



**CITY OF RIO GRANDE CITY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Raul Hernandez & Company, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

5422 Holly Rd. Holly-Staples Square 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, 2015***





City of Rio Grande City, Texas  
Annual Financial Report  
For The Year Ended September 30, 2015

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## *Financial Section*

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**RAUL HERNANDEZ & COMPANY, P.C.**  
Certified Public Accountants  
5422 Holly Rd  
Corpus Christi, Texas 78411  
Office: (361) 980-0428 Fax: (361) 980-1002

**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Grande City, Texas ("the City of Rio Grande City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Rio Grande City's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rio Grande City, Texas as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2017 on our consideration of City of Rio Grande City, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Respectfully submitted,



Raul Hernandez & Company, P.C.

Corpus Christi, Texas  
April 13, 2017

## **Management's Discussion & Analysis (MD&A)**

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**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2015

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, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The City's total net position decreased by (\$1,169,014) for the year, which is a change of 5%. The governmental activities increase was \$227,082 while the business-type activities showed a decrease of (\$1,396,096).
- Last year's increase in sales tax revenues of \$1,555,253 was followed by a decrease in sales tax revenues of (\$76,649) for 2015.
- There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues decreased by \$531,758. In addition, administrative capital outlay increased by \$1,454,745 which was due to purchase of land made by the City. Utility operating revenues had a decrease of (\$1,055,156) for operating revenues. There was an increase in the utility fund personnel costs of \$65,621.
- The City added approximately \$2,433,439 to capital assets during the year. Capital additions include purchase of land, remodeling, equipment purchases – including computers, utility trailer, mower, utility tractor, 2014 Broom Sweeper, and construction in progress of waterline upgrades among others. Depreciation expense of \$1,117,488 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.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

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

**Fund financial statements**

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

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

**Notes to the financial statements**

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

**Condensed Financial Information**

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

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Government-wide net position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,794,001	7,442,034	2,659,387	3,387,747	10,453,388	10,829,781
Capital assets	14,965,137	13,469,097	30,982,829	31,273,654	45,947,966	44,742,751
Total assets	22,759,138	20,911,131	33,642,216	34,661,401	56,401,354	55,572,532
Deferred Outflows of Resources	265,641	-	70,613	-	336,254	-
Long-term liabilities	8,248,549	8,070,573	21,479,115	21,426,442	29,727,664	29,497,015
Other liabilities	1,862,359	590,969	774,062	495,428	2,636,421	1,086,397
Total liabilities	10,110,908	8,661,542	22,253,177	21,921,870	32,364,085	30,583,412
Deferred Outflows of Resources	437,200	-	116,217	-	553,417	-
Net position:						
Invested in capital assets, net of debt	6,716,588	5,398,524	9,503,714	9,847,212	16,220,302	15,245,736
Restricted	2,439,515	1,129,810	-	-	2,439,515	1,129,810
Assigned	2,143,360	-	-	-	2,143,360	-
Unrestricted	1,177,208	5,721,255	1,839,721	2,892,319	3,016,929	8,613,574
Total net position	\$ 12,476,671	12,249,589	11,343,435	12,739,531	23,820,106	24,989,120

The City's governmental activities showed a increase in net position of \$227,082. Capital assets for governmental activities increased by \$1,496,040.

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	
	2015	2014	2015	2014	2015	2014
Change in net assets						
Total revenues	\$ 9,977,519	10,623,988	3,877,583	4,931,725	13,855,102	15,555,713
Total expenses	(9,224,157)	(8,431,189)	(3,344,257)	(3,537,191)	(12,568,414)	(11,968,380)
Change before transfers	753,362	2,192,799	533,326	1,394,534	1,286,688	3,587,333
Transfers	751,952	1,243,334	(751,952)	(1,243,334)	-	-
Special Items - Resources						-
Special Items - Uses						-
Change in net position	1,505,314	3,436,133	(218,626)	151,200	1,286,688	3,587,333
Net position - beginning	12,249,585	8,813,456	12,739,530	12,588,331	24,989,115	21,401,787
Reclass of Beg Net Position	(1,278,228)	-	(1,197,469)	-	(2,475,697)	-
Net position - ending	\$ 12,476,671	12,249,589	11,323,435	12,739,531	23,800,106	24,989,120

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 1,435,357	1,967,115	3,874,622	4,929,778	5,309,979	6,896,893
General revenues:						
Maintenance and						
Operations Taxes	3,050,484	2,815,478	-	-	3,050,484	2,815,478
Debt Service Taxes	451,922	592,324	-	-	451,922	592,324
Grants	658,872	874,727	-	-	658,872	874,727
Sales tax	4,199,622	4,276,271	-	-	4,199,622	4,276,271
Investment Earnings	5,306	4,854	2,961	1,947	8,267	6,801
Miscellaneous	175,956	93,219	-	-	175,956	93,219
Total revenues	\$ <u>9,977,519</u>	<u>10,623,988</u>	<u>3,877,583</u>	<u>4,931,725</u>	<u>13,855,102</u>	<u>15,555,713</u>

Last year's increase in sales tax revenues of \$1,555,253 was followed by a decrease in sales tax revenues of (\$76,649) for 2015. The decrease in the sales tax was due to changes in the economical conditions in the City of Rio Grande City.

There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues decreased by \$531,758. In addition, administrative capital outlay increased by \$1,454,745 which was due to purchase of land made by the City.

Utility operating revenues had a decrease of (\$1,055,156) for operating revenues. There was an increase in the utility fund personnel costs of \$65,621.



**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2015	2014	2015	2014	2015	2014
Expenses						
General Government	\$ 2,088,687	1,530,897	-	-	2,088,687	1,530,897
Judicial	147,506	136,927	-	-	147,506	136,927
Public safety	4,100,902	3,165,442	-	-	4,100,902	3,165,442
Public works	665,882	979,914	-	-	665,882	979,914
Highways and Streets	174,169	182,206	-	-	174,169	182,206
Culture and Recreation	383,294	316,814	-	-	383,294	316,814
Libraries	300,733	237,268	-	-	300,733	237,268
Conservation & Development	-	316,895	-	-	-	316,895
Economic Development	798,502	841,154	-	-	798,502	841,154
Bond Interest	564,482	723,672	-	-	564,482	723,672
Utility Fund	-	-	3,334,257	3,537,191	3,334,257	3,537,191
Total expenses	\$ 9,224,157	8,431,189	3,334,257	3,537,191	12,558,414	11,968,380

### Financial Analysis of the City's Funds

The City has experienced a decrease in sales tax revenue due to current economic conditions. We attribute some of this loss in local sales to the lay-off of pipe liners. Many residents were working in the pipe lines and would send the money to their families.

The city has maintained the same tax rate for the past three fiscal years, and adopted a conservative budget for 2015-2016.

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 \$512,922 fund balance. The debt service fund has a fund balance greater than the annual debt service requirement of the governmental debt. The capital depreciation fund was established and has been maintained with transfers from the general fund to set aside excess sales tax revenue to be used for major capital expenditures.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

As discussed above, the utility fund's operations ended the year with a (\$218,626) decrease in net position. The utility fund has net position of \$11,343,435 at the end of the year. However, \$9,503,714 is restricted for investment in capital assets, net of related debt. Unrestricted net position of \$1,839,721 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 \$627,820. Expenditures had a negative variance of \$2,428,563.

**Capital Asset and Debt Administration**

**Capital assets**

The following capital asset information is presented net of depreciation. More detailed information can be found on pages 30 and 31 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,292,629	1,075,865	339,036	339,036	2,631,665	1,414,901
Infrastructure, net	7,069,000	1,274,393	34,037,080	34,037,080	41,106,080	35,311,473
Buildings, net	3,060,077	8,526,433	1,600,173	1,592,023	4,660,250	10,118,456
Machinery and Equipment, net	2,543,430	2,592,405	667,606	651,888	3,211,036	3,244,293
Capital Assets, net	-	-	(5,893,022)	(5,346,373)	(5,893,022)	(5,346,373)
Construction in Progress	-	-	231,955	-	231,955	-
Other Assets	-	-	-	-	-	-
Total assets	\$ 14,965,136	13,469,096	30,982,828	31,273,654	45,947,964	44,742,750

The City added approximately \$2,433,439 to capital assets during the year. Capital additions include purchase of land, remodeling, equipment purchases – including computers, utility trailer, mower, utility tractor, 2014 Broom Sweeper, and construction in progress of waterline upgrades among others. Depreciation expense of \$1,117,488 was also recorded for the year.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Debt**

More detailed information on the City's debt can be found on pages 32-34 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General obligation debt	\$ 7,171,003	7,546,756	21,340,000	22,111,000	28,511,003	29,657,756
Capital leases payable	1,077,546	523,817	139,115	165,442	1,216,661	689,259
Total debt	<u>\$ 8,248,549</u>	<u>8,070,573</u>	<u>21,479,115</u>	<u>22,276,442</u>	<u>29,727,664</u>	<u>30,347,015</u>

The City's general obligation bond rating is A+ as assigned by the national rating agency Standard and Poor's. There is no direct debt limitation in the City Charter or under state law. The Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The actual amount of debt the City might be able to fund with that tax rate depends on the term over which the debt is to be repaid, the interest rate on the debt, and the amount of taxes which are not collected. The City's current debt service tax rate is \$0.112724.

**Economic Factors and Next Year's Budgets and Rates**

The City did experience high sales tax increases. Towards the last four month of 2015 and into 2016, the sales have been decreasing compared to the previous year (2015). We attribute some of this loss in local sales to the lay-off of pipe liners. Many residents were working in the pipe lines and would send the money to their families. The City has maintained the same tax rate for the past three fiscal years, and adopted a conservative budget for 2015-2016. The resignation of previous Mayor Ruben O. Villarreal prompted a Special Election in 2015 that was not budgeted, and the money received from the sales tax of the gas line going into Mexico allowed to purchase a building for the relocation of City Hall. The General Fund purchased the property from Plains Capital Bank in the amount of \$1,327,500. The RGC Economic Development Corporation purchased Suite B from the City and paid \$400,000.

**CITY OF RIO GRANDE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The RGC EDC re-constructed the courtyard at the Kelsey Bass Building, furthering the tourism efforts in the Historic Main Street. In 2015 we were funded a grant for \$1.2 million from the Economic Development Administration for drainage improvements that would protect public infrastructure and support new business development. The City completed a Texas Department of Agriculture grant, (Project #713409) for \$293,417 that provided first time sewer service to 29 homes. Currently, the City is completing applications to the Texas Water Development Board for funding to replace an elevated water storage tank. The City's elected officials considered many factors when setting the 2016 budget. The City was conservative in the amount budgeted for sales tax in 2016. For 2016, the City budgeted \$73,338 more than budgeted for 2015 and projected to receive \$346,131 more than the actual amount received in 2015 in revenues. The City Council adopted a tax rate of \$.51449 per \$100 valuation. The City was able to maintain the same rate that was adopted in 2014, thus eliminating a hike in the overall property tax base.

