



CITY OF RIO GRANDE CITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

CITY OF RIO GRANDE CITY, TEXAS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2021

**CITY OF RIO GRANDE CITY, TEXAS
CITY OFFICIALS
SEPTEMBER 30, 2021**

Council – Manager Form of Government

MAYOR

Joel Villarreal

COUNCIL MEMBERS

Hernan R. Garza, III
Rey Ramirez
Flor E. Flores
Alberto Escobedo

DEPUTY CITY MANAGER

Noel Castillo

FINANCE DIRECTOR

Leonel Cantu

CITY SECRETARY

Melissa Garza

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF RIO GRANDE CITY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	10
B-1 Statement of Activities	11
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13
C-2 Reconciliation for C-1	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-4 Reconciliation for C-3	18
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	19
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	21
D-3 Statement of Cash Flows	23
Notes to the Financial Statements	24
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	56
G-2 Schedule of Changes in Net Pension Liability and Related Ratios for TMRS	57
G-3 Schedule of Contributions TMRS Pension Plan	59
Notes to the Schedule of Contributions	61
G-4 Schedule of Changes in the Total OPEB Liability and Related Ratios for TMRS	62
Notes to the Schedule of OPEB Contributions	63
<u>Other Supplementary Information</u>	
Note to the Required Supplementary Information	64
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	67
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	71
<u>Budgetary Comparison Schedule</u>	
H-3 Budgetary Comparison Schedule - Economic Development Corporation	75
H-4 Budgetary Comparison Schedule - Debt Service Fund	76
H-5 Budgetary Comparison Schedule - Series 2020 C/O's Fund	77
<u>Report on Internal Control and Compliance</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
Schedule of Findings and Questioned Costs	80
Schedule of Status of Prior Findings	82
Corrective Action Plan	83

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P.C.

Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rio Grande City, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Rio Grande City, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Rio Grande City, Texas'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, Texas's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rio Grande City, Texas as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison and schedule of the City of Rio Grande City, Texas's proportionate share of the net pension liability and schedule of City of Rio Grande City, Texas's pension contributions, and schedule of the City of Rio Grande City, Texas's proportionate share of the net OPEB liability and schedule of City of Rio Grande City, Texas's OPEB contributions identified as Required Supplementary Information 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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the City of Rio Grande City, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rio Grande City, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rio Grande City, Texas's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
March 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

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, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$3,541,961 for the year, which is a change of 10%. The governmental activities increase was \$31,643 while the business-type activities showed an increase of \$3,510,318.
- Last year's increase in sales tax revenues of \$249,514 was followed by an increase in sales tax revenues of \$460,813 for 2021.
- There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues increased by \$127,766, and overall revenues decreased by (\$1,472,747). In addition, general government expenses increased by \$472,794 and total governmental expenses increased by \$533,961. Utility operating revenues had an increase of \$2,146,235 and an increase in the utility fund expenses of \$312,839.
- The City added approximately \$1,986,104 to capital assets during the year. Capital additions include purchase of new equipment, remodeling, infrastructure improvements, water and sewer system upgrades and improvements. Depreciation expense of \$1,696,874 was also recorded for the year.
- The City had \$1,674,713 in construction in progress at the end of the prior year for governmental and business-type activities. The City added \$159,600 as construction in progress in the business-type activities.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

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

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

Fund financial statements

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

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

Notes to the financial statements

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

Condensed Financial Information

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

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Government-wide net position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 23,385,295	41,936,973	12,015,113	4,062,717	35,400,408	45,999,690
Capital assets	17,139,157	16,942,190	32,585,097	32,492,832	49,724,254	49,435,022
Total assets	<u>40,524,452</u>	<u>58,879,163</u>	<u>44,600,210</u>	<u>36,555,549</u>	<u>85,124,662</u>	<u>95,434,712</u>
Deferred Outflows of Resources	<u>376,598</u>	<u>355,071</u>	<u>780,189</u>	<u>811,412</u>	<u>1,156,787</u>	<u>1,166,483</u>
Long-term liabilities	21,773,120	22,598,272	22,938,707	18,492,900	44,711,827	41,091,172
Other liabilities	1,976,304	2,459,603	893,383	800,702	2,869,687	3,260,305
Total liabilities	<u>23,749,424</u>	<u>25,057,875</u>	<u>23,832,090</u>	<u>19,293,602</u>	<u>47,581,514</u>	<u>44,351,477</u>
Deferred Inflows of Resources	<u>571,668</u>	<u>685,854</u>	<u>115,277</u>	<u>150,645</u>	<u>686,945</u>	<u>836,499</u>
Net position:						
Invested in capital assets, net of debt	-	-	10,372,647	13,999,932	10,372,647	13,999,932
Restricted	17,390,301	19,149,775	-	-	17,390,301	19,149,775
Unrestricted	<u>(810,341)</u>	<u>(2,601,458)</u>	<u>11,060,385</u>	<u>3,922,782</u>	<u>10,250,044</u>	<u>1,321,324</u>
Total net position	<u>\$ 16,579,960</u>	<u>16,548,317</u>	<u>21,433,032</u>	<u>17,922,714</u>	<u>38,012,992</u>	<u>34,471,031</u>

The City's governmental activities showed an increase in net position of \$31,643. Capital assets for governmental activities increased by \$196,967.

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	
	2021	2020	2021	2020	2021	2020
Change in net assets						
Total revenues	\$ 9,883,759	11,356,506	8,383,257	6,237,023	18,267,016	17,593,529
Total expenses	<u>(9,999,738)</u>	<u>(9,465,777)</u>	<u>(4,808,665)</u>	<u>(4,495,826)</u>	<u>(14,808,403)</u>	<u>(13,961,603)</u>
Change before transfers	<u>(115,979)</u>	<u>1,890,729</u>	<u>3,574,592</u>	<u>1,741,197</u>	<u>3,458,613</u>	<u>3,631,926</u>
Transfers	<u>56,056</u>	<u>243,304</u>	<u>(56,056)</u>	<u>(243,304)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(59,923)</u>	<u>2,134,033</u>	<u>3,518,536</u>	<u>1,497,893</u>	<u>3,458,613</u>	<u>3,631,926</u>
Net position - beginning	16,548,317	14,054,186	17,922,714	16,725,949	34,471,031	30,780,135
Reclass of Beg Net Position	<u>91,566</u>	<u>360,098</u>	<u>(8,218)</u>	<u>(301,128)</u>	<u>83,348</u>	<u>58,970</u>
Net position - ending	<u>\$ 16,579,960</u>	<u>16,548,317</u>	<u>21,433,032</u>	<u>17,922,714</u>	<u>38,012,992</u>	<u>34,471,031</u>

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

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 1,072,183	944,417	5,813,493	5,788,359	6,885,676	6,732,776
General revenues:						
Maintenance and						
Operations Taxes	2,353,992	2,277,260	-	-	2,353,992	2,277,260
Debt Service Taxes	460,944	426,014	-	-	460,944	426,014
Grants	492,070	2,805,697	2,085,615	-	492,070	2,805,697
Sales tax	4,983,777	4,522,964	-	-	4,983,777	4,522,964
Investment Earnings	19,638	53,091	4,809	32,211	24,447	85,302
Miscellaneous	501,155	327,063	479,341	416,453	980,496	743,516
Total revenues	\$ 9,883,759	11,356,506	8,383,258	6,237,023	16,181,402	17,593,529

Last year's increase in sales tax revenues of \$249,514 was followed by an increase in sales tax revenues of \$460,813 for 2021. The increase in the sales tax was due to changes in the economic conditions in the City of Rio Grande City.

There were a few changes in both revenues and certain expenses of the general fund and utility fund. General fund charges for service revenues increased by \$127,766. In addition, governmental expenses increased by \$533,961.

Utility revenues had an overall increase of \$2,146,235 for operating revenues, due in part to \$2,085,615 received from the Texas Water Development Board (TWDB) in loan forgiveness. There was also an increase in the utility fund expenses of \$312,839.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Expenses						
General Government	\$ 2,924,869	2,452,075	-	-	2,924,869	2,452,075
Judicial	284,662	252,055	-	-	284,662	252,055
Public safety	3,654,283	4,211,773	-	-	3,654,283	4,211,773
Public works	734,245	808,687	-	-	734,245	808,687
Highways and Streets	172,950	174,021	-	-	172,950	174,021
Culture and Recreation	419,224	378,894	-	-	419,224	378,894
Libraries	333,323	402,393	-	-	333,323	402,393
Economic Development	707,140	712,901	-	-	707,140	712,901
Bond Interest	732,543	41,250	-	-	732,543	41,250
Fiscal agent fees	36,499	31,728	-	-	36,499	31,728
Utility Fund	-	-	4,808,665	4,495,826	4,808,665	4,495,826
Total expenses	\$ 9,999,738	9,465,777	4,808,665	4,495,826	14,808,403	13,961,603

In 2021, the City's transfers consisted of moving unassigned and unrestricted funds within the General Fund, Economic Development Fund, Other Governmental Funds, and Water, Sewer and Sanitation Funds for the purposes of capital asset purchases, finance payroll, special projects and or the funding of principal and interest loan payments.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Financial Analysis of the City's Funds

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

The city adopted a conservative budget for 2021-2022.

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 (\$102,647) fund balance.

As discussed above, the utility fund's operations ended the year with a \$3,510,318 increase in net position. The utility fund has net position of \$21,433,032 at the end of the year. However, \$10,372,647 is restricted for investment in capital assets, net of related debt. Unrestricted net position of \$11,060,385 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 \$602,391. Expenditures had an overall increase of \$75,751.

