1,187,128)	(169,845)	(1,356,973)
-	-	(118,040)	(1,134,502)	(169,845)	(1,304,347)
(94)	(120)	(32,923)	(289,013)	(169,243)	(458,256)
(138)	34,524	(40)	3,202,932	316,622	3,519,554
-	-	-	(18,535)	-	(18,535)
\$ (232)	\$ 34,404	\$ (32,963)	\$ 2,895,384	\$ 147,379	\$ 3,042,763

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## 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, 2022, 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 24, 2023.

**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 24, 2023

**CITY OF RIO GRANDE CITY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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:

CFDA Number(s)  
N/A

Name of Federal Program or Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

**CITY OF RIO GRANDE CITY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**B. Financial Statement Findings**  
**NONE**

**C. Federal Award Findings and Questioned Costs**  
**NONE**

**CITY OF RIO GRANDE CITY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

N/A

**CITY OF RIO GRANDE CITY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

N/A