**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.



## *Basic Financial Statements*

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## CITY OF RIO GRANDE CITY, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<i>Cash and Cash Equivalents</i>	\$ 3,295,729	\$ 1,559,467	\$ 4,855,196
<i>Investments-Current</i>	1,607,624	1,596,578	3,204,202
<i>Taxes Receivables ( net of allowances for uncollectibles):</i>	1,317,218	--	1,317,218
<i>Accounts Receivable</i>	943,247	116,938	1,060,185
<i>Internal Balances</i>	630,183	(630,183)	--
<i>Inventories</i>	--	16,587	16,587
 Capital Assets ( net of accumulated depreciation):			
<i>Land</i>	2,292,630	339,036	2,631,666
<i>Buildings and System</i>	3,083,553	1,190,116	4,273,669
<i>Machinery and Equipment</i>	2,899,666	471,026	3,370,692
<i>Infrastructure</i>	6,689,288	28,750,696	35,439,984
<i>Construction in Progress</i>	--	231,955	231,955
Total Assets	<u>22,759,138</u>	<u>33,642,216</u>	<u>56,401,354</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	265,641	70,613	336,254
Total Deferred Outflows of Resources	<u>265,641</u>	<u>70,613</u>	<u>336,254</u>
 <b>LIABILITIES:</b>			
<i>Accounts Payable and Other Current Liabilities</i>	110,651	22,122	132,773
<i>Accrued Wages Payable</i>	136,981	36,800	173,781
<i>Accrued Interest Payable</i>	41,992	79,663	121,655
<i>Unearned Revenue</i>	479,306	--	479,306
<i>Liabilities Payable from Restricted Assets</i>	1,125	345,118	346,243
Noncurrent Liabilities-			
<i>Due within one year</i>	711,213	802,473	1,513,686
<i>Due in more than one year</i>	7,537,336	20,676,642	28,213,978
<i>Net Pension Obligation</i>	1,092,304	290,359	1,382,663
Total Liabilities	<u>10,110,908</u>	<u>22,253,177</u>	<u>32,364,085</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	437,200	116,217	553,417
Total Deferred Inflows of Resources	<u>437,200</u>	<u>116,217</u>	<u>553,417</u>
 <b>NET POSITION:</b>			
Net Investment in Capital Assets	6,716,588	9,503,714	16,220,302
Restricted For:			
Federal or State Funds Grant Restriction	181,881	--	181,881
Debt Service	512,922	--	512,922
Capital Projects	1,744,712	--	1,744,712
Assigned	2,143,360	--	2,143,360
Unrestricted	1,177,208	1,839,721	3,016,929
Total Net Position	<u>\$ 12,476,671</u>	<u>\$ 11,343,435</u>	<u>\$ 23,820,106</u>

The accompanying notes are an integral part of this statement.

**CITY OF RIO GRANDE CITY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General Government	\$ 2,088,687	\$ 1,021,354	\$ 231,955
Public Safety	4,100,902	228,215	354,917
Judicial	147,506	185,788	--
Streets and Lighting	174,169	--	--
Public Works	665,882	--	--
Culture, Recreation & Parks	383,294	--	--
Library	300,733	--	--
Economic Development and Assistance	798,502	--	--
Interest on Long-term Debt	535,461	--	--
Fiscal Agent Fees	29,021	--	--
Total Governmental Activities	<u>9,224,157</u>	<u>1,435,357</u>	<u>586,872</u>
Business-type Activities:			
Water, Sewer, & Sanitation	<u>3,344,257</u>	<u>3,874,622</u>	--
Total Business-type Activities	<u>3,344,257</u>	<u>3,874,622</u>	--
Total Primary Government	<u>\$ 12,568,414</u>	<u>\$ 5,309,979</u>	<u>\$ 586,872</u>
General Revenues:			
Property Taxes			
Sales Taxes			
Grants and Contributions Not Restricted to Specific Programs			
Investment Earnings			
Miscellaneous Revenues			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets - Beginning			
Prior Period Adjustment			
Net Position - Beginning, as Restated			
Net Assets - Ending			

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (835,378)		\$ (835,378)
(3,517,770)		(3,517,770)
38,282		38,282
(174,169)		(174,169)
(665,882)		(665,882)
(383,294)		(383,294)
(300,733)		(300,733)
(798,502)		(798,502)
(535,461)		(535,461)
(29,021)		(29,021)
<u>(7,201,928)</u>		<u>(7,201,928)</u>
--	\$ 530,365	530,365
--	530,365	530,365
<u>(7,201,928)</u>	<u>530,365</u>	<u>(6,671,563)</u>
3,502,406	--	3,502,406
4,199,622	--	4,199,622
72,000	--	72,000
5,306	2,961	8,267
175,956	--	175,956
751,952	(751,952)	--
<u>8,707,242</u>	<u>(748,991)</u>	<u>7,958,251</u>
1,505,314	(218,626)	1,286,688
12,249,585	12,739,530	24,989,115
(1,278,228)	(1,177,469)	(2,475,697)
10,971,357	11,562,061	22,533,418
<u>\$ 12,476,671</u>	<u>\$ 11,343,435</u>	<u>\$ 23,800,106</u>

**CITY OF RIO GRANDE CITY, TEXAS****BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2015

	General Fund	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
<i>Cash and Cash Equivalents</i>	\$ 382,286	\$ 609,759	\$ 2,303,684	\$ 3,295,729
<i>Investments</i>	501,154	1,084,105	22,365	1,607,624
<i>Receivables ( net of allowances for uncollectibles):</i>	1,639,920	150,306	470,239	2,260,465
<i>Due from Other Funds</i>	1,357,779	--	480,488	1,838,267
Total Assets and Other Debits	<u>\$ 3,881,139</u>	<u>\$ 1,844,170</u>	<u>\$ 3,276,776</u>	<u>\$ 9,002,085</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
<i>Accounts Payable</i>	\$ 60,652	\$ 26,589	\$ 2,064	\$ 89,305
<i>Accrued Wages Payable</i>	136,551	--	430	136,981
<i>Retainage Payable</i>	--	--	21,346	21,346
<i>Due to Other Funds</i>	830,785	8,733	368,566	1,208,084
<i>Deferred Revenue</i>	479,306	--	--	479,306
<i>Customer Deposits</i>	1,125	--	--	1,125
Total Liabilities	<u>1,508,419</u>	<u>35,322</u>	<u>392,406</u>	<u>1,936,147</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue-Property Taxes	1,028,519	--	288,387	1,316,906
Total Deferred Inflows of Resources	<u>1,028,519</u>	<u>--</u>	<u>288,387</u>	<u>1,316,906</u>
<b>Fund Balances:</b>				
Restricted Fund Balances:				
<i>Federal or State Funds Grant Restriction</i>	--	--	181,881	181,881
<i>Restricted for Debt Service</i>	--	--	512,922	512,922
<i>Assigned</i>	--	1,808,848	334,512	2,143,360
Committed				
<i>Construction</i>	--	--	1,744,712	1,744,712
<i>Unassigned Fund Balance</i>	1,344,201	--	(178,044)	1,166,157
Total Fund Balance	<u>1,344,201</u>	<u>1,808,848</u>	<u>2,595,983</u>	<u>5,749,032</u>
Total Liabilities and Fund Balance	<u>\$ 3,881,139</u>	<u>\$ 1,844,170</u>	<u>\$ 3,276,776</u>	<u>\$ 9,002,085</u>

The accompanying notes are an integral part of this statement.

**CITY OF RIO GRANDE CITY, TEXAS**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015*

Total fund balances - governmental funds balance sheet	\$ 5,749,032
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,965,137
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,316,906
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,020,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,077,546)
Payables for bond interest which are not due in the current period are not reported in the funds.	(41,992)
Payables for notes which are not due in the current period are not reported in the funds.	(151,003)
Recognition of the City of Rio Grande City's proportionate share of the net pension liability is not reported in the funds.	(1,092,303)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(437,200)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	265,641
Net position of governmental activities - Statement of Net Position	<u>\$ 12,476,671</u>

The accompanying notes 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, 2015

	General Fund	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes:				
General Property Taxes	\$ 1,586,202	\$ --	\$ 451,922	\$ 2,038,124
General Sales and Use Taxes	3,041,199	1,020,202	138,221	4,199,622
Beverage Taxes	8,746	--	--	8,746
Other Taxes - Franchise Taxes	724,153	--	19,586	743,739
License and Permits	98,046	--	--	98,046
Intergovernmental	170,722	--	488,150	658,872
Charges for Services	162,955	--	16,662	179,617
Fines and Forfeitures	185,788	--	228,215	414,003
Investment Earnings	2,730	2,026	922	5,678
Rents and Royalties	27,474	--	--	27,474
Miscellaneous Revenues	225,072	18,879	42,741	286,692
Total revenues	<u>6,233,087</u>	<u>1,041,107</u>	<u>1,386,419</u>	<u>8,660,613</u>
Expenditures:				
Current:				
General Government	3,229,796	--	352,075	3,581,871
Public Safety	3,685,501	--	509,048	4,194,549
Judicial	147,506	--	--	147,506
Highways and Streets	174,169	--	--	174,169
Public Works	742,161	--	--	742,161
Culture, Recreation & Parks	386,794	--	--	386,794
Library	300,733	--	--	300,733
Economic Development and Assistance	--	712,909	100,434	813,343
Debt Service:				
Principal	--	--	335,000	335,000
Interest and Fiscal Charges	--	--	661,707	661,707
Fiscal Agent's Fees	--	--	29,021	29,021
Total Expenditures	<u>8,666,660</u>	<u>712,909</u>	<u>1,987,285</u>	<u>11,366,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,433,573)</u>	<u>328,198</u>	<u>(600,866)</u>	<u>(2,706,241)</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,190,000	--	928,132	2,118,132
Operating Transfers Out	(394,225)	(685,000)	(286,955)	(1,366,180)
Capital Leases	681,213	--	--	681,213
Sale of Capital Assets	110,736	--	--	110,736
Total Other Financing Sources (Uses)	<u>1,587,725</u>	<u>(685,000)</u>	<u>641,177</u>	<u>1,543,902</u>
Net Change in Fund Balances	(845,848)	(356,802)	40,311	(1,162,339)
Fund Balances - Beginning	2,184,600	2,134,075	2,532,387	6,851,062
Increase (Decrease) in Fund Balance	5,449	31,575	23,285	60,309
Fund Balances - Ending	<u>\$ 1,344,201</u>	<u>\$ 1,808,848</u>	<u>\$ 2,595,983</u>	<u>\$ 5,749,032</u>

The accompanying notes are an integral part of this statement.



**CITY OF RIO GRANDE CITY, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds \$ (1,162,339)

Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	2,177,616
The depreciation of capital assets used in governmental activities is not reported in the funds.	(570,839)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(110,736)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,316,906
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	335,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	127,485
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	40,753
(Increase) decrease in accrued interest from beginning of period to end of period.	(41,992)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(681,214)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	74,674

Change in net position of governmental activities - Statement of Activities \$ 1,505,314

The accompanying notes are an integral part of this statement.