Capital Asset and Debt Administration

Capital assets

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,292,630	2,292,630	345,536	346,536	2,638,166	2,639,166
Infrastructure	14,332,899	14,296,241	36,105,667	35,306,725	50,438,566	49,602,966
Buildings	3,607,027	3,565,040	1,914,682	1,914,682	5,521,709	5,479,722
Machinery and Equipment	9,385,256	8,539,084	3,298,593	3,212,848	12,683,849	11,751,932
Construction in Progress	153,716	153,716	1,680,597	1,520,997	1,834,313	1,674,713
Depreciation	(12,632,371)	(11,904,519)	(10,760,978)	(9,808,955)	(23,393,349)	(21,713,474)
Total assets	\$ 17,139,157	16,942,192	32,584,097	32,492,832	49,723,254	49,435,024

The City added approximately \$1,986,104 to capital assets during the year. Capital additions include purchase of new equipment, remodeling, infrastructure improvements, water and sewer system upgrades and improvements and construction in progress of street improvements and sewer line upgrades among others. Depreciation expense of \$1,696,874 was also recorded for the year.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Debt

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General obligation debt	\$ 18,825,000	19,480,000	22,042,000	17,500,000	40,867,000	36,980,000
Capital leases payable	61,829	82,166	191,533	250,934	253,362	333,100
Total debt	\$ 18,886,829	19,562,166	22,233,533	17,750,934	41,120,362	37,313,100

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 \$0.099345.

Economic Factors

The city's finances continue to demonstrate increases in revenues. This is mostly attributed to a steady increase in sales tax, improved certified property taxable values and conservative spending practices of the municipal operating budget.

Sales Tax:

The city's sales tax has been experiencing an upward trend since 2017. For fiscal year 2020-2021, a double digit annual growth of 13.16% was reported. The beginning of 2022 has been seeing similar increases. This is consistent with the significant amount of businesses reopening from the State and National required shut downs and the emergence of new businesses within city limits. The city has a strong stance on shopping local as the business community provides an array of retail options for local and out of town consumers. Sales tax is expected to continue to increase with businesses opening their doors at the Saint Ives Development. Additions to the Starr Plaza, the development of the Dollar Tree Plaza and several other commercial developments are expected to be completed within the year with many more planned for 2023.

CITY OF RIO GRANDE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Property Tax:

Property tax amounts have also reported a spike in values since 2017-2018. During the past fiscal year, 2021-2022, the taxable values percent increase was 14.07%. This is consistent with the establishments of many new subdivisions and commercial properties in our city.

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

Municipal Operating Budget:

The city has been able to maintain a positive financial standing throughout the year. This is due in part to conservative spending practices implemented by the City Commission together with the Finance Department. Additional factors to note were the available monies through the previously approved Certificates of Obligations and federally appropriated assistance to cities through COVID Relief Funds. Currently, the city has been steadily building on our fund balances in our General Fund, EDC, and Public Utilities reserves. Our Public Utilities department secured a \$7.5 million loan through the TWDB with \$2 million being forgivable for a waste water treatment plant restoration. Through the allotted CO funds, brand new fire trucks and the Boys and Girls Club were purchased. Many other projects are currently in the process of being completed including the much anticipated Public Safety Building, major street improvements and the dog kennel expansion.

Overall, the city's finances are strong with no foreseeable barriers for future growth. Working in collaboration with the city commission, financial advisors, auditors, department heads and city management has been the defining factor for this achievement. In addition, the completion of financial audits, proactive measures to keep the budget balanced and suitable appropriations of funds have all played a positive influence to the financial stability reported.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A-1

	Primary Government		
	Governmental	Business -	Total
	Activities	Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 1,291,834	\$ 5,343,202	\$ 6,635,036
Investments - Current	18,515,710	3,292,348	21,808,058
Taxes Receivable, Net	1,686,406	-	1,686,406
Accounts Receivable Net	1,533,914	1,098,076	2,631,990
Due from Other Governments	145,949	-	145,949
Due from Other Funds	(138,012)	138,012	-
Due from Others	262,457	44,129	306,586
Inventories	-	13,572	13,572
Materials On Hand	75,037	-	75,037
Prepaid Items	12,000	-	12,000
Restricted - Cash and Cash Equivalents	-	2,085,774	2,085,774
Capital Assets:			
Land	2,292,630	346,536	2,639,166
Infrastructure, Net	8,882,989	27,482,786	36,365,775
Buildings, Net	2,850,888	917,331	3,768,219
Machinery and Equipment, Net	2,958,934	2,157,846	5,116,780
Construction in Progress	153,716	1,680,598	1,834,314
Total Assets	40,524,452	44,600,210	85,124,662
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	-	726,257	726,257
Deferred Resource Outflow Related to Pension&OPEB	376,598	53,932	430,530
Total Deferred Outflows of Resources	376,598	780,189	1,156,787
LIABILITIES			
Accounts Payable	192,125	285,541	477,666
Wages and Salaries Payable	333,057	62,714	395,771
Deposits Payable	-	319,672	319,672
Due to State	782,020	-	782,020
Accrued Interest Payable	96,058	47,964	144,022
Noncurrent Liabilities:			
Debt Due Within One Year	939,520	1,157,361	2,096,881
Due in More Than One Year:			
Debt Due Within One Year	20,833,600	21,781,346	42,614,946
Net Pension Liability	344,209	106,614	450,823
Net OPEB Liability	228,835	70,878	299,713
Total Liabilities	23,749,424	23,832,090	47,581,514
DEFERRED INFLOWS OF RESOURCES			
Deferred Resource Inflow Related to Pension & OPEB	571,668	115,277	686,945
Total Deferred Inflows of Resources	571,668	115,277	686,945
NET POSITION			
Net Investment in Capital Assets	-	10,372,647	10,372,647
Restricted:			
Restricted for Federal or State Funds	205,133	-	205,133
Restricted for Construction	14,167,853	-	14,167,853
Restricted for Other Purposes	3,017,315	-	3,017,315
Unrestricted	(810,341)	11,060,385	10,250,044
Total Net Position	\$ 16,579,960	\$ 21,433,032	\$ 38,012,992

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

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 850,683	\$ -	\$ -	\$ -
Mayor and Council	16,034	-	-	-
City Manager	146,351	-	-	-
Administration	1,030,053	70,223	750	-
City Secretary	128,778	-	-	-
Finance	180,874	-	-	-
Personnel	83,142	-	-	-
Planning	488,954	-	-	-
Judicial	284,662	283,144	-	-
Police	3,184,490	2,502	466,321	-
Fire Protection	469,793	3,957	-	-
Public Works	734,245	-	-	-
Highway and Streets	172,950	-	-	-
Culture, recreation and parks	419,224	6,680	-	-
Library	333,323	-	24,999	-
Economic Development and Assistance	707,140	-	-	-
Interest on Debt	732,543	-	-	-
Other Debt Service	36,499	-	-	-
Total Governmental Activities	9,999,738	366,506	492,070	-
BUSINESS-TYPE ACTIVITIES:				
Water, Sewer & Sanitation Fund	4,808,665	5,813,493	-	2,085,615
Total Business-Type Activities	4,808,665	5,813,493	-	2,085,615
TOTAL PRIMARY GOVERNMENT	\$ 14,808,403	\$ 6,179,999	\$ 492,070	\$ 2,085,615

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Delinquent Property Taxes

AD Valorem Tax Relief Revenue

General Sales and Use Taxes

Franchise Tax

Hotel/Motel Tax

Penalty and Interest on Taxes

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(850,683)	-	(850,683)
(16,034)	-	(16,034)
(146,351)	-	(146,351)
(959,080)	-	(959,080)
(128,778)	-	(128,778)
(180,874)	-	(180,874)
(83,142)	-	(83,142)
(488,954)	-	(488,954)
(1,518)	-	(1,518)
(2,715,667)	-	(2,715,667)
(465,836)	-	(465,836)
(734,245)	-	(734,245)
(172,950)	-	(172,950)
(412,544)	-	(412,544)
(308,324)	-	(308,324)
(707,140)	-	(707,140)
(732,543)	-	(732,543)
(36,499)	-	(36,499)
(9,141,162)	-	(9,141,162)
-	3,090,443	3,090,443
-	3,090,443	3,090,443
(9,141,162)	3,090,443	(6,050,719)
1,959,492	-	1,959,492
460,944	-	460,944
227,649	-	227,649
1,221,766	-	1,221,766
3,762,011	-	3,762,011
610,781	-	610,781
94,896	-	94,896
166,851	-	166,851
501,155	479,341	980,496
19,638	4,809	24,447
56,056	(56,056)	-
9,081,239	428,094	9,509,333
(59,923)	3,518,537	3,458,614
16,548,317	17,922,713	34,471,030
91,566	(8,218)	83,348
\$ 16,579,960	\$ 21,433,032	\$ 38,012,992

CITY OF RIO GRANDE CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Economic Development Corporation	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 23,850	\$ 115,905	\$ 40,051
Investments - Current	2,550,693	2,120,049	-
Taxes Receivable	1,427,723	-	347,441
Allowance for Uncollectible Taxes (credit)	(71,386)	-	(17,372)
Accounts Receivable Net	1,313,196	207,294	-
Due from Other Governments	41,551	-	-
Due from Other Funds	437,334	26,563	-
Due from Others	-	-	-
Materials On Hand	-	-	-
Prepaid Items	12,000	-	-
Total Assets	\$ 5,734,961	\$ 2,469,811	\$ 370,120
LIABILITIES			
Accounts Payable	\$ 63,547	\$ 20,833	\$ -
Wages and Salaries Payable	94,123	4,523	-
Payroll Taxes Payable	32,573	1,769	-
Retainage Payable	-	-	-
Due to Other Funds	83,090	2,340	142,698
Due to Others	782,020	-	-
Unearned Revenues	596,460	-	-
Total Liabilities	1,651,813	29,465	142,698
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	1,356,337	-	330,069
Total Deferred Inflows of Resources	1,356,337	-	330,069
FUND BALANCES			
Nonspendable Fund Balance:			
Prepaid Items	12,000	-	-
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	-	-
Restricted for Construction	-	-	-
Other Restricted Fund Balance	-	2,440,346	-
Unassigned Fund Balance	2,714,811	-	(102,647)
Total Fund Balances	2,726,811	2,440,346	(102,647)
Total Liabilities, Deferred Inflows & Fund Balances	\$ 5,734,961	\$ 2,469,811	\$ 370,120

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

Series 2020 C/O's	Other Funds	Total Governmental Funds
\$ 315	\$ 1,111,713	\$ 1,291,834
13,844,968	-	18,515,710
-	-	1,775,164
-	-	(88,758)
-	13,424	1,533,914
-	104,398	145,949
5,948	57,780	527,625
-	262,457	262,457
-	75,037	75,037
-	-	12,000
<u>\$ 13,851,231</u>	<u>\$ 1,624,809</u>	<u>\$ 24,050,932</u>
\$ -	\$ 31,480	\$ 115,860
-	376	99,022
-	-	34,342
-	76,269	76,269
-	437,505	665,633
-	-	782,020
-	-	596,460
-	545,630	2,369,606
-	-	1,686,406
-	-	1,686,406
-	-	12,000
-	205,133	205,133
13,851,231	316,622	14,167,853
-	564,969	3,005,315
-	(7,545)	2,604,619
<u>13,851,231</u>	<u>1,079,179</u>	<u>19,994,920</u>
<u>\$ 13,851,231</u>	<u>\$ 1,624,809</u>	<u>\$ 24,050,932</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF RIO GRANDE CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 19,994,920
The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net position.	-0-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(5,893,466)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase (decrease) net position.	1,705,969
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$344,209), a deferred resource inflow in the amount of (\$543,251) and a deferred resource outflow in the amount of \$293,964. This resulted in an increase/(decrease) in net position by (\$593,496)	(593,496)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of (\$228,835), a deferred resource inflow in the amount of (\$28,417), and a deferred resource outflow in the amount of \$82,634. This resulted in an increase/(decrease) in net position by (\$174,618).	(174,618)
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(744,851)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	2,285,502
Net Position of Governmental Activities	\$ 16,579,960

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

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Economic Development Corporation	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,894,639	\$ -	\$ 460,944
Delinquent Property Taxes	183,150	-	44,499
AD Valorem Tax Relief Revenue	1,221,766	-	-
General Sales and Use Taxes	2,540,245	1,221,766	-
Franchise Tax	592,172	-	-
Hotel/Motel Tax	-	-	-
Penalty and Interest on Taxes	111,727	-	55,124
Licenses and Permits	181,840	-	-
Intergovernmental Revenue and Grants	129,803	-	-
Charges for Services	86,351	-	-
Fines	267,774	-	-
Forfeits	-	-	-
Investment Earnings	2,046	2,081	284
Other Revenue	81,918	715	-
Total Revenues	<u>7,293,431</u>	<u>1,224,562</u>	<u>560,851</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Mayor and Council	16,034	-	-
City Manager	146,351	-	-
Administration	1,095,235	-	-
City Secretary	128,503	-	-
Finance	181,068	-	-
Personnel	83,000	-	-
Planning	500,517	-	-
Judicial	269,593	-	-
Police	2,489,844	-	-
Fire Protection	983,861	-	-
Public Works	921,631	-	-
Highway and Streets	172,950	-	-
Culture, recreation and parks	405,312	-	-
Library	307,796	-	-
Economic Development and Assistance	-	540,529	-
Debt Service:			
Principal on Debt	20,337	-	655,000
Interest on Debt	3,662	-	817,697
Other Debt Service	-	-	36,499
Total Expenditures	<u>7,725,694</u>	<u>540,529</u>	<u>1,509,196</u>
Excess (Deficiency) of Revenues Over (Under)	<u>(432,263)</u>	<u>684,033</u>	<u>(948,345)</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	1,600	-	-
Transfers In	1,081,002	-	895,635
Transfers Out (Use)	(110,000)	(424,093)	(555,375)
Total Other Financing Sources (Uses)	<u>972,602</u>	<u>(424,093)</u>	<u>340,260</u>
Net Change in Fund Balances	540,339	259,940	(608,085)
Fund Balance - October 1 (Beginning)	2,095,586	2,180,406	505,438
Prior Period Adjustment	90,886	-	-
Fund Balance - September 30 (Ending)	<u>\$ 2,726,811</u>	<u>\$ 2,440,346</u>	<u>\$ (102,647)</u>

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

Series 2020 C/O's	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,355,583
-	-	227,649
-	-	1,221,766
-	-	3,762,011
-	18,609	610,781
-	94,896	94,896
-	-	166,851
-	-	181,840
-	362,267	492,070
-	-	86,351
-	15,371	283,145
-	131,646	131,646
14,363	864	19,638
-	35,883	118,516
14,363	659,536	9,752,743
850,683	-	850,683
-	-	16,034
-	-	146,351
-	29,243	1,124,478
-	-	128,503
-	-	181,068
-	-	83,000
-	-	500,517
-	-	269,593
-	396,892	2,886,736
-	-	983,861
-	-	921,631
-	-	172,950
-	-	405,312
-	-	307,796
-	99,693	640,222
-	-	675,337
-	-	821,359
-	-	36,499
850,683	525,828	11,151,930
(836,320)	133,708	(1,399,187)
-	-	1,600
-	10,000	1,986,637
(501,874)	(339,239)	(1,930,581)
(501,874)	(329,239)	57,656
(1,338,194)	(195,531)	(1,341,531)
15,189,425	1,274,030	21,244,885
-	680	91,566
\$ 13,851,231	\$ 1,079,179	\$ 19,994,920

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF RIO GRANDE CITY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ (1,341,531)
The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.	-0-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase (decrease) the change in net position.	1,705,969
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/20 caused the change in the ending net position to increase in the amount of \$223,500. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$217,073). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$210,852. The result of these changes is to increase/(decrease) the change in net position by \$217,279.	217,279
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/20 caused the change in the ending net position to increase in the amount of \$3,854. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$4,450). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by (\$28,245). The result of these changes is to increase/(decrease) the change in net position by (\$28,841).	(28,841)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(744,851)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.	132,052
Change in Net Position of Governmental Activities	\$ (59,923)

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

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

EXHIBIT D-1

	Business Type Activities
	Water, Sewer & Sanitation Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,343,202
Investments - Current	3,292,348
Restricted Assets - Current:	
Cash and Cash Equivalents	2,085,774
Accounts Receivable Net	1,098,076
Due from Other Funds	237,103
Due from Others	44,129
Inventories	13,572
Total Current Assets	<u>12,114,204</u>
Noncurrent Assets:	
Capital Assets:	
Land	346,536
Infrastructure, Net	27,482,786
Buildings, Net	917,331
Machinery and Equipment, Net	2,157,846
Construction in Progress	1,680,598
Total Noncurrent Assets	<u>32,585,097</u>
Total Assets	<u>44,699,301</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge for Refunding	726,257
Deferred Outflow Related to Pension Plan	28,336
Deferred Resource Outflow Related to OPEB	25,596
Total Deferred Outflows of Resources	<u>780,189</u>

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

CITY OF RIOGRANDE CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business Type Activities
	Water, Sewer & Sanitation Fund
LIABILITIES	
Current Liabilities:	
Accounts Payable	285,541
Wages and Salaries Payable	26,835
Compensated Absences Payable	35,879
Deposits Payable	319,672
Due to Other Funds	99,091
Accrued Interest Payable	47,964
Total Current Liabilities	<u>814,982</u>
Noncurrent Liabilities:	
Debt Due Within One Year	1,157,361
Due in More Than One Year	21,781,346
Net Pension Liability	106,614
Net OPEB Liability	70,878
Total Noncurrent Liabilities	<u>23,116,199</u>
Total Liabilities	<u>23,931,181</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	106,475
Deferred Resource Inflow Related to OPEB	8,802
Total Deferred Inflows of Resources	<u>115,277</u>
NET POSITION	
Net Investment in Capital Assets	10,372,647
Unrestricted	11,060,385
Total Net Position	<u>\$ 21,433,032</u>

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

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D-2\

	Business-Type Activities Water, Sewer & Sanitation Fund
OPERATING REVENUES:	
Texas Water Development Board (TWDB) Grant	\$ 2,085,615
Water Sales	3,741,789
Sewer Charges	1,971,303
Other Services	100,401
Other Revenue	479,341
Total Operating Revenues	<u>8,378,449</u>
OPERATING EXPENSES:	
Administration	
Personnel Services - Salaries and Wages	104,125
Purchased Professional & Technical Services	78,992
Other Operating Costs	185,604
Total Administration	<u>368,720</u>
Billings and Collections	
Personnel Services - Salaries and Wages	201,634
Purchased Professional & Technical Services	32,870
Other Operating Costs	271,298
Total Billings and Collections	<u>505,802</u>
Water System	
Personnel Services - Salaries and Wages	272,821
Purchased Professional & Technical Services	21,565
Other Operating Costs	360,142
Total Water System	<u>654,528</u>
Water Plant #1	
Personnel Services - Salaries and Wages	47,898
Purchased Professional & Technical Services	22,877
Other Operating Costs	124,258
Total Water Plant #1	<u>195,032</u>
Water Distribution	
Personnel Services - Salaries and Wages	367,830
Purchased Professional & Technical Services	177,323
Other Operating Costs	381,109
Total Water Distribution	<u>926,262</u>
Sewer System	
Personnel Services - Salaries and Wages	173,224
Purchased Professional & Technical Services	217,560
Other Operating Costs	127,277
Total Sewer System	<u>518,061</u>
Sewer Collection	
Personnel Services - Salaries and Wages	70,646
Purchased Professional & Technical Services	16,056
Other Operating Costs	38,678
Total Sewer Collection	<u>125,380</u>
Depreciation	952,023