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**CITY OF RIO GRANDE CITY, TEXAS****STATEMENT OF NET POSITION****ENTERPRISE FUND****SEPTEMBER 30, 2015**

	Enterprise Fund
	Water, Sewer & Sanitation Fund
<b>ASSETS:</b>	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 1,559,467
<i>Investments</i>	1,596,578
<i>Receivables ( net of allowances for uncollectibles):</i>	116,938
<i>Due from other funds</i>	362,043
<i>Inventories</i>	16,587
Total Current Assets	<u>3,651,613</u>
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments-	
Capital Assets: (net of accumulated depreciation)	
<i>Land</i>	339,036
<i>Infrastructure</i>	28,750,696
<i>Buildings</i>	1,190,116
<i>Machinery and Equipment</i>	471,026
<i>Construction in Progress</i>	231,955
Total Noncurrent Assets	<u>30,982,829</u>
Total Assets	<u>34,634,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	70,613
Total Deferred Outflows of Resources	<u>\$ 70,613</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
<i>Accounts payable</i>	\$ 22,122
<i>Compensated absences payable</i>	36,800
<i>Due to other funds</i>	992,226
<i>Accrued interest payable</i>	79,663
Total Current Liabilities	<u>1,130,811</u>
Current Liabilities Payable from Restricted Assets-	
<i>Customer Deposits</i>	345,118
Total Current Liabilities Payable	
From Restricted Assets	<u>345,118</u>
Noncurrent Liabilities:	
<i>Due within one year</i>	802,473
<i>Due in more than one year</i>	20,676,642
<i>Net Pension Obligation</i>	290,359
Total Noncurrent Liabilities	<u>22,114,592</u>
Total Liabilities	<u>23,245,403</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Amounts Related to Pensions	116,217
Total Deferred Inflows of Resources	<u>116,217</u>
<b>NET ASSETS:</b>	
Total Net Assets	<u>\$ 11,343,435</u>

The accompanying notes are an integral part of this statement.

**CITY OF RIO GRANDE CITY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise Fund Water, Sewer & Sanitation Fund
<b>OPERATING REVENUES:</b>	
Charges for Sales and Services:	
<i>Water Sales</i>	\$ 2,728,056
<i>Sewer Charges</i>	1,094,096
<i>Sanitation Charges</i>	51,896
<i>Other Services</i>	3,535
Total Operating Revenues	<u>3,877,583</u>
<b>OPERATING EXPENSES:</b>	
Administration	
<i>Personal Services - Salaries and Wages</i>	191,604
<i>Other Purchased Services</i>	271,976
<i>Supplies</i>	3,376
Total Administration	<u>466,956</u>
Billings and Collections	
<i>Personal Services - Salaries and Wages</i>	120,671
<i>Other Purchased Services</i>	9,888
<i>Supplies</i>	54,346
Total Billings and Collections	<u>184,905</u>
Water System	
<i>Personal Services - Salaries and Wages</i>	230,153
<i>Other Purchased Services</i>	299,681
<i>Supplies</i>	176,669
Total Water System	<u>706,503</u>
Sewer System	
<i>Personal Services - Salaries and Wages</i>	42,810
<i>Purchased Professional and Technical Services</i>	105,947
<i>Other Purchased Services</i>	152,775
Total Sewer System	<u>301,532</u>
Water Plant #1	
<i>Personal Services - Salaries and Wages</i>	224,855
<i>Other Purchased Services</i>	165,595
<i>Supplies</i>	46,086
Total Water Plant #1	<u>436,536</u>
Water Distribution	
<i>Personal Services - Salaries and Wages</i>	263,373
<i>Other Purchased Services</i>	28,047
<i>Supplies</i>	208,314
Total Water Distribution	<u>499,734</u>
Sewer Collection	
<i>Personal Services - Salaries and Wages</i>	25,241
<i>Purchased Professional and Technical Services</i>	18,429
<i>Other Purchased Services</i>	13,737
Total Sewer Collection	<u>57,407</u>
Solid Waste Billing	
<i>Personal Services - Salaries and Wages</i>	27,659
<i>Other Purchased Services</i>	1,341
<i>Supplies</i>	5,637
<i>Depreciation Expense</i>	546,649
Total Solid Waste Billing	<u>581,286</u>
Total Operating Expenses	<u>3,234,859</u>
Operating Income	<u>642,724</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
<i>Interest Expense</i>	(109,398)
Total Non-operating Revenues (Expenses)	<u>(109,398)</u>
Income before Transfers	533,326
Interfund Operating Transfers In	231,955
Interfund Operating Transfers Out	(983,907)
Change in Net Assets	<u>(218,626)</u>
Total Net Assets - Beginning	12,739,530
Prior Period Adjustment	(1,177,469)
Total Net Assets - Ending	<u>\$ 11,343,435</u>

The accompanying notes are an integral part of this statement.

**CITY OF RIO GRANDE CITY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise Funds	
	Major Fund	Totals
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from User Charges</i>	\$ 5,183,851	\$ 5,183,851
<i>Other Adjustments</i>	(444,343)	(444,343)
<i>Cash Payments to Employees for Services</i>	(1,126,366)	(1,126,366)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,561,844)	(1,561,844)
<i>Other Operating due to retirement system</i>	(19,850)	(19,850)
Net Cash Provided (Used) by Operating Activities	<u>2,031,448</u>	<u>2,031,448</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
<i>Transfers From (To) Primary Government</i>	231,955	231,955
<i>Transfers From (To) Other Funds</i>	(983,907)	(983,907)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(751,952)</u>	<u>(751,952)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
<i>Principal and Interest Paid</i>	(1,225,210)	(1,225,210)
<i>Acquisition or Construction of Capital Assets</i>	(231,955)	(231,955)
<i>Acquisition of Capital Assets</i>	(23,868)	(23,868)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,481,033)</u>	<u>(1,481,033)</u>
<b>Cash Flows from Investing Activities:</b>		
<i>Purchase of Investment Securities</i>	--	--
<i>Proceeds from Sale and Maturities of Securities</i>	--	--
<i>Interest and Dividends on Investments</i>	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(201,537)	(201,537)
Cash and Cash Equivalents at Beginning of Year	1,761,004	1,761,004
Cash and Cash Equivalents at End of Year	<u>\$ 1,559,467</u>	<u>\$ 1,559,467</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 642,724	\$ 642,724
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
<i>Depreciation</i>	546,649	546,649
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	325,767	325,767
<i>Increase (Decrease) in Accounts Payable</i>	12,262	12,262
<i>Increase (Decrease) in Interfund Payables</i>	992,226	992,226
<i>Increase (Decrease) in Accrued Expenses</i>	(29,222)	(29,222)
<i>Increase (Decrease) in Unearned Revenue</i>	5,235	5,235
<i>Increase (Decrease) in Retirement System</i>	(19,850)	(19,850)
<i>Decrease (Increase) in Prior period/other adjustments</i>	(444,343)	(444,343)
Total Adjustments	<u>1,388,724</u>	<u>1,388,724</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,031,448</u>	<u>\$ 2,031,448</u>

The accompanying notes are an integral part of this statement.

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CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

**I. 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 accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard settling body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY**

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity", include whether:

- The organization is legally separate (can sue and be sued in its name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority to the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City
- The exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax – exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements that are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units, or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB statement.

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.



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

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

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

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

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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



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

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

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

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

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

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

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

## **D. FUND ACCOUNTING**

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **The Economic Development Corporation Fund** – This fund is a special revenue fund to account for the ½ cent sales and use tax for economic and industrial development. Since the sales and use tax is approved specifically for such expenditures, the EDC fund is considered a Special Revenue Fund.

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

1. **The Public Utilities Department** – This fund's function is to provide for a source of supply of water, its purification and distribution to customers and to collect and treat wastewater for municipal customers and administer a private franchised solid waste collection and transportation service.

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

### **Governmental Funds:**

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

### **Proprietary Funds:**

4. **Enterprise Funds** – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The City's only Enterprise Fund(s) is the Public Utilities Department.
5. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City has no internal service funds.



Fiduciary Funds:

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

**E. OTHER ACCOUNTING POLICIES**

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives. The estimated lives range from 3 to 15 years for equipment, 2 to 15 years for vehicles, 30 years for infrastructure, 20 years for improvements, and 50 years for buildings.

5. Restricted Assets-Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.
6. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.
7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. Encumbrances-The City of Rio Grande City, Texas, employs encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
9. The City adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for all cities for their fiscal year ending 2012. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of these classifications are prepaid items and inventories.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Commissioners. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

When the City incurs an expense for which it may use either restricted or unrestricted assets, it used the restricted assets first whenever they will have to be returned if they are not used.

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



## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. BUDGETARY DATA**

The City Council adopts an "appropriated budget" for the General Fund and the Economic Development Corporation (EDC) Special Revenue Fund. In accordance with Government Accounting Standards Board (GASB) Statement#34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures. Budget information appears in Exhibits E-1 and E-2.

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

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the 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.
3. 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. No budget amendments occurred in 2015.
4. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

### **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

General Fund expenditures exceeded appropriations by the amount(s) noted below;

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ (1,559,014)
Judicial	(12,748)
Public Safety	(666,756)
Highways and Streets	(36,523)
Public Works	(135,165)
Library	(52,463)

## **III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

### **A. DEPOSITS AND INVESTMENTS**

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2015, the carrying amount of the City's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$ 8,059,398 and the bank balance was \$7,397,981. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2015, the City had the following investments;

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
General Fund:					
Tex-Pool	\$ 65	\$ 65			
Logic Money Market	501,088	501,088			
Total-General Fund	501,153	501,153	-	-	-
Special Revenues Funds:					
Logic Money Market	1,084,105	1,084,105			
Total-Special Revenue Fund	1,084,105	1,084,105	-	-	-
Capital Projects Funds:					
Logic Money Market	-	-			
Total-Capital Projects Funds	-	-	-	-	-
Subtotal-Governmental Type	1,585,259	1,585,259	-	-	-
Enterprise Fund:					
Texpool Money Market	759	759			
Bank of New York Money Market	219,820	219,820			
Logic Money Market	1,375,999	1,375,999			
Total-Enterprise Fund	1,596,579	1,596,579	-	-	-
Subtotal-Proprietary Type	1,596,579	1,596,579	-	-	-
Total-All Fund Types	\$ 3,181,837	\$ 3,181,837	\$ -	\$ -	\$ -

**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, 2015, the City's investments were secured by U.S. Government Securities.