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D-2

	Business-Type Activities Water, Sewer & Sanitation Fund
Total Operating Expenses	4,245,808
Operating Income	4,132,641
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	4,809
Interest Expense - Non-Operating	(562,857)
Total NonOperating Revenue (Expenses)	(558,048)
Income Before Transfers	3,574,593
Nonoperating Transfers In	1,396,488
Transfers Out (Use)	(1,452,544)
Change in Net Position	3,518,537
Total Net Position - October 1 (Beginning)	17,922,713
Prior Period Adjustment	(8,218)
Total Net Position - September 30 (Ending)	\$ 21,433,032

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

CITY OF RIOGRANDE CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D-3

	Business-Type Activities Water, Sewer & Sanitation Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 8,378,449
Cash Payments to Employees for Services	(1,296,545)
Cash Payments for Other Operating Expenses	(2,249,724)
Net Cash Provided by Operating Activities	4,832,180
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	1,396,488
Operating Transfer Out	(1,452,544)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(56,056)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,044,288)
Bond Proceeds	5,410,000
Principal Paid on Capital Debt	(964,193)
Interest Paid on Capital Debt	(562,857)
Net Cash Provided by Capital and Related Financing Activities	2,838,662
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(308,263)
Interest and Dividends on Investments	4,809
Net Cash Provided by (Used for) Investing Activities	(303,454)
Net Increase in Cash and Cash Equivalents	7,311,332
Cash and Cash Equivalents at Beginning of Year	117,645
Cash and Cash Equivalents at End of Year	\$ 7,428,977
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 4,132,641
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	952,023
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(184,440)
Decrease (Increase) in Inventories	7,232
Decrease (Increase) in Prepaid Expenses	22,000
Decrease (Increase) in Interfund Receivables	(246,993)
Decrease (Increase) in Outflows	31,223
Increase (Decrease) in Accounts Payable	100,794
Increase (Decrease) in Interfund Payables	69,399
Increase (Decrease) in Inflows	(51,699)
Net Cash Provided by Operating Activities	\$ 4,832,180

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the City of Rio Grande City, Texas (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental and financial reporting principles.

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

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

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

A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B. SCOPE OF REPORTING ENTITY

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

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

C. FUND FINANCIAL STATEMENTS

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

The City has reported the following major governmental funds:

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

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

Debt Service Fund - The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Series 2020 C/O's Fund - This fund is a capital projects fund. It is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

The City has reported the following major proprietary funds:

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

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

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

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-wide financial statements

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

Fund financial statements – government funds

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

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

Fund financial statements – proprietary funds

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

E. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City's accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year's budget. There are no significant encumbrances outstanding at September 30, 2021.

F. CASH AND CASH EQUIVALENTS

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

G. INVESTMENTS

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual bonds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

H. PREPAID ITEMS

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

I. RECEIVABLES

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

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

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

J. INVENTORY

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

K. INTER-FUND RECEIVABLE AND PAYABLES

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

L. TRANSACTIONS BETWEEN FUNDS

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

M. CAPITAL ASSETS

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

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

N. COMPENSATED ABSENCES

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

O. LONG-TERM DEBT

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs are shown as debt service expenditures.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

P. FUND EQUITY

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

Net assets invested in capital assets

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

Restricted

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

Unrestricted

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

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

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

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

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

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

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Q. SPENDING PRIORITIZATION IS USING AVAILABLE RESOURCES

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

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

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

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

R. PROGRAM REVENUES AND INDIRECT EXPENSES

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

S. OPERATING AND NONOPERATING REVENUES AND EXPENSES

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

T. ESTIMATES

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

U. NET PENSION LIABILITY

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

V. Other Post-Employment Benefits (OPEB)

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

W. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has two items that qualify for reporting in this category, one is related to the City's net pension liability and the other is related to the City's net OPEB liability and both are reported on the government-wide statements of net position. This deferred outflow includes City contributions to the retirement systems contributed subsequent to the measurement date of the net pension liability and net OPEB liability, as of September 30, 2021, the City's deferred outflows totaled \$430,530.

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

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

Government-wide statements

One is the deferred inflow related to the net position liability and net OPEB liability and is the difference between expected and actual economic experiences and changes in actual earnings. This is amortized over subsequent accounting periods as determined by the actuary. As of September 30, 2021, the City's deferred inflow totaled \$686,945.

Governmental fund level

This deferred inflow is property taxes received prior to the applicable budget year. As of September 30, 2021, the City's deferred inflowed totaled \$1,686,406.

Business-Type Activities

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

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

- a. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Council. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Council and are not made after fiscal year end.
- d. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

During the year ended September 30, 2021, expenditures exceeded appropriations as follows:

<u>Department</u>	<u>Expenditures Over Appropriations</u>
Mayor and Council	\$ (334)
Administration	(74,389)
Judicial	(7,119)
Fire Protection	(86,200)
Public Works	(163,801)

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENT

At September 30, 2021 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,720,810 and the bank balance was \$9,224,610. The City's cash deposits at September 30, 2021 and during the period ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

A. Investments

As of September 30, 2021, the City the following investments:

	Amortized Cost	Weighted Average Maturity (Days)	Standard & Poor's Rating
<u>Governmental Activities</u>			
General Fund			
TexPool	\$ 500,052	38	AAAm
Logic Money Market	2,050,641	55	AAAm
<u>Total General Fund</u>	<u>2,550,693</u>		
Special Revenues Funds:			
Logic Money Market	2,120,049	55	AAAm
<u>Total Special Revenue Fund</u>	<u>2,120,049</u>		
Capital Project Funds:			
Logic Money Market	13,844,968	55	AAAm
<u>Total Special Revenue Fund</u>	<u>13,844,968</u>		
<u>Total Governmental Activities</u>	<u>\$ 18,515,710</u>		

	Amortized Cost	Weighted Average Maturity (Days)	Standard & Poor's Rating
<u>Business-type Activities</u>			
TexPool	\$ 500,052	38	AAAm
Logic Money Market	2,792,268	55	AAAm
Bank of New York Money Market	28		
<u>Total Business-type Activities</u>	<u>\$ 3,292,348</u>		

The City was in compliance with the Investment Act.

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

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

As of September 30, 2021, all of the City's external investment pools meet the criteria described in GASB Statement No. 79 and measures all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

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

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2021, the City's investments were secured by U.S. Government Securities.

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

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 4 RECEIVABLES

Primary Government

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

	General Fund	Economic Development Corporation	Debt Service Fund	Enterprise Fund	Nonmajor Governmental Funds	Total
Receivables						
Taxes	\$ 1,427,723	\$ -	\$ 347,441	\$ -	\$ -	\$ 1,775,164
Accounts	-	-	-	1,382,126	-	1,382,126
Other Receivables	1,313,196	207,294	-	-	13,424	1,533,914
Due from other governments	41,551	-	-	-	104,398	145,949
Gross Receivables	2,782,470	207,294	347,441	1,382,126	117,822	4,837,153
Less: Allowance for uncollectible-taxes	(71,386)	-	(17,372)	-	-	(88,758)
Less: Allowance for uncollectible-accounts	-	-	-	(284,050)	-	(284,050)
Net Total Receivables	\$ 2,711,084	\$ 207,294	\$ 330,069	\$ 1,098,076	\$ 117,822	\$ 4,464,345

Revenues of the Water, Sewer and Sanitation Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are \$284,050.

Property Taxes

Property taxes are levied on October 1 bases on assessed value of property as of January 1, for all real and personal property located in the City in conformity with Subtitle I, Texas Property Tax Code. Assessed values are an approximation of market values. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The adjusted assessed value for the roll as of January 1, 2020, upon which the 2020 levy was based, was \$527,196,512.

For the year ended September 30, 2021, property tax rates were \$.408234 and \$.099345 for the general fund and the debt service fund, respectively, per \$100 of assessed value.

Delinquent Taxes Receivable

Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Primary Government

Interfund receivable and payable balances at September 30, 2021 were as follows:

Governmental Funds - Receivable Fund

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 434,993
General Fund	Economic Development Corporation	2,340
Capital Projects Fund	Debt Service Fund	5,948
Other Governmental Funds	Other Governmental Funds	2,514
Other Governmental Funds	General Fund	81,828
		<u>\$ 527,625</u>

Proprietary Funds - Receivable Fund

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water, Sewer and Sanitation Fund	Water, Sewer and Sanitation Fund	\$ 99,090
Water, Sewer and Sanitation Fund	Debt Service Fund	136,750
Water, Sewer and Sanitation Fund	General Fund	1,262
		<u>\$ 237,103</u>

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

Transfers to and from other funds during the year ended September 30, 2021, consisted of the following:

<u>Transfer Out:</u>	<u>Transfer In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Fund</u>	
General Fund	\$ -	\$ 100,000	\$ 10,000	\$ -	\$ 110,000
Economic Development Corporation Fund	311,002	113,091	-	-	424,093
Capital Projects Fund	-	-	-	841,113	841,113
Debt Service Fund	-	-	-	555,375	555,375
Other Governmental Funds	-	-	-	-	-
Enterprise Fund	770,000	682,544	-	-	1,452,544
Total	<u>\$ 1,081,002</u>	<u>\$ 895,635</u>	<u>\$ 10,000</u>	<u>\$ 1,396,488</u>	<u>\$ 3,383,125</u>

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

Transfers out of the Enterprise Fund to the General Fund are for operations.