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

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

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

## B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

## C. 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.

## D. INTERFUND BALANCES

Balances due to and due from other funds at September 30, 2015, consisted of the following:

	Due From Other Funds	Due to Other Funds
General Fund:		
Economic Development Corporation	\$ 8,733	\$ -
Capital Projects Fund	3,540	11,751
Special Revenue Funds	-	9
Debt Service Fund	365,025	456,984
Enterprise Fund	980,481	362,041
Total General Fund	1,357,779	830,785
Economic Development Corporation:		
General Fund	-	8,733
Total Economic Development Corporation	-	8,733
Debt Service Fund:		
General Fund	456,984	-
Total Debt Service	456,984	-
Special Revenue Funds:		
General Fund	9	365,025
Enterprise Fund	-	2
Total General Fund	9	365,027
Capital Projects Fund:		
General Fund	11,751	3,540
Enterprise Fund	11,745	-
Total Capital Projects Fund	23,496	3,540
Enterprise Fund:		
General Fund	362,041	980,481
Capital Projects Fund	-	11,745
Special Revenue Funds	2	-
Enterprise Fund	-	-
Total General Fund	362,043	992,226
Total	\$ 2,200,311	\$ 2,200,311

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, 2015, consisted of the following:

Transfer In	General Fund	EDC	Debt Service Fund	Special Revenue Fund	Enterprise Fund	Total
General Fund	\$ -	\$ -	\$ 394,226	\$ -	\$ -	\$ 394,226
EDC	685,000	-	-	-	-	685,000
Debt Service Fund	-	-	-	-	-	-
Special Revenue Funds	55,000	-	-	-	231,955	286,955
Enterprise Fund	450,000	-	533,907	-	-	983,907
Total	1,190,000	-	928,132	-	231,955	2,350,087
Less Transfers Out	(394,226)	(685,000)	-	(286,955)	(983,907)	(2,350,087)
Net Transfers	\$ 795,774	\$ (685,000)	\$ 928,132	\$ (286,955)	\$ (751,952)	\$ -

#### E. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2015, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Governmental Activities:				
Land	\$ 1,075,865	\$ 1,327,500	\$ 110,736	\$ 2,292,629
Buildings	3,427,861	22,337	-	3,450,198
Furniture and Equipment	4,704,977	827,779	-	5,532,756
Infrastructure	12,752,929	-	-	12,752,929
Construction in Progress	-	-	-	-
Totals at Historic Cost	21,961,631	2,177,616	110,736	24,028,511
Less Accumulated Depreciation:				
Total Accumulated Depreciation	(8,492,536)	(570,839)	-	(9,063,375)
Governmental Activities Capital Assets, Net	\$ 13,469,095	\$ 1,606,777	\$ 110,736	\$ 14,965,136
Business-type Activities:				
Land	\$ 339,035	\$ -	\$ -	\$ 339,035
Buildings and Improvements	1,592,023	8,150	-	1,600,173
Furniture and Equipment	651,888	15,718	-	667,606
Infrastructure	34,037,080	-	-	34,037,080
Construction in Progress	-	231,955	-	231,955
Totals at Historic Cost	36,620,027	255,823	-	36,875,850
Less Accumulated Depreciation:				
Total Accumulated Depreciation	(5,346,373)	(546,649)	-	(5,893,022)
Business-type Activities Capital Assets, Net	\$ 31,273,654	\$ (290,826)	\$ -	\$ 30,982,828



Depreciation expense was charged to governmental functions as follows:

General Government	\$ 79,550
Judicial	10,691
Public Safety	299,950
Public Works	56,124
Economic Development	56,046
Conservation & Development	23,941
Culture & Recreation	24,271
Libraries	<u>20,266</u>
Total Depreciation Expense	<u><u>\$ 570,839</u></u>

## F. BONDS AND OTHER LONG-TERM PAYABLES

At September 30, 2015, long-term debt consisted of the following:

General Long Term Debt:

### Capital Project Bonds Payable:

\$6,500,000 Combination Tax & Limited Pledge Revenue Certificates of Obligation due in annual installments ranging from \$190,000 to \$510,000 from 03-15-11 through 2030; interest estimated at 5.34%	\$ 5,230,000
\$1,930,000 Combination Tax & Revenue Certificates of Obligation due in annual installments ranging from \$70,000 to \$145,000 from 02-15-14 through 2033; interest estimated at .67% to 5.29%	<u>1,790,000</u>
Subtotal- Bonds Payable	<u>\$ 7,020,000</u>

### Capital lease obligations payable at September 30, 2015, are as follows:

Capital lease payable to Schertz Bank & Trust dated 12-15-13, payable in 84 monthly installments of \$747 including interest at 3.92%, secured by (1) Crack Filler Machine; Original Amt \$54,830.60	\$ 41,889
Capital lease payable to Kansas State Bank dated 12-20-13, payable in 7 annual installments of \$44,959 including interest at 3.19%, secured by (2) Dump Trucks and (1) Backhoe; Original Amt \$286,986.04	204,788
Capital lease payable to Kansas State Bank dated 01-27-14, payable in 7 annual installments of \$43,867 including interest at 2.98%, secured by COPSync Hardware/Software; Original Amt \$167,996.30	83,962
Capital lease payable to Kansas State Bank dated 07-10-12, payable in 7 annual installments of \$29,284 including interest at 3.098%, secured by (1) TYMCO Street Sweeper	82,678
Capital lease payable to Kansas State Bank dated 02-01-15, payable in 3 annual installments of \$16,984.19 including interest at 3.07%	32,466
Capital lease payable to Kansas State Bank dated 07-15-15, payable in 3 annual installments of \$28,185.36 including interest at 2.920%	79,848
Capital lease payable to Motorola Solutions, Inc. dated 05-01-15, payable in 3 annual installments of \$189,724.03 including interest at 3.160%	<u>551,915</u>
Subtotal-Capital Lease Payable	<u>\$ 1,077,546</u>

### Notes Payable:

Note payable to Lone Star National Bank dated 2/04/08, payable in 35 monthly payments of \$2,190 including interest of 6.00%, with remaining balance due at maturity, secured by real estate	-
Note payable to Lone Star National Bank dated 2/04/08, payable in 35 monthly payments of \$2,276 including interest of 6.00%, with remaining balance due at maturity, secured by real estate	151,003
Subtotal-Notes Payable	<u>\$ 151,003</u>
Total General Long Term Debt	<u>\$ 8,248,549</u>

\$2,885,000 2007 A Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$140,000 to \$145,000 from 02-15-11 through 2030; interest at 0.0%	\$ 2,175,000
\$12,200,000 2007 B Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$100,000 to \$430,000 from 02-15-11 through 2040; interest at 0.0%	10,635,000
\$8,700,000 2007 C Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$145,000 to \$545,000 from 02-15-11 through 2040; interest 2.5% to 5.25%	7,915,000
\$173,000 1996 Waterworks and Sewer System Revenue Serial Bonds due in annual installments ranging from \$5,000 to \$15,000 from 07-10-02 through 2016; interest at 5.69% to 6.74%	15,000
\$811,000 1996 A Waterworks and Sewer System Revenue Serial Bonds due in annual installments ranging from \$8,000 to \$46,000 from 07-10-02 through 2035; interest at 5.125%	<u>600,000</u>
Subtotal-Revenue Bonds Payable	<u>\$ 21,340,000</u>
<u>Capital Leases:</u>	
Capital lease payable to Schertz Bank dated 04-03-13, payable in 84 monthly installments of \$2,738.71 including interest at 2.69%, secured by a sewer cleaning truck	<u>\$ 139,115</u>
Subtotal - Capital Leases Payable	<u>139,115</u>
Total Enterprise Long Term Debt	<u>21,479,115</u>
Total Long-Term Debt	<u><u>\$ 29,722,664</u></u>

There are a number of limitations and restrictions contained in the revenue bond indenture. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2015.

## G. DEBT SERVICE REQUIREMENTS

Debt service requirements for long-term debt are as follows:

Year Ending September 30	Capital Leases		Note Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 375,013	\$ 19,825	\$ 25,673	\$ 1,639	\$ 1,113,000	\$ 689,569
2017	368,397	26,441	25,673	1,639	1,119,000	674,562
2018	318,160	15,827	25,673	1,639	1,130,000	654,098
2019	80,085	6,708	25,673	1,639	1,146,000	635,548
2020-2024	75,006	1,635	48,310	2,997	6,106,000	2,824,164
2025-2029	-	-	-	-	6,870,000	2,052,430
2030-2034	-	-	-	-	5,170,000	1,195,044
2035-2039	-	-	-	-	4,386,000	581,360
2040-2044	-	-	-	-	1,320,000	56,438
2045-2049	-	-	-	-	-	-
Total	\$ 1,216,661	\$ 70,435	\$ 151,003	\$ 9,552	\$ 28,360,000	\$ 9,363,213

## H. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Other Payable:					
Capital Leases	\$ 523,817	\$ 681,214	\$ 127,485	\$ 1,077,546	\$ 345,540
Bonds Payable	7,355,000	-	335,000	7,020,000	340,000
Notes Payable	191,756	-	40,753	151,003	25,673
Total Bonds and Other Payables	<u>8,070,573</u>	<u>681,214</u>	<u>503,238</u>	<u>8,248,549</u>	<u>711,213</u>
Total Governmental Activities Long-term Liabilities	<u>8,070,573</u>	<u>681,214</u>	<u>503,238</u>	<u>8,248,549</u>	
<b>Business-type Activities:</b>					
Bonds and Other Payable:					
Capital Leases	165,442	-	26,327	139,115	29,473
Revenue Bonds Payable*	22,111,000	-	771,000	21,340,000	773,000
Total Bonds and Other Payable	<u>\$ 22,276,442</u>	<u>\$ -</u>	<u>\$ 797,327</u>	<u>\$ 21,479,115</u>	<u>\$ 802,473</u>

\*Business-type Revenue Bonds Payable beginning balance has been restated to reflect an increase of \$850,000 for a prior period adjustment.

## I. DEFERRED REVENUE (UNAVAILABLE REVENUE)

Deferred revenue at year-end represents amounts not available in the current reporting period. Items include uncollected property taxes, and other funds set aside for future years.

#### **J. COMMITMENTS AND CONTINGENCIES**

The City is involved in various lawsuits concerning several issues. The City's management and legal counsel estimate that the potential loss for a number of the cases is minimal, either in the potential for an unfavorable outcome or the potential loss in the event of loss. 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 the cases.

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.

#### **K. 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 2009, the city has maintained 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 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 resulting from these risks have not exceeded coverage in any of the past three years.

#### **L. 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 \$116,938. Utility customer deposits held at year end totaled \$345,118.

#### **M. HEALTH CARE COVERAGE**

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan (the "Plan"). The City paid premiums of \$298.55 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by a contractual agreement.

The contract between the City and the licensed insurer is renewable March 1, 2015, 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, 2015, and have been filed with the Texas Board of Insurance in Austin, Texas, and are public records.



## **N. DEFINED BENEFIT PENSION PLAN**

### **A. Plan Description**

The City of Rio Grande City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

### **B. Benefits Provided**

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

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

#### **Plan Provisions:**

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

	Plan Year 2014	Plan Year 2015
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, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	61
Active employees	140
Total	<u>210</u>

## **N. DEFINED BENEFIT PENSION PLAN (Continued)**

### **C. Contributions**

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

Employees for the City of Rio Grande City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Rio Grande City were 8.35% and 8.28% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$386,877 and were equal to the required contributions.

### **D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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.

## N. DEFINED BENEFIT PENSION PLAN (Continued)

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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

### *Discount Rate:*

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2013	\$ 7,178,656	\$ 5,224,298	\$ 1,954,358
Changes for the year:			
Service cost	492,276	-	492,276
Interest	513,277	-	513,277
Change of benefit terms	-	-	-
Difference between expected and actual experience	(660,921)	-	(660,921)
Changes of assumptions	-	-	-
Contributions - employer	-	359,165	(359,165)
Contributions - employee	-	261,514	(261,514)
Net investment income	-	299,025	(299,025)
Benefit payments, including refunds of employee contributions	(184,520)	(184,520)	-
Administrative expense	-	(3,120)	3,120
Other changes	-	(257)	257
Net changes	160,112	731,807	(571,695)
Balance at 12/31/2014	\$ 7,338,768	\$ 5,956,105	\$ 1,382,663



## N. DEFINED BENEFIT PENSION PLAN (Continued)

### *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 7.0%, 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 (6.0%) or 1 -percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 2,901,919	\$ 1,382,663	\$ 194,391

### *Pension Plan Fiduciary Net Position:*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2015, the City recognized pension expense of \$287,546.

At September 30, 2015, 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	\$ -	\$ 553,417
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	53,341	-
Contributions subsequent to the measurement date	282,913	-
Total	\$ 336,254	\$ 553,417

\$282,913 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, 2015. 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:

2015	\$ (94,169)
2016	\$ (94,169)
2017	\$ (94,169)
2018	\$ (94,168)
2019	\$ (107,504)
Thereafter	\$ (15,897)

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

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

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

Your city offers supplemental death to:	Plan Year 2014	Plan Year 2015
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$5,127, \$2,015 and \$2,015, respectively, which equaled the required contributions each year.

## **P. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through April 13, 2017, the date which the financial statements were available to be issued. Approximately \$3.6 million of Planned Infrastructure and Quality of Life Improvements for Fiscal Year 2016 will see the installation of a skatepark, purchase of equipment including a 2017 Brush Loader Truck, a 2017 Hino Dump Truck, a 420F2 Caterpillar Backhoe Loader, and infrastructure improvements including an automated water meter system, drainage improvements, street paving and rehab. The City subsequently in Fiscal Year 2016 was penalized \$9,620 for violations of state statutes and rules of the TCEQ. The penalty shall be discharged upon full compliance with the Supplemental Environment Project which is to install a new pump to improve the VFW Lift Station.

## **Q. RECLASSIFICATION OF BEGINNING NET POSITION**

The balance of net position at the beginning of the fiscal year 2015 has been restated from the balance previously reported in 2014, to reflect a reclassification of (\$355,813) to implement the new GASB pronouncement number 68. The effect of the implementation is a decrease to ending net position at September 30, 2015.

## **R. PRIOR PERIOD ADJUSTMENTS**

During the year ended September 30, 2015, prior period adjustments were made to correctly reflect fund balances to actual. The effect of these prior period adjustments was as follows: An adjustment of \$5,449 was made to the general fund and an adjustment of \$31,575 was made to the economic development fund, however due to an operating deficit there was a decrease to the ending net position and fund balance for both funds. An adjustment of (\$1,177,469) was made to the enterprise fund which decreased the ending net position and fund balance. An adjustment of (\$41,955) was made to the forfeiture fund which decreased the ending net position and fund balance. An adjustment of \$50 was made to the Border Security Grants, an adjustment of (\$4,677) was made to waste water project fund, an adjustment of (\$168) was made to the 2013 wastewater fund which resulted in a decrease in fund balance and net position. An adjustment of \$70,035 was made to the debt service fund which increased the ending net position and ending fund balance.

## **S. FUND BALANCE DEFICIT**

At September 30, 2015, the Boys & Girls Club Fund had a deficit fund balance of (\$178,022).

## **T. GASB 68**

GASB 68 – establishes standards for accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria as described in GASB 67. This statement replaces the requirements of GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning pension liability.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF RIO GRANDE CITY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 1 of 3

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUE:</b>				
Taxes:				
<i>General Property Taxes</i>	\$ 2,562,110	\$ 2,562,110	\$ 1,586,202	\$ (975,908)
<i>General Sales and Use Taxes</i>	1,924,662	1,924,662	3,041,199	1,116,537
<i>Beverage Taxes</i>	9,400	9,400	8,746	(654)
<i>Other Taxes - Franchise Taxes</i>	588,563	588,563	724,153	135,590
License and Permits	84,400	84,400	98,046	13,646
Intergovernmental	82,150	2,000	170,722	168,722
Charges for Services	143,725	130,630	162,955	32,325
Fines and Forfeitures	150,351	150,964	185,788	34,824
Investment Earnings	1,124	2,000	2,730	730
Rents and Royalties	--	--	27,474	27,474
Miscellaneous Revenues	37,838	150,538	225,072	74,534
<b>Total Revenues</b>	<b>5,584,323</b>	<b>5,605,267</b>	<b>6,233,087</b>	<b>627,820</b>
<b>EXPENDITURES:</b>				
<b>General Government</b>				
<b>Mayor and Council</b>				
<i>Supplies</i>	50	50	70	(20)
<i>Other Services and Charges</i>	9,500	7,019	14,453	(7,434)
<i>Capital Outlay</i>	6,697	5,567	--	5,567
<b>Total Mayor and Council</b>	<b>16,247</b>	<b>12,636</b>	<b>14,523</b>	<b>(1,887)</b>
<b>Administration</b>				
<i>Personal Services</i>	224,626	298,499	122,211	176,288
<i>Supplies</i>	28,653	21,383	26,828	(5,445)
<i>Other Services and Charges</i>	651,563	649,773	811,797	(162,024)
<i>Capital Outlay</i>	--	--	1,463,306	(1,463,306)
<b>Total Administration</b>	<b>904,842</b>	<b>969,655</b>	<b>2,424,142</b>	<b>(1,454,487)</b>
<b>City Secretary</b>				
<i>Personal Services</i>	59,916	63,652	202,882	(139,230)
<i>Supplies</i>	--	--	13,478	(13,478)
<i>Other Services and Charges</i>	17,901	200	4,377	(4,177)
<i>Capital Outlay</i>	--	--	60	(60)
<b>Total City Secretary</b>	<b>77,817</b>	<b>63,852</b>	<b>220,797</b>	<b>(156,945)</b>
<b>Finance</b>				
<i>Personal Services</i>	153,434	166,535	153,068	13,467
<i>Supplies</i>	4,000	4,000	3,771	229
<i>Other Services and Charges</i>	5,170	5,170	5,207	(37)
<i>Capital Outlay</i>	284	284	(734)	1,018
<b>Total Finance</b>	<b>162,888</b>	<b>175,989</b>	<b>161,312</b>	<b>14,677</b>
<b>Personnel</b>				
<i>Personal Services</i>	51,791	52,974	55,137	(2,163)
<i>Supplies</i>	433	433	5,347	(4,914)
<i>Other Services and Charges</i>	6,788	11,293	1,940	9,353
<i>Capital Outlay</i>	1,040	--	1,327	(1,327)
<b>Total Personnel</b>	<b>60,052</b>	<b>64,700</b>	<b>63,751</b>	<b>949</b>
<b>Planning</b>				
<i>Personal Services</i>	257,338	258,900	275,983	(17,083)
<i>Supplies</i>	18,085	18,450	29,035	(10,585)
<i>Other Services and Charges</i>	44,693	46,600	39,404	7,196
<i>Capital Outlay</i>	60,000	60,000	849	59,151
<b>Total Planning</b>	<b>380,116</b>	<b>383,950</b>	<b>345,271</b>	<b>38,679</b>
<b>Total General Government</b>	<b>1,601,962</b>	<b>1,670,782</b>	<b>3,229,796</b>	<b>(1,559,014)</b>

**CITY OF RIO GRANDE CITY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 2 of 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Judicial</b>				
<b>Municipal Court</b>				
<i>Personal Services</i>	61,258	61,258	60,580	678
<i>Supplies</i>	4,500	5,600	4,989	611
<i>Other Services and Charges</i>	65,845	67,900	81,937	(14,037)
<i>Total Municipal Court</i>	<u>131,603</u>	<u>134,758</u>	<u>147,506</u>	<u>(12,748)</u>
<b>Public Safety</b>				
<b>Police Department</b>				
<i>Personal Services</i>	1,713,985	1,717,435	1,837,699	(120,264)
<i>Supplies</i>	131,615	131,615	120,499	11,116
<i>Other Services and Charges</i>	162,998	162,998	211,244	(48,246)
<i>Capital Outlay</i>	--	--	566,836	(566,836)
<i>Total Police Department</i>	<u>2,008,598</u>	<u>2,012,048</u>	<u>2,736,278</u>	<u>(724,230)</u>
<b>Fire Department</b>				
<i>Personal Services</i>	874,314	876,900	830,033	46,867
<i>Supplies</i>	18,535	18,550	25,119	(6,569)
<i>Other Services and Charges</i>	121,145	123,995	90,515	33,480
<i>Capital Outlay</i>	28,718	--	3,556	(3,556)
<i>Total Fire Department</i>	<u>1,042,712</u>	<u>1,019,445</u>	<u>949,223</u>	<u>70,222</u>
<b>Total Public Safety</b>	<u>3,182,913</u>	<u>3,166,251</u>	<u>3,833,007</u>	<u>(666,756)</u>
<b>Highways and Streets</b>				
<i>Other Services and Charges</i>	130,295	137,646	174,169	(36,523)
<b>Total Highways and Streets</b>	<u>130,295</u>	<u>137,646</u>	<u>174,169</u>	<u>(36,523)</u>
<b>Public Works</b>				
<i>Personal Services</i>	471,443	455,787	524,695	(68,908)
<i>Supplies</i>	94,600	89,978	96,237	(6,259)
<i>Other Services and Charges</i>	154,923	61,231	(79,388)	140,619
<i>Capital Outlay</i>	28,015	--	200,617	(200,617)
<b>Total Public Works</b>	<u>748,981</u>	<u>606,996</u>	<u>742,161</u>	<u>(135,165)</u>
<b>Culture, Recreation &amp; Parks</b>				
<b>Parks Department</b>				
<i>Personal Services</i>	152,147	160,252	159,464	788
<i>Supplies</i>	26,500	26,500	22,421	4,079
<i>Other Services and Charges</i>	221,400	221,400	201,386	20,014
<i>Capital Outlay</i>	8,750	--	3,523	(3,523)
<i>Total Parks Department</i>	<u>408,797</u>	<u>408,152</u>	<u>386,794</u>	<u>21,358</u>
<b>Total Culture, Recreation &amp; Parks</b>	<u>408,797</u>	<u>408,152</u>	<u>386,794</u>	<u>21,358</u>
<b>Library</b>				
<i>Personal Services</i>	199,679	188,348	191,559	(3,211)
<i>Supplies</i>	7,725	5,457	7,765	(2,308)
<i>Other Services and Charges</i>	99,127	54,465	35,023	19,442
<i>Capital Outlay</i>	38,000	--	66,386	(66,386)
<b>Total Library</b>	<u>344,531</u>	<u>248,270</u>	<u>300,733</u>	<u>(52,463)</u>
<b>Total Expenditures</b>	<u>6,417,479</u>	<u>6,238,097</u>	<u>8,666,660</u>	<u>(2,428,563)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(833,156)</u>	<u>(632,830)</u>	<u>(2,433,573)</u>	<u>(1,800,743)</u>