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance October 1, 2020	Additions	Deletions	Ending Balance September 30, 2021
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 2,292,630	\$ -	\$ -	\$ 2,292,630
Construction in Progress	153,716	-	-	153,716
Total Capital assets, not being depreciated	<u>2,446,346</u>	<u>-</u>	<u>-</u>	<u>2,446,346</u>
Capital Asset being depreciated:				
Buildings	3,565,040	41,987	-	3,607,027
Infrastructure	14,296,241	36,658	-	14,332,899
Machinery and Equipment	8,539,084	863,172	17,000	9,385,256
Total capital assets, being depreciated	<u>26,400,365</u>	<u>941,817</u>	<u>17,000</u>	<u>27,325,182</u>
Less accumulated depreciation for:				
Buildings	(673,565)	(82,574)	(17,000)	(739,139)
Infrastructure	(6,773,437)	(270,815)	-	(7,044,252)
Machinery and Equipment	(4,457,517)	(391,463)	-	(4,848,980)
Total accumulated depreciation	<u>(11,904,519)</u>	<u>(744,851)</u>	<u>(17,000)</u>	<u>(12,632,371)</u>
Total capital assets being depreciated, net	14,495,846	196,965	-	14,692,811
Governmental activities capital assets, net	<u>\$ 16,942,192</u>	<u>\$ 196,965</u>	<u>\$ -</u>	<u>\$ 17,139,157</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Administration	\$ 103,800
Judicial	13,950
Public Safety	391,385
Public Works	73,233
Economic Development and Assistance	104,370
Culture, Recreation and Parks	31,670
Library	26,444
Total Depreciation Expense - Governmental Activities	<u>\$ 744,851</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 6 CAPITAL ASSETS (Continued)

	Beginning Balance October 1, 2020	Additions	Deletions	Ending Balance September 30, 2021
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 346,536	\$ -	\$ -	\$ 346,536
Construction in Progress	1,520,996	339,239	179,638	1,680,597
Total capital assets, not being depreciated	<u>1,867,532</u>	<u>339,239</u>	<u>179,638</u>	<u>2,027,133</u>
Capital Assets, being depreciated				
Buildings	1,914,682	-	-	1,914,682
Infrastructure	35,306,725	798,943	-	36,105,667
Machinery and Equipment	3,212,848	85,745	-	3,298,593
Total capital assets, being depreciated	<u>40,434,255</u>	<u>884,687</u>	<u>-</u>	<u>41,318,942</u>
Less accumulated depreciation for:				
Buildings	(889,750)	(107,600)	-	(997,351)
Infrastructure	(7,779,791)	(633,206)	-	(8,412,998)
Machinery and Equipment	(1,139,413)	(211,217)	-	(1,350,630)
Total accumulated depreciation	<u>(9,808,955)</u>	<u>(952,023)</u>	<u>-</u>	<u>(10,760,978)</u>
Total capital assets, being depreciated, net	30,625,300	(67,336)	-	30,557,964
Business-type activities capital assets, net	<u>\$ 32,492,832</u>	<u>\$ 271,903</u>	<u>\$ 179,638</u>	<u>\$ 32,585,097</u>

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

Business-Type Activities:

Water, Sewer & Sanitation

Total Depreciation Expense - Business-Type Activities

\$ 952,023

\$ 952,023

As further discussed in Note 13, at September 30, 2021, the City had remaining construction and improvement commitments amounting to \$606,828.

NOTE 7 LONG-TERM DEBT

Primary Government

Bond Obligations in Governmental Funds

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

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

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

Governmental bond obligations currently outstanding are as follows:

Governmental Activities

\$1,930,000, 2013 Combination Tax & Revenue Certificates of Obligation due in annual installments ranging from \$40,000 to \$145,000 from February 15, 2014 through 2033; interest estimated at .67% to 5.29%	\$ 1,330,000
\$2,925,000, Series 2019 Limited Tax Refunding Bonds of Obligation due in annual installments ranging from \$60,000 to \$340,000 from February 15, 2020 through 2030; interest 4.00% to 5.00%	2,630,000
\$15,205,000, Series 2020 Combination Tax & Limited Pledge Revenue C/O's due in annual installments ranging from \$340,000 to \$1,010,000 from February 15, 2021 through 2040; interest 4.00%	<u>14,865,000</u>
Total Bonds Obligations	18,825,000
Less: Current Portion of Bonds Obligations	<u>(770,000)</u>
Bonds Obligations, Net of Current Portion	<u>\$18,055,000</u>

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

<u>Year Ending September 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 770,000	\$ 749,811
2023	850,000	716,185
2024	910,000	680,825
2025	985,000	642,574
2026	1,025,000	601,841
2027-2031	5,490,000	2,335,721
2032-2036	4,760,000	1,284,056
2037-2041	4,035,000	321,700
Total	<u>\$ 18,825,000</u>	<u>\$ 7,332,713</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Revenue Bonds

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

Bonds outstanding at September 30, 2021 are as follows:

Business-Type Activities

Bonds Payable:

\$2,885,000, 2007 A Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$140,000 to \$145,000 from February 15, 2011 through 2030; interest at 0.0% \$ 1,305,000

\$12,200,000, 2007 B Combination Tax and Revenue Certificates of Obligation due in annual installments ranging from \$100,000 to \$430,000 from February 15, 2011 through 2040; interest at 0.0% 8,085,000

\$811,000, 1996 A Waterworks and Sewer System Revenue Serial Bonds due in annual installments ranging from \$8,000 to \$46,000 from July 10, 2012 through 2035; interest at 5.125% 477,000

\$7,380,000, Series 2019 Limited Tax Refunding Bonds of Obligation due in annual installments ranging from \$340,000 to \$435,000 from February 15, 2020 through 2040; interest 4.00% to 5.00% 6,765,000

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

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

Bonds Payable 22,042,000
Less: Current Portion of Bonds Payable (1,059,000)

Bonds Payable, Net of Current Portion \$20,983,000

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

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,059,000	\$ 339,738
2023	1,075,000	325,158
2024	1,082,000	311,506
2025	1,098,000	297,166
2026	1,109,000	282,358
2027-2031	5,582,000	1,163,526
2032-2036	4,898,000	745,810
2037-2041	6,140,000	436,635
Total	<u>\$ 22,043,000</u>	<u>\$ 3,901,897</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

There are a number of limitations and restrictions contained in the revenue bond indenture. Management has indicated that the City is in compliance with most of the significant limitations and restrictions at September 30, 2021.

Capital Lease Obligations

Governmental Activities

Capital lease obligations payable at September 30, 2021, are as follows:

\$99,711, capital lease payable to Kansas State Bank dated February 15, 2019 through February 15, 2024, payable in 5 annual installments of \$22,504 including interest at 4.53% secured by (1) John Deere Backhoe Loader \$ 61,829

Capital Leases	61,829
Less: Current Portion of Capital Leases	<u>(19,704)</u>

Capital Leases, Net of Current Portion	<u><u>\$ 41,125</u></u>
--	-------------------------

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 19,704	\$ 2,801
2023	20,596	1,908
2024	21,529	975
2025	-	-
2026	-	-
Thereafter	-	-
Total	<u><u>\$ 61,829</u></u>	<u><u>\$ 5,684</u></u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Business-Type Activities:

Capital Leases:

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

\$ 250,934

Capital Leases

250,934

Less: Current Portion of Capital Leases

(59,401)

Capital Leases, Net of Current Portion

\$ 191,533

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

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2021	\$ 59,401	\$ 9,159
2022	61,570	6,991
2023	63,817	4,744
2024	66,146	2,414
2025	-	-
Thereafter	-	-
Total	<u><u>\$ 250,934</u></u>	<u><u>\$ 23,308</u></u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Changes in Long-Term Liabilities

Long-term activity for the year ended September 30, 2021, was as follows:

	Beginning Balance October 1, 2020	Additions	Reductions	Ending Balance September 30, 2021	Due Within One Year
Governmental Activities:					
Bonds and Leases Payable					
Combination Tax & Limited Revenue Bonds	\$ 15,205,000	\$ -	\$ 340,000	\$ 14,865,000	\$ 435,000
Refunding Bonds	2,865,000	-	235,000	2,630,000	250,000
Combination Tax & Revenue Bond	1,410,000	-	80,000	1,330,000	85,000
Capital Leases	82,166	-	20,337	61,829	19,704
Premium on Refunding	3,036,105	-	149,816	2,886,289	149,816
Total bonds and leases payable	<u>22,598,272</u>	<u>-</u>	<u>825,153</u>	<u>21,773,118</u>	<u>939,520</u>
Other long-term liabilities					
Accumulated compensated absences	190,189	199,693	190,189	199,693	-
Net pension liability	457,148	-	112,939	344,209	-
Net OPEB liability	168,621	60,214	-	228,835	-
Total other long-term liabilities	<u>815,958</u>	<u>259,907</u>	<u>303,128</u>	<u>772,737</u>	<u>-</u>
Total Governmental Activities	<u>\$ 23,414,230</u>	<u>\$ 259,907</u>	<u>\$ 1,128,281</u>	<u>\$ 22,545,855</u>	<u>\$ 939,520</u>