**CITY OF RIO GRANDE CITY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 3 of 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
<i>Transfers In</i>	790,000	790,000	1,190,000	400,000
<i>Transfers Out</i>	(5,356)	(5,356)	(394,225)	388,869
<i>Capital Leases</i>	--	341,817	681,213	(339,396)
<i>Sale of Capital Assets</i>	--	--	110,736	(110,736)
Total Other Financing Sources (Uses)	<u>784,644</u>	<u>1,126,461</u>	<u>1,587,725</u>	<u>338,737</u>
Net Change in Fund Balances	(48,512)	493,631	(845,848)	(1,462,006)
Fund Balances - Beginning	2,184,600	2,184,600	2,184,600	--
Increase (Decrease) in Fund Balance	--	--	5,449	5,449
Fund Balances - Ending	<u>\$ 2,136,088</u>	<u>\$ 2,678,231</u>	<u>\$ 1,344,201</u>	<u>\$ (1,456,557)</u>

**CITY OF RIO GRANDE CITY, TEXAS**  
**ECONOMIC DEVELOPMENT CORPORATION FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE:</b>				
Taxes:				
<i>General Sales and Use Taxes</i>	\$ 962,331	\$ 1,010,999	\$ 1,020,202	\$ 9,203
Investment Earnings	1,300	1,296	2,026	730
Miscellaneous Revenues	13,500	10,600	18,879	8,279
Total revenues	<u>977,131</u>	<u>1,022,895</u>	<u>1,041,107</u>	<u>18,212</u>
<b>EXPENDITURES:</b>				
<b>Economic Development and Assistance</b>				
<i>Personal Services</i>	194,898	129,148	210,842	(81,694)
<i>Supplies</i>	30,050	23,213	9,122	14,091
<i>Other Services and Charges</i>	1,665,650	633,050	487,752	145,298
<i>Capital Outlay</i>	10,000	5,323	5,193	130
<i>Total Economic Development and Assistance</i>	<u>1,900,598</u>	<u>790,734</u>	<u>712,909</u>	<u>77,825</u>
<b>Total Expenditures</b>	<u>1,900,598</u>	<u>790,734</u>	<u>712,909</u>	<u>77,825</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(923,467)</u>	<u>232,161</u>	<u>328,198</u>	<u>(59,613)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
<i>Transfers In</i>	35,000	35,000	--	(35,000)
<i>Transfers Out</i>	<u>(310,000)</u>	<u>(233,849)</u>	<u>(685,000)</u>	<u>451,151</u>
Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>(198,849)</u>	<u>(685,000)</u>	<u>486,151</u>
Net Change in Fund Balances	<u>(1,198,467)</u>	<u>33,312</u>	<u>(356,802)</u>	<u>426,538</u>
Fund Balances - Beginning	2,134,075	2,134,075	2,134,075	--
Increase (Decrease) in Fund Balance	--	--	31,575	31,575
Fund Balances - Ending	<u>\$ 935,608</u>	<u>\$ 2,167,387</u>	<u>\$ 1,808,848</u>	<u>\$ 458,113</u>



CITY OF RIO GRANDE CITY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2014
<b>Total Pension Liability</b>	
Service cost	\$ 492,276
Interest (on the total pension liability)	513,277
Changes of benefit terms	-
Difference between expected and actual experience	(660,921)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(184,520)
<b>Net Change in Total Pension Liability</b>	160,112
<b>Total Pension Liability - Beginning</b>	7,178,656
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 7,338,768</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 359,165
Contributions - employee	261,514
Net investment income	299,025
Benefit payments, including refunds of employee contributions	(184,520)
Administrative expense	(3,120)
Other	(257)
<b>Net Change in Plan Fiduciary Net Position</b>	731,807
<b>Plan Fiduciary Net Position - Beginning</b>	5,224,298
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 5,956,105</u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 1,382,663</u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	81.16%
 <b>Covered Employee Payroll</b>	\$ 4,358,940
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	31.72%



CITY OF RIO GRANDE CITY  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 386,877	\$ 359,165
Contributions in relation to actuarially determined contribution	<u>(386,877)</u>	<u>(359,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,660,973	\$ 4,358,940
Contributions as a percentage of covered employee payroll	8.30%	8.24%

CITY OF RIO GRANDE CITY  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.5% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
<b>Other Information:</b>	There were no benefit changes during the year.

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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CITY OF RIO GRANDE CITY, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**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 balances 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. General Fund and Special Revenue Fund – Economic Development Corporation 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 requests to final form and conducts a public hearing in the City Administration Building. Once 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 2015 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****COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS****SEPTEMBER 30, 2015**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
<i>Cash and Cash Equivalents</i>	\$ 601,292	\$ 1,702,392	\$ 2,303,684
<i>Investments</i>	--	22,365	22,365
<i>Receivables ( net of allowances for uncollectibles):</i>	470,239	--	470,239
<i>Due from Other Funds</i>	456,993	23,495	480,488
Total Assets and Other Debits	<u>\$ 1,528,524</u>	<u>\$ 1,748,252</u>	<u>\$ 3,276,776</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
<i>Accounts Payable</i>	\$ 2,064	\$ --	\$ 2,064
<i>Accrued Wages Payable</i>	430	--	430
<i>Retainage Payable</i>	21,346	--	21,346
<i>Due to Other Funds</i>	365,026	3,540	368,566
Total Liabilities	<u>388,866</u>	<u>3,540</u>	<u>392,406</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue-Property Taxes	288,387	--	288,387
Total Deferred Inflows of Resources	<u>288,387</u>	<u>--</u>	<u>288,387</u>
<b>Fund Balances:</b>			
Restricted Fund Balances:			
<i>Federal or State Funds Grant Restriction</i>	181,881	--	181,881
<i>Restricted for Debt Service</i>	512,922	--	512,922
<i>Assigned</i>	334,512	--	334,512
<i>Unassigned</i>	(178,044)	--	(178,044)
Committed			
<i>Construction</i>	--	1,744,712	1,744,712
Total Fund Balance	<u>851,271</u>	<u>1,744,712</u>	<u>2,595,983</u>
Total Liabilities and Fund Balance	<u>\$ 1,528,524</u>	<u>\$ 1,748,252</u>	<u>\$ 3,276,776</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, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes:			
General Property Taxes	\$ 451,922	\$ --	\$ 451,922
General Sales and Use Taxes	138,221	--	138,221
Other Taxes - Franchise Taxes	19,586	--	19,586
Intergovernmental	476,405	11,745	488,150
Charges for Services	16,662	--	16,662
Fines and Forfeitures	228,215	--	228,215
Investment Earnings	835	87	922
Miscellaneous Revenues	42,741	--	42,741
Total Revenues	<u>1,374,587</u>	<u>11,832</u>	<u>1,386,419</u>
Expenditures:			
Current:			
General Government	318,244	33,831	352,075
Public Safety	509,048	--	509,048
Economic Development and Assistance	100,434	--	100,434
Debt Service:			
Principal	335,000	--	335,000
Interest and Fiscal Charges	661,707	--	661,707
Fiscal Agent's Fees	29,021	--	29,021
Total Expenditures	<u>1,953,454</u>	<u>33,831</u>	<u>1,987,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(578,867)</u>	<u>(21,999)</u>	<u>(600,866)</u>
Other Financing Sources (Uses):			
Operating Transfers In	928,132	--	928,132
Operating Transfers Out	(286,955)	--	(286,955)
Total Other Financing Sources (Uses)	<u>641,177</u>	<u>--</u>	<u>641,177</u>
Net Change in Fund Balances	62,310	(21,999)	40,311
Fund Balances - Beginning	760,831	1,771,556	2,532,387
Increase (Decrease) in Fund Balance	28,130	(4,845)	23,285
Fund Balances - Ending	<u>\$ 851,271</u>	<u>\$ 1,744,712</u>	<u>\$ 2,595,983</u>

**CITY OF RIO GRANDE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2015**

	Hotel Occupancy Tax Fund	Forfeiture Fund	HIDTA Task Force Fund	Treasury Forfeiture Fund
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
<i>Cash and Cash Equivalents</i>	\$ 328,618	\$ 162,583	\$ 19,813	\$ 15,893
<i>Receivables ( net of allowances for uncollectibles):</i>	14,539	--	39,227	--
<i>Due from Other Funds</i>	--	--	--	--
Total Assets and Other Debits	<u>\$ 343,157</u>	<u>\$ 162,583</u>	<u>\$ 59,040</u>	<u>\$ 15,893</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
<i>Accounts Payable</i>	\$ 1,480	\$ --	\$ 64	\$ --
<i>Accrued Wages Payable</i>	146	--	--	--
<i>Retainage Payable</i>	--	--	--	--
<i>Due to Other Funds</i>	7,019	12,820	54,127	5,607
Total Liabilities	<u>8,645</u>	<u>12,820</u>	<u>54,191</u>	<u>5,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue-Property Taxes	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund Balances:</b>				
Restricted Fund Balances:				
<i>Federal or State Funds Grant Restriction</i>	--	149,763	4,849	10,286
<i>Restricted for Debt Service</i>	--	--	--	--
<i>Assigned</i>	334,512	--	--	--
<i>Unassigned</i>	--	--	--	--
Total Fund Balance	<u>334,512</u>	<u>149,763</u>	<u>4,849</u>	<u>10,286</u>
Total Liabilities and Fund Balance	<u>\$ 343,157</u>	<u>\$ 162,583</u>	<u>\$ 59,040</u>	<u>\$ 15,893</u>



SECO Block Grant	CJD Task Force Grant Fund	Border Security Grants	DHS Stonegarden Fund	SRF Airport Fund
\$ --	\$ 7,108	\$ --	\$ --	\$ --
--	--	18,166	84,413	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 7,108</u>	<u>\$ 18,166</u>	<u>\$ 84,413</u>	<u>\$ --</u>
\$ --	\$ --	\$ 1	\$ 10	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	18,187	84,403	--
--	--	18,188	84,413	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	7,108	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	(22)	--	--
--	7,108	(22)	--	--
<u>\$ --</u>	<u>\$ 7,108</u>	<u>\$ 18,166</u>	<u>\$ 84,413</u>	<u>\$ --</u>

**CITY OF RIO GRANDE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2015**

	TDA CONTRACT NO 713409	PEG Fee Revenue
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
<i>Cash and Cash Equivalents</i>	\$ --	\$ 6,026
<i>Receivables ( net of allowances for uncollectibles):</i>	21,346	3,849
<i>Due from Other Funds</i>	--	--
Total Assets and Other Debits	<u>\$ 21,346</u>	<u>\$ 9,875</u>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
<i>Accounts Payable</i>	\$ --	\$ --
<i>Accrued Wages Payable</i>	--	--
<i>Retainage Payable</i>	21,346	--
<i>Due to Other Funds</i>	--	--
Total Liabilities	<u>21,346</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue-Property Taxes	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>
<b>Fund Balances:</b>		
Restricted Fund Balances:		
<i>Federal or State Funds Grant Restriction</i>	--	9,875
<i>Restricted for Debt Service</i>	--	--
<i>Assigned</i>	--	--
<i>Unassigned</i>	--	--
Total Fund Balance	<u>--</u>	<u>9,875</u>
Total Liabilities and Fund Balance	<u>\$ 21,346</u>	<u>\$ 9,875</u>