	Beginning Balance October 1, 2020	Additions	Reductions	Ending Balance September 30, 2021	Due Within One Year
Business-Type Activities					
General Obligation Debt	\$ 10,460,000	\$ 5,410,000	\$ 593,000	\$ 15,277,000	\$ 769,000
Refunding Bonds	7,040,000	-	275,000	6,765,000	290,000
Premium on Refunding	741,966	-	36,792	705,174	36,792
Capital Leases	250,934	-	59,401	191,533	61,570
Total bonds and leases payable	<u>18,492,900</u>	<u>5,410,000</u>	<u>964,193</u>	<u>22,938,707</u>	<u>1,157,361</u>
Other long-term liabilities					
Accumulated compensated absences	27,680	35,879	27,680	35,879	-
Net pension liability	141,595	-	34,981	106,614	-
Net OPEB liability	52,228	18,650	-	70,878	-
Total other long-term liabilities	<u>221,503</u>	<u>54,529</u>	<u>62,661</u>	<u>213,371</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 18,714,404</u>	<u>\$ 5,464,529</u>	<u>\$ 1,026,854</u>	<u>\$ 23,152,079</u>	<u>\$ 1,157,361</u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8 DUE TO STATE

The Texas Comptroller of Public Accounts notified the City of Rio Grande City in February 2016 of a claim for refund of sales taxes paid in prior years by a local business. The claim was based on the location of transaction involving personal property on which sales taxes were paid being outside of the City of Rio Grande City. The City of Rio Grande City and the Texas Comptroller of Public Accounts agreed on a repayment of the claim totaling \$1,220,289 and the City paid \$95,712 in the year ended September 30, 2021.

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

Year	Payment Amount
2022	\$ 143,568
2023	143,568
2024	143,568
2025	143,568
2026	143,529
Total	<u>\$ 717,801</u>

NOTE 9 DEFERRED OUTFLOWS – BUSINESS-TYPE ACTIVITIES

In the Statement of Net Position (Exhibit D-1), the City reports cumulative charges on refunding as net deferred outflows in the amount of \$726,257

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Charge on Refunding	\$ 764,148	\$ -	\$ 37,892	\$ 726,257
Total	<u>\$ 764,148</u>	<u>\$ -</u>	<u>\$ 37,892</u>	<u>\$ 726,257</u>

NOTE 10 HEALTH CARE COVERAGE

During the year ended September 30, 2021, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of 405 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Article 3.51-5, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2020, 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, 2020, and have been filed with the Texas State Board of Insurance, Austin, Texas and are public record.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 11 PENSION PLAN

A. Plan Description

The City of Rio Grande City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at tmrs.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the Member's contributions, with interest, and the City-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member's contributions and interest.

Plan Provisions:

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

	Plan Year 2020	Plan Year 2021
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	114
Active employees	152
Total	<u><u>294</u></u>

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

C. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan option selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Rio Grande City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Rio Grande City were 6.83% and 6.96% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$382,573 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate:

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2019	\$ 11,156,712	\$ 10,557,969	\$ 598,743
Changes for the year:			
Service cost	653,540	-	653,540
Interest	766,570	-	766,570
Change of benefit terms	-	-	-
Difference between expected and actual experience	(67,999)	-	(67,999)
Changes of assumptions	-	-	-
Contributions - employer	-	374,186	(374,186)
Contributions - employee	-	328,659	(328,659)
Net investment income	-	802,574	(802,574)
Benefit payments, including refunds of employee contributions	(253,774)	(253,774)	-
Administrative expense	-	(5,186)	5,186
Other changes	-	(202)	202
Net changes	1,098,337	1,246,257	(147,920)
Balance at 12/31/2020	\$ 12,255,049	\$ 11,804,226	\$ 450,823

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 2,680,220	\$ 450,823	\$ 1,312,071

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$98,026.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 351,456
Changes in actuarial assumptions	29,574	-
Difference between projected and actual investment earnings (net of current year amortization)	-	298,270
Contributions subsequent to the measurement date	292,726	-
Total	<u>\$ 322,300</u>	<u>\$ 649,726</u>

\$292,726 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, 2021. 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:

2022	\$ (241,305)
2023	(106,110)
2024	(243,419)
2025	(29,318)
2026	-
Thereafter	-

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	26
Active employees	152
Total	<u>195</u>

Contributions

Employees for the City of Rio Grande City were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.14% and 0.12% in calendar year 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$6,889 and were equal to the required contributions.

Net Pension Liability

The City's Net OPEB Liability was measured as of December 31, 2020, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.50% to 11.50% per year - including inflation
Discount rate*	2.00%
Retiree's share of benefit related costs	\$0

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.*

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

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

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Total OPEB Liability:

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2019	\$ 220,849
Changes for the year:	
Service cost	19,721
Interest	6,337
Change of benefit terms	-
Difference between expected and actual experience	4,749
Changes of assumptions	48,605
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments,	-
including refunds of employee contributions	(548)
Administrative expense	-
Other changes	-
Net changes	78,864
Balance at 12/31/2020	\$ 299,713

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	\$ 385,281	\$ 299,713	\$ 237,155

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

For the year ended September 30, 2021, the City recognized OPEB expense in the amount of \$37,540.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 19,361	\$ 28,197
Changes in actuarial assumptions	83,822	9,022
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	5,047	-
Total	\$ 108,230	\$ 37,219

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

\$5,047 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ 11,482
2023	11,482
2024	11,482
2025	1,482
2026	9,869
Thereafter	10,167

NOTE 13 CONSTRUCTION AND IMPROVEMENT COMMITMENTS

Construction and Improvement Commitments

At September 30, 2021 the City had the following significant remaining contractual commitments for construction and improvement projects:

Project	Remaining Commitment	Financing Sources
Wastewater System Lift Improvements	\$ 340,429	2013 CO Construction Fund
Port of Entry Access Road Project	254,254	Economic Development Fund
North Fairgrounds Water Line Project	3,186	Public Utilities Fund
VFW 10" Force Main Sewer Line	8,959	Public Utilities Fund
Total	<u><u>\$ 606,828</u></u>	

NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims from these risks have not exceeded coverage in any of the past three fiscal years. The 2020 COVID-19 (Coronavirus) pandemic continues to disrupt businesses in America and the entire World. The District is striving to be highly attuned and is maintaining a heightened state of readiness for the principal risks and increased uncertainties ahead. Given the potential for rapid spreading of the virus, management will be evaluating the current and potential effects on its operations and financial reporting.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Concentrations of Credit Risk

Proprietary fund accounts receivable are concentrated within the geographic service area of the utility system, which is within the City. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service. The net amount of proprietary fund accounts receivable at year end after deducting the allowance for doubtful accounts and after including estimated amounts for service provided but not yet billed at year end was \$1,098,076. Utility customer deposits held at year end totaled \$319,672.

NOTE 15 CONTINGENCIES

Litigation

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

Federal and State Assisted Grants Programs

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

NOTE 16 PRIOR PERIOD ADJUSTMENTS

During the year 2021 the following prior period adjustments were made to clear outstanding items, a prior period adjustment of \$90,886 was made to the General Fund which increased the ending net position and fund balance. An adjustment of \$680 was made to the Boys & Girls Club Fund which increased the ending fund balance and net position. Additionally, an adjustment of (\$8,218) was also made to the Enterprise Fund which decreased the ending fund balance and net position.

**CITY OF RIO GRANDE CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 17 FUND BALANCE RESTRICTED OR COMMITTED TO OTHER PURPOSES

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

Nonspendable Fund Balance:	
Prepaid Items	\$ 12,000
Restricted Fund Balance:	
Federal of State Funds Grant Restriction	205,133
Construction	14,167,853
Other Restricted Fund Balance	3,005,315
Unassigned	<u>2,604,619</u>
Total Fund Balance	<u><u>\$ 19,994,920</u></u>

NOTE 18 FUND DEFICITS

At September 30, 2021, the Debt Service Fund had a deficit fund balance of (\$102,647). Additionally, the following Special Revenue funds had deficit fund balances at September 30, 2021: SRF Airport Fund had a deficit fund balance of (\$7,337), General Sanchez Statue Fund had a deficit fund balance of (\$138), TWDB-SPRP NO 73874 had a deficit fund balance of (\$40) and the American Relief Plan fund had a deficit fund balance of (\$30).

NOTE 19 EVALUATION OF SUBSEQUENT EVENTS

The Council has evaluated subsequent events through March 31, 2022 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF RIO GRANDE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,829,366	\$ 1,829,366	\$ 1,894,639	\$ 65,273
Delinquent Property Taxes	164,421	164,421	183,150	18,729
AD Valorem Tax Relief Revenue	1,047,901	1,047,901	1,221,766	173,865
General Sales and Use Taxes	2,095,802	2,095,802	2,540,245	444,443
Franchise Tax	587,542	587,542	592,172	4,630
Penalty and Interest on Taxes	111,607	111,607	111,727	120
Licenses and Permits	141,985	141,985	181,840	39,855
Intergovernmental Revenue and Grants	256,362	256,362	129,803	(126,559)
Charges for Services	100,957	100,957	86,351	(14,606)
Fines	284,690	284,690	267,774	(16,916)
Investment Earnings	25,000	25,000	2,046	(22,954)
Other Revenue	45,407	45,407	81,918	36,511
Total Revenues	6,691,040	6,691,040	7,293,431	602,391
EXPENDITURES:				
Current:				
Mayor and Council	15,700	15,700	16,034	(334)
City Manager	194,240	194,240	146,351	47,889
Administration	1,020,846	1,020,846	1,095,235	(74,389)
City Secretary	143,392	143,392	128,503	14,889
Finance	189,642	189,642	181,068	8,574
Personnel	86,386	86,386	83,000	3,386
Planning	551,571	551,571	500,517	51,054
Judicial	262,474	262,474	269,593	(7,119)
Police	2,599,493	2,599,493	2,489,844	109,649
Fire Protection	897,661	897,661	983,861	(86,200)
Public Works	757,830	757,830	921,631	(163,801)
Highway and Streets	188,441	188,441	172,950	15,491
Culture, recreation and parks	406,807	406,807	405,312	1,495
Library	311,461	311,461	307,796	3,665
Debt Service:				
Principal on Debt	20,337	20,337	20,337	-
Interest on Debt	3,662	3,662	3,662	-
Total Expenditures	7,649,943	7,649,943	7,725,694	(75,751)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(958,903)	(958,903)	(432,263)	526,640
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	1,600	1,600
Transfers In	995,000	995,000	1,081,002	86,002
Transfers Out (Use)	(45,686)	(45,686)	(110,000)	(64,314)
Total Other Financing Sources (Uses)	949,314	949,314	972,602	23,288
Net Change in Fund Balances	(9,589)	(9,589)	540,339	549,928
Fund Balance - October 1 (Beginning)	2,095,586	2,095,586	2,095,586	-
Prior Period Adjustment	-	-	90,886	90,886
Fund Balance - September 30 (Ending)	\$ 2,085,997	\$ 2,085,997	\$ 2,726,811	\$ 640,814

CITY OF RIO GRANDE CITY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
A. Total Pension Liability			
Service Cost	\$ 653,540	\$ 599,060	\$ 618,174
Interest (on the Total Pension Liability)	766,570	704,162	665,152
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(67,999)	(139,767)	(329,079)
Changes of Assumptions	-	49,376	-
Benefit Payments, Including Refunds of Employee Contributions	(253,774)	(377,234)	(356,293)
Net Change in Total Pension Liability	\$ 1,098,337	\$ 835,597	\$ 597,954
Total Pension Liability - Beginning	11,156,712	10,321,115	9,723,161
Total Pension Liability - Ending	\$ 12,255,049	\$ 11,156,712	\$ 10,321,115
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 374,186	\$ 357,201	\$ 372,064
Contributions - Employee	328,659	304,865	316,399
Net Investment Income	802,574	1,378,366	(265,113)
Benefit Payments, Including Refunds of Employee Contributions	(253,774)	(377,234)	(356,293)
Administrative Expense	(5,186)	(7,777)	(5,118)
Other	(202)	(234)	(267)
Net Change in Plan Fiduciary Net Position	\$ 1,246,257	\$ 1,655,187	\$ 61,672
Plan Fiduciary Net Position - Beginning	10,557,969	8,902,782	8,841,111
Plan Fiduciary Net Position - Ending	\$ 11,804,226	\$ 10,557,969	\$ 8,902,783
C. Net Pension Liability	\$ 450,823	\$ 598,743	\$ 1,418,332
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.32%	94.63%	86.26%
E. Covered Payroll	\$ 5,478,126	\$ 5,081,086	\$ 5,270,022
F. Net Pension Liability as a Percentage of Covered Payroll	8.23%	11.78%	26.91%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

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

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

CITY OF RIO GRANDE CITY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2021

	2021	2020	2019
Actuarially Determined Contribution	\$ 382,573	\$ 373,297	\$ 356,241
Contributions in Relation to the Actuarially Determined Contributions	(382,573)	(373,297)	(356,241)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,521,313	\$ 5,428,479	\$ 5,062,113
Contributions as a Percentage of Covered Payroll	6.93%	6.88%	7.04%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

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

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

CITY OF RIO GRANDE CITY, TEXAS
NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

CITY OF RIO GRANDE CITY, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability				
Service Cost	\$ 19,721	\$ 14,735	\$ 17,391	\$ 15,304
Interest on the Total OPEB Liability	6,337	7,347	5,530	4,967
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	4,749	(38,177)	24,211	-
Changes of Assumptions	48,605	46,525	(14,308)	14,866
Benefit Payments*	(548)	(508)	(527)	14,338
Net Change in Total OPEB Liability	78,864	29,922	32,297	49,475
Total OPEB Liability - Beginning	220,849	190,927	158,630	124,021
Total OPEB Liability - Ending	\$ 299,713	\$ 220,849	\$ 190,927	\$ 173,496
Covered Payroll	\$ 5,478,126	\$ 5,081,086	\$ 5,270,022	\$ 5,277,254
Total OPEB Liability as a Percentage of Covered Payroll	5.47%	4.35%	3.62%	3.29%

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

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

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

CITY OF RIO GRANDE CITY, TEXAS
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

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

Budgetary Information

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

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

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

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

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

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

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUND

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

DEBT SERVICE FUNDS

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

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

CITY OF RIO GRANDE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Hotel Occupancy Tax Fund	Forfeiture Fund	HIDTA Task Force Fund	Treasury Forfeiture Fund
ASSETS				
Cash and Cash Equivalents	\$ 312,518	\$ 107,195	\$ 2,761	\$ 18,780
Accounts Receivable Net	8,676	-	-	-
Due from Other Governments	-	-	20,092	-
Due from Other Funds	3,258	-	10	715
Due from Others	-	-	-	-
Materials On Hand	-	-	-	-
Total Assets	<u>\$ 324,452</u>	<u>\$ 107,195</u>	<u>\$ 22,863</u>	<u>\$ 19,495</u>
LIABILITIES				
Accounts Payable	\$ 1,808	\$ 1,705	\$ -	\$ -
Wages and Salaries Payable	376	-	-	-
Retainage Payable	-	-	-	-
Due to Other Funds	1,799	1,995	20,309	-
Total Liabilities	<u>3,983</u>	<u>3,700</u>	<u>20,309</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	103,495	2,554	19,495
Restricted for Construction	-	-	-	-
Other Restricted Fund Balance	320,469	-	-	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>320,469</u>	<u>103,495</u>	<u>2,554</u>	<u>19,495</u>
Total Liabilities and Fund Balances	<u>\$ 324,452</u>	<u>\$ 107,195</u>	<u>\$ 22,863</u>	<u>\$ 19,495</u>

Police Training Fund	Border Security Grants Fund	DHS Stonegarden Fund	SRF Airport Fund	PEG Fee Fund	Boys & Girls Club Fund	Mun Court Security Fund	Mun Court Technology Fund
\$ 13,896	\$ 7,171	\$ 119,868	\$ 2,682	\$ 42,937	\$ 21,247	\$ -	\$ -
-	-	-	-	4,748	-	-	-
-	-	84,306	-	-	-	-	-
-	-	-	-	4,908	-	29,925	9,763
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 13,896</u>	<u>\$ 7,171</u>	<u>\$ 204,174</u>	<u>\$ 2,682</u>	<u>\$ 52,593</u>	<u>\$ 21,247</u>	<u>\$ 29,925</u>	<u>\$ 9,763</u>
\$ -	\$ -	\$ -	\$ 10,019	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	180,176	-	137	-	-	-
<u>-</u>	<u>-</u>	<u>180,176</u>	<u>10,019</u>	<u>137</u>	<u>-</u>	<u>-</u>	<u>-</u>
13,896	7,171	23,998	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	52,456	21,247	29,925	9,763
-	-	-	(7,337)	-	-	-	-
<u>13,896</u>	<u>7,171</u>	<u>23,998</u>	<u>(7,337)</u>	<u>52,456</u>	<u>21,247</u>	<u>29,925</u>	<u>9,763</u>
<u>\$ 13,896</u>	<u>\$ 7,171</u>	<u>\$ 204,174</u>	<u>\$ 2,682</u>	<u>\$ 52,593</u>	<u>\$ 21,247</u>	<u>\$ 29,925</u>	<u>\$ 9,763</u>

CITY OF RIO GRANDE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Mun Court Jury Fund	Mun Court Truancy Prev Fund	Park Fee Fund	General Sanchez Statue Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 121,908	\$ 4,862
Accounts Receivable Net	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Other Funds	167	8,314	720	-
Due from Others	-	-	-	-
Materials On Hand	-	-	-	-
Total Assets	<u>\$ 167</u>	<u>\$ 8,314</u>	<u>\$ 122,628</u>	<u>\$ 4,862</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Retainage Payable	-	-	-	-
Due to Other Funds	-	-	-	5,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
FUND BALANCES				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	-
Restricted for Construction	-	-	-	-
Other Restricted Fund Balance	167	8,314	122,628	-
Unassigned Fund Balance	-	-	-	(138)
Total Fund Balances	<u>167</u>	<u>8,314</u>	<u>122,628</u>	<u>(138)</u>
Total Liabilities and Fund Balances	<u>\$ 167</u>	<u>\$ 8,314</u>	<u>\$ 122,628</u>	<u>\$ 4,862</u>