TX PARKS AND WILDLIFE	Debt Service Fund	Boys & Girls Club	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 56,126	\$ 5,125	\$ 601,292
--	288,699	--	470,239
9	456,984	--	456,993
<u>\$ 9</u>	<u>\$ 801,809</u>	<u>\$ 5,125</u>	<u>\$ 1,528,524</u>
\$ 9	\$ 500	\$ --	\$ 2,064
--	--	284	430
--	--	--	21,346
--	--	182,863	365,026
<u>9</u>	<u>500</u>	<u>183,147</u>	<u>388,866</u>
--	288,387	--	288,387
--	<u>288,387</u>	--	<u>288,387</u>
--	--	--	181,881
--	512,922	--	512,922
--	--	--	334,512
--	--	(178,022)	(178,044)
--	<u>512,922</u>	<u>(178,022)</u>	<u>851,271</u>
<u>\$ 9</u>	<u>\$ 801,809</u>	<u>\$ 5,125</u>	<u>\$ 1,528,524</u>

# CITY OF RIO GRANDE CITY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Hotel Occupancy Tax Fund	Forfeiture Fund	HIDTA Task Force Fund
Revenue:			
Taxes:			
General Property Taxes	\$ --	\$ --	\$ --
General Sales and Use Taxes	138,221	--	--
Other Taxes - Franchise Taxes	--	--	--
Intergovernmental	--	--	167,193
Charges for Services	--	--	--
Fines and Forfeitures	--	228,215	--
Investment Earnings	171	361	--
Miscellaneous Revenues	--	--	--
Total Revenues	<u>138,392</u>	<u>228,576</u>	<u>167,193</u>
Expenditures:			
Current:			
General Government	--	--	--
Public Safety	--	327,818	167,257
Economic Development and Assistance	100,434	--	--
Debt Service:			
Principal	--	--	--
Interest and Fiscal Charges	--	--	--
Fiscal Agent's Fees	--	--	--
Total Expenditures	<u>100,434</u>	<u>327,818</u>	<u>167,257</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>37,958</u>	<u>(99,242)</u>	<u>(64)</u>
Other Financing Sources (Uses):			
Operating Transfers In	--	--	--
Operating Transfers Out	--	(55,000)	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(55,000)</u>	<u>--</u>
Net Change in Fund Balances	37,958	(154,242)	(64)
Fund Balances - Beginning	296,554	345,960	4,913
Increase (Decrease) in Fund Balance	--	(41,955)	--
Fund Balances - Ending	<u>\$ 334,512</u>	<u>\$ 149,763</u>	<u>\$ 4,849</u>

Treasury Forfeiture Fund	CJD Task Force Grant Fund	Border Security Grants	TDA CONTRACT NO 713409	PEG Fee Revenue
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	19,586
--	5,257	--	231,955	--
--	--	--	--	--
--	--	--	--	--
11	4	--	--	6
--	--	--	--	--
<u>11</u>	<u>5,261</u>	<u>--</u>	<u>231,955</u>	<u>19,592</u>
--	--	--	--	--
135	525	--	--	13,313
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>135</u>	<u>525</u>	<u>--</u>	<u>--</u>	<u>13,313</u>
(124)	4,736	--	231,955	6,279
--	--	--	--	--
--	--	--	(231,955)	--
--	--	--	(231,955)	--
(124)	4,736	--	--	6,279
10,410	2,372	(72)	--	3,596
--	--	50	--	--
<u>\$ 10,286</u>	<u>\$ 7,108</u>	<u>\$ (22)</u>	<u>\$ --</u>	<u>\$ 9,875</u>

**CITY OF RIO GRANDE CITY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Debt Service Fund	Boys & Girls Club	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:			
Taxes:			
General Property Taxes	\$ 451,922	\$ --	\$ 451,922
General Sales and Use Taxes	--	--	138,221
Other Taxes - Franchise Taxes	--	--	19,586
Intergovernmental	--	72,000	476,405
Charges for Services	--	16,662	16,662
Fines and Forfeitures	--	--	228,215
Investment Earnings	145	137	835
Miscellaneous Revenues	--	42,741	42,741
Total Revenues	<u>452,067</u>	<u>131,540</u>	<u>1,374,587</u>
Expenditures:			
Current:			
General Government	--	318,244	318,244
Public Safety	--	--	509,048
Economic Development and Assistance	--	--	100,434
Debt Service:			
Principal	335,000	--	335,000
Interest and Fiscal Charges	661,707	--	661,707
Fiscal Agent's Fees	29,021	--	29,021
Total Expenditures	<u>1,025,728</u>	<u>318,244</u>	<u>1,953,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(573,661)</u>	<u>(186,704)</u>	<u>(578,867)</u>
Other Financing Sources (Uses):			
Operating Transfers In	928,132	--	928,132
Operating Transfers Out	--	--	(286,955)
Total Other Financing Sources (Uses)	<u>928,132</u>	<u>--</u>	<u>641,177</u>
Net Change in Fund Balances	354,471	(186,704)	62,310
Fund Balances - Beginning	88,416	8,682	760,831
Increase (Decrease) in Fund Balance	70,035	--	28,130
Fund Balances - Ending	<u>\$ 512,922</u>	<u>\$ (178,022)</u>	<u>\$ 851,271</u>



# CITY OF RIO GRANDE CITY, TEXAS

DEBT SERVICE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE:</b>				
Taxes:				
<i>General Property Taxes</i>	\$ 449,482	\$ 449,112	\$ 451,922	\$ 2,810
Investment Earnings	300	350	145	(205)
Total Revenues	<u>449,782</u>	<u>449,462</u>	<u>452,067</u>	<u>2,605</u>
<b>EXPENDITURES:</b>				
<i>Debt Service:</i>				
<i>Principal</i>	1,060,000	1,060,000	335,000	725,000
<i>Interest and Fiscal Charges</i>	620,670	611,371	661,707	(50,336)
<i>Fiscal Agent's Fees</i>	29,450	29,450	29,021	429
<b>Total Expenditures</b>	<u>1,710,120</u>	<u>1,700,821</u>	<u>1,025,728</u>	<u>675,093</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,260,338)</u>	<u>(1,251,359)</u>	<u>(573,661)</u>	<u>(672,488)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
<i>Transfers In</i>	1,367,500	1,367,500	928,132	(439,368)
Total Other Financing Sources (Uses)	<u>1,367,500</u>	<u>1,367,500</u>	<u>928,132</u>	<u>439,368</u>
Net Change in Fund Balances	107,162	116,141	354,471	(233,120)
Fund Balances - Beginning	88,416	88,416	88,416	--
Increase (Decrease) in Fund Balance	--	--	70,035	70,035
Fund Balances - Ending	<u>\$ 195,578</u>	<u>\$ 204,557</u>	<u>\$ 512,922</u>	<u>\$ (163,085)</u>

**CITY OF RIO GRANDE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2015**

	Water Plant Project	Capital Projects Reserve Fund
ASSETS AND OTHER DEBITS		
Assets:		
<i>Cash and Cash Equivalents</i>	\$ --	\$ --
<i>Investments</i>	--	--
<i>Due from Other Funds</i>	11,745	11,750
Total Assets and Other Debits	<u>\$ 11,745</u>	<u>\$ 11,750</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
<i>Due to Other Funds</i>	\$ 3,513	\$ 27
Total Liabilities	<u>3,513</u>	<u>27</u>
DEFERRED INFLOWS OF RESOURCES		
Fund Balances:		
Restricted Fund Balances:		
Committed		
<i>Construction</i>	8,232	11,723
Total Fund Balance	<u>8,232</u>	<u>11,723</u>
Total Liabilities and Fund Balance	<u>\$ 11,745</u>	<u>\$ 11,750</u>

EXHIBIT C-6

Waste Water Project	2013 Wastewater	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ 1,702,392	\$ 1,702,392
--	22,365	22,365
--	--	23,495
<u>\$ --</u>	<u>\$ 1,724,757</u>	<u>\$ 1,748,252</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,540</u>
<u>--</u>	<u>--</u>	<u>3,540</u>
--	1,724,757	1,744,712
--	1,724,757	1,744,712
<u>\$ --</u>	<u>\$ 1,724,757</u>	<u>\$ 1,748,252</u>

# **CITY OF RIO GRANDE CITY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water Plant Project	Capital Projects Reserve Fund
Revenue:		
<i>Intergovernmental</i>	\$ 11,745	\$ --
<i>Investment Earnings</i>	1	21
Total Revenues	<u>11,746</u>	<u>21</u>
Expenditures:		
Current:		
<i>General Government</i>	--	21,166
Total Expenditures	<u>--</u>	<u>21,166</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,746</u>	<u>(21,145)</u>
Other Financing Sources (Uses):		
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>
Net Change in Fund Balances	11,746	(21,145)
Fund Balances - Beginning	(3,514)	32,868
Increase (Decrease) in Fund Balance	--	--
Fund Balances - Ending	<u>\$ 8,232</u>	<u>\$ 11,723</u>

EXHIBIT C-7

Waste Water Project	2013 Wastewater	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ 11,745
1	64	87
1	64	11,832
21	12,644	33,831
21	12,644	33,831
(20)	(12,580)	(21,999)
--	--	--
(20)	(12,580)	(21,999)
4,697	1,737,505	1,771,556
(4,677)	(168)	(4,845)
\$ --	\$ 1,724,757	\$ 1,744,712

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### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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**RAUL HERNANDEZ & COMPANY, P.C.**  
Certified Public Accountants  
5422 Holly Rd  
Corpus Christi, Texas 78411  
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Independent Auditors' 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

Members of the City Council:

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, 2015, 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 April 13, 2017.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-01, 2015-02, and 2015-03 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-01, 2015-02, and 2015-03 to be significant deficiencies.

## **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*.

## **City of Rio Grande City, Texas's Response to Findings**

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

## **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Raul Hernandez & Company, P.C.".

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

April 13, 2017

**CITY OF RIO GRANDE CITY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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?   X   Yes        No

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

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards      N/A

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A	

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, 2015

#### B. Financial Statement Findings

#### **Finding/Recommendation**

##### **Finding No. 2015-01**

**Criteria:** The City's accounting system must make it possible both: (a) to present fairly and fully disclose the funds and activities of the City in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**Condition:** The City did not prepare accurate schedules of Due to & Due from, a schedule of transfers, accurate beginning fund balances, accurate schedules of debt, accurate capital lease schedule, accurate property tax receivable schedule, accurate municipal court reconciliation for deferred revenue, accurate sales tax reconciliation, and accurate franchise tax reconciliation. Furthermore, an updated trial balance was not provided to us until January 2017. The City finally provided us with a workable detailed general ledger in early March 2017.