EDA Grant 0879050 Fund	TWBD-SPRP NO 73874 Fund	American Relief Plan Fund	Total Nonmajor Special Revenue Funds	Wastewater Project Fund	Total Nonmajor Governmental Funds
\$ 26	\$ 60	\$ -	\$ 775,911	\$ 335,802	\$ 1,111,713
-	-	-	13,424	-	13,424
-	-	-	104,398	-	104,398
-	-	-	57,780	-	57,780
262,457	-	-	262,457	-	262,457
-	-	-	-	75,037	75,037
<u>\$ 262,483</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 1,213,970</u>	<u>\$ 410,839</u>	<u>\$ 1,624,809</u>
\$ -	\$ -	\$ -	\$ 13,532	\$ 17,948	\$ 31,480
-	-	-	376	-	376
-	-	-	-	76,269	76,269
227,959	100	30	437,505	-	437,505
<u>227,959</u>	<u>100</u>	<u>30</u>	<u>451,413</u>	<u>94,217</u>	<u>545,630</u>
34,524	-	-	205,133	-	205,133
-	-	-	-	316,622	316,622
-	-	-	564,969	-	564,969
-	(40)	(30)	(7,545)	-	(7,545)
<u>34,524</u>	<u>(40)</u>	<u>(30)</u>	<u>762,557</u>	<u>316,622</u>	<u>1,079,179</u>
<u>\$ 262,483</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 1,213,970</u>	<u>\$ 410,839</u>	<u>\$ 1,624,809</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, 2021

	Hotel Occupancy Tax Fund	Forfeiture Fund	HIDTA Task Force Fund	Treasury Forfeiture Fund
REVENUES:				
Taxes:				
Franchise Tax	\$ -	\$ -	\$ -	\$ -
Hotel/Motel Tax	94,896	-	-	-
Intergovernmental Revenue and Grants	-	-	56,587	-
Fines	-	-	-	-
Forfeits	-	130,931	-	715
Investment Earnings	253	52	-	20
Other Revenue	-	2,325	-	-
Total Revenues	<u>95,149</u>	<u>133,308</u>	<u>56,587</u>	<u>735</u>
EXPENDITURES:				
Current:				
General Government:				
Administration	-	-	-	-
Police	-	34,115	53,557	1,328
Economic Development and Assistance	55,534	-	-	-
Total Expenditures	<u>55,534</u>	<u>34,115</u>	<u>53,557</u>	<u>1,328</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,615</u>	<u>99,193</u>	<u>3,030</u>	<u>(593)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	39,615	99,193	3,030	(593)
Fund Balance - October 1 (Beginning)	280,854	4,302	(476)	20,088
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 320,469</u>	<u>\$ 103,495</u>	<u>\$ 2,554</u>	<u>\$ 19,495</u>

Police Training Fund	Border Security Grants Fund	DHS Stonegarden Fund	SRF Airport Fund	PEG Fee Fund	Boys & Girls Club Fund	Mun Court Security Fund	Mun Court Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ 18,609	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
576	99,998	205,106	-	-	-	8,013	7,358
-	-	-	-	-	-	-	-
14	7	88	6	37	22	-	-
-	-	-	-	-	-	-	-
590	100,005	205,194	6	18,646	22	8,013	7,358
-	-	-	23,586	-	-	-	-
130	100,122	205,288	-	2,352	-	-	-
-	-	-	-	-	-	-	-
130	100,122	205,288	23,586	2,352	-	-	-
460	(117)	(94)	(23,580)	16,294	22	8,013	7,358
-	-	-	10,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	10,000	-	-	-	-
460	(117)	(94)	(13,580)	16,294	22	8,013	7,358
13,436	7,288	24,092	6,243	36,162	20,545	21,912	2,405
-	-	-	-	-	680	-	-
\$ 13,896	\$ 7,171	\$ 23,998	\$ (7,337)	\$ 52,456	\$ 21,247	\$ 29,925	\$ 9,763

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, 2021

	Mun Court Jury Fund	Mun Court Truancy Prev Fund	Park Fee Fund	General Sanchez Statue Fund
REVENUES:				
Taxes:				
Franchise Tax	\$ -	\$ -	\$ -	\$ -
Hotel/Motel Tax	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	-	108	5
Other Revenue	132	6,558	26,868	-
Total Revenues	<u>132</u>	<u>6,558</u>	<u>26,976</u>	<u>5</u>
EXPENDITURES:				
Current:				
General Government:				
Administration	-	-	195	5,123
Police	-	-	-	-
Economic Development and Assistance	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>195</u>	<u>5,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>132</u>	<u>6,558</u>	<u>26,781</u>	<u>(5,118)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	132	6,558	26,781	(5,118)
Fund Balance - October 1 (Beginning)	35	1,756	95,847	4,980
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 167</u>	<u>\$ 8,314</u>	<u>\$ 122,628</u>	<u>\$ (138)</u>

EDA Grant 0879050 Fund	TWBD-SPRP NO 73874 Fund	American Relief Plan Fund	Total Nonmajor Special Revenue Funds	Wastewater Project Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 18,609	\$ -	\$ 18,609
-	-	-	94,896	-	94,896
-	-	-	362,267	-	362,267
-	-	-	15,371	-	15,371
-	-	-	131,646	-	131,646
19	-	-	631	233	864
-	-	-	35,883	-	35,883
19	-	-	659,303	233	659,536
-	40	30	28,974	269	29,243
-	-	-	396,892	-	396,892
44,159	-	-	99,693	-	99,693
44,159	40	30	525,559	269	525,828
(44,140)	(40)	(30)	133,744	(36)	133,708
-	-	-	10,000	-	10,000
-	-	-	-	(339,239)	(339,239)
-	-	-	10,000	(339,239)	(329,239)
(44,140)	(40)	(30)	143,744	(339,275)	(195,531)
78,664	-	-	618,133	655,897	1,274,030
-	-	-	680	-	680
\$ 34,524	\$ (40)	\$ (30)	\$ 762,557	\$ 316,622	\$ 1,079,179

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
General Sales and Use Taxes	\$ 1,047,901	\$ 1,047,901	\$ 1,221,766	\$ 173,865
Investment Earnings	13,800	13,800	2,081	(11,719)
Other Revenue	4,000	4,000	715	(3,285)
Total Revenues	1,065,701	1,065,701	1,224,562	158,861
EXPENDITURES:				
Economic Development and Assistance	1,690,807	1,690,807	540,529	1,150,278
Total Expenditures	1,690,807	1,690,807	540,529	1,150,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	(625,106)	(625,106)	684,033	1,309,139
OTHER FINANCING SOURCES (USES):				
Transfers In	963,241	963,241	-	(963,241)
Transfers Out (Use)	(338,091)	(338,091)	(424,093)	(86,002)
Total Other Financing Sources (Uses)	625,150	625,150	(424,093)	(1,049,243)
Change in Fund Balance	44	44	259,940	259,896
Fund Balance - October 1 (Beginning)	2,180,406	2,180,406	2,180,406	-
Fund Balance - September 30 (Ending)	\$ 2,180,450	\$ 2,180,450	\$ 2,440,346	\$ 259,896

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 523,743	\$ 523,743	\$ 460,944	\$ (62,799)
Delinquent Property Taxes	42,074	42,074	44,499	2,425
Penalty and Interest on Taxes	30,014	30,014	55,124	25,110
Investment Earnings	2,370	2,370	284	(2,086)
Total Revenues	598,202	598,202	560,851	(37,351)
EXPENDITURES:				
Debt Service:				
Principal on Debt	930,000	930,000	655,000	275,000
Interest on Debt	1,095,072	1,095,072	817,697	277,375
Other Debt Service	38,525	38,525	36,499	2,026
Total Expenditures	2,063,597	2,063,597	1,509,196	554,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,465,395)	(1,465,395)	(948,345)	517,050
OTHER FINANCING SOURCES (USES):				
Transfers In	851,197	851,197	895,635	44,438
Transfers Out (Use)	-	-	(555,375)	(555,375)
Total Other Financing Sources (Uses)	851,197	851,197	340,260	(510,937)
Change in Fund Balance	(614,198)	(614,198)	(608,085)	6,113
Fund Balance - October 1 (Beginning)	505,438	505,438	505,438	-
Fund Balance - September 30 (Ending)	\$ (108,760)	\$ (108,760)	\$ (102,647)	\$ 6,113

CITY OF RIO GRANDE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMB TAX & LTD PLEDGE REV C/O'S BONDS, SERIES 2020
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Investment Earnings	\$ 14,363	\$ 14,363	\$ 14,363	\$ -
Total Revenues	14,363	14,363	14,363	-
EXPENDITURES:				
Current:				
General Government	850,683	850,683	850,683	-
Total Expenditures	850,683	850,683	850,683	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(836,320)	(836,320)	(836,320)	-
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(501,874)	(501,874)	(501,874)	-
Total Other Financing Sources (Uses)	(501,874)	(501,874)	(501,874)	-
Change in Fund Balance	(1,338,194)	(1,338,194)	(1,338,194)	-
Fund Balance - October 1 (Beginning)	15,189,425	15,189,425	15,189,425	-
Fund Balance - September 30 (Ending)	\$ 13,851,231	\$ 13,851,231	\$ 13,851,231	\$ -

REPORT ON INTERNAL CONTROL AND COMPLIANCE

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd., Suite 102

Corpus Christi, Texas 78411

Office (361)980-0482 Fax (361)980-1002

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rio Grande City, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Rio Grande City, Texas's basic financial statements, and have issued our report thereon dated March 31, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

March 31, 2022

**CITY OF RIO GRANDE CITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? ☐ Yes ☒ No

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

2. Federal Awards – N/A

Internal control over major programs:

One or more material weaknesses identified? ☐ Yes ☒ No

One or more significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ 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 ☒ 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 ☒ No

**CITY OF RIO GRANDE CITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**B. Financial Statement Findings
NONE**

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

**CITY OF RIO GRANDE CITY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

N/A

**CITY OF RIO GRANDE CITY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

N/A