**Cause:** During the year end closing of the City's books, the finance department was without key management personnel who must have sufficient governmental accounting experience to supervise and oversee the accurate and timely preparation of the City's year-end financial statements, supporting schedules, and general ledger. The absence of these key positions caused a major delay in the closing of the City's general ledger as well as a delay of the annual audit. The City took steps to address the majority of these issues by hiring an independent CPA Firm with the knowledge and experience in governmental and municipal accounting which is essential in maintaining accurate financial reporting.

**Effect:** As a result, this placed the City in a high risk auditee condition, which makes it susceptible to the possibility of material misstatements of its' audited financial statements, fraud, and the risk of loss of state & federal funding.

**Recommendation:** The Finance department should be properly informed in regard to understanding the proper steps of year end closing of the City's books. The City must develop a year end closing plan and ensure that proper internal controls over financial reporting and compliance with major federal programs are in place. The City should continue to utilize an independent CPA Firm to assist with the financial reporting. We also recommend that quarterly internal audits of all City departments be implemented.

**Management Response:** As a result of staffing issues which included staffing shortages, unqualified staffing and improper management oversight the Finance Department did not perform its assigned duties in a timely and accurate manner. New Finance Director is properly informed on the City's accounting requirements and the City will employ or contract necessary personnel to ensure all financial reporting requirements are met.



## CITY OF RIO GRANDE CITY, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Finding No. 2015-02

**Criteria:** Management is responsible for understanding proper accounting rules in recording all financial transactions as well as compliance with the requirements of law, regulations, contracts, and grants applicable to the City's federal programs. Therefore, this process requires management to record transactions accurately in order to develop relevant and reliable financial statements. Furthermore, an official and thorough review of all postings of transactions and account balances should be performed by key management personnel.

**Condition:** The City recorded an accumulation of significant and material posting errors during the fiscal year and especially during the year-end closing. We performed an extended analysis of many accounts and transactions and we determined that the errors resulted from the lack of proper oversight by an authorized personnel. The following corrections were necessary:

- Municipal Court Deferred Revenue was created to record \$479,309.70 for 2015.
- An adjustment of \$988,097.68 was made to the General Fund and an adjustment of \$233,473.35 was made to the Debt Service Fund to correctly record year end property tax receivables.
- An adjustment of \$64,584.88 was made to remove fiscal year 2014 franchise tax revenue in the General Fund.
- An adjustment of \$140,131.17 was made to remove a duplicated posting of a prior period accounts receivable reversal for sales tax in the General Fund.
- An adjustment of \$236,468.60 was made to correctly accrue September 2015 sales tax revenue in the General Fund.
- An adjustment of \$239,667.64 was made to remove 2014 sales tax revenue that was posted to fiscal year 2015 in the General Fund.
- An adjustment of \$64,142.91 was made to accrue August 2015 Ad Valorem Tax Relief Revenue.
- An adjustment of \$400,000.00 was made to correctly record a transfer from EDC to the General Fund to reimburse for land purchase which was incorrectly posted to the balance sheet.
- An adjustment of \$551,915.23 was made to correctly record financing proceeds of radio equipment which was incorrectly posted to Debt Service – Principal.
- An adjustment of \$49,450.00 was made to correctly record the 2014 Broce Broom and Financing Proceeds in the General Fund. An adjustment of \$79,848.22 was also made to correctly record Technology equipment and Financing Proceeds in the General Fund.
- An adjustment of \$394,225.63 was made to correctly record a transfer to the Debt Service Fund which was incorrectly posted to the balance sheet.
- An adjustment of \$46,283.41 was made to reclassify Airport Lease expenses that were miscoded to Operating Transfers Out in the General Fund.
- An adjustment of \$47,956.80 was made to correctly record revenue which was posted in a Police Capital Outlay expense account in the General Fund.
- An adjustment of \$132,549.61 was made to the fund balance to correctly reflect fiscal year 2014 audit adjustments that were not posted by the City.
- Accrued Wages payable of \$10,394.42 was not posted in original trial balance received from the City. Furthermore, the journal entry received from the City had to be adjusted to remove October 2015 payroll liabilities.
- An adjustment of \$86,162.84 was made in the Economic Development Corporation Fund to correctly accrue September Sales Tax revenue.
- An adjustment of \$84,613.68 was made in the Economic Development Corporation Fund to remove 2014 sales tax revenue that was posted to fiscal year 2015.

## CITY OF RIO GRANDE CITY, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

- An adjustment of \$400,000.00 was made to correctly record a transfer to the General Fund to reimburse for land purchase from the Economic Development Fund which was incorrectly posted to the balance sheet.
- An adjustment of \$53,038.54 was made to correctly reclassify a prior period adjustment posted by the City in the Economic Development Corporation Fund.
- An adjustment of \$24,955.00 was made to remove expenses and reclassify to the Forfeiture fund balance. City notified auditor that this posting was incorrect and needed to be removed.
- An adjustment of \$57,576.00 was made to the SECO Block Grant fund to remove the Due From/Due To that was posted. City notified auditor that the SECO Block Grant Fund should not have an active balance.
- An adjustment of \$215,810.81 was made in the TDA Contract NO 713409 Fund to correctly reflect Draw#1 expenditures and retainage payable for sewer connections on Charles Street. An adjustment of \$231,955.01 was also made to capitalize construction in progress to the Public Utility Fund.
- An adjustment of \$730,000.00 was made in the Debt Service Fund to remove 2014 audit adjustments that were miscoded to fiscal year 2015.
- An adjustment of \$740,000.00 was made in the Debt Service Fund to reclassify Utility Fund Debt at fiscal year-end 2015.
- An adjustment of \$394,255.63 was made in the Debt Service Fund to correctly record a transfer from the General Fund which was incorrectly posted to the balance sheet.
- An adjustment of \$933,461.77 was made in the Debt Service Fund to correctly record a transfer from the Enterprise Fund which was incorrectly posted to the balance sheet.
- An adjustment of \$70,034.69 was made in the Debt Service Fund to remove accrued interest payable for the 2007C and 2010 CO Bonds.
- An adjustment of \$38,097.75 was made to in the Debt Service Fund to remove posting to matured debt liability and correct interfund transfers.
- An adjustment was made to the Public Utility Fund to record bad debt expense of \$155,909.43 for fiscal year 2015.
- An adjustment of \$23,868.03 was made to the Public Utility Fund to capitalize fixed assets for 2015.
- An adjustment of \$740,000 was made to adjust bonds payable at fiscal year-end 2015 in the Public Utility Fund.
- An adjustment of \$64,575.85 was made to correctly record 1996 and 1996A Bond expenses for the year in the Public Utility Fund.
- An adjustment of \$135,070.63 was made to remove fiscal year 2014 audit adjustments that were miscoded to fiscal year 2015 in the Public Utility Fund.
- An adjustment of \$71,745.71 was made in the Public Utility Fund to correctly record accrued interest payable at fiscal year-end 2015.
- An adjustment of \$65,304.08 was made to Public Utility Fund liability accounts per notification from City.
- An adjustment of \$933,461.77 was made to the Public Utility Fund to correctly record transfer to Debt Service Fund which was incorrectly posted to the balance sheet.
- An adjustment of \$231,955.01 was made to the Public Utility Fund to correctly capitalize construction in progress for sewer connections from the TDA Grant Fund.
- An adjustment of \$102,711.76 was made to the Public Utility Fund to correctly adjust garage franchise payable to actual per trial balance update received from the City.

## **CITY OF RIO GRANDE CITY, TEXAS**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Cause:** The financial statements, schedules, and general ledger were not prepared on a timely & accurate basis due to lack of key management overview and approval. In addition, a review of the journal entries was not done by a responsible official. The City did however, hire an independent CPA Firm with the knowledge and experience in governmental and municipal accounting which is essential in maintaining accurate financial reporting to assist in addressing these issues.

**Effect:** As a result, this placed the City in a high risk auditee condition, which makes it susceptible to the possibility of material misstatements of its' audited financial statements, fraud and the risk of loss of state & federal funding. Auditing standards require that auditors accumulate misstatements identified during the audit, other than those that are clearly trivial (as designated by the auditor).

**Recommendation:** The Finance department should be properly informed regarding the reporting and disclosure of enhanced accounting rules & principles, along with proper internal controls, and timely financial reporting. The City should increase their effort to fill positions with permanent key personnel who have advanced governmental accounting experience as well as managerial skills to assist the city accounting staff and provide proper oversight of all accounting functions.

**Management Response:** Steps have been taken and plans are underway to ensure the City's accounting rules, practices and compliance with laws, regulations, contracts and applicable grants are timely and appropriately addressed. The Finance Department has been staffed with qualified staff and action plans are under development to timely and accurately record all City financial transactions.



## **CITY OF RIO GRANDE CITY, TEXAS**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

#### **Finding No. 2015-03**

**Criteria:** 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to error or fraud.

**Condition:** The City's control environment was severely weakened during our audit due to the shortage of key personnel, including the positions of the Director of Finance, and the City Manager. The City filled both positions prior to the completion of our audit. We became increasingly concerned on the effect these events could have on fraud risk and audit risk for reporting of accurate financial information, as well as the effect on the City's entire internal controls. As a result, there was a major delay in the audit. Furthermore, we became aware of other critical issues, including an incomplete and inaccurate set of books and lack of financial reporting that caused another delay.

**Cause:** The City did not have essential key personnel to perform the responsibilities and duties of the accounting transactions during the audit and the closing of the City's books. The City did ultimately hire an independent CPA Firm with the knowledge and experience in governmental and municipal accounting which is essential in maintaining accurate financial reporting to assist in addressing these issues.

**Effect:** The absence of key management personnel in key positions could have adversely affected the auditors' opinion on the audit report, but did, in fact, result in material and significant deficiencies. Furthermore, we identified many errors of amounts, which makes it susceptible to the possibility of material misstatements of its' audited financial statements. The City has become a high risk auditee.

**Recommendation:** The City must take immediate steps in assuring that all sufficient key personnel have governmental knowledge and experience to take responsibility for understanding proper accounting treatment in recording transactions and to improve the effectiveness & efficiency of financial reporting and proper segregation of duties and overall internal control. Furthermore, an official and thorough review of the all postings of transactions and account balances should be performed by a responsible official.

**Management's Response:** Key management and personnel have an understanding of the City's accounting requirements to in effect execute effective and efficient financial reporting requirements. Segregation of duties have been established to avoid unnecessary risks associated with checks and balances. Organizational commitment accompanied with a detailed action plan will be followed including proper oversight to ensure all audit findings are addressed timely, accurately and effectively.

**CITY OF RIO GRANDE CITY, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Prior Year findings still exist in 2015.		



**CITY OF RIO GRANDE CITY, TEXAS**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Management will undertake the proper steps to maintain accurate financial records, overall internal control and timely financial reporting.

The Deputy City Manager is the contact person and will oversee corrective actions